

# 1 Economic Plan – Backing Queensland Jobs

## Features

- Queensland's businesses, industries, communities and regions continue to grow and adapt as the State successfully transitions to a more resilient, diversified economy in the face of a changing global landscape.
- Queensland is not immune from the global forces shaping our economy – from technology to climate change to the changing nature of work in the future. This is what businesses in the private sector – from mining to agriculture, to financial services – are already adapting to: so too must the State's economic strategy.
- Jobs and growth in the future will require our economy to:
  - diversify more and embed technologies better
  - train our people in new skills and in different ways
  - tailor our products and services to better meet the demands of Australian and global consumers.
- As the State's economy continues to evolve and grow, creating jobs now and into the future remains at the heart of the Government's economic plan – a plan that will ensure all Queenslanders, across all regions, benefit from the opportunities that current and future economic and jobs growth will deliver.
- Leveraging off the successful initiatives and investment in the Government's four previous budgets, the 2019-20 Budget will continue to create secure, well-paid jobs and drive sustainable economic growth across all the State's regions through an enhanced focus on:
  - Supporting businesses and business-led growth
  - Delivering sustainable investment in productive infrastructure and essential services
  - Fostering the next wave of innovation and investing in ideas
  - Investing in skills and training for current and future generations of Queenslanders.
- Building on the 199,000 jobs created since 2015, ongoing solid jobs growth in Queensland is forecast over the four years to 2022-23. This growth is underpinned by the Government's commitment to provide Queensland's businesses with the confidence they need to grow, invest, innovate, export and employ.
- The gap between the regional and South East Queensland unemployment rates has continued to narrow, from 2.5 percentage points in mid-2016 to 0.7 percentage points over the year to April 2019. The Budget builds on this with further incentives and investments to drive jobs growth across Queensland, especially in regional Queensland.
- The 2019-20 Budget will see thousands of businesses across all areas of the State benefit from a \$885 million payroll tax package, a boost to the Back to Work jobs program,

increased funding for key business attraction and investment programs and a range of other initiatives to promote growth in key industries and priority sectors.

- Queensland remains highly competitive in terms of payroll tax and in terms of taxation per capita – in order to attract business and skilled people to our State.
- The Budget features a \$49.5 billion investment in productivity-enhancing capital works over four years, delivering critical economic and social infrastructure and jobs across all regions. The \$12.9 billion capital works program in 2019-20 will directly support 40,500 jobs across the State, with close to 60% of the 2019-20 capital works, estimated to support 25,500 jobs, to be delivered in regions outside of the Greater Brisbane area.
- The Budget also outlines ongoing and increased funding for a range of programs to support tens of thousands of jobs in key regional industries, including mining, agriculture, tourism, and emerging sectors supporting regional jobs.
- Record spending on health and education, and ongoing investment in schools, hospitals and other social infrastructure will ensure provision of world-class health, education and training services, as well as the justice services needed to keep communities safe and protect Queenslanders. This investment will help Queenslanders in all regions access secure, well-paid jobs and enjoy an improved quality of life.

## 1.1 A plan to create jobs and drive economic growth across Queensland's regions

A range of economic, social, demographic and environmental factors continue to impact the global economy, including: technological advancements; growth of knowledge-based industries; demographic change including ageing of the population; increased environmental concerns, including the impacts of severe weather events; and instability and uncertainty in global markets.

In the face of this changing global landscape, Queensland's businesses, industries, communities and regions continue to grow and adapt as the State continues to successfully transition to a more resilient, diversified economy.

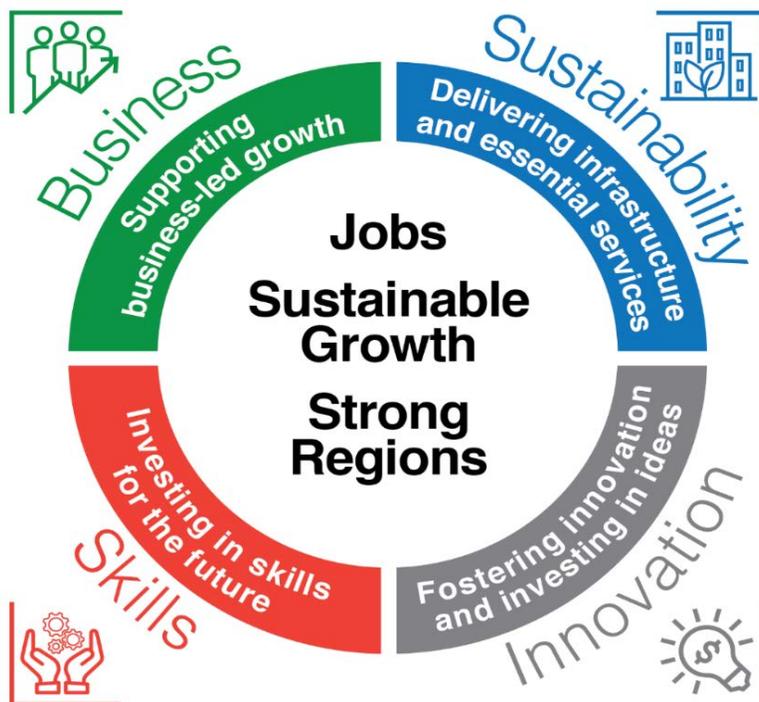
To continue the State's growth and create jobs into the future, the Queensland Government understands the need to diversify the economy to meet the changing needs of the global economy and equip people with the skills they need.

The Queensland Government's economic plan (see Figure 1.1 below), including the key initiatives outlined in the 2019-20 Budget, will continue to create secure, well-paid jobs and drive sustainable economic growth, including the ongoing growth of the State's regional economies, through an enhanced focus on four key objectives:

- Supporting businesses and business-led growth – to attract more businesses and private sector activity, and embed new technologies to meet changing consumer and investor needs
- Delivering sustainable investment in productive infrastructure and essential services – to improve our wellbeing and lower the transaction costs of doing business

- Fostering the next wave of innovation and investing in ideas – to modernise our businesses and create the next wave of businesses engaging in new markets
- Investing in skills and training for current and future generations of Queenslanders - to boost employment and incomes.

