



Australian Government
The Treasury



Jobs + Skills Summit

Issues paper

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Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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Jobs and Skills Summit: Issues Paper

The Jobs and Skills Summit (the Summit) will bring together Australians, including unions, employers, civil society, and government, to discuss our shared economic challenges and propose both immediate and long-term solutions. The goal of the Summit is to find common ground on how Australia can build a bigger, better trained and more productive workforce; boost real wages and living standards; and create more opportunities for more Australians.

Australia's economy and labour market face complex challenges. While the unemployment rate is at historic lows, a tight labour market has also brought challenges including widespread and acute skill shortages. Even before COVID-19, nominal wage growth had been weak and real wages had not risen significantly for around a decade. The ongoing effects of COVID-19, high inflation, rising interest rates, global economic uncertainty and disrupted supply chains further compound these challenges, which are holding back the potential of our economy and country.

At the same time, there is a huge opportunity to maximise jobs and opportunities from the increasing use of renewable energy, tackling climate change, digitalisation, growth in the care economy and developing our advanced manufacturing capabilities. If we work together to address these opportunities and challenges, we can meaningfully increase living standards for more Australians.

The Summit will cover five broad themes:

- Maintaining full employment and growing productivity.
- Boosting job security and wages.
- Lifting participation and reducing barriers to employment.
- Delivering a high-quality labour force through skills, training and migration.
- Maximising opportunities in the industries of the future.

Throughout the Summit there will be a strong overarching focus on women's experiences of the labour market and the challenges of ensuring women have equal opportunities and equal pay.

This Issues Paper outlines the labour market challenges associated with these five themes. It is intended to provide Summit participants and the broader community with a common understanding of these issues so that we can begin working towards solutions to our shared economic challenges and ensure the labour market delivers good outcomes for all. The Summit is the first stage in the process. Ideas raised at the Summit may also be explored further through the White Paper on Employment (the White Paper), which will map a comprehensive blueprint for Australia's future labour market.

Maintaining full employment and growing productivity

Maintaining full employment is a central objective of government. Full employment allows our economy to achieve its potential and ensures that our economic prosperity and growth is shared more equitably among Australians. But it is not sufficient in and of itself to support sustainable growth in real wages and higher living standards: this relies on solid, sustainable improvements in productivity.

The Australian labour market is currently operating at close to full employment, with the unemployment rate at its lowest level in almost 50 years. While low unemployment underpins greater prosperity, it also brings its own challenges and disguises others.

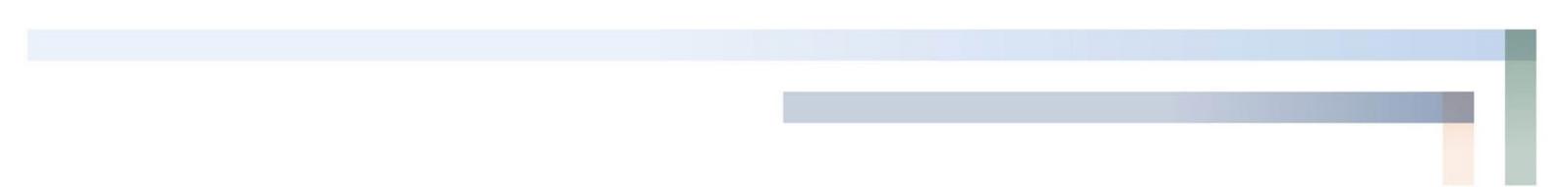
- Businesses are experiencing difficulties finding employees, with only one unemployed person per job vacancy, compared to three unemployed people per vacancy pre-COVID-19. This has been exacerbated by reduced migration during the pandemic. A tight labour market can also contribute to inflationary pressures, exacerbating the impact of global factors currently driving higher inflation.
- While the participation rate is around historically high levels, many Australians still face barriers to secure and well-paid employment. In particular, women, First Nations people, people with disability, older Australians, migrants and refugees, and those living in certain regional and remote areas face specific barriers to entering the workforce. This means there are further opportunities and obligations to ensure the benefits of strong labour market conditions are accessible to all people in Australia.
- Many Australians have not experienced real wage gains in recent years. Real wages have grown by only 0.1 per cent per year over the past decade and have declined substantially over the past year.

There are also challenges to maintaining low unemployment in the current economic environment.

