Jobs for the Future

Department of Industry

Jobs for NSW

Reference Group Forum 2 Pre-read

24 May 2016

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FORUM AGENDA

University of Technology Sydney

Venue 1: **(09:00 - 09.25) -** UTS Data Arena, Ground Floor, Building 11, 81 Broadway, Broadway

Venue 2: **(09.30 – 12:00) -** Room 8.03, Level 8, Dr Chau Chak Wing Building, 14-28 Ultimo Road, Ultimo

Purpose: Test and flesh out the Agenda for Action

	Item	Speaker
09:00	Data Arena - immersion experience	
09.20	Relocate to forum room; coffee and refreshments on arrival	
09.30	Welcome and overview	Karen Borg
09.40	Jobs for the Future - project update	Seckin Ungur
09.50	Are the aspirations right?	Small group work
10.20	Priorities and actions - what is missing? Creating a dynamic agenda	Small group work
11.20	Where to now - how can you contribute and stay involved?	Lucy Cole-Edelstein Facilitated discussion
11.50	Thank you and close	Karen Borg

Jobs for the Future Project Executive Summary

Approximately 1 million jobs have been created in NSW over the past 20 years, but if we want this to continue into the next 20 years, we need to focus on globally competitive industries. This will not only continue to create more jobs, but will ensure we create better jobs.

Over the last 20 years, jobs have come mainly from domestically driven industries or industries with high public spending such as health and social care. Our export capacity has declined in the past 20 years.

This is not sustainable long term. If we want to continue this level of jobs growth in the next 20 years, we need to build our comparative advantages in globally competitive industries so we can access the opportunities presented by global supply chains. 12 target segments have been identified for this purpose. We will focus on 4 in particular – Exports to Asia's consumers, International Education, Tourism and Start-ups & Digital Innovation as these present the greatest job growth opportunities.

NSW jobs growth over the past 20 years has been twice as fast in 'hotspots' where industries 'cluster' in geographic areas. This trend is consistent worldwide.

To fuel jobs growth and target our investment, we need to identify current and future potential 'clusters' in high growth sectors (e.g. Ultimo/Pyrmont for start-ups/digital) to help create the right networks across industry, government and education institutions; and proactively unlock barriers to growth.

Jobs for the Future Project Executive Summary

We need to identify and target our interventions on high growth enterprises (Gazelles).

All of the net jobs growth over the past 20 years has come from a small subset (just 6%) of high growth enterprises. These are new or existing small businesses that have scaled. In contrast, medium and large businesses have been shedding jobs due to productivity gains. Australia is internationally competitive in starting new businesses it significantly lags global peers in scaling businesses, which is what drives net jobs growth.

Strategically, we need to focus our job creation efforts on those small businesses that have the potential to rapidly scale and grow (the ‘gazelles’). This means getting better at identifying them and in helping them to grow, either through proactive investment and/or by addressing barriers to their rapid growth. Actions could include for example: creating networks of sponsors and ‘first customers’ to match high potential gazelles with market opportunities; creating a fund of funds to ensure gazelles have access to the full range of capital sources on terms that are globally competitive.

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Since the jobs of the future will be better quality jobs, we need to ensure our community has the skills to compete for these jobs.

75% of the jobs created in the past 20 years have been high quality, highly paid ‘interaction jobs’ which typically require more complex problem solving and social/emotional skills. ‘Production’ jobs (factory workers) and ‘transaction jobs’ (e.g. bank tellers, accountants) have declined due to labour productivity and the early impacts of technology driven automation.

The trends in productivity and automation are set to accelerate, so we need to make sure our population has the right skills and capabilities to be competitive in getting these jobs. Otherwise they will end up in lower paid and less sustainable production jobs. The interactive jobs that have the potential to grow will either not be realised or go elsewhere. There are actions that can be taken in the VET area most easily, but the solutions span the whole education spectrum.

Jobs for the Future Project Executive Summary

Since the jobs of the future will be better quality jobs, we need to ensure our community has the skills to compete for these jobs.

If we want to grow jobs in the next 20 years, we need the full talent pool in NSW to participate, especially women with children, and older people.

Participation in the NSW workforce has been growing over the past 20 years, but we are not capturing the full potential of the talent in the population. In particular, participation rates of women with children, older people and geographic pockets of youth are not on par with international peers. This could pose limitations to job growth.

