

# 1 Beneficiaries of change

## Main points

- The Government is focused on ensuring Australians benefit from the significant forces shaping our economy, by creating more opportunities, for more people, in more parts of our country.
- The Government's vision is for a dynamic and inclusive labour market in which everyone has the opportunity for secure, fairly paid work and people, businesses and communities can be beneficiaries of change and thrive.
- Five significant transformations are underway and will continue to shape our economy over the coming decades: population ageing, rising demand for quality care and support services, increased use of digital and advanced technologies, climate change and the net zero transformation, and geopolitical risk and fragmentation.
- These forces are changing the composition of our workforce, the demand for different occupations, the types of abilities needed, and the nature of how we work. They present an important opportunity to reshape Australia's labour market to achieve our economic and social aspirations.
- The future labour market will require more digital skills, more people employed in the care and support economy, and more adaptable workers with a range of foundational and technical skills. More resilient supply chains will be needed to put Australia on a path towards net zero while maximising opportunities from the energy transformation.
- Realising these opportunities requires a proactive approach by government, working with employers, workers, unions and the broader community to prepare and position our people and the economy to make the most of these changes.

Employment is a core part of our lives, and Australia's labour market is at the centre of our success as a country. Work is an important aspect of a person's sense of belonging and identity. It can improve physical and mental health and is a way of engaging in the community and society. The income received from employment helps people improve their standard of living and provide for others. We need the labour market to function well for the economy, communities and people to thrive.

There is substantial scope for Australia's labour market to deliver better outcomes, including by providing more people with secure, fairly paid work, and addressing the skills shortages that hold Australia back from achieving its potential. The make-up of Australia's workforce, the types of work we do and skills we need, and the way in which we work, are changing. By understanding these changes and setting a clear vision for Australia's labour market, we can position Australians to be beneficiaries of the big economic shifts underway.



## 1.1 The forces reshaping Australia's economy

Australia has prospered through periods of remarkable economic change. The economy is much more productive than a century ago, which has led to higher wages and living standards, but productivity growth has slowed significantly since the mid-2000s. The services sector plays a significantly larger role in our economy, accounting for more than 80 per cent of employment compared to around 50 per cent at the turn of the 20<sup>th</sup> century.<sup>1</sup> Concurrently, the output of goods-producing sectors – mining, manufacturing and agriculture – has increased, but the share of these sectors in the economy and employment has fallen.<sup>2</sup> The typical Australian worker in 2023 produces around seven times the output of a typical worker at the time of Federation.<sup>3</sup>

Australia's economy is again being reshaped by profound demographic and global forces. The populations of advanced economies are ageing and demand for care and support services is increasing significantly. A remarkable technological and digital transformation is underway, at the same time as global action to address climate change is transforming our economy. Rising geopolitical risk and fragmentation is disrupting supply chains and increasing the value of resilience.

These forces are reshaping our industrial base and changing how we live and work. By anticipating and planning for their impacts, we can manage the pressures they present and seize the economic opportunities they bring. Moreover, by understanding their broader impacts on our workforce, Australia can leverage these fundamental forces to build a bigger, more inclusive, more productive labour market and increase living standards.

### 1.1.1 Population ageing

Our population is living longer, healthier lives for a range of reasons including improvements to the quality of health and aged care, and an increase in the share of people working in less physically demanding jobs. Life expectancies at birth are 81.3 years for men and 85.2 years for women in 2022–23. As set out in the 2023 Intergenerational Report, these are projected to increase to 87.0 years for men and 89.5 years for women by 2062–63. In addition, families are having fewer children, and are having them later in life. Migration is expected to offset some of these demographic shifts.

Population ageing has implications for our workforce and the types of services demanded in our economy. While the size of our workforce will continue to grow, demographic trends are projected to result in fewer workers relative to the dependent population. An ageing population is also expected to boost demand for care and support services. The effects of an ageing population will be felt more acutely in regional Australia because non-metropolitan areas tend to have older populations than metropolitan areas.

### 1.1.2 Rising demand for care and support services

Employment in the care and support sector is projected to double over the next four decades, as demand for quality services continues to grow. This is being driven by Australia's ageing population and improved access to formal care arrangements, including for early childhood education and people



living with disability, and Australians using more care services as their incomes grow. At the same time, care work has shifted from informal to formal care.<sup>i</sup>

Rising demand for care and support services is expected to underpin a continued shift in the industry composition of Australia's economy towards services. This will increase demand for additional workers with the right skills, in vocational and highly specialised roles. Governments play a significant role in funding, delivering and regulating these care and support services, which increases the importance of good policy design to enable productivity growth, quality improvements, appropriate competition and better labour market outcomes.

### 1.1.3 Technological and digital transformation

Advances in technology will continue to shape industries and boost productivity, supporting rising living standards and expanding job creation. The rise of digital technologies has changed Australia's access to the global economy, increased the connections between Australia's regions and cities, and profoundly changed the nature of work. In the current context, emerging technologies such as artificial intelligence and advanced robotics are changing how people engage with technology at work, improving workplace safety and product quality, and creating new markets.