Figure 1.1 Backing Queensland Jobs



### 1.1.1 Creating secure, well paid jobs

Since January 2015, the Queensland Government's priority has been creating jobs and improving labour market outcomes across all regions of Queensland, including for the State's young people and disadvantaged jobseekers.

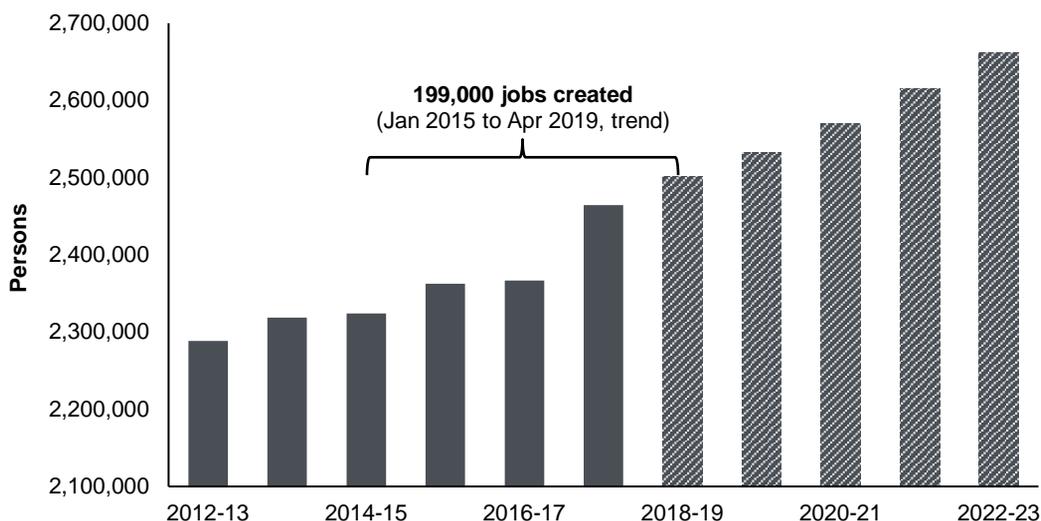
Over this period, 199,000 new jobs have been created across the State in trend terms, while the State's unemployment rate has improved, from 6.6% in January 2015 to 5.9% in April 2019. This is despite a slowdown in the national economy which has seen annual GDP growth slow to only 1.8% (seasonally adjusted) in the year to March quarter 2019 and prompted the Reserve Bank of Australia to cut the cash rate for the first time in almost three years.

Importantly, labour market conditions in many key regions have strengthened over recent years. As highlighted in Chapter 2, Chart 2.5, the gap between unemployment rates in regional Queensland and South East Queensland has narrowed significantly over the last two years.

In line with the Government’s focus on creating jobs for the future, youth employment has also grown steadily over recent years, with 17,900 youth jobs created and the State’s youth unemployment rate falling by 1.5 percentage points since January 2015.

Building on the Government’s strong track record of job creation, ongoing solid jobs growth in Queensland is forecast over the four years to 2022-23 (see Chart 1.1 below).

**Chart 1.1 Total employment, Queensland<sup>1</sup>**



Note:

1. 2018-19 to 2020-21 are forecasts; 2021-22 and 2022-23 are projections. Bars are in year average terms. Trend jobs growth and forecast jobs are not directly comparable. Jobs created reflects net additional jobs.

Sources: ABS 6202.0 and Queensland Treasury.

Key Palaszczuk Government initiatives are directly assisting Queenslanders secure well paid jobs. For example, the Jobs and Regional Growth Fund and Advance Queensland Industry Attraction Fund, which has successfully attracted the multimillion-dollar Qantas pilot training academy to Toowoomba, are attracting and supporting businesses and projects that are creating ongoing jobs across the State, including in our regional economies.

To maintain this momentum, the 2019-20 Budget includes a suite of new initiatives and increased funding to support business growth and create additional job opportunities, as well as investing in the skills and training needed to ensure jobseekers can capitalise on those opportunities.

Queensland’s small, medium and growing businesses across all regions will benefit from the \$885 million payroll tax package, making it easier for businesses to grow, invest and employ more Queenslanders.

The \$49.5 billion capital works program over four years outlined in the Budget will directly support many tens of thousands of private sector jobs across the State. The \$12.9 billion capital works program in 2019-20 alone is estimated to directly support 40,500 jobs, with 25,500 of these jobs in regions outside the Greater Brisbane area.

The Queensland Government's *Our Future State: Advancing Queensland Priorities*, identified *Creating jobs in a strong economy* as one of its six priorities and highlighted the importance of supporting jobs across the State through key Budget initiatives.

### 1.1.2 Driving sustainable economic growth

Sustainable economic growth is essential to increase and maintain secure long-term employment opportunities, thereby increasing prosperity, incomes and living standards.

Aligned with the State's strong jobs growth since 2015 and the Government's ongoing focus on supporting growth across all sectors and regions, the State's economy grew by 2.7% per year on average over the four years to 2018. This is stronger than the 2.6% per annum growth in the rest of Australia over the same period.

Queensland's strong economic performance has been underpinned by a range of factors, including the State's trade sector, with the value of the State's overseas merchandise and services exports growing strongly and reaching record levels.

#### **Box 1.1 Queensland exports at record levels**

The value of Queensland's total overseas goods and services exports exceeded \$100 billion in 2018, with the value of both overseas goods and overseas services exports reaching record levels over the last year.

Queensland exported a record \$85.2 billion worth of goods overseas in the 12 months to April 2019, a rise of \$12 billion over the previous 12 months. This increase was driven primarily by higher prices and increased volumes of LNG and hard coking (metallurgical) coal exports.