We need to create an environment that encourages the full talent pool in NSW to participate, with a particular focus on women with children, older people (over 65), and youth in certain geographic locations. Many of these issues are traditionally seen as Commonwealth responsibilities, but there are levers which could be pulled at the state level, which if targeted strategically, could make a real difference.

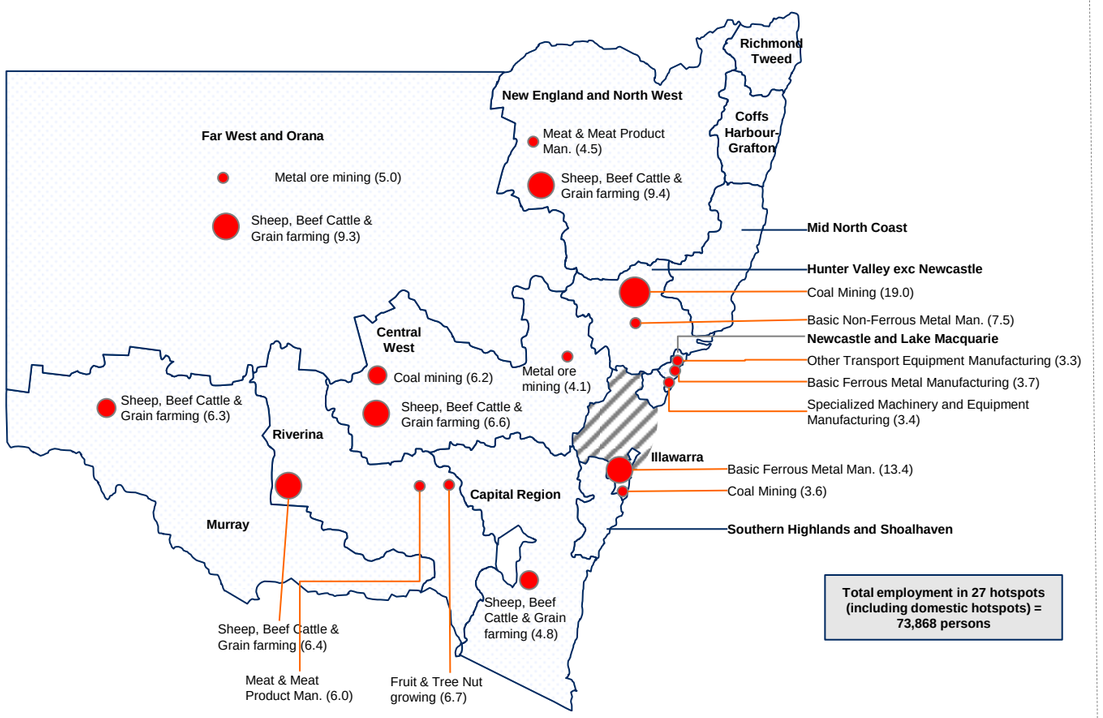
‘Hotspots’ of exportable products are predominantly in regional areas, while hotspots of exportable services are concentrated in inner Sydney

Industry groups (214 level) and SA4 (28 regions)

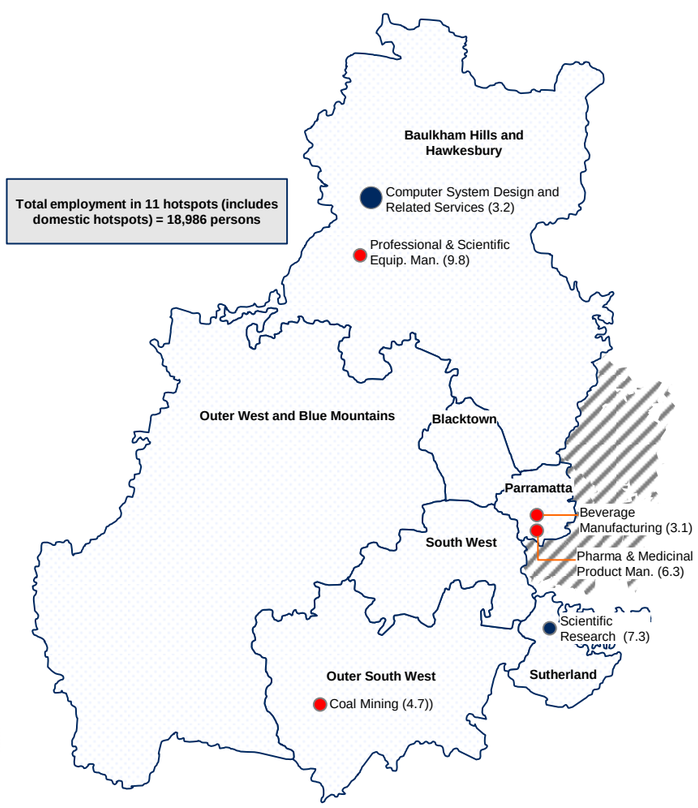
Subset of clusters with LQ of 3+[1]; Domestic hotspots not mapped

