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South Australia's Economic Directions and the Implications for our Workforce.

Government of South Australia
Training and Skills Commission

Adelaide 4 September 2007

CEDA
COMMITTEE FOR ECONOMIC DEVELOPMENT OF AUSTRALIA

South Australia’s economic directions and the implications for our workforce September 2007

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Outline of presentation

- Medium-long term economic growth projection for SA underpins big increase in demand for skilled workers
- Big education and training effort needed irrespective of economic growth – case studies of Salisbury and Playford
- Big increase in small business training needed, not just more degrees and certificates – SA and Salisbury evidence

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World economic outlook is for growth above trend in 2008

World Economic Outlook, 2008

	OECD	Neth. Bur. Ec. Pol. An	ANZ Bank	Economist	IMF	ABARE
	%	%	%	%	%	%
United States	2.7	2.75	3.0	2.7	2.9	2.8
Japan	2.0	2.0	2.0	2.2	2.1	2.0
Europe	2.3+	2.25+	2.0+	2.1+	2.0+	1.9*
Asia		8.0	7.5		8.6	7.2
China	10.7	9.5	9.6	9.7	10.0	9.0
India	7.0			7.8		7.5
South America		4.5			4.2	4.0
Africa & ME		5.5			5.2	5.0
OECD	2.9					2.4
WORLD		4.75	4.6		4.9	4.2
Australia	3.4		3.6	3.2	3.3	3.4

+Euro Area

*Western Europe

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OECD's medium-term reference scenarios to 2010 are benign

Country	Real GDP growth	Inflation rate		Unemployment rate		Long-term interest rate	
	2007-2010	2006	2010	2006	2010	2006	2010
Australia	3.6	2.7	2.1	5.2	5.0	6.6	6.2
New Zealand	3.3	2.0	1.6	4.5	4.7	6.0	6.2
Japan	0.8	0.1	0.9	4.1	3.9	1.8	4.2
UK	2.6	2.1	1.9	5.2	5.3	4.8	5.9
USA	3.2	2.1	1.6	4.8	4.8	5.3	5.8
Euro area	2.5	1.6	1.6	8.7	7.9	3.6	5.5
OECD	2.8	1.8	1.7	6.4	5.9	4.5	5.6

