

# **THE PROMISE OF A SOCIAL DIVIDEND**

## **QUALITY JOBS AND SERVICES FOR THE 21<sup>ST</sup> CENTURY**



**PUBLIC SERVICE ASSOCIATION OF SOUTH AUSTRALIA  
STATE BUDGET SUBMISSION  
2001-2002**

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# **1 STRUCTURE OF THE REPORT**

This report consists of 6 sections.

**Section 2** provides a short summary of the report.

**Section 3** provides an overview and summary of recommendations.

**Section 4** outlines the case for the provision of a social dividend to South Australians.

**Section 5** provides an overview of recent trends in the South Australian labour market, making the case for the development of a comprehensive and integrated State Employment Strategy.

**Section 6** outlines a range of strategies for public and private sector sector renewal in the areas of youth recruitment, employment conditions and security, housing, education, health and community services, infrastructure development and employment.

## 2 EXECUTIVE SUMMARY

"...we are committed to using all of the proceeds from the sale to retiring debt. It will go into our schools and our hospitals, into roads and into large construction projects which will reinvigorate our economy."

Premier John Olsen commenting on the long term lease of ETSA,  
*The Advertiser*, 3 June 2000

Throughout the course of the ETSA privatisation debate, the Government claimed that the proceeds of privatisation would result in significant savings. It specifically claimed that around \$2-million per day in interest payments would be saved. In the next financial year this would equate to savings of around \$730 million.

This money, it argued, would be used to increase funding to a range of services and "reinvigorate" South Australia's economy. The Government called this a "social dividend".

There are now a range of indicators that illustrate serious social and economic problems facing South Australia that demand immediate attention, especially in critical sectors such as health, education, housing and employment.

It is in this context that the Public Service Association has developed a budget submission that calls for an additional \$1.62 billion in state spending over three years. This amount is to be augmented by a \$25 million contribution sought from the Federal Government through a boost to the Commonwealth State Housing Agreement.

In the 2001-02 financial year total additional commitments are worth around \$864 million, marginally more than the claimed savings from the privatisation of ETSA. Around 22,500 public and private sector jobs are expected to flow from this expenditure in 2001-02.

The PSA submission specifically targets the following initiatives:

<b>INITIATIVE</b>	<b>COMMITMENT</b>
State Infrastructure Modernisation program	\$1 billion over 3 years
Youth employment program	\$12m
Public sector wages & conditions	\$100m
Public housing program	\$37.5m
Commonwealth Public Housing funds	\$25m
Quality Education	\$90m
Health and Community Services	\$135m
State employment strategies	\$250m

Source: Centre for Labour Research, Adelaide University

### **3 OVERVIEW AND RECOMMENDATIONS**

...we are committed to using all of the proceeds from the sale to retiring debt. This in turn, will free up much of the \$2 million a day which we are paying in interest on that debt. This interest money will instead be put to best use. It will go into our schools and our hospitals, into roads and into large construction projects which will reinvigorate our economy. This will create more jobs.

Premier John Olsen, The Advertiser, June 3, p 19

Whatever the fiscal outcome of the State Governments privatisation strategy, it has pledged to provide a significant social dividend to the South Australian community as the result of the financial gains it claimed would flow from the strategy. Essentially it claimed that the community could expect a social dividend in the form of additional funding to a range of areas including health, education and community services. Throughout the course of the ETSA privatisation debate the government claimed that the proceeds of privatisation would result in significant savings. It specifically claimed that around \$2 million per day in interest payments would be saved and that these savings could be used to increase funding to a range of services and “reinvigorate” our economy. There are many pressing social and economic reasons why the PSA believes that it is urgent that the State Government deliver on its promise of a social dividend.

A range of indicators illustrate serious social and economic problems facing South Australia. Among these are significant unmet community demand in public services such as health, education and housing. The South Australian labour market is relatively fragile making it vulnerable to rapidly increasing unemployment in the context of an economic slowdown. Disturbingly it appears that there is a high

probability of a further quarter of negative national growth in March. This will fuel a further decline in job advertisements. In this context it is possible that the unemployment rate in South Australia could approach double digit figures towards the end of 2001 or early next year. There is a very real risk that thousands of South Australian's will be forced into social and economic hardship as the result of growing unemployment. Consequently there is a pressing need for the State Government to face these challenges in the 2001-2002 State Budget.

This submission outlines a range of strategies designed to boost employment and meet pressing social and economic needs in the areas of education, housing, employment security, youth employment and infrastructure development. Investing in these areas will stimulate employment and industry growth in both the public and private sectors. Combined the proposals will cost the State Government around \$1.62 billion dollars over three years. The expenditure is expected to have a significant positive impact on employment generating around 22,517 direct and indirect jobs in the public and private sectors in 2001-02<sup>1</sup>. The likely employment impact of some of the key employment generating initiatives proposed in the submission is summarised in the following table.

**Employment Impact of Key Recommendations in 2001-2002**

Area	\$ million	Employment Impact
Youth employment	12.0	2500 <sup>2</sup>
Housing	37.5	975
Schools	90.0	3150
Health	100.0	2900
Infrastructure	333.0	7992
Employment	25.0	5000 <sup>3</sup>
<b>TOTAL</b>	<b>486.5</b>	<b>22,517</b>

<sup>1</sup> Total employment multipliers are calculated as a sum of initial, production-induced and consumption induced effects (Carmen, 1999). Multipliers have not been applied to youth employment and employment lines.

<sup>2</sup> This involves a commitment to public sector youth trainee positions.

<sup>3</sup> Includes commitment to apprenticeships and traineeships as recommended.

This sort of stimulus would help to counter the impact of jobs losses flowing from the current economic slowdown. The housing and infrastructure initiatives will be particularly useful in helping to stimulate activity in the ailing residential housing and construction sectors in South Australia while other initiatives in the areas of education, health and youth employment will generate employment rapidly.

If government fails to respond in a substantial way to the challenge of meeting its promise of paying a social dividend to the South Australian community, the social and economic costs to the community will be very high. Already stretched public and community services will not be able to cope with rapidly increasing demand. Unemployment remains high and is set to increase rapidly in the absence of public sector initiatives. To avoid this potential crisis the State Government must invest now. It is time to meet the promise of paying a significant social dividend to the South Australian community.

#### **RECOMMENDATION 1: REVITALISE AND EXPAND STATE GOVERNMENT YOUTH TRAINING SCHEME**

The State Government Youth Training Scheme is one of the most successful employment and training programs available in South Australia. Between 1992-93 and 2000 around 6300 young people have benefited from the program. Nearly 70 percent of those completing it go on to either full time employment or full time study. The success of the program provides strong grounds for expansion of the scheme.

There are other good reasons for supporting expansion. It is designed to provide young people, who are under represented in the workforce, with an opportunity to gain employment. The program also helps to redress the current age imbalance in the public sector workforce as a whole.

*It is recommended that the State Government:*

- *extend the successful public sector State Government Youth Training Initiative to 2500 places in 2001/2002.*

*Cost: \$12 million.*

### **RECOMMENDATION 2: PUBLIC SECTOR PAY**

Public sector pay packets represent a significant source of demand for goods and services in the economy as a whole. With the current wages enterprise parity agreement due to expire in October 2001 the State Government should make provision in the State Budget for a public sector pay rise for the 2001-2002 financial year with final amount of increase still subject to negotiation but taking into account similar movements in other areas of the public sector.

*It is recommended that:*

*The State Government make additional provision for approximately \$100 Million in the State Budget for public sector pay rises for the 2001-2002 financial year to apply in respect to the Enterprise Agreement to follow the current Parity Agreement which expires on 1 October 2001.*

### **RECOMMENDATION 3: RECOGNITION OF ONGOING STATUS OF EMPLOYEES IN THE PUBLIC SECTOR**

The PSA believes that the trend towards casual and contract employment in the State public sector is significantly disadvantaging employees, making it difficult for them to obtain housing loans and plan for their families and themselves. Improving this

situation is likely to have significant external benefits, particularly by increasing the capacity of employees to access housing finance – a move likely to help the ailing housing construction industry in South Australia. The principle to be observed in relation to contract and casual employees is that where such work constitutes ongoing work it should be recognised as such by the government. The State government should take immediate action to help overcome the problem facing ‘ongoing’ contract and casual employees. This is likely to result in significant savings to the government through reduced fees paid to external employment agencies.

*It is recommended that:*

*On-going work of the SA public sector should be undertaken by on-going staff instead of employment agency staff and staff on contracts. The proportion of staff employed on an on-going basis should be significantly increased.*

#### **RECOMMENDATION 4: HOUSING SOUTH AUSTRALIANS**

Historically, investment by government in public housing has made a vital contribution to South Australia’s economic and social development. Public housing has helped to sustain the construction industry over the economic cycle and it has underpinned the growth of a relatively affordable housing market in SA. Since 1993 it had declined by around 9,000. Meanwhile the public housing waiting list remains very high with around 28,000 people currently on the list. A reversal of the decline in the public housing stock is urgently required to address this unmet demand. The recent downturn in the housing construction industry provides an important opportunity for the State Government to provide some relief to the industry by creating additional demand through an expanded renovation and building program. Priority for renovation should be given to areas of greatest need including Smithfield Plains and Davoren Park.