Industry cluster	Industry category	Employment
Industry at 3 digit level (LQ)	Exportable Product sectors	1,000–2,000
	Exportable Service sectors	2,000–4,000
		4,000–8,000
		>8,000

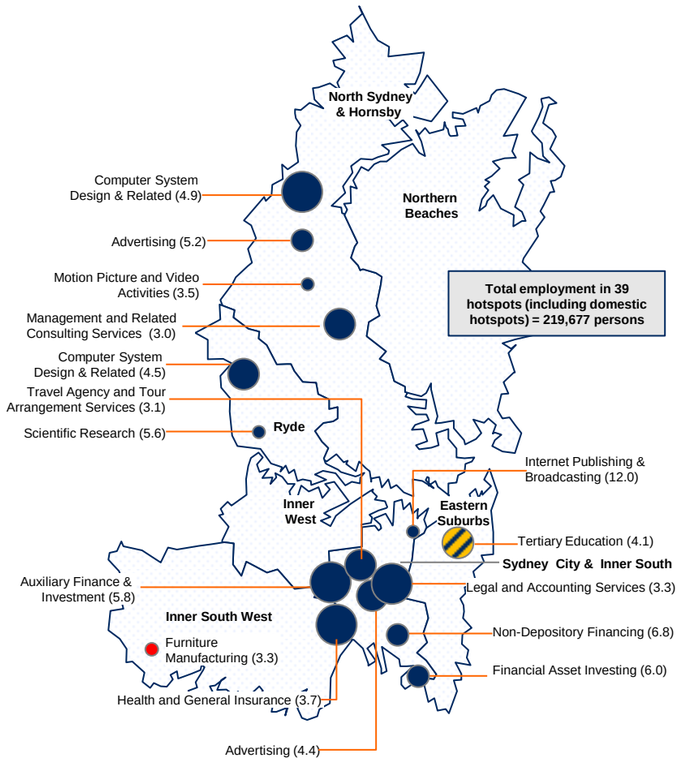
Top hotspots in regional NSW



Top hotspots in outer Sydney



Top hotspots in inner Sydney



1 Location quotients calculated as the % of employment of region in industry group / % of employment of Australia in industry group

SOURCE: Analysis using Census 2011 data

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12 target segments have been identified

Top quintile | 2nd quintile | 3rd quintile | 4th quintile | Bottom quintile

Note: Potential job creation refers to the potential jobs growth that could be achieved if the segment reaches the aspiration outlined in the following pages. These jobs would be a response to all policies of the state and Commonwealth governments—and should not be interpreted as a goal for JfNSW in isolation

		Fit with Jobs for NSW mandate				
		Potential job creation over and above trend growth (est.)[1]		**Regional jobs (est.)[2]**	**Job quality**	**Sustainability**
Rank	**Segment**	Potential jobs growth due to policy (4 years)	Potential jobs growth due to policy (8 years)	What proportion of jobs in this segment are regional?	What are the estimated average weekly earnings in this segment?	How resilient are jobs in this segment to automation?
Our suggestion						
1	**Goods exports to Asia's consuming class**	10-15,000	25-30,000	35%	$1,200	
2	**Tourism**	10-15,000	25-30,000	25%	$900	
3	**Startups & digital innovation**	7-8,000	10-15,000	10%	$1,500	
4	**Infrastructure & smart cities**	1-2,000	30-40,000	25%	$1,600	
5	**International education**	5-6,000	10-15,000	20%	$1,400	
6	**Regional HQs of multinationals**	2-3,000	7-8,000	10%	$1,500	
7	**Financial and professional services**	8-9,000	15-20,000	10%	$1,500	
Others to consider						
8	**Advanced manufacturing**	5-6,000	9-10,000	25%	$1,300	
9	**Life sciences**	5-6,000	10-15,000	20%	$1,300	
10	**Creative industries**	5-6,000	10-15,000	10%	$1,400	
11	**Logistics**	5-6,000	10-15,000	20%	$1,400	
12	**Environmental technologies**	2-3,000	9-10,000	25%	$1,400	

