



RESEARCH NOTE

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Australia 1975 to 2000—Part A: Industrial Change

Introduction

Public policy in Australia underwent a major change during the last quarter of the 20th century. From the Whitlam Government to the Howard Government public policy has sought to modernise Australian society and its economy. This Research Note is the first in a series that examines how much Australia has changed during this period. It looks at the industrial structure of the economy; others to follow will examine labour force issues and social change.

Industrial Change

A strong manufacturing base is what made the world's most developed countries economically powerful for most of the 20th century. However, in recent decades these economies have undergone a transition. Resources in these economies have shifted from the secondary manufacturing industries to the tertiary or services based industries.

Distribution of Labour

In terms of employment by industry major, changes have occurred in the distribution of labour.

Mining, manufacturing, electricity, gas and water and communication services all have reduced employment. Comparable statistics show that employment in electricity, gas and water has shrunk by an average of 5.3% a year since 1985.

In 1985 manufacturing used to account for 16.5 % of employment. This has fallen to 12.1% in 1999. It has been replaced by the retail industry as the nation's number one employer. The retail industry has grown from 13.7% to 15.3% of total

employment with an average annual growth rate of 2.7%.

The most dynamic industry, from the point of view of employment growth, has been the property and business services industry. This has grown from 6.6% of the employed work force to 11.5%, achieved with an annual average growth rate of 5.7% a year since 1985. Other industries that have performed well are in the service sector of the economy. They are the education, accommodation, cafes and restaurants, cultural and recreational services and personal services industries.

Distribution of Gross Product

The biggest growth industry, in terms of its share of Gross Domestic Product (GDP), has been the property and business services industry. Since 1975 this has grown from 7.1% of GDP, to 10.1% of GDP in 1999. It has achieved this with an annual average growth rate of 4.8% a year. In relative terms this industry is now almost as big as the manufacturing industry.

Over this period the importance of manufacturing to the economy has been greatly reduced. In 1975 manufacturing accounted for 19% of GDP, it now only accounts for 12%. Although it has grown over the period it has not grown fast enough to maintain its once dominant role. Its annual average growth rate of 1.5% makes it the slowest growing industry during this period.

The fastest growing industry was the communications industry, which recorded an annual average growth rate of 7.7% a year and raised its

share of GDP from 1.2% to 3.2% of GDP. Mining, like the communications sector, also grew rapidly during this period and increased its share of GDP from 3.2% to 4%.

In overall terms the statistics suggest that Australia's economy has shifted to one more reliant on service industries for economic growth and employment. Education, cultural services and health have all shown gains in both measures.

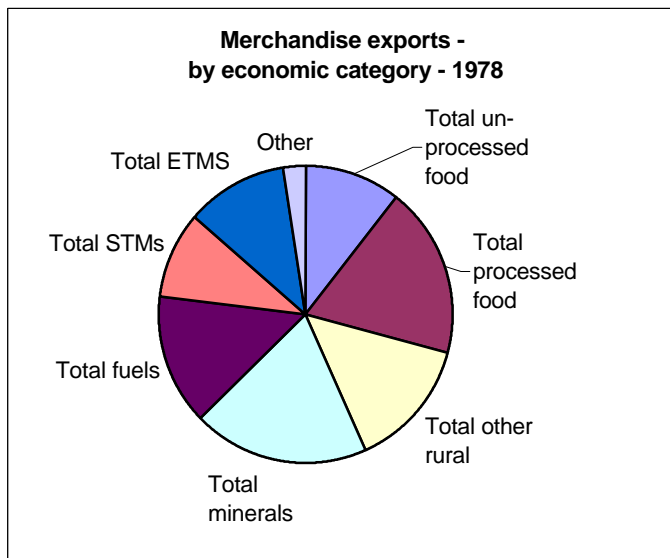
Exports

The exporting sector of the economy has greatly changed during this period too. In 1975 exports accounted for 15% of GDP. They are now equal to 19% of GDP. There has also been a shift away from the traditional nature of Australia's exports. More foreign currency is now earned by the services sector of the economy. In 1975 services made up 19.6% of exports credits; they now account for 22.4% of all credits.