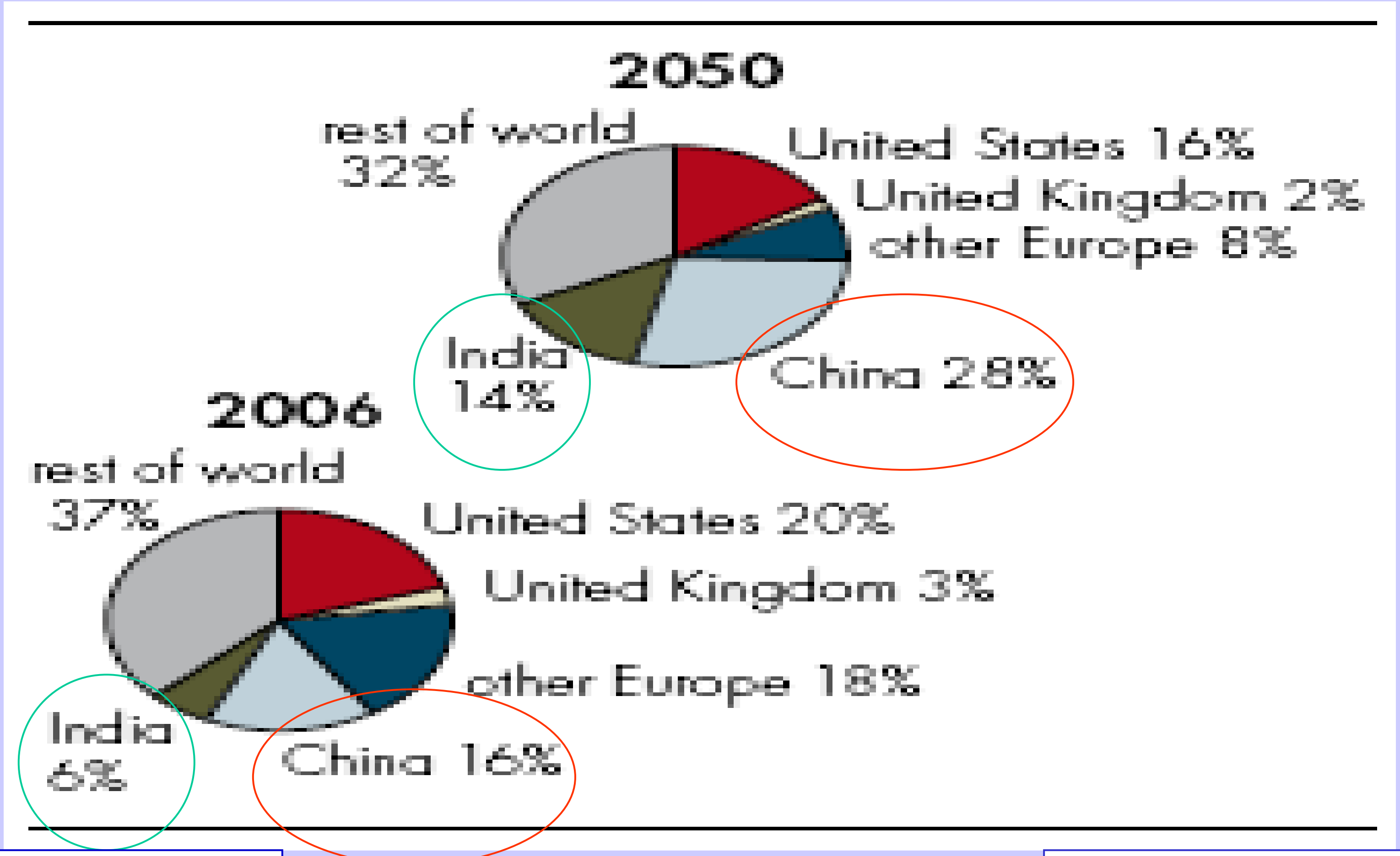
OECD Economic Outlook

ABARE assumes a similar benign economic outlook to 2012

	Unit	2005	2006	2007 a	2008 a	2009 a	2010 a	2011 a	2012 a
Economic growth b									
OECD	%	2.7	2.9	2.3	2.4	2.5	2.4	2.3	2.3
United States	%	3.5	3.3	2.5	2.8	3.0	3.0	3.0	3.0
Japan	%	1.9	2.2	2.0	2.0	1.8	1.8	1.5	1.5
Western Europe	%	1.6	2.5	2.0	1.9	1.9	1.7	1.7	1.7
Germany	%	0.9	2.6	1.6	1.5	1.5	1.2	1.2	1.2
France	%	1.4	2.0	2.0	1.8	1.8	1.6	1.6	1.6
United Kingdom	%	1.8	2.6	2.4	2.5	2.5	2.5	2.5	2.5
Italy	%	0.1	1.8	1.2	1.2	1.2	1.2	1.2	1.2
Korea, Rep. of	%	4.0	5.0	4.3	4.5	4.5	4.5	4.0	4.0
New Zealand	%	2.1	1.7	2.1	2.8	2.5	2.5	2.5	2.5
Developing countries	%	6.9	7.2	6.7	6.4	6.0	5.9	5.7	5.7
Non-OECD Asia	%	7.9	8.3	7.5	7.2	6.8	6.7	6.5	6.5
South East Asia c	%	5.3	5.7	5.3	5.3	4.9	4.7	4.7	4.7
China d	%	10.2	10.7	9.5	9.0	8.5	8.5	8.0	8.0
Chinese Taipei	%	4.0	4.1	4.0	4.0	4.0	3.8	3.8	3.8
India	%	8.4	8.4	7.8	7.5	7.0	7.0	7.0	7.0
Latin America	%	4.2	4.8	4.3	4.0	3.5	3.5	3.5	3.5
Middle East	%	5.9	5.8	5.8	5.0	4.5	4.5	4.5	4.5
Russian Federation	%	6.4	6.7	6.5	5.5	5.5	5.0	5.0	5.0
Ukraine	%	6.0	6.0	5.8	5.0	4.5	4.0	4.0	4.0
Eastern Europe	%	5.3	5.3	5.0	4.5	4.0	4.0	4.0	4.0
World e	%	4.9	4.9	4.3	4.2	4.1	4.0	3.9	3.9

ABARE, *Australian Commodities*, March Qu 2007, p7.