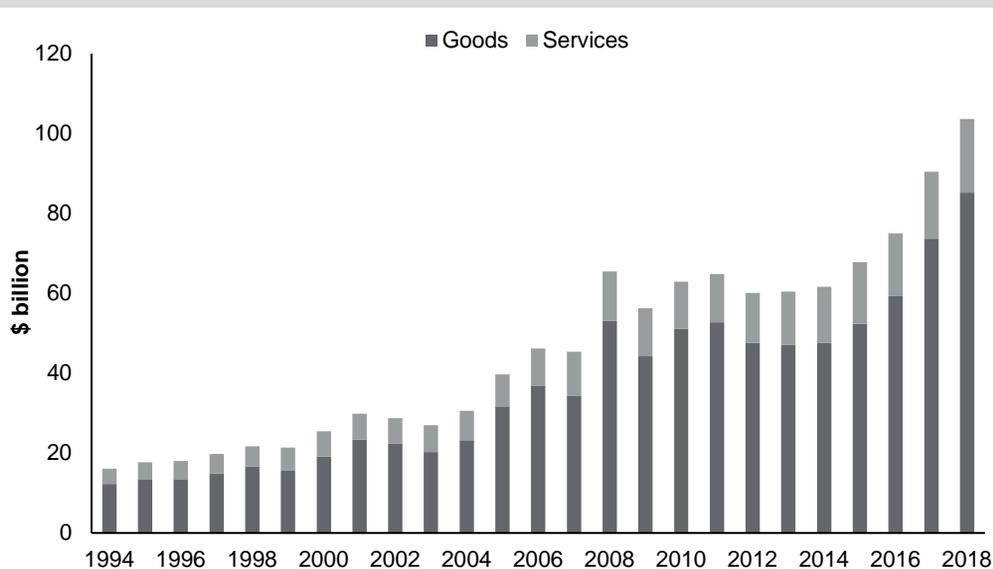
This was the 13th consecutive record breaking month for annual Queensland exports and was more than the value of goods exported overseas from New South Wales and Victoria combined over the same period.

Further, Queensland's key services exports such as tourism, education and business services, also continue to grow, with the latest Queensland State Accounts showing the value of overseas services exports totalled a record \$18.5 billion in 2018.

Driven by key regionally-important industries including mining, agriculture and manufacturing, around 80 per cent of Queensland's goods exports are shipped from the State's regional ports.

The exceptional performance of Queensland's goods and services exports over recent years is highlighted in Chart 1.2 below.

**Chart 1.2 Overseas exports, Queensland, nominal**



Source: Queensland Treasury (Queensland State Accounts).

In order to maintain this momentum and continue to drive sustainable growth across all regions, a key element of the Government's focus is to optimise the use of Queensland's natural resources.

By building on existing strengths and unlocking new opportunities, the resources sector will continue to deliver economic and social benefits for present and future generations, as well as supporting thousands of regional jobs.

The sustainable use and protection of the State's natural environment is also critical to support ongoing growth in other key regional industries such as tourism. In 2018, the Tropical North Queensland and the Whitsundays regions alone attracted around 3.6 million international and domestic overnight visitors, injecting over \$4.4 billion into the State's economy. This is helping support around 53,000 tourism jobs more broadly across regional Queensland.

Importantly, the Government has implemented a number of key measures to protect the State's world-renowned natural environment, including Queensland's land, vegetation, waterways and the iconic Great Barrier Reef. The sustainability of our environment will deliver benefits for Queenslanders and the entire global community, as well as attracting millions of tourists from around the globe and generating tourism-related jobs for decades and generations to come.

Another key focus of the Government's approach to driving sustainable economic growth is through the ongoing investment in its comprehensive waste management strategy, which will be instrumental in discouraging the disposal of waste to landfill, while generating investment in job-creating reuse, recycling, bioproducts and waste-to-energy industries.

Given the vital contribution of regional areas to Queensland's overall economic growth and the ongoing diversification of the State's economy, it is critical that sustainable growth is fostered and supported across all regions, as well as across key existing industries and emerging sectors. This will increasingly be necessary to build greater resilience in our industries, businesses and regions in the face of the headwinds, like more frequent natural disasters caused by climate change, and opportunities presented by new markets.

The 2019-20 Budget continues to build additional productive capacity through strategic infrastructure investment and a broad range of initiatives that will support sustainable business-led growth and investment across all sectors and regions of the State.

### **1.1.3 Supporting the ongoing growth of our regions**

Regions outside of South East Queensland account for approximately one-third of the State's total economic output and are home to around 28% of the State's growing population.

More than 640,000 Queenslanders are employed in regional Queensland, including almost 70% of all agricultural jobs and two-thirds of all mining jobs across the State.

However, Queensland's regional economies have also transitioned over time to become increasingly diverse, with health care and social assistance (83,400), retail trade (67,400), education and training (59,000), and construction (48,700) the largest employing industries outside of South East Queensland as of March quarter 2019.

Queensland's industry structure varies significantly across regions, with key industries such as resources and agriculture, including the billions of dollars of exports they produce, comprising a much larger share of economic activity in regional areas than in South East Queensland.

Mining and agriculture combined comprised almost 40% of total gross regional product (that is, economic output) in regional Queensland in 2016-17, compared with less than 2% of economic activity in South East Queensland (see Chart 1.3 below).

Further, around 80% of Queensland's goods exports were shipped from the State's regional ports in 2017-18, highlighting the substantial contribution of our regions to the State's flourishing trade sector.

