



Research Issues for
the Service Sector,
Particularly for
Community Service
Professions and
Export Services

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Abstract

There is no doubt that the service sector is by far the largest sector in the Australian economy. The service sector contributes some 80% in value added terms and 81% of employment. It is the sector which will provide the greatest opportunities in employment growth with export of services becoming increasingly vital to the future of the Australian economy.

However, the service sector is not easily defined. On the one hand, for example, as a considerable proportion of what is normally classified under agriculture, manufacturing or mining is of a service nature. On the other hand, the differentiation between a good and a service is also by no means clear. The sector is diverse ranging from highly technical services, such as in developing computer software, to the more mundane, such as hospital cleaning. It is clear, however, that the service sector employs a wide range of staff, including professionals from a large number of academic backgrounds.

This paper attempts to define the service sector, particularly on two important areas, the community services sector and the export industries sector. Community services are here defined as the education, health, welfare and justice areas that in total employ some 16% of the Australian workforce and provided some 11% in gross value added terms.

Community services have been faced with a number of pressures over the last decade, such as National Competition Policy, downsizing, outsourcing, privatisation, and reduced funding from governments. The export of services is of growing importance and service exports now represent 22.5% of total exports with travel and transportation contributing over 70% of these exports.

This paper identifies 20 priority research projects of which eight are in the area of community services and twelve focus on the development of export service industries. Research areas addressed in community services include educational and training requirements, the development of a health of the community services professions index, quality assurance and the monitoring of community services interventions, and the unintended outcomes flowing from downsizing, outsourcing and privatisation. In the export services, research is needed on a more comprehensive data on export service industries, a National Export Services Strategy, and ways to maintain global competitiveness.

RESEARCH ISSUES FOR THE SERVICE SECTOR, PARTICULARLY FOR COMMUNITY SERVICE PROFESSIONS AND EXPORT SERVICES

1.0 Introduction

The service sector provides approximately 80% of gross value added in Australia's economy and 81% of employment. The service sector is therefore the dominant sector in the Australian economy as it is in most developed nations. It will be the sector that will provide the greatest opportunities in employment growth with export of services becoming increasingly vital to the future of the Australian economy if it is to maintain its position as a developed nation. It is the sector of the post-industrial economy and the information age, a major component of which is community services in the areas of health, education, social welfare and justice.

This paper defines the service sector and identifies research issues critical to community services and the development of export service industries.

1.1 Defining the Service Sector

Commonly for economic planning and analysis purposes, government agencies group industries into four industry sectors, agriculture (including forestry and fishing), mining, manufacturing and services. Another grouping has three sectors, the primary sector (agriculture, forestry, fishing and mining), the secondary sector (manufacturing) and a tertiary sector (services).

Until recently, the service sector was viewed as the 'soft' part of the economy and did not produce the 'real' goods and services and therefore was not considered as important as the other sectors. In fact, the services sector appears to have been defined initially as anything that was not a product of farming, mining and manufacturing.

This view of the service sector changed, particularly in the 1980s, when it was realised that services comprise a large and significant component of modern economies, both industrial and post-industrial.

The integral nature of a modern economy makes it difficult to define what a service is, as all economic activities are in general sense services. Thus there is a blurring between the sector outputs which are used to quantify the contribution of each sector to gross domestic product (GDP). While the service sector is quantified as contributing some 80% to GDP, a considerable proportion of the other sectors are composed of service activities.

The LEK Partnership⁽¹⁾ estimated (using ABS Catalogue 5209 Input-Output Tables⁽²⁾) that service activity accounts for 40% of agricultural output, 34% of manufacturing and 45% of mining. In the service sector only 54% is considered to be pure service activity and highlights the definitional problems. This leads to the conclusion that service activities form a larger proportion of GDP than current figures show, and research from the United States indicates it may account for some 85% of GDP.

So what are services? Services are distinguished from goods in that services are generally personalised and may be provided by an individual or an economic unit and which add to or improve another person's economic wellbeing. Miles⁽³⁾ defined services into three categories:

- Physical services that maintain or transport facilities, goods or people, ie transportation and storage, wholesale and retail trade.
- Human or person-centred services covering social and community and private consumer services, ie. personal services, hotels, restaurants.
- Information services, which cover the mass media, organisations distributing non-standard information (telecommunications, financial services etc.) and knowledge based services that produce and trade in more specialised knowledge.