*It is recommended that the State Government:*

*Increase public housing expenditure to build an extra 260 houses and renovate an extra 500 houses in 2001-2002.*

*Cost: \$37.5 million*

#### **RECOMMENDATION 5: COMMONWEALTH SUPPORT FOR HOUSING**

One of the key problems facing the SA Housing Trust in meeting the housing needs of South Australian's has been a significant decline in Commonwealth funding to housing programs. Over the six years to 1999-00 Commonwealth funding to SA has declined by around 54 percent from around \$98 million in 1992-93 to around \$45 million in 1999-00. At the same time, State Government funds for housing have doubled from around \$41 million per annum in 1992-93 to \$84 million in 1999-00. The net effect of this is that total funding for the programs administered by the Trust has declined significantly in real terms. Total funding remained static at around \$129 million for each period. It is vital that the State Government lobby for a reversal of this trend. In the short term the State Government should call on the Federal Government to make a one off injection of \$250 million of additional funds into the Agreement for 2001-2002 to enable expansion of new public and community housing starts and the acceleration of public housing renovation programs throughout Australia. South Australia's share of these additional funds would be around \$25 million.

*It is recommended that the State Government:*

*Call on the Commonwealth Government to inject additional funds into the Commonwealth State Housing Agreement in the 2001-2002 financial year to assist all states and territories to expand public housing starts and accelerate the renovation of*

*existing public housing stock. An expanded Agreement will enable an additional 2200 new houses to be built and 2000 existing houses to be renovated.*

*Cost: \$250 million*

## **RECOMMENDATION 6: COMMITMENT TO QUALITY SCHOOLS**

South Australia, even more than other states, depends critically on the availability of a skilled and well-educated workforce. In this context it is disturbing that school retention rates in South Australia have dropped at a rate not paralleled in any other Australian state. At 58 per cent, the completion rate for South Australian government schools is now the lowest in Australia, even falling below the corresponding rate for the Northern Territory.

As in other states, boys have performed worse, on average, than girls. The completion rate for boys in South Australian government schools has fallen to 51 per cent. This is a return to the outcomes of the 1970s, at a time when it was still generally assumed that early school-leavers could obtain entry-level positions and ‘learn on the job’.

*It recommended that the State Government:*

- *Increase resources to State schools for School Services Officers (SSO's) to ensure quality education for South Australian children;*
- *Ensure that School Services Officers receive proper recognition for the increasing workload that is placed on them with extra funding and a review of classification structures;*

- *Ensure that the formula that determines the allocation of hours for School Services Officers is reviewed and modified to more accurately reflect the needs of SSOs and schools;*
- *Improve the quality of the teaching and learning environment and increase school completion rates it is recommended that the State Government increase funding for government schools by 10 per cent.*

*Cost: \$90 million.*

#### **RECOMMENDATION 7: COMMITMENT TO QUALITY HEALTH AND COMMUNITY SERVICES**

South Australia's health and community services are not able to meet public demand, due to inadequate funding. There is an urgent need to increase funding in order to meet demand and improve the quality of services and working conditions for health sector employees. Waiting times for hospital beds have blown out since 1994 when the State Government cut around 650 hospital beds from the State's hospital system. The 65 new beds made available recently are welcome but they are not sufficient. It is also very likely that demand will increase substantially during the winter season. It is vital that the government make a commitment to at least 75-100 additional beds in the State Budget to deal with current and anticipated demand.

The strain on Public hospitals would be reduced by providing a one off injection of funds to pay off existing hospital deficits estimated to be around \$35 million.

There is also a need to address critical shortages in the availability of Pharmacists within the hospital system. The PSA is aware that these shortages are causing delays in the dispensing of drugs and servicing of patients. The Dental health service is under significant strain. The Government has indicated that waiting times for normal treatment is up to four years. Currently there are around 90,000 people on dental

waiting lists. It is also widely acknowledged that there is a pressing need for increased funding in mental health.

There also appears to be a crisis in the hospitals capital works program. Only \$10-\$12m of the \$192m allocated in the last budget has been spent.

*It recommended that the State Government:*

- *Provide the public health sector with a package of funding for 2001-02 to improve quality and reduce delays for treatment. This should include:*
- *Resources to ensure conformity with national health standards;*
- *Resources to reduce hospital waiting times for elective surgery and delays for urgent treatment:*
- *Resources for an additional 50 hospital beds to meet increased demand over winter;*
- *Increase resources to help reduce dental health waiting times;*
- *Increase resources to mental health services;*
- *Resources to upgrade medical information technology and communications infrastructure.*

*Cost: \$100 million*

*It recommended that the State Government:*

*Pay off existing public hospital debts;*

*Cost: \$35 million*

## **RECOMMENDATION 8: STATE INFRASTRUCTURE AUDIT AND MODERNIZATION STRATEGY**

South Australia's quality of life and future prosperity depends upon the development of world's class social and physical infrastructure. Much of our physical infrastructure is now very old and urgently in need of replacement or upgrade. It is essential that the dimensions of this challenge are clearly defined, the costs involved identified and a strategy for infrastructure modernization developed. It is assumed that any audit of South Australia's infrastructure is likely to reveal significant infrastructure development needs. These needs should be prioritised and a resourcing strategy developed. Government will need to make significant forward commitments to new spending through the Capital Works Program to meet these needs. Inevitably this will require the State government to use its capacity to borrow on relatively favorable terms. It will also require assistance from the Federal Government.

*It is recommended that the State Government:*

- *Undertaken an audit of South Australia's infrastructure.*
- *Consult with community stakeholders and regional communities to develop an Infrastructure Modernization Strategy.*
- *Review processes and procedures in the implementation of the Capital Works program to help ensure that funds committed to the program are spent during the period of commitment.*
- *On the basis of the audit identify a range of private and public funding sources to ensure a \$1 billion net increase in the Capital Works Program over the next three years.*

*Cost: \$1 billion over three years*

## **RECOMMENDATION 9: STATE EMPLOYMENT STRATEGY**

There is now an urgent need for more concrete employment and industry policy development work to be done. This will require a far more intensive and consultative approach and one that is underpinned by sound research. A well resourced focal point within government for the implementation of employment strategies is required. In addition significant new expenditure is required for the development of a more skilled workforce and to generate sustainable and rewarding employment opportunities for more South Australians.

*It is recommended that:*

- *The Government establish an Employment and Industry Development Research Unit to assist the Employment Council with the development of a comprehensive whole of government employment strategy addressing the following issues:*
  - *Economic conditions and outlook for the South Australian labour market;*
  - *Profile and performance of the South Australian labour market;*
  - *Medium term outlook for the South Australian labour market;*
  - *Industries in growth and decline;*
  - *Skill gaps and shortages;*
  - *The role of knowledge and skill;*
  - *Equity issues in the labour market;*
  - *Review of the impact of existing employment and labour market policies and strategies;*
  - *Review of the role of government and institutional arrangements within government;*
  - *Review of national and international best practice strategies and policies;*
  - *Discussion and outline of alternative strategies and policies for consideration.*

- *The Strategy should be released publicly for consultation before September 2001 and a State Employment Policy Conference convened by the Council to engage community input and commitment to the development of the State Employment Strategy. Provision should be made in the 2001-2002 state budget for a range of new employment and training programs to support the implementation of the strategy. Specific provision should be made for the following in the strategy:*
  - *An extra \$45 million over three years for graduate placements, apprenticeships and traineeships including a major program to promote and support group employment and training throughout the state;*
  - *An extra \$5 million over three years to support industry networking and cluster development initiatives that integrate group employment and training targets;*
  - *An extra \$10 million to support innovative environmental industry and employment development initiatives;*
  - *An extra \$6 million per annum over three years for programs that address the succession needs of family owned businesses;*
  - *An extra \$150 million over three years for a manufacturing modernisation and innovation program;*
  - *An extra \$4 million for the development of a comprehensive state wide employment strategy and to undertake skills needs and training audits in key industries;*
  - *An extra \$30 million over three years for a Research Linkages with Industry and Communities Program to provide support for the development of collaborative research projects and partnerships between industry, unions, universities, and communities in the areas of industry and employment development.*

*Cost: \$250 million*

## **4 THE PROMISE OF A SOCIAL DIVIDEND**

...we are committed to using all of the proceeds from the sale to retiring debt. This in turn, will free up much of the \$2 million a day which we are paying in interest on that debt. This interest money will instead be put to best use. It will go into our schools and our hospitals, into roads and into large construction projects which will reinvigorate our economy. This will create more jobs.

Premier John Olsen, The Advertiser, June 3, p 19

Whatever the fiscal outcome of its privatisation strategy, the State Government has pledged to provide a significant social dividend to the South Australian community as the result of the financial gains it claimed would flow from the strategy. Essentially the Government claimed that the South Australian community could expect a social dividend in the form of additional funding to a range of areas including health, education and community services. Throughout the course of the ETSA privatisation debate the government claimed that the proceeds of privatisation would result in significant savings. It specifically claimed that around \$2 million per day would be saved in interest payments and that these savings could be used to increase funding to a range of services and “reinvigorate” our economy. Over the next financial year this equates to savings of around \$730 million. These resources should be used to pay a social dividend to South Australians.

