

The environment industry is everyone. The day will come when you will not have a separate environment manager at that plant site or in that operation because everybody will be skilled. It will be everyone's job. It is like occupational health and safety. We are in the position where you are on a site and you say, 'You are the environment guy. You deal with it.' You are not taking on the responsibility and you are not understanding what needs to be done. It is too easy to pass the buck. Ultimately, business will have everybody skilled.<sup>1</sup>

## Introduction

- 1.1 In 1994, the House of Representatives Standing Committee on Environment, Recreation and the Arts tabled the report *Working with the Environment: Opportunities for job growth*. The report inquired into opportunities to stimulate employment growth through better coordination and response to environmental problems.
- 1.2 In 2003, the House of Representatives Standing Committee on Environment and Heritage has undertaken a further inquiry into employment in the environment sector. This inquiry occurs in a significantly different context to the 1994 report. There is evidence now of a greater community and corporate environmental awareness and the work of the environmental industry is, to a large degree, integrated across various industrial sectors.

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1 *Transcript of Evidence*, p. 50.

- 1.3 Public hearings for this inquiry were conducted in Melbourne and Canberra. A forum on sustainable investment took place in Sydney and there were a number of briefings and inspections held in Sydney and Melbourne.

## Overview

- 1.4 The Committee used as its starting point for the inquiry the Organisation for Economic Cooperation and Development (OECD) definition of the environmental goods and services industry. The OECD describes the industry as consisting of goods and services to measure, prevent, limit, minimise or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-systems.
- 1.5 The Committee broadly interpreted environmental goods and services to include activities such as the production of pollution reduction equipment, environmental consultants, national park management as well as related activities such as tourism and conservation and environmental management across production sectors.
- 1.6 Although there is considerable breadth to the inquiry's terms of reference and the definition of the environmental goods and service industry, the inquiry process became shorter than initially envisaged by the Committee. The primary reason is that the Committee received little evidence suggesting that there were intractable problems concerning employment opportunities or growth in the environment sector. To the contrary, there is evidence of positive initiatives being implemented across a number of sectors.
- 1.7 The Committee is very much aware that these initiatives do not imply that all is well with Australia's environment, or that there are not serious issues to be addressed to ensure a sustainable and protected future environment for all Australians.
- 1.8 However, there is evidence of a strong cultural shift toward greater environmental accountability amongst industry, the investment sector, business and land managers and to a certain degree from consumers. This cultural shift is not consistent across all aspects of the nation and the tasks that remain ahead for more sustainable Australian businesses and communities should not be underestimated.

- 1.9 Given the evidence put before the Committee from a number of public hearings, an industry forum on sustainable investment and discussions with a range of businesses and enterprises, the Committee saw its role as consolidating and expanding the many initiatives in train. The recommendations made by the Committee will continue the direction of many community and industry initiatives, and provide positive momentum to achieving employment growth and sound social and economic outcomes.
- 1.10 The 1994 report *Working with the Environment* identified two of the most urgent national priorities facing Australia as restoration of full employment and the ongoing protection of our environment. These two issues remain high national and global priorities. In 2003, the relationship between these priorities is perhaps even more apparent as Government policy and business planning decisions must take account of the resulting environmental impact.
- 1.11 Increasingly, the security of a business is measured by its future rather than current prospects. This framework is placing an increased pressure on environmental management and accounting processes which are able to connect environmental risks and economic returns.
- 1.12 The submissions received to the inquiry and discussions conducted by the Committee with industry representatives indicate broad support for the inquiry from businesses and non-government organisations (NGOs). However, given the relatively low number of submissions made to the inquiry, the Committee adopted a more proactive approach and contacted several companies and organisations seeking further views.
- 1.13 Despite seeking out further input to the inquiry, the Committee received little new evidence. While the companies and organisations contacted were broadly supportive of the inquiry, they were not able to identify major impediments to employment growth or to the integration of environmental management into mainstream businesses.
- 1.14 Rather, it was suggested that the shift to greater environmental accountability in all businesses was seen as inevitable and already in progress – although the change was occurring more slowly in some sectors.