Evangelista and Savona (1999)⁽⁴⁾ distinguish between four categories of services on the basis of their innovative intensity and the degree of interaction with producers and consumers. These sectors are:

- Science and technology based activities such as R&D services, engineering and computing.
- Technology users which includes activities such as land and sea transport, legal, travel, and retail services, as well as certain business services including security and cleaning.
- Interactive activities including banks, insurance, trade and repair of motor vehicles, and hotels.
- Consultant services which are a highly innovative activity with strong links to service suppliers.

Another category identified by Evangelista and Savona are postal and telecommunication services which appeared difficult to include in the above four categories.

In order to quantify the service sector it is necessary to use the Australian Bureau of Statistics (ABS) Australian Standard Industry Classification (ASIC). Table 1 shows the classification of the services sector in nine main and 27 sub-categories.

When accounting for services in the balance of payments series, the ABS has eleven major categories upon which data are published on a quarterly basis. However, each category has a number of sub-categories as shown in Appendix 1, the data for which are available generally on an annual basis. Despite the conceptual difference between goods and services the boundaries are sometimes blurred and goods may include some service elements and vice versa. For example, there are problems in accounting for software (a good) and services relating to the provision of software. The services classifications used for balance of payments purposes are based on IMF and OECD-Eurostat classifications⁽⁵⁾.

Notwithstanding this larger set of categories and sub-categories used by the ABS, there are still likely

TABLE 1: INDUSTRY AND TRADE CLASSIFICATIONS IN THE SERVICE SECTOR

AUSTRALIAN STANDARD INDUSTRIAL CLASSIFICATION (ASIC)

Division	Sub-division
Electricity, gas and water	Electricity and gas Water, sewerage and drainage
Construction	General construction Special trade construction
Wholesale and retail trade	Wholesale trade Retail trade
Transport and storage	Road transport Rail transport Water transport Air transport Other transport Services to transport Storage
Communication	Communication
Finance, property and business services	Finance and investment Insurance and services to insurance Property and business services
Public administration and defence	Public Administration Defence
Community services	Health Education, museum and library services Welfare and religious institutions Other community services
Recreation, personal and other services	Entertainment and recreational services Restaurants, hotels and clubs Personal services Private households employing staff

to be problems in identifying some service exports such as environmental management in its broadest interpretation. These services could be classified under management and consulting, under engineering or under waste treatment and depollution.

However, it is clear that the data on service exports and imports has in the last decade become more comprehensive in recognition of the importance of services to the Australian economy, for example in 1997/98, the service sector provided close to 80% in gross value added⁽⁶⁾ and nearly 81% of employment⁽⁷⁾. Property and business services was the largest category providing some \$60 billion (11.6%) of the \$408 billion total of gross value added. The largest employment category was the retail trade which provided some 1.12 million jobs (14.7%) of the total employment in the service sector of 6.8 million.

1.2 The Community Services Sector

For the purposes of this paper, the community services sector has been defined as having four major segments: health, education, welfare and justice. The importance of the community services sector is considerable as it provides employment for approximately 16% of the Australian workforce and 11% of gross value added to the Australian economy (refer Appendix 1).

Community services are provided mostly by governments and although there is a large private sector in health and education, government funding is provided in many cases. In the case of welfare and justice, government services dominate but there are numerous non-government organisations and private companies which provide services.

Since the 1980s, the government community services sector has faced pressures from public sector reforms and budgetary limitations. These pressures have accelerated in the 1990s with initiatives such as the National Competition Policy and further limitations on government funding which has led to downsizing, outsourcing and, in a few instances, privatisation.

Accompanying these pressures and changes, the advent of the global economy, new information and telecommunications technology and the emergence of the post-industrial or information age have produced new views of the role of government.

As Sturges (1996) argues, governments of the future will see themselves as part of a global service industry seeking to add value to goods and services produced. In the process the boundaries of government will become so blurred that it will increasingly unclear whether the public are being served by a public servant or a private employee⁽⁸⁾.

If, as Sturges has suggested, the profound changes taking place within government are part of a generational shift caused by globalisation and the revolution in information and telecommunications technology, then the pressures on the community services sector will continue and probably increase.

Nahan (2000) has argued that, in aggregate, the structure of the community services sector will change little⁽⁹⁾. In many social welfare areas such as aged care, the delivery of services has already largely been privatised and contracted out. Non-government organisations and for-profit organisations dominate. In health, there is a large public hospital system but most specialist medical services are private. In education the private school system is growing and there are moves to give more control to individual government schools. In the justice area, police, court systems and prisons come within government jurisdiction although there has been some move towards establishing privately operated prisons. Private security companies are on the increase and could be viewed as a quasi-police or at least replacing the police in roles which can no longer be resourced.