In the longer term, China, India and the USA will dominate world economic outcomes



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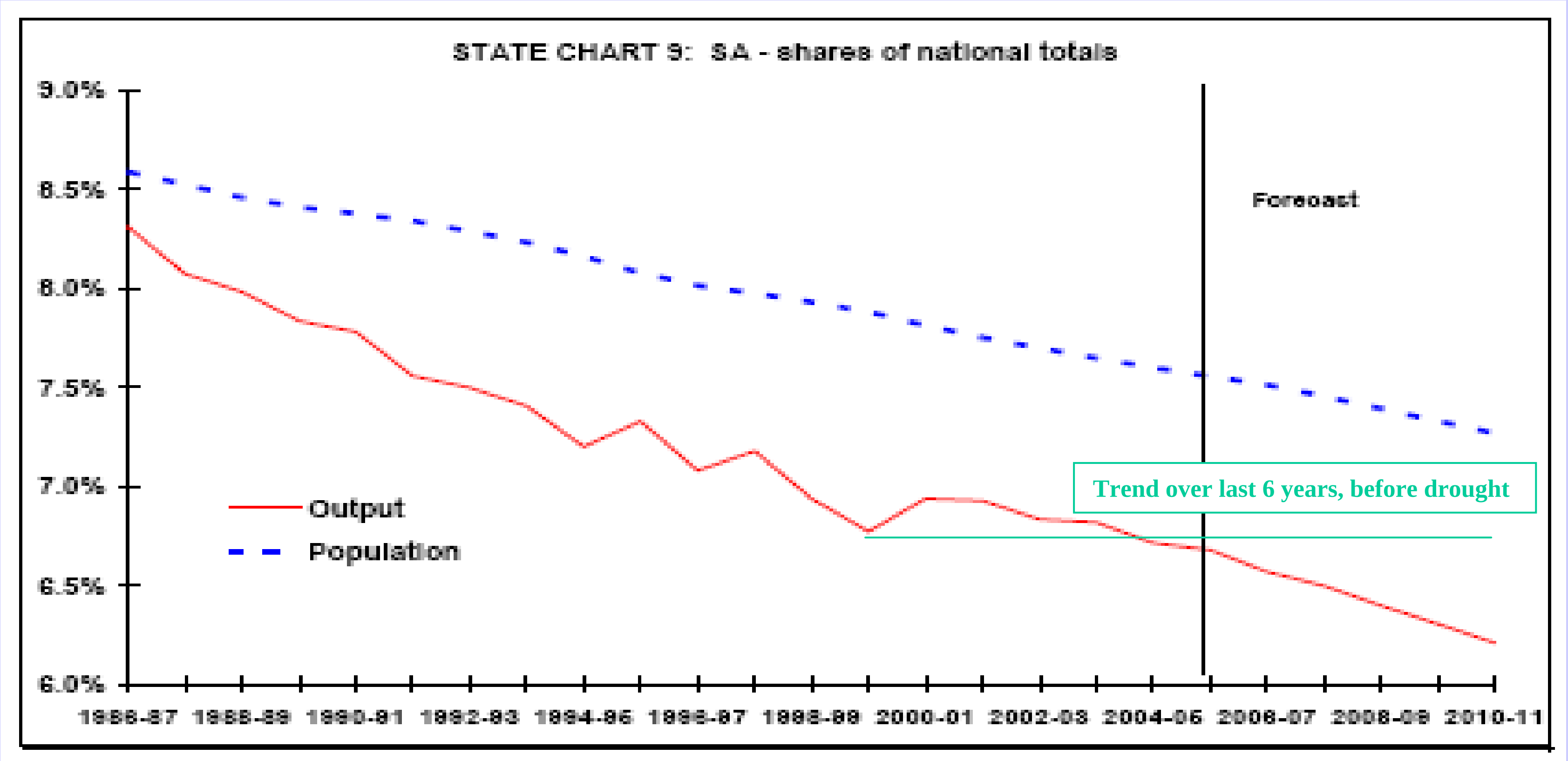
ABARE, *Australian Commodities*, March Qu 2007, p12.