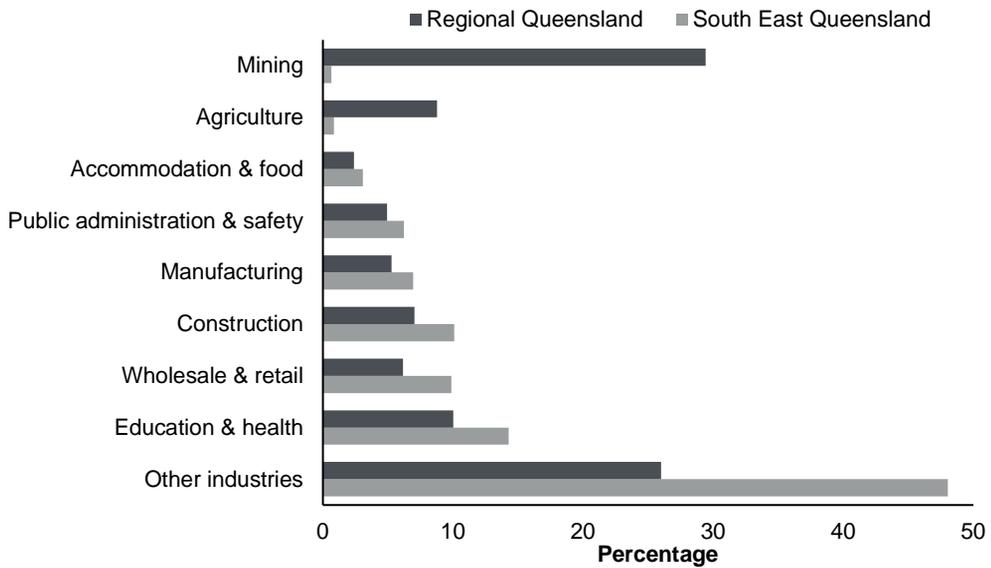
In the year to April 2019, Queensland exported \$37.4 billion of metallurgical coal, \$15.2 billion of LNG, \$10.6 billion of minerals and metals, \$9.9 billion of agricultural products, \$7.4 billion of thermal coal, and \$4.7 billion of other merchandise exports, including manufactured goods.

Additionally, total tourism expenditure in regional Queensland was worth \$9.2 billion in 2018, accounting for 38% of the total tourism expenditure in Queensland.

The Queensland Government clearly recognises the critical role the State's regional economies play in driving sustainable growth, increasing prosperity, building resilience in the face of a changing global landscape and, most importantly, supporting ongoing growth in secure, highly skilled and well-paid jobs.

Central to the Government's economic plan is providing all Queenslanders with incentives and transformative infrastructure, including improved connectivity of all communities, and the provision of essential services to communities across all areas of the State.

**Chart 1.3 Industry structure, Regional Queensland and South East Queensland<sup>1</sup>**



Note:

1. Regional Queensland is defined as the summation of the following Statistical Area Level 4 (SA4) areas: Cairns, Darling Downs - Maranoa, Central Queensland, Mackay - Isaac - Whitsunday, Queensland - Outback, Townsville, and Wide Bay. South East Queensland comprises all remaining Queensland SA4s.

Source: Queensland Treasury, 2016-17 estimates.

## Box 1.2 Building stronger regional economies

The Queensland Government continues its commitment to building stronger regional economies by investing in transformative infrastructure, encouraging industry development, investment, innovation, and creating secure and well paid regional jobs.

Some of the key existing and new initiatives supported in the 2019-20 State Budget include:

### **Investing in transformative regional infrastructure**

**Capital works** – 60 per cent of the \$12.9 billion capital works program in 2019-20 will be delivered in regions outside of the Greater Brisbane area, directly supporting 25,500 jobs in 2019-20.

**Building our Regions** – The 2019-20 Budget commits an additional \$70 million to Building our Regions, bringing total funding for the program to \$515 million, to support infrastructure projects that meet specific community needs and support enduring economic outcomes and job creation in regions.

**Works for Queensland** – This \$600 million program, which commenced in 2016-17, supports regional councils to undertake job-creating maintenance and infrastructure projects.

**Regional tourism infrastructure** – Includes transformative projects such as the \$193.5 million Townsville Port channel capacity upgrade; a total of \$41.4 million to develop the Wangetti Trail ecotourism walk from Palm Cove north to Port Douglas; and \$25 million to help industry rejuvenate the Great Barrier Reef Island resorts.

**FibreCo Qld** – Additional funding of \$8.6 million over two years is provided to potentially make high speed and low cost internet available to regional Queensland. FibreCo Qld will utilise the existing Government infrastructure by unlocking spare capacity in government-owned fibre networks.

**Other telecommunications infrastructure** – Including additional funding of \$26.9 million over two years from 2018-19 to upgrade the Queensland Fire and Emergency Services regional radio networks and equipment; \$15 million through the Jobs and Regional Growth Fund to support the Sunshine Coast Council in delivering the Sunshine Coast International Broadband Submarine Cable network project; and a \$3.4 million investment in South West Queensland Connectivity projects funded through the Building our Regions program to provide high-speed, reliable internet networks to communities in Balonne, Murweh, Bulloo, Paroo and Maranoa.

### **Supporting industry development, investment and innovation**

**North West Minerals Province** – Building on the \$39 million existing commitment, the 2019-20 Budget invests a further \$110 million over four years from 2019-20 to provide further support for this important mining region.

**Hydrogen Strategy** – Additional funding of \$19 million is provided to establish an agenda for renewable hydrogen industry attraction and incentivisation to drive job creation, regional growth, and increased innovation and development. Gladstone will be a focus point for

hydrogen development, drawing on the skills and talents of the regions, particularly those involved in the LNG industry.

**Jobs and Regional Growth Fund** – Now totalling \$175 million after an increased commitment of \$25 million in the 2019-20 Budget, the fund assists businesses and projects that will generate ongoing economic development and employment opportunities in regional Queensland.

**Great Barrier Reef** – The 2019-20 Budget continues to support the Palaszczuk Government's delivery of various commitments as part of the record \$330 million, five-year allocation to protect the Great Barrier Reef, including measures to protect and maintain marine and island ecosystems and improve water quality and reduce nutrient runoff.