But in our small community, by world standards, we face many problems and issues. The population is ageing. Many of our regional and rural areas are facing economic and population decline as jobs and young people migrate to the capital cities. Youth suicide has become an issue of concern particularly in regional Australia where the availability of a range of services has been reduced by the withdrawal of government services and commercial operations such as banking. Providing services to remote communities of indigenous people presents many challenges.

All these changes and issues are impacting the service industries and particularly the community services sector which has been further affected by reduced funding from government.

2.0 Major Issues Facing Community Services

The range of issues facing the community services sector is large and includes most of the issues and problems facing the service sector generally. However, due to the nature of community services, which in the main are funded and policy driven by governments, there are a number of specific issues and trends that are causing concern to the service professions. It is not possible to canvas in this paper all those issues, some of which may apply more to some professions than to others, and therefore six of the major issues have been selected and are now briefly outlined.

National Competition Policy

In 1995, following the 1993 Hilmer Committee of Enquiry into a National Competition Policy, a package of measures was endorsed by Australian governments that came to be known as the National Competition Policy (NCP). The NCP extended the Trade Practices Act to cover government agencies that were previously exempt and the States and the Commonwealth agreed to implement a program of reforms in government owned industries that provide essential services and infrastructure.

The implementation of the NCP is ongoing and to date the policy has been applied to Government Business Enterprises. There is some question about whether the NCP will flow on to community service agencies and organisations and many service professions would argue that competition policy is inappropriate for many community services where other criteria for service delivery have greater priority. Nevertheless the pervasiveness of the need to be competitive, cut costs and increase efficiency is having its effect on the service professions and interacts with the issues flowing from downsizing, outsourcing and privatisation.

Downsizing, Outsourcing and Privatisation

The limitations on raising taxes has forced governments to reduce funding allocations for many activities including community services. Health and education are areas which have been subject to cutbacks which are now impacting upon service delivery.

Reduced government funding, the new managerialism⁽¹⁰⁾ introduced to government agencies and the pressure to be more efficient and do more with less, has led to downsizing,

outsourcing or contracting out and in a few instances, privatisation. Reductions in staff in service agencies has produced problems in service delivery and remaining staff are spread more thinly and often find themselves working longer hours. The contracting out of some services has raised concerns about the standard of services being provided and in some cases, difficulties with supervision and control have become apparent. Privatisation, which has occurred infrequently, has raised issues for employees who may become redundant but, more importantly, about the quality of the privatised service.

There is a major concern about maintaining quality assurance and quality delivery of services in an environment of reduced funding and competitive pressures. Service professionals find themselves being required to do more in the time available and are stretched more thinly over work areas. Often to meet schedules and deadlines, and faced with reduced funding, the services provided suffer and the quality of service provision is not of the standard that service professionals deem appropriate.

Impact of Technology on Work and Service Delivery

The new information and communications technology is progressively changing the nature of work and the delivery of services. New occupations have arisen in the last twenty years to handle word processing, computers and data handling. Global integration of the finance sector, for example has been realised by the advent of computer and satellite communication technology. The day when all professions have a computer sitting on their desk has arrived enabling information to be transferred to others across the world almost instantaneously. This technology allows the remote delivery of some services.

Public Delivery versus Private Delivery of Services

Many community services to date have been provided in a government agency setting or are provided by a non-government organisation or a non-profit organisation utilising government money. Increasingly governments are setting the policy and performance standards and requiring full accountability and auditing of the funds provided. This raises questions about the independence of these organisations that increasingly are becoming government sub-contractors. Also government monitoring and auditing requirements and the work

required to tender for government funding is reducing the time available to staff in these organisations to perform the services they were originally employed to perform. Another concern is, in the case of a profit making private organisation, whether service delivery standards can be maintained to the same levels as those in government or non-government or non-profit organisations.

Training of Professionals in New Technology

The majority of service professionals have received inadequate training to handle the new information and computer technology. Agencies that have sophisticated systems often do not have the necessary knowledge or resources to make full use of the technology particularly in utilising the large amounts of data that has often been collected. At present there is often a time lag between the availability of new technology and the ability of professional to be competent in its use. The training of professionals in the workplace in new technologies and systems is a major issue that needs to be addressed together with the ongoing need to update skills in the ever-changing information and computer technology.

