

## **Regional employments relations: Some lessons for building businesses and growing employment in a regional setting.**

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### **Abstract**

*In rural and regional areas of Australia and indeed many rural economies the employment relationship is in many ways different to the employment relationships in capital cities and large metropolitan centers. It is clearly the case in regional communities that small and medium enterprises (SME) are the dominant providers of employment opportunities. If SME are growing then employment is growing and if SME are experiencing difficulties in recruiting and retaining staff then there are real employment difficulties. This research reports on a survey of businesses in Central Queensland and analyses the employment trends in small and medium businesses and compares these to state wide trends. The research also reports on the views of employers in these regional and rural centres with regard to traineeships and apprenticeships and their perceptions on the value of employee development and training. Many businesses seek government intervention to improve the availability of skilled labour and are unwilling to invest in employee development. This research attempts to provide a perspective on some of the problems facing employers in regional Australia and suggests some possible solutions.*

### **Introduction**

Small and medium enterprises, (businesses in Australia with fewer than 200 employees) are reputed to be the main generators of employment in developed economies. However discussion of work conditions in SMEs tends to be polarised as either providing opportunities to develop through the flexibility of the job, or providing inferior working conditions (eg Wilkinson, 1999, Belfield, 1999). For graduates, the evidence favours the latter view, with working conditions seen as lower quality in SMEs (Belfield, 1999) and graduates preferring to work for larger businesses (Binks, 1996; Ahmadi and Helms, 1997; Scott and Twomey, 1988). Hence, it is expected that smaller businesses will be generating more employment than larger businesses but that they may have more difficulty in recruiting appropriate staff. Such problems are likely to be compounded by the relative isolation of Central Queensland the area being studied and the subsequent lack of local training for some trades and lack of professional development opportunities for graduates.

Historically employers in regional centres have understood the need to train and develop employees through the provision of traineeships and apprenticeships. For regional businesses there has rarely been a large employer in the region that was able and prepared, to train the next generation of managers and tradesmen and women. In a few fortunate cases, large government organisations such as electricity providers and railways were a source of trades' people. The micro-economic reform that brought about corporatised Government enterprises has seen these regional employers

dramatically withdraw from what is seen as the costly business of training new managers and trades people

This paper examines employment issues in the Central Queensland region. From a survey of over 600 businesses in central Queensland, changes in the numbers of people employed in small, medium and large businesses are examined. The study also examines whether the changes occurring are in full-time, part-time or casual positions, whether it is difficult to obtain qualified staff for particular occupations, and the efforts made by businesses of all sizes to train their own staff. It might be expected that businesses in the Central Queensland region would not experience difficulties in recruiting staff because, despite its relative isolation, the area has experienced low economic growth when compared to the rest of Queensland. However the relationship between levels of employment and growth is quite complex. (McGuire 2001) found that many regional communities which are declining in both population and employment have low unemployment rates, whereas areas with growing population and employment have high unemployment rates. This is explained by migration from regions of low growth to regions of high growth which tends to increase disparity between regions. The migration of skilled workers to other areas would be likely to affect the ability of Central Queensland business to hire appropriately trained staff. The Central Queensland region is experiencing labour market trends that are similar to the rest of Queensland and jobs growth is higher than the Australian rate.

### **Queensland Labour Market Trends**

According to the ABS (2003) employment conditions in Queensland have improved in the last two quarters of 2003, with jobs growth in trend terms improving slightly from 0.1% in July to 0.2% in August 2003. This is in contrast to the level of employment nationally that fell marginally in August, after falling 0.1% in the four months from April to July 2003. In Queensland real jobs growth increased by 2,800 persons in August, compared with a decrease of 2,100 persons nationally. Employment growth across the State was driven by full-time employment (up 3,000 persons) during August 2003. With a 3.1% growth Queensland continued to record higher annual jobs growth than the rest of Australia with 1.7% in the August 2003 period. Queensland accounted for over one-third (53,600 jobs) of all jobs created in Australia (159,300 jobs) in the year. The rise in employment in the State was largely matched by labour force growth (up 1,400 persons) in August, causing the trend unemployment rate to be unchanged at 6.7% - its lowest rate since January 1990 (nationally, down 0.1% point to 6.0%).