Access Economics sees weak South Australian economic performance in the longer term (as usual)



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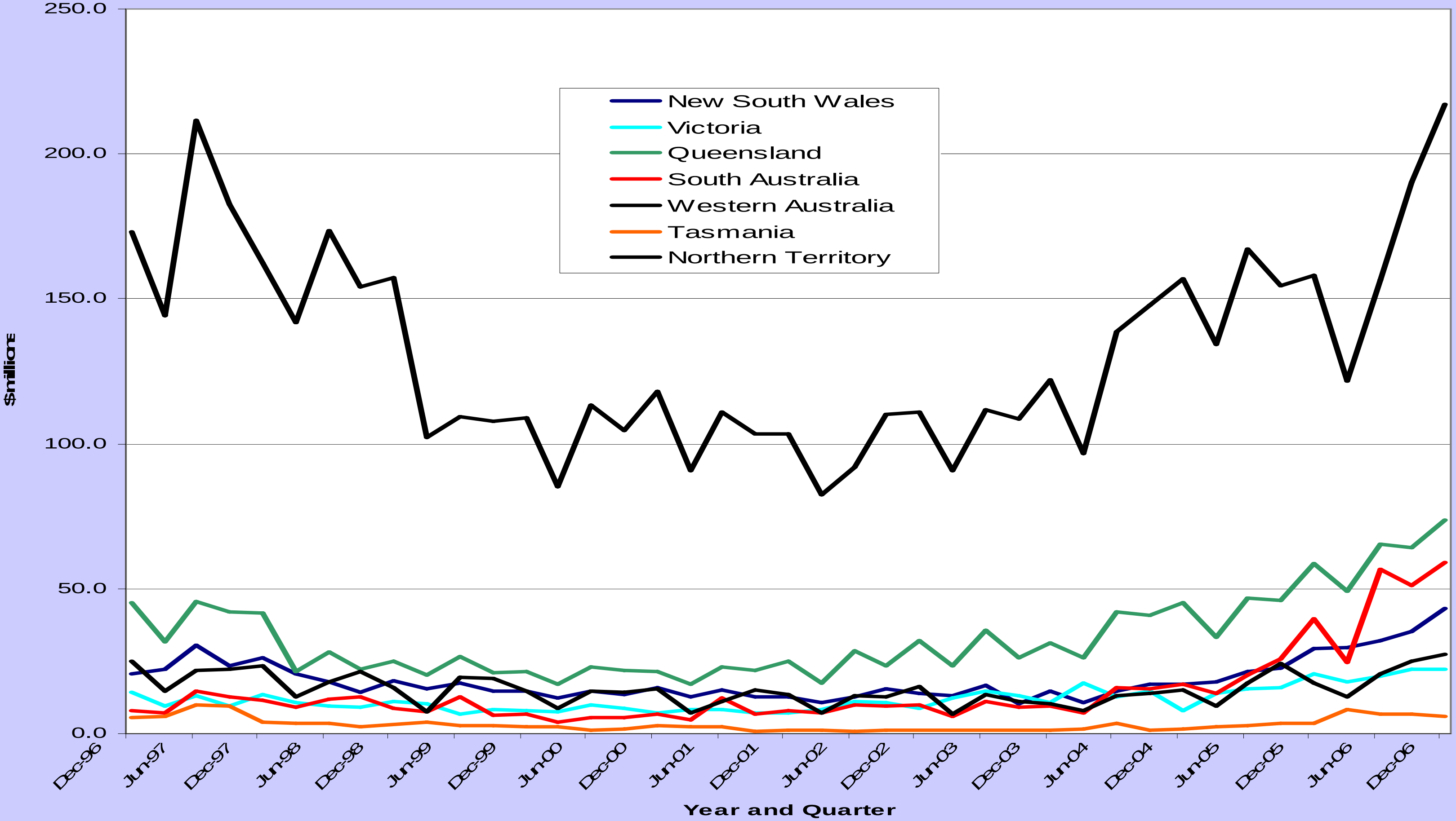
Access Economics, *Business Outlook*, March 2007, p.103.