Delivery of Services to Remote, Rural and Regional Areas

For those living outside of the capital cities the level of services provided is often lower than for residents of capital cities. Inequality of access to services and information is only one of many problems for people residing in the remoter, rural and regional areas of Australia and this has been well documented⁽¹¹⁾⁽¹²⁾. But now with new information and telecommunications technology, the remote delivery of services is now possible and in fact being implemented in a number of areas, such as health. For example, health specialists located in Perth can diagnose patient's ills with data downloaded from a computer in an isolated community in outback Australia thus providing the ability for medical services to be delivered remotely to people residing in the less developed parts of the world. A lecturer at Edith Cowan University in Perth can deliver lectures direct to students in Sri Lanka or Thailand. While the possibilities are endless, the use of such technology to provide services remotely is still relatively rare.

3.0 Major Issues Facing Exporters

The export of services is vital to keeping Australia's position as a major player in the knowledge based global economy. International trade in services is the fastest growing component of international trade. Between 1993/94 and 1997/98, Australian exports of services grew by an average of 6.6% per annum to \$25.7 billion. By 1998, service exports represented 22.5% of total exports with travel and transportation exports contributing over 70% of all service exports.

A review of some recent papers on industry strategies and promoting innovation in the services industries quickly provides a large list of issues and impediments facing service companies in exporting. Some of the major issues and impediments are summarised below.

Lack of Information about Export Services

There is a lack of information about the export of services and the current ABS classifications do not always permit exports from a particular industry to be readily identified, for example in education and environmental management. There is also a problem with goods being counted as services and vice versa in some areas. A further lack of data involves information about the companies involved in export activity and this occurs right across the spectrum of Australian export service industries.

Assistance for Companies to Develop Export Potential

Many companies developing export markets are small to medium sized. Most do not have the resources or human skills to quickly move from servicing domestic markets to becoming exporters. While Government assistance programs are in place to assist companies with a number of initiatives necessary to develop export markets. There is a need to assist companies with market analysis and the identification of export potential in specific countries and market the capabilities and services of Australian service companies to overseas markets and to identify joint venture partnerships and strategic alliances.

The Need for Training and Skills Updating

There is a major ongoing need for training and skills updating in export service companies. The introduction of new information and communications technology has effected the work environment and requires ongoing maintenance of a high skills base as well as retraining. Export

documentation required by customs and overseas importers is often comprehensive and requires specific training. Knowledge of how business is undertaken in overseas countries is another area together with knowledge of the legal framework companies will be operating under.

Lack of a National Export Strategy

Governments' attempts to assist the development potential of exporters in service industries have tended to be piecemeal and lacking a co-ordinated policy framework. There is a need for a National Export Strategy⁽¹³⁾ designed to promote investment and job creation in all service industries and promote innovation, research and development and an export culture.

Lack of Research and Development

Research and development may be undertaken internally by companies although larger companies are increasingly outsourcing this work to specialised research companies and institutions. Research is also undertaken by government agencies, cooperative research centres, universities and other research organisations.

It is generally recognised that research and development plays a lower role in the service industries than in the sectors of the economy. In some areas of the service sector, such as computers and information technology, research plays a very significant role, but in others research is minimal. Ways and means have to be found to promote and increase funding for research and development and policies which further the commercialisation and development of intellectual property rights need to be implemented⁽¹⁴⁾.

4.0 The Importance of Research in Community Services and Export Service Industries

This section identifies the major research areas that need to be addressed to assist with the development of community services and export service industries and notes examples of the applied research activities at a new University, Edith Cowan.

It is generally recognised that research levels are inadequate in the service sector. But as services represent about 80% of gross value added in the Australian economy, provide some 81% of employment and contribute 22.5% of exports⁽¹⁵⁾, the importance and need for research cannot be disputed. It can be argued that Australia and other developed countries of the world are in transition to a knowledge-based economy. The success of this transition will profoundly effect the wellbeing of everybody in Australia, both in economic terms as well as in their quality of life.

A number of factors will be critical to this transition. They include the ability to:

- be innovative;
- develop new ideas and technology;
- research and commercially develop new technologies, processes and services;
- promote and market Australia's services industries' capabilities to the global marketplace, particularly in our region;
- develop business and commercial networks worldwide and maintain the knowledge base of companies and people;
- develop human skills through lifetime education and training;
- remain globally competitive and maximise Australia's services industries' comparative advantage.

Clearly a high level of research and development activities will need to be maintained by companies, research institutions, universities, and governments. The range of research activities required is large and includes areas such as technology; organisational and management change; managing change in the work environment and developing employees' potential skills; developing new and appropriate education and training courses to meet the needs of services industries; developing intellectual property rights; developing high quality service delivery

procedures; removing impediments to trade and investment; and deregulation and regulatory reform, to name but a few.

It is in this context, it is important to note the research efforts at a new University, such as Edith Cowan University (ECU).