In 2004 these trends have continued (ABS 2004) with employment conditions in Queensland remaining strong, despite trend employment growth easing to 0.3% in January 2004, from a peak of 0.6% in October 2003. Nationally, jobs growth also eased, with trend employment growth of 0.2% in January after four months of growth at 0.3%. Queensland (3.9%) recorded annual growth at more than double the national rate (1.8%), and recorded the largest annual rise in employment (up 69,500 persons) of any State, accounting for over 41% of the national rise in employment over the year. Queensland in labour market terms, is the key growth area for jobs in Australia; however are these jobs all located in the economic engine of Queensland in the South East of the State or are they dispersed throughout the State? Full-time employment (up 7,900 persons) continued to drive the overall increase in Queensland employment in January 2004. As a result, the annual rise in full-time employment (69,000) has accounted for almost all jobs created in the State. Given the nature of many of the key

sectors such as agriculture and tourism this growth in fulltime jobs is surprising. Also much has been made of the impact of unfair dismissal legislation and its impact on full time jobs growth. A CPA survey (reported in the Australian Financial Review 2002) suggested that the legislation was an impediment to employment. Jobs growth in Queensland (6,200) exceeded labour force growth (5,000) in January, reducing the trend unemployment rate to 5.9% – its lowest rate since March 1982 (nationally, unchanged at 5.6%).

Forward indicators according to ABS (2003), suggest employment conditions should continue to improve in Queensland. The ANZ job advertisement series has risen in each of the six months to August 2003 to reach a level not seen since the pre-GST construction boom. Similarly, monthly growth in nominal retail turnover has also reached its highest rate (1.2%) since October 1993, with the exception of the spike in retail prices associated with the introduction of the GST in July 2000. For 2004 (ABS, 2004), indicators suggest some easing in jobs growth in January. A lower than expected post- Christmas recovery has resulted in seasonally adjusted job advertisement numbers decreasing in January and a decline in the trend job ads series. Another engine of jobs growth the housing sector, has slowed with monthly growth in trend approvals for private houses has declined from 3.0% in June 2003 to only 0.5% in December, 2003.

### **The labour market in the Rockhampton Regional Development Region**

According to ABS (1998), 2.5 per cent (or 5,042) of businesses in Queensland were located in the Fitzroy, Livingstone, Mount Morgan, and Rockhampton region. The largest number of businesses in the region were in the agriculture, forestry and fishing industry (957 businesses or 19.0 per cent), followed by the retail trade industry with 835 businesses or 16.6 per cent. Within Queensland, 3.4 per cent of all Government administration and defence businesses were located in the region while 3.1 per cent of Queensland's cultural and recreational services businesses were also located in the region. According to the 2001 Census (ABS, 2001), intermediate clerical, sales and service work was the occupation with the largest number of employees with 6,857 persons or 17.5 per cent of those employed in the region. Other occupations with relatively large numbers of employees include professionals (5,900 persons or 15.1 per cent), tradespersons and related workers (5,221 persons or 13.3 per cent) and labourers and related workers (4,833 persons or 12.3 per cent). The overall unemployment rate in the region ABS (2001) was 9.1 per cent, compared with 8.2 per cent for Queensland. The participation rate for the region was 59.4 per cent, lower than that recorded for Queensland (63.1 per cent). The region had 2.5 per cent of Queensland's employed persons and 2.8 per cent of Queensland's unemployed persons.

At the 2001 Census, (ABS, 2001) retail trade was the largest employer with 6,246 (15.9 per cent) of the region's employed labour force. Other industries with relatively large numbers of employed persons included health and community services (4,322 persons or 11.0 per cent), education (3,956 persons or 10.1 per cent) and manufacturing (3,652 persons or 9.3 per cent). The highest degree of specialisation in the region occurred in the electricity, gas and water supply and education industries. Of those employed in the region, 2.0 per cent were employed in the electricity, gas and water supply industry compared with 0.8 per cent for Queensland as a whole. The proportion of persons employed in the education industry was 10.1 per cent while the proportion for Queensland was 7.6 per cent.