**Natural Disaster Recovery** – The Queensland Government has secured Australian Government matching funding for \$254 million in extraordinary assistance under the jointly-funded Disaster Recovery Funding Arrangements. This includes a \$242 million disaster funding package following the North and Far North Queensland Monsoon Trough; and \$12 million to respond to the Central Queensland Bushfires. Preliminary estimates indicate the cost of recovery efforts related to the event is \$1.3 billion over the forward estimates.

**Drought Assistance Package and Queensland Drought Reform** – Up to \$74.6 million over four years is provided to support drought-affected regional communities.

### **Supporting small to medium regional businesses**

**Regional payroll tax discount** – To support regional businesses and generate jobs, the Government is introducing, from 1 July 2019, a 1 per cent discount on the relevant payroll tax rate for businesses who have more than 85 per cent of their employees outside South East Queensland. Also available to regional business is the increase in the threshold to \$1.3 million, training and apprentice rebate, and the new employee rebate.

**Back to Work** – \$305 million regional component to give regional employers the confidence they need to take on eligible workers.

Under the Palaszczuk Government, more than \$36 billion has been budgeted to fund capital projects in regions outside of Greater Brisbane over the five years to 2019-20. This equates to an average annual per capita spend of around \$2,500 per person in regions outside of Greater Brisbane, compared with \$1,900 per person in Greater Brisbane over this period.

Reducing the cost of living for people living in regional areas is another critical element of the Government's economic plan. Under the Uniform Tariff Policy, the 2019-20 Budget allocates \$498 million to offset energy costs and ensure electricity prices in regional Queensland do not exceed prices in South East Queensland. The Budget also provides an additional \$14.3 million over two years to continue the Local Fare Scheme, subsidising the costs of airfares for residents of regional and remote Queensland travelling to neighbouring communities.

The 2019-20 Budget also provides record funding for the provision of essential services and additional support for the State's most vulnerable and disadvantaged. This funding will support safer, healthier communities across all regions of the State, including in rural and remote Aboriginal and Torres Strait Islander communities.

## 1.2 Backing Queensland Jobs – key focus areas of the economic plan

Building on the successful strategies, initiatives and investment announced in the Government's four previous Budgets, the economic plan and 2019-20 Budget will continue to create secure, well-paid jobs and drive sustainable economic growth, including the ongoing growth of strong regional economies.

### 1.2.1 Supporting business and business-led growth

A strong and competitive private sector, aligned with Queensland's economic strengths and comparative advantages, is critical to drive sustainable economic and jobs growth.

Business is the growth engine of the Queensland economy, with the private sector accounting for around 84% of total employment and around 76% of total economic activity.

The private sector also produces the vast majority of Queensland's merchandise and services exports. Therefore, the ongoing growth of Queensland businesses is critical to create and support employment in the trade sector, which is estimated to directly support one in every five jobs in Queensland.

Small and medium sized businesses (SMEs) are key contributors to private sector growth and employment across all regions of the State, with SMEs accounting for around 99% of total employing businesses and providing more than two thirds of all jobs in Queensland.

Small businesses account for 94% of total employing businesses in Queensland and are estimated to make up around 44% of total private sector employment in Queensland.

Building on Queensland's reputation as one of the most competitive tax destinations in Australia for businesses to locate and expand, the 2019-20 Budget outlines a \$885 million payroll tax package that provides targeted incentives for businesses across the State, particularly small, medium and growing businesses in regional areas, to invest, expand and create jobs.

Key elements of the package to be implemented in 2019-20 include: raising the payroll tax exemption threshold to \$1.3 million, a 1% discount on the relevant payroll tax rate for businesses who have more than 85% of their employees outside South East Queensland, and a rebate of the payroll tax on additional employees that businesses can demonstrate they have employed over and above their level of full time employees from 1 July 2019 until 30 June 2021.

The Government is also extending the successful 50% payroll tax rebate on the exempt wages of apprentices and trainees until 30 June 2021. Since the introduction of the rebate in 2015-16, over 5,300 businesses have claimed a total of \$76 million in rebates.

Further, the Budget provides increased funding of up to \$14 million for the flagship Back to Work program, bringing the total program to \$383 million, to ensure businesses in both regional Queensland and targeted areas of South East Queensland have the confidence to take on an eligible new employee. Since its inception in 2016-17, the Back to Work program has supported over 9,200 businesses to employ more than 19,000 persons.

The Back to Work program also predominantly benefits small businesses, with 77% of total firms accessing payments through the initiative employing less than 20 employees.

The 2019-20 Budget includes an additional \$70 million in funding to boost the Government's key business attraction and investment programs, comprising an additional \$45 million for the \$150 million Advance Queensland Industry Attraction Fund and an extra \$25 million for the \$175 million Jobs and Regional Growth Fund. This funding boost will continue to encourage businesses to establish and expand in Queensland, thereby boosting investment and creating new job opportunities across Queensland and its regions.

To support businesses in the tourism industry, the Budget allocates an additional \$48 million to Tourism and Events Queensland and \$17 million to create Indigenous jobs and business growth through Indigenous tourism development, Global Tourism Hubs and Ecotourism Trails. The Budget also allocates increased funding of \$35.7 million for the Production Attraction Strategy to support the growth of the State's world-renowned film and television industry and create job opportunities in this growth sector.

The Budget also builds on the existing Advancing Small Business Queensland Strategy 2016-2020 by committing an additional \$4 million in grant funding, bringing the total commitment under the Strategy to \$26.2 million.

In addition to this Strategy, the Government continues to reduce the cost of doing business through ongoing implementation of regulatory reform initiatives which should support growth and jobs over the coming years.

### **1.2.2 Sustainable investment in infrastructure and essential services**

The Government recognises that investment in productive infrastructure and essential services is critical for keeping pace with global changes, and for unlocking economic and employment opportunities now and into the future. Well-targeted sustainable public investment acts as a catalyst for driving private sector investment and economic growth, as well as ensuring safe, healthy and thriving communities.