Research at ECU covers a range of applied, relevant, responsive research often in research teams that are frequently cross disciplinary and mostly linked with an industry partner. Researchers deal with issues related to the service professions – teaching, nursing, policing, psychology, social work, indigenous studies, women’s interest, youth work, aged care, business, regional studies, computer science – and to the clients of these professionals.

Industry partners – clients groups, government agencies, non government agencies, professional associations – are attracted to working with ECU because its researchers are concerned with their professional, policy and practical needs. The research projects developed through such strategic alliances contribute to society at large not only by helping particular industry partners resolve social, practical or policy issues, but also by contributing to the growth of new knowledge about the service professions and their work. Examples are discussed below.

Health

The Cancer and Palliative Care Research Group undertakes applied externally funded projects which aims to develop knowledge to improve the care of individuals and families of the terminally ill. Projects include the evaluation of the innovative model of respite care for terminally ill patients receiving care at home.

The research on health promotion focuses on public health issues facing communities and ways of promoting health and wellbeing in communities and individuals which includes the study of gambling behaviour as a public issue, substance abuse in older women and HIV education for teachers of school aged children.

Midwifery and maternal and child health research focuses on the state of health and safe care during pregnancy, labour and delivery and the care of the newborn. Projects include improvements in the management of breastfeeding and the testing of innovating ways of enhancing mother baby bonding in instances where infants are receiving care in intensive care nurseries.

The indigenous health research undertaken through the National Aboriginal and Torres Strait Islander health clearing house focuses on all aspects of indigenous health and provides a national resource to help disseminate the results of research in this area via the internet. Projects include the management of diabetes amongst aboriginal communities.

Education

Applied research conducted through ECU’s Institute for the Services Professions is unique in Australia. It is applied and policy oriented research which harnesses research teams, often interdisciplinary works with industry partners on challenges confronting for example, the education, nursing, indigenous, social work and youth areas.

Recent research includes a cross national study of the effect on extending parental choice of schooling on curriculum pedagogy and school organisations, generating better educational and employment outcomes for rural young people, teacher evaluation in Australia and the current policies and practices and their relation to the improvement of teaching and learning, the assessment of School Principals’ Performance, the state of teaching and learning of Science in Primary and Secondary Schools, Literacy development in schools, the development and validation of professional standards and performance and developing an assessment portfolio for English/Literary Teachers.

In a number of instances, the research results in further community support and leads to significant changes to Government educational policy as well as to teaching programs. For example a national study for the Federal Government reported on the provision for students who experienced learning difficulties in regular schools noted the disparity across States of the proportional teachers in regular schools with specialist qualifications to teach students who experience learning difficulties. As a result one of the authors negotiated with a charitable foundation (The Fogarty Foundation) and later with the WA Education Department, to provide funds to support teachers to upgrade their qualifications in this specialisation. Moreover, a new course was established which is now taken by experienced teachers involved in the government strategies to improve literacy “to getting it right”. The uniqueness of this example lies in two areas; that university intervention provided the solution to a major practical problem, the lack of qualified teachers and students who are experiencing learning difficulties

in regular schools and then the problem was identified, articulated and tackled as a direct outcome of the research.

Furthermore, applied research on the status and quality of science teaching in Australian schools funded by DETYA resulted in the Federal Government initiating a further three national projects to improve the awareness of the importance of science education. The government decided to implement the national professional development model for science teachers and to develop online resources for the assessment of scientific literacy.

4.1 Major Research Needs for Community Services

Professionals within the community services sector no doubt could produce a large list of issues crying out for research. From the many issues, four areas have been selected as they are considered a priority. The specific research projects are individually identified as a community services research project (CSRP).

Educational and Training requirements for Community Services Professions

It is quite clear that education and training is a priority area in a sector experiencing many changes and pressures from inadequate resources. There is a need to do things better with the resources at hand. This is not just a matter of being more efficient, but utilising new techniques and new technology to the best advantage whilst maintaining the quality of output and service delivery. A number of research projects are therefore proposed:

CSRP 1

Review the basic educational and training requirements of community service professionals to ensure that they are receiving the appropriate education and training to equip them to meet the needs and challenges of service delivery in the 21st century.

CSRP 2

Review the needs of community service professionals for regular updating of skills and training in new information and computer technology.

CSRP 3

Assess what implications the trend towards evidence based practice has for the training of

new professionals and updating of the skills of established professionals.

CSRP 4

Identify if there any emerging occupations or professions which require the implementation of new courses or the recombination of established courses in new curriculum arrangements.