### **Skills shortages in Central Queensland**

There are significant shortages of skilled staff and professionals throughout Queensland but not all categories of employment are reported or recorded. Only those categories matching the Department of Employment and Workplace Relations (DEWR) definition are recorded. Skills shortages exist according to DEWR (2003) when employers are unable to fill or have considerable difficulty in filling vacancies for an occupation, or specialised skills needs within that occupation, at current levels of remuneration and conditions of employment, and reasonably accessible location. Shortages are typical for specialised and experienced workers, and can coexist with relatively high unemployment overall or in the occupation. An occupation may be assessed as in shortage even though not all specialisations are in shortage. Occupations may be in shortage in particular geographical areas and not in others.

Similarly recruitment difficulties as defined by DEWR (2003) occur when employers have some difficulty in filling vacancies for an occupation. There may be an adequate supply of skilled workers, but employers are still unable to attract and recruit sufficient suitable employees. While recruitment difficulties are not as widespread as shortages they still occur mainly in regional and non-metropolitan areas. The recruitment difficulties may be due to characteristics of the industry, occupation or employer, such as: relatively low remuneration, poor working conditions, poor image of the industry, unsatisfactory working hours, location hard to commute to, ineffective recruitment advertising and processes or organisation specific and highly-specialised skill needs.

Queensland has reported shortages according to DEWR (2003) in accountants, registered nurses and in many health specialist areas with an audiologist shortage evident in regional areas outside south east Queensland and sonographers short in regional areas only. Secondary teachers are also in short supply and there are shortages in specialist areas. These are reported state wide but more general shortages are apparent in all areas except south-east Queensland. The trades area is also reporting shortage state-wide with the worst shortages in electrical appliance servicepeople and industrial electricians. Food trades have reported difficulties in recruiting chefs and cooks while in the construction sector there is a regional shortage and difficulty in recruiting plumbers. Printing trades are in short supply as are other trades such as hair dressers and furniture upholsterers. Information and Communication Technology (ICT) skills are evident throughout Queensland although there appears to be no reported shortages of communication specialists in areas such as radio, broadband CDMA and satellite design. These statistics suggest that shortages of trained staff might be expected in areas outside south-east Queensland. Rockhampton and the surrounding area has relatively high unemployment but the DEWR reports suggest that they might nevertheless experience shortages of suitable employees in particular occupations.

### **Methodology**

The Business Activity Survey (2003) surveyed businesses in the local government areas of Fitzroy, Livingstone, Rockhampton and Mount Morgan. The sample was drawn from businesses registered on the Supply Industry Regional Information System database. The database used does not register government administration, defence and community services which make up about 9% of the organisations in the area and employ large numbers in the region. The sample selected does represent the private sector businesses within small to medium enterprises in the region. The sample was selected by the Rockhampton Regional Development body as a sample of firms who

could create economic growth in the region. However, when compared to ABS statistics for the region, two sectors are under-represented in this sample. The agriculture, forestry and fishing sectors in ABS (1998) terms make up 19% of total businesses in the region covered by the four LGA and Education which makes up 10+% of employment. While this may have declined in recent years, it would still be underrepresented in this sample.

The survey was conducted both through interview and through mailing of the questionnaire to businesses. From the survey, 642 useable questionnaires were returned. This report summarises the responses to sections of the survey that relate to employment and training.

### Results

Business people were asked how many staff they employed last year and how many this year. The table below shows employment changes in the last year. Both full-time and part-time employment has grown substantially, and there has been a small increase in casual positions.