- While the outlook is for unemployment to remain at around historically low levels over the next few years, we cannot be complacent. There are significant uncertainties and challenges in the global and domestic economy. These include slowing global growth, disrupted global supply chains, high inflation and geostrategic uncertainty. Historically, it has been unusual to experience extended periods of full employment.

To support full employment, stronger economic growth, sustainable increases in real wages and higher living standards, we need to prioritise productivity growth.

- Over the past 30 years, growth in labour productivity accounted for around 80 per cent of growth in real gross national income per person in Australia.
- Recently, productivity growth in Australia has been low. It averaged 2.1 per cent per year from 1989 to 2004 but has only been 1 per cent per year since 2004. Average productivity growth over the past decade is now at its lowest rate in half a century.
- Increased business innovation and investments in new technology can lift productivity growth. In addition, we need to ensure the workforce has the right education and skills to meet the needs of employers and a constantly evolving economy.



There are a number of trends in the Australian economy that will have a significant bearing on our prosperity over the medium to long term including:

- The increasing importance of the care economy, particularly as our population ages, and the increasing focus on, and uptake of, early childhood education, which is closely linked to women's workforce participation.
- The impacts of climate change, the shift to cleaner and cheaper energy, and the adoption of new and emerging technologies, which have implications for business models, workforce needs and government policies.
- Increased digitalisation, which will change the nature of work and increase demand for workers with high levels of digital and data literacy.

Policies that contribute to full employment and higher productivity growth will underpin an economy that is stronger and more resilient after COVID-19 than it was before. The right settings and institutions can also help ensure that we maximise the opportunities arising from structural changes in the economy.

Issues for discussion

- A shared vision and coordinated actions to increase productivity growth are key to increasing real wages. What actions can be taken to boost productivity growth across the economy?
- What can be done to ensure the benefits of productivity improvements are harnessed to lift the living standards of all Australians?
- What policies would be most effective to sustaining full employment into the future and what are the biggest challenges and risks to achieving this?
- How can we best take advantage of structural changes like digitalisation, climate change, the shift to renewable energy, the ageing population, and growth in the services sector and care economy to boost productivity and sustain full employment?

Boosting job security and wages

Secure, well-paid jobs are a fundamental part of Australia's social and economic fabric. Beyond enabling financial independence for individuals, fair pay and job security strengthen communities, promote attractive careers and contribute to broad-based prosperity.

While productivity growth is a key driver of real wage growth over the medium term, there are other factors that have been holding back Australia's wage growth over the past decade. Some of these factors are global, while others are domestic including low rates of job switching and weak business investment, as well as institutional and policy settings.

Australia's enterprise bargaining system should be a key enabler of both productivity growth and secure, well-paid work by allowing workers to negotiate fair pay and conditions above the safety net of minimum employment conditions. However, there are significant barriers to effective bargaining, which impact wage and productivity outcomes:

- The proportion of employees covered by enterprise agreements has decreased from a peak of 43.4 per cent in 2010 to 35.1 per cent in 2021.
- There has been a general decline in the number of agreements: 7,081 applications for the approval of an enterprise agreement were lodged with the Fair Work Commission in 2010-11 compared with 3,753 applications in 2020-21.
- Enterprise bargaining negotiations can be lengthy, suggesting that the system could work more efficiently.
- Only 2 per cent of workers covered by agreements are employed by small business and bargained outcomes are higher for men than women on average.

Labour hire, casual, rolling fixed term and gig economy work arrangements should offer greater options to both businesses and workers, but there are pressing concerns about their impact on job security and wages. Many workers in Australia experience significant income variability and need to work multiple jobs to cover their cost of living. There are also continuing concerns about wage theft and compliance with workplace minimum standards.

- The number of Australians working more than one job has increased by 8 per cent since March 2020, and the proportion of secondary jobs is currently 6.5 per cent.
- 23.1 per cent of Australians are employed as casuals. Women are significantly over-represented in casual work (24.2 per cent of employed women are working as casuals compared to 20.9 per cent of men).
- 7.8 per cent of the workforce are independent contractors.
- In 2019, 250,000 people were estimated to work in the gig economy. There are significant concerns that the current workplace arrangements underpinning the gig economy may be restricting the rights of some workers. Studies have indicated that gig workers are more likely to live with disability, be temporary residents and have minimal superannuation contributions. Other studies show that women engaged in the gig economy generally receive lower hourly rates than their male counterparts.

