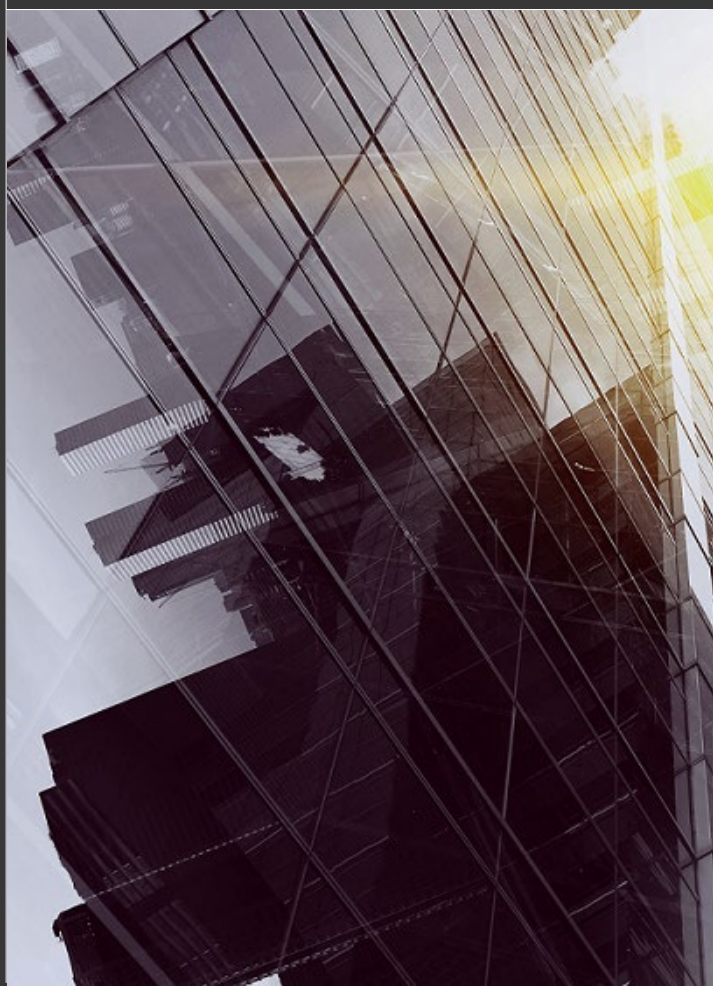
BCA

Business Council of Australia

Employment White Paper

Submission

November 2022



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Appendix

Appendix A
Jobs and Skills Australia – proposed role and key functions

1. Foreword

Australia needs to build a more dynamic economy.

One where labour is more mobile, where people move between jobs and between industries, where workers can quickly adapt to changing tasks and upskill.

One where investment flows more freely into the country, without the frictions that get in the way of attracting capital, talent and getting things done.

A dynamic economy is an economy capable of change. And it will be the skills and capabilities of our people that determine whether or not our economy is dynamic enough to drive our long-term prosperity.

So, the Employment White Paper flowing from the Jobs and Skills Summit has to come to terms with the short- and medium-term reforms that drive the country to a more dynamic economy, which will create greater resilience, higher productivity and higher wages, and improved living standards.

We believe that the Jobs and Skills Summit established consensus on four fundamental areas:

- productivity and wages are inextricably linked;
- the skills and migration system are vital to driving productivity;
- we need to lift participation from groups who are underrepresented in the labour market, and
- we need to aim towards full employment.

The Summit issues paper said: "Full employment allows our economy to achieve its potential and ensures that our economic prosperity and growth is shared more equitably among Australians. But it is not sufficient in and of itself to support sustainable growth in real wages and higher living standards: this relies on solid, sustainable improvements in productivity."

Four objectives

It's why we support these four objectives:

- we want higher wages driven by higher productivity, which means creating more value by innovating, by doing things differently, by using technology, and putting improved systems in place.
- we want to see the skills and capabilities of our people being the engine room of a more productive country.
- we want to see greater participation by women, Indigenous Australians, people with a disability, disadvantaged and underrepresented groups and we want to see them advance and thrive, not just in insecure entry level jobs.
- and we want to see the nation pull the right levers to maintain full employment in order to continue to improve living standards.

We believe there are three horizons that were outlined at the Summit that should shape the White Paper: jobs; skills, and competencies, which lead to skill formation.

Our submission outlines action in these areas.

Jobs

On jobs, we argue the most urgent step is to ensure we are starting the macro and micro economic reform to drive the retention of strong industries and the formation of new ones.

This includes the broader economic levers that sit outside the White Paper process such as a competitive taxation system, lighter touch regulation and decarbonisation.

Within the White Paper, there are multiple actions needed to create new industries, and ensuring that we have the skills of a modern economy will be essential to that.

Migration

The second part of job creation is making sure we have the people to fill the jobs that we need now to keep industries going and thriving, and to allow them to grow and create the skills and capabilities to attract investment and new industries.

This requires both short term and long-term migration.

Well-managed, well-planned migration is unequivocally good for Australia.

While skilled migration must remain as a complement for training and hiring Australians, with the nation's borders having been closed for almost two years, we need a reset on migration that attracts migrants back to our shores to help tackle workforce shortages.

Reforming the current system, including through streamlining restrictive occupational lists, strengthening the pathway to permanency for temporary visa holders and tackling worker exploitation, will help increase the attractiveness and effectiveness of skilled migration.

We urgently need the international experts to upskill Australians to deliver our renewable energy target and transform our industries.

Workforce participation

Another part of the jobs' equation is actively lifting workforce participation – making sure people can work, advance and succeed – particularly for women, disadvantaged Australians and people with disabilities.

We must also ensure that Indigenous Australians are part of the new economy, not the old economy, through a revitalised Indigenous economic agenda.

Skills and education

On skills, we believe the system needs a fundamental overhaul.

It needs to be interoperable between vocational education and training (VET) and higher education.

It needs to be digitized so employers can see a candidate's credentials more easily, and we need more micro-credentials to allow people to skill up faster.

But micro-credentials need to be stackable and portable so they lead to meaningful qualifications.

As part of this, we must also have a system that recognises and acknowledges skills that are gained in a workplace setting should contribute to a qualification system.

And we need to drive harder on digital skills, including introducing a digital standard that sets the baseline for what Australians and businesses need to know to be part of the modern economy.

The tertiary funding model needs to remove the perverse incentives that steer people towards undertaking university courses when a TAFE or VET qualification would be a better option or allow for a blending of VET and higher education courses.

Governments across Australia need to return to the fundamentals of foundation skills, which are holding many people back from even participating in the labour market. We need to ensure that there is fully funded access to basic skills training for those Australians that need them, including among Indigenous Australians.

And we need to make sure the new Skills Agreement and the extra places in both VET or higher education are targeted towards filling skills gaps now and in the future.

Competencies

In respect of competencies, which are the things that lead to skills, there are two key areas that are essential.

The first is early childhood, where we must build an early childhood system in Australia. This needs to recognise the fundamental importance of the first five years of a child's development.

These foundation years are critical to future success: not only for the individual but for the economy as a whole.

We continue to argue the Productivity Commission should undertake a comprehensive review into the relationship between the child care and early childhood systems and their intersection with primary school education.

Our aim should be to develop a world leading, integrated early childhood service delivery from birth to school.

The second area of competencies involves establishing better pathways for young people leaving school and getting careers advice so that they are developing a set of competencies.

We are falling short of where we need to be, and our education standards are declining compared to our international counterparts. We need to urgently address these challenges and adopt a lifelong learning approach that recognises that Australians gain skills and competencies beginning from early childhood, through secondary and tertiary education and throughout their working careers.

It is therefore essential we give young people a sense of the competencies that they leave school with. This means they don't leave school with just a mark such as their ATAR but also with an observable set of work-related competencies that are transferable to an employer and are visible to an employer through a digital system.