The central public policy objective of the State Government in South Australia over the past six years has been to reduce public debt. To this end the Government implemented an asset sales and outsourcing strategy which it claimed would reduce public expenditure and provide a pool of funds for retiring public debt. The strategy included a substantial program of voluntary public sector employment separation packages leading to the loss of around 25,000 persons from the state public sector. A

large scale privatisation program has provided a once off source of funds to enable the government to retire some public debt. State debt as a percentage of Gross State Product is now well below the high it reached as the result of the State Bank crisis. It is estimated to fall to around 9.5 percent of Gross State Product this year.<sup>4</sup>

During the debate on the privatisation of ETSA the Government claimed that the sale or lease of the assets would create significant savings and result in a net benefit to the State Budget. The PSA has continually questioned the veracity of these claims, demonstrating that the income from the privatisation of ETSA was not likely to exceed the ongoing revenue streams lost to government from retention of the enterprise. We have estimated that the value of retaining ETSA in public ownership would have exceeded the income derived from privatisation by around \$1.5 billion.<sup>5</sup> Whatever the fiscal outcome of the privatisation strategy, the State Government has pledged to provide a significant social dividend to the community as the result of the financial gains it claimed would flow from privatisation. There are many pressing social and economic reasons why it is urgent that the State Government deliver on its promise of a social dividend.

## **ADDRESSING COMMUNITY NEEDS**

A range of social and economic indicators suggest that key public services such as health, education and housing are not meeting existing community needs. In the face of domestic and international pressures the labour market has deteriorated structurally over the last ten years. The challenge for government is to address these problems and thereby meet its promise of providing a social dividend to the South Australian community.

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<sup>4</sup> Figure includes impact of asset sales.

<sup>5</sup> See Spoehr (2000) *Life after Debt?*, Public Service Association of South Australia State Budget Submission, 2000-2001

Some of the main indicators of social and economic distress in South Australia include:

- A large number of community welfare agencies are reporting that they are operating at maximum capacity and require additional resources to meet growing needs<sup>6</sup>;
- School completion rates have declined dramatically over the last few years. At 58 per cent, the completion rate for South Australian government schools is now the lowest in Australia, even falling below the corresponding rate for the Northern Territory.<sup>7</sup>
- The public housing waiting list has grown significantly to around 25,000. It is estimated that there were “two households on waiting lists for every public housing property and four households for every vacant property”.<sup>8</sup>
- There is significant unmet community demand within South Australia’s health and community services system. There is a critical shortage of around 50 hospital beds. There is also a shortage of Pharmacists. Currently there are around 90,000 people on dental waiting lists;
- At around 61 percent in 2000 labor force participation rates are significantly lower than the national rate of around 64 percent and have deteriorated quite dramatically over the last few years<sup>9</sup>.
- Over the ten years to 2000 employment in SA increased by just 3 per cent or 17,500 jobs. In contrast employment grew by around 14 per cent in Australia, 26 per cent in Queensland, 22 percent in WA, 14 percent in NSW and 8 per cent in Victoria. Employment declined by –0.5 per cent in Tasmania over the period.
- Full-time employment declined in SA by –4.3 per cent or 21,100 jobs over the 1990-2000 period. The only other mainland state to experience a decline in full-

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<sup>6</sup> See Councils of Social Service (2000) *Australians Living on the Edge*

<sup>7</sup> see ABS 2000, *Schools Australia 1999* Cat 4221.0

<sup>8</sup> See SACOSS State Budget Submission, 2001-2002

<sup>9</sup> see Hugo, Harris, Bell, Spoehr and Coffee (2000) *Bringing them Back Home – Factors influencing interstate migration to and from South Australia*

time employment over this period was Victoria which lost just 1,000 full-time jobs.

- The growth of part-time employment in SA while significant, has not been as spectacular as the rest of Australia. Over the 1990-2000 period part-time employment increased by 42 per cent. In South Australia it rose by 24 per cent from around 160,000 in 1990 to around 199,000 in 2000.
- Employment growth is concentrated in relatively low wage industry sectors. Only six out of thirteen industry sectors experienced employment growth over the 1990-2000 period. They were Property and Business Services (53 per cent), Accommodation, Cafes and Restaurants (53 per cent), Construction (33 per cent), Education (17 per cent), Personal and other Services (13 per cent), Government Administration and Defence (5 per cent);
- The unemployment rate has ratcheted upward over the last two economic cycles. At around 7.4 percent in trend terms it remains around half a percentage point higher than it was at the end of the 1980 and 1990 economic recovery period;
- If the higher participation rates prevailing in South Australia in 1990 applied in 2000 the original unemployment rate would have been around 13 percent in January 2001, compared to around 8 percent;
- Average weekly earnings are deteriorating relative to the nation. After relatively strong growth in the late 1990s the ratio of South Australian Average Weekly Earnings to Australian Average Weekly Earnings declined steadily from 99 percent in 1993 to 93 percent in 2000;
- Against the trend in other mainland capital cities average household incomes declined by around 2.3 percent in Adelaide over the 1991-1996 period<sup>10</sup>.

In this context the challenge for the State Government is to begin re-investing in the revitalisation of the state's public services and infrastructure. In doing so it will create much needed employment for South Australians. This task is now urgent.

Unemployment and underemployment remain unacceptably high in South Australia and there is now a very real threat that it will increase rapidly as the full impact of the national and global economic downturn flow through. A sharp decline in employment vacancies over the last six months indicates that unemployment will begin to rise steadily in South Australia throughout 2001.<sup>11</sup>

Given the precarious nature of many jobs in the South Australian labor market, it is likely that unemployment will rapidly escalate, forcing thousands of people into social and economic hardship. It is conceivable that the unemployment rate will return to double digit figures by the end of the year. South Australia's social infrastructure is poorly placed to deal with this eventuality. There is a pressing need for the State Government to face this challenge in the 2001-2002 State Budget. The Government can play a key role in helping to insulate South Australian's against the adverse effects of the current economic downturn. This will require significant joint Commonwealth/State initiatives in the areas of job creation, training and infrastructure investment. It will also require new investment in the areas of health, housing and education where current demand is not being adequately met and the ageing of the workforce necessitate the recruitment of thousands of South Australians over the next few years<sup>12</sup>. Significant new investment in public services will be one of the keys to addressing unemployment in South Australia. New investment in physical infrastructure including rail, road and housing would generate significant opportunities for the private sector, helping to underpin the construction and related industries.

In the absence of new public sector investment it is likely that South Australia will continue to lose many 'prime aged' skilled workers to other states, fuelling population loss as families seek their fortunes elsewhere. There is a danger that net migration from

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<sup>10</sup> see NATSEM (2000) Income Distribution Report, Issue 12

<sup>11</sup> The ANZ Job Advertisement series for South Australia indicates that newspaper job advertisements have declined by around 11 percent over the 12 months to February 2001.

<sup>12</sup> see Spoehr, J. p 156 in Hugo, Harris, Bell, Spoehr and Coffee (2000) *Bring them Back Home Home – factors influencing interstate migration to and from South Australia*

South Australia will rapidly increase, just as it did after the collapse of the State Bank and during the recession of the early 1990s. Locally this will dampen demand for goods and services and undermine the state's revenue base.

To help alleviate hardship and offer hope to South Australians the State Government must pay a significant social dividend to the South Australian community in the 2001-2002 State Budget. This submission outlines a range of strategic initiatives that constitute key elements of a social dividend required by South Australians.

## **STRATEGIES FOR GROWTH AND RENEWAL**

This submission outlines a number of strategies designed to meet important social and economic needs in the areas of education, health and community services, housing, employment and infrastructure development. Investing in these areas will stimulate employment and industry growth in both the public and private sectors.

Combined the proposals in this submission will cost the State Government around \$1.62 billion over three years or around \$864 million dollars in 2001-2002. The expenditure is expected to have a significant positive impact on employment in the short term generating around 22,517 direct and indirect jobs in the public and private sectors in 2001-02<sup>13</sup>. The likely employment impact of the key initiatives for 2001-02 are summarised in the following table.

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<sup>13</sup> Total multipliers are calculated as a sum of initial, production-induced and consumption induced effects (Carmen, 1999). A \$100 million provision for a public sector pay rise is not included in these calculations.

### **Employment Impact of Key Recommendations in 2001-2002**

Area	\$ million	Employment Impact
Youth employment	12.0	2500 <sup>14</sup>
Housing	37.5	975
Schools	90.0	3150
Health	100.0	2900
Infrastructure	333.0	7992
Employment	25.0	5000 <sup>15</sup>
<b>TOTAL</b>	<b>486.5</b>	<b>22,517</b>

Source: Centre for Labour Research, Adelaide University

This stimulus will help to counter some of the impact of jobs losses flowing from continued industry re-structuring and from reduced demand flowing from the current national and international economic slowdown. The housing and infrastructure initiatives will be particularly useful in helping to stimulate activity in the ailing residential housing and construction sectors in South Australia.

If government fails to respond in a substantial way to the challenge of meeting its promise of paying a social dividend to the South Australian community, the social and economic costs of restructuring on the community will be very high. Already stretched public and community services will not be able to cope with rapidly increasing demand. To avoid this potential crisis the State Government must invest now. It is time to meet the promise of paying a significant social dividend to the South Australian community.

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<sup>14</sup> This involves a commitment to public sector youth trainee positions.

<sup>15</sup> Includes commitment to apprenticeships and traineeships as recommended in the submission.

## 5 A FRAGILE LABOUR MARKET

High unemployment is not only an economic problem but also has significant social impacts on the South Australian community. Some groups and regions are more adversely affected than others. Tackling this critical issue for our State is a challenge for the whole community in partnership....The State is experiencing inadequate growth in overall demand for its goods and services, especially external demand; hence the inadequate growth in demand for labour, reflected in the State's high unemployment rate.....To achieve the State's social and economic objectives, the Council, in conjunction with the Government, has a role in ensuring that groups which face disadvantage in the labour market are assisted to participate effectively, and to take up employment and training opportunities.