1 Lower-bound estimates reflect a scenario where the economy grows slower than forecast
2 Regional defined as being outside of Sydney, Newcastle and Wollongong
SOURCE: AlphaBeta analysis

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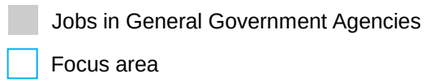
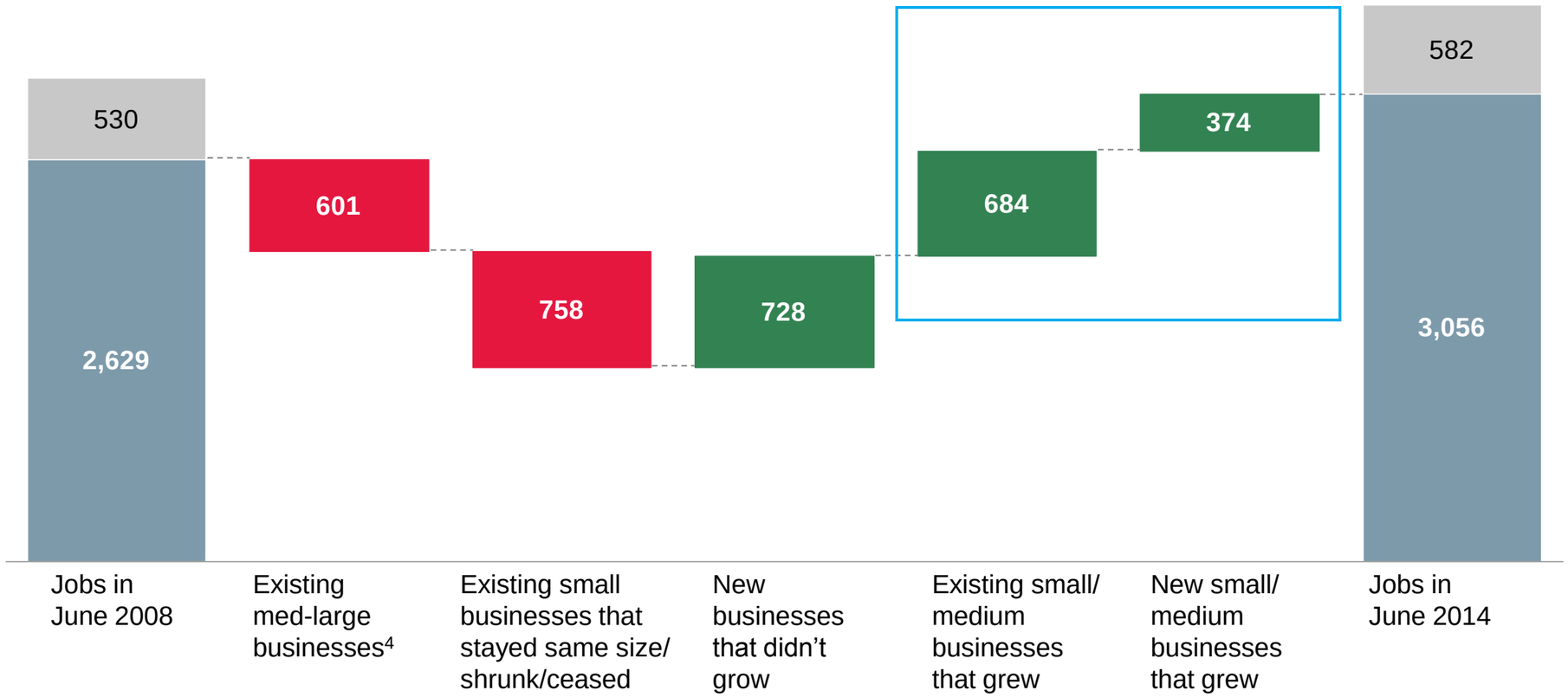
All of net jobs growth comes from 6% of businesses that scale

Contribution to jobs growth (June 2008–June 2014), NSW[1]

Jobs, Thousands



% of total businesses June 2008–June 2014[2]		1%	50%	43%	4%	2%	
Total businesses	3,159[3]	12,778	630,220	548,847	46,286	30,651	3,638[3]



1 Average number of jobs assumed for each employment bracket 2 Businesses in each category as a percentage of total businesses in existence Jun 08 plus all new businesses to 2014. 3 Calculated total employment at June 2008 differs to actual by ~250K and June 2014 differs to actual by ~20K. This is likely due to shifts in average number of jobs in each employment bracket through time. 4 The losses by med-large companies may be overstated due to assumptions of the average number of employees used for businesses within different employment brackets. The highest employment bracket is 200+ and any companies that were 200+ at the start of the observation period and stayed 200+ at the end of our observation period are counted as having 0 jobs created.