**Table 1: Total staff employed currently and last year**

	<b>Full Time</b>	<b>Part Time</b>	<b>Casual/Contract</b>	<b>Total</b>
Employment last year	4428	1180	1988	8722
Current employment	4746	1270	2027	9173
% increase in CQ	6.70%	7.09%	1.92%	5.56%

The survey also sought to determine whether employment was expected to grow in the next year. Table 2 summarises the answers to this question. Large organisations are underrepresented in the survey; nevertheless the results indicate that they are not the main drivers of growth. Smaller businesses are providing most of the new positions, particularly for full-time jobs.

**Table 2: Expected recruitment of employees in the next twelve months**

<b>Business size</b>	<b>No of companies</b>	<b>Current total staff</b>	<b>F/t staff expected to be added</b>	<b>P/t staff expected to be added</b>	<b>Casual staff expected to be added</b>
Micro (<5 employees)	285	627	34	32	63
Small 5-19 employees	270	2502	147	48	59
Medium 20-199 employees	82	3686	81	53	85
Large 200 or more employees	6	2358	0	121	0
	643		262	254	207

To determine the importance of issues relating to employment in businesses in the Rockhampton region, this analysis begins with the most open-ended questions and move to more specific issues. The survey asked two very open-ended questions about the advantages and disadvantages of running a business in the Rockhampton region. To determine positive factors associated with regional employment the survey asked: "What if any, are the main advantages of running a business in the Rockhampton region?" Most respondents provided comments but there were few on staffing. In total, there was one comment each on good staff, lower wages, availability of education facilities, and the ease with which people could be enticed to the area by the climate.

The second open-ended question probed for more negative aspects of regional employment by asking: “What if any, are the main disadvantages of running a business in the Rockhampton region?” In response, 48 companies nominated difficulties in attracting and maintaining staff in the area as an issue. Five companies named individual professions as difficult to recruit within, and 17 identified another specific group, mainly trades where the individual would have qualified through an apprenticeship and/or completed TAFE courses. There were also problems identified with maintaining quality staff in the area. Eight companies commented on the difficulties associated with training in the technical or trades area. However the problem appeared to be more severe for professionals. There were nine complaints of the distance from seminars and other professional development activities and lack of professional support and four who commented on the difficulty of maintaining industry knowledge while in Rockhampton.

To probe these issues, specific questions were asked of all respondents about the areas in which they had difficulty recruiting staff. The results are shown in Table 3. Almost half the companies surveyed indicated difficulties in recruiting in at least one category, and the more frequent problems were in recruiting tradespeople (20% of companies) and professionals (10% of companies).

**Table 3: What skill groups do you have difficulty in recruiting?**

<b>Skill groups difficult to recruit</b>	<b>No of companies</b>
No problems	359
Managers and administrators	0
Professionals	53
Associate professionals	23
Tradespersons and related workers	126
Advanced clerical and service workers	5
Intermediate clerical, sales and service workers	32
Intermediate production and transport workers	21
Elementary clerical, sales and service workers	29
Labourers and related workers	12
Total firms	642

Note: Some firms have difficulty in recruiting more than one skill group.

Businesses were also asked what it would require to get them to hire another person in their businesses. As might be expected, most of the replies centred on increasing demand for their products and reducing competition. However, there were several which focused on difficulties in staffing. Their suggestions for increasing employment can be summarised as:

- Make available suitable training/education for particular trades/ professions (from 15 businesses)

These comments related to training a variety of different skills and professions including pharmacy graduates, construction industry, textiles manufacturing, auto trades, boilermakers, refrigeration mechanic, real estate and property, chefs, sales, hairdressers, crane operators, surf board making and hospitality.

- Prepare people better for working ( from 8 businesses)

These comments related to a more general lack of skills or poor attitude to work. Businesspeople wanted staff who were more prepared for the workforce, more

intelligent, wanting to work, willing to complete training, or better trained. One comment probably related to this issue came from a businessperson who claimed that it was difficult to hire people because of the restrictions on the questions that employers were allowed to ask interviewees.