South Australian Employment Council, November 2000

One of the key reasons the State Government needs to pay a significant social dividend to the community in the State Budget is the prospect of rapid deterioration of the South Australian labour market leading to sharp increases in unemployment. The PSA welcomes the recognition by the SA Employment Council of the urgent need to give high priority to tackling high unemployment in South Australia. Since the Council released its report in November 2000, labour market conditions have deteriorated significantly. A significant decline in job vacancies over the six months to February 2001 indicates that employment growth has stalled. The December 2000 ABS National Accounts confirm that the national economy is in decline with annual growth running at around 2 percent when around 4 percent growth is required to reduce unemployment.<sup>16</sup> This is a clear indication that unemployment will begin to rise. In this context it is now essential that the State Government respond comprehensively to unemployment in the State Budget.

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<sup>16</sup> See ABS Cat. 5206 National Income, Expenditure and Product, December quarter, 2000

This section of the report provides an overview of recent trends in the South Australian labour market. It is clear that the South Australian labour market has deteriorated structurally over the last ten years, making it particularly vulnerable to rapidly escalating unemployment – a particular threat in the face of declining public and private sector investment.

The South Australian labour market is now far more vulnerable to external shocks than it was in the recent past. The unemployment rate has ratcheted upward over the last two economic cycles. At around 7.4 percent in trend terms it remains around half a percentage point higher than it was at the end of the 1980 and 1990 economic recovery period. Unemployment is now likely to rise more sharply and rapidly than we have previously experienced, further exacerbating the problems of long-term unemployment and under-employment. In many of South Australia's metropolitan areas and rural regions these problems will be felt more acutely, as a large proportion of these regions experience significantly higher rates of unemployment than the state as a whole. This includes around one third of Adelaide's metropolitan local government areas and 25 percent of rural local government areas.

## 5.1 PARTICIPATION RATES

Recent trends indicate a significant divergence between the SA and the Australian labour force participation rates. The influence of lower participation rates on the unemployment rate is significant as the following table demonstrates. If the higher participation rates prevailing in South Australia in 1990 applied in 2000 the unemployment rate would be around 13 percent, compared to the current official original rate of around 8 percent in January 2001.

### OFFICIAL UNEMPLOYMENT RATE (JANUARY 2001) ADJUSTED FOR THE JANUARY 1990 PARTICIPATION RATE (ORIGINAL DATA)

	Official Rate	Adjusted Rate
	2001	2001
South Australia	8.0	13.2
New South Wales	6.4	8.1
Victoria	6.6	8.4
Queensland	8.7	8.6
Western Australia	7.1	4.9
Tasmania	10.3	13.7
Australia	7.2	8.2

Source: ABS, Centre for Labour Research

The participation rate for South Australian males and females has remained below national rates for the past twenty years. In the early 1980s there was a relatively small gap between SA and Australian participation rates. This gap widened considerably over the 1990s largely due to a growing divergence between the Australian and SA female participation rates. As a consequence the strong growth in female labour force participation in South Australia over the sixteen years to 1996 has been significantly eroded over the four years to 2000. Female participation rates in SA went against the rising national trend after converging with the national rate of around

63 percent in June 1996. At the beginning of the 1990s the Australian female participation rate was 1.5 percentage points higher than the SA rate of 50.9 per cent. By June 2000 it was 3.5 percentage points higher than the SA rate of 51.5 per cent. Clearly many women have been discouraged from participation in the South Australian labour market. This is due in part to the intensification of competition for jobs created by a larger pool of men competing for jobs in service industries where women have historically secured employment.

Male participation rates have been in steady decline in SA and Australia over the last twenty years reflecting the loss of employment in industries such as manufacturing where men have been historically over-represented.

## **5.2 EMPLOYMENT GROWTH AND DECLINE**

Employment in South Australia has grown much more slowly than the nation and other mainland states over the last ten years. Slow relative employment growth and a decline in full-time employment are among the key drivers of interstate and overseas migration from South Australia.

Over the ten years to 2000 employment in SA increased by just 3 per cent or 17,500 jobs. Employment rose from a peak of 652,500 in 1990 to 670,000 in 2000. In contrast employment grew by around 14 per cent in Australia, 26 per cent in Queensland, 22 percent in WA, 14 percent in NSW and 8 per cent in Victoria. Employment declined by -0.5 per cent in Tasmania over the period.

Full-time employment declined in SA by -4.3 per cent or 21,100 jobs over the 1990-2000 period. The only other mainland state to experience a decline in full-time employment over this period was Victoria which lost just 1,000 full-time jobs.

The growth of part-time employment in SA while significant, has not been as spectacular as the rest of Australia. Over the 1990-2000 period part-time employment increased by 42 per cent. In South Australia it rose by 24 per cent from around 160,000 in 1990 to around 199,000 in 2000.

A shorter run view of employment trends suggests that nearly all of the recent growth in employment has been part-time and more than two thirds of the increase is in male employment. Employment increased by around 18,300 jobs over the three years to 2000. Of these jobs, 96 per cent or 17,300 were part-time while just 4 per cent or 1000 were full-time. Around 68 per cent of the net increase in jobs were in male employment.

While males have benefited more from recent growth in SA than have females, they have experienced a very significant loss of full-time employment. Full-time employment for males declined by around 6.7 per cent or 23,100 jobs over the 1990-2000 period. Female full-time employment increased marginally by 1.4 per cent or around 2000 jobs.

Spectacular growth in part-time employment for females over the 1980-1990 period was followed by relatively slow growth over the ten years to 2000. Part-time employment grew by around 66 per cent or 50,600 over the 1980-1990 period and just 12 per cent or 15,300 jobs over the ten years to 2000.

Disturbingly, employment levels for males in SA have been static over the 1990-2000 period. In contrast male employment increased by around 10 per cent in Australia. The slow recent growth in SA is in stark contrast to the 1980-1990 period when male employment grew by around 9 per cent or 30,500 jobs.

Over the 1990-2000 period male part-time employment growth has been strong but slower, growing by around 72 per cent or 23,300 jobs.

### **5.3 CHANGING COMPOSITION OF FULL-TIME/PART-TIME EMPLOYMENT**

The proportion of part-time employment in SA reached 30 per cent compared to 27 per cent for Australia in 2000. The proportion of men in part-time employment in SA trebled from around 5 per cent in 1980 to 15 per cent in 2000 while in Australia it rose from 5 per cent to around 13 per cent. As the turn of the century approached it was apparent that more women would be employed in part-time employment than full-time employment. Around 49 per cent of female employment in South Australia was part-time by 2000, rising from around 38 per cent in 1980. In Australia around 45 per cent of all female employment was part-time in 2000, rising from around 35 per cent in 1980.

#### *Regional variations in the full-time/part-time composition of employment*

South Australia maintains the highest proportions of part-time employment among men and women of all states. Male part-time employment as a percentage of total employment rose from 8.6 per cent in 1990 to around 15 per cent in 2000. This compares with around 13 per cent in Victoria and WA and 12.5 per cent in NSW. For females it was around 49 per cent in SA with WA and Tasmania recording 48 per cent. The proportion of females in part-time employment in Victoria was 45 per cent while it was 42 per cent in NSW.

### **5.4 INDUSTRY GROWTH AND DECLINE**

Recent industry employment trends in SA indicate that employment growth over the last ten years has been confined to only a few sectors, concentrated in relatively low wage industries and much of the growth has been part-time. These industry employment trends make it more difficult to retain and attract skilled and experienced people in employment.

Only six out of thirteen industry sectors experienced employment growth over the 1990-2000 period. They were Property and Business Services (53 per cent), Accommodation, Cafes and Restaurants (53 per cent), Construction (33 per cent), Education (17 per cent), Personal and other Services (13 per cent), Government Administration and Defence (5 per cent).

The sectors experiencing the most significant decline in employment include Electricity, Gas and Water (-44 per cent), Mining (-31 per cent), Wholesale Trade (-32 per cent), Finance and Insurance (-19 per cent), Manufacturing (-13 per cent), Transport and Storage (-13 per cent) and Agriculture, Forestry and Fishing (-4 per cent).

The industries experiencing significant percentage increases in male employment include Accommodation, Cafes and Restaurants (59 per cent), Property and Business Services (46 per cent), Construction (36 per cent), Personal and other Services (33 per cent), Cultural and Recreational Services (19 per cent) and Government Administration and Defence (14 per cent).

The sectors experiencing a significant decline in male employment over the 1990-2000 period include Electricity, Gas and Water (-51 per cent), Wholesale Trade (-33 per cent), Mining (-26 per cent), Finance and Insurance (-25 per cent), Health and Community Services (-23 per cent) and Transport and Storage (-19 per cent), Manufacturing (-11 per cent) and Communication Services (-9 per cent).

The industries experiencing the largest percentage increases in female employment include Electricity, Gas and Water (75 per cent), Property and Business Services (71 per cent), Accommodation, Cafes and Restaurants (50 per cent), Communication Services (29 per cent), Transport and Storage (20 per cent), Construction (19 per cent)

cent), Education (18 per cent), Government Administration and Defence (13 per cent) and Health and Community Services (13 per cent).

Industry sectors experiencing a significant percentage decline in female employment include Mining (-54 per cent), Wholesale Trade (-30 per cent), Manufacturing (19 per cent), Cultural and Recreational Services (15 per cent) and Finance and Insurance (13 per cent).