As has been the case in previous eras, technological advances are expected to have an uneven impact across industries and occupations. The broad nature of the way technology is embedded in our day-to-day lives means many people working outside the technology sector will also need to have core digital literacy skills.<sup>4</sup> Governments, businesses and the broader community have a role in enabling more people to benefit from advances in technology.

### 1.1.4 Climate change and the net zero transformation

Governments around the world have committed to transitioning their economies to net zero emissions by 2050, which is bringing about one of the most significant shifts in the global economy since the Industrial Revolution. Australia is well positioned to benefit from the net zero transformation, with potential to generate large volumes of cheap electricity from renewable sources to power our homes and industries, and to export energy to support global efforts. Our abundant endowment of critical minerals means Australia will also play a key role in supply chains for net zero technologies like batteries.

This transformation will have a significant impact on Australia's industry mix, and the economy more broadly. It is changing the energy infrastructure needed to realise industrial opportunities and requires greater innovation and adaptability to reduce emissions. At the same time, climate change presents new physical risks and productivity challenges.<sup>5</sup> Overall, these changes are generating pronounced shifts in demand for particular skills, including trades and engineering, and amplifying global competition for expertise. Meeting these skills needs will be critical to delivering on emissions reduction commitments and realising the economic opportunities of the net zero transformation.

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i Formal care refers to paid care services in the market. Informal care refers to unpaid care provided by family, close relatives, friends, and neighbours.



### 1.1.5 Geopolitical risk and fragmentation

Recent shocks to the global economy and rising geopolitical risk have highlighted the adaptability of supply chains, but also their vulnerability. The Australian economy has long benefited from our participation in the global economy. Our openness to trade, investment and people movements support our prosperity, with one in four jobs in Australia linked to international trade.<sup>6</sup> Open international markets built on a trusted, rules-based global trading system have also generated large efficiency dividends, as international production can be shared across regional and global supply chains according to comparative advantage.

Diversifying and de-risking supply chains, reinforcing Australia's economic security, and boosting development in critical technologies and industries will help us build resilience while continuing to benefit from integration with the global economy. Promoting adaptability in Australia's economy will also improve capacity to realise new opportunities as they arise and minimise the costs of disruptions and transitions. Maintaining and growing Australia's attractiveness as a place to live and work will also help to attract migrants with valuable and scarce skillsets that are in high global demand.

## 1.2 Changes underway in Australia's labour market

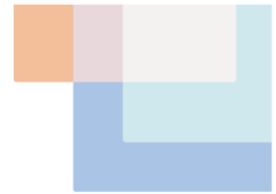
These forces shaping Australia's economy will have significant implications for the composition of our workforce, the types of jobs and skills needed, and the nature of how and where we work. By anticipating and planning for these changes, we can leverage these forces and support broader improvements in labour market outcomes.

### 1.2.1 Changing workforce

One of the most fundamental changes in the labour market over the past 60 years has been the rise in women's workforce participation. Women's participation, which has increased from around a third in the 1960s to nearly two-thirds today, has been driven by changing social attitudes, and more equitable access to education.<sup>7</sup> This increase in participation has also been facilitated by changes such as equal pay cases, wider access to early childhood education and care arrangements, the Government-funded Paid Parental Leave scheme, and anti-discrimination laws.

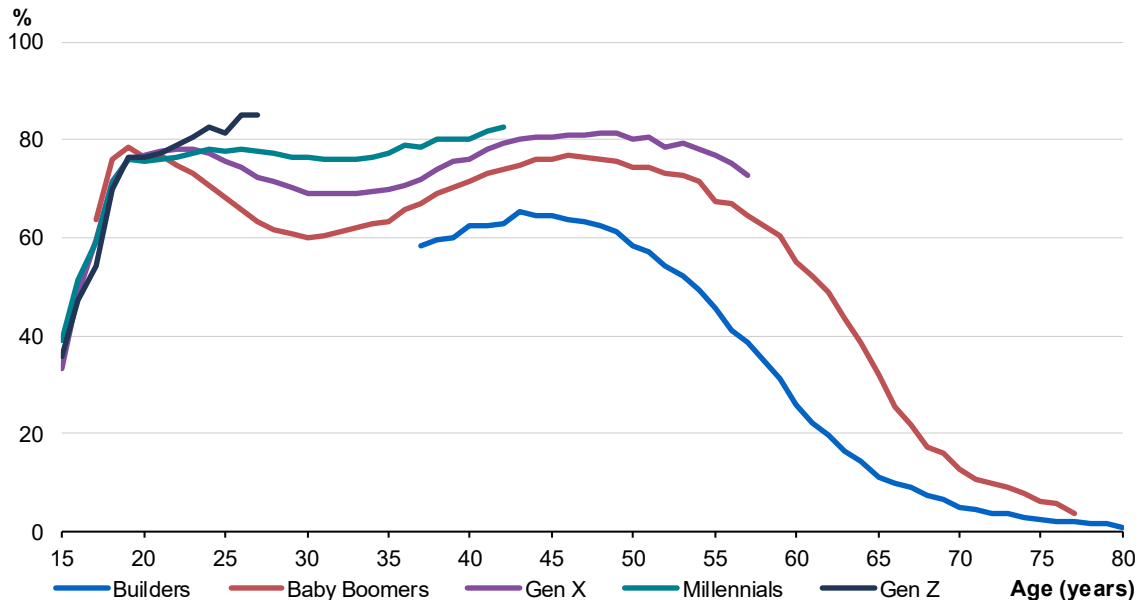
Despite the gains women have made in workforce participation, there remain gaps between men and women in participation rates, hours worked and hourly rates of pay. In addition, many industries and occupations have persistent gender skews. For example, women make up over 70 per cent of the health care and social assistance sector but only around 13 per cent of the construction and engineering sectors.<sup>8</sup> These patterns are driven by a range of factors including the unequal division of unpaid care work, limited flexibility in male-dominated industries, workplace cultures, and gender bias and stereotypes. Workforce gender segregation contributes to the gender pay gap, as men continue to dominate in industries and occupations with higher earnings and women in those with lower earnings, reflecting the historical undervaluing of feminised jobs. A highly gender-skewed workforce also increases the risk of workforce shortages. Around 65 per cent of occupations in shortage on the Skills Priority List have workforces that are over 80 per cent men or women.<sup>9</sup>