. Assumptions used for average employees would not account for additional jobs for those companies.

SOURCE: Calculations based on bespoke data provided by Australian Bureau of Statistics, based on Counts of Australian Businesses database, public sector employment from ABS Cat 6428

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NSW is not capturing the full growth potential of small businesses

Gap between NSW and benchmark countries

NSW minus benchmark countries average

Research

N/A

Ideation/Founding

Start-up rate[1]
New businesses as % of active businesses with 1+ employees

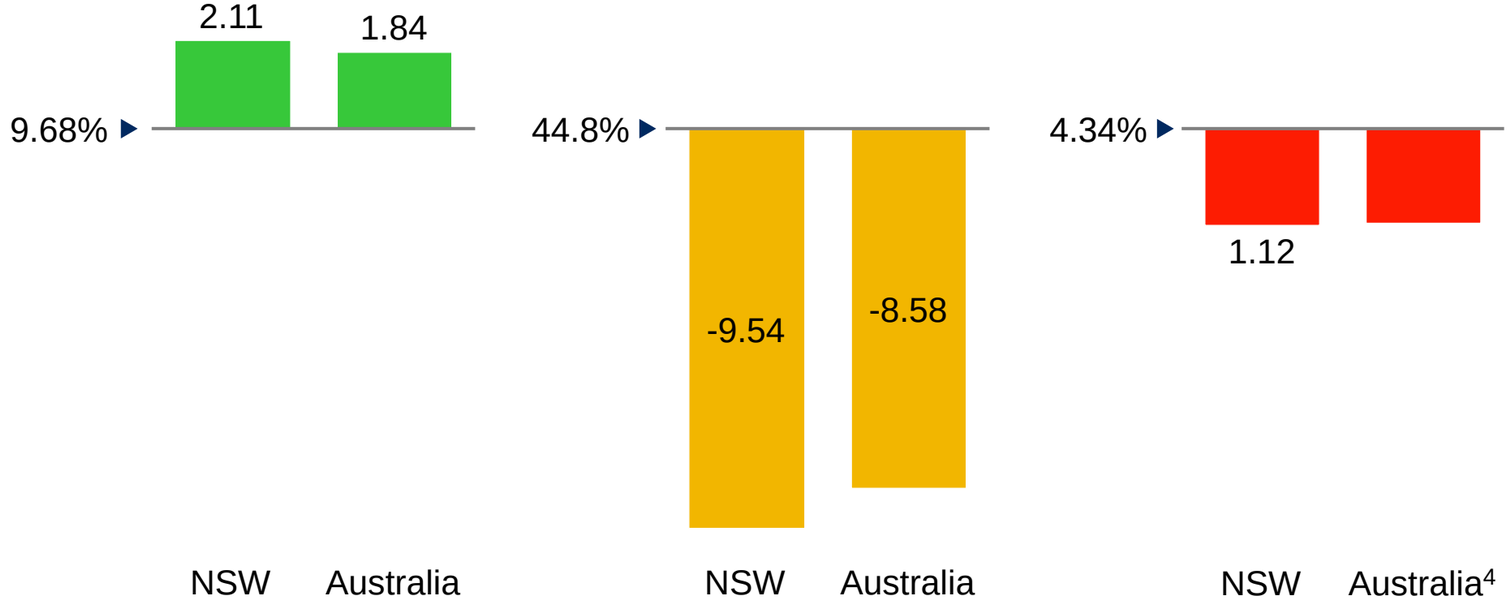
Incubation/ Commercialisation

5 year survival rate[2]
Surviving new businesses at t+5 as % of total new businesses at t

Growth/ Expansion

% of high growth businesses
Number of high growth businesses as % of total businesses[3]

It is estimated an additional ~350k jobs could be created in NSW over 20 years by increasing the proportion of businesses that grow from 16% to 21%