- Assist with training (from 9 businesses)

These were also issues reported concerning the costs of training with organisations suggesting that a rebate should be provided, that there should be help with the costs, and that government should provide more assistance. One company suggested that sharing apprentices would be more viable, and another commented that traineeships should be made less complicated.

Businesses were also asked whether they had heard about, used or would like to receive information about a variety of education and training services. The replies are summarised in Table 4. The replies suggest that the major area in which businesses would like more information related to opportunities to train staff locally. This suggests that the problems being faced by businesses in recruiting staff in the Rockhampton area are at least partly a result of the relative distance from major centres.

**Table 4 – Training services and the need for additional information (% of 642 companies in survey)**

Training	Heard about	Used	Like info about	Heard about, need more info	Used and like info
New apprenticeships	298 (46%)	120 (19%)	41 (6%)	13 (2%)	2 (0%)
Job Network	296 (46%)	92 (14%)	45 (7%)	3 (0%)	1 (0%)
Group training companies	293 (46%)	109 (17%)	49 (8%)	5 (1%)	
Vocational education and training in schools	279 (43%)	92 (14%)	46 (7%)	8 (1%)	1 (0%)
Use of education facilities and institutions	221 (34%)	114 (18%)	67 (10%)	5 (1%)	
Opportunities to train staff locally	163 (25%)	136 (21%)	139 (22%)	6 (1%)	3 (0%)

### Discussion and Conclusions

This survey of businesses in the Central Queensland region shows that employment growth is strong in existing businesses. The rate of growth in employment in these businesses is much higher (5.56%) than the overall state growth (3.1% in 2003). This can be explained by two factors. First, the survey is of existing businesses and does not record job losses from discontinuing businesses. Secondly, the data on expected recruitment shows that it is small and medium business that are driving employment growth, and the survey focuses mainly on these smaller businesses. That dominate the regional landscape. Nonetheless, the results of the survey, particularly the expected increase in recruitment in 2004, indicate a healthy economy with good prospects for improving employment conditions.

In specific areas of employment, there are problems in recruitment. The major area where difficulty is encountered is in recruiting tradespeople and professionals. The

survey results are in accordance with the DEWR (2003) report in that, among professionals, there is a shortage of medical professionals and accountants, a shortage of tradespeople for the building industry, and it is difficult to hire chefs and cooks in the hospitality industry. There are also significant difficulties in hiring a range of tradespeople for manufacturing and in the motor industry. However, there were shortages noted in all categories except managers and administrators. Given the higher than average rates of unemployment, the results overall suggest that lack of training in the workforce is a significant problem in central Queensland. Further support for this conclusion is found in the individual company's comments that suggest that more suitable training should be provided. Some of the comments noted the difficulty of getting any training in the Rockhampton area and the difficulty in accessing training in other centres.

It appears that businesses are interested in providing more training for staff, but the training needs to be provided locally. When asked about various forms of training available, fewer businesses had heard about opportunities to train locally than about any other source of training. However, more had used local training than any other type of training, and almost a quarter of the businesses surveyed would like more information about local training. There were a number of complaints about the costs of training, and the provision of local training might also cut the costs of training to businesses. For staff in regional Queensland, the cost of training can include not only program costs, but also transport and accommodation costs in other cities and the costs of finding replacement staff for a period of time.

Whilst Central Queensland is not alone in experiencing skills shortages and recruitment difficulties, the impact of these labour market trends are longer lasting and can have a large effect on business activity in an isolated region such as this. In the past larger business in industries such as mining and resources have attempted to overcome skills shortages by offering substantially larger wages and salaries and while this solves some shortage in the short term it is not a good or a long term solution. Workers who can see that they have a career and in management positions a career path will be more likely to remain in rural and regional centres, and workers trained in these centres are more likely to stay in regional centres. Not everyone wants to live in capital cities, so the employees who choose rural and remote centres need training, and this training needs to be flexible to allow employees time away from work to complete training in specialist areas. It is up to individual business to invest appropriate resources in both recruitment and training if they wish to attract and retain skilled employees at all levels.

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