Development of a Health of the Community Services Professions Index

There is a need to establish a Community Services Professions Health Index using a central database to monitor a number of critical factors to community service professions. It is envisaged that the database would cover such factors as: the entry requirements into the professions; the required standards for new graduates; how clients view the services provided by community services professionals; what community services professionals think about their profession and its ability to maintain standards; and a range of indices measuring quality of community services professionals outputs.

The proposed research project would:

CSRP 5

Assess how a Community Services Professions Health Index might be established, including the costs involved, the indices the Health Index should cover and how this data could be collected

Quality Assurance and Monitoring of Community Services Interventions

Important areas of concern to community services professionals are the maintenance of quality assurance and quality service delivery, and the monitoring and measurement of the outcomes of interventions by community service professionals. Two research projects are proposed:

CSRP 6

Establish a quality assurance and quality of service delivery standard for all community services and develop a regular monitoring program to ensure standards are being maintained.

CSRP 7

Identify how interventions by community services professionals can be regularly measured and monitored to ensure outcomes are beneficial.

Unintended Outcomes flowing from Downsizing, Outsourcing and Privatisation

Many examples of the unintended outcomes of policies being introduced which result in downsizing, outsourcing and privatisation are quoted by community services professionals and there is a need to comprehensively document these unintended outcomes and identify initiatives to ameliorate the problems. A research project is proposed to:

CSRP 8

Identify unintended outcomes resulting from downsizing, outsourcing and privatisation and recommend initiatives to ameliorate these problems.

4.2 Major Research Needs for Export Service Industries

Three priority areas have been identified for research to assist export service industries and the research projects are identified individually as an Export Service Industries Project(ESIP).

The Need for more Comprehensive Data on Export Service Industries

The ABS acknowledges there are a number of assumptions and approximations used to compile export services data. It is also clear that some classifications in manufacturing include services and some services classifications contain goods. This illustrates how difficult it is to separate goods from services in some industries and the resultant blurring of the boundaries between goods and services.

Many government agencies and businesses utilise export services data and one of the areas where data are also lacking is company information relating to export activity. To obtain an overall view of export activity in a particular service industry, it is necessary to know what companies are active in the export market and to what countries exports are being sold.

There is a need for a major research project to:

ESRP 1

Assess how more comprehensive export services data could be collected on a regular basis including identifying the information that is particularly useful to companies, government agencies and other research institutions.

It is clear that the current service industries categories are inadequate in presenting export data on a number of important service industries, for example education services are contained in the travel and personal, cultural services categories (refer Appendix I for ABS categories for service exports and imports).

In addition the other business services category contains a number of services generalised under headings such as professional services, research and development and technical services which are not in themselves export industries. A further problem emerging from the export services is some increasingly important export service industries do not have their own category. This applies to services such as environmental management which is currently categorised under a number of headings in the other business services category. Other important service industries not currently separately identified, include education, health, mining, and agriculture.

This raises the whole question of what are the appropriate industry classifications for export services and how do they relate to categories of goods exported. Should there continue to be a differentiation between goods and services, as in many industries the goods are sold as part of a package which includes services? Is the concept of a manufacturing sector and a service sector now outdated and should data be classified under an industry banner without differentiating whether what is exported is a good or a service.

These issues suggest a number of priority research tasks.

ESRP 2

Review the industry categories in both goods and services with a view to developing a more appropriate classification taking into account the increasingly blurred boundaries between goods and services.

ESRP 3

Review the Other Business Services category with a view to allocating most of the activities included under this heading to specific industries.

ESRP 4

Review export services categories with a view to developing new industry classifications in areas such as Environmental Management, Education, Health, Tourism, Agriculture and Mining.

The Need for a National Export Services Strategy

The Australian Government and all State and Territory Governments offer a range of export assistance schemes to assist companies, for example the Export Marketing Support Scheme. These schemes are offered by a host of State and Federal agencies and the end result for many companies is confusion over what is being offered and to which agency they should apply.

There is a pressing need to develop a National Export Services Strategy which would announce the broad objectives, strategies, programs and schemes offered to assist companies develop and participate in export activity. The Strategy should address the question of how these schemes are delivered with a view to developing a one-stop-shop approach. Therefore an initial research project is required to formulate and develop components of a National Export Services Strategy by:

ESRP 5

Defining the broad objectives, strategies and programs required in a National Export Services Strategy.

ESRP 6

Reviewing existing export assistance schemes and recommending a simplified set of assistance schemes targeted at specific export industries and companies together with a simplified delivery system based upon a one-stop-shop approach.