Spending on mineral exploration, States and Territories, Dec 1996 - Dec 2006



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ABS AUSSTATS

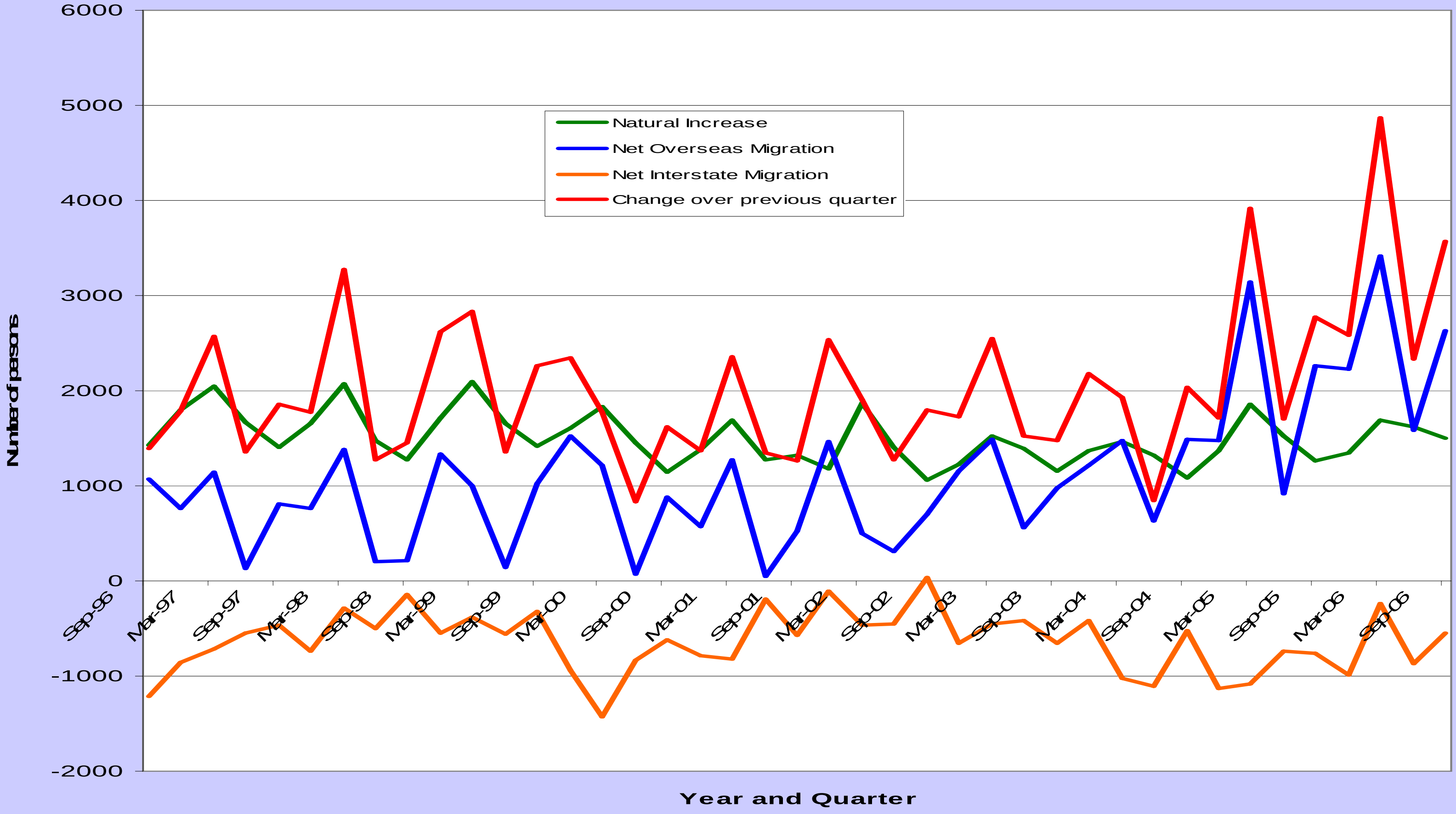
Persons Employed in Personal, Micro, Small, and Medium/Large Businesses, and in the Public Sector, by Industry, South Australia, average annual rates of growth, (% p.a.), 1984-2001