Younger generations of women are more likely to participate, and for longer, in the workforce than previous generations. The strongest participation gains have been made by women in their 50s and 60s. Chart 1.1 also shows the upward trend in participation for women during the years they are most



likely to have young children, reflecting a range of economic, demographic and social factors which have supported workforce participation for women in this age group.

Chart 1.1 Women’s workforce participation rates, by age and generation



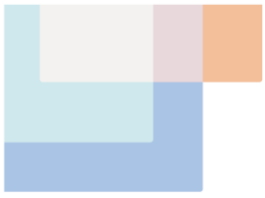
Source: Treasury analysis of ABS Labour Force microdata, 1982–2023.

Note: Generations are defined as: Builders (1850 to 1945), Baby Boomers (1946 to 1965), Gen X (1966 to 1980), Millennials (1981 to 1996) and Gen Z (1996 to 2010).

Higher participation within age groups, including among women and older Australians, over the past four decades has added the equivalent of around 2.5 million people to the labour force. While this has been partly offset by the effects of an ageing population, it has meant that Australia’s overall participation rate has continued to rise despite the changing age structure of the workforce. While the population will continue to age, Australia has a younger population than most other advanced economies due to its migration program, as new migrants tend to be younger than the existing population. In 2021–22, 76 per cent of new migrants were aged between 15 and 34, compared to 27 per cent of the incumbent population.<sup>10</sup>

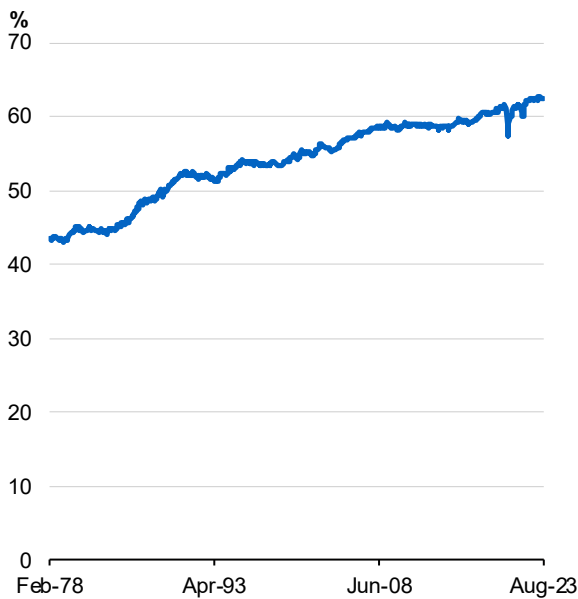
The diversity of the workforce has improved too. Workforce participation by Aboriginal and Torres Strait Islander people, mature-aged workers and people born overseas has increased over time. Landmark policy decisions, including changes to legislation since the 1960s, have helped more First Nations people enter mainstream employment.<sup>11</sup> The introduction of the National Disability Insurance Scheme has played an important role in supporting people with disability in the workforce. However, labour market outcomes for these cohorts continue to lag. The slow progress of efforts to address this inequality has demonstrated the complexity of barriers to participation that some Australians face.