## **5.5 OCCUPATIONAL GROWTH AND DECLINE**

Overall occupational employment in South Australia has been strongest in low to medium skill occupations over the 1997-2000 period. Disturbingly around 94 per cent of this growth was in male employment. Relatively slow or no growth was experienced in high skill professional occupations while employment losses were experienced in a number of low and high skill occupations. Occupational employment grew by 4.2 per cent or 15,450 for males and by 0.3 per cent or 850 for females over the period.

Much of the occupational growth over the 1997-2000 period is related to particular industry sectors which are now likely to experience much slower employment growth or decline.

The occupations that experienced the strongest growth over the 1997-2000 period include Intermediate Sales and Related Workers (44 per cent), Other Associate Professionals (43 per cent), Business and Administration Associate Professionals (39 per cent), Intermediate Plant Operators (34 per cent), Other Advanced Clerical and Service Workers (34 per cent), Construction Tradespersons (28 per cent), Business and Information Professionals (26 per cent), Other Labourers and Related Workers (18 per cent), Elementary and Service Workers (14 per cent) and Skilled Agricultural and Horticultural Workers (14 per cent).

Occupations experiencing a significant decline in employment include Farmers and Farm Managers (26 per cent), Elementary Clerks (26 per cent), Specialist Managers (25 per cent), Electrical and Electronics Tradespersons (21 per cent), Secretaries and Personal Assistants (16 per cent), Road and Transport Drivers (13 per cent), Other Tradespersons and Related Workers (7 per cent), Intermediate Clerical Workers (6 per cent), Intermediate Service Workers (6 per cent) and Science, Building and Engineering Professionals (5 per cent).

## **5.6 UNDEREMPLOYMENT**

South Australia consistently records among the highest rates of underemployment in Australia. Around 19 per cent of part-time employed females and around 34 per cent of part-time employed males would prefer to have worked more hours in 1999. Female and male under-employment is consistently higher in SA than all States except Tasmania.

## **5.7 UNEMPLOYMENT**

Persistent high unemployment and relatively fewer employment vacancies in South Australia during the 1990s has intensified competition for unemployment, forcing some people to give up the search for work and others to seek work interstate and overseas. Lower employment participation rates indicate a greater number of discouraged job seekers while higher levels of out-migration suggest more people are leaving in search of work.

Unemployment in South Australia is significantly higher in trend terms than the nation as a whole and it has consistently been the highest of the mainland states for much of the last ten years. There has been relatively little progress in reducing unemployment in South Australia over the 1990-2000 period. During the early 1990s

recession unemployment reached around 11 per cent in South Australia before falling to around 7.4 per cent in January 2001. Over the same period unemployment in Australia fell from 11.6 per cent to 6.6 per cent. As a result of this uneven performance there is an increasing divergence between the South Australian and Australian unemployment rates. It is now clear that the short term outlook for unemployment is poor given the rise in the Australian unemployment rate to 6.8 per cent in February 2001.

With the slowing down of national economic and employment growth, unemployment will steadily rise in South Australia over the next 12 months. Given the high probability of a further quarter of negative national growth and the large decline in job advertisements it is possible that the unemployment rate will approach double digit figures towards the end of 2001 or early next year.

## UNEMPLOYMENT HOTSPOTS

There is a disturbing concentration of unemployment in a number of metropolitan and rural areas throughout South Australia. The following table provides a ranked presentation of unemployment rates for the top ten metropolitan and top ten rural Statistical Local Areas (SLAs) for September 1999 and September 2000.

### Unemployment by Metro Statistical Local Area, September 1999 and September 2000

Rank 2000	Area	Unemployment Nos.		Unemployment Rate %	
		Sep-99	Sep-00	Sep-99	Sep-00
	Metro SLAs				
1	Elizabeth (C)	2,094	2,180	21.0	21.5
2	Enfield (C)	1,402	1,155	22.5	19.0
	Pt B				
3	Munno Para (C)	2,199	2,401	12.1	13.0
	Enfield (C)	2,644	2,376	13.2	11.6
	Pt A				
4	Thebarton (C)	573	440	14.0	11.0
5	Port Adelaide	2,214	1,860	11.6	10.0
6	Willunga (C)	700	638	10.4	9.5
7	Salisbury (C)	5,180	5,428	9.3	9.5
8	Hindmarsh and Woodvile	4,467	3,924	10.3	9.2
9	Noarlunga (C)	4,779	4,196	10.4	9.2
10	Adelaide (C)	750	824	8.9	9.2
	Adelaide	44,800	42,600	8.4	7.8
	South Australia	58,600	54,900	8.1	7.5
	Balance of SA	13,800	12,300	7.4	6.5

Source: Small Area Labour Markets, DEWRSB, 2000

The most disturbing feature of the table is the chronic nature of unemployment in many areas throughout South Australia. Despite gains made at a state level, areas like Enfield (C), Elizabeth (C) have experienced little or no improvement and Munno Para (C) and Adelaide (C) have actually deteriorated. The metropolitan unemployment hotspots in the table stand out as the most disadvantaged areas in South Australia with unemployment rates in the top eight hotspots being 20 to 120 percent greater than the state average.

The following table provides a ranked presentation of unemployment rates for the top ten rural Statistical Local Areas (SLAs) for September 1999 and September 2000. Unemployment remains very high in rural hotspots including Coober Pedy, Wallaroo, Peterborough, Ceduna and Port Elliot and Goolwa. Some caution should be exercised in interpreting these changes in rural unemployment rates. In a number of cases unemployment rates are likely to be influenced significantly in small communities by demographic factors such as de-population arising from people leaving rural areas in search of work in Adelaide or interstate.

### **Unemployment by Rural Statistical Local Area, September 1999 and September 2000**

Rank 2000	Area	Unemployment Nos.		Unemployment Rate %	
	Rural SLAs				
1	Coober Pedy (DC)	172	129	13.9	12.0
2	Peterborough (M)	89	75	12.4	12.0
3	Wallaroo (M)	108	82	13.4	11.7
4	Ceduna	135	183	7.3	11.3
5	Yankalilla (DC)	190	192	11.7	10.4
6	Port Elliot and Goolwa (DC)	433	392	13.3	10.2
7	Pt Pirie	702	545	11.1	9.9
8	Murray Bridge (DC)	889	850	11.7	9.8
9	Victor Harbor (DC)	381	370	11.4	9.7
10	Dudley (DC)	45	39	12.5	9.5
	Adelaide	44,800	42,600	8.4	7.8
	South Australia	58,600	54,900	8.1	7.5
	Balance of SA	13,800	12,300	7.4	6.5

Source: Small Area Labour Markets, DEWRSB, 2000

It is important however to compare rural unemployment rates with the average rates for the non-metro area of South Australia as a whole. This area described as the 'Balance of SA' in the table above indicates that the non-metro areas of the state enjoys a significantly lower unemployment rate than that for South Australia as a whole. When the top ten rural unemployment hotspots are compared to the balance of SA rate of 7.4 percent it is clear that many rural areas are experiencing very high unemployment rates relative to this benchmark. Most of the rural hotspots have rates which are around 50 percent higher than the average for the 'Balance of SA'.

## 5.8 PUBLIC SECTOR EMPLOYMENT

One of the most significant contributors to the loss of full-time employment in South Australia has been the loss of secure positions within the public sector. Continuing a trend which began in the early 1990s, and accelerated in the mid 1990s, the State and Commonwealth public sector workforces are rapidly declining due to privatisation, downsizing and outsourcing.

Given its relative dependence on public sector employment it is concerning that South Australia has been more adversely effected by public sector workforce reductions than Australia as a whole. The rate of decline in public sector employment in South Australia has been higher than the Australian rate over the course of the mid 1990s. This is particularly evident in 1999 when the rate of decline was ten times greater than the Australia rate of -0.4 percent.

### Public Sector Employment, South Australia and Australia 1990 - 1999, Persons

Month/ Year	Employees - SA	% change on previous year	Employees - Australia	% change on previous year
Aug-90	152.600		1 733.100	
Aug-91	148.300	-3	1 715.200	-1
Aug -92	144.700	-2	1 674.300	-2
Aug - 93	141.800	-2	1 641.200	-2
Aug - 94	133.900	-6	1 570.500	-5
Aug - 95	127.100	-5	1 564.500	-0.5
Aug - 96	121.900	-4	1 505.600	-4
Aug - 97	119.300	-2	1 476.400	-2
Aug - 98	120.600	1.1	1 464.800	-1
Aug - 99	114.400	-5	1 458.900	-0.4

Source: ABS Cat. 6248.0

There has been a dramatic decline in state public sector employment in South Australia over the last ten years. The PSA believes that the deterioration in public services in South Australia is directly attributable to the loss of skilled public servants. Over the 1991-2000 employment declined by around 32,157 persons. Much of this decline occurred over the six years to 1999. The number of employees in the State Public sector began to decline dramatically in 1994 before stabilizing in 1998 and then dropping sharply in 1999. The rate of decline varied from -6.0% between 1993-94 to -2.0 percent between 1996-97. The sharpest annual fall in employment occurred during 1998-99 when state public sector employment contracted by 8.3 percent or around 7600 persons. This is largely due however to the exclusion of the three universities from the June 1998-99 calculations. After adjusting for these changes the loss of employment over this period was 583 persons.

### State Public Sector Employment, 1986 - 99, Persons

Year	Persons	Persons annual change	As a % of all persons employed in SA
1987	110122		
1988	108892	-1230	
1989	110476	1584	17.1
1990	116208	5732	17.7
1991	115700	-508	18.1
1992	111025	-4675	17.7
1993	110781	-244	17.4
1994	105836	-4945	16.5
1995	102899	-2937	15.7
1996	94808	-8091	14.4
1997	91812	-2996	13.9
1998	91818	6	14.4
1999	..84199 <sup>17</sup>	-7619	12.7
2000	..83543	-656	12.3

Source: Annual Report of Commissioner for Public Employment, various

<sup>17</sup> Exclusion of the three universities in the June 1998-99 calculations accounts for the large decrease in state public sector employment. In June 1999 the universities employed around 7036 persons.

