Perceived Barriers to Graduate Uptake by Regional and Rural SMEs in Central Queensland: Directions for Research

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ABSTRACT

Regional Australia loses many of its University graduates to major urban centres. Graduates hope to obtain jobs that will utilise their skills but this urban drift has important implications for the regions that are left behind. In an effort to alleviate this drift, regional universities have a major role to play in providing knowledge workers and creating the human capital to supply regional and rural employment needs. While a number of studies have been completed on graduate attributes, core skills and knowledges, these studies have also had a strong focus on urban centres and this focus does not contribute to the understanding of regional and rural SME knowledge requirements. This study aims to investigate graduate uptake by regional and rural SMEs, specifically in the Central Queensland region, with the focus being a discussion of perceived barriers to employment of university graduates by SMEs.

Key Words: Small and medium enterprise (SME); graduate attributes; regional university roles

INTRODUCTION

As suggested by Winchester, Glenn, Thomas and Cole (2001), all Australian universities share common roles and principles of higher education. However, universities located in regional areas have a specific function to offer opportunities for research, education and cultural, social and economic benefits that may not otherwise be available to these regional communities.

Regional universities have a unique relationship with the employers and communities in the centres in which they are situated. Universities play a significant role in regional development being both a major employer within the region and a significant consumer of local services and goods (Garlick, 1998; Winchester et al., 2001). They are also a significant contributor to the local infrastructure and provide opportunities for upskilling of the labour force in areas that may otherwise be disadvantaged.

However, those very opportunities for education, research and upskilling, may also create challenges for graduates in then gaining employment within regional enterprises. There is a perception that graduates need to relocate to metropolitan centres to gain employment in large enterprises that are more able to accommodate their higher educational level. The study on which this paper is based, seeks to understand aspects of the complex relationship between regional universities and regional employers, specifically those employers operating small and medium tourism enterprises (SMEs) within (but not limited to) the Central Queensland region.

SMEs were chosen as the focus for this study, due to the significant contribution such businesses make to sustainability and growth in regional, rural and remote communities throughout Queensland and Australia and particularly for their significance to the regional tourism industry. Indeed, as suggested by the Organisation for Economic Cooperation and Development (OECD), SMEs account for 60% to 70% of employment, on average, across all OECD countries and share similar characteristics and face similar challenges (Queensland Government, 2004b). Further, within Queensland, SMEs operate across a great diversity of industries. SMEs contribute to significant growth in the services sector throughout Queensland and provide cultural and recreation services (3.4%), transport and storage services (7.1%), accommodation, cafes and restaurants (2.9%), retail trades (15.9%) and many others (Queensland Government, 2004b).
For the purposes of this study, definitions of small and medium enterprises will coincide with those categories used by the Australian Bureau of Statistics (ABS, 2002b) whereby, small enterprises are defined as those businesses employing less than 20 staff (and including micro businesses which employ less than 5 staff). Medium enterprises are defined as businesses employing between 20 and 200 people and large businesses employ more than 200 people.

Government at all levels has expressed a need to target sustainable development in regional and rural areas. This paper provides a discussion of the literature reviewed for an impending study that seeks to redress the ‘brain drain’ from regional areas by determining the needs of regional community employers for university graduate skills and attributes. Once this research has been completed specifically within Queensland regional centres and communities, the aim will be to implement a program and work closely with regional employers to fulfil such identified needs in Queensland. The following discussion will provide a background for the study which highlights the need for the research and identifies a range of challenges faced by both SMEs and graduates in regional areas. We provide an analysis of the impact of urban drift, and we will then review and present material which frames the discussion of the need for regional SMEs to employ university graduates.

**REGIONAL QUEENSLAND’S URBAN DRIFT & THE ROLE OF REGIONAL UNIVERSITIES**

Regional Australia loses many of its university graduates to major urban centres and the trend in Queensland is certainly indicative of this urban drift. There is a demonstrable tendency for persons between the ages of 15 and 29 to migrate away from regional areas throughout Queensland, across all statistical divisions as per the Australian Bureau of Statistics census data for 1996 and 2001. Tables 1, 2 and 3 provide an overview of the data (developed for this research from the Basic Community Profiles as provided by the ABS 1996 and 2001) for all statistical divisions in Queensland.