Changes in the diversity of Australia’s workforce – especially the increased participation of women (Chart 1.2) have occurred in conjunction with the rise of part-time work (Chart 1.3) and the increased prevalence of dual-income households. These factors, together with an ageing population, have resulted in more people balancing work alongside caring commitments. While men are becoming



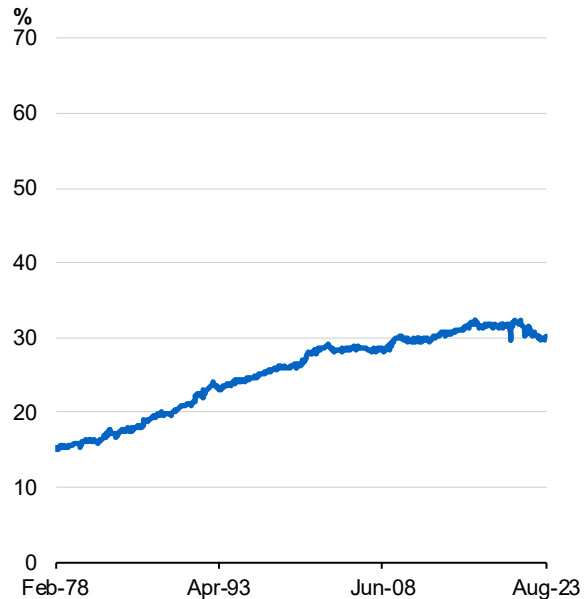
more involved in caring roles, women are still overwhelmingly responsible for caring for children, ageing parents and people with disability.<sup>12</sup> This has highlighted the benefits to workers and employers of different patterns of work, as well as raising new questions about how job security and reliability can be assured.

Chart 1.2 Women’s workforce participation



Source: ABS Labour Force, Australia, August 2023.

Chart 1.3 Share of part-time work



Source: ABS Labour Force, Australia, August 2023.

## 1.2.2 Changing industries and skills needs

The forces shaping Australia’s economy are changing its industrial composition, the jobs required, and the skills needed to do them. In particular, the growth of the care economy, the net zero transformation and technological change are creating more jobs for workers with specific technical knowledge and skills. At the same time there has been increased demand for workers with transferable skills such as communication, ability to work in a team and problem solving.

### Accelerating demand for key workforces

Australian businesses will need more skilled workers to do the priority jobs of the future. This will require supporting more people to graduate from high school, to gain tertiary qualifications, and to engage in lifelong learning, skilling and upskilling, throughout their careers.

The care and support economy has grown considerably in recent decades and is projected to grow further. The 2023 Intergenerational Report projects the care and support sector could grow from around 8 per cent of GDP today to around 15 per cent in 2062–63, while the care and support workforce could double over the next 40 years, after having doubled over the past 20 years.



Projections produced by Victoria University for Jobs and Skills Australia (JSA) show that the care and support economy is expected to grow by 22 per cent by 2033.<sup>ii</sup>

Achieving the transformation to net zero emissions by 2050 will reshape the skills needed in our economy, including an increase in tradespeople and technicians, such as electricians, plumbers, grid connectors and wind farm operators. Projections produced by Deloitte for JSA show that the occupations key to the clean energy workforce will need to increase by around 30 per cent by 2033 to deliver the net zero transformation.<sup>iii</sup> This represents an increase of 213,000 workers. The clean energy supply workforce alone is projected to increase by around 127 per cent.<sup>iv</sup>

Building up this workforce is a critical enabler of the transition to a clean energy economy, and a lack of available skilled workers is reported as a key barrier to investment and project development, both in Australia and internationally.<sup>13</sup> As a result of this demand, there is elevated competition internationally for skilled migrants in these fields.

Ensuring businesses and workers can benefit from the opportunities arising from the net zero transformation will require a stronger focus on adaptable education and training systems. The net zero transformation will change employment opportunities in some regions. Reflecting the significant regional concentration of decarbonisation and clean energy growth opportunities, 80 per cent of facilities covered by the Safeguard Mechanism are located in just eight regions.<sup>14</sup>

Digital skills are becoming increasingly important to the Australian economy. As the digital transformation continues, the demand for skills associated with building and engaging in the digital economy will continue to grow. The technological and digital transformation will require higher levels of technical and digital skills across all industries, for both ICT and non-ICT occupations. Projections produced by Victoria University for JSA show that digital and technology jobs will grow by 21 per cent by 2033. JSA also estimates business demand for workers that spend more than 50 per cent of their time on data and digital skills will increase to 411,000 workers (an addition of 44,700 workers) by May 2028. Digital adoption is also a key driver of small business growth, so growing the digital capabilities of the 42 per cent of workers who work in small businesses will play an important role in enabling overall economic growth and business dynamism.

The increase in demand across the care and support, net zero and digital industries is projected to outpace population growth. Delivering on these specific industry priorities, as well as other objectives such as improving the complexity and diversity of Australia's exports and building on areas of traditional strength, will place significant demands on Australia's skills system, workforce utilisation and broader workplace planning capabilities. Businesses, workers and all levels of government will need to coordinate investments in priority skills to realise Australia's economic and broader industry objectives.

## Changes in the types of skills needed

Technological advances have always changed the nature of people's jobs. Historically, new technology has led to long-term job creation by freeing up time for workers to focus on higher value tasks.<sup>15</sup>

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- ii The care and support economy is calculated by JSA based on 19 occupations in six industries, spanning early childhood education and care, residential aged care and disability and other care. The 2023 Intergenerational Report uses the ABS definition of the Health Care and Social Assistance Industry Division.
  - iii Table 5.1 provides a list of occupations.
  - iv The clean energy supply workforce relates to the generation of renewable energy and includes hydro-electricity generation, hydrogen, offshore wind generation, wind generation and solar generation.