A more innovative and productive economy

But none of what we have just outlined matters, if we cannot get our workplaces operating effectively.

This is because productivity, high wages, expansion and growth are driven by unlocking the creativity and ingenuity of people and their teams.

And we believe the Government's workplace relations reforms will not do that. In fact, they run the risk of achieving exactly the opposite.

They run the risk of fossilising industry structures and work practices when we know technology and task are going to change and people need to upskill quickly. It runs the risk of doing this when economies that are more dynamic than ours are doing exactly the opposite.

What does that mean for the Employment White Paper? Well, we need to overcompensate for the fact that we will have a workplace relations system that potentially stifles the collaboration, the ingenuity and the innovation that must happen in Australian workplaces.

It means we cannot ignore the fact that our macroeconomic settings such as tax and regulation do not promote competitiveness and resilience and are not going to lead to the productivity growth that will drive higher wages.

Let's remember the skills and migration system is less easily hostage to the externalities of other factors such as global tensions, the global growth outlook, the rise of China and decarbonisation.

So, we must pull out all stops to do the reforms that will deliver a more agile, more innovative, more productive economy with higher wages and better living standards.

Jennifer Westacott AO, Business Council of Australia Chief Executive

2. About this submission

The Business Council of Australia (BCA) welcomes the opportunity to provide a submission for the Employment White Paper. The focus of the White Paper on full employment and productivity growth for the benefit of all Australians, along with women's economic participation, advancement and equality, is important as Australia, and particularly the Australian business community, confronts a challenging economic environment. While Australia's labour market has recovered strongly following the COVID-19 pandemic and is currently close to full employment, the past decade was the slowest for Australian productivity growth in 60 years. The White Paper provides a timely opportunity to build on the outcomes of the Jobs and Skills Summit to create a productive, dynamic economy that allows for businesses to invest and innovate, which will lead to better living standards for all Australians.

This submission outlines the Business Council's proposals for actions that can contribute to Australia's prosperity and sustainably deliver a stronger labour market that will drive real wages growth through increased productivity.

3. Key recommendations

- We must build on the outcomes of the Jobs and Skills Summit and maintain a focus on productivity-enhancing reforms as the best way to underpin full employment and deliver sustainable income growth.
- We should increase productivity through having a more competitive taxation system, a revamped and reformed skills and education system, being open to foreign investment, having a planned transition towards clean energy, encouraging increased female participation in the labour force and by reducing red tape.
- Establish a National Future Industries Council composed of experts from industry and the research community to provide advice to governments on the priorities for developing Australia as a frontier economy that will be able to respond and take advantage of the opportunities of the future.

Migration policies

- The increase in permanent migration to a cap of at least 195,000 places per year should be maintained, with a temporary increase to over 200,000 in 2023-24 to meet the current critical skills and workforce shortages.
- The Federal Government should ensure that that at least 70 per cent of the permanent migrant intake should be on the skilled stream.
- Ideally, the Federal Government should set the long-term permanent migration intake at a percentage of Australia's total population.
- Introduce a 'Trusted Trainer' model that would allow accredited employers to be recognised with other benefits when they sponsor skilled migrants.
- Revert to four-year visas for all temporary skilled visa holders and minimum three-year terms for post-study stream Temporary Graduate visas to attract and retain skilled migrants and university graduates.
- Incorporate permanent residence pathways based on a minimum term of employment (e.g. 2-3 years) in a skilled and/or high salary occupation in Australia.
- The requirement for (both temporary and permanent) employer sponsored visas to match a skilled occupation list should be removed and replaced with open eligibility for jobs with an above average salary.
- The Fair Work Ombudsman should be properly resourced to deal with the issue of worker exploitation, including improved linkages with Home Affairs and educational institutions for international students.
- The Government must leverage Infrastructure Australia, together with the states and territories, to identify and fund the infrastructure necessary to support Australia's growth. This should be coupled with policies to deliver net-additional housing supply.

Skills and training

- We need an education and training system that delivers interoperability between vocational education and training (VET) and higher education. We must remove the funding and other distortions from the system that currently promote one sector over the other.
- The Federal Government should develop a portable skills-sharing system that allows Australians to build and share a portfolio of education and skills that includes both formal qualifications alongside micro-credentials and other training, including non-accredited training and recognition of prior learning.
- The Federal Government, through Jobs and Skills Australia (JSA), should develop a comprehensive Lifelong Learning Strategy that provides greater recognition and support for lifelong learning.

- The Federal Government should develop a Lifetime Skills Account approach that offers financial support for Australians that would otherwise not participate in training to upskill and reskill. This could start with an initial pilot on disadvantaged cohorts, to be designed by JSA.
- The BCA, in consultation with JSA and others, will develop an Industry Skills Pact that will commit businesses to continue to invest in training, will provide voluntarily reporting on the training businesses are doing, and will share learnings from their work-based training that could form the basis for micro-credentials.
- Develop and implement a Foundational Skills Guarantee that ensures fully funded access for basic skills training for those that need them, including digital skills.
- Ensure that recent Federal Government announcements for fee-free TAFE places and additional university places are targeted at areas of skill shortage identified by JSA.
- Ensure that the Australian Universities Accord fundamentally reaffirms the role of universities, includes a focus on excellence and provides a stable and sustainable funding model that will build the skilled workforce that Australian industry will need to thrive, and Australian learners will need to achieve high-wage, high productivity jobs.

Gender equity and women's participation

- Government and business should continue to promote a more equitable distribution of paid parental leave. This should include ongoing monitoring of take-up rates among partners allowing for evidence-based adjustments to be made in the future.
- The Federal Government should examine support for superannuation paid on paid parental leave and how it can benefit the long-term financial security of women.
- Governments should consider ways to encourage women to enter, upskill or reskill into male-dominated industries, including digital industries.

Improving labour market outcomes for disadvantaged Australians

- The Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians.
- Ensure that a Foundational Skills Guarantee includes the ability to deliver bespoke training to the Indigenous community.
- Recognise that demand-led employment approaches offer the best avenues for successful employment.
- Develop a program for and designed by people with disability which includes accessible procurement; targeted recruitment using specialist services; and a supply chain of businesses owned and operated largely by people with disability.
- National Cabinet should be engaged in developing a regional policy that identifies regional locations with the greatest potential to contribute to the nation's economy and allows for targeted investment, coordination and concentrated effort in those locations.

Ensuring Australia takes advantage of future opportunities

- Develop a strategy to prepare Australia's industrial base for a clean energy future by building up new and repurposed infrastructure before we attempt to move away completely from existing systems.
- The Federal Government should work with industry to develop a framework that provides certification of cyber security workers and their capabilities.
- The Federal Government should work with industry to incorporate existing training programs into the Digital Apprenticeships through the Digital and Tech Skills Compact.

- The Federal Government should set a 'digital standard' that sets the baseline for what Australians and businesses need to have and to know to be part of a modern economy.

Productive and collaborative workplaces

- Prioritise award simplification, with a focus on removing complexity in awards in key sectors.
- Retain the primacy of single enterprise bargaining as the driver of increased productivity and sustainable wages growth.

Jobs and Skills Australia (JSA)

- The development of JSA should result in a body that can perform workforce planning and provide advice on and coordinate skills, employment and migration settings to meet industry needs and provide opportunities for all Australians. JSA must maintain strong industry connections and consider skills pathways across all forms of education, training and migration.
- JSA should prioritise skills plans for key future industries in Australia, like quantum, cyber, renewables and batteries.

4. Overview

- We must build on the success of the Jobs and Skills Summit by continuing to pursue reforms that will position Australia as a frontier economy.
- Full employment will best be achieved in the context of a more dynamic, diversified and productive economy that will deliver higher wages.
- This will involve removing the structural impediments to full employment and encouraging the private sector to invest and grow, rather than increasing regulation and promoting haphazard government intervention.