**Table 1 – Change in Number of Persons Aged 10-19 Years Residing in Queensland Statistical Divisions within the 5 Year Span for 1996-2001, Unadjusted and Adjusted for Potential Immigration of 4.2% Net Across All Divisions**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Age 10-14</td>
<td>Age 15-19</td>
<td>Number</td>
<td>% or -</td>
<td>Age 15-19</td>
</tr>
<tr>
<td>Fitzroy</td>
<td>14,975</td>
<td>13,894</td>
<td>-1,081</td>
<td>-7.2%</td>
<td>13,334</td>
</tr>
<tr>
<td>Brisbane</td>
<td>107,750</td>
<td>122,548</td>
<td>14,798</td>
<td>13.7%</td>
<td>117,607</td>
</tr>
<tr>
<td>Central West</td>
<td>869</td>
<td>898</td>
<td>9</td>
<td>1.0%</td>
<td>862</td>
</tr>
<tr>
<td>Darling Downs</td>
<td>16,360</td>
<td>15,892</td>
<td>-468</td>
<td>-2.9%</td>
<td>15,251</td>
</tr>
<tr>
<td>Far North</td>
<td>15,837</td>
<td>14,246</td>
<td>-1,591</td>
<td>-10.0%</td>
<td>13,672</td>
</tr>
<tr>
<td>Mackay</td>
<td>9,934</td>
<td>9,523</td>
<td>-411</td>
<td>-4.1%</td>
<td>9,139</td>
</tr>
<tr>
<td>South West</td>
<td>1,943</td>
<td>1,509</td>
<td>-434</td>
<td>-22.3%</td>
<td>1,448</td>
</tr>
<tr>
<td>Wide Bay-Burnett</td>
<td>18,307</td>
<td>15,042</td>
<td>-3,265</td>
<td>-17.8%</td>
<td>14,436</td>
</tr>
<tr>
<td>Moreton</td>
<td>43,570</td>
<td>46,696</td>
<td>3,126</td>
<td>7.2%</td>
<td>44,813</td>
</tr>
<tr>
<td>North West</td>
<td>2,770</td>
<td>2,372</td>
<td>-398</td>
<td>-14.4%</td>
<td>2,276</td>
</tr>
<tr>
<td>Northern</td>
<td>14,774</td>
<td>14,870</td>
<td>96</td>
<td>0.6%</td>
<td>14,270</td>
</tr>
<tr>
<td>QLD Total</td>
<td>247,109</td>
<td>257,490</td>
<td>10,381</td>
<td>4.2%</td>
<td>247,109</td>
</tr>
</tbody>
</table>

(Source: Adapted from Australian Bureau of Statistics, 1996; Australian Bureau of Statistics, 2003)

For example, in the Fitzroy statistical division, those persons who were aged 10-14 in 1996 (some 14,975) would be aged 15-19, 5 years later in 2001 (some 13,894). However, as demonstrated, there is a drop in the population of some 1,081 persons or 7.2% unadjusted for any immigration across the population. There is a 4.2% net increase in the population within this age group across Queensland.
which would seem to indicate an extra 10,381 persons immigrated into the state from either interstate of international locations. To attempt to take this immigration out of the statistical picture and better demonstrate the flow of population within the state, the figures are scaled to account for this immigration and we are left with an adjusted count of persons in the Fitzroy region of 13,334. This figure represents a significant decrease in the regional population for this division with a resulting change of some -11% for this age group.

As further demonstrated then, those with negative percentage figures indicate a decrease in the division population for the age group and those with a positive percentage figure show a net increase in the population. This suggests that only the divisions of Brisbane and Morton experienced a growth in this age group population and all other regions suffered a loss between 3.1% for the Central West division and up to as high as 25.5% for the South West division.