It should be noted that it is not the intention of this research project to draft the National Export Services Strategy but define and outline the broad parameters and approach particularly in the area of export assistance schemes and their delivery.

Innovation is a key driver in ensuring a company becomes globally competitive. Introducing new technology requires innovation and there is a need to understand why some companies are good at innovating and what are the key factors in companies which were successful in developing an innovative work environment.

The National Export Strategy should address how to encourage small to medium sized knowledge based export service companies to become innovative; introduce new technologies; undertake appropriate research and development; develop the skills of their employees; and implement a culture of innovation into the work environment at both

management and the individual level. This research project should:

ESRP 7

Promote innovation in export service companies by assessing and reviewing the success stories of a number of innovative companies. The aim of the project is to develop guidelines based on case studies which will assist companies to become innovative, acquire and develop new technology, implement a culture of innovation in management and their employees, ensure the skills of their employees are continually being enhanced and that quality service delivery is improved.

It is unclear whether we have a comprehensive picture of the research and development needs of export service companies. While various State Governments compile a listing of all research activities being undertaken in a State these do not address the needs side of the equation. A comprehensive research project is required which will identify a number of important R & D issues for export service companies.

ESRP 8

Identify the R & D that is currently being undertaken by export service companies and compare this against the perceived needs for R & D in export services industries.

ESRP 9

Identify the current sources of funding for R & D and develop recommendations for the appropriate level of funding required for companies to maintain a globally competitive position, together with recommendations on new funding requirements, sources of new funding and taxation incentives.

ESRP 10

Assess how best R & D in export service companies can be encouraged and promoted and whether a new research organisation, such as a cooperative research centre for export service industries, might be an appropriate way to further export services R & D.

The Need to Maintain Global Competitiveness

Achieving global competitiveness and maintaining that position will be essential for export companies in this new century. A research project is required to assess a number of factors relevant to global competitiveness and comparative advantage.

ESRP 11

Assess the factors that make companies in different export services industries globally competitive. This project would look at global competitive issues on an industry by industry basis and identify areas where Australia has a comparative advantage. The aim of the research project is to develop guidelines that will assist export service companies maintain their global competitiveness and ensure that Australia's comparative advantage is maintained.

Regulatory reform is a driver of change. Australia has gone a long way down the road of regulatory reform. We have all become tired of hearing that inappropriate regulations can: inhibit competition; produce over employment; reduce companies' abilities to take advantage of economies of scale; reduce incentives to innovate and adapt; result in lower levels of production, higher costs and prices; lead to a misallocation of resources; and result in lower levels of efficiency and quality of goods and service delivery.

Most companies, if asked, indicate there is still a need for more regulatory reform.

A priority research project is needed to:

ESRP 12

Assess what further regulatory reform is needed by export companies in all sectors (agriculture, mining, manufacturing, as well as services) which will reduce the impediments to exporting, reduce the costs of exporting and the complexity of export processes.

5.0 Conclusion

The paper had highlighted the vital importance of the service sector to the Australian economy. It had also stressed that it is not easily defined and that two broad areas, community services and export services are worthy of numerous research prospects. In particular, the paper identified twenty research projects as a priority in furthering an understanding and development of Australia's important community services sectors and export service industries.

Footnotes

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(2) ABS (1994), *Australian National Accounts Input-Output Tables*, Catalogue No 5209, Canberra.

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(4) Evangelista, R. & Savona (1999) cited in OECD, *Promoting Innovations and Growth in Services*, Paris.

(5) ABS (1998), *Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods*, Canberra.

(6) ABS (1998), *Australian National Accounts, National Income, Expenditure and Product*, Catalogue No 5206.0, Canberra.

(7) ABS (1998), *Labor Force, Australia*, Catalogue No 6203.0, Canberra.

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(13) Australian Coalition of Service Industries (1999), *A National Strategy for the Service Sector in the Online Economy*, Canberra: Australian Coalition of Service Industries.

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APPENDIX 1: CLASSIFICATION OF SERVICES IN AUSTRALIA'S BALANCE OF PAYMENTS