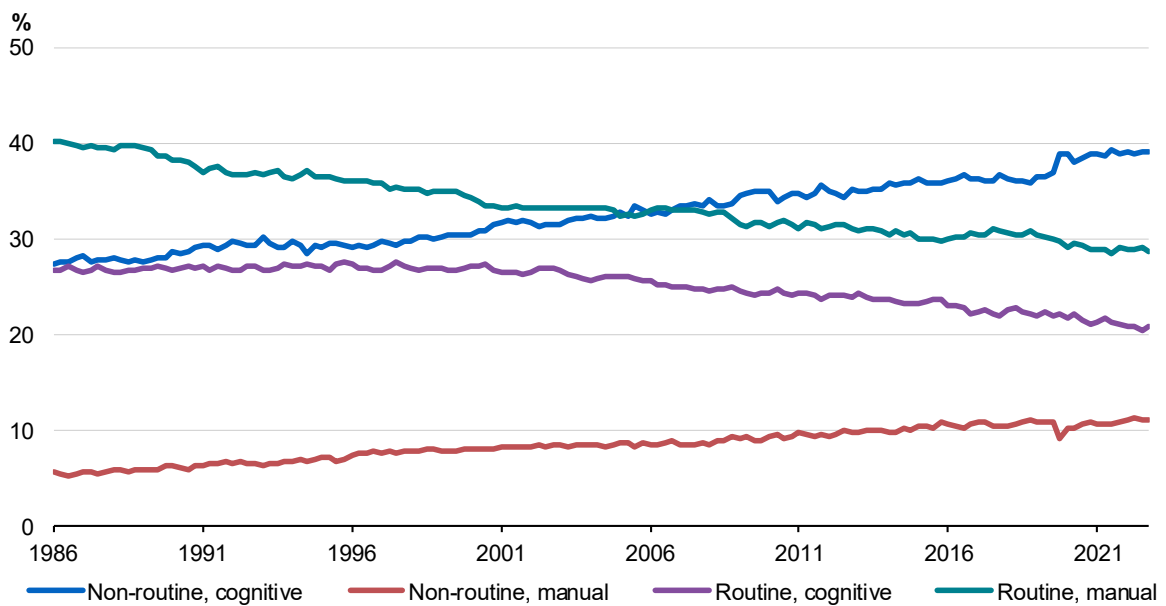


In today's labour market the most profound changes are coming from new digital and advanced technologies, which are increasing demand for specific skills, such as computer network professionals, database and system administrators and ICT security specialists.<sup>16</sup> An increasing share of job ads in Australia reference emerging technology. This is likely to be a continuing trend if the demand for digital skills increases to levels seen in comparable countries.<sup>17</sup>

Jobs with a high share of non-routine tasks have grown as a share of employment over the past 40 years (Chart 1.4). This reflects that technological advances automate routine tasks over time, which increases the share of time spent on less routine tasks. For example, the advent of personal computers, word processing and spreadsheets has allowed people working in business services to spend more time on new value-adding tasks by automating others.

The shift towards non-routine tasks is not limited to knowledge-intensive roles. Employment in jobs with a high share of non-routine manual tasks, such as bus drivers, cabinet makers and plumbers, has also increased. Automation of some tasks has also contributed to safer and more highly paid jobs, by replacing more dangerous, repetitive, and less productive tasks.<sup>18</sup>

Chart 1.4 Share of employment, by skill type



Source: Treasury analysis of ABS Labour Force, Australia, Detailed May 2023.

Note: Data and classifications from Australian and New Zealand Standard Classification of Occupations using Reserve Bank of Australia skills structure framework.

These trends are resulting in pronounced changes in the skills demanded by employers. Soft-skill intensive occupations are expected to grow at 2.5 times the rate of jobs in other occupations, and account for two-thirds of all jobs by 2030.<sup>19</sup> Developing greater proficiency in core competencies, such as analytical skills and problem solving, can help workers be more resilient to changes in their jobs and is associated with a wage premium.<sup>20</sup>





### 1.2.3 The future of work

In addition to changing the skills required in the workforce, technology is also changing where, when, and how we work. This has changed people's experiences at work, and also created opportunities for more Australians to participate in work in ways that accommodate other factors in their lives such as caring responsibilities.

Digital technology now enables people in many occupations to work remotely, changing their experience of the workplace and job opportunities. The adoption of remote work can allow employers to access skilled workers from across Australia. This was accelerated by the COVID-19 pandemic, resulting in over 40 per cent of workers reporting they regularly worked from home in 2022, up from around 30 per cent pre-pandemic and 15 per cent in the 1970s.<sup>21</sup> Most office workers now say they prefer a hybrid work model, and research suggests that two or three days working from home does not reduce productivity, and can improve employee recruitment and retention.<sup>22</sup> Ability to remotely work is more prevalent in sectors such as information, media and telecommunications and financial and insurance services, and in occupations such as professionals, managers, and clerical and administrative workers.<sup>23</sup>

For some people, the rise of remote work has expanded work opportunities, reduced time spent commuting and provided more flexibility to balance work and other responsibilities. More than 10 per cent of job ads now include the option to work from home, reflecting the extent to which workers are negotiating over conditions as well as wages, and employers are improving workplace experiences to attract the best talent.<sup>24</sup> However, hybrid or remote work can also present challenges – for example, by making it more difficult to facilitate spontaneous collaboration and to support workers to build their skills through on-the-job mentoring.<sup>25</sup> Improved flexibility around where and when people work can also create ambiguity around when workers can disconnect from work, which can impact on wellbeing.