In 1992 around 18 percent of people employed in South Australia were in state public sector employment. By 2000 the state public sector share of total employment declined to 12.3 percent, representing a dramatic change over an eight year period.

The major causes of recent reductions in employment in the state public sector have been the impact of outsourcing, reductions in hours for part-time and temporary staff such as relieving teachers in schools, reductions in the number of trainees employed and targeted voluntary separation packages.

There is little doubt that the loss of such a large number of people from state public sector employment has contributed significantly to the structural deterioration of the South Australian labour market. The declining contribution of the public sector to employment in South Australia is one of the key impediments to further reductions in unemployment.

## **6 Strategies for Growth and Renewal**

As well as meeting those vital social needs outlined earlier, public investment in education, health and community services have important economic and employment benefits. These sectors generally have higher value-added multipliers than investments in many other industries including motor vehicles, textiles and electronic equipment. The policy implication of this is that ‘spin-offs’ from investments in these industries are likely to be very significant. There are other more compelling reasons to consider investments in these areas as sound economic and social policy making. The most significant of these is the capacity of such investment to reduce unemployment in a relatively short period of time, for these industries have the highest employment multipliers – generating more employment per dollar than any other industry.

### **Employment Multipliers**

Employment multipliers in the education, health and community services industries are around 50 percent higher than the average for all industries. Each of these industries generates around 30 full-time equivalent jobs for every \$1 million of investment in each industry. The following table summarises industries with the highest and lowest employment multipliers per \$million of output.

## Highest and lowest employment multipliers per \$m of output, Australia, 1993/94 – direct allocation of competing imports

Industry Sector	Total Multipliers <sup>18</sup>
highest	
Education	35
Community services	33
Other services	31
Health services	29
Retail trade	29
Other business services	29
Government administration	28
Accommodation, cafes and restaurants	28
Footwear	27
Personal services	27
Furniture	26
Fabricated metal products	25
Libraries, museums, arts	24
Defence	24
Other wood products	24
lowest	
Beef cattle	13
Other agriculture	13
Water transport	12
Dairy cattle	12
Beer and malt	12
Paints	12
Financial asset investors	11
Gas	11
Other mining	10
Electricity	10
Services to finance etc	10
All industry average	18

Source: ABS 5209.0, Derived from Carmen (1999)

Governments seeking to generate employment and tackle unemployment would be wise to take account of these important multiplier effects. This is important not only from the point of view of determining new priorities for investment but also to evaluate the impact of employment reductions in the public sector. It is likely in this context that policy makers in South Australia have underestimated the flow on impacts of the significant reductions that have occurred.

<sup>18</sup> Total multipliers are calculated as a sum of initial, production-induced and consumption induced effects. Initial effects show “the number of workers employed by the industry to meet \$1 m worth of demand for their goods and services. Initial effects give an indication of each industry’s labour intensity”; “production-induced effects, which show the number of employees needed from all industries to produce output to satisfy the demand for \$1 m of output from an industry (excluding the initial effect); consumption induced effects, which show the number of jobs created by workers employed in an industry spending their wages”. (Carmen, 1999).

*Estimates of the multiplier effects of recent public sector job losses*

Using the employment multipliers described above we can make some estimates about the employment multiplier impact of cuts to public expenditure in the areas of health and education over the 1994 – 1996 period.

**Employment multiplier effects of education and health expenditure reductions in SA, 1994-96**

Industry Sector	Total Multipliers	Expenditure reduction 1994-96 \$m	Employment effect
Education	35	70	-2450
Health services	29	62	-1798
Total		132	-4248

The table above indicates that expenditure cuts of \$70 m in health and \$62 m in education are likely to have resulted in the loss of around 4250 direct and indirect jobs. Around half of these jobs would have been lost in related industries and industries which benefit from the wages spent by people working in the health and education industry. The economic and social consequences of public expenditure cuts in industries such as health and education are often under-estimated, producing a range of unintended consequences. This is particularly the case in South Australia where public sector reform initiatives and job losses prior to the introduction of funding cuts in 1995 had left little room for productivity improvement without loss of services to the community or an erosion in service quality.

Given the seemingly intractable problem of unemployment in South Australia the case for additional investment in industries like community services, health and education is a compelling one. The robust condition of the state budget should encourage new investments in these areas and prompt the State Government to lobby the Federal Government to do the same.

High unemployment in South Australia is having profoundly negative consequences for many thousands of individuals and families in our urban and regional communities. In the absence of significant new investment by the private sector in the short term, the State Government must consider how it can use its own resources to tackle unemployment and overcome the social and economic disadvantage that is so entrenched in many suburbs and rural areas. This is the only viable short term solution to unemployment.

The State Government has the capacity with assistance from the Federal Government to provide a much needed stimulus for jobs growth and prosperity in South Australia. New investment in the development of social infrastructure in our urban centres and regions will generate significant benefits for communities suffering the distress of unemployment or under-employment. Jobs created in areas such as health, housing and education will meet significant community needs. Demand for goods and services will increase in the private sector through a boost to the purchasing power of government agencies and through the pay packets of new workers. More people employed increases government revenues and reduces the adverse health and social impacts of unemployment. This is a virtuous circle of social and economic development that will benefit all in the community.

In this submission we focus on four areas of potential public sector investment which are designed to meet important social and economic as well as generate new employment opportunities. These include youth employment, housing, education, health and infrastructure.

## **6.1 YOUTH EMPLOYMENT IN THE STATE PUBLIC SECTOR**

The State Government Youth Training Scheme is one of the most successful employment and training programs available in South Australia. It is disappointing therefore that participation in the scheme declined dramatically over the 12 months to June 1999. Participation in South Australian Government youth employment programs in the public sector declined by nearly 30 percent or 304 persons over this period (Commissioner for Public Employment, 1999). Given the benefits of the program it is of great concern that the program was cut by 700 to 1200 in the last State Budget.

Between 1992-93 and 2000 around 6300 young people have benefited from the program. Nearly 70 percent of those completing it go on to either full time employment or full time study. The success of the program provides strong grounds for expansion of the scheme.

There are other good reasons for supporting expansion. The program is an equal opportunity employment program under section 67 of the Public Sector Management Act 1995. It is designed to provide young people, who are under represented in the workforce, with an opportunity to gain employment. The program also helps to redress the current age imbalance in the public sector workforce as a whole. The scheme offers young people an excellent start to their career by furnishing them with valuable work experience and formal training. It also helps to improve the confidence of people who have had little experience in the workforce.

The greatest inhibitors to the scheme are lack of support from the Commonwealth Government and a number of problems with administration of the program. Just as the state government announced an expansion of the program the Commonwealth reduced its commitment to this key area. It is now vital that the Commonwealth make efforts to help restore and expand this successful program.

## **RECOMMENDATION 1: REVITALISE AND EXPAND STATE GOVERNMENT YOUTH TRAINING SCHEME**

*It is recommended that the State Government:*

- *extend the successful public sector State Government Youth Training Initiative to 2500 places in 2001/2002.*

*Cost: \$12 million.*

## **6.2 PUBLIC SECTOR PAY AND CONDITIONS**

Public sector pay packets represent a significant source of demand for goods and services in the economy as a whole. With the current wages enterprise parity agreement due to expire in October 2001 the State Government should make provision in the State Budget for a public sector pay rise for the 2001-2002 financial year with final amount of increase still subject to negotiation but taking into account similar movements in other areas of the public sector.

### **RECOMMENDATION 2: PUBLIC SECTOR PAY**

*It is recommended that:*

*The State Government make additional provision for approximately \$100 Million in the State Budget for public sector pay rises for the 2001-2002 financial year to apply in respect to the Enterprise Agreement to follow the current Parity Agreement which expires on 1 October 2001.*

## **RECOGNITION OF ONGOING STATUS FOR ‘ONGOING’ CASUAL AND CONTRACT EMPLOYEES**

In addition to there being fewer public sector employment opportunities available due to downsizing and outsourcing, there has been a decline in the proportion of secure ongoing positions within the state public sector as the following table indicates.

### **Employees in the South Australian public sector by appointment type, per cent, June 1999 to June 2000**

	Jun-95	Jun-96	Jun-97	Jun-98	Jun-99	Jun-00
Ongoing	81.0	76.70	76.80	75.30	73.20	64.6
Contract	9.80	14.70	15.40	16.20	18.10	23.3
Other	9.20	8.50	7.80	8.50	8.70	12.1

Source: Commissioner for Public Employment, June 1999.

The percentage of ongoing positions within the South Australian public sector declined from 81 per cent in 1995 to around 64 per cent in 2000. Over the same period the proportion of contract based positions more than doubled from 9.8 per cent to 23 per cent of all appointments. There are currently around 6,600 long term contract employees (typically those employees with contracts of 2 to 5 years duration) in the state public sector. This is an indication that a significant amount of ‘ongoing’ work is likely to be undertaken by contract based employees.