The Jobs and Skills Summit held in September 2022 was an opportunity to reset our national conversation on how to deliver a bigger and more productive workforce and position Australia as a frontier nation and economy. A frontier economy is one at the cutting edge of driving new technologies through innovation, adopting new ways of production, excelling in new industries and increased skills, and is taking advantage of the energy transition and decarbonisation process already underway.

Such an economy will drive higher wages, higher living standards and higher growth. The most recent Budget has noted the fragility of the global economic environment. This has only highlighted the importance of being a frontier economy if we are going to be able to afford the level of services that Australians need for decades to come.

We welcome the outcomes at the Summit that helped position Australia as a frontier economy. There was strong agreement on the need for a reformed, industry- and learner-centred skills system, a reinvigorated foundation skills program and increased investment in skills and training to prevent workforce shortages persisting into the future.

The Summit's recognition that well-managed migration is a key driver of Australia's prosperity is vital, given that we cannot become a frontier economy without the knowledge and skills transfer that occurs with migration. Likewise, given that removing barriers to work and participation will strengthen the economy, the strong agreement that both women's participation and the elimination of barriers to workforce participation are core economic issues was important. The initial steps announced at the Summit and included in the October Budget are important building blocks for delivering a stronger economy.

But more will be required to achieve a key aim of the White Paper process and the Federal Government's economic agenda – delivering an economy with full employment and increasing productivity growth and incomes. The BCA agrees that this is a key objective for economic reform.

Full employment

Full employment can be defined both in cyclical and structural terms. In a *cyclical* sense, full employment refers to a situation where the level of economic activity is consistent with the economy's potential, with labour and capital fully utilised. The economy will often deviate from the full employment level of output due to demand and supply shocks. The role of macroeconomic policy, in particular, monetary and fiscal policy, is to offset these shocks to keep the economy growing at its long-run trend growth rate.

Economic policy aims to avoid the waste, inefficiency and social harms associated with economic downturns, in which labour and capital are not fully utilised, the unemployment rate increases and the rate of inflation falls too low. Persistently low inflation can create economic distortions in similar ways to inflation that is too high, including in decision making around investment and spending and in wage negotiations.

Likewise, the human cost of keeping unemployment higher than what is necessary can be substantial, particularly among disadvantaged groups in society.

However, it also is important that the economy not over-heat, with activity exceeding the economy's maximum sustainable level of employment. This gives rise to excessive inflation and nominal wage pressures. If the inflation rate exceeds the Reserve Bank's target, monetary policy may be required to induce a cyclical downturn to return the economy, the level of employment and inflation rate to a sustainable path.

Macroeconomic policy has an important role to play in minimising unnecessary volatility in economic activity, employment and inflation. When the Australian economy is hit with major shocks, such as the financial crisis of 2008 and the COVID-19 pandemic from 2020, public policy can step-up to mitigate these shocks and restore economic activity to its full employment level.

Full employment also has a *structural* dimension. Labour can be underutilised due to structural change in the economy, skills mismatches or barriers to participation in the labour market that are independent of the business cycle. Economic downturns can also exacerbate these problems. Structural unemployment is more harmful than cyclical unemployment because it is more persistent, more wasteful and has more serious social harms.

Structural unemployment is also more insidious because it is more difficult to measure and observe. While the unemployment rate measures those out of work but looking for work, potential workers who have been excluded from the labour market for structural reasons will not be counted as unemployed to the extent that they are no longer actively seeking employment. The employment to population ratio and the labour force participation rate capture the level of overall participation in the labour market. But, as with the unemployment rate, in can be difficult to disentangle the cyclical and structural contributions to these measures.

During 2022, both the employment to population ratio and participation rate rose to record highs, while the unemployment rate fell to its lowest level since 1974. These outcomes reflect a strong cyclical recovery from the pandemic against the background of a supply-constrained economy. These labour market gains may not be sustainable given the associated rise in inflation, requiring a monetary policy response from the Reserve Bank. At the same time, however, the improvement in labour market outcomes compared to before the onset of the pandemic suggests that the pre-pandemic economy may have been under-performing its full potential. An important objective for the government is to consolidate some of these labour market outcomes in a way that is macroeconomically sustainable.

This is best done through a focus on removing structural impediments to full employment, such as inflexible labour market institutions and wage settings processes, mismatched skills, inadequate training and the high cost of childcare. By addressing these structural impediments, it is possible to increase the maximum sustainable level of employment.

Public policy, therefore, should not target a specific rate of unemployment or other measures of labour market participation. Instead, it should target those who have the willingness and ability, but currently lack the opportunity, to fully participate in the economy and realise their potential because of barriers created by government policy or market failure. By achieving that, we will raise the employment to population rate and labour force participation rate and lower the unemployment rate for a given rate of inflation.

Delivering full employment is not just a theoretical construct favoured by most central banks, including in their legislated mandates. There are tangible benefits in terms of macroeconomic, societal and welfare terms from having the economy and labour market operate to their full potential. In this context, it pays to contemplate this question: What contemporary problems are we trying to solve in the pursuit of full employment?

- The first problem is persistently low wages growth, which is a by-product of low productivity growth. Achieving full employment should help to lift nominal wages growth, which currently is well below inflation. There already is evidence that nominal wages growth in Australia is accelerating thanks to the drop in the unemployment rate to the lowest level in nearly 50 years. Similarly, rates of underemployment and youth unemployment also are falling, which have helped lift bargaining power for vulnerable and younger workers.
- Another problem is Australia's traditionally narrow industrial base and heavy exposure to exports of fossil fuels. This narrow base and dependence on such exports as the world decarbonises leaves Australia vulnerable to economic shocks and higher unemployment. For example, a recession in China would compromise Australia's exports of coal, iron ore and gas and slow growth in national income. Inevitably, this would result in job losses in sectors of the economy exposed to the shock. For too long, Australia has ridden its luck in the form of an abundance of commodities to obscure the risk of the economic base being forced into sudden adjustment.

The pursuit of full employment, therefore, should include sustained efforts to broaden the base of Australia's economy, including into future industries that will help take Australia closer to the global frontier. This broadening is also needed because there are enormous global forces that will hit the Australian economy in coming years – including our transition to a net zero economy – and we need to be able to adapt to them or we will be swamped and unable to provide the high productivity and high wage jobs that we need.

While we must continue to play to our strengths in areas where Australia traditionally has a competitive advantage, like mining and agriculture, we need to develop an economy that is creating new industries with new jobs, as some traditional industries are repositioning themselves to secure their future.

Diversifying the economy requires lifting our low rates of spending on research and development by global standards, as well as a focus on macroeconomic reform that drives investment and innovation.

There have been many barriers to this economic transition that have contributed to prominent false starts on Australia's move to the frontier. One of these is the clunky tax system that doesn't provide enough incentives to work, invest and innovate. Another is the heavy regulatory burden across all levels of government – these make it more complicated to do business.

There also is stifling risk aversion among citizens and business leaders and a lack of a genuine reform agenda by governments. Too often, bold microeconomic, energy and labour market reforms that would have aided Australia's move to the frontier have been overturned by subsequent governments, mainly for political reasons.

Achieving the needed broadening of the economy also requires identifying and catalysing the type of industries Australia is well positioned to take advantage of as we move to the frontier. Rebalancing the economy will mean getting the macroeconomic settings right for Australia to create new jobs in sectors where we can play to our strengths.

If we fail to do this, Australia will continue to fall behind our competitors. Appropriate government support to Australia's industrial base and other areas of strength have been hampered by a fragmented and uncoordinated approach (across successive governments). Being able to address this has been held back by a fear of 'picking winners'.

Industry policy needs to be about shaping a different future and leaning into the changes we know are coming. Done right, it is an economic enabler. It helps us prepare and adapt to an economy increasingly driven by technology and the shift to a net zero economy.

Knowing if, where and how to provide support requires Australia to know what kind of country it wants to be, and agreement about the big goals we want to achieve.