- 1.15 However the Committee did encounter some industries which were reluctant to speak to the Committee as the company viewed its core business as separate from the environment sector. In some cases, this was despite a company's extensive use of recycling and impressive efficiency principles underpinning their closed loop production. This type of industry resistance to the 'quarantining' of environment issues appears a relatively new phenomenon and marks a significant attitudinal shift from the context of the 1994 *Working with the Environment* report.
- 1.16 The Committee viewed the integration of environmental issues into general business practice and planning as an extremely positive indication that Australian industry is moving to sustainable development. This integration is resulting in employment opportunities for environment professionals across a wide range of sectors. It is also bringing with it increased pressure and necessity for middle as well as high level managers and supervisors to include environmental management in their daily considerations.
- 1.17 The Committee saw this integration of environmental management as the growth opportunity for creating employment in the environment sector. Education and training issues were raised with the Committee along with issues of credibility relating to the verification of new technologies and competencies of professionals.
- 1.18 The Committee was impressed by the collaborative work between businesses, the networking and initiatives undertaken by environment industry associations, the general awareness and priority given to environmental impact in business planning, and the alliances forming between NGOs and industries across a range of sectors.
- 1.19 The integration of environmental concerns across industrial sites and business boardrooms is part of a wider movement to sustainable development. The inquiry gave some focus to the drivers of ecologically sustainable development (ESD) and the role of government in facilitating, promoting and leading this movement.
- 1.20 From discussions and evidence presented, the Committee identified the key drivers of ESD operating in Australia as follows:
- Compliance with legislation or mandatory reporting requirements;
  - Economic returns due to increased business efficiencies and managing long term risk liabilities;

- Capturing a greater market share or achieving market differentiation; and
  - Cultural and attitudinal shifts by communities and industry to be more environmentally accountable.
- 1.21 Legislation is already in place to establish minimum standards, require approvals and environmental assessments to be conducted where needed, and ensure that a degree of reporting takes place. Although the ‘benchmark’ set by legislation could be raised in many areas, the Committee considered that a more appropriate response was to ensure that the mix of drivers was appropriate, targeted and functioning at its best.
- 1.22 Accordingly, the inquiry has considered the more ‘intangible’ drivers of ESD and sought to add impetus to the changes already taking place in the marketplace.
- 1.23 The Committee considered that the area that provided the most scope for this related to risk liabilities, market differentiation, and attitudinal shifts. These drivers all rely on a proactive commitment from consumers, investors, communities, governments, suppliers and businesses. This can only be achieved if the **rhetoric** of environmental concern is transformed into **environmental actions** in the marketplace. The Committee considers that the key to this transformation is greater information and ease of access to information.
- 1.24 If ESD principles are to be incorporated into Australian business and if sustainability reporting is to operate as a positive market force in determining corporate reputation and future prospects, then more information exchange is required. Areas identified by the Committee include:
- Increased consumer awareness and active purchasing choices;
  - More scope to differentiate products and companies on their environmental performance and reporting;
  - Increased internal market pressures through ‘green’ supply chains and business to business agreements;
  - More marketing of ESD as an efficiency measure and long term risk management measure; and
  - Clarification of the terminology around sustainability reporting and investing.

- 1.25 However, greater information in these areas does not always equate to a greater understanding or translate to greater actions. Information must be easily accessible, credible, meaningful and consistent. There is a need for a common and understandable 'system' that incorporates:
- The methods to implement ESD principles;
  - The tools to measure progress and gains; and
  - The messages to market ESD principles.
- 1.26 Developing the methods, measurements and messages of ESD is fundamental to closing the gap between attitudes and actions, increasing information exchange and harnessing the range of drivers of ESD. These are the areas in which the Committee has sought to facilitate, promote and lead change.
- 1.27 In formulating responses to these challenges, the Committee also took into account the particular constraints facing small to medium enterprises (SMEs).

## **Conduct of the Inquiry**

- 1.28 The matter of employment in the environment sector was referred to the House of Representatives Standing Committee on Environment and Heritage by the Minister for Environment and Heritage, the Hon Dr David Kemp, on 5 June 2002. The inquiry was advertised in major national newspapers and letters inviting submissions were sent to industry groups, state, territory and local governments, and NGOs.
- 1.29 Public hearings were conducted in Canberra and Melbourne. Site inspections took place in Sydney and Melbourne. A forum on Sustainable Investment was conducted in Sydney with representatives from the financial sector, private consultancies and NGOs attending. A number of briefings also took place during the course of the inquiry. A list of submissions, exhibits and public hearings can be found at Appendices A, B and C.
- 1.30 The Committee received 37 submissions to the inquiry. These included submissions from some state governments, industry associations, NGOs and individuals. Relatively few submissions were received from businesses working in the environment sector,

interpretative and environmental tourism, or those involved in wildlife and park management.