Digitalisation has also introduced new modes of employment, such as the 'gig' economy. Around seven per cent of workers offered work on a platform in the last year, with almost all of this cohort using gig work as a secondary source of income.<sup>26</sup> By intermediating between 'gig workers' and their customers, digital platforms have introduced a new pattern of work, where workers do not have all the characteristics or rights of an 'employee' but also do not have the autonomy of direct contractors. As is the case with other forms of work, minimum standards will be necessary to ensure gig workers are not left vulnerable to exploitation and unsafe work, and the benefits of employment are shared fairly with workers.

In addition to changing where and when people work, new technologies are changing the tasks jobs require, and how people work with technology. As robotics and artificial intelligence become capable of automating a growing share of routine tasks, there will be greater opportunities for businesses to leverage technology to make their workplaces safer and reduce administrative tasks for workers, and provide workers better access to information and decision-making tools. In these ways, effective adoption of technology can boost labour productivity.

Automation is expected to have a greater impact on the way each job is done than on the jobs that are required. In the decade leading up to the COVID-19 pandemic, most of the changes in the tasks performed by Australian workers were driven by changes within each occupation category, rather than by movement between occupations.<sup>v</sup> Consistent with this, it has been estimated that up to a

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v Based on analysis of O\*NET and ABS Labour Force data.



third of the activities within 60 per cent of jobs are suitable for automation, but fewer than 10 per cent of occupations could be fully automated.<sup>27</sup> By another estimate, this increased automation could save the average Australian worker two hours per week on manual and routine tasks.<sup>28</sup>

Overall, technological change has led to long-term job creation and improved productivity, rather than reducing employment, and many expect this to remain true through this next wave of technological change.<sup>29</sup> Occupations that largely involve routine tasks are more exposed to the impacts of automation and may require support to benefit from the changing nature of work. Anticipating these impacts and supporting people to move into adjacent roles or upskill will reduce the disruption caused by automation, ensure people are supported and that the skills of Australian workers are being utilised effectively.

These changes to the nature of work have the potential to complement and support the shifts underway in who participates in Australia's workforce, the industries they work in and the skills they need at work. When workers are equipped with the right skills, new technologies can reduce skills shortages by boosting productivity. When flexibility is delivered in a way that is beneficial to both the business and employee, it can expand employment opportunities, allow businesses to access more skilled workers, and help people balance work with other priorities. In these ways, changes to the nature of work can serve as tailwinds that support broader improvements in labour market outcomes.

## 1.3 Building a better labour market

The nature of Australia's labour market and the opportunities it creates are ultimately determined by the decisions and investments made by governments, employers, workers and communities. Australia's labour market is going through a period of significant change and has substantial scope to deliver better outcomes. The Government has been working collaboratively to develop a clear vision for building a better labour market which can support Australia to achieve its broader economic, social and environmental goals.

### 1.3.1 Historical and economic context

The architecture of today's labour market has been built up through generations of reforms. Motivated by the lasting memories of the Great Depression and poor integration of soldiers following the First World War, the 1945 *White Paper on Full Employment* focused on securing full employment, and absorbing returned servicemen and servicewomen from the Second World War into the workforce and society as quickly as possible. It also introduced a comprehensive social security system, and the establishment of the Commonwealth Employment Service. We have continued to build on these reforms, with the social security system expanding to include support through family and parenting payments, assistance to veterans and widows, as well as the Disability Support Pension and more recently the National Disability Insurance Scheme.

The 1994 Employment White Paper *Working Nation* focused on addressing the rising incidence of structural long-term unemployment. The unemployment rate reached almost 12 per cent in 1993 and the proportion of those who were unemployed for over a year (and thus classified as long-term unemployed) was almost 40 per cent of those unemployed. *Working Nation* expanded labour market programs to include the introduction of guaranteed work and training options, and wage subsidies to assist the transition of people who were long-term unemployed back into the workforce. It represented a fundamental shift towards focusing on the length of unemployment, not just the



instance of it. *Working Nation* also had a renewed emphasis on spatial equity and provided adjustment assistance to regions most impacted by structural change. The policy changes adopted following *Working Nation* set some of the key design features of today's social security system.