In terms of merchandise trade Australia is no longer so reliant on the produce of its primary sector. In 1978 primary products made up 77% of all merchandise trade. They now account for 55%. Primary sector products have declined in favour of manufactured exports. In 1978 Elaborately Transformed Manufactures (ETMs), such as computer parts and motor vehicles, accounted for 10.9% of all exports, this compares with 21.8% in 1999. Indeed the data shows that now, in terms of Australia's exporting sector, the largest single economic category is that of ETMs

| Industry Division | Employed Persons - Seas Adj (Aug) | | | Industry Gross value added, (a) (Yr to Jun) | | |
|---------------------------------------|--------------------------------------|--------------------|-------------|--|------------------|-------------|
| | Annual average % change | 1985 | 1999 | Annual average % change | 1975 | 1999 |
| | | Share of total (%) | | | Share of GDP (%) | |
| Agriculture, forestry, and fishing | 0.3 | 6.3 | 5.0 | 2.6 | 3.8 | 3.2 |
| Mining | -2.3 | 1.5 | 0.9 | 4.3 | 3.2 | 4.0 |
| Manufacturing | -0.3 | 16.5 | 12.1 | 1.5 | 19.0 | 12.5 |
| Electricity, gas and water | -5.3 | 2.1 | 0.8 | 3.4 | 2.3 | 2.3 |
| Construction | 2.5 | 7.2 | 7.8 | 3.0 | 6.3 | 5.8 |
| Wholesale trade | 1.8 | 6.3 | 6.2 | 2.5 | 6.3 | 5.3 |
| Retail trade | 2.7 | 13.7 | 15.2 | 2.8 | 6.0 | 5.3 |
| Accommodation, cafes and restaurants | 4.6 | 3.2 | 4.6 | 2.7 | 2.6 | 2.3 |
| Transport and storage | 1.0 | 5.4 | 4.8 | 3.8 | 4.7 | 5.3 |
| Communication services | -0.1 | 2.3 | 1.7 | 7.7 | 1.2 | 3.2 |
| Finance and insurance | 0.7 | 4.2 | 3.5 | 4.8 | 4.6 | 6.4 |
| Property and business services | 5.7 | 6.6 | 11.0 | 4.8 | 7.1 | 10.1 |
| Government administration and defence | 0.5 | 4.8 | 4.0 | 2.4 | 4.8 | 3.9 |
| Education | 2.3 | 6.7 | 7.1 | 3.6 | 4.2 | 4.5 |
| Health and community services | 2.8 | 8.1 | 9.0 | 3.8 | 5.0 | 5.6 |
| Cultural and recreational services | 3.8 | 1.9 | 2.4 | 3.4 | 1.7 | 1.8 |
| Personal and other services | 3.5 | 3.2 | 4.0 | 2.4 | 2.7 | 2.2 |

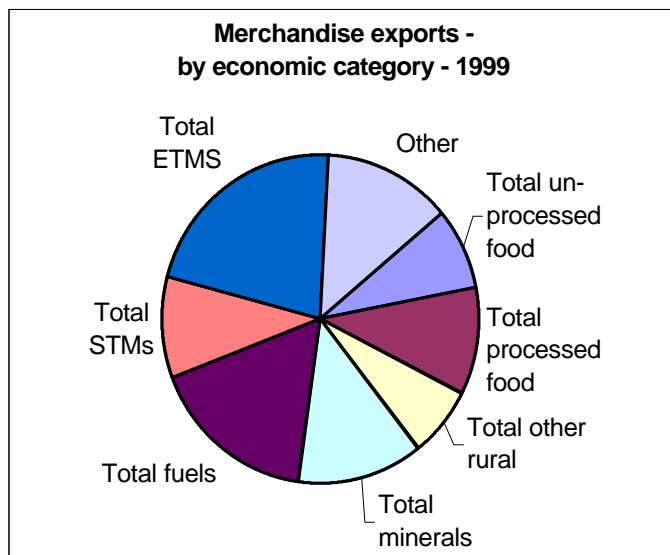
Figures in bold indicate increased share of total for relevant measure. source.(a) Chain volume measure, ref year 1997/98 S ABS



| Merchandise Exports (Yr to Dec) | 1978 | 1999 | Annual average % change |
|---------------------------------|-------------------------|-------------|-------------------------------|
| Primary products | Share of total % | | |
| Total unprocessed food | 10.4 | 8.0 | 8.9 |
| Total processed food | 18.8 | 10.7 | 7.3 |
| Total other rural | 14.2 | 6.8 | 6.3 |
| Total minerals | 19.4 | 12.9 | 8.1 |
| Total fuels | 14.2 | 17.0 | 11.3 |
| Total primary products | 77.1 | 55.3 | 8.5 |
| Manufactures | | | |
| Total STMs | 9.5 | 9.9 | 10.6 |
| Total ETMS | 10.9 | 21.8 | 14.3 |
| Total manufactures | 20.3 | 31.7 | 12.8 |
| Other | 2.6 | 13.0 | 19.5 |
| Total | 100.0 | 100.0 | 10.3 |

Figures in bold indicate increased share of total. Source: DFAT

STM - simply transformed manufacture, ETM - elaborately transformed manufacture



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