We need to ask ourselves:

- What are we already good at?

- What can we be good at?
- What must we be good at?

What is needed are systemic public policies to achieve specific and articulated goals, coordinating long-term investments as well as the wider tools of government – like infrastructure and planning, skills, and regulation.

We also need to be willing to look beyond traditional sectors and take risks in areas where we have potential to be world leaders. We have examples where we have taken ideas and turned them into commercial success – such as the Cochlear implant. We need to be bold in looking at what else we can scale up.

Getting from where we are today to where we want to be will require a coordinated effort across portfolios at every level of government. Federal, state and territory, and local governments must drive towards the same priorities, with complementary – not competing – programs and supports. These programs need not necessarily involve direct government intervention. Indeed, in many cases the primary role for government should be to provide the settings and environment to encourage and facilitate the scaling up of enterprises by private business.

To ensure governments have a trusted source of expert advice on these matters, a National Future Industries Council should be established, reporting to a body like National Cabinet. Akin to the National Science and Technology Council, this should be composed of experts from industry and the research community on commercialisation, industry development, and the long-term issues facing Australia's capacity to develop the industries needed for future prosperity. It should draw in the expertise of the Commonwealth and States and Territories, with the intention of delivering a coordinated set of actions from all levels of government.

Recommendation

- Establish a National Future Industries Council composed of experts from industry and the research community to provide advice to governments on the priorities for developing Australia as a frontier economy that will be able to respond and take advantage of the opportunities of the future.

An economy at the frontier

Australia is not going to go back to the old way of manufacturing things. Countries with low labour costs will outcompete us, and efforts to return to this will just drive down Australian workers' wages. We must not adopt proposals underpinned by the idea we need to return to an idealised past. Instead, competitiveness will be determined by our ability to harness and use new technologies. This will require Australians with the right skills and training. If we make this change, Australians can have higher wages and better conditions.

We know there are some areas where we either have natural advantages (in our geography and our people) or where we need to capture new opportunities if we are to remain a modern economy. Australia needs to focus in on ensuring we continue to develop capabilities in and grow critical sectors like:

- Quantum;
- Artificial intelligence;
- Cyber;
- Critical minerals;
- Batteries;
- Semiconductors; and
- Renewables.

These are some of areas where we already have a critical skills mass of highly talented individuals and teams, an existing resources base, or a critical need to maintain parity. With quantum, for example, international investment

has flowed to Australia because of the highly talented researchers here. To maintain this edge, we need to build on this.

Similarly, Australians need to have confidence in an ever-increasing digital economy. Fundamental to this will be ensuring everyone – governments, businesses, community groups, unions, and individuals – have appropriate cyber security. To maintain this, we need to meet what has become a critical cybersecurity skills shortage.

If we just focus on filling the shortage of cyber workers, we will miss an opportunity. There is a moment in time for Australia to build a cybersecurity industry that not only meets our domestic needs but also exports its services to our region and the world. This will deliver a more diversified economy and high paying jobs for Australians.

Fundamental to delivering on this promise will be the development of skills plans that support growing industries or lay the groundwork for the industries we want and need to have. We had an early advantage in some of these industries, but others are now catching up – we have to run twice as fast if we are to stay ahead.

To deliver on this ambition, there are a number of steps all parts of Australia must work together on. These include establishing and growing a small number of internationally significant precincts and bolstering research commercialisation.

Internationally significant precincts

The National Reconstruction Fund must include, as part of its investment mandate, a clear expectation that part of its funding will be directed towards the development of a small number of internationally significant precincts. These must focus the work of businesses, government, and the education system to bring together common activities into a single region.

As mentioned above, our economy will be buffeted by the significant economic transitions that are underway. We need to have a diverse and dynamic economy that can adapt to those changes and focus on bringing new industries with new jobs on stream. Only by doing this will we ensure that there will continue to be a range of productive, highly paid jobs that we will need in the future. Establishing precincts can play an important role in ensuring we are at the frontier of the future economy.

This will mean ensuring all parties have a clear understanding of why a precinct can, and will, be important in a global context. This is not just the pure number of jobs created, but also the significance it has for global trade. This means showing export potential, through access to a strategic port or airport, years of investment behind them, or demonstrated success and agglomeration.

For example, the Federal Government has already committed $100 million in equity investments to establish a 'battery precinct'. The precinct will see local manufacture of batteries via a larger existing manufacturer. The precinct would also become home to small and medium-sized enterprises (SMEs) currently undertaking work in the sector.

This is a sensible measure. But it needs to be backed in with other arms of government, such as through supportive infrastructure investments. These will be crucial to ensuring workers have access to the raw materials needed to make batteries and provide the gateways to ship these to markets both in Australia and overseas.

We welcome the Federal Government's commitment to house SMEs at the precinct. We also need an eye to the long term by including key research partners and providers of skills and training to establish the precinct not just as a one-off hub, but to create an ecosystem that supports and sustains itself into the future.

What is needed to complement these policy settings is a clear strategic overlay to policy and funding decisions.

Research commercialisation

Australia has a proud history of creating new innovations: from photovoltaic solar panels to the Cochlear implant. But we need to get better at commercialising and scaling up. There are opportunities for Australia to seize the chance to build on our research successes, particularly in important new fields like quantum computing, hydrogen, photovoltaics, wind, and battery technologies.

The solution isn't the government putting more taxpayers' money up. Instead, it must be about enabling and encouraging businesses working with the research community to drive collaborative research. Backing this in must be an attitudinal shift inside government.

To address this, an early task of the proposed National Future Industries Council should be to review whether existing incentives – such as the Research and Development Tax Incentive – could be better set up to deliver the non-taxpayer funding sources needed to drive collaborative research, and what additional measures are needed across governments to deliver this.

Recommendations

- The National Reconstruction Fund including as one part of its investment mandate a focus on a small number of internationally significant precincts.
    - Other government investments and interventions – such as infrastructure projects – should be prioritised based on how they enable these precincts.
- Review whether the existing mechanisms to incentivise R&D investment could be better designed.
    - This could be a task of the National Future Industries Council (proposed above).

4.1 Achieving full employment through a more dynamic economy

- The best way to achieve sustainable full employment is through a focus on removing structural impediments. These include inflexible labour market institutions and wage settings processes, mismatched skills, inadequate training and the high cost of childcare.
- This will create a more dynamic economy. An economy with flexible and competitive markets and where labour and capital are highly mobile. An economy that will deliver more people in better-paying jobs before placing upward pressure on inflation.
- Australia's economic dynamism has been declining for several years. Arresting our declining productivity and increasing our economic dynamism by positioning Australia as a frontier economy should be the main focus of our economic policy settings.
- Given that the labour market came through the COVID-19 pandemic strongly, now is the best time to undertake the reforms necessary to position the economy to withstand the forces ahead.

Australia's economic dynamism has been declining for several years. Arresting our declining productivity and increasing our economic dynamism by positioning Australia as a frontier economy should be the main focus of our economic policy settings.

There is considerable evidence that Australia's economic dynamism is declining and is a drag on productivity. Our apparent loss of drive and agility helps explain what the Productivity Commission (PC) describes as Australia's worst productivity performance in six decades. Over the last decade, productivity measured as output per hour worked inched ahead by 1 per cent, compared to 1.5 per cent over the last 30 years and more than 2 per cent in the 1990s. Lower productivity growth, in turn, helps to explain the persistence of sluggish growth in real wages. The recent Budget downgraded the assumption on productivity growth from 1.5 per cent to 1.2 per cent, which will also have a significant impact on our ability to sustainably fund services and achieve a balanced budget over time.

A dynamic economy is one that has flexible and competitive markets and where labour and capital are highly mobile. This gives business stronger incentives to invest and innovate. A dynamic economy is more open to the flow of people, capital and ideas from the rest of the world and is regulated in ways that lowers risk and increases certainty.