### 1.3.2 Current labour market conditions

This Employment White Paper is being published at a unique moment in Australia's history. The unemployment rate is near record lows, and the share of our population in paid work is at record highs. There have been just 18 months of unemployment less than four per cent since monthly records first began in 1978, and 15 of those have been under the current Government. While labour market outcomes differ across cohorts and regions, current conditions have provided more opportunities for people to gain employment, especially those facing barriers to work or with less experience or skills. However, since the re-opening of the economy after the COVID-19 pandemic, labour demand has outstripped supply, creating widespread labour shortages that have held back Australia's economy and highlighted the urgency of addressing the structural skills shortages that had been emerging before the pandemic.

Growing demand for care and support services and realising the opportunities from the net zero transformation are creating pronounced demand for workers with key skills. Australia will need to increase the supply of skilled workers, especially in priority areas, to achieve its economic and broader objectives. Because the majority of industries and occupations expected to grow the most are gender segregated, a focus on improving workforce gender equality will play a part in meeting future labour supply needs.

Changes in the composition and skills of the workforce, and the way we work, have meant that Australia's labour market has also become more diverse and flexible. The trend towards part-time employment and more varied and flexible work arrangements over recent decades has enabled many more people, especially women, to balance work and other responsibilities. This has also benefitted business by opening up a new pool of workers, bringing a diverse range of experiences which are linked with higher productivity for business.<sup>30</sup> These changes have also brought about new challenges in job security which disproportionately affect some cohorts. For example, women are more likely than men to be in jobs without leave entitlements, young people (aged 15 to 24 years) are more likely to report they expect to lose their jobs than other adults, and migrants are more likely to be in less secure labour hire roles than people born in Australia.

New patterns of work have also impacted how we assess and manage spare capacity in the economy overall. While the national unemployment rate is near 50-year lows, there remains considerable untapped potential in the labour market. Around three million people in Australia would like to work but do not have the opportunity to do so, or would like to work more hours and cannot access them. Underutilisation can result from macroeconomic conditions or structural barriers, such as community disadvantage, financial barriers, a lack of access to transport, housing, childcare or having other care responsibilities.

Despite gains in employment and a tight labour market, wage growth has been subdued over the past decade and has only recently begun to increase again. Real wages have been declining and are lower than their level a decade ago.<sup>vi</sup> Australia's poor productivity growth performance has contributed to these wage outcomes: productivity growth over the decade to 2020 was the slowest in 60 years. The

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vi Real wages (as measured by the Wage Price Index deflated by the Consumer Price Index) were three per cent lower in June 2023 than in June 2013.



structural factors currently reshaping Australia's labour market present an important opportunity to reignite productivity growth through a combination of investment in new technology and in the skills of all Australians.

The shifts underway in the global and domestic economy have been fundamentally reshaping Australia's labour market, and set up an important moment for reform. With the right institutions and policies, we can achieve our vision for a dynamic and inclusive labour market in which everyone has the opportunity for secure, fairly paid work and people, businesses and communities can be beneficiaries of change and thrive. By investing in our people and expanding opportunities to work, we can address skills shortages now, while building a bigger, more inclusive and more productive labour market for the future.

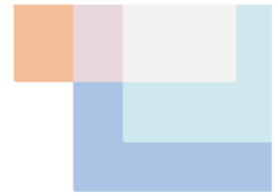
### 1.3.3 Consultation and collaboration

To understand the opportunities to expand the potential of Australia's labour market, the Government has consulted extensively with employers and peak groups, workers and unions, communities and state and territory governments. This collaboration commenced with the Government's Jobs and Skills Summit, held in Canberra on 1–2 September 2022. This Summit brought together over 140 Australians to discuss the challenges and opportunities facing the labour market, such as addressing skills shortages, delivering secure, well-paid jobs and boosting productivity. The Summit resulted in 36 immediate outcomes and 38 areas for further work, which have been completed or are being progressed. It built on over 100 roundtables held across Australia in the lead up to the Summit.

Key issues raised at the Jobs and Skills Summit have been explored in depth through a wide-ranging, year-long stakeholder engagement process which included over 400 public submissions, on the ground consultations in every state and territory, partnering with researchers and academics, and engagement by the Treasury Employment Taskforce with over 250 stakeholders including meeting with people with lived experience and from diverse backgrounds.

While the specific issues raised varied across the country, the consultations revealed a high degree of consensus on the priority issues facing Australia's labour market.

- Many stakeholders discussed the benefits of full employment. Some suggested a full employment objective should incorporate broader measures of underutilisation than the unemployment rate or the non-accelerating inflation rate of unemployment. Others called for more active fiscal policy or better monetary and fiscal policy coordination to achieve full employment.
- There was consensus across stakeholders that jobs that are fairly paid with good conditions are crucial to workers' wellbeing. There was general support for job security, but the understanding of what this means differs. Safety at work remains a central concern for workers and non-permanent forms of employment present challenges to maintaining safety standards.
- Consultations highlighted the challenge of slowing productivity growth. Stakeholders acknowledged the slowdown as one of the most important factors in explaining the decline in wage growth. Submissions argued innovation and adoption of emerging technologies were important for improving productivity growth, along with a skilled workforce.
- Both large and small businesses across industries and locations highlighted labour and skills shortages as pressing issues. Some stakeholders acknowledged that a tight labour market also improves employment prospects for those who face more barriers to employment, and emphasised the importance of supporting people to build capability and find pathways to work. Persistent workforce shortages were highlighted in the care and support economy.



