



Economic Development Committee

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

Executive Summary

Report No. 2, November 2009

The Economic Development Committee

The Economic Development Committee is a select committee of the 53rd 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

The terms of reference for this inquiry 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, 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 report was required to be tabled in the Queensland Parliament by 26 November 2009. The full report contains a statement of reservations.

Report summary

Unemployment (pages 3 – 18)

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.

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.

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.

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.

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)

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.

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.

One program proposed by researchers from the Centre of Full Employment and Equity 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)

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.

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.

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.

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.

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.

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.

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)

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.

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 research and development is only 0.13 per cent of global expenditure on research and development. This puts Queensland at a competitive disadvantage against leading OECD economies driven by knowledge-intensive industries that are based on levels of innovation and research and development.

The Queensland Government participates in a number of programs to encourage innovation. These include the Smart State Strategy, as well as the work of Department of Employment, Economic Development and Innovation, QMI Solutions and the Australian Institute for Commercialisation.

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 Australian Institute for Commercialisation advises entrepreneurs, small business, research organisations and governments on the commercialisation of their intellectual property.

As small and medium enterprises make up a significant proportion of Queensland businesses, their contribution to innovation is essential. In addition, small and medium enterprises are closely aligned to customer and market needs and their input into the direction of sector based research and development activities ensures the outcomes of these activities make their way to the market. For this to occur, small and medium enterprises require knowledge, connections, time and support to undertake innovative activities.

The Queensland Government recognises the importance of supporting small and medium enterprises to undertake innovative activities and has a number of programs to help small and medium enterprises 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)

The committee recognises that different regions face different challenges, particularly in Queensland where there is diversity across urban, regional and remote and rural communities. The Organisation for Economic Co-operation and Development 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.

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 small and medium enterprises within Queensland to bid for the work.

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.

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.

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)

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.

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.

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.

OECD countries have generally adopted the view that reducing the impact of regulatory burden on small and medium enterprises 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 regulatory impact statements 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.

Scope of inquiry

The terms of reference for this inquiry cover a broad range of matters. 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. In some respects the report is not as comprehensive as the committee would have liked.

Recommendations

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.

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.

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 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.

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 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.

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.

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 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.

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.

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 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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.

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.

Committee Members

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