Table 2 – Change in Number of Persons Aged 15-24 Years Residing in Queensland Statistical Divisions within the 5 Year Span for 1996-2001, Unadjusted and Adjusted for Potential Immigration of -0.0% Net Across All Divisions

<table>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>+ or - %</td>
<td>Number</td>
</tr>
<tr>
<td>Age 15-19</td>
<td>Age 20-24</td>
<td>Persons</td>
<td>Persons</td>
<td>+ or -</td>
</tr>
<tr>
<td>Fitzroy</td>
<td>13,364</td>
<td>11,194</td>
<td>-2,170</td>
<td>-16.2%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>114,480</td>
<td>121,073</td>
<td>6,593</td>
<td>5.8%</td>
</tr>
<tr>
<td>Central West</td>
<td>752</td>
<td>835</td>
<td>83</td>
<td>11.0%</td>
</tr>
<tr>
<td>Darling Downs</td>
<td>15,302</td>
<td>12,624</td>
<td>-2,678</td>
<td>-17.5%</td>
</tr>
<tr>
<td>Far North</td>
<td>13,625</td>
<td>12,529</td>
<td>-1,096</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Mackay</td>
<td>8,071</td>
<td>8,386</td>
<td>315</td>
<td>3.9%</td>
</tr>
<tr>
<td>South West</td>
<td>1,421</td>
<td>1,612</td>
<td>191</td>
<td>13.4%</td>
</tr>
<tr>
<td>Wide Bay-Burnett</td>
<td>14,419</td>
<td>10,608</td>
<td>-3,811</td>
<td>-26.4%</td>
</tr>
<tr>
<td>Moreton</td>
<td>38,808</td>
<td>40,624</td>
<td>1,816</td>
<td>4.7%</td>
</tr>
<tr>
<td>North West</td>
<td>2,340</td>
<td>2,840</td>
<td>500</td>
<td>21.4%</td>
</tr>
<tr>
<td>Northern</td>
<td>15,000</td>
<td>14,256</td>
<td>-744</td>
<td>-5.0%</td>
</tr>
<tr>
<td>QLD Total</td>
<td>237,582</td>
<td>237,581</td>
<td>-1</td>
<td>-0.0%</td>
</tr>
</tbody>
</table>

(Source: Adapted from Australian Bureau of Statistics, 1996; Australian Bureau of Statistics, 2003)

Table 2 portrays the same type of information as table 1 but for the next age bracket for persons moving from the 15-19 year old grouping to the 20-24 year old grouping. Interestingly, here we see a net immigration figure of -1 or no change in the total population for this age bracket, which would seem to indicate there is no immigration from sites external to the state or, indeed, there is a balanced rate of immigration inbound and outbound.

As with the previous grouping, there is a similarly disturbing rate of departure from regional areas with Brisbane and Morton still experiencing an increase and divisions such as Fitzroy, Darling Downs, Wide Bay-Burnett and the Northern region showing declines.
Table 3 presents yet a further interesting picture with a total net state decline in the age group population of some 3,676 persons to locations outside the state. This represents a negative immigration of 1.5% (outbound immigration) and the scaling demonstrates the population increases or decreases based on this negative percentage adjustment. Here again, regional areas such as Fitzroy and the Northern division experience a significant drift of population away from those areas.

THE IMPORTANCE OF SMES IN REGIONAL AREAS AND THE POTENTIAL IMPACTS OF ‘BRAIN DRAIN’

Small and medium enterprises (SMEs) in Australia are recognised as significant contributors to employment, economic sustainability and growth (Vinten, 1989). During 2000-2001, small businesses alone (those employing less than 20 people) made up some 97% of all private sector businesses in Australia and provided around half (49%) of all private sector employment (Australian Bureau of Statistics, 2002b).

In Queensland, SMEs are recognised as key drivers of economic growth and operate across the full spectrum of industry sectors including construction, property, business services, cultural, recreational, health, manufacturing and retail trades (Queensland Government, 2004b). More than three quarters of the private sector employment in Queensland is provided by SMEs including 50% in small enterprises and a further 29% in medium enterprises (employing between 20 and 200 people) (Australian Bureau of Statistics, 2002b).