Industry	Persl (%pa)	Micr (%pa)	Sml (%pa)	Med/L (%pa)	Empl (%pa)	PS (%pa)	All (%pa)
Manuf	2.7	1.4	1.0	-1.3	1.8	-20.0	-1.0
Construct	2.5	0.8	4.2	2.1	-1.0	-7.1	2.3
Wholesale	0.6	-1.2	1.7	3.1	-3.4	-14.5	0.4
Retail	-1.7	-1.1	0.9	1.0	0.3	0.0	0.9
Prop/bus	7.9	6.2	4.4	2.9	2.2	-3.0	3.2
Education	5.5	6.7	4.8	5.7	4.2	0.2	1.3
Health/com	5.4	5.5	4.8	3.6	1.1	0.0	2.2
All inds	2.6	2.2	2.6	1.6	0.7	-1.6	1.1

R Blandy, School of Management, UniSA +AUSSTATS

R Blandy, *Small Business Report*, City of Salisbury, August 2007

Quarterly components of population change, South Australia, September 1996 – September 2006



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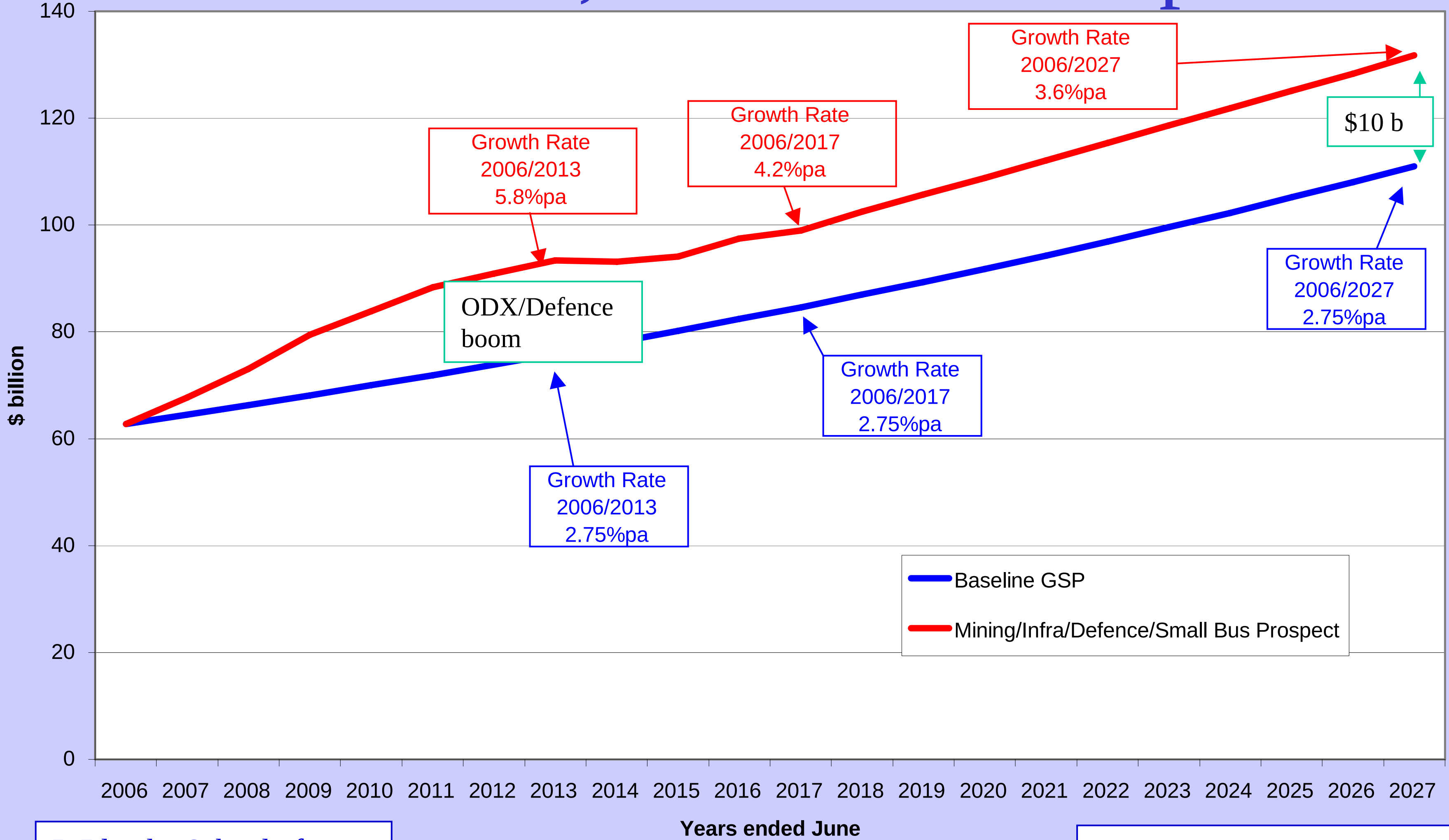
ABS AUSSTATS