The Government's investment in transport, schools, roads, hospitals, technology and other vital infrastructure will position the Queensland economy for the future, while ensuring current and future generations of Queenslanders continue to have access to world-class health and education services.

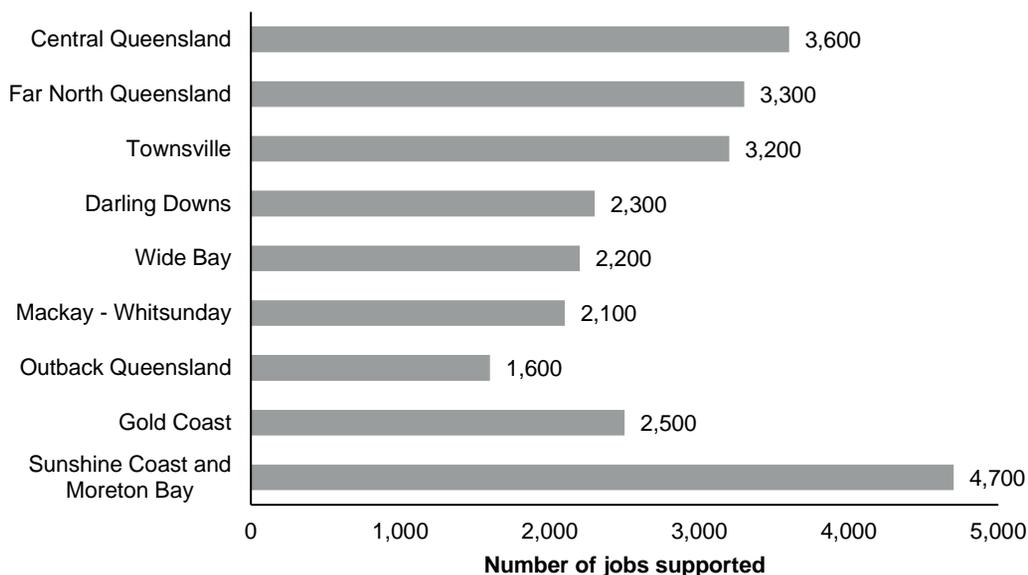
In 2019-20, the Government will deliver a \$5.6 billion investment in transformative transport infrastructure. To further help enhance the productive capacity of the State’s businesses, industries, communities and regions, the energy and water portfolios will invest \$2.7 billion in infrastructure in 2019-20 to support the ongoing delivery of safe, secure, reliable and cost-effective energy and water across the State.

Capital expenditure across the health portfolio is \$777.7 million in 2019-20, including \$78.6 million as part of the Enhancing Regional Hospitals program and \$40.7 million as part of the Rural and Regional Infrastructure package. Additionally, the Government’s *Building Better Hospitals* program includes projects at three major south-east Queensland hospitals with a combined value of \$956.9 million including the redevelopment of the Caboolture Hospital, expansion of the Logan Hospital and maternity ward and staged redevelopment of the Ipswich Hospital.

The education portfolio’s capital expenditure totals \$1.2 billion in 2019-20. This Budget includes increased funding of \$532.6 million over seven years from 2018-19 to expand the Building Future Schools Fund to a total of \$1.3 billion to deliver world class learning environments for children, including new primary, secondary and special schools opening in 2020 and 2021.

In total, the 2019-20 Budget invests more than \$49.5 billion in productivity-enhancing infrastructure projects, with the Government’s capital works program expected to directly support 40,500 jobs in 2019-20. Importantly, 25,500 of these jobs are in regions outside of the Greater Brisbane area (see Chart 1.4 below).

**Chart 1.4 Jobs supported by capital works outside Greater Brisbane, 2019-20**



Source: Queensland Treasury.

To ensure all Queenslanders have access to world-class essential services, the Government continues to maintain record spending on delivery of health and education and training services, as well as a substantial investment in keeping our communities safe, protecting our environment for the future, supporting our Aboriginal and Torres Strait Islander communities and lowering the cost of living for all Queenslanders.

The 2019-20 Budget allocates a record \$18.5 billion for the provision of health services and \$14.9 billion for education and training services in 2019-20. In addition, a further \$847.9 million over five years is allocated for both capital investments and service provision in the justice system to keep Queensland's communities safe.

This investment will not only ensure access to critical health and education services in the short term, but will enable all Queenslanders to increase their economic participation and improve their potential to earn higher incomes.

The Queensland Government is also taking strong action to put further downward pressure on electricity prices and secure Queensland's clean energy supply. Ensuring reliable and affordable energy is critical to supporting the competitiveness of Queensland's industries and businesses, and households' economic welfare. The Government's Queensland Renewable Energy Target (QRET) and focus on sustainable and reliable energy can also attract investment funds and new businesses, drive exports, and create new jobs into the future.

Ongoing funding flowing through to Queensland households and businesses as part of the \$1.16 billion Powering Queensland Plan and the broader \$2 billion Affordable Energy Plan will ensure Queenslanders have access to affordable, secure and sustainable energy.

Further, the Government has recently established a new clean energy government-owned corporation, CleanCo, which will put ongoing downward pressure on electricity prices and help grow investment and jobs in the renewable energy sector. The Government will also invest an additional \$250 million over 2019-20 and 2020-21 to progress the development of new public renewable energy generation assets.

The 2019-20 capital program includes a \$930.7 million investment in Townsville, contributing to the delivery of a number of significant productive enhancing and job creating infrastructure projects in the region over the coming years, including:

- \$225 million Townsville water security project to address long-term water security needs
- \$193.5 million Stage 1 of Townsville Port Expansion Project, to upgrade capacity of the Townsville Channel to allow access by larger vessels and boost trade at the Port of Townsville
- completion of the \$290 million North Queensland Stadium, a 25,000-seat stadium in Townsville, in time for the 2020 National Rugby League Premiership Season
- \$31.9 million Townsville (Pimlico) TAFE project to refurbish and expand training facilities
- \$25 million to help industry rejuvenate the Great Barrier Reef Island resorts and offer world-class experiences to visitors
- \$7.3 million in 2019-20 out of a \$45.4 million total spend to rehabilitate and widen various sections of the Gregory Development Road for freight and productivity gains

- \$6.7 million in 2019-20 out of a \$44.4 million total spend to complete construction of the new North Shore State primary school.