- 1.31 Site discussions were conducted with companies involved in the environment sector and with companies integrating environmental management into their business practices. These discussions indicated an encouraging level of corporate awareness of environmental issues and strategies to implement the principles of ESD.
- 1.32 Given these promising business moves, the Committee viewed the role of the inquiry as maximising the force of the drivers for ESD that are already operating. This involves adding impetus to some initiatives already underway, developing the methodologies, the measuring tools and the messages to market sustainability, establishing reporting and disclosure frameworks that enable market differentiation to operate effectively, and encouraging industry and government leadership in ESD.
- 1.33 This is not an interventionist approach, but instead provides the measures and the momentum to transform environmental concerns into environmental action in the marketplace.

## **Structure of the Report**

- 1.34 The inquiry into employment in the environment sector has proven to be a timely 'litmus test' of broader corporate approaches to sustainability and the integration of environmental consideration into standard business practices.
- 1.35 An issue faced by the environment sector, and encountered by the Committee in the process of its inquiry, is the lack of available data on the environmental goods and services sector. This issue impacts on planning and benchmarking of the industry in both the national and international context. Definitional and data issues for the environment sector are discussed in Chapter 2.
- 1.36 Leadership by industry champions is essential to drive change to more ESD. Public reporting, corporate responsibility and government procurement all play a vital role in providing employment and achieving sound environmental outcomes. Reporting guidelines, socially responsible investment (SRI), standardised terminology and assistance to SMEs to put into practice triple bottom line (TBL) environmental accounting are considered in Chapter 3.

- 1.37 The Australian Government also has a responsibility to provide business leadership in ESD. Government reporting, procurement policies and local government assistance measures are considered in Chapter 4.
- 1.38 Chapter 5 outlines the need to market the environment sector and the importance of information dissemination particularly in the area of environmental innovations and Australian capability. The importance of harnessing consumer awareness through eco-labelling is also addressed.
- 1.39 The renewable energy industry is a sub sector of the environment industry, but it faces a more specific array of challenges to increase consumer uptake. Renewable energy is a highly regulated sector with mandated targets seeking to increase the supply of energy derived from sources other than fossil fuels. However, due to a number of factors, demand in Australia for renewable energy is below that of other comparable developed nations. Chapter 6 provides an overview of the renewable energy market and considers initiatives to improve market awareness and promote product disclosure.
- 1.40 Growth in the environment sector, and the integration of better environmental management practices across a number of sectors, will place increased demand on the training of both general managers and specialist environmental professionals. Education and training facilities must instil the attitudes, skills and management techniques to put into practice the principles of sustainable development and care for our future environment. Chapter 7 addresses the supply and demand needs for environmental training and certification.

## Earlier Reports and Inquiries

- 1.41 The House of Representatives Standing Committee on Environment and Heritage has considered public good environment work and, tangentially, employment issues relating to this in two recent related reports. The 2001 report *Public Good Conservation: our challenge for the 21<sup>st</sup> century* considers the means to ensure that costs associated with public good conservation measures are shared equitably by all members of the country, and not disproportionately borne by current landholders and farmers. The 2000 report *Co-ordinating Catchment Management* considers environmental degradation in catchments and



the mechanisms and management systems for achieving environmental sustainability.

- 1.42 Implementation of many of the recommendations in these reports would go a considerable way to conserving and sustaining vital elements of Australia's environment. The leadership provided through the initiatives recommended would also assist with direct and indirect employment generation across the environment sector. In addition, this would likely lead to employment generation across a broader range of industries.
- 1.43 For this current inquiry, the Committee has chosen not to venture into areas already addressed through these report recommendations. The Committee awaits an Australian Government response to these reports.
- 1.44 The current inquiry, although covering similar ground to the 1994 report *Working with the Environment*, is indicative of the changed context of the environment industry and the broader business community.
- 1.45 Although no Government response was made to the 1994 report, subsequently a number of recommendations from that report have been addressed through Australian Government initiatives.