The PSA believes that the trend towards casual and contract employment in the State public sector is significantly disadvantaging employees, making it difficult for them to obtain housing loans and plan for their families and themselves. Improving this situation is likely to have significant external benefits, particularly by increasing the capacity of employees to access housing finance – a move likely to help the ailing housing construction industry in South Australia. The principle to be observed in relation to contract and casual employees is that where such work constitutes ongoing

work it should be undertaken by ongoing employees. This change is likely to result in significant savings to the government through reduced fees paid to external employment agencies.

### **RECOMMENDATION 3: RECOGNITION OF ONGOING STATUS IN THE PUBLIC SECTOR**

*It is recommended that:*

*On-going work of the SA public sector should be undertaken by on-going staff instead of employment agency staff and staff on contracts. The proportion of staff employed on an on-going basis should be significantly increased.*

## **6.3 HOUSING SOUTH AUSTRALIANS**

Historically, investment by government in public housing has made a vital contribution to South Australia's economic and social development. Public housing has helped to sustain the construction industry over the economic cycle and it has underpinned the growth of a relatively affordable housing market in SA. South Australia's public housing stock has however been in decline over recent years. Since 1993 it had declined by around 9,000. Meanwhile the public housing waiting list remains very high with around 28,000 people currently on the list. It is estimated that there were "two households on waiting lists for every public housing property and four households for every vacant property".<sup>19</sup>

One of the key problems facing the SA Housing Trust in meeting the housing needs of South Australians has been a significant decline in Commonwealth funding to housing programs. Over the six years to 1999-00 Commonwealth funding to SA has declined by around 50 percent from around \$98 million in 1992-93 to around \$45 million in

1999-00. At the same time State Government funds for housing have doubled from around \$41million per annum in 1992-93 to \$84 million in 1999-00. The net effect of this is that total funding for the programs administered by the Trust has declined significantly in real terms. Total funding remained static at around \$129 million for each period. It is vital that the State Government lobby for a reversal of this trend when negotiating the new Commonwealth State Housing Agreement. In the short term the State Government should call on the Federal Government to make a one off injection of \$250 million of additional funds into the Agreement for 2001-2002 to enable expansion of new public and community housing starts and the acceleration of public housing renovation programs throughout Australia. South Australia's share of these additional funds would be around \$25 million.

The recent downturn in the housing construction industry provides an important opportunity for the State Government to provide some relief to the industry by creating additional demand through an expanded renovation and building program. Priority for renovation should be given to areas of greatest need including Smithfield Plains and Davoren Park.

#### **RECOMMENDATION 4: HOUSING SOUTH AUSTRALIANS**

*It is recommended that the State Government:*

- *boost public housing expenditure to build an extra 260 houses and renovate an extra 500 houses in 2001-2002.*

*Cost: \$37.5 million*

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<sup>19</sup> See SACOSS State Budget Submission, 2001-2002

## **RECOMMENDATION 5: COMMONWEALTH GOVERNMENT SUPPORT FOR HOUSING**

*It is recommended that the State Government call on the Commonwealth Government to inject additional funds into the Commonwealth State Housing Agreement in the 2001-2002 financial year to assist all states and territories to expand public housing starts and accelerate the renovation of existing public housing stock. An expanded Agreement would enable an additional 2200 new houses to be built and 2000 existing houses to be renovated.*

*Cost: \$250 million (Commonwealth Commitment to all states and territories)*

## **6.4 REVITALISING OUR SCHOOLS**

In view of its peripheral location and limited natural resource endowments, South Australia, even more than other states, depends critically on the available of skilled and well-educated workforce. Until the early 1990s, South Australia's performance on this criterion was strong. South Australia had a higher apparent retention rate (an estimate of the proportion of year 8 students continuing to year 12) than any other Australian state (the rate in the ACT was higher, but this measure is affected by enrolments of students from surrounding NSW).

School expenditure was cut or curtailed in most Australian states as a result of reductions in Commonwealth general purpose grants to the states. Further damage was done by the policies of the Howard government which have favored well-off private schools at the expense of the public schools attended by the majority of students and the great majority of disadvantaged students. The result has been a reversal of the long-term trend to higher school completion rates. Nowhere was this reversal been more dramatic than in South Australia.

Expenditure cuts introduced in 1994 by the newly-elected Brown government had a severe impact on educational services and an almost immediate impact on educational outcomes. From July 1994 to Dec 1995 teaching staff positions in public schools were reduced by 1100 and non-teaching by 110. By early 1996 the Government cut a further 250 permanent School Services Officers plus 98 music and special needs teachers. The cuts in these areas have led to significantly increased workloads which need to be urgently addressed through an increase in the number of staff working in these vital areas within public schools.

Over the same period, school retention rates dropped at a rate not paralleled in any other Australian state. Even Victoria, which also experienced severe cuts, did not suffer such a sharp drop. In only two years, the school completion rate dropped by 10 percentage points, from 81.5 per cent to 71.6 per cent (ABS 2000, Schools Australia 1999 Cat 4221.0). This loss has never been recouped, and by 1999, the rate had apparently stabilized at 67.0 per cent.

The situation is even worse if attention is focused on government schools, which are attended by the most vulnerable students (and by the majority of all students) and which are most directly affected by cuts in state government expenditure. At 58 per cent, the completion rate for South Australian government schools is now the lowest in Australia, even falling below the corresponding rate for the Northern Territory.

As in other states, boys have performed worse, on average, than girls. The completion rate for boys in South Australian government schools has fallen to 51 per cent. This is a return to the outcomes of the 1970s, at a time when it was still generally assumed that early school-leavers could obtain entry-level positions and 'learn on the job'. In the 21st century, unskilled entry level jobs are scarce, insecure and rarely lead to permanent employment.

The severe cuts of 1994 and 1995 were part of a more general pattern. As the ABS publication EDUCATION AND TRAINING IN AUSTRALIA (1998, p82) notes, 'In the last decade most States and Territories have seen some decline in student/teacher ratios. However in Victoria, South Australia and the Northern Territory there have been increases at both primary and secondary levels.'

It may be objected that the effect of these cuts was simply to reduce the standard of South Australian public educational provision from above-average to average in terms of measures of class sizes and Grants Commission estimates of service provision. However, the impact on outcomes has clearly been more severe, with a best-practice performance being reduced to worst-practice in a very short period. Moreover, the precipitous decline in retention rates implied a reduction in the proportion of upper-secondary students, who are, on average, the most expensive to teach.

Reductions in school completion rates translate, with a lag, into a less-skilled and educated workforce. Between 1993 and 1997 the proportion of the working-age population with a post-secondary qualification in South Australia has fallen behind that in Queensland, where a previously substandard educational system has benefited from enhanced expenditure and reduced class sizes during the 1990s (ABS 1999, Education and Training in Australia 1998 cat 4224.0). Even Victoria, which generally performed poorly in educational outcomes, overtook South Australia.

### **Reversing decline**

Reversing the decline in school completion rates will be a lengthy and costly process. Crucial components of a program to restore South Australia's skill base should be:

- A commitment to return to 1990 retention rates (80 per cent) by 2004;
- A program specifically targeted at reversing the decline in male retention rates;

- An across-the-board increase in government school expenditure of 10 per cent, sufficient to raise the level of expenditure per student to that of the best-practice Australian jurisdiction, the ACT.

An increase of 10 per cent in funding for government schools would entail additional expenditure of approximately \$90 million. Assuming that, over time, retention rates returned to the 1990 level, and that there was some flow back from the private to the government school sector, it seems likely that such an increase in funding would translate to an increase in expenditure per student of between 5 and 7 per cent, sufficient to reduce average class sizes to levels similar to those prevailing before the State governments expenditure cuts.

Bearing in mind that the problems of schools are symptomatic of those that have been experienced across a wide range of state services, revenue efforts by the state government alone will be insufficient to finance the necessary increase in expenditure. As discussed above, a partial reversal of cuts in Commonwealth grants to the States is an essential feature of any program of investment in human capital.

#### **RECOMMENDATION 6: COMMITMENT TO QUALITY SCHOOLS**

*It recommended that the State Government:*

*Increase resources to State schools for School Services Officers (SSO's) to ensure quality education for South Australian children.*

*Ensure that School Services Officers receive proper recognition for the increasing workload that is placed on them with extra funding and a review of classification structures.*

*Ensure that the formula that determines the allocation of hours for School Services Officers is reviewed and modified to more accurately reflect the needs of SSOs and schools.*

*Improve the quality of the teaching and learning environment and increase school completion rates it is recommended that the State Government increase funding for government schools by 10 per cent.*

*Cost: \$90 million.*

## **6.5 QUALITY HEALTH AND COMMUNITY SERVICES**

South Australia's health and community services are not able to meet public demand, due to inadequate funding. There is an urgent need to increase funding in order to meet demand and improve the quality of services and working conditions for health sector employees. There is widespread evidence of a crisis in key parts of the system.

Waiting times for hospital beds have blown out since 1994 when the State Government cut around 650 hospital beds from the State's hospital system. The 65 new beds made available recently are welcome but they are not sufficient. It is also very likely that demand will increase substantially during the winter season. It is vital that the government make a commitment to at least 75-100 additional beds in the State Budget to deal with current and anticipated demand.

There is also a need to address critical shortages in the availability of Pharmacists within the hospital system. Our hospital pharmacists are currently paid around half of those in the private sector (\$40,000 to \$80,000). This has led to shortages, with around 20 pharmacy positions currently vacant in the public health system. The PSA is aware that these shortages are causing delays in the dispensing of drugs and

servicing of patients. This matter needs to be addressed through a review of salary classifications designed to stem the flow of Pharmacists from public hospitals. The problem is particularly acute in country hospitals which often operate with a single pharmacist. More pharmacists need to be recruited at salary levels commensurate with those paid in the private sector.