A key element of the Government's capital program is providing grants to local governments and non-government organisations to support their work within communities across Queensland. In total, the Government will provide \$1.599 billion in capital grants in 2019-20.

This includes an additional \$70 million over four years for Building our Regions, bringing the total investment in Building our Regions to \$515 million, and ongoing funding across all regional councils through the existing \$600 million Works for Queensland program.

The Government also remains committed to rebuilding regional communities impacted by the North Queensland floods and other recent natural disasters. Key elements of the Government's investment focused on improving existing infrastructure to improve the resilience of the State's communities include (in conjunction with the Australian Government):

- a \$242 million disaster funding package following the North and Far North Queensland Monsoon Trough
- ongoing funding as part of the Queensland Government's \$110 million commitment for extraordinary recovery and reconstruction projects following Severe Tropical Cyclone Debbie
- supporting drought-affected communities through continuation of the Drought Assistance Package by providing up to \$74.6 million over four years.

### 1.2.3 Supporting the next wave of innovation

As a key driver of increased productivity and enhanced business competitiveness, innovation is at the forefront of driving economic growth and the creation of new high value-added industries and jobs. A highly innovative economy will strongly position the State to most effectively address some of the challenges faced by Queenslanders both today and into the future and improve overall living standards for all Queenslanders.

Technological advancements continue to transform existing business models and create new opportunities for Queensland businesses. Meanwhile, markets for the State's exports are evolving, both internationally on the back of growing prosperity in Asia, and domestically as consumers increasingly demand new and more tailored products.

In the face of this changing global landscape, the Government is supporting businesses throughout the State to develop and adopt innovative approaches and seize new opportunities.

Advance Queensland, the Queensland Government's \$755 million flagship innovation program, continues to play a key role throughout the State in unlocking new opportunities to sustain and grow traditional industries while also helping to shape the development of emerging industries by fostering and supporting innovative ideas, research and technologies.

Building on this success and to drive the next wave of innovation, the Government will be releasing a new innovation strategy, *Building Our Innovation Economy*, later this year.

Supporting the development of this new strategy, the 2019-20 Budget contains numerous measures that will promote innovation activity throughout the State now and into the future.

In addition to the wide range of innovation-related opportunities from ongoing funding through the Advance Queensland initiative, the Budget also provides funding of \$25 million over four years to the Queensland Government Research Infrastructure Co-Investment Fund to support high-quality collaborative research and innovation in the State's research sector.

Further, the 2019-20 Budget commits \$19 million to develop the Queensland Hydrogen Industry Attraction and Development Strategy to build Queensland's capacity in producing this important renewable fuel that is increasingly in-demand globally.

Additionally, \$14 million has been allocated to support the Defence Cooperative Research Centre to develop drone and robotics technology for the Defence Force.

The Government is also contributing \$9 million towards Queensland hosting the World Science Festival for a further two years, offering collaboration and networking opportunities for industry and boosting the State's reputation as a world leader in science, technology and innovation.

These initiatives are aimed at ensuring traditional, emerging and new industries have the best possible chance to establish, grow and thrive in Queensland.

To support Queensland manufacturers to become more advanced and internationally competitive by adopting innovative processes and technologies, the 2019-20 Budget boosts the successful Made in Queensland program by allocating an additional \$6 million over two years, taking the total value of the program to \$46 million.

### **1.2.4 Investing in skills and training for current and future generations of Queenslanders**

The world of work is always changing. Over recent decades, the global, national and Queensland labour markets have been transformed by forces such as increasing global integration, rapid improvements in information and communication technology, and significant social and demographic changes.

In response to this change, Queensland's workers, businesses and industries have developed, adopted and embraced the new skills needed to operate more productively in both emerging and established occupations and industries.

In the years ahead, the State's labour market and workplaces will continue to evolve as the Queensland economy adapts and transitions to a more diversified economy, in the face of factors such as increased automation and the continuing growth of Asia.

## Box 1.3 Queensland's growing skills base

There is a global consensus among economists, academics and education specialists that a strong policy focus on education and training, and the resulting flexibility, adaptability and resilience it builds into the workforce, is essential to promote sustainable economic growth and increase productivity.

Just as importantly, ongoing skills development is critical to enable all Queenslanders to access and capitalise on employment opportunities, achieve higher incomes and improve their quality of life.

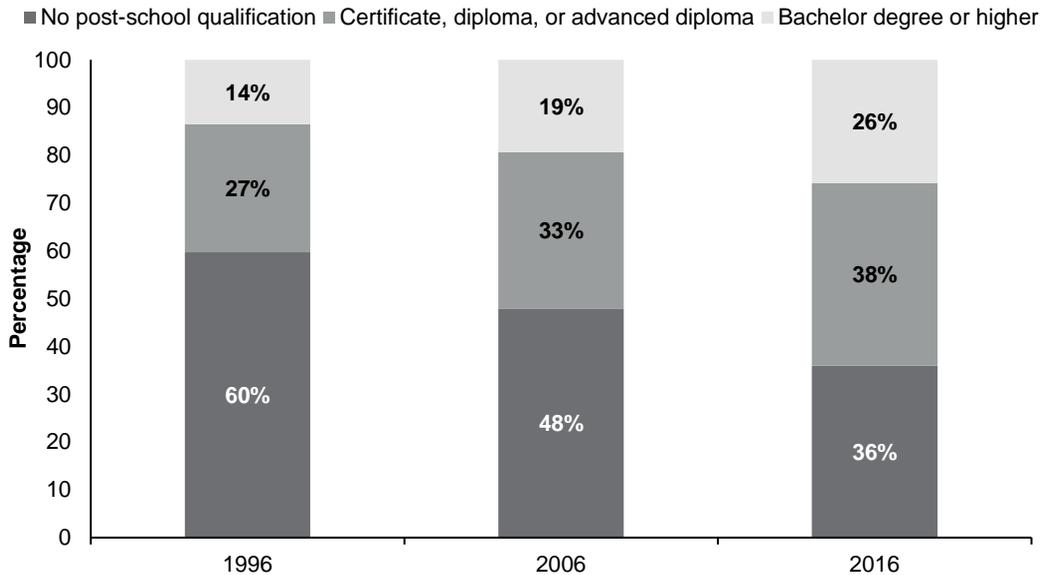
The benefits of education and training to individuals are clear. In 2015, in terms of average weekly personal income, Australian full-time workers with either one or two non-school qualifications respectively earned \$372 and \$667 more than full-time workers without non-school qualifications.<sup>1</sup>