To a large extent, business drives dynamism in the economy through investment and innovation. Larger firms typically have higher productivity, pay higher wages and export more than smaller businesses. Businesses could contribute more to dynamism if given stronger incentives, reduced barriers to entry, greater policy certainty and a reduced regulatory burden.

The causes of Australia's dwindling dynamism bring to the forefront possible solutions, some of which already are being advocated by the BCA. Not all problems can be solved by changes to Commonwealth policy; many policy levers are the domain of the states and territories. This raises the need for a coordinated approach to restore Australia's economic dynamism, perhaps outside the existing institutional frameworks like National Cabinet.

4.1.1 Dwindling dynamism

The primary evidence of our dwindling dynamism are:

- Lower turnover rate among Australian businesses, with flat business entries and fewer exits of uncompetitive firms. New firms tend to bring fresh ideas and new products and typically are more innovative. Conversely, the persistence of legacy firms could mean that less productive practices continue.
- A slower rate of job switching. People switching jobs helps to ensure labour resources move to their most productive use and help keep people happy and energised. There is a clear payoff here for society's wellbeing through increased mental health. The decline in job switching may be because of increased risk aversion, particularly owing to fears and uncertainty raised the pandemic. Some young workers may be stuck in less satisfying and unproductive roles ill-suited to their skills.
- Slow uptake of new technology and innovation. A dynamic economy is facilitated by firms quickly adopting new practices and technologies, including from overseas. Australian citizens have been quick to adopt new technologies like smart phones and personal gadgets into their daily lives. Our businesses, however, rank poorly on metrics usually associated with innovation and forming frontier industries.
- Falling business investment. Investment in new plant and equipment, technology and processes is an important part of fuelling dynamism. Yet, investment by non-miners in Australia has been falling as a share of GDP – particularly since the global financial crisis. Investment has dwindled to around 8 per cent of the economy, compared to nearly 14 per cent in the late 1980s. A succession of booms in mining investment masks this underlying trend, but the decline is evident even when the miners are included.

There may be less to worry about than this accumulation of evidence suggests. For example, there are long lags associated with benefits derived from innovation and productivity, including higher wages - the tight labour market in Australia ultimately should see more job switching and higher wages. There already is evidence that wages growth is accelerating. Higher wage costs should also spur more investment, as firms switch from labour to capital, which could ignite productivity growth.

Optimists also could point out that, unlike after the global financial crisis, when dynamism also slumped, the balance sheets of corporates and households today are in good shape. Huge cash balances mean there is plenty of "fuel" for new spending and investment should opportunities arise. The malaise is not uniquely Australian, either. Local solutions, then, may not be the answer, although public policy responses are needed to offset the secular trend.

The growth of the services sector could also be to blame. Australia's recent poor productivity outcomes certainly are a symptom of the steady growth of the services sector over recent decades. Service industries typically have lower productivity than industries like mining, although service sector output is more difficult to measure.

That said, there are underlying causes of the symptoms of the loss of dynamism in Australia.

- Rising risk aversion. Risk aversion makes people less likely to switch jobs, move to another location or start a business. Similarly, firms may be disinclined to invest, innovate, hire new workers and otherwise be more creative if managers are worried about policy uncertainty and changes to their operating environment.

- Stalled globalisation. Australia is a small, open economy that benefited greatly from the steady rise in globalisation over the two decades to the turn of this century. Since 2000, though, Australia's rate of globalisation has stalled. Australia scores 67 on the KOF Economic Globalisation index (the same as the US), compared to our index of 65 in 2000. Singapore today scores 98, where 100 is the most globalised economy.
- Lower foreign direct investment (FDI). FDI brings not only new capital but new ideas and frontier technology. Australia was a net importer of foreign capital for the best part of the last twenty years, but now is a substantial net exporter of capital. The current account, traditionally in structural deficit, has been in surplus for 13 straight quarters. The last time there was such an extended period of capital account deficit was in the 1940s.
- Lower market composition. Competition in markets encourages new entrants and threatens the survival of legacy firms that are not pushing to the frontier of innovation and creativity. In a competitive environment, these laggard firms either find a means to innovate and adapt … or fail. Increasing market shares and concentration in markets are not issues in and of themselves.
- More labour market friction. For the first time, Australia recently experienced more vacant jobs than unemployed people, which indicates there is friction in the labour market. Many employers are unable to fill vacant roles with people with sufficient skills and workers seem less able to share in the benefits of growing the economy. Additionally, in many cases regulatory requirements can make it too difficult to employ people.
- Declining trust in institutions. Trust in Australian institutions has been sliding as the regulatory burden has been increasing. That is, people have become more distrustful of the institutions becoming more intrusive in their lives and businesses. The heavier burden of regulation introduces friction into product markets that makes it harder for employees to innovate and for business managers to try new things.
- A lack of plentiful and affordable housing, including in regional centres. This means people are less able to move to more desirable places of work in higher paying jobs. There is no point creating innovative and interesting jobs if workers are unable to find suitable and affordable housing as they move to new locations to take up these jobs.
- A heavy tax and regulatory burden. Australia's tax and regulatory burdens have been handbrakes on investment and productivity. The problems with the tax system have been shown in multiple reviews. Tax is a major lever governments can use to promote productivity growth.
- Friction in the foreign investment screening regime. Investors wanting to bring innovation and investment to Australia face an increasingly formidable foreign investment screening process. Once through the door, investors are faced with duplication/inconsistencies across the Federation, frequent changes to laws and regulations, and a poor understanding from policymakers and regulators of the complexity, time and cost to implement changes.

4.1.2 Solutions

The dynamism, success and productivity of individual businesses are dependent principally on the actions and choices made by their managers and employees, within an environment influenced by government behaviour and regulation. There are calls for heavier regulatory engagement in markets and industries, the so-called "dead hand" of more government intervention.

There is, however, an alternative, business-led approach that is likely to lead to more favourable outcomes. This approach involves creating an environment that unshackles and empowers the dynamism inherent in the corporate community and business leaders. This would be a means of releasing the constructive "animal spirits" that encourage private sector-led innovation, investment and hiring.

These positive forces can be unleashed via:

- *Encouraging creative leadership and entrepreneurialism* – stifling, heavy regulation makes it more difficult for business leaders to create productive new enterprises, innovate and hire. It is important that Australia be made an easier place to do business, not harder.
- *Improving corporate culture* – business leaders typically thrive when the culture of an organisation facilitates considered risk taking and encourages accountability. Enhanced culture is one way to overcome the creeping risk aversion currently stifling dynamism.
- *Increased corporate M&A activity* – such corporate activity helps facilitate the so-called creative destruction needed to ensure that resources – capital and labour – are deployed in the most productive fashion. Restrictions on such activity often become heavy handed and can stifle this much needed reallocation of resources.
- *Innovation, automation and faster uptake of technology* – businesses must be able to quickly adopt and deploy new technology and practices as a means of innovation, particularly those coming from overseas. Some businesses have been accused merely of implementing cost cutting as a way of lifting profits.
- *Looking outward/overseas* – businesses that have an export orientation and high overseas engagement tend to be larger and more productive. For all its strengths, Australia's local market is small by global standards, so outward-looking businesses are more likely to prosper. It also means having easier access to global capital and skills.

This business-led approach contrasts with the alternative practice of government and regulators punishing businesses for perceived transgressions, including via punitive taxation. As the PC indicated, government has a crucial role to play in setting the necessary guard rails for corporate behaviour and providing the necessary incentives for businesses to invest and hire. After all, businesses doing the lion's share of both via long-term strategic decisions crave increased policy stability and predictability.

5. A well-managed migration system

- Well-managed, well-planned migration is unequivocally good for Australia. It improves Australians' living standards, strengthens our economy, and complements local skills.
- With the nation's borders having been closed for almost two years, we need to restore our welcoming reputation. We need to do better than the pre-pandemic 'business as usual'. Australia should aim for a reset on migration that not only attracts migrants back to our shores and tackles workforce shortages, but also helps set Australia up as a high-productivity, high-skill, and high-wage frontier economy.