The importance of SMEs to regional areas in terms of growth and economic viability is clearly demonstrated by this evidence. It must also be recognised that underpinning the success of SMEs and the continued growth in employment and sustainable industry development in regional Australia, is the capacity of these enterprises to attract and employ “qualified, productive, innovative people” (Queensland Government, 2004a: 1). Attraction of a highly skilled workforce enables a high level of product development and encourages continuous improvement. Over the longer-term, this creates a market place with greater capacity for increased competition and economic success in both local and
global markets. Regional areas will be able to attract and hold new investment and develop new industries if they are able to retain a skilled, flexible workforce. (Queensland Government, 2004a)

The urban drift of university graduates and skilled workers to interstate and metropolitan centres has important implications for regional areas generally, and the potential skills drought that this drift generates is particularly significant for its impact on SMEs that have such a considerable role in growing regional vitality. The importance of this outflow of graduates and skilled employees is further magnified when contextualised by the variety of challenges faced by SMEs from changing trends in international employment and global societies.

Changes include increased globalisation of markets and competing labour markets, ageing populations in most industrialised nations, modernisation of traditional industries and the emergence of new industries that are heavily reliant on knowledge and skills of employees, innovations in technology and an increasing capacity for qualified employees to be mobile across international borders (Queensland Government, 2004a; Ryan & Watson, 2003). Increasingly, SMEs will be faced with a labour force that is experiencing more varied and complex issues through demands for employees to negotiate multiple careers, continued up-skilling and lifelong learning (Cropley, 1980; National Board of Employment Education and Training, 1996; Power, 2000); increasing need for flexibility in conditions and locations of employment (Australian Bureau of Statistics, 2002a); and “regional variations in job creation and employment opportunities” (Queensland Government, 2004a; Ryan & Watson, 2003; Vinten, 1989). With this in mind, it is clear that there is an imperative for SMEs to attract a highly skilled labour force and that they may face great difficulty in so doing.

SKILLS SHORTAGE IN REGIONAL AUSTRALIA AND THE INABILITY OF SMES TO ATTRACT GRADUATES

While the previous tables focused on the age groupings for 15-29 year olds and these demonstrated a strong trend for young persons to drift away from regional areas, it can be argued that perhaps what regional areas need is not so much the youthful labour market provided typically by the recent university graduates. It can be argued that focusing on recruiting from a more experienced labour market segment will add not only the high level professional skills but also important life and work experiences of the employees that can be embedded in the culture of regional areas and regionally based SMEs.

However, it seems that no matter what the age of the potential graduate employee, SMEs encounter a number of challenges when seeking to fill staff needs – not the least of which is the inability to recognise the potential advantages of hiring a university graduate. There are a number of reasons that have been suggested as to why SMEs may not be able to attract skilled university graduates, even where the owner of the SME can see a need to employ a graduate. One such factor is that SMEs usually have little skill in recruiting and are unable to provide specialists in human resource management (HRM) from within their organisation to undertake the recruiting exercise. This will considerably reduce an SME’s capacity to compete with larger organisations that have a structured recruitment policy and established links with the higher education sector. These linkages and HRM advantages give larger organisations a defined place in graduate recruitment (Stewart & Knowles, 2000).

Further, SMEs are positioned across a diverse range of industries and the needs of SMEs within a particular industry group may differ from the needs of SMEs within a different industry group. This diversity, while representing a positive aspect of the SME sector, is one of the characteristics that pose a barrier to employment of graduates, both from the perspective of the graduates and the perspective of the enterprises themselves. The diversity in the sector means that SMEs are lacking a forum which enables them to express their needs for employees and required attributes and also means that there is
no single channel for provision of information to SMEs (Hawkins & Winter, 1996). This prevents a two-way transfer of information that would be to the advantage of both the graduates looking for future employment and the SME looking for a graduate that would be suitable for their organisation.