- Several submissions noted that structural trends will affect the demand for skilled labour, presenting both challenges for displaced workers and opportunities for workers to move into growth industries. Lack of access to quality services, infrastructure, child care and affordable housing were raised as issues, especially for regional areas.
- Consultations revealed high levels of labour market disadvantage for certain cohorts for example, First Nations people and people with disability. We listened to people's lived experience of joblessness and disadvantage, which often highlighted broader, systemic issues, including interactions across different parts of the tax-transfer system. Listening to lived experience also emphasised the unique challenges some cohorts face in the labour market.
- Stakeholders highlighted how reforming some structural barriers faced by women could help shift systemic and societal norms which perpetuate discrimination, the gender pay gap, occupational segregation and gender-based violence.

Together with the Government's assessment of the factors reshaping Australia's labour market and the current labour market conditions, these priority issues raised by stakeholders have informed the direction of this Employment White Paper.

The Government has established the Economic Inclusion Advisory Committee (EIAC) to provide advice on addressing disadvantage and boosting economic participation. The Government also established the Women's Economic Equality Taskforce (WEET) to provide specific advice on women's economic security and equality. The Government has already acted on several EIAC and WEET recommendations through the 2023–24 Budget. Other recommendations of the EIAC including that the Government commit to a clear full employment objective and that this objective should include improving access to the workforce for disadvantaged cohorts and encompass issues of job quality, are delivered through this White Paper. The Government will draw on the WEET's advice in formulating the forthcoming National Strategy to Achieve Gender Equality.

### 1.3.4 Our vision for the labour market and a better future

The Government's vision is for a dynamic and inclusive labour market in which everyone has the opportunity for secure, fairly paid work and people, businesses and communities can thrive and adapt. Achieving this vision will create more opportunities for more people across our country and ensure Australians are beneficiaries of the big transformations underway in our economy.

The research and consultation completed for this White Paper concluded that achieving this vision will require delivering on five key objectives. These are unpacked in the following chapters.

Our first objective is delivering sustained and inclusive full employment, namely an economy where everyone who wants a job can get one without searching for too long. This means that the labour market should provide employment opportunities for all Australians regardless of their location or personal situation. Achieving a more inclusive labour market will require a broad range of policy actions to lower structural barriers to participation experienced by some cohorts. We recognise that the level of full employment that exists at any point in time must also be sustained by minimising cyclical labour underutilisation in a way that is fiscally sound and consistent with price stability.

Our second objective is promoting job security and strong, sustainable wage growth. Real wages are still falling, even as the gap between wages and inflation narrows. Poor job security and stagnant wage growth can erode living standards, financial security, and wellbeing. In addition to ensuring everyone who wants a job can get one, we recognise that working conditions, including a job's safety, security and mutually beneficial flexibility, also matter.



Our third objective is to reignite productivity growth, given Australia's relatively weak productivity performance in recent decades. Productivity growth is the core driver of sustainable wage growth and rising living standards. It is especially important to find ways to boost productivity in care and support services, given this sector is growing as a share of the overall economy. At the same time, the technological and digital transformation and climate change and the net zero transformation offer potential for a more productive and dynamic economy if the opportunities they present for investment in new technology are realised.

Our fourth objective is filling skills needs and building our future workforce. The jobs of the future will require higher level skills, and some businesses are already having difficulty finding skilled labour. More responsive and equitable education, training and migration systems will be required to broaden employment opportunities and ensure businesses can meet their skills needs now and into the future. This ambition recognises that the education journey to build solid foundational skills starts in early childhood and continues all the way through to tertiary education, where the focus shifts to more specialised skills that give people access to secure, fairly paid jobs. Having a skilled, strong and adaptive workforce made up of people who actively participate in lifelong learning is also critical to the success of enabling full employment and productivity growth.

Our fifth objective is overcoming barriers to employment and broadening opportunity. This is aimed at achieving economic equality for women, lifting people out of entrenched disadvantage, spreading the benefits of work more broadly in our society, and increasing the productivity of business through increased diversity. This involves reinvesting in employment services and ensuring policy settings do not disincentivise participation. Connecting more people to work and breaking cycles of disadvantage requires an integrated approach that goes beyond government and involves genuine partnerships with communities and industry.

Our objectives and policy actions will be guided by reform principles that relate to women's economic equality, which include actions such as valuing care work, supporting women who face complex intersecting forms of disadvantage and reducing workforce gender segregation.

The Government has a Roadmap for achieving its vision and objectives that sets the policy directions the Government will take to position the Australian labour market for the future. It is focused on 10 areas which are detailed further in this White Paper:

1. Strengthening economic foundations
2. Modernising industry and regional policy
3. Planning for our future workforce
4. Broadening access to foundation skills
5. Investing in skills, tertiary education and lifelong learning
6. Reforming the migration system
7. Building capabilities through employment services
8. Reducing barriers to work
9. Partnering with communities
10. Promoting inclusive, dynamic workplaces.



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