- In 2021-22, \$532 million was recovered in unpaid wages and entitlements by the Fair Work Ombudsman. This underscores the challenges of wage theft and the importance of enhanced workplace compliance and enforcement activities.

More must also be done to address gender pay equity.

- The gender pay gap in Australia is currently 13.8 per cent, with women in full-time work earning an average of \$255.30 per week less than men.
- Women working full time earn less than men working full-time in every industry, even in those that are female dominated.
- For total earnings, the gap increases to 30.6 per cent, because after age 35, women are more than twice as likely to work part time than men. Even in households where both partners work full time, women report doing 40 per cent more unpaid work than men.
- Industrial and occupational segregation explains around a quarter of the pay gap among full-time workers. Over one third of women are employed in health care and social assistance, and education and training sectors. Average weekly earnings in the health care and social assistance sector are below the national average.
- The gender pay gap is even larger for some groups of women, such as women in regional areas and women with disability.

In shaping the future of the labour market, all people should be supported to access employment opportunities while feeling safe at work and being free from workplace discrimination and harassment. The Government has committed to implementing all recommendations from the Respect@Work report.

Australia needs an inclusive and balanced workplace relations system that can support parties reaching agreement on workplace conditions, adapt to new forms of work, and enable employers and workers to share the gains from productivity improvements. More also needs to be done to address pay inequality and promote safe workplaces. A workplace relations system with these qualities will underpin improvements to productivity and living standards over time.

Issues for discussion

- How can bargaining be revitalised to help boost productivity and sustainable wage growth?
- How do we ensure emerging employment practices benefit workers' economic security?
- How can we achieve equal opportunities for women and close the gender pay gap?
- How can we ensure workplaces are safe and fair, particularly for those people at higher risk of harassment, discrimination and other breaches of workplace minimum standards?

Lifting participation and reducing barriers to employment

Making full use of the skills and talents of Australians strengthens our economy and society. Diverse teams perform better, and diverse Australian businesses have been found to outperform others financially. For individuals, access to work can be a gateway to financial independence, social connection and personal achievement.

To the extent we can address barriers to employment, we can help individuals gain work-relevant skills when they enter the workforce for the first time or after an extended period of under- or unemployment.

Despite unemployment being historically low, barriers to employment remain for many Australians, including younger and older people, First Nations people, women, people with disability, unpaid carers, culturally and linguistically diverse people, and those living in certain regional and remote areas.

- For example, the unemployment rate of working-age people with disability remains twice as high as that for people without disability and survey evidence indicates around half of Australian managers and HR professionals have never hired or worked with a person with disability.
- Experiences within the workplace vary too. Survey evidence suggests that 16 per cent of Australians have experienced discrimination because of skin colour, ethnicity or religion. First Nations people only represent 0.7 per cent of senior leadership roles in large organisations despite making up 2.7 per cent of the working age population.

Access to education has been unequal, compounding the difficulties some Australians face:

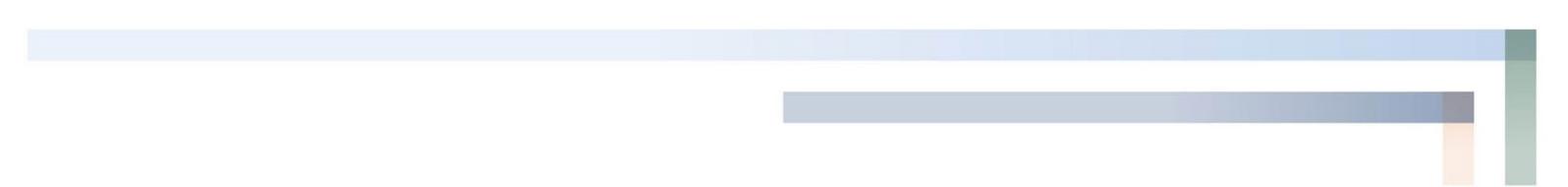
- First Nations people are approximately 25 percentage points less likely to attain a year 12 or equivalent qualification than other Australians, and those living in outer-regional areas are 17 per cent less likely than those in major cities.

Policy settings aim to support all people to participate in the labour force but can sometimes present additional barriers.

- Parents, particularly women, can face financial disincentives, such as out-of-pocket child care costs, when returning to work or working additional days.
- While incentives to re-enter the workforce exist for older workers, there are still challenges, such as discrimination and workplaces that are not responsive to the needs of older workers.
- Employment Services can help, but sometimes focus on the most readily available job rather than on long-term, secure employment opportunities.