1 Benchmark countries used are Israel, Sweden, New Zealand, UK, Germany and USA. Start-up rate for benchmark countries and Australia are taken from OECD and is calculated from ABS data for NSW
2 Benchmark countries used are Israel, Sweden, New Zealand and UK. Survival rate for benchmark countries are taken from OECD and are calculated from ABS data for Australia and NSW
3 Number of high growth businesses (i.e. greater than 20% average annualised growth in turnover for 3 consecutive years and with 10+ employees at beginning of growth) / total businesses with 10+ employees
4 Magnitude for Australia is based off assumption that it will be in line with NSW. Data is from OSR and therefore unavailable for Australia
SOURCE: OECD Entrepreneurship at a Glance Report (2015), Calculations based on bespoke data provided by Australian Bureau of Statistics, based on Counts of Australian Businesses database, and by OSR

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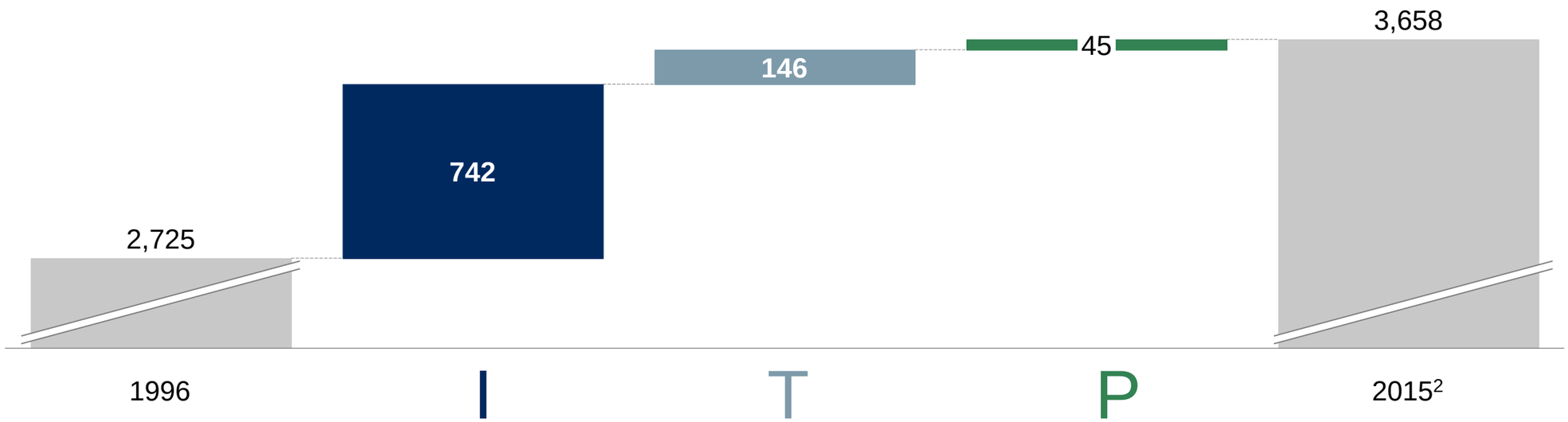
75% of job growth has come from interaction jobs in the past 20 years

Number of jobs in NSW[1]

Thousands



	Interaction jobs	Transaction jobs	Production jobs
Fastest gaining occupations	▪ Child carers (+31k) ▪ Personal carers (+25k) ▪ Accountants (+23k)	▪ General clerks (+47k) ▪ Sales assistants (+40k) ▪ Office managers (+30k)	▪ ICT technicians (+16k) ▪ Electricians (+16k) ▪ Storepersons (+16k)
Fastest declining occupations	▪ Farm managers (-27k) ▪ Tertiary teachers (-3k) ▪ Hospitality mgrs (-3k)	▪ Secretaries (-38k) ▪ Keyboard op. (-26k) ▪ Financial clerks (-19k)	▪ Plant operators (-17k) ▪ Machine op. (-12k) ▪ Mechanics (-10k)
Average salary (A$, 2014)	78K	45K	58K
Current automatability	26%	55%	58%

1 Rounded figures (figures are slightly lower because it excludes non-matching categories between 1996 and 2015)
2 2015 data uses January–November average
SOURCE: ABS 1220, ABS 6129 table EQ08 (employed persons by ANZSCO—data excludes non-matching categories between 1996 and 2015), McKinsey Global Institute (MGI), ABS 6306