Studies have shown that employment with SMEs is not an attractive prospect for graduates (Holden & Jameson, 2002; Jameson & Holden, 2000). Opportunities for promotion and expansion of career opportunities are more limited in SMEs (Stewart & Knowles, 2000), pay is generally lower (Belfield, 1999) and training opportunities are more limited (Marshall, Alderman, Wong, & Thwaites, 1993).

In addition, stress amongst graduates is high when employed in SMEs (Johnson, 1991). Reasons suggested for the high level of stress include a lack of challenge, role ambiguity, time pressure and the nature of the work. Johnson and Tilley (1999) also suggest that potential isolation of graduates who are working in an SME away from their peers is unwelcome.

THE ROLE OF REGIONAL UNIVERSITIES IN CREATING HUMAN CAPITAL

Regional universities have a major role to play in providing knowledge workers and creating the human capital that will enable their host territory to redress the brain drain created by the drift of skilled workers to metropolitan centres. This is encompassed in the literature as part of the third role of universities (Gunasekara, 2004). Traditionally, Universities have been seen as fulfilling two roles. These roles are teaching and research, and they have been fulfilled independently of other events in the external community. The third role is recognised as being additional to these traditional roles and encompasses community service and regional development as its key components (OECD 1999). This third role is closely tied with the concepts of ‘place’ and ‘human capital’. Universities are expected to show a greater contribution to the development of the human capital in the region in which they are located (OECD 1999). The concept of universities as being key players in the sustainability and development of the region in which it is located is recognised by the OECD as being an important part of the evolution of universities and an important factor in addressing the brain drain that has occurred in regional centres all around the world (OECD 1999). As stated in the OECD Report (OECD 1999: 62):

Graduate retention is an important mechanism through which a region can retain people with innovative, entrepreneurial and management capabilities.

Regional universities in Queensland have, as a central component of their function, to provide opportunities for education and research for the communities in which they are situated. For example, the James Cook University Act of 1997 explicitly includes the statement that a function of the university is “to encourage study and research generally and, in particular, in subjects of special importance to the people of the tropics” (James Cook University Act 1997 (Qld) s 5 a). Further, Central Queensland University’s (CQU) mission and values statements also specifically reflect on the university’s need to engage with and provide “relevance to its local Central Queensland communities and industries” with emphasis on the provision of “social, cultural, intellectual and economic benefits to the Central Queensland region” (CQU 2003: 3).

CURRENT RESEARCH IN GRADUATE UPTAKE TO SMES

We see a few gaps in the current research being conducted around regional and rural SMEs. These gaps will be examined with a view towards refining our research aims.

Firstly, a major research project was conducted in this field by Pittaway and Thedham (2005) in the United Kingdom (UK). Pittaway and Thedham (2005) focussed specifically on SMEs in the tourism,
hospitality and leisure sectors in a regional area of the UK. While this study does address a number of
the issues that have been identified as important as a result of studies completed in Australia, Pittaway
and Thedham’s (2005) results do not directly address the particular demographics that exist in regional
and rural Australia and they are focused on one industry player rather than the broad spectrum of
industries that SMEs span.

The concept that is addressed by Pittaway and Thedham (2005) is that of a ‘skills gap’ that seems to
exist between small hospitality firms and the graduate labour market in the UK. The ‘skills gap’ is
two fold with both an external component (where the view of those outside the businesses perceive a
lack of management and leadership ability) and an internal component (where those inside the
businesses perceive that they have a gap in appropriate skills).

A further study published by the UK Government (Williams & Owen, 1997) suggested that graduate
labour was required to fill this ‘gap’. In recognition of such evidence the UK government have
designed a number of government supported schemes to assist with the employment of graduates in
small businesses. These programs enable both vacation employment of graduates by SMEs and short
term employment contracts with SMEs with support from a local University. We would suggest that a
similar ‘skills gap’ exists here in Australia, adding to the stresses that are created by the urban drift,
however, the actuality of this ‘gap’ remains to be examined.

The issue of perceived barriers to employment of university graduates in SMEs has been indirectly
addressed in the UK study (Pittaway & Thedham, 2005) where it was discovered that micro-
businesses (those employing less than 10 people as per their definition) believed that their businesses
did not need graduate skills and employers believed that graduates would not like to work in their
businesses. Owners of micro-businesses were also particularly concerned about whether a graduate
would ‘fit in’ with their existing workforce (Pittaway & Thedham, 2005).