Dismantling these barriers will require action from all of us. For employers to benefit from the full diversity of talent available, improvements to foundational education, recruitment and training practices, employment services, policy incentives and community attitudes all need to be explored.

Addressing the barriers to participation and promoting equality of opportunity will contribute to a stronger and more inclusive economy, enable more Australians to realise their full potential, and help



address current labour market challenges. This, in turn, will help to ensure that the benefits of full employment are shared fairly across our community.

Issues for discussion

- How can we reduce the barriers to employment for some Australians? How should governments, unions, business and the broader community best coordinate efforts to achieve this?
- How can government and industry expand the representation of women and other underrepresented Australians across the economy?
- What strategies can be used to reduce discrimination and increase awareness of the value that diversity can bring to businesses and the broader economy?
- Across the employment services framework, where should effort be targeted? How do we measure progress and get results?

Delivering a high-quality labour force through skills, training and migration

For Australia's economy to operate productively at full employment and to provide Australians with access to secure, well-paid jobs, our workforce needs to be adaptable and dynamic.

In recent years, Australia's skills and training system has not adapted to meet the economy's needs.

- The performance benchmarks and indicators in the key skills agreement between governments, which have been in place for over ten years, have not been met or are not on track to be met.
- Of the government-funded VET students who completed their qualification in 2020, only 60 per cent had improved their employment status after their training.
- 42 per cent of technician and trade occupations are currently facing a skills shortage compared to 19 per cent for all assessed occupations. Completion rates for trade apprentices declined to 54 per cent for those who commenced in 2017, 5 percentage points lower than completion rates for those commencing in 2013. Skills shortages are projected to continue in technician and trade occupations, as well as other occupations.
- Only 69 per cent of students finishing their undergraduate degree in 2021 started full-time employment within six months of completion, compared with 72 per cent pre-COVID.

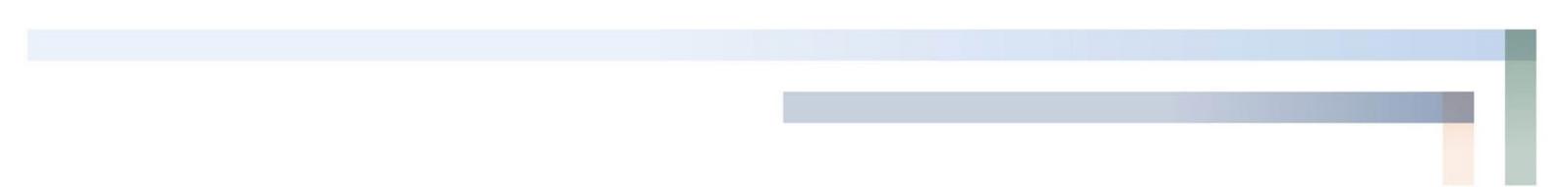
Well-targeted migration can help boost our workforce and economic growth. It is estimated that the average migrant to Australia makes a lifetime contribution to GDP of \$2.3 million while the average primary skilled independent visa holder contributes \$4.6 million.

However, the current migration system has also become difficult to administer and difficult for potential migrants to navigate, due to piecemeal changes that have accumulated over time.

- There are now over 70 unique visa programs in Australia, each with their own criteria and subcategories. Hundreds of individual labour agreements and multiple skilled occupation lists with changing eligibility further complicate the system.
- These programs do not always deliver on all their objectives in a timely manner. For example, only around half of short-term Temporary Skill Shortage visas – designed to address labour shortages – are processed within three months.

These factors have contributed to skill shortages: almost a third of businesses reported having difficulty finding suitable staff in June, and most cited a lack of experience or skills as a major factor. COVID-related border closures over 2020-21 have contributed in some industries, but in other industries – particularly in healthcare, technology and specialised trade roles – shortages were evident before the pandemic and have just become more acute. Expected future growth in key sectors, including in the care economy, raises further questions about how Australia will meet our workforce needs over the medium term.

Governments, industry, and unions all have a role in ensuring that migration is a complement, not a substitute, to properly training local workers. And while governments can do more to improve the skills and training systems, businesses and industry also have an important role to play in planning for



change and directly investing in training and skill development of their workforce. This may help arrest the decline in people undertaking work-related training, which fell by 9 per cent over 2013 to 2020-21.