Australia is an open, multicultural country that has a strong history of attracting workers from all around the world. Our openness to migrants is part of who we are as a country, but it is also firmly in our national interest. Skilled migrants deliver talent and experience that complement local workers and lift living standards. In many cases they bring specific skills, knowledge and diverse experience that can't be found locally.

Migration improves Australians' living standards, strengthens our economy, and complements local skills. When young and skilled workers migrate to Australia, they help fill skills gaps in our economy, offset the aging population, and bring the knowledge and experience needed to support the growth of future industries.

Work undertaken by EY commissioned by the BCA in 2021 identified three key economic and demographic benefits delivered by migration:[1]

- New migrants support Australia's workforce and help manage the pressures of an ageing population.
- Migrants are concentrated in prime working age groups and drive higher rates of employment. They also fill critical skills shortages.
- Migrants have relatively high levels of education (especially in the skilled stream). They bring new ideas, cultivate international connections, and boost our national skills base.

More specifically, EY's analysis found that annually for every 1,000 migrants there is:

- $38 million in more tax revenue.
- $124 million in higher economic output.
- $59 million in increased investment.

There is a multitude of other research, including by the PC, Treasury and the International Monetary Fund that point out the economic value migrants bring to countries.[2][3][4]

After two years of closed borders that contributed to the loss of around half-a-million temporary migrants and missing out on tens of thousands of skilled permanent migrants, we need substantial reform of our migration policies to recognise the competitive global environment for skilled workers and build on the commitments announced at the Jobs and Skills Summit.

To this end, the BCA welcomes the Federal Government's recently announced review of the migration system. The system as it stands is highly complex and has become increasingly unattractive for skilled migrants and their employers. Short-term two-year temporary skills shortage visas with no pathway to permanent residency are unattractive to experienced workers and their families. Eligibility for skilled migration is restricted by out-dated and inflexible occupational lists. Poorly targeted and inefficient labour market testing imposes a significant administrative burden on employers.

[1] Ernst & Young. 2021. *A hit to economic growth: we need to catch up lost migration for the good of all Australians.*
[2] Productivity Commission. April 2016. *Migrant Intake into Australia.*
[3] Australian Treasury. 2021. *The Lifetime Fiscal Impact of the Australian Permanent Migration Program.*
[4] International Monetary Fund. 2020. *Migration to Advanced Economies Can Raise Growth.*

Australia should aim for migration policies that not only attract migrants back to our shores and tackle workforce shortages, but also set Australia up as an attractive high productivity, high skill, and high wage economy.

Skilled migration must remain a complement (not a substitute) for training and hiring Australians. To ensure that public support remains strong, Australia needs to do more to expand local access to education and training and to support workforce participation and it must ensure that population growth is planned for and managed well.

In the present context, this involves meeting the existing workforce challenges that are a handbrake on our economy. Some of these are challenges that can be dealt with on a temporary basis for parts of the economy that are currently under acute pressure, such as mining and construction and hospitality, but in the longer term it requires a substantial reset to deliver a simplified and more useable system.

5.1 The loss of migrants is driving current workforce and skills shortages

Job vacancies have shot up as Australia has emerged from COVID-19 lockdowns and two years with our international border largely closed. In August 2022, there were over 470,000 job vacancies across Australia, which was more than double the pre-pandemic level, while the unemployment rate remains around the lowest level in almost half a century.

The fastest way Australia can expand its labour force to meet these critical skills shortages is by attracting and retaining migrants with work rights. Given the acute and widespread workforce shortages we face, it's critical that we improve our visa system to support the return of migrants to pre-COVID-19 levels. The Federal Government's commitment of extra resourcing to accelerate visa processing is welcome. However, we need to take additional steps to restore our global reputation and draw migrants back.

We also need to make it easier to take full advantage of the skills developed overseas by those who are currently in Australia. This could include greater and faster recognition of prior learning and skills and qualifications acquired in other countries, providing they meet required safeguards. The current system can often be complex, confusing and costly for new arrivals, especially for regulated professions.

The demands for, and benefits from, skilled migrant labour will outlast the current more acute shortages. In particular, in areas where we don't have the knowledge base in the country, we will always need to attract it from overseas. This is critical not just to participate directly in business investments and delivery of work needed now, but also to educate, train, supervise, and upskill local workers, passing on their knowledge.

Australia faces stiff competition as a migrant destination from other advanced economies that are also experiencing severe skills and labour shortages. That's why we need to apply a multi-pronged attraction strategy to support the return and retention of temporary migrants with work rights that can help to tackle Australia's skills and workforce challenges. This should include an extension of temporary measures put in place to attract and retain migrants, and a targeted advertising campaign aimed at promoting Australia to the world.

We also need better information channels for prospective and newly arrived migrants. Currently, information is split across multiple websites for different levels and agencies of government. Information on visas and access to services is often presented in a confusing way, focused on compliance and rules, rather than on improving understanding and emphasising Australia's appeal. A one-stop web portal for prospective (and current) migrants could bolster Australia's ability to attract global talent. Simpler information on visa options, along with resources that set clear expectations for life and work in Australia would boost our appeal, while info on settlement services would help migrants find their feet. Information on work rights (and avenues to seek advice/assistance) would help prevent instances of exploitation.

Recommendations

- Apply a multi-pronged strategy to tackle Australia's skills and workforce challenges by supporting the return of migrants with work rights, including measures such as:

- Expedited visa processing, including through a risk-based relaxation of eligibility checks.
- Clearer messaging to prospective migrants and their employers on the wait-time for newly lodged visas.
- Extending discounts on visa application charges and relaxed working hour limits for student visa holders
- Temporarily lifting caps on Work and Holiday visas.
- Implementing an overseas advertising campaign to promote Australia to the world.

- Create a one-stop website for migrants that contains information on visa options, settlement services and work rights to boost Australia's ability to attract global talent.
- Improve the process for recognising qualifications and skills obtained overseas.

5.2 A boost to permanent migration will get Australia back on track

Australia should seek to make up for lost ground through a boost to our migration program that goes beyond getting back to 'business as usual'. A strong migration program will help to offset the long-term demographic challenges associated with the ageing of the population and reduce the age dependency ratio that would otherwise result in a growing tax burden on working Australians.[5]

The BCA welcomes the Federal Government's decision to increase the permanent migrant intake to 195,000 in 2022-23. To build on this, we would suggest that this increase should be maintained in the future, with consideration of a temporary increase to over 200,000 in 2023-24 to help address the critical worker shortages exposed by the pandemic.

Maintaining a permanent migrant intake of at least 195,000 would represent an annual intake that amounts to around 0.75 per cent of Australia's population, consistent with the average level in the decade before the intake. The Federal Government should also ensure that the vast majority of the intake is for the skilled stream.

To give certainty for long-term planning, the Federal Government should consider setting Australia's permanent migration intake at a percentage of the total population over the long term. This will provide a clearly defined figure to inform long-term planning of infrastructure and services that automatically adjusts as Australia's population grows. Alternatively, the Federal Government should at least provide a four-year look ahead for permanent migration numbers. In the current context, these should at least recognise a growth trajectory particularly given the reduction over the last several years.

Recommendations

- The permanent migration to a cap of at least 195,000 places per year should be considered a floor going forward, with a temporary increase to over 200,000 in 2023-24 to meet the current critical skills and workforce shortages.
- The Federal Government should set the long-term permanent migration intake at a percentage of Australia's total population. This should build on and grow the 195,000 number in 2022-23.
    - Alternatively, forward guidance of at least four years should be provided for the permanent migration intake, to assist in the planning of infrastructure, housing and services.
- The Federal Government should ensure that that at least 70 per cent of the permanent migrant intake should be on the skilled stream.

[5] Commonwealth Treasury. 2021. *2021 Intergenerational Report*. Canberra.