<p>Transportation services Passenger Freight Other</p> <p>Travel services Business Personal Education-related <i>Tuition fees</i> <i>Sponsored students</i> <i>Subsidised students</i> <i>Full Fee students</i> <i>Other Goods and Services</i> <i>Sponsored students</i> <i>Subsidised students</i> <i>Full fee students</i> Total education-related expenditure <i>Of which</i> <i>Long term/Short term stay</i> Other</p> <p>Communication services</p> <p>Construction services</p> <p>Insurance services <i>Freight insurance</i> <i>Other direct insurance</i> <i>Reinsurance</i> <i>Auxiliary services</i></p> <p>Financial services</p> <p>Computer and Information services <i>Computer services</i> <i>Data processing</i> <i>Maintenance</i> <i>Computer training and education</i> <i>Other computer hardware and software services</i> <i>Information services</i> <i>Database services</i> <i>News agency services</i> <i>Other information services</i></p> <p>Royalties and licence fees <i>Industrial processes</i> <i>Trademarks and franchising fees</i> <i>Music</i> <i>Computer software</i> <i>Computer design and hardware</i> <i>Other royalties</i></p>	<p>Other business services Merchenting and other trade related services <i>Merchanting</i> <i>Other trade related services</i> Operational leasing services Miscellaneous business, professional and technical Legal, accounting, management consulting and public relation services <i>Legal services</i> <i>Accounting, auditing, bookkeeping and</i> <i>tax consultancy</i> <i>Business and management consultancy,</i> <i>public relations</i> Advertising, market research and public opinion polling services Research and development Architectural, engineering and other technical services <i>Architectural services</i> <i>Engineering services</i> <i>Surveying services</i> Other Agricultural, mining and on-site processing services <i>Agricultural services</i> <i>Mining services</i> <i>Waste treatment and depollution</i> Other Services between affiliated enterprises (nie) Other <i>Manufacturing services</i> Other</p> <p>Personal, cultural and recreational services Audiovisual and related services <i>Theatrical, films</i> <i>Television programs</i> <i>Video tapes</i> <i>Multimedia</i> Other personal, cultural and recreational services <i>Education services</i> <i>Health and medical services</i> <i>Sporting and entertainment services</i> Other</p> <p>Government services (not included elsewhere) <i>Embassies and consulates</i> <i>Military units and agencies</i> Other</p> <p>Memorandum items: Gross insurance premiums Gross insurance claims</p>
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Source: ABS, *Balance of Payments Concepts, Sources and Methods*, Table 7.3, Page 85.

**APPENDIX 2: AUSTRALIA GROSS VALUE ADDED (BASIC PRICES)
AND EMPLOYMENT BY INDUSTRY 1997/98**

INDUSTRY DIVISION	Gross Value Added		Employment	
	(\$ million)	% share	('000)	% share
AGRICULTURE, FORESTRY AND FISHING	16,817	3.3	430.8	5.1
MINING	23,769	4.6	82.7	1.0
MANUFACTURING	65,878	12.8	1,121.2	13.2
SERVICES (TOTAL)	408,243	79.3	6,826.7	80.7
Electricity, gas & water	14,292	2.8	64.4	0.8
Construction	30,003	5.8	597.1	7.0
Wholesale Trade	30,727	6.0	500.0	5.9
Retail Trade	30,793	6.0	1,244.0	14.7
Accommodation, cafes, & restaurants	11,321	2.2	402.9	4.7
Transport and storage	33,464	6.5	394.2	4.6
Communications	15,665	3.0	148.7	1.7
Finance & insurance	32,397	6.3	313.3	3.7
Property and business services	59,671	11.6	897.1	10.6
Government, administration & Defence	23,176	4.5	339.3	4.0
Education	23,791	4.6	583.4	6.9
Health & community services	31,713	6.2	799.4	9.4
Cultural & recreational services	9,932	1.9	203.4	2.4
Personal & other services	12,102	2.3	339.5	4.0
Ownership of dwellings	49,165	9.5	-	-
Totals	\$514,707	6,826.7	8,461.4	100

Source: ABS, Australian National Accounts, Catalogue No 5206.0.
ABS, Labour Force Australia, Catalogue No. 6203.0.

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It is a forum where leaders of Australia's business, research and academic communities can examine important issues of mutual interest, to improve the interaction between Australian business and higher education institutions, and to guide the future directions of higher education.

In pursuing this mission BHERT aims to influence public opinion and both government and non-government policy on selected issues of importance.

B-HERT believes that a prerequisite for a more prosperous and equitable society in Australia is a more highly-educated community. In material terms it fosters economic growth and improved living standards - through improved productivity and competitiveness with other countries. In terms of equity, individual Australians should have the opportunity to realise their full social, cultural, political and economic potential.

The membership of B-HERT comprises, by invitation, the chief executives of leading Australian corporations, professional firms and associations, public research organisations, Australian National Training Authority and vice-chancellors of Australian universities.

B-HERT pursues a number of activities through its Working Groups and active alliances with relevant organisations both domestically and internationally. It publishes a regular newsletter (B-HERT NEWS), reporting on its activities and current issues of concern relevant to its Mission.

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