The Dental health service is under significant strain. The Government has indicated that waiting times for normal treatment are up to four years. Those patients requiring urgent medical attention are experiencing additional discomfort due to an incapacity to provide same day treatment. Currently there are around 90,000 people on dental waiting lists.

It is widely acknowledged that there is a pressing need for increased funding in mental health. The Minister for Human Services, the Hon Dean Brown acknowledged this indicating that mental health required at least a \$5m funding boost.

There also appears to be a crisis in the hospitals capital works program. Only \$10-\$12m of the \$192m allocated in the last budget has been spent. There is a need to review the reasons for under-expenditure of the capital works budget and develop strategies for ensuring that capital works budgets are spent within reasonable time frames.

#### **RECOMMENDATION 7: COMMITMENT TO QUALITY HEALTH AND COMMUNITY SERVICES**

*It recommended that the State Government:*

- *Provide the public health sector with a package of funding for 2001-02 to improve quality and reduce delays for treatment. This should include:*
- *Resources to ensure conformity with national health standards;*

- *Resources to reduce hospital waiting times for elective surgery and delays for urgent treatment;*
- *Resources for an additional 50 hospital beds to meet increased demand over winter;*
- *Increase resources to help reduce dental health waiting times;*
- *Increase resources to mental health services;*
- *Resources to upgrade medical information technology and communications infrastructure.*

*Cost: \$100 million*

*It recommended that the State Government:*

*Pay off existing public hospital deficits;*

*Cost: \$35 million*

## **6.6 INFRASTRUCTURE INVESTMENT**

There is little doubt of the need for increased investment in our ageing physical infrastructure. Nationally this is reflected in the steady erosion of infrastructure investment as a percentage of GDP. Total public sector capital expenditure has declined from around 8 percent of GDP in the 1960s to around 2 percent on GDP in the early 1990s (Institution of Engineers, 1999).

The provision of adequate infrastructure is essential to maintain the standard of living that Australians enjoy. Our economic well-being, our health and our standing in the world are all driven by our ability to promote, develop and operate world class infrastructure. Creation of existing infrastructure in Australia has been possible only through a consistent national investment over many years at around twice the current rate of expenditure. Failure to make adequate provision of for operating and maintaining that infrastructure, and for ensuring its continuing development and expansion to meet emerging challenges and opportunities, has the potential to, within a relatively short period, reduce our international competitiveness and our quality of life.

Institution of Engineers, 1999:45

### **Investment in South Australia's Infrastructure**

If South Australia it to meet the infrastructure challenges of the 21<sup>st</sup> century it will have to significantly increase its commitments and outcomes through the capital works program.

Table 7 indicates that the capital works budget has been consistently under spent over the last 6 years and the total commitments made are deteriorating in absolute and real terms. The inclusion of privately funded initiatives in recent capital works budget statements only serves to highlight this.

Actual expenditure from the 1998-99 capital works budget was only 75 percent of the budgeted amount. This is cause for serious concern. Clearly there is a need to review the implementation of the capital works program to ensure that new commitments are carried out.

**Capital Works Program Expenditure,  
SA, 1993-2000, \$ billion**

	Proposed	Actual
1993-94	1.186	1.0
1994-95	1.173	1.0
1995-96	1.149	1.1
1996-97	1.233	1.0
1997-98	1.141	1.0
1998-99	1.163	0.8
1999-2000	1.150	0.9
2000-2001	0.997	-

Source: Government of SA, Budget Papers, various

It is acknowledged that it can be difficult to meet budgeted capital works expenditure targets. These can be hampered by a range of factors including complex funding and development requirements. Some flexibility is therefore required to take account of delays. Under-expenditure in the implementation of the 1998-99 capital works budget may be tied to the decline in engineering expertise available directly to the State government. Over the 1990 to 1999 period it is estimated that the number of professional engineers working in the Commonwealth, State and local government sectors declined by 20 to 40 percent (The Institution of Engineers, 2000). The percentage of Institution of Engineering Australia (IEA) members working in the public sector decreased from around 38 percent in 1990 to around 20 percent in 1998.

The decline in the number of experienced professional engineers in the public sector is likely to be a considerable impediment to the timely and successful implementation of the capital works program in South Australia. Engineering expertise is essential to ensuring that government funded capital works projects are informed by ‘best practice’ in design, procurement, management, construction and evaluation. The

successful specification and management of large and complex infrastructure development contracts depends upon a high level of ‘corporate memory’ and expertise within the public sector. The extent to which this is the case should be the subject of a detailed investigation of engineering expertise available within the state public sector.

#### **RECOMMENDATION 8: STATE INFRASTRUCTURE AUDIT AND MODERNIZATION STRATEGY**

South Australia’s quality of life and future prosperity depends upon the development of world’s class social and physical infrastructure. Much of our physical infrastructure is now very old and urgently in need of replacement or upgrade. It is essential that the dimensions of this challenge are clearly defined, the costs involved identified and a strategy for infrastructure modernization developed. It is assumed that any audit of South Australia’s infrastructure is likely to reveal significant infrastructure development needs. These needs should be prioritised and a resourcing strategy developed. Government will need to make significant forward commitments to new spending through the Capital Works Program to meet these needs. Inevitably this will require the State government to use its capacity to borrow on relatively favorable terms. It will also require assistance from the Federal Government.

*It is recommended that the State Government:*

- *Undertaken an audit of South Australia’s infrastructure.*
- *Consult with community stakeholders and regional communities to develop an Infrastructure Modernization Strategy.*
- *Review processes and procedures in the implementation of the Capital Works program to help ensure that funds committed to the program are spent during the period of commitment.*

- *On the basis of the audit identify a range of private and public funding sources to ensure a \$1 billion net increase in the Capital Works Program over the next three years.*

*Cost: \$1 billion over three years*

## **6.7 STATE EMPLOYMENT STRATEGIES**

In the context of a slowing national economy the prospect of steadily increasing unemployment in South Australia should be cause for the development of a comprehensive and integrated state employment strategy. It is disappointing that the State Government has failed to develop such a strategy during its seven years in office. The establishment of an Employment Council by the State Government in 1999 and the development of the *Pointing to the Future* employment policy paper in 2000 were welcome initiatives, but they have not met the challenge of developing a comprehensive employment strategy. The Government should act on a number of important recommendations made in the *Pointing to the Future* report. These include:

- The State Government should take immediate action to expand significantly its raft of employment incentives and direct private and public sector job creation initiatives, with a special emphasis on supporting growth in the priority sectors in the State's economy.
- The State Government, in cooperation with industry, should intensify and focus its investment attraction and industry development policies and programmes towards targeted employment growth sectors with the primary objective of creating sustainable increases in employment for the State.
- An independent audit be undertaken of Adelaide's infrastructure particularly, IT & T, and a five year infrastructure plan be developed to establish a competitive advantage and support long-term employment growth in key industry sectors.
- The State Government, in conjunction with the Employment Council, lobbies the Commonwealth Government to ensure that South Australia receives preferential

consideration when federal industry research and development funding and other financial assistance is allocated.

- The State Government strengthens its strategic policy framework for skill and employment development to complement other South Australian policy frameworks as they relate to industry, regional and workforce development.

#### **RECOMMENDATION 9: STATE EMPLOYMENT STRATEGIES**

There is now an urgent need for more concrete employment and industry policy development work to be done. This will require a far more intensive and consultative approach and one that is underpinned by sound research. A well resourced focal point within government for the implementation of employment strategies is required. In addition significant new expenditure is required for the development of a more skilled workforce and to generate sustainable and rewarding employment opportunities for more South Australians.

*It is recommended that:*

- *The Government establish an Employment and Industry Development Research Unit to assist the Employment Council with the development of a comprehensive whole of government employment strategy addressing the following issues:*
  - *Economic conditions and outlook for the South Australian labour market;*
  - *Profile and performance of the South Australian labour market;*
  - *Medium term outlook for the South Australian labour market;*
  - *Industries in growth and decline;*
  - *Skill gaps and shortages;*
  - *The role of knowledge and skill;*
  - *Equity issues in the labour market;*
  - *Review of the impact of existing employment and labour market policies and strategies;*

- *Review of the role of government and institutional arrangements within government;*
  - *Review of national and international best practice strategies and policies;*
  - *Discussion and outline of alternative strategies and policies for consideration.*
- *The Strategy should be released publicly for consultation before September 2001 and a State Employment Policy Conference convened by the Council to engage community input and commitment to the development of the State Employment Strategy. Provison should be made in the 2001-2002 state budget for a range of new employment and training programs to support the implementation of the strategy. Specific provision should be made for the following in the strategy:*
- *An extra \$45 million over three years for graduate placements, apprenticeships and traineeships including a major program to promote and support group employment and training throughout the state;*
  - *An extra \$5 million over three years to support industry networking and cluster development initiatives that integrate group employment and training targets;*
  - *An extra \$10 million to support innovative environmental industry and employment development initiatives;*
  - *An extra \$6 million per annum over three years for programs that address the succession needs of family owned businesses;*
  - *An extra \$150 million over three years for a manufacturing modernisation and innovation program;*
  - *An extra \$4 million for the development of a comprehensive state wide employment strategy and to undertake skills needs and training audits in key industries;*

- *An extra \$30 million over three years for a Research Linkages with Industry and Communities Program to provide support for the development of collaborative research projects and partnerships between industry, unions, universities, and communities in the areas of industry and employment development.*

*Cost: \$250 million*

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