5.3 Longer-term reset for a simplified migration system

Building on the important steps that the Government has taken through the Jobs and Skills Summit and the October Budget, including the critical increase in funding to expedite visa processing and resolve the visa backlog, the recently announced migration review provides the perfect opportunity to reform the migration system to get the settings right and make it more useable in the longer-term for delivering the skilled workers we will need in the future. Australia has the chance to place itself in key supply chains for the future economy, but only if we have the required skilled workforce.

5.3.1 Improving temporary migration practices

Temporary employer sponsored migration allows Australia to bring in workers to fill skills shortages and address significant needs in the economy. It allows employers to be more responsive to Australia's economic conditions, responding faster than the education and training system would allow, especially in supplying not only knowledgeable workers but ones with experience.

However, there have been issues with some practices that target temporary migrants. The exploitation of migrant labour is an unacceptable practice that must be stamped out. Employers must treat all their workers in line with the requirements of Australian law, and migrant workers are not any different. There must be concerted action to address this issue.

To do otherwise not only directly impacts those workers, but it also disadvantages employers and workers that operate within labour market norms, has a detrimental impact on the reputation of Australia, and undermines the standing of the migration system.

To this end, the BCA supports the recommendations from the 2019 Migrant Workers' Taskforce.

In particular, we are of the view that the Federal Government has a central role to play in both education and enforcement. The Fair Work Ombudsman must be better resourced, with a strengthened relationship with Home Affairs. Leveraging off that, it should look to improve how it engages with migrants as they move into the country and ensure workers that are most likely to be at risk of exploitation are targeted early with additional information and support. We do not believe this is a task that should be outsourced to third party organisations or provided to workers in return for a fee. This must be core business for the Government and its regulator.

Educational institutions have a key role to play in helping support their international students in this regard and should have the ability to act as an initial gateway to the Ombudsman.

In respect to Temporary Skill Shortage visas, proposals discussed later in this submission around improved mobility would assist in allowing workers to move on without fear of being immediately deported or losing their pathway to permanency.

Recommendation

- The Fair Work Ombudsman should be properly resourced to deal with the issue of worker exploitation, including improved linkages with Home Affairs and educational institutions for international students.

5.3.2 Increasing Australia's attractiveness for skilled migrants

One issue that stands in the way of Australia remaining a first-choice place for migrants to study and work is the short duration of many temporary skilled visas, and the absence of options within these for transitioning to permanent residency. Short-term visas without a permanent migration pathway make it hard to attract and retain talented people, while also creating uncertainty and extra costs for sponsoring employers.

For Temporary Skill Shortage visas in the short-term stream and Temporary Graduate visas in the post-study work stream (university graduates with a bachelor's degree), a two-year term is too short a time for many migrants who are weighing up the costs and uncertainty involved in moving to Australia, and it is also often too

short a stint for potential employers, especially given the months it takes to process visas and then bring people into the country and get them up-to-speed.

Four-year visas for all temporary skilled visa holders, and minimum three-year terms for post-study stream Temporary Graduate visas would help attract and retain skilled migrants and university graduates who may be put off by protracted visa processing times and who are considering opportunities elsewhere. Longer-term visas will provide more of a pay-off for migrants and their employers, and will also support better forward planning for businesses, particularly in the delivery of projects that are staged over multiple years.

Longer visa terms should also allow for permanent residence pathways based on a minimum term of employment in a skilled and/or high salary occupation in Australia. Without permanent residency pathways, skilled migrants can be forced to cycle through short-term visas with limited certainty or security, or otherwise leave Australia and take their skills elsewhere.

Recommendations

- Revert to four-year visas for all temporary skilled visa holders and minimum three-year terms for post-study stream Temporary Graduate visas to attract and retain skilled migrants and university graduates.
- Incorporate permanent residence pathways based on a minimum term of employment (e.g. 2-3 years) in a skilled and/or high salary occupation in Australia.

5.3.3 Skilled migration is too tightly restricted to certain occupations

We need to improve how eligibility is targeted for employer-sponsored skilled migrants. Both temporary and permanent employer sponsored visa streams typically require the applicant to demonstrate that their occupation is on the relevant list of eligible skilled occupation shortage list. There are three different lists, depending on visa length and geography (regional or Australia-wide) – the Short-term Skilled Occupation List, Medium and Long-term Strategic Skills List, and the Regional Occupation List.

These lists dictate what stream a Temporary Skill Shortage Visa applicant is placed on as either a two-year short-term or four-year medium-term visa. They also dictate whether there is a pathway to permanency, which is only available for occupations on the Medium and Long-term Strategic Skills List.

Employers have told us that these multiple lists and the varying occupations that are described in them can be confusing for businesses. They are also overly restrictive, and unable to readily account for emerging occupations or combinations of in-demand skills and experience.

In particular, skills lists based on outdated ANZSCO codes limit eligibility for higher salary positions in fast-changing fields like technology, advanced manufacturing and professional services, which deliver strong economic benefits and are critical to Australia's future economy. This inflexible system reduces employers' access to global talent and forgoes the spill-over benefits of knowledge, productivity and innovation that these skilled migrants bring with them.

This year, both the PC[6] and the Grattan Institute[7] have argued that the current system of occupation lists is flawed.

A better approach would be to extend eligibility for skilled visas (both temporary and permanent) to migrants filling any occupation that can attract a salary above a given high threshold. We propose a simplified system whereby this open eligibility salary threshold (for both temporary and permanent migrants) could be set at $92,000 per annum (broadly equivalent to the average annual full-time salary in Australia) and be indexed to movements in the Wage Price Index.

[6] Productivity Commission. 2022. *5-year Productivity Inquiry: A more productive labour market*.
[7] Grattan Institute. 2022. *Fixing temporary skilled migration: A better deal for Australia*.

Opening skilled visa eligibility up beyond a high salary threshold will better target migration to candidates with high skills and earning power. This change will help ensure employers can access global talent in emerging occupations, or where an applicant requires a combination of skills and experience. A simple, high minimum salary test will also reduce costs and administrative burden of visa processing, which could speed up the process, allow for more of a focus on risk-based compliance monitoring, and make skilled visas more attractive for migrants and their employers.

Eligibility below this threshold should still be supported for occupations outlined in a simplified single skilled occupation list based on independent advice by Jobs and Skills Australia (replacing the current lists). The differentiation between regional and Australia wide, and short and medium term should be removed, as they are often artificial and unnecessarily complicate the system.

The existing floor salary (the Temporary Skilled Migration Income Threshold) could continue, as could the requirement for employers to pay no less than the annual market salary for a given occupation. We note that the Government has flagged an intention to increase this Threshold to $65,000 with annual indexation. This should occur in a gradual, phased manner.

While the BCA has indicated support to increase the Temporary Skilled Migration Income Threshold to $65,000, the Government should ensure that it is fully apprised of the consequences of doing this. The occupations likely impacted will fall within specific sectors of the economy. The Government should undertake work to understand the effect potentially cutting these sectors off from the temporary skilled migration program would have; including whether there was actual flexibility possible in wages or whether the workforce numbers in these areas would materially reduce. This is particularly important given the current skills shortage and historically low unemployment level. This information should then be used to determine the appropriate pathway to increase the Threshold, if the Government decides to proceed with that commitment.

Recommendations

- The requirement for (both temporary and permanent) employer sponsored visas to match a skilled occupation list should be removed and replaced with open eligibility for jobs with a salary above the full-time adult average weekly ordinary time earnings in Australia annualised (currently around $92,000).
- Occupational eligibility lists for employer sponsored visas should be simplified into a single, streamlined skills list administered by Jobs and Skills Australia.
- Noting the Government's intention to raise the Temporary Skilled Migration Income Threshold to $65,000, this should be done gradually, in a phased way. The Government should commission work on the workforce impact of doing this before it proceeds with this course of action.