There is also a recognition that a lifelong approach to education and training is critical. Where a single qualification may once have set up a person for a 'job for life' in a single industry, it is now becoming more common for individuals to have multiple jobs in multiple industries over their careers. This is amplified by the fact that people are generally working longer - the average age of retirement for recent retirees increased from 60 in 2005 to 62.9 in 2017.<sup>2</sup>

Over the past 20 years, the proportion of employed persons in Queensland who hold a post-school qualification has risen noticeably. In 1996, around 60 per cent of persons employed in the State did not hold a post-school qualification, with this proportion declining to less than half (48 per cent) in 2006 and lowering even further to just over one-third (36%) by 2016.

Over this same period, the proportion of persons holding a university-based qualification has risen from 14 per cent in 1996 to over one-quarter of all employed persons in Queensland by 2016. Meanwhile, the proportion of employed persons with a TAFE-based qualification increased from 27 per cent in 1996 to 38 per cent in 2016 (see Chart 1.5 below).

**Chart 1.5 Proportion of employed persons by level of educational attainment, Queensland**



Source: ABS Census of Population and Housing (1996, 2006, and 2016).

Notes:

1. ABS 4235.0 - Qualifications and Work, Australia, 2015
2. ABS 6238.0 - Retirement and Retirement Intentions, Various

This analysis helps illustrate the evolving skills base of the Queensland workforce over the past two decades, reflecting ongoing economic diversification and the range of different job opportunities across both traditional and emerging industries that have arisen during this period.

The Queensland Government is committed to giving Queenslanders of all backgrounds and ages the education, training and skills development opportunities they need to take part in the future economy. Reflecting the need for lifelong learning, the Queensland Government is investing in skills and training across all life stages, from early education to adulthood.

Improving the wellbeing of children prior to school is a key priority for the Government. The 2019-20 Budget includes several initiatives to support pre-school education and learning, including increased funding of \$63.6 million over four years and \$18.7 million ongoing to continue the provision of Early Childhood Development Programs, as well as \$30.4 million over two years to support the continued provision of universal access to kindergarten for children in the year before school.

The Government is providing increased funding of approximately \$1.4 billion over calendar years 2019 to 2023 for Queensland state schools, as part of the five-year school funding agreement reached with the Australian Government in December 2018.

The Government is continuing to deliver Free TAFE to help Year 12 graduates gain the training they need to develop skills in growing industry areas by covering the full cost of training in one of 160 high priority qualifications to ensure they get the skills to start their career.

Since the Free TAFE initiative launched in August 2018, more than 6,000 students have started a new qualification, subject or module as part of their vocational education.

Further, significant commitments are made in the 2019-20 Budget to improve Queensland's state schools, including \$532.6 million over seven years to expand the Building Future Schools Fund and \$251.3 million over three years for additional facilities at existing state schools experiencing enrolment growth. The Budget also allocates increased funding of \$100 million to address air conditioning needs to give Queensland students the best possible learning environment.

The 2019-20 Budget builds on the Government's substantial existing investment in training and skills, through innovative initiatives such as the Micro-Credentialing Pilot and a Higher Level Apprenticeship Pilot to provide modern and flexible pathways to address current, emerging and future skills needs.

To help Queenslanders at all stages of life and from disadvantaged backgrounds access employment and training opportunities, the Queensland Government provides a higher level of subsidy to concessional students studying VET qualifications. Further targeted support is provided to disadvantaged groups, including mature-age jobseekers, through the \$420 million Skilling Queenslanders for Work initiative to help them re-enter and stay in the workforce.

In addition to substantial investments in skills and training, the Queensland Government is implementing a suite of initiatives to better connect Queenslanders with employment, education and training opportunities, particularly for the State's young people.

Initiatives funded in this Budget include:

- a \$4.6 million Digital Engagement Strategy to help re-engage at-risk youth back into school and training
- the \$9.6 million Link & Launch initiative to help disengaged year 12 leavers engage in education, training or employment
- a \$11.2 million expansion of the Regional Youth Engagement Hubs program to locate, case manage and re-engage early school leavers back into school and training
- \$16.6 million for FlexiSpaces to support schools to provide innovative learning spaces, as an alternative to traditional learning spaces to retain students who are at risk of disengagement and early leaving by providing wrap around support.

In preparing workers for the jobs of the future, a key focus will be the ongoing development of skills which cut across all industries and sectors, such as digital and commercial literacy, problem solving, communication, and entrepreneurial skills. These broad, cross-cutting skills complement field-specific expertise, and will be critical in helping workers to navigate job changes over time. In line with this, the next phase of the Advance Queensland agenda includes New Skills and New Jobs as one of its five priorities.

Going forward, the Queensland Government's focus on skills will also be bolstered by a new Skills Strategy, informed by the Skills and Industry Summit held in late 2018, and will continue to be guided by the strategic advice of Jobs Queensland on future skills and workforces.