South Australia Gross State Product, 2006 - 2027, constant 05/06 prices



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SCM Advisory, ConnellWagner, AustralAsia*Economics data and analysis + AUSSTATS

Labour force and skill analysis - growth assumptions

	2006 ($ or persons)	2006 – 2013 (% pa)	2006 – 2017 (% pa)	2006 – 2027 (% pa)
GSP and GSP growth	$62.8b	5.8	4.2	3.6
Productivity growth		3.0	2.0	2.0
Employment and employment growth	750,000	2.8	2.2	1.8

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SCM Advisory, ConnellWagner, AustralAsia*Economics data and analysis + AUSSTATS

Labour force and skill analysis - qualification assumptions 1

- South Australian employed persons classified by Census post-school qualifications.
- Shares of qualifications projected from 2001 to 2006, 2013, 2017 and 2027 by assuming same annual percentage point changes as happened from 1991-2001.
- Shares applied to employment projections to derive workforce skill requirements.

Labour force and skill analysis - qualification assumptions 2

Post-school Qualification	2006 (%)	2013 (%)	2017 (%)	2027 (%)
Postgraduate Degree	2.9	4.0	4.5	6.0
Graduate Diploma	1.8	2.2	2.5	3.0
Bachelor's Degree	15.7	19.6	21.0	26.0
Advanced Diploma	6.8	7.2	7.4	8.0
Certificate	18.0	19.3	20.6	23.0
None	54.8	47.7	44.0	34.0
Total	100.0	100.0	100.0	100.0

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Workforce skill requirements in South Australia, 2006-2027

Post-school Qualification	2006 '000 pers	2013 '000 pers	2017 '000 pers	2027 '000 pers
Postgraduate Degree	22	35	45	64
Graduate Diploma	14	19	25	32
Bachelor's Degree	118	173	209	279
Advanced Diploma	51	64	74	86
Certificate	135	172	205	247
None	410	422	437	364
Total employment	750	885	995	1072

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Extra jobs by skill requirements South Australia, 2006-2027

Post-school Qualification	2006 '000 pers	2006-2013 '000 pers	2006-2017 '000 pers	2006-2027 '000 pers
Postgraduate Degree	22	+13	+23	+42
Graduate Diploma	14	+5	+11	+18
Bachelor's Degree	118	+55	+91	+161
Advanced Diploma	51	+13	+23	+35
Certificate	135	+37	+70	+112
None	410	+12	+27	- 46
Total	750	+135	+245	+322

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SA Medium Term Workforce Skills Outlook Summary

In the next 10-20 years,

- employment in SA will increase by 30-40 per cent,
- jobs for people with degrees will more than double,
- jobs for people with diplomas and certificates will increase by more than 50 per cent, and
- jobs for people without post school qualifications will scarcely grow at all.
- But a large increase in training needs is under way irrespective of economic developments in SA.

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Case Studies - Salisbury and Playford

- Gross Regional Product accounts prepared by industry and projected to 2015/16.
- Census-based workforce numbers prepared by industry, qualification and residence and projected to 2015/16.
- Permits scenario projections of skills demands and supplies to 2015/16 in each LGA.

R Blandy, *Economic Assessment Reports*, City of Salisbury, March 2006, City of Playford, August 2007.

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Salisbury *Fast Growth* Scenario (GRP grows at 4.0 per cent p.a.)

Qualification	1991 Local Jobs	1996 Local Jobs	2001 Local Jobs	2005* Local Jobs	2015** Local Jobs	
Postgraduate Degree	491	747	827	962	1690	
Graduate Diploma and Graduate Certificate	308	510	521	605	1060	3448
Bachelor Degree	1939	2608	3320	3870	6145	
Advanced Diploma and Diploma	1576	2153	2387	2708	4073	
Certificate	5033	5248	6484	7063	9520	
Not stated, not applicable and inadequately described	15349	16386	17214	17957	19777	1820
All Qualifications	24696	27652	30744	33157	42257	

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R Blandy, *Economic Assessment Report*, City of Salisbury, March 2006, Table 18.