Other attitudes that have been expressed by managers in SMEs in overseas studies, relate to concerns
over whether graduates possess appropriate practical skills (Freel, 2000) particularly given that SMEs
generally require employees to contribute to the organisation immediately without any pre-job training
or induction programs. Concern has also been expressed that the work that is available will be enough
to meet the aspirations of graduates in relation to material rewards and the quality of work offered
(Johnson & Pere-Verge, 1993).

We would suggest that similar attitudes may exist in SMEs in regional Australia. However, we think
that in addition to ascertaining the attitudes of those in SMEs towards employing graduates, it is also
important to find out what particular skills and attributes are required by SMEs, if any, within regional
Queensland. If there is a need for a different type of graduate due to different operation of these
smaller businesses this may allow universities in regional Australia to address these particular needs of
these niche market student groups. Whilst it is recognised that the needs of SMEs are not
homogenous, it may be that the sector has need of some overarching attributes that are common to all.
We would suggest that some of the issues that are perceived barriers to employment of graduates by
SMEs may be overcome by education of the benefits of employing those with graduate skills and
attributes or perhaps some courses designed to address the skills that SMEs specifically require.

CURRENT RESEARCH IN GRADUATE ATTRIBUTES AND SKILLS

Within Australia, research into employer satisfaction with graduate attributes and skills has previously
been conducted by ACNielsen (2000), Crebert (2002) and in New Zealand by Burchell, Hodges &
Rainsbury (2001) with a number of other studies being conducted on smaller scales or within specific
industry segments. However, in each of these cases, the focus of the research was generally on
companies located in metropolitan areas. For example, Sydney, Melbourne and Canberra were the
main research sites for the ACNielsen (2000) study. Brisbane was the focus for Crebert (2002) and the top 500 companies of New Zealand the focus for the Burchell, Hodges and Rainsbury (2001; Hodges & Burchell, 2003) study. We suggest that studies on graduate attributes, core skills and knowledges that have a strong focus on urban centres may not contribute to the understanding of regional and rural SME knowledge requirements. Further, the majority of companies were, in each case, mostly medium to large organisations.

AIM FOR THIS STUDY

Based on the discussion thus far, our aim for this research is to investigate graduate uptake by regional and rural SMEs specifically in the Central Queensland region and then throughout regional Queensland. It is our intention to determine whether the findings of these previous surveys will be repeated in a survey of employers in regional and rural areas of Queensland and specifically for small and medium enterprises.

Initially, we intend to determine whether or not regionally based employers in Queensland employ graduates and, if university graduates are employed, then we aim to determine the graduate attributes that are most valuable to regional SMEs. In any case, where university graduates are not employed, it is proposed to discover the perceived barriers to employment for graduates in SMEs in regional Queensland and whether there are any attributes that a university graduate might possess that might alter this perception and the resulting practice.

CONCLUSION

It is clear from the discussion that there is a need for further research within Queensland’s (and Australia’s) regional SMEs to further the aim of alleviating the ‘brain drain’ and skills shortage being experienced in regional and rural communities. Such research needs to investigate the perceived barriers to graduate uptake within regional and rural SMEs to better understand employers’ needs for graduate skills, knowledges and attributes and to seek to develop linkages with these important industry partners from a regional university perspective.

As suggested throughout the paper, there are a number of areas this research needs to cover including: examination of the types of skills, attributes and knowledges that are required specifically by regional and rural SMEs; the reasons for non-selection of graduates by enterprises within the Queensland SME sector; what courses and programs can be developed to better meet regional and rural SME needs; and what are the reasons behind graduates moving away from regional centres – from the graduates’ perspectives. It is the role of regional universities to implement programs that will build on human capital and enhance social development opportunities for the communities in which they are located. Our next step in this process of capital building is to begin data collection from SME employers in the Central Queensland region.

REFERENCES:


