

Employment White Paper Submission

ACCI Submission

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Executive Summary

The shortage of labour and skills is a major challenge facing Australian businesses today, placing immense strain on their operations and holding back productivity and economic growth.

Unemployment is at a near 50-year low and within the pool of job seekers, many lack the right skills, qualifications and experience for the vacant positions. The situation is even more challenging in regional areas.

The focus of the Employment White Paper must be on solutions that deal not only with problems we face today, but to future-proof the labour market against recurring shortages. This is an opportunity to lay the foundations for the workforce we need and workplaces we want in the future.

To lift our productivity performance and raise the living standards of all Australians, we need a better functioning labour market. One that enables labour to move freely across the economy, has the ability to adapt to the changing demands of business and drives innovation. This requires a holistic approach to workforce planning, to address the deficiencies in our workplace relations system, increase labour force flexibility, boost participation, advance skills development and raise migration targets.

We need to plan our future workforce around the changes occurring in our economy. The massive investment associated with the transition from fossil fuels to renewable energy will present substantial labour and skills challenges to build and maintain the new infrastructure. While digitalisation offers opportunities to improve efficiency and lift productivity in all industry sectors, this cannot be achieved without substantial investment to raise the digital literacy and competency of our workforce. Also, the changing nature of our workplaces requires us to rethink how we regulate work health and safety and who is in control with regard to the management of risks.

No attempt to improve employment outcomes will succeed without rigorous scrutiny of our workplace relations system. The current complexities and rigidities in our workplace relations system impede the growth of small business, which also constrains employment, wages and productivity. We need more flexibility in our laws and a system that works better for small business.

There is some way to go in understanding the drivers of the gender pay gap. Some consideration needs to be given to whether the monetary gap between earnings tells the full story, as the priorities of families may not always be pay alone.

With Australia facing the most severe labour and skill shortage of a generation, maximising participation must be a priority. This can be achieved by better connecting the unemployed to work, creating pathways to work for those experiencing disadvantage, removing stereotyping and encouraging women to take on more diverse occupations (particularly trades), and greater workforce participation for those with disability. We need to tap into the experience of older Australians and look at ways to attract young Australians to work in regional and remote areas.

While acknowledging the Government's increased investment in childcare, consideration also needs to be given to the accessibility of childcare, particularly in regional areas, as well as increasing the diversity of options, such as care in home subsidies, nannies for eligible families and new visa arrangement for au pairs.

To meet our future skills needs, we need an education and training system that grows our skills base, supports a knowledge economy and maximises the contribution of businesses to our national prosperity.

VET plays a critical role in skills development and, while acknowledging the recent increase in funding, there needs to be better coordination between the Commonwealth, States and Territories so that it delivers real outcomes in raising student numbers and improving the quality of teaching. A continued commitment to apprenticeship wage subsidies, without limitation, is needed to drive an increase in commencements and assist in retention to completion. The establishment of a National Apprenticeships Board to oversee a national approach to apprenticeship qualifications would provide valuable guidance for both short- and long-term structures of apprenticeships.

Students entering higher education need to be better informed about their choice of course or career to improve student satisfaction and graduate outcomes. Work integrated learning programs would also improve the job readiness of university graduates.

It is also important to adopt a lifelong approach to learning and skills development to better equip employees and help them keep pace and adapt to the changing nature of work, particularly technology advancements. Micro-credentials provide opportunities to quickly upskilling workers throughout their career, but should be viewed as a complement to, not a replacement for, formal training in an apprenticeship or a university degree.

The temporary and skilled migration programs are highly valued components of workforce planning and development, enabling employers to address workforce shortages that cannot be filled by Australians or require specialty skills. The responsiveness of migration programs could be improved by reducing the complexity of and limitations to skills occupation lists. In addition, regulatory barriers such as onerous labour market testing and the Skilling Australia Fund levy, which place a high administrative burden and expense on employers, reduce the attractiveness of sponsoring skilled migrants. To make Australia a more attractive destination for migrations, consideration should be given to providing pathways to permanency for all skilled migrant categories. Visa processing times also need to be reduced so Australia doesn't miss the opportunity to fill skills gaps due to talent choosing to go to other countries due to delays.

This submission provides the following recommendations:

Climate change and energy transition

- Undertake a detailed review of the workforce needs of the renewable energy sector over the next seven years to 2030, to identify skills required and location of the workforce.
- Develop targeted programs, at both the university and VET level, to educate and train the next generation of skilled workers to meet future needs of the renewable energy sector, particularly engineers (electrical, mechanical, structural, etc.) and technicians.
- Provide incentives for skilled workers to move to regions, such as renewable energy zones, where they are most needed to support the renewable energy sector.
- Provide programs to assist workers, in coal mines and power generators that close, to transition work to other sectors, including support for training and relocation.
- Improve the skilled migration settings to fill the gaps in skills needed to support the growth of the renewable energy.

Digitalisation and emerging technologies

- Establish a body to provide information and advice on digital opportunities and access to digital training programs, with a particular focus on small business.
- Expand on the Digital Economy Strategy to a coordinated federal and state National Digital Inclusion Plan, allowing consistent digital engagement across all levels of government, i.e. a consistent approach to avoid duplications of government processes across jurisdictions.
- A nationally agreed framework for digital engagement and to develop capabilities for artificial intelligence and advanced, data-driven technologies
- Provide targeted funding for SMEs to upskill their workforce in digital skills
- Continued progress in ensuring nation-wide access to high speed and capacity internet.
- Advanced cyber security is essential to underpin the future evolution of every Australian industry as it embraces the digital economy.
- Continued take up of digital in high growth industries, such as health, creating positive productivity spill over benefits for the economy.
- Prioritise migrants with high digital literacy and data analytics in skilled migration programs.

Work health safety and SMEs

- Review the suite of current model WHS Codes of Practice and Guides to ensure they are achieving their goal in assisting businesses, particularly small businesses, with WHS compliance requirements and good safety and health practices.
- Reconfirm the first option is for national guidance materials rather than a Code of Practice and ensure that rigorous criteria are being applied to the decision-making process at SWA.
- Review and clarify the concept of 'influence or control' in WHS laws with consideration of emerging work arrangements and changes in the use of technology.

The workplace relations system

- Simplify the modern award system, to reduce the administrative burden on small business, with a focus on:
 - Reducing the number of awards and the competing coverage of multiple awards
 - Ensuring that award are primarily restricted to providing terms that relate to the core components of the employment relationship (such as pay, hours, penalty rates etc) rather than procedure.
- Encourage SMEs to engage in enterprise bargaining by funding an advisory service to assist SMEs to navigate the complexity and reduce costs in negotiating enterprise bargaining agreements.
- Improve flexibility mechanisms under the Fair Work Act 2009.

Job security, fair pay and conditions

- Examine the issue of job security in the light of benefits non-traditional work arrangements provide to workers and the economy, as well as in building the resilience of businesses.
- Maintain the independence of the Fair Work Commission in determining future increases in minimum and award minimum wages.

Gender pay gap

- Support pay equity with educational equity, through advice to encourage more girls and women into traditionally male trades, STEM, labouring, construction, and remote working.
- Minimise gendering of vocational and academic pathways, particularly imposing gender specific remedial measures (such as women in STEM, or men in care work).
- Support work continuity for parents, through education and training and options for part time work, to better assist re-entry into work after starting families.
- Support career development free from harassment by implementing the cultural and attitudinal change recommendations of the Respect@Work package.
- Federal and state governments commit to fully funding any pay rises in excess of safety net increases awarded on pay equity or work value grounds.
- Ensure any future pay equity legislation is equitable, practical and balanced.
- Provide employers and employees with resources to assist keeping women in work, developing rewarding progressing careers and improving overall performance in pay equity.
- Continue to back women to bargain, at the enterprise level and do not accept that it is 'too hard' for feminised sectors to bargain.
- Ensure future Australian policy continues to be informed by high-quality information and independent research, particularly the quality data coming from the ABS and WGEA.
- Produce an Annual Gender and Work Report Card, which reports on pay equity, female employment and participation, agreement making, and hours.

Participation

- Provide adequate funding for the employment services system to enable improvements that will better connect long term unemployed to job opportunities and ensure providers are encouraged to collaborate to put forward to employers the best possible candidates.
- Ensure the program settings are right for work experience / transition to work programs, including ensuring appropriate training, matching the right people to the right jobs and providing wraparound support.
- Address preconceptions inhibiting women joining the trades' workforce through a whole-of-community response.
- Make improvements to disability employment services aimed at supporting employers to recruit and retain people with disability, including targeting guidance about capacity for work, available support, and navigating legal obligations.
- Consider policy settings to encourage mature age workers undertaking volunteering to transition into paid employment.
- Double the current aged pension Work Bonus and extend the increase to at least 30 June 2024.
- Introduce a Gap year program including training for a period of six month to two years which is targeted to everyone from the age of 18 to 25.
- Make childcare more accessible and affordable, with more options to assist parents to return to the workforce sooner.

Skills, education, training, upskilling and reskilling

- Direct JSA to prepare a biennial National Workforce Development Strategy to look at labour market demand and supply across the entire education and training system, taking a holistic workforce approach, with formal links to the new Industry skills clusters.
- Commit long-term, consistent and real VET funding increases to deliver an increase in the number of VET funded students by 300,000 per annum across all qualifications, AQF levels and industry sectors to satisfy both skill shortages, and skill needs.
- Wage subsidies of 30% in the first year of apprenticeships/traineeships, without limitation by any list, will provide certainty for employers, reinstatement of \$2,500 to employers for completion incentives, \$5,000 to all apprentices and traineeships to assist in the completion of their training.
- Using JSA, in consultation with industry, identify the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery) and identify the barriers to school-based apprenticeships.
- As a complement to VET delivery, explore the possibility of applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships.

- Establish a National Apprenticeship Advisory Board to link in with JSA.
- Raise apprentice completion rates by continuing to focus on commencements, improve pre-apprenticeships; fund mentoring programs and ensure there are sufficient courses and trainers available to meet the demand.
- Review the training and assessment qualification required for industry practitioners to encourage more experienced people to become full or part time VET trainers.
- Increase funding to ensure higher education students are aware of graduate employment and salary outcomes for both VET and higher education courses.
- Expand the focus on micro-credentials to support opportunities for flexible learning and training.
- Provide incentives for individuals to continue self-education, such as a set credit for lifelong learning or an expansion of tax deductibility for self-education expenses.
- Provide sufficient incentives for students to pursue courses crucial to prosperity in our modern economy, including those related to professional services, information technology and cyber security.

Migration Settings

- Increase the permanent migration intake, including a significant increase in the cap on skilled migration to 200,000 for the next two years at least, to replenish the skills lost during the pandemic. Beyond that, a strong focus needs to remain in terms of permanent skilled migration.
- Ensure access to all skilled occupations for employers nominating workers under the employer sponsored temporary and permanent skilled streams, not just those on the Medium to Long Term Skill Shortage List (MLTSSL).
- Enable pathways to permanency for all temporary skilled migrants.
- Reduce regulatory red tape, including removing labour market testing for skill occupations based on the lack of evidence of its effectiveness, or reduce the heavy requirements.
- Reduce the cost by halving the training levy and improving the refund policy.
- Speed up processing times by maintaining extra personnel and monitoring prioritisation to ensure small businesses are not disadvantaged.
- Review and streamline the skills assessment processes to make use of technological advances and enable a more holistic assessment.
- Streamline the 120 visa categories currently in operation, all with different eligibility requirement and criteria, to make it simple and easy to attract highly skilled workers, targeting areas of high demand such as: professional services, information technology and cyber-security.

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1 Introduction

The shortage of labour and skills is a major challenge facing Australian businesses today, placing immense strain on their operations and holding back productivity and economic growth.

With unemployment at a near 50-year low of 3.4%, it can be argued that Australia is currently beyond full employment. Previous research by Treasury and the Reserve Bank, estimate the non-accelerating inflation rate of unemployment (NAIRU), which is often considered a proxy measure of fully employment, at an unemployment rate of 4% to 4½%.

Labour market data supports this contention, with almost one job vacancy for every unemployed person. When you take into account job transition, skills mismatch, and dislocation between the job and potential employee, then it becomes clear that there are insufficient workers to fill all vacancies.

Along with the labour shortages, there is also an acute skill shortage, particularly in key growth industries such as health care and social assistance; construction; the automotive industry; accommodation and food services; education and training; and professional, scientific and technical services. Simply, we lack job seekers with the right qualifications and experience for the vacant positions employers are trying to fill.

These shortages of labour and skills can be localised and are compounded in regional areas. A job seeker not only has to have the rights skills and experience for a vacancy, but also needs to be both willing and able to move to take up the job opportunity. However, a wide range of factors, including connection to family, lifestyle, availability of housing, loss of access to childcaring, and the cost of moving can influence the willingness to move for work. These barriers can be difficult enough when considering shifting for permanent work, but they are often insurmountable when making decisions about moving to take up seasonal or temporary work, or when personal resources are low, such as after long periods of unemployment.

The focus of the Employment White Paper must be on solutions that deal not only with the problems we face today, but to future-proof the labour market against recurring shortages. This is an opportunity to lay the foundations for the workforce we need and the workplaces we want in the future.

We need an approach that reduces the rigidities in our workforce, providing greater flexibility and increasing the mobility, so that it is capable of meeting the changing needs of businesses, particularly to support emerging new industries, such as those in the renewable energy sector, and regional employers.

We need more effective and efficient industrial relations regulation and simpler awards system, that encourages cooperation and supports enterprise bargaining to maximise the benefit to both the employer and employee.

We need to be working now through our education and training institutions to grow our skills base and develop the pipeline of workers required to meet the labour force needs of the future.

We need an approach that removes barriers to participation, particularly for women, people with disability, indigenous, the young, mature-aged and the long term unemployed, to increase the pool of workers, as well as ensuring all Australians wanting to work have access to safe rewarding work.

We need sustainable migration settings that enable us to fill gaps in our labour and skills base improve accessibility and responsiveness to provide a skilled workforce to fill gaps and additional labour that will complement our existing workforce.

The following addresses the Terms of Reference for the Employment White Paper.

2 Labour Productivity

The key to building the Australian economy and putting it on a sustainable footing of the future is to increase the size and productivity capacity of the Australian economy. If we are to maintain living standards to which we aspire in the future, then there needs to be a concerted effort to have in place the conditions for sustainable, strong, job creating growth.

Productivity can only be improved through the more efficient use of labour, capital and other inputs used in the supply of goods and services. How these factors combine to lift productivity and contribute to increasing per capita income depends on whether businesses have the incentives to innovate and adopt best practices, and whether improvements to our country's terms of trade can be captured.

Over the past two decades, Australia's productivity performance has been waning, with labour productivity growth hovering around 1% per year and multifactor productivity barely growing at all. Australia is only a middle ranking economy in terms of productivity — behind most comparable countries, including the United States, United Kingdom, Germany and France — placing Australia at a clear competitive disadvantage.

If we are to raise productivity growth and lift living standards in the future, then Australia needs a better functioning labour market that enables labour to move freely across the economy, has the flexibility to adapt to the changing demands of business and supports innovation.

Change to our workplace relations system is needed to lift productivity, afford higher wages and offer more secure jobs in more resilient enterprises. Enterprise level bargaining is a key part of improving the productive performance of workplaces and Australia's competitiveness and living standards. There has been a significant decline in agreement making since 2010, with fewer employees covered by current enterprise agreements and fewer new agreements are being made. Australia needs a viable and effective agreement making system. We can't afford to go continue to go backwards, with the application of the award safety net increasing at the expense of enterprise agreements.

However, much of what is being proposed in the Government's Industrial Relations legislation, the *Secure Jobs Better Pay Bill* currently before the Parliament, will place greater constraints in the labour market. Legislating to expand the role of multi-enterprise bargaining in workplace negotiations will reduce the flexibility in the way businesses operate and make it more difficult to access to the skills they need to innovate. As highlighted by the Productivity Commission in their Interim report on *A Productive Labour Market*, multi-enterprise bargaining risks diminishing the productivity benefits associated with firm-level bargaining, requires firms to compromise on their firm specific requirements and flexibilities and has the potential to encourage collusion and broader forms of anti-competitive conduct. The focus must be on removing barriers and disincentives to labour supply to achieve and sustain strong labour productivity growth over the long term.

Greater flexibility and freer movement of labour can also lift productivity, as it can expand the pool of available labour and address the underutilisation of existing skills. This will become increasingly important over the coming years, with projections of continued strong jobs growth and increasing skills demand over the next three years. A prime example of the need for greater flexibility and freer labour movement is in the energy sector, which will experience a transformation over the next thirty years to achieve the goal of net-zero by 2050. The transition from fossil fuels to renewable energy generation will see a rapid decline in coal generation and mining jobs, but a rapid increase in demand for workers in solar, wind, hydroelectricity, battery storage and alternative fuels such as hydrogen. There must be flexibility in the labour market to facilitate this change, to enable workers to move freely from one sector to the other, as well as incentives to shift to regions where the new job opportunities are emerging.

Skills and employment mismatch has flow-on to productivity, with poor job satisfaction leading to a lack of engagement with the workplace. Often an individual is employed in a where they are overqualified, with recent National Centre for Vocational Education Research survey data showing 35% of workers reporting their skills are underutilised. On a national scale, this skills mismatch is a concern for all as it means that education and training is not sufficiently addressing the needs of the labour market, and governments and individuals are not getting an effective return on their investment. We need to better align the skills of our workforce with current and anticipated future labour demand, otherwise we risk not securing the productivity benefit from an investment in skills development. This alignment can also be improved by well-informed careers advice.

Increasing workforce participation is a clear area where productivity gains can be achieved. Australia's labour force participation rate is at 66.6%, but there is clear scope to increase participation, particularly for those who face specific challenges entering the workforce, such as the long-term unemployed, young and mature age workers, women, and people with disability. We need to do more to connect and encouraging these individuals, who for a range of reasons are not currently part of the labour force, to job vacancies that will suit their abilities.

Supportive migration setting can promote productivity growth where it augments the supply of valued skills in the economy. If migration settings are overly restrictive and limit skills matching, they can risk Australia's productivity growth – particularly when the economy is near full employment. In addition to the migration setting, better alignment of our skills requirements through improved mutual recognition of trades and professional qualifications gained in other countries can enhance productivity outcomes. A key recommendation of the Productivity Commission Interim report on *A Productive Labour Market* is that the government should pursue further mutual recognition of both qualifications and occupational licencing. Highly restrictive qualification accreditation and occupational licencing creates labour market rigidities and dampens productivity growth.

Increasing the productive capacity of the economy requires a holistic workforce approach, bringing together policy solutions that address the deficiencies in the workplace relations system, increase labour force flexibility, and boost skills development, participation and migration. This workforce approach needs to be underpinned by ongoing strategic workforce planning that identifies current and future skill needs as well as shortfalls in education and training outputs and funding. These issues will be further examined and explained in following section of this submission.

3 The future of work

3.1 Climate Change and the energy transition

The Australian Government has set a very ambitious goal in adopting a net-zero by 2050 target and setting an initial interim target to lower carbon emission by 43% below 2005 levels by 2030. This will have major implications for economic activity and investment as well as the skills and labour demands over the next 8 years and beyond.

A key component of the emissions reduction target is the transition from fossil fuels to renewable energy, with a goal of 82% renewable energy generation in Australia by 2030, from current levels (2022) of 23%. This rapid energy transformation requires substantial investment in renewable energy technology as well as the skilled workforce to build and maintain it.

The Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP) forecasts a major step change in electricity supply over the next 30 years. Overall electricity usage from the grid is expected to almost double, with an increased reliance on electricity as it replaces petrol / diesel, natural gas / LPG and other fuels in transport, industrial and domestic usage. At the same time, coal-fired power generation (currently 60% of total electricity supply) will rapidly decline, falling 60% over the 7 years to 2030, then be completely withdrawn from the network by 2043.

The increased supply will come from large-scale investment in renewable energy generation, with grid-scale variable renewable energy (VRE) from wind and solar to triple by 2030 and increase nine-fold by 2050, distributed solar PV to increase five-fold by 2050, and storage capacity (batteries and pumped-hydro) to increase from current low levels 8-fold by 2030 and almost 30-times by 2050. Natural gas-fired peaking plants will continue to be required to provide stability to the network, with natural gas power capacity increasing by almost half again by 2050.

In addition, the broader distribution of renewable energy generation sources across the landscape, will also require significant investment in the transmission network, with more than more than 10,000 km of new transmission must be installed.

If the green hydrogen technology can be developed and scaled-up sooner than current projections, it may reduce demand on natural gas and other fuels in some transport, industrial and domestic applications. However, this will place even higher demand on renewable (wind and solar) electricity supply to produce the green hydrogen. AEMO notes that under a *Hydrogen Superpower* scenario, with a sizable hydrogen export industry, electricity supply will be swamped by the scale of demand needed to produce green hydrogen.

The massive investment needed to achieve the transformation of the energy sector over the next 30 years, particularly the leap forward over the next seven years to 2030, presents a substantial labour and skills challenge to build and maintain the renewable energy infrastructure.

Economic modelling by Reputex to support Labor's *Powering Australia* policy, released in December 2021, identified 604,000 jobs will be created as a result of the energy transition over the next seven years. Of these jobs, 64,000 are direct jobs in the sector, with the remainder (540,000 indirect jobs) associated with the economic activity stimulated by this investment. Further, Reputex identifies that 5 out of 6 will be

created in the regions, which may require reskilling local workers from other occupations, as well as relocating workers with the necessary skills to the regions.

A recent report by the Clean Energy Council assessed the availability of workers with these necessary experience and skills to meet this demand for workers in the renewable energy sector. The report found major labour and skills shortages across most of the roles required, with high demand for experienced engineers (electrical, mechanical, structural, data, etc.) and technicians, as well as a wide range of other ancillary professions including project managers, surveyors, lawyers and finance managers, sales managers and health and safety managers. To achieve this will require a transformation in the way we train and skill our workforce.

The construction sector is already facing a shortage of workers due to a large backlog of projects. The demand for skilled labour to achieve the scale of new renewable energy construction project will make the shortage of workers even more severe. It will also require a transfer of skilled workers to the sector, which has the potential to create deficits in other sectors.

Further, Australia is not the only country driving a strong increase in renewable energy generation over the next seven years to meet ambitious emissions reductions targets. Skilled migrants in the renewable energy sector are in high demand, and we will need to compete to attract these workers to Australia. If we are to build and maintain the workforce needed to support the investment pipeline, then we also need to expand our labour and skills pipeline, training our domestic workforce to meet the future needs of the sector.

With coal-fired power expected to be completely withdrawn from the network by 2043, has implications for the reskilling of workers in this sector to enable them to transition to jobs either in the renewable energy or other sectors of the economy. There are some skills, such as electrical engineers and technicians that are directly transferable, but there are also many skills, particularly those associated with coal mining where a different skill set is required.

Many of the jobs associated with renewable energy are in short-term construction work, which may not be an attractive alternative to ongoing work in a coal-fired power station or coal mine. Similarly, with the location of the work, as it may not be attractive to move to a new region for this work. As noted in the Clean Energy Council report, while there is some overlap between the renewable energy zones (REZs) and the regions where there are coal-fired power stations, equally there are locations where REZs are not aligned with coal regions.

While the October 2022 Budget included investment in 10,000 new energy apprenticeships and a \$10 million New Energy Skills program, this will help to skill only a small proportion of the workforce needed to support the rapid growth in investment in renewable energy over the next seven years.

Recommendation:

- Undertake a detailed review of the workforce needs of the renewable energy sector over the next seven years to 2030, to identify the skills required and the location of the workforce.
- Develop targeted programs, at both the university and VET level, to educate and train the next generation of skilled workers to meet future needs of the renewable energy sector, particularly engineers (electrical, mechanical, structural, data, etc.) and technicians.

- Provide incentives for skilled workers to move to regions where they are most needed to support the renewable energy sector, such as renewable energy zones.
- Provide programs to assist workers in coal mines and power generators that close to transition to work in other sectors, including support for training and relocation.
- Improve the skilled migration settings to fill the gaps in skills needed to support the growth of the renewable energy

3.2 Digitalisation and emerging technologies

Digitalisation offers the opportunity to improve efficiency and lift productivity in all industry sectors, creating positive spill-over benefits throughout the economy. Yet, the successful adoption and integration of new technologies cannot be achieved without raising the digital competencies of users. All citizens need basic digital literacy to access government and business services. Similarly, workplaces need all workers to have the requisite foundation skills to take advantage of productivity benefits digitalisation provides.

The [Digital Economy Strategy 2030](#) recognised skills and inclusion as a foundation for growing the digital economy and had several initiatives and plans articulated in the roadmap. However, the piece-meal approach taken by the Commonwealth and States and Territories means that it remains elusive for industry to see a coherent picture for how digital ability will be increased, particularly specific digital skills relevant to industry sectors. Building on the strategy, a Digital Inclusion Plan should be developed with a focus on achieving consistent digital engagement (interoperability) with governments across all states and territories.

It is not enough to just build digital literacy and competency, we must also have plans to increase access and affordability to truly realise the benefits of digitalisation. The Chamber of Commerce and Industry Queensland's Future of Work report found that stronger digital skills are needed by 70% of Queensland businesses.¹ While COVID accelerated the uptake of digital technology, it also exacerbated the growing digital inclusivity gap particularly between small business and medium-sized and large businesses, as well as the city-regional divide.² Improving the digital infrastructure in regional Australia is most important to ensure small regional businesses, and their workforce, can better participate in the economy.

The adoption and productive use of technology in businesses is limited by the digital, data and cyber security skills a business has at its disposal. In 2019-20, 13% of Australian businesses identified as lacking the skilled personal to use information and communication technology (ICT)³.

Even for the most basic technologies such as online sales, Australian small businesses lag behind their counterparts in other countries. This is an alarming trend, with a CPA Australia survey on small business in 2021 showing that businesses that did not grow, or rather shrank, were much more likely to have made no investment in digital technology and skills over the past year relative to those that grew strongly.⁴

A report published by the Small Business Digital Taskforce recommended the best way to accelerate the rate of small business technology use was through a trusted adviser program to assist businesses to access the right tools, information and skills. It was recommended a body be established as a central

¹ <https://www.cciq.com.au/business-voice/future-of-work/>

² Thomas J, Barraket J, Wilson C, Holcombe-James I, Kennedy J, Rennie E, Ewing S, MacDonald T (2020) Measuring Australia's digital divide: The Australian digital inclusion index. Melbourne, Australia: RMIT, Swinburne University of Technology, Telstra.

³ ABS, Characteristics of Australian Business 2019-20, <https://www.abs.gov.au/statistics/industry/technology-and-innovation/characteristics-australian-business/latest-release>

⁴ CPA, Asia-Pacific Small Business Survey 2020-21 <https://www.cpaaustralia.com.au/professional-resources/business-management/small-business/asia-pacific-small-business-survey>

nodal point for information and advice on digital opportunities for small business.⁵ This should include programs to train and upskill employees in their data, digital and cyber security knowledge.

The Government's decision to proceed with the Small Business Technology Investment Boost programs until 30 June 2023 and Skills and Training Boost until 30 June 2024 is welcome. These two programs, providing a 20% tax deduction for investment in digital assets and training, will incentivise the improvement in data and digital technology as well as cyber security capabilities in small businesses. Yet these programs should be ongoing rather than time limited, to enable small businesses to continue to invest in digital technology and to further upskill their workforce.

The 'escalating health imperative' was identified as an emerging megatrend in CSIRO's 'Our Future World' report. It is critical that we strengthen competencies in the use of new digital health technologies, e.g. telemedicine, AI, health and medical apps, with a focus on supporting consumers, workers and management. Workforce planning should also take into account new digitally-enabled care models, efficiencies and gaps digital transformation of the sector creates. The national Digital Health Capability Action Plan addresses some of these concerns however it is unclear as to the industry progress against the plan.

The increased uptake of skilled migration is a welcomed decision. Nonetheless, the government should go further, to review the skilled migration program and prioritise skilled migrants with high digital literacy and data analytics to fill skill gaps in Australia.

Recommendation:

- Establish a body to provide information and advice on digital opportunities and access to digital training programs, with a particular focus on small business.
- Expand on the Digital Economy Strategy to a coordinated federal and state National Digital Inclusion Plan, allowing consistent digital engagement across all levels of government, i.e. a consistent approach to e-commerce to avoid duplications of government forms and processes, making it easier for businesses to operate digitally across states and territories
- A nationally agreed framework for digital engagement and to develop capabilities for artificial intelligence and advanced, data-driven technologies
- Provide targeted funding for SMEs to upskill their workforce in digital skills
- Continued progress in ensuring nation-wide access to high speed and capacity internet.
- Advanced cyber security is essential to underpin the future evolution of every Australian industry as it embraces the digital economy.
- Continued take up of digital in high growth industries, such as health, creating positive productivity spill over benefits for the economy.
- Prioritise migrants with high digital literacy and data analytics in the skilled migration program

⁵ Small Business Taskforce: Report to Government - <https://www.industry.gov.au/data-and-publications/small-business-digital-taskforce-report-to-government>

3.3 Work Health Safety and SMEs

The aims of the model WHS legislation act to provide a framework for enabling the protection of all workers at work and of other people who may be affected by the work. It has long been assumed that these aims universally apply to businesses of different sizes. The issue is in the further assumption that the mechanisms by which these aims are achieved are also universal. The fundamental differences in structure and operations between small, medium or large organisations are not explicitly recognised or proactively addressed.

The traditional model of health and safety regulation is founded on addressing physical hazards in high-risk industries and are typically based on larger workplaces. Yet, around 60 per cent of businesses in Australia are non-employing and 94 per cent of employing businesses have fewer than 20 employees, (predominately less than five).⁶ In a system designed around larger business, SMEs have trouble adapting and implementing modern work health and safety laws. The diverse nature of the SME requires specialised assistance with specific guidance material, education and regulatory approaches.

The majority of new documents addressing emerging WHS issues are published as Codes of Practice. The number, length and complexity of these continue to be a concern. While large businesses (200 or more workers) indicated a high use of Codes, the over complicated and one-size-fits-all nature of Codes of Practice do little to assist SMEs to meet their work health and safety duties. To compound the problem, the consistency of adoption of new model Codes is patchy with jurisdictions regularly diverging from model guidance in favour of their own materials which is making it increasingly difficult and time consuming for businesses to keep up with compliance requirements across the jurisdictions in which their business operates.

There are clear indications that workplaces and key relationships are changing with the influence of technology, globalisation and changing workforce demographics. This raises issues with duty of care obligations, which are becoming increasingly complex and layered, particularly with the increased uptake of remote working or working from home. We have concerns regarding the jurisprudence that has emerged in relation to the concept of control in some jurisdictions.

ACCI has previously supported the inclusion of a definition or test for 'control' to eliminate inconsistencies in legislative interpretation and determine who is in control with regards to the employment relationship and management of risks. The standard for reasonably practicable is independent to the control exercised by different duty holders, such that both concepts should apply. A duty holder should have an obligation to take reasonably practical steps to control risks and hazards, but only to the extent that they exercise realistic and practical control over such risks.

The concept of 'influence or control' is broad and there is no statutory definition provided in the Act. Due to this, there has been inconsistency in the interpretation and application by the courts of 'influence or control' as an element of a duty of care. Direct versus indirect influence is hard to articulate and has been applied more broadly than we believe was intended.

⁶ ABS Counts of Australian Business, Table 13a, August 2022 and ASBFEO calculations

A recent Productivity Commission research paper on working from home⁷ noted:

“...widespread home-based work raises difficult questions about the extent to which employers can — and should — have control over workers’ homes (or the portions of them being used as workplaces). ... employees are likely to have concerns about giving employers control over parts of their homes, including in relation to privacy, autonomy and the cost of any required home modifications. As case law continues to evolve, striking a balance between the needs of employers and employees is essential in arriving at an interpretation of ‘reasonably practicable’ in a work-from-home context that is both meaningful and workable.”

Industry has considerable concern with the distortion of the control concept in contemporary courts and tribunals. Some have interpreted control to mean ‘control to any extent’ and this has too often been used to impose duties on persons who, by any reasonable analysis, are in no position to exercise control or influence safety outcomes.

A practical and properly defined approach to control would minimise the imposition of overlapping duties and help clarify what is expected of each party in each given circumstance. This is particularly crucial as the nature of work continues to evolve and we are faced with increasingly untraditional work arrangements.

Recommendation:

- Review the suite of current model WHS Codes of Practice and Guides to ensure they are achieving their goal in assisting businesses, particularly small businesses, with WHS compliance requirements and good safety and health practices.
- Reconfirm the first option is for national guidance materials rather than a Code of Practice and ensure that rigorous criteria are being applied to the decision-making process at SWA.
- Review and clarify the concept of ‘influence or control’ in WHS laws with consideration of emerging work arrangements and changes in the use of technology.

4 Workplace Relations

Australia’s workplace relations system comprises various rules that impact our labour market and day to day employment. The rules themselves cannot create jobs, pay higher wages, or generate productivity; however, their operation, defects and excesses can impede the pursuit of those objectives.

Moreover, no attempt to improve employment outcomes in our economy will succeed over the long term without rigorous scrutiny and reform of our workplace relations system, and without the support of the workplace relations system. There was a recognition in the 1980s and 1990s that workplace relations had to change if Australia was to achieve wider economic and employment objectives in the face of serious

⁷ Working from home: Research paper (2021) Productivity Commission.

adversity. That needs to be the case again today. The inclusion of workplace relations issues in the Terms of Reference is therefore welcome.

This part of the submission will first examine the role of workplace relations generally, in particular by surveying both the need for more flexibility in our laws and a system that works better for small businesses. Next, the other aspects of workplace relations specifically identified in the terms of reference will be discussed: job security; and fair pay and conditions.

4.1 The workplace relations system

Employment outcomes in the Australian economy are heavily contingent on the prosperity of small businesses. Nearly 60% of employment growth in the Australian private sector occurs in small businesses.⁸ Accordingly, our workplace relations system must be designed to enable small businesses to grow and to improve our labour market.

Equally, small businesses bear a disproportionate burden of the complexity and rigidity that pervades our workplace relations system. Large businesses can manage complexity with employees managing human resources (HR), inhouse legal teams, and other specialists. Without these capacities, small businesses face unique problems when navigating the challenges presented by our workplace relations system. There is, however, little respite for small businesses for errors in such a complex, inconsistent and subjective system of legal obligations.

When denouncing the complexity of our workplace relations laws, most businesses will point to the modern awards system, which serves as the minimum safety net of terms and conditions that varies between industries and across occupations. The reality is that the modern award system is incredibly complex. The meaning of terms in modern awards are often ambiguous. They are interpreted unpredictably, in accordance with the industrial realities in which they are situated, often unknown to those applying their terms on a weekly basis.

These are very difficult laws to apply, particularly for small business. This is complex delegated legislation and employment in Australia is simply harder than it needs to be.

Frequently, their intricacies seem to defy any common sense or practical considerations for the operation of a business. For instance, under the *Restaurant Industry Award 2020*, one minimum rate of pay applies to employees collecting empty glasses from tables, another applies to those carrying them out when refilled.

The process of wage calculations under modern awards is no simple feat. The interaction of casual loading, meal breaks, penalty rates, daily overtime rates, weekly overtime rates, and other award provisions lead to often perplexing arithmetic.

Further, understanding issues that arise in the application of modern awards to the remuneration of employees, such as how to deal with the competing coverage of multiple awards over any given employee, or to what extent employment contracts can permissibly depart from their terms,⁹ create difficulties for countless small businesses.

⁸ Geoff Gilfillan, 'Small business sector contribution to the Australian economy' (Research Paper Series, 2019-20, Parliamentary Library, 7 January 2020) 1.

⁹ See, eg, the doctrine of common law set off in *Poletti v Ecob* [1989] FCA 779; 91 ALR 381, if a small business owner wishes to pay an employee above their award entitlements to avoid paying overtime, penalty rates etc.

Not only are small businesses less equipped to manage these complexities, but they are also more award-reliant than larger businesses. Overall, 35% of employees in small businesses (i.e. with fewer than 20 employees) and medium (between 20 and 100 employees) are covered by modern awards, compared with 17% of employees in large businesses with more than 100 employees.

To make matters worse, if small businesses want to escape the complexities of the modern awards system, they are required to enter into the enterprise bargaining system, which, while it may offer some degree of greater flexibility and bespoke employment conditions, is hardly less challenging. The enterprise bargaining system is also becoming more complex, rather than less, with legislation currently before the Federal Parliament that proposes to introduce an array of new avenues for multi-employer bargaining and arbitration that could be debilitating for businesses with between 15 and 100 employees.¹⁰ These measures will empower unions to compel smaller businesses into various different streams of enterprise bargaining, as well as coverage under agreements the terms for which they had no role in bargaining.

These complexities in the workplace relations system impede the growth of small businesses and thereby employment growth, higher wages and more productivity. They divert resources and time into compliance, rather than production and strategic management. They disincentivise small businesses from increasing the size of their workforces, given the inevitable greater regulatory burden that will ensue. They comprise some of the most pressing issues faced by small businesses and without them being addressed, labour market outcomes are essentially unattainable.

A recent example of the additional costs imposed on smaller businesses by the workplace relations system is the cost of bargaining under the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022. The Regulation Impact Statement noted that the cost of bargaining under the Bill was \$14,638 for small businesses and \$75,148 for medium businesses.¹¹ ACCI's own analysis using the Government's methodology but with more realistic cost estimates suggests that it could in fact be as high as \$23,684 for a small business and \$129,880 for a medium business.¹² These costs are crippling. They undermine job creation and wage growth in smaller businesses.

In addition to the need for greater simplification of Australia's labour market regulation, relatedly, improvements need to be made to the flexibility of our workplace laws. This reflects the growing demands of the modern labour market, particularly post-COVID-19, for the availability of working arrangements that better enable caring and other responsibilities.

Flexibility is notionally an objective of the *Fair Work Act 2009*. Section 3 provides that it is intended to "provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by":

(d) assisting employees to balance their work and family responsibilities by providing for flexible working arrangements ...

However, the extent to which its existing mechanisms that purportedly enable flexibility, is dubious. These mechanisms include the ability to request flexible working arrangements,¹³ mandatory flexibility terms in modern awards and mandatory flexibility terms in enterprise agreements.¹⁴ The right to request flexible

¹⁰ Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022, noting that employers with fewer than 16 employees are excluded from some of its provisions.

¹¹ Regulation Impact Statement, Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022, <https://oia.pmc.gov.au/sites/default/files/posts/2022/10/Regulation%20Impact%20Statement_0.pdf>.

¹² ACCI Media Release <<https://www.australianchamber.com.au/news/government-figures-underestimate-the-cost-of-new-workplace-laws/>>.

¹³ *Fair Work Act 2009* (Cth) s 65.

¹⁴ *Fair Work Act 2009* (Cth) ss 144 and 102.

working arrangements is currently subject to proposed amendments by the Federal Parliament.¹⁵ The requirement to include flexibility terms in modern awards and enterprise agreements give rise to what are known as “IFAs”: individual flexibility arrangements.

The forthcoming amendments to the right to request flexible working arrangements, if passed, could potentially see a change in usage of that entitlement. On the other hand, IFAs are extremely underutilised. Pursuant to section 653 of the *Fair Work Act 2009*, the Fair Work Commission is required to conduct research into the use of IFAs and report to the Minister its findings every three years. The most recent research conducted by the FWC, which covered the period between 2018 and 2021, found that the majority of employer respondents had been involved in the making of fewer than 10 IFAs across the three year period (64.9%).¹⁶

Accordingly, while flexibility measures may exist in the *Fair Work Act 2009*, they are manifestly inadequate. Among the most common reasons provided for not using IFAs was the degree of administration required, the short timeframe to terminate an IFA that does not provide employers with adequate certainty, a lack of knowledge, and a lack of trust in the workplace.¹⁷ Some of these issues could be addressed through legislative reform.

However, the problem is likely more endemic to the workplace relations system than improperly constructed legislative regimes. Rather, the system as a whole, due to its rigidity and aforementioned complexity, disfavours efforts to provide employees with flexible working arrangements. This is made only worse by popular narratives that denigrate forms of work that enable flexibility, such as casual employment, part-time work, independent contracting, and labour hire, by characterising them as “insecure work”.

We also need to question whether flexibility should be conceived of as solely variability based on employee needs and priorities. The other side of flexibility also needs to be responsiveness to demands on businesses, to changing market and customer demands, which enable changes in when, where and how work must be performed.

Australia increasingly needs to engage with demands for flexibility from both employers and employees, and growing diversity in those demands, and to critically look at the performance of our workplace relations system in supporting employers and employees working together to reconcile their priorities.

Recommendation:

- Simplify the modern award system, to reduce the administrative burden on small business, with a focus on:
 - Reducing the number of awards and the competing coverage of multiple awards
 - Ensuring that award are primarily restricted to providing terms that relate to the core components of the employment relationship (such as pay, hours, penalty rates etc) rather than procedure.

¹⁵ Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022.

¹⁶ General Manager's report into individual flexibility arrangements under section 653 of the Fair Work Act 2009 (2018-2021), <https://parlinfo.aph.gov.au/parlInfo/download/publications/tables/papers/7cf7334d-80c5-4d64-939e-e33001934926/upload_pdf/AGD%20Tabling%20Item%20-%20FWC%20General%20Manager%20s653%20reports-IFAs.pdf;fileType=application%2Fpdf#search=%22Fair%20Work%20Commission%20General%20Manager%22>.

¹⁷ See *ibid*.

- Encourage SMEs to engage in enterprise bargaining by funding an advisory service to assist SMEs to navigate the complexity and reduce costs in negotiating enterprise bargaining agreements.
- Improve flexibility mechanisms under the *Fair Work Act 2009*.

4.2 Job security, fair pay and conditions

Some parties that advocate for workplace relations reform decry the supposed rise of “insecure work” and lack of job security that purportedly pervades the labour market. ACCI rejects this contention.

Detailed analysis of insecure work by the Melbourne Institute came to a clear conclusion that there is no evidence that there has been any trend rise in average levels of job insecurity over the last two decades.¹⁸ In fact, the evidence suggests that levels of job insecurity in Australia during the first half of 2022 were at record lows.

Looking at the forms of work unilaterally attacked as insecure from some quarters.

- The proportion of Australians working casually, which can be defined as workers *without paid leave entitlements*, is stable and has been stable for two decades (23.1%). There is no active trend towards greater casualisation in our labour market, it is not borne out in the data, and claims to the contrary are simply wrong.
- The proportion of Australians working in platform or gig work is minuscule at just 250,000.¹⁹
- Those on fixed-term contracts currently make up 3.1% of all employed persons—a figure which has remained stable over time.²⁰
- The number of self-employed is in gradual decline – from just over 20% in 1992 to less than 17%.²¹

The Melbourne Institute research goes on to warn that there is the distinct risk that the introduction of measures designed to restrict and discourage non-traditional forms of employment may have unintended consequences and only serve to undermine employment prospects of some groups and reduce the job quality of others.²²

¹⁸ Wooden, Professor Mark. (2022). Insecure employment: Do we really have a crisis?. *Melbourne Institute Compendium 2022: Economic & Social Policy: Towards Evidence-Based Policy Solutions*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, Australia. Pt. 2, ch. 4, pg. 58.

¹⁹ Treasury (2022) Issues Paper, Jobs and Skills Summit, p.4

²⁰ Wooden, Professor Mark. (2022). Insecure employment: Do we really have a crisis?. *Melbourne Institute Compendium 2022: Economic & Social Policy: Towards Evidence-Based Policy Solutions*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, Australia. Pt. 2, ch. 4, pg. 50.

²¹ Wooden, Professor Mark. (2022). Insecure employment: Do we really have a crisis?. *Melbourne Institute Compendium 2022: Economic & Social Policy: Towards Evidence-Based Policy Solutions*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, Australia. Pt. 2, ch. 4, pg. 53.

²² Wooden, Professor Mark. (2022). Insecure employment: Do we really have a crisis?. *Melbourne Institute Compendium 2022: Economic & Social Policy: Towards Evidence-Based Policy Solutions*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, Australia. Pt. 2, ch. 4, pg. 59.

If any government believes some forms of work are inherently more desirable than others, it should strive to do everything it can to run an economy and labour market as close to full employment as possible. This is what gives people choices in how they work.

Regardless, many of these forms of work provide workers with significant benefits that cannot be discounted. They advantageously provide workers with considerable flexibility in their working arrangements, underpinning the rise of the gig economy.

Furthermore, to the extent that some jobs can undoubtedly be labelled as “insecure”, they are so often because of a lack of enterprise security. The least secure job is one in an insecure business. Accordingly, any endeavour to promote job security must be underpinned primarily by policies that improve the security of enterprises, though deregulation, economic growth and less inflationary pressures, as is outlined in other parts of this submission.

The Employment White Paper is therefore encouraged to examine the issue of job security in this light: acknowledging that jobs are *more* secure today, rather than less; that forms of work labelled as “insecure” provide significant benefits to workers and the economy at large; and jobs are made more secure by improving the resilience of businesses.

Any consideration of the role of minimum wages and conditions in the labour market must be examined in light of the fact that Australia has the third highest minimum wage in the world in terms of purchasing power parities, behind only Switzerland and Luxembourg.²³ In terms of US dollars, Australia has the fifth highest minimum wage.

The minimum safety net in Australia therefore strikes an adequate balance between the needs of the low-paid and capacity for small businesses to remunerate them. As ACCI consistently submits in the Fair Work Commission’s annual wage reviews that determine changes to the minimum wage, further real increases to minimum wages are likely to have a negative impact on employment levels. This is supported by international literature, particularly when the analysis is confined to those workers directly affected by minimum wage decisions.²⁴

Everyone wants higher wages for Australian workers. The method of achieving this aim is not through state intervention in the labour market by raising the price floor of wages. Instead, real wage increases must come through productivity dividends and an improved enterprise bargaining system that lifts Australian workers off minimum wages.

Recommendation:

- Examine the issues of job security in the light of benefits non-traditional working arrangements provide to workers and the economy, as well as in building the resilience of businesses.
- Maintain the independence of the Fair Work Commission in determining future increases in minimum and award minimum wages.

²³ International Labour Organisation, ‘Statistics on wages’ (online at 16 November 2022) retrieved from: <<https://ilostat.ilo.org/topics/wages/>>.

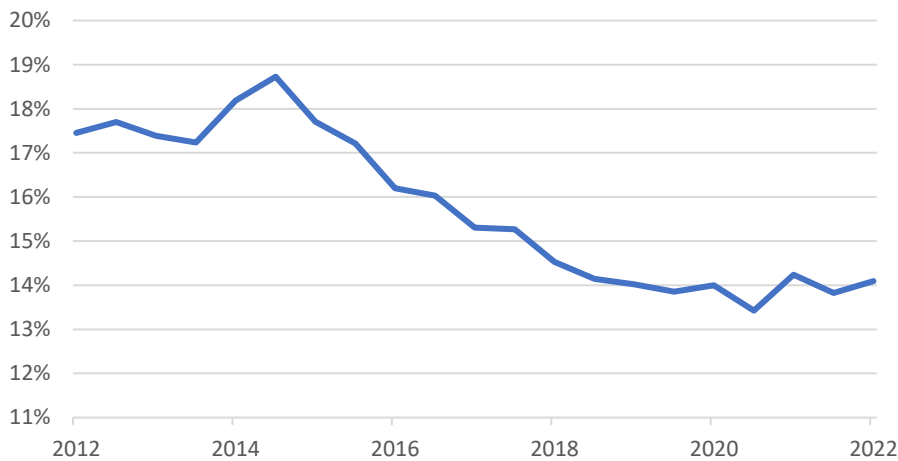
²⁴ Neumark, D and Shirley, P 2021, ‘Myth or measurement: What does the new minimum wage research say about minimum wages and job loss in the United States?’ NBER Working Paper No. 28388.

4.3 Gender pay gap

In the 1970s, Australia moved to set equal minimum wages for women and men, and from the 1980s to prohibit discrimination in determining pay on the basis of sex. However, across the economy, at the level of aggregates, averages and medians, men’s and women’s pay differs. This disparity between average male and female earnings is often referred to as the ‘gender pay gap’.

In May 2022, the gender pay gap in Australia was 14.1%, with women’s average weekly ordinary full-time earnings across all industries and occupations at \$1,609.00 compared to \$1,872.90 for men. This means that on average, women earned \$263.90 less than men. Chart 1 shows a narrowing gender pay gap in Australia over the past decade, and a sustained trend towards more equal pay under existing policy settings with some variability more recently coinciding with the pandemic.

Chart 1: Gender Pay Gap Australia



Source: ABS Average Weekly Earnings data using WEGA methodology

While employers support greater pay equity between men and women, this does not mean supporting all policy proposals said to be advanced to further pay equity. To do so would be impossible. There is a great deal of debate on how to narrow the pay gap, and many proposals are neither consistent, nor practical. While narrowing pay disparity between women and men is the priority, equally important is maintaining female employment and participation across the life course (through taking time away from work to have families for example). There are no quick fixes. We caution firmly against thinking one is possible.

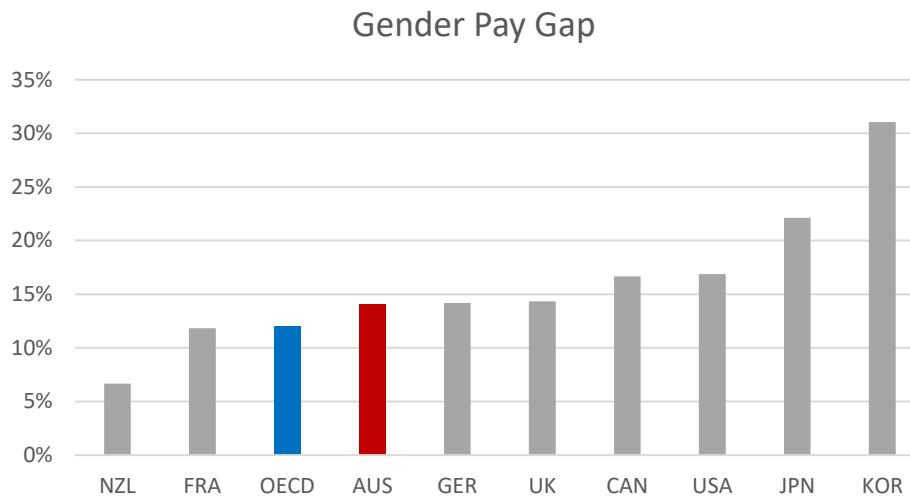
Gender based disparity in pay is a persistent problem throughout the world, with latest data from the International Labour Organisation (ILO) showing a wage gap of 16% to 22% globally (depending on the measure used). The ILO noted wide variation in wage gaps across countries concluding that ‘on average, women are paid approximately 20 per cent less than men’.²⁵

In comparison, latest OECD²⁶ data shows the average gender pay gap across OECD countries at 12%, with Australia slightly above this average — roughly on par with the UK and Germany, but ahead of Canada, the US, Japan and Korea.

²⁵ ILO 2020 *Global Wage Report 2020-21* p.23

²⁶ Source: OECD Data, downloaded 16 November 2022 [here](#)

Chart 2: Gender Pay Gap, Selected OECD Countries



Source: OECD Stats, <https://data.oecd.org/earnwage/gender-wage-gap.htm>

In viewing the gender pay gap, there is a tendency to focus on the macro, without sufficiently acknowledging that it is made up of various components, each of which dictate their own separate policy prescriptions and conversations. Within the 14.1% gap, some is attributable to different industry composition, some different occupational composition, some potentially to discrimination and some is unexplained. Each of those components has different policy implications, and these implications need to be understood and addressed differently.

Perhaps the common threads that run through each are (a) the importance of high-quality information and analysis to a more granular level, but also (b) a willingness to look traditional assumptions about men's and women's work. There seems a way to go in understanding the compositional drivers of pay in equity, and employers being able to use that information constructively to deliver change.

There also needs to be some consideration of whether the measured monetary gap between average earnings tells the full story of what people value. What individuals may value in their work, for their families and priorities may not always be pay alone.

The Albanese government was elected with substantial commitments to address gender pay disparity. Actions are being taken or set to be taken directed to or relevant to further narrowing the gender pay gap in Australia, including:

- Making gender equity a statutory object of the Fair Work Act.
- Changing the Fair Work Act to allow more industries to run pay equity matters.
- Prohibiting pay secrecy.
- Appointing specific members to the Fair Work Commission to hear pay equity and care sector matters.
- Creating and funding a new research program to support pay equity reviews.
- Various proposals to enhance the use of multi-employer bargaining.
- Requiring larger companies to report on their gender pay gaps, within the organisation
- Providing 26 weeks paid parental leave
- Further actions to address sexual harassment

It remains to be seen what impact these measures have, and the final form of amendments to the Fair Work Act through the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022*, but it is clear changes to policy and legislative actions are already underway, targeted specifically at improving pay equity / further narrowing the gender pay gap, or to broadly support women's participation in work.

Recommendation:

- Supporting pay equity with educational equity, through advice to encourage more girls and women into traditionally male trades, STEM, labouring, construction, and into remote working that can be highly remunerated. At the same time, expand opportunities for boys and men to enter and prosper in traditionally more feminized industries such as nursing and the care economy.
- Minimising gendering of vocational and academic pathways, particularly imposing gender specific remedial measures (such as supporting more women into STEM, or more men into care work).
- Supporting work continuity for parents by better assisting re-entry into work after starting families, including through education and training and options for part time work by agreement, including ensuring all industrial awards and agreements allow options for part time work.
- Supporting career development free from harassment by implementing the cultural and attitudinal change recommendations of the Respect@Work package to ensure that all Australians are able to work and build careers on their merits free of unwarranted and inappropriate sexualisation.
- Federal and state governments committing to fully funding any pay rises in excess of safety net increases for the funded sectors, which may be awarded on pay equity or work value grounds.
- Ensuring any future pay equity legislation is equitable, practical and balanced — taking into account the necessary range of factors including impacts on jobs, the sustainability of enterprises, services to clients, patients etc.
- Providing employers and employees with practical resources needed to assist them in tackling their agreed priorities to keep women in work, develop rewarding progressing careers and improve overall performance in pay equity.
- Continuing to back women to bargain, at the enterprise level and do not accept that it is 'too hard' for feminised sectors to bargain.
- Committing to ensuring future Australian policy continues to be informed by a foundation of high-quality information and independent research, particularly the quality data coming from the ABS and WGEA should continue to inform policy in this area.
- Producing an Annual Gender and Work Report Card, which reports on pay equity, female employment and participation, agreement making, and hours. This should be considered by the NWRCC, and ACCI would also consider this through its committees.

5 Lifting Participation and reducing barriers to employment

With Australia facing the most severe labour and skills shortage of a generation, maximising participation must be a priority. This not only provides meaningful opportunities for those looking for work, but also ensures businesses can reap the benefits of a diverse workforce.

5.1 Participation

5.1.1 Better connecting the unemployed to work

To achieve the objectives of full employment and productivity growth, we need to put every effort into getting the long-term unemployed back into work and ensuring our employment services system functions effectively. ACCI has been an active participant in the employment services advisory group working with Government as it implements the new Workforce Australia employment services model. How this is implemented will make a material difference to the outcome for these jobseekers. The new Workforce Australia system needs to be supported by adequate funding to reduce servicing ratios and enhance services to those most in need. To overcome disincentives to work, we need appropriate mutual obligation requirements and to promote work as the best option. The new points system should provide better opportunities to ensure job seekers are activated to find work, but at the same time recognises a wider range of activities that will achieve that outcome.

5.1.2 Pathways to work

ACCI notes the outcome of the Jobs and Skills Summit to develop a set of best practice principles to guide meaningful work experience opportunities and workplace based mentoring programs for people experiencing disadvantage. We are engaging with Government on this as well as alternatives to the PaTH Internships and National Work Experience Program, which have now ceased. Getting the program settings right to create meaningful pathways to employment will maximise return on investment by ensuring the right people are matched to the right jobs, nurturing long term careers for candidates who need them most, and we look forward to participating in the consultation process.

5.1.3 Women in diverse occupations

While women represent over 50 per cent of the population, they represent only 2 per cent of the trades' workforce. We need to tap into this potential workforce by tackling the stereotyping around trades that reduces the appeal to women. A recent survey showed 63 per cent of employers identified the biggest challenge in employing women, was they just don't apply for roles.²⁷ There is a need to revisit perceptions around working in industry, the type of work undertaken and the benefits of VET qualifications.

²⁷ Trades Women Australia, Women in male dominated trades: why is it not working?, 2019.

5.1.4 People with Disability

Reforms to achieve greater workforce participation for people with disability should be bold and aim for a significant increase in participation rates, not just seeking to make a marginal improvement. A key element of this is continuing to work with stakeholders to expedite the development of the new disability employment services model. As part of any reforms to the Disability Employment Service, it is essential that more employers are aware of, and access the employment services that aim to assist people with disability to find work. The Disability Employment Service should be reintegrated into the core employment system, to create a more effective single contact service for employers and to maximise the value of the reforms being made to the core employment services. It should also support employers to recruit and retain people with disability, including targeted guidance about capacity for work, available support, and navigating legal obligations.

5.1.5 Mature Age

There are 243,236 mature age jobseekers on employment services caseload in Australia, suggesting more work is needed to understand the barriers they face and to enable them to secure work in occupations that are suitable to their abilities. Of particular note, people aged 55 and over can meet their mutual obligations for government income support by doing alternate activities such as approved volunteering work. Volunteering brings great value, connection and can develop skills to make someone more employable. However, many of those who are volunteering are seeing it as a holding position until they become eligible to pension payments. Whilst deriving value to the economy through volunteering, it is largely not viewed as a pathway to paid employment. Government should consider policy settings that encourage those undertaking volunteering to transition into paid employment and utilise their vast knowledge and experience to help ease the labour and skills shortage.

5.1.6 Aged Pensioners

In addition, there is an army of older workers with the skills Australia needs but currently unable to engage due the pension income test. While the recent temporary (until 31 December 2023) \$4,000 increase in Work Bonus and maximum unused concession balance is welcome, it only equates to an approximate \$75 extra per week. This is only an additional three and a half hours (at minimum wage) on top of the one day of work per week granted to pensioners before their pension threshold. Whilst an improvement, this still imposes restrictions on pensioner participation and limits the benefits to businesses due to the fixed costs of engaging an employee. Pensioners would be further incentivised to re-join the workforce at a greater capacity if the current Work Bonus of \$7,800 per year, or \$150 per fortnight is doubled to \$15,600 per annum or \$300 per fortnight. This would equate to an additional 7 hours per week for an approximate two days of work a week or four days a fortnight. Given the deeply rooted labour and skills shortages, the increase should have a longer extension to at least 30 June 2024, and a review should be conducted before the increase expires to reassess the success, size and duration of the Work Bonus.

5.2 Gap year program for young Australians

A pool of labour that can be more effectively utilised are school leavers who have yet to decide on the next big step and are potentially not interested in a gap year overseas. Often, young Australians who are not looking to travel overseas for a gap year rarely consider the benefit of doing an internal gap year within Australia.

A domestic backpacker program should be developed that encourages young Australians to work in a regional or remote area in the fields of hospitality, agriculture, construction, retail, and any other relevant industry where they will learn basic skills and gain valuable life experiences. It is a mindset shift for Australians to do this in their own country. The program would address the issues of mobility and the need for seasonal workers.

The attainment of a level of qualification could assist with the appeal of the potential program to the domestic backpacker. Tailored training could be provided focusing on skills that are useful for temporary or seasonal work. The Gap program could be for a period of six months to two years and target those aged 18 to 25 and include a financial incentive to assist them to access accommodation while mobile. The anticipated outcome of this program is that school leavers could approach education or new careers with added maturity, and unemployed job seekers gain skills and valuable work experience resulting in long term work opportunities and a reduction in their income support dependency.

5.3 Childcare

More Australian women are participating in the workforce than in the past but more needs to be done to encourage participation. Workforce participation dips for women in their thirties, when many start having children. And when women with children do undertake paid work, they are much more likely to work part-time than in comparable OECD countries. This is not necessarily by choice. Despite significant additional investment in recent years, more needs to be done to make it easier to access affordable childcare to attract a higher participation rate from women and primary carers. ACCI supports the Government's proposed increased investment in childcare through its *Cheaper Child Care Bill 2022*, as well as the collaboration between governments to identify priority areas to support better outcomes across the early childhood education and care (ECEC) system, development of a long-term vision for ECEC reform to better support parents' workforce participation through National Cabinet, and the planned review of the childcare sector through the Productivity Commission.

Nonetheless, whilst acknowledging the Government's commitment to childcare, the effectiveness of the reforms developed is dependent on the infrastructure and capacity available. The Australia Talks National Survey 2021 found 57% of people living in rural areas and 41% in metro areas have difficulty finding good quality childcare. Parents not having suitable options of childcare, particularly in regional areas, cannot benefit from the increased subsidies granted by the Government and will continue to disengage from the workforce. Ensuring capacity of childcare centres and options for other methods of childcare should be a key part of the Government's agenda to support the current progress in childcare support and effectively remove parents' barriers to employment and increased participation in the workforce. Other provide parents greater childcare options include an expansion of care in the home subsidies provided, subsidised access to nannies for eligible families, and new visa arrangements for au pairs. In addition, options for income contingent loans for childcare would allow families to spread the costs of childcare and enable their return to work sooner than they otherwise would, due to cost limitations.

Recommendations:

- Provide adequate funding for the employment services system to enable improvements that will better connect long term unemployed to job opportunities and ensure providers are encouraged to collaborate to put forward to employers the best possible candidates.

- Ensure the program settings are right for work experience / transition to work programs, including ensuring appropriate training, matching the right people to the right jobs and providing wraparound support.
- Address preconceptions inhibiting women joining the trades' workforce through a whole-of-community response.
- Make improvements to disability employment services aimed at supporting employers to recruit and retain people with disability, including targeting guidance about capacity for work, available support, and navigating legal obligations.
- Consider policy settings to encourage mature age workers undertaking volunteering to transition into paid employment.
- Double the current aged pension Work Bonus and extend the increase at least 30 June 2024.
- Introduce a Gap year program including training for a period of six month to two years which is targeted to everyone from the age of 18 to 25.
- Make childcare more accessible and affordable, with more options to assist parents to return to the workforce sooner.

6 Skills, education and training, upskilling and reskilling

To make a smarter Australia with skills for now and the future we need an education and training system that grows our skills base, supports a knowledge economy and maximises the contribution of business to our national prosperity and development.

6.1 Overall approach to VET funding

The Vocational Education and Training (VET) system plays a critical role in skills development across Australia. VET is highly valued by employers due to its emphasis on practical job skills required in modern workplaces, and for many occupations a VET qualification is compulsory. The level of investment in VET needs to be sufficient to enable quality delivery in both public and private VET providers and be responsive not just to skill shortages, but to fill the skill needs across all sectors of the economy.

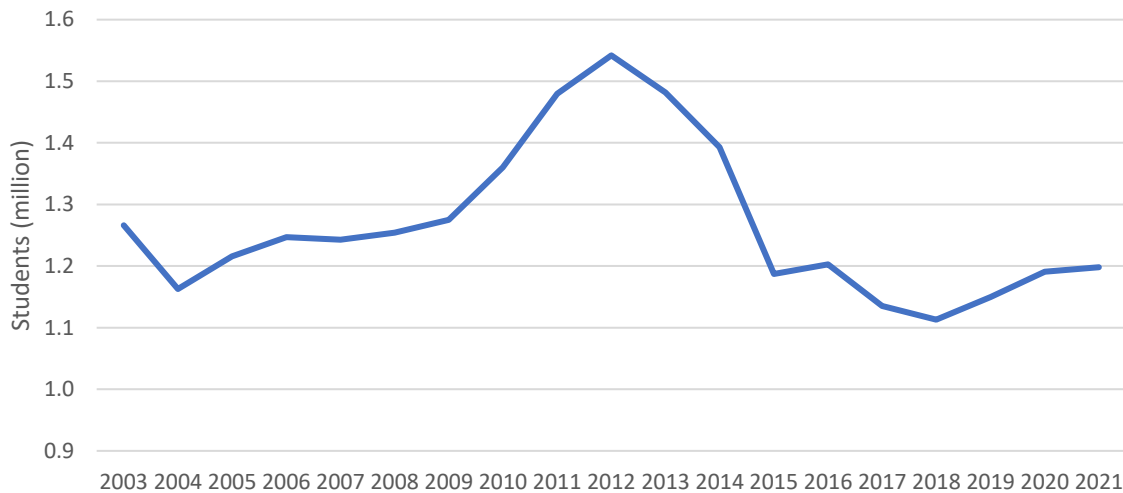
A lack of consistent funding by all Australian governments has seen the number of funded students decline considerably over the past decade (Chart 3), albeit with a modest increase in apprentice and JobTrainer partnership funding in response to the pandemic. There were also significant funding differences between states for the same qualification, unacceptable changes in total funding, and cost shifting between the commonwealth and state and territory governments²⁸. Yet, at the same time, there

²⁸ See Productivity Commission, National Agreement for Skills & Workforce Development Review and National Skills Commission (2021), Qualification Similarity Analysis, 2021

was substantial increases in funding for early learning and schools, and a relatively consistent rise in higher education.

Raising the annual target by an addition 300,000 students, to return student numbers to the previous peak in 2012, has never been more urgent in the face of Australia’s ongoing skill shortages.

Chart 3: Government funded VET students 2003 to 2021



Source: NCVER, [Government-funded VET students and courses](#)²⁹

We acknowledge the recent joint commitment of \$1.1 billion to deliver an additional 180,000 fee-free TAFE places by federal and state and territory governments for a 12-month Skills Agreement.³⁰ Yet fear only a small portion will result in additional places, due to duplication and cost shifting across the system. There needs to be a strategic overhaul in the funding roles of the Commonwealth, State and Territory Governments to minimise the risk of this occurring.

The negotiations of the new five-year National Skills Agreement provide the opportunity to put in place a long-term funding solution for VET that delivers real growth as well as greater consistency. Unfortunately, the vision statement and guiding principles agreed to by Skills Ministers and then endorsed by National Cabinet in August 2022 did not emphasise increased funding overall, a marked change from the earlier Heads of Agreement Skills Reform signed under the previous government. The vision statement also emphasises TAFE at the heart of the new agreement however 86 per cent of students choose a VET course at an independent provider³¹. It is vital that the new agreement contains an increase to funding in the VET sector across the board and for the funding to be tied to the student rather than the provider.

6.2 Apprenticeships/traineeships

Apprenticeships and traineeships provide pathways for school to work transition as well as a valuable career change avenue, combining structured learning alongside work experience within a model where the student receives remuneration, and the employer has access to pay rates that reflect the work/training nature of the employment relationship. Out of all VET qualification options, apprenticeships and

²⁹ NCVER, Government-funded VET students and courses 2018 - Historical time series of government-funded vocational education and training in Australia, from 1981 to 2020, 2021

³⁰ <https://ministers.dewr.gov.au/oconnor/training-more-australians-more-opportunities-more-parts-country>

³¹

traineeships have the best graduate employment outcomes, and they also outperform many higher education options³². For many occupations, such as plumber or electrician, an apprenticeship is the only pathway to becoming a licensed tradesperson, reinforcing the importance of continuing to invest in apprenticeships to meet the skill demands in these areas.

Prior to COVID, we were in the midst of an apprenticeship drought, although highly valued by employers, the business case for taking on an apprentice had been in decline. The incentive programs put in place throughout the pandemic demonstrated that improving the business case for an employer to take on an apprentice will drive an increase in commencements. A commitment to provide wage subsidies of 30% in the first year of apprenticeships/traineeships, without limitation by any list, provides certainty for employers. The reinstatement of the fixed monetary completion incentives of \$2,500 to employers will further assist in retention. There should also be financial support available to all apprentices and traineeships of up to \$5,000 to assist in the completion of their training.

6.3 Establish a national apprenticeship advisory board

In line with agreed positions negotiated by ACCI, AiGroup and the ACTU, a National Apprenticeship Board should be established, reporting to Jobs and Skills Australia, to oversee a national approach to apprenticeship qualifications and consider new industry requests for qualifications to be recognised for delivery as apprenticeships and traineeships. This may eventually replace the role of all State apprenticeship boards although this would be a decision for each jurisdiction. It would provide valuable guidance for both the short- and longer-term structures of apprenticeships.

The scope of the advice could also embrace apprentice pathway courses, including VET delivered at schools and pre-apprenticeships, which work best when tailored on an industry-by-industry approach. The Board would also be well positioned to examine any issues in the apprenticeship system that are creating barriers for take-up by either the employer or the job seeker.

There is a real imperative for the voices of industry to be front and centre in this policy space. The proposed governance and role of Jobs & Skills Australia (JSA) and the role of the Skills Clusters may satisfy part of this need.

6.4 VET for School Students

VET delivered to school students is another important area where further action is required to improve the return on public investment. In 2020, more than 241,200 secondary school students participated in a VET in Schools (VETiS) program, demonstrating its popularity.³³ While there are some very successful examples of VET at schools, many students are undertaking training that employers don't value and don't lead to jobs or link to further education.

VET for school students should enable students to gain nationally recognised qualifications while at school. However, there are too many courses offered as "VET" by schools which do not come from the industry approved training packages. These are courses the schools have sought to have accredited locally to suit their particular facilities or VET providers. For VETiS to deliver real results that connect

³² NCVER, [Australian apprenticeships: research at a glance](#), and Department of Employment & Skills, and QILT (2021) 2021 Graduate Outcomes Survey, October 2021.

³³ [VET delivered to secondary school students scoping study](#), 2021, Australian Skills Quality Authority

students to qualifications that will lead to employment outcomes, it is essential that industry, schools and governments work together within the community.

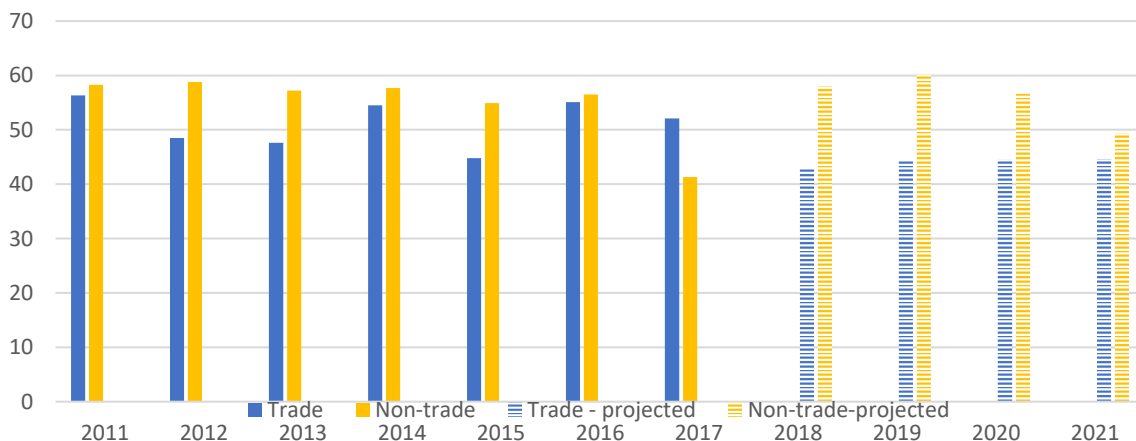
The Federal Government is encouraged to fund a national process that:

- Identifies through consultation with industry the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery).
- Examines the barriers to school-based apprenticeships while working with industry, school sectors and states to improve opportunities.
- As a complement to VET delivery, explore the possibility of applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships or VET pathways that will better articulate to further education and apprenticeships beyond school.

6.5 Addressing apprentice completion rates

Increasing the percentage of apprentices who complete their qualification is an important policy objective, but too often the issue dominates policy thinking and in a misleading way. As Chart 4 shows, there is a difference between trainees and trade apprentices, reflecting the short duration of traineeships. The policy discussion should focus on trade apprenticeships which are often for four years. Many Australians do not spend that amount of time with the one employer in any job, with a 2019 survey reporting only 22 per cent of Australians have been in their role for 3-4 years, yet the expectations for apprentices often seem higher than the ones put on the rest of the population.

Chart 4: Completion rates for apprentices and trainees³⁴



It is important to take into consideration that where an apprentice changes employer, they are counted as an incompleter and are required to reregister if they continue their apprenticeship with their new employer. Therefore, the reported completion rates do not properly reflect actual completion rates.

It is also important to take into consideration that where non-completers have substantially completed their training, they have valuable outcomes that add to the skills base and benefit the economy. For

³⁴ NCVET, [Completion rate for apprentices and trainees](#), 2021.

example, an apprentice chef with a couple of years training can gain fulltime work as a cook, providing a valuable role in the hospitality industry. Particularly when the labour market is tight, apprentices who are not aiming for a licence can be lured to financially attractive jobs, with completion rates falling.

Furthermore, despite poor public perception of apprenticeships and traineeships completion rates, the graduate outcomes are at least as good as those of university peers. Completion rates are comparable between university and apprenticeships within a four-year period, from 2017 university commencing domestic undergraduate students, only 41.7 per cent completed compared to 56 per cent of apprentices.

Better completions in trade apprenticeships can also be achieved through:

- Pre-apprenticeship/traineeship and/or work experience opportunities which allow prospective individuals to experience their potential field.
- Funded mentoring programs as demonstrated by increased trade apprentice completions in the period around 2014-16 after a major federal government funded mentoring program commenced in 2012.
- increasing the number of trainers available in RTOs as the supply is currently not matching demand resulting in course delays or cost and time in accessing available training.

6.6 Higher Education

Australia's higher education sector is well regarded worldwide and is very popular with both domestic and international students. As of 2021, 33 per cent of Australians hold a bachelor degree or higher qualification, a marked increase from 9 per cent in 1991. Most students undertake higher education for the career opportunities they will be able to access once qualified. Often a university degree is the only way to be able to work in key fields such as engineering, medicine, nursing, sciences, teaching and law.

Potential students looking to enter higher education should also be well informed about their choice of course and career. It is essential that students are provided with information on the likelihood of employment in a subject area prior to enrolling in a course of study. The graduate outcomes and student satisfaction surveys are both valuable resources, but they need to be more widely marketed to school students and others that are seeking a career change.

The Job Ready Graduates higher education program has been operational since 2020. There was some concern expressed by industry sectors such as engineering that a reduction in funding arising from the restructuring of the funding bands may lead to less positions being made available or lead to poorer quality delivery. If these concerns come to fruition, there will be a need for additional funding for these key areas to meet the needs of the labour market.

An important contributor to improving job readiness for university graduates is the opportunities they have to integrating work experience with their learning, Work integrated learning (WIL). In recent years there has been a focus on science and maths skills but those disciplines have lagged behind others in embedding WIL into their courses and it shows in their graduate employment outcomes, with full time employment outcomes for science and maths graduates being 61% in 2021 compared with an overall

average of 70%³⁵. This illustrates the need to focus on those disciplines where there is not a strong history of WIL.

As an extension of WIL, the higher education sector is strongly encouraged to work with industry to identify more cadetship opportunities, tailoring courses to be a combination of work and study similar to an apprenticeship (but purposely not calling this option “higher apprenticeships” as this term has caused confusion). Cadetships will not suit all occupations and industries, but the limited experience to date is encouraging. The imperative to improve WIL, the opportunity for cadetships and the relatively poor performance of industry-university research collaboration all point to the need to improve the voice of industry in higher education.

It is essential that JSA is used as the key instrument to assist in the reform process, by including higher education institutions they can act on the advice from industry about where the skill needs are and to design and market their courses that best meet workforce needs. The University Accord process will be key to this process, outcomes of the review must focus on better interconnectivity between higher education institutions, the VET sector and industry to ensure a system that best meets the needs of the student and the workforce.

We must further ensure that we are providing sufficient incentives for Australian and international students to pursue studies in fields that are crucial to meeting the demands of a modern economy. These include, but are not limited to, professional services, information technology and cyber-security.

6.7 Lifelong learning

The adoption of a lifelong approach to learning and skill development will enable employees to better equip themselves with the new and emerging skills needed to keep pace with the changing nature of work and help businesses adapt to the future of work, including any technological advancements. Lifelong learning not only better equips the workforce for the careers of the 21st century and ensures businesses can remain cutting edge and internationally competitive but has been found to be beneficial both for the business in terms of productivity, and for the employee in terms of wages.³⁶

There is scope to further promote lifelong learning and the benefits it can bring for both employers and workers to encourage more to take part. Australia needs to foster a culture of upskilling throughout a person’s career, rather than the traditional route of undertaking training in your 20s, working, then retiring. The current policy settings present some roadblocks and room for improvement, with external training that is shorter and that provides targeted skills development preferred by 52 per cent of businesses³⁷. Workers also show a strong preference for shorter courses because they can build specific skills without committing to a full degree qualification³⁸.

The increased focus on micro-credentials, including access to public funding support, is an important development particularly for valuable VET skill sets, postgraduate qualifications, or short courses that stack towards qualifications. Micro-credentials benefit both employers and employees, as it provides an opportunity for workers to build on previous experience and further their learning.

³⁵ Department of Employment & Skills, QILT (2021) 2021 Graduate Outcomes Survey, October 2021.

³⁶ Fialho, P., Quintini, G., and Vandeweyer, M., ‘Returns to different forms of job related training’ (2019), OECD Social, Employment and Migration Working Papers No. 231.

³⁷ RMIT Online and Deloitte Access Economics, ‘Learn. Work. Repeat. The value of lifelong learning in professional industries’, 2020.

³⁸ Deloitte, ‘Where to next? Beyond the skills gap’ (Higher education for a changing world), 2019.

However, it is important that micro-credentials are viewed as a complement to, rather than a replacement for, formal qualifications as described by the Australian Qualifications Framework (AQF) for the measurement of skill level. There are important skills developed through the completion of a full apprenticeship or university degree that cannot be gained from a short course or completion of a subset of units. So, micro-credentials should be viewed only as an opportunity for workers to upskill, specialise further in a chosen profession or develop new skills to transition to a new industry sector.

The recently announced \$18.5 higher education micro-credentials pilot program is an important step in providing more options to gain skills quickly, however these will only work if industry voice is represented as part of the design process. Further, there needs to be a clear definition across VET and higher education on micro-credentials, rather than the differing lengths we are seeing.

We should also provide incentives for individuals to continue self-education. In Singapore, for example, all citizens are provided with a set credit for approved lifelong learning of \$500 per year, with top ups available for those over 40 years old to improve individuals' access to career transition programmes³⁹. This could be considered in Australia, with Government expanding the tax deductibility for self-education expenses so that an individual can claim not only training expenditure relevant to their existing job role, but to future income. Alternatively, encourage employers to sponsor workers to upskill through training credits or tax deductibility for micro-credential units.

Recommendations

- Direct JSA to undertake a biennial National Workforce Development Strategy to look at labour market demand and supply across the entire education and training system, taking a holistic workforce approach, with formal links to the new Industry skills clusters.
- Commit long-term, consistent and real VET funding increases to deliver an increase in the number of VET funded students by 300,000 per annum across all qualifications, AQF levels and industry sectors to satisfy both skill shortages, and skill needs.
- Wage subsidies of 30% in the first year of apprenticeships/traineeships, without limitation by any list, will provide certainty for employers, reinstatement of \$2,500 to employers for completion incentives, \$5,000 to all apprentices and traineeships to assist in the completion of their training.
- Use JSA, in consultation with industry, identify the most relevant and useful vocational training to be delivered to school students (both in terms of qualifications and quality of delivery) and identify the barriers to school-based apprenticeships.
- Use JSA, in consultation with industry and training providers, to ensure delivery of VET in regional area
- As a complement to VET delivery, explore the possibility of applied learning elective subject(s) in Year 11 and/or 12 that allows students to apply academic learning in practical contexts and incorporates pre-apprenticeships.
- Establish a National Apprenticeship Advisory Board to link in with JSA.

³⁹ See AFR, 'Solving the skills shortage tops tech sector's election wishlist', 1 March 2022, and Skills Future.

- Raise apprentice completion rates by continuing to focus on commencements, improve pre-apprenticeships; fund mentoring programs and ensure there are sufficient courses and trainers available to meet the demand.
- Review the training and assessment qualification required for industry practitioners to encourage more experienced people to become full or part time VET trainers.
- Increase funding to ensure higher education students are aware of graduate employment and salary outcomes for both VET and higher education courses.
- Expand the focus on micro-credentials to enable employees expand on existing formal qualifications, specialise further in a chosen profession or develop new skills to transition to a new industry sector.
- Provide incentives for individuals to continue self-education, such as a set credit for lifelong learning or an expansion of tax deductibility for self-education expenses.
- Encourage employers to sponsor workers to upskill through training credits or tax deductions for micro-credential units.
- Provide sufficient incentives for students to pursue courses crucial to prosperity in our modern economy, including those related to professional services, information technology and cyber security.

7 Migration settings

Alongside the important outputs from our education and training sectors, the temporary and permanent skilled migration programs are highly valuable components of workforce planning and development in Australia. A strong migration uptake is one of the key policy levers available to address workforce shortages that cannot be filled by Australians or that require highly specialised skills, to grow our country's workforce, and drive our post-pandemic economic recovery.

Prior to the pandemic, the decision to reduce the permanent migration intake by 30,000 to 160,000 already was having a negative impact on business' ability to fill skills gaps. The COVID crisis has exacerbated these problems, effectively halting Australia's migration program for two years resulted in significant gaps arising from business growth or replacing a departing worker.

The announcement at the Jobs and Skills Summit to increase the migrant intake to 195,000, with 142,000 allocated to the skills stream was welcome, but it is far short of what is needed to meet the widening gap in skilled workers needed by Australian businesses. ACCI recommends a significant increase in the permanent migration intake, including a significant increase in the cap for skilled migration to 200,000 for at least the next two years at least, to replenish the skills lost during the pandemic. Beyond that, a strong focus needs to remain in terms of permanent skilled migration.

7.1 Complexity of the Skills Occupation Lists

Employer nominated visas are the most effective for migration, consistently delivering positive labour market outcomes. This can largely be attributed to migrants having a proven skill set, employment available upon arrival and connection to the community.

Changes to the skilled migration system in 2017 severely restricted the temporary skilled visa program. The increased limitations on occupation lists have undermined the employer nomination component. Occupations have been removed on the basis of a national analysis that has been proven to be inadequate in responding to skill needs.

ACCI does not support the removal of more than one-third of the skilled occupations from the temporary skilled visa system, nor does it support the division of the temporary skilled visas into two streams and removing a pathway to permanency from a large percentage of occupations. These changes removed the responsiveness in the system that allowed employers to satisfy immediate skill needs and a pathway to permanency for many occupations which was a fundamental strength of the system.

A much better approach would have been to retain the consolidated sponsored occupations list (CSOL), which was by-and-large a list of all skilled occupations on the Australian and New Zealand Standard Classification of Occupations (ANZSCO), as the basis for temporary and employer nominated permanent migration. Any integrity issues can be dealt with on an occupation basis through caveats rather than by national skills analysis.

7.2 Pathways to Permanency

The creation of multiple occupation lists has resulted in an informal hierarchy of lists.

- The MLTSSL is the best list as it enables a skilled migrant to stay for up to four years with a pathway to permanent residence after three years.
- The ROL is the next best list as, while limited to only regional employers, it has a pathway to permanency for the migrant.
- The STSOL is the least favourable, as it only provides access to skilled migrants under the short-term stream of the TSS, a maximum stay of two years with no permanency pathway.

This STSOL limitation concerns business since prospective talent find the limitation of two years with no pathway to permanency unattractive and may not consider moving to Australia for a short period as worthwhile. ACCI fully supports the Joint Standing Committee on Skilled Migration's recommendation that all employer sponsored visa holders be given a clearer pathway to permanency (Final Report, Committee Recommendation 7).

7.3 Labour Market Testing

It is common ground that where Australians with the relevant skills are available, they should fill job vacancies. Employers face many existing barriers when using the highly regulated and expensive skilled migration program and these barriers are already a very strong incentive for employers to employ Australian workers as a first priority. Sponsoring a migrant is costly – in fees and levies, as well as being time-consuming. The TSS requires numerous compliance requirements that a migrant must meet to be eligible for a temporary skilled visa.

On top of these barriers, the laws have strengthened in the last few years to require labour market testing (LMT), which is an obligation on employers to advertise and report results before hiring a temporary skilled migrant. It does not add much value to achieving the recruitment of Australians first (it is likely that numerous attempts to recruit Australians were made before reaching out to a migrant), but it significantly adds to the red tape burden.

Based on the lack of evidence of its effectiveness and due to the high regulatory burden, labour market testing for the TSS visa program should be removed. If LMT is retained, it should be more targeted at over-reliance, where an organisation or industry relies too heavily on skilled migration on an ongoing basis. Alternatively, LMT processes should be streamlined to reduce the high regulatory burden. It was recommended by the Joint Standing Committee on Migration that LMT be reformed to take better account of current business recruitment timelines and practices.

7.4 Skilling Australians Fund (SAF) Levy

ACCI has held concerns with the SAF levy since its commencement as part of the *Migration Amendment (Skilling Australians Fund) Act 2018*, particularly the excessive quantum of the levy, the upfront fee collection, inadequate refund policy, and lack of an alternative to the levy when strong investment by the sponsoring employer in training is evident.

It is acknowledged there is a community expectation that those utilising the skilled migration program demonstrate a commitment to training Australians. This commitment could be demonstrated either through a training levy that is half of the current rate or by evidence of strong investment by the sponsoring employer in training. This was the approach proposed by the Joint Standing Committee on Migration (JSCOM) in its Interim Report in relation to its Inquiry into Australia's Skilled Migration Program.

7.5 Ensuring streamlined visa categories and timely visa processing

There are currently over 120 different classes of visa offered by the Australian Government, each with different eligibility criteria, processing times and requirements.⁴⁰ The Government should commit to reviewing our visa framework, to streamline the number of visa categories.⁴¹ We must ensure we are appropriately targeting the skills necessary to meet Australia's workforce needs. The visa system should be simple and easy to understand, so that we can most effectively attract talent from around the globe, including in areas of high demand such as: professional services, information technology and cyber-security.

Earlier in the year it was reportedly taking three times longer than before the pandemic to process skilled visa applications, leading some overseas workers to take jobs in other countries.⁴² While additional funding was allocated to accelerate visa processing and resolve the visa backlog, resources must be allocated on an ongoing basis, so Australia doesn't miss opportunities to fill skills gaps with talent choosing to go to other countries due to delays in visa processing.

We also need to get the balance right in terms of processing priorities. The recently issued Ministerial Direction 100, updated the priority processing arrangements for skilled visas. The changes appear to be a step in the right direction in terms of reducing some of the overlapping prioritisation which slowed up

⁴⁰ [All types of visa in Australia | requirements, cost & processing time | Sydney Visa \(sydneyvisas.com\)](#)

⁴¹ [Visa list \(homeaffairs.gov.au\)](#)

⁴² AFR, Edmund Tadros, 'Job market to remain 'red hot' amid skilled visa delays', 11 February 2022.

administrative processing. However, some concerns remain with the revised prioritisation, including employer sponsored visa applications where the employer is an approved sponsor with accredited status. Among requirements for being an approved sponsor is that the organisation must have an annual turnover of at least \$4 million in the past two years, which excludes many small businesses. The impact of these new priorities will need to be monitored to ensure that small businesses with only the occasional need to use the system are not inadvertently impacted.

7.6 Skills Assessments

Obtaining a suitable skills assessment is mandatory for some visa subclasses (and streams) and may be requested for others. This involves assessing the applicant's qualifications and employment against the suitability of the nominated occupation. Most occupations in each list have their own skills assessing authority, with each having its own assessment procedures, timeframes and charges. The Department of Home Affairs can only accept a skills assessment issued by the relevant assessing authority.

The skills assessment process can be very time consuming and costly, often requiring lengthy technical assessments for occupations, such as in the automotive sector, that may have very similar training standards and qualifications in the home country to that of Australia.

The delays caused by the skills assessment process often deters strong candidates from pursuing their application in Australia, with the likely loss of talented candidates to other countries. While Department of Home Affairs visa processing times may be improving, the skills assessment agencies can take up to 12 weeks from the provision of all required documents, and 14 weeks for reassessment.

Further, there can be multiple skills assessing authorities for the same occupation, which can compromise efforts to ensure skills assessments are delivered in a fair, reliable and transparent manner. Having a single assessing authority would ensure greater consistency in assessment standards and avoid situations where applicants who are dissatisfied with the outcome from one skills assessment authority, then apply to another in the hope of obtaining a different result.

The skills assessment processes must be reviewed and tightened to enable a more holistic streamlined assessment process. Consideration should also be given to harnessing the opportunities digital technology brings, for example by allowing the uploading of videos of completion of tasks where appropriate.

Recommendations:

- Increase the permanent migration intake, including raising the skilled migration cap to 200,000 for at least the next two years, to replenish skills lost during the pandemic. Beyond that, a strong focus needs to remain in terms of permanent skilled migration.
- Include migration as a strategy to meet future workforce demand in regional areas and provide additional incentives for skilled migrants to locate to regional areas facing shortages
- Ensure access to all skilled occupations for employers nominating workers under the employer sponsored temporary and permanent skilled streams, not just those on the Medium to Long Term Skill Shortage List (MLTSSL).

- Enable pathways to permanency for all temporary skilled migrants.
- Reduce regulatory red tape, including removing labour market testing for skill occupations based on the lack of evidence of its effectiveness, or reduce the heavy requirements.
- Reduce the cost by halving the training levy and improving the refund policy.
- Speed up processing times by maintaining extra personnel and monitoring prioritisation to ensure small businesses are not disadvantaged.
- Review and streamline the skills assessment process to reduce the time and costs for visa applicants, particularly to recognise qualifications for applicants from countries with similar industry standards to that of Australia and to make use of technological advances to assess skills where available.
- Approve a single assessment authority for each industry occupation to ensure greater consistency in assessment standards
- Streamline the 120 visa categories currently in operation, all with different eligibility requirement and criteria, to make it simple and easy to attract highly skilled workers, targeting areas of high demand such as: professional services, information technology and cyber-security.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

ACCI Members

State and Territory Chambers



Industry Associations





**Australian
Chamber of Commerce
and Industry**