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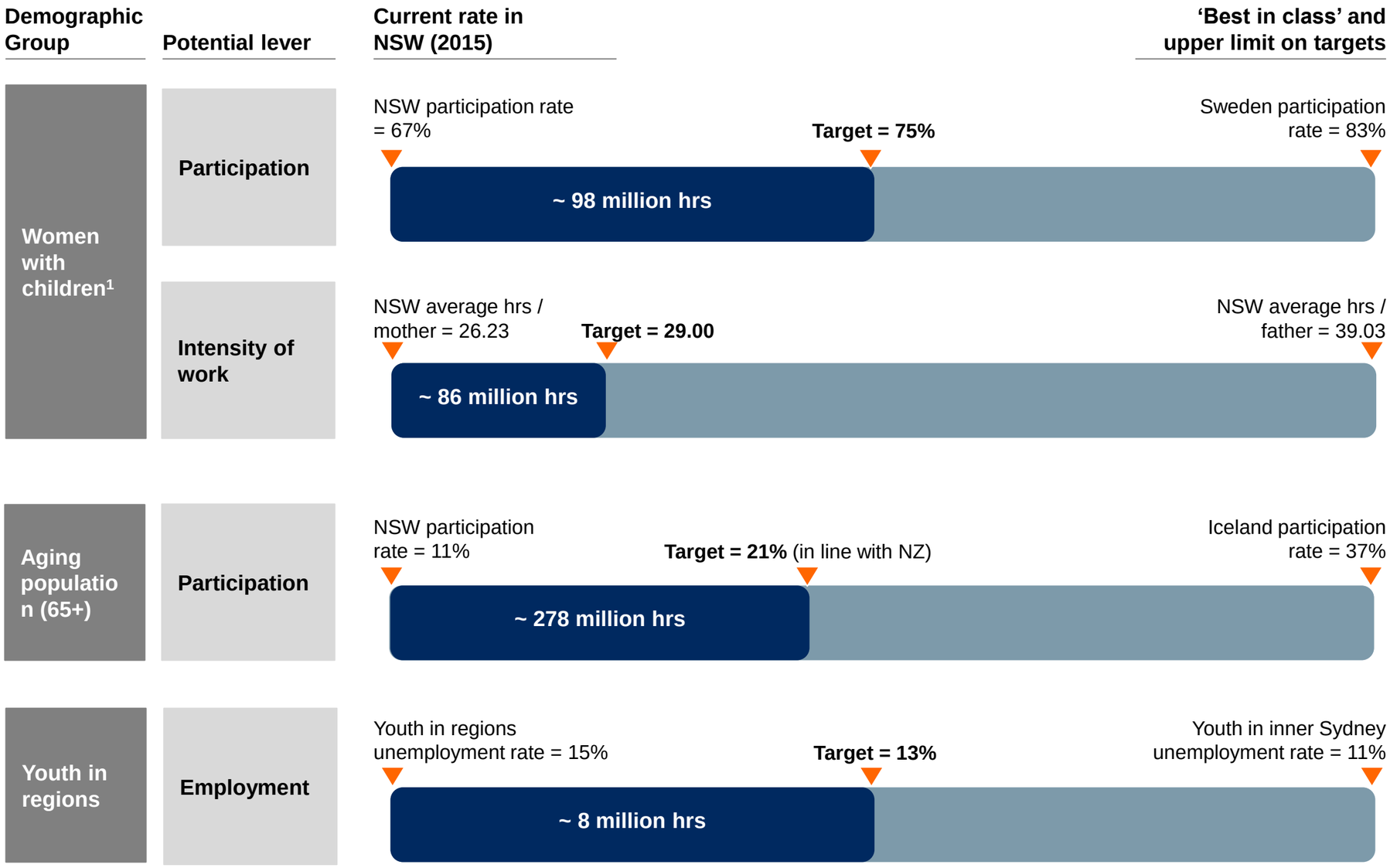
Participation and employment opportunities across three demographic groups



If we achieve all these targets, we can close the gap between current course and speed and target 2036 hours (~ 470 million hours)2

1 Potential hours for women of children shown as two separate effects of increasing participation rate (holding average hours constant) and intensity of work (holding participation rate constant). If both targets are achieved, there is an extra ~ 7 million hours.

SOURCE: ABS Labour Force Survey, Intergenerational Report, OECD

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