To realise the productive capacity of our economy over the longer-term, we need to establish an effective skills and education system that better reflects the needs of the economy and is supported by industry investment in training and a responsive migration system. The ongoing challenge for governments is how to balance investment in building domestic skills with the size and skill composition of the migrant cohort. Governments at all levels also need to ensure that migration settings, infrastructure, planning, housing and service delivery are well aligned.

Issues for discussion

- How can governments and businesses better integrate training with employment pathways?
- Are the current systems for higher education and VET appropriately tailored to respond to Australia's needs now and in the future?
- How can Australia's migration system complement Australia's domestic workforce while also delivering enhanced economic and social outcomes over the long term?
- What are the long-term opportunities and challenges for Australia's migration system?
- How can government, industry and unions support increasing women and men's training, employment, and retention in sectors where they have been historically underrepresented?

Maximising opportunities in the industries of the future

Maximising opportunities from new, growing and strategically important industries including renewable energy and the digital and care economies will be critical to boosting productivity, sustaining full employment and ensuring our cities and regions thrive. Building a more agile, diverse, and skilled labour force will also be critical in an era of rapid structural change.

The most significant structural shift of the past 20 years has been the rise of the services sector. The growth in the health and care economy has been an important part of this trend.

- The health care and social assistance sector has more than doubled in size over the past 20 years, rising from 10 to 15 per cent of the workforce and now employs more than 2 million people. Employment in the sector is projected to grow by 15.8 per cent over the next five years.
- Labour shortages in the care workforce are already acute and expected to worsen with a projected shortfall of 286,000 care workers by 2050. Low pay and challenging conditions, partly as a result of high workloads and staff absences related to COVID-19 and influenza, have led to higher staff turnover.
- The care workforce is also highly feminised. Around 9 in 10 aged care workers are women and a high number of workers come from migrant backgrounds.
- There may also be scope to improve productivity in these sectors, which is lower than for international peers.

Over the next 30 years, the transition to a net-zero economy will reshape the Australian economy and have a big impact on regional economies. The adoption of new and emerging technologies will also lead to an increase in demand for new skills and business models.

- Growth in demand for critical minerals is expected to increase six-fold, with global battery sales set to surge by \$200 billion by 2030. Australian lithium exports are estimated to more than double between 2021-22 and 2023-24.
- Demand for 'green' products will change the economics of manufacturing in Australia, with onshore production of lower cost renewable energy becoming more attractive.
- This transformation creates significant economic opportunities for regional Australia and workers in regional communities, including those working in the agriculture, manufacturing and resource sectors.

This transformation is taking place in the context of continuing advances in technology and digitalisation, accelerated by the COVID-19 pandemic, which will also increase demand for workers with high levels of digital literacy.

- The Australian tech industry has experienced enormous growth in the past decade. 1 in 16 Australians are working in tech sector jobs, and the tech sector contributes 8.5 percent to national GDP.

- Digitalisation is also increasing demand for STEM (science, technology, engineering and mathematics) skills. STEM occupations are expected to experience employment growth of 14.2 per cent over the five years to November 2026, around twice as fast as non-STEM occupations.
- However, today, 28 per cent of the population are digitally excluded and less than half of professional workers feel competent with handling digital information and problem-solving using data.
- Women are less likely to benefit from the opportunities presented by growing STEM industries. In 2020, women's participation in STEM-qualified occupations was 13 per cent and women working in STEM-qualified industries earn 19 per cent less than their male counterparts.

Australia also has a remarkable history of innovation, but we need to invest in the next generation of high value-adding jobs to sustain our strengths. As an advanced economy, there is a greater opportunity for Australia to invest in the high value-added pre- and post-production stages of manufacturing.

Making the most of the opportunities created by these big structural transformations and creating the next generation of high value-adding jobs requires that we have the right skill mix for the long term. At the same time, we need to ensure we are taking steps to build a more agile, skilled, inclusive and resilient labour force for the future.

Issues for discussion

- How can government and businesses maximise the opportunities presented by the structural trends impacting the economy, including the climate and energy transition, while ensuring the benefits are shared fairly?
- How do we navigate workforce shortages in the care economy while supporting our frontline workers?
- How can government, business and unions ensure our regions benefit from these growing industries?
- How can we ensure the labour force is more resilient and well-equipped to respond to future changes in the structure of economy?
- How can we ensure economies of the future are inclusive, so that all Australians are able to access and benefit from these opportunities?
- What investments in education and skills are needed now to take advantage of these opportunities?