Playford *Fast Growth* Scenario (GRP grows at 4.0 per cent p.a.)

Qualification	1991 Local Jobs	1996 Local Jobs	2001 Local Jobs	2006* Local Jobs	2016** Local Jobs	
Postgraduate Degree	76	107	335	707	1373	
Graduate Diploma and Graduate Certificate	190	229	289	430	763	3665
Bachelor Degree	875	1299	2063	3773	6439	
Advanced Diploma and Diploma	894	650	1196	1632	2298	
Certificate	3038	3379	3774	4325	6324	
Not stated, not applicable and inadequately described	11720	11778	12104	13169	13503	334
All Qualifications	16793	17442	19761	24036	30700	

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R Blandy, *Economic Assessment Report*, City of Playford, August 2007, Table 17.

Salisbury *Slow Growth* Scenario (GRP grows at 2.0 per cent p.a.)

Qualification	1991 Local Jobs	1996 Local Jobs	2001 Local Jobs	2005* Local Jobs	2015** Local Jobs
Postgraduate Degree	491	747	827	962	1286
Graduate Diploma and Graduate Certificate	308	510	521	605	801
Bachelor Degree	1939	2608	3320	3870	4961
Advanced Diploma and Diploma	1576	2153	2387	2708	3096
Certificate	5033	5248	6484	7063	7458
Not stated, not applicable and inadequately described	15349	16386	17214	17957	19103
All Qualifications	24696	27652	30744	33157	36608

+1611

+1146

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R Blandy, *Economic Assessment Report*, City of Salisbury, March 2006, Table 20.

Playford *Slow Growth* Scenario (GRP grows at 2.0 per cent p.a.)

Qualification	1991 Local Jobs	1996 Local Jobs	2001 Local Jobs	2006* Local Jobs	2016** Local Jobs
Postgraduate Degree	76	107	335	707	1024
Graduate Diploma and Graduate Certificate	190	229	289	430	622
Bachelor Degree	875	1299	2063	3773	5366
Advanced Diploma and Diploma	894	650	1196	1632	2291
Certificate	3038	3379	3774	4325	4775
Not stated, not applicable and inadequately described	11720	11778	12104	13169	11122
All Qualifications	16793	17442	19761	24036	25200

2102

-2047

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R Blandy, *Economic Assessment Report*, City of Playford, August 2007, Table 19.

Increase in Persons Employed in Personal, Micro, Small, and Medium/Large Businesses, and in the Public Sector, by Industry, Salisbury, 2005-2015 (fast growth scenario)

Industry	Persl Pers.	Micr Pers.	Sml Pers.	Med/L Pers.	Empl Pers.	PS Pers.	All Pers.
Manuf	212	60	289	670	32	0	991
Construct	67	14	215	35	9	2	261
Wholesale	27	22	269	479	3	0	750
Retail	94	84	737	865	111	0	1713
Prop/bus	601	579	1271	791	67	26	2154
Education	7	5	22	52	1	85	160
Health/com	15	35	109	160	8	88	365
All inds	1575	1050	4164	3715	319	875	9074

2625

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R Blandy, *Small Business Report*, City of Salisbury, August 2007, Table A11.

Why are jobs in tiny businesses increasing so fast?

- Affluence - higher order needs addressed better in tiny businesses
- "Long-tail" economics
- Globalisation
- Digital technology - especially the internet
- Microeconomic reforms creating opportunities for outsiders

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R Blandy, *Small Business Report*, City of Salisbury, August 2007, Table A11.

Demographics of tiny business start-ups

- Ageing baby boomers
- Women with children under 15
- Migrants
- Generation Y

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R Blandy, *Small Business Report*, City of Salisbury, August 2007, Table A11.

Training need - how to run a small business

- Raise labour force participation rate of all four important demographic groups and add to the supply of skill availability.
- Generation Y - disaffected youth discontented with school are often entrepreneurial, overseas programs in small business training have been very successful in arresting drop-out and rehabilitating young offenders.

R Blandy, *Small Business Report*, City of Salisbury, August 2007, Table A11.

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