5.3.4 Strengthening the link between migration and training

A key principle of Australia's skilled migration program is that it should be restricted to filling positions where no suitably skilled Australian worker is available. To maintain support for skilled migration it is critical that we strengthen connections with the education and training system, ensuring that skilled migration continues to act as a complement (and not a substitute) for training Australians.

The Skilling Australians Fund (SAF) levy is a measure intended to make this connection, by increasing the cost of sponsoring skilled migrants while raising funds to support training opportunities for Australian residents. A major frustration for business is that the SAF levy, in addition to increasing the costs of visa sponsorship, is not being used to train workers to fill the skill shortages that necessitated the levy payment. Due to the SAF's focus on VET-level training, many businesses like universities and technology firms that pay the levy have no confidence that they will see any benefit in terms of an increased supply of skilled local workers in their industry or region (particularly businesses in Victoria and Queensland, which never signed up to the fund). This disconnect means the levy represents an additional tax on skilled labour that diverts funds that could have been used by companies to train their own staff.

Given the flaws with the SAF levy, it should be abolished and a better system, with stronger ties to and recognition of meaningful training and with fewer costs and burdens that can deter businesses from accessing skilled labour to meet workforce shortages, implemented.

However, if the SAF levy and its associated fund are to be retained, then they should be reformed so that there is a clearer link between the businesses that pay the levy and the training provided to address skills shortages. At the least, there should be transparency about the allocation and outcomes of funding, and more direction from industries/employers that pay the levy over the fields and forms of education and training that are supported by levy revenue. Another option would be to allow employers to direct levy revenues to industry-specific Training Funds to be spent on education and training pathways for Australian residents. Either way, the new Industry Skills Clusters could play an important role in informing the direction of funding.

Exemptions from (or credits against) paying the levy should also be introduced to recognise businesses that are investing in their own training pathways for current and new employees. One option would be to waive or discount the levy for accredited 'Trusted Trainer' employer sponsors that undertake their own training or that spend a given amount on training through approved education and training providers. Trusted Trainers could also be recognised with other benefits when they sponsor skilled migrants, including streamlined labour market testing processes and five- or ten-day visa processing benchmarks.

This model would reward employers that go above and beyond to hire and train locally, while also creating better visibility and data on the training that employers are delivering in their workplaces, including outside the formal qualification system. It recognises that skilled migration and local training can complement and reinforce each other.

Regardless, the SAF levy has received sustained criticism from sponsoring employers for imposing high upfront costs (upwards of $7,200) prior to an applicant being approved, and without suitable refunds where a visa application does not work out or the visa holder returns home or switches employer. There is a strong case for spreading costs more evenly over the visa term, or making more provision for refunds. Allowing payment of sponsorship fees at appropriate milestones, rather than as a lump sum at nomination, would de-risk the nomination for employers, and make it easier for a migrant to transfer to a new sponsoring employer if needed (which would support labour mobility and migrant welfare). Taken together, these changes would make the SAF Levy a more fit-for-purpose measure for linking skilled migration to domestic education and training.

Trusted Trainer employers - proposed model

The intent of the Trusted Trainer model is to recognise and reward employers that are investing directly in the skills of their local workforce, over and above what is typical in the market.

Accredited employer sponsors of skilled migrants could be assessed as 'Trusted Trainers' where they demonstrate a strong track record of responsible visa sponsorship and of training/hiring locally. It would also only be available to employers that demonstrate a high standard of commitment to local employment and pay requirements.

Specifically, we proposed that a Trusted Trainer would be required to spend the equivalent of a minimum percentage of their wage budget on training. In return, these employers would gain an exemption from the Skilling Australians Fund levy and receive access to expediated migration processing and reduced red tape.

To be assessed as a Trusted Trainer, the employer must:

- spend a minimum percentage of their total payroll spend on training Australian staff. This expenditure would include:
    - Structured training; and
    - Wages spend on apprentices and trainees.

- Meet other criteria that demonstrate a commitment to local staff and high-quality conditions for migrant workers, such as:
    - Australian workers make up at least 85 per cent of the employer's workforce in Australia;
    - Have a written contract of employment for all Temporary Skill Shortage visa holders that meets the National Employment Standards;
    - Pay all Australian employees in accordance with an Enterprise Agreement or an internal salary table that reflects the current market salary rates for all occupations in the business;
    - Have an annual turnover of at least $4 million for the last 2 years; and
    - Have a registered Australian Business Number and are not a sole trader or partnership.

The benefits delivered to the Trusted trainer could include:

- Exemption from the Skilling Australians Fund levy;
- A shorter period of local advertising for labour market testing requirements, down from four weeks to two weeks; and
- Access to an enhanced version of the Accredited Sponsor program, providing priority visa processing, with:
    - A service level agreement that provided 5-day visa processing.
    - Removal of English language proficiency testing for intra-company transfers of senior staff.

Recommendations

- Introduce a 'Trusted Trainer' model that would allow accredited employers to be recognised with other benefits when they sponsor skilled migrants.
- Substantially reform (or otherwise abolish) the SAF Levy and Fund, including by:
    - Giving more direction to industries/employers that pay the levy over the fields and forms of education and training that are supported by the Fund.
    - Incorporating credits for accredited 'Trusted Trainer' businesses that undertake their own training or that spend a given amount on training through approved education and training providers.
    - Spreading costs more evenly over the visa term or making more provision for refunds where a visa holder returns home or changes employer.

5.3.5 Improving mobility within industry for temporary workers

We need to get the balance right in providing mobility for temporary migrants within industries.

The current premise for temporary migrants arriving in Australia on a Temporary Skill Shortage Visa is that they are being granted that visa to undertake a specific role. The employer is subject to a stringent set of requirements to demonstrate the need to sponsor an employee and has paid significant upfront fees to facilitate this.

In simple terms, the current Temporary Skill Shortage visa provides that the visa holder (unless an exemption applies):

- Must remain working for the sponsoring employer.
- Must only work in the occupation nominated on your visa.

- Must not stop working for more than 60 consecutive days.
- If you want to change your employer, your new proposed employer must get a nomination approved before you can start work for them.

These conditions provide for very limited mobility for a worker, who would otherwise need to depart Australia if they were to lose their employment and not find a new sponsor within 60 days. They also provide for very limited flexibility within an organisation, including potentially limiting upward mobility of an employee.

While we acknowledge the purpose and intent of the current visa system, it is arguable that these conditions are too onerous on individuals. People switching jobs helps to ensure labour resources move to their most productive use and help keep people happy and energised. The current system can lead to workers getting stuck in less satisfying and unproductive roles ill-suited to their skills. This impacts not only on the individual, but also stifles the dynamism of the Australian economy overall.

We also recognise concerns that these type of visa conditions can leave employees with difficult decisions if they were to have a dispute with their employer.

To this end, we believe there are measures that should be considered which would be beneficial for both employers and sponsored temporary-migrant employees, to facilitate a less restrictive environment for mobility within the economy, without undermining the overall purpose of the temporary visa system.

This includes the broader improvements that are discussed in the sections above, which would also help address this issue:

- Improving pathways to permanency for temporary workers, to allow people that have established roots in Australia to more easily become permanent residents here and move off temporary visas with these specific restrictions.
- The removal of the requirements for occupational lists above a salary threshold, and the streamlining and simplifying those lists for jobs below that threshold, will reduce restrictions on an employee that is seeking alternative employment.
- Spreading costs more evenly over the visa term or making more provision for refunds where a visa holder returns home or changes employer. Moving to a milestone payment model would de-risk the nomination for employers and make it easier for a migrant to transfer to a new sponsoring employer if needed.

In addition to these measures, there should be other changes that go directly to this issue.

There should be consideration of extending the period that a migrant could remain in Australia without a nominated employer beyond 60 days. The average duration of a job search in Australia over the last decade was just under four months.[8] There should be recognition that once an employee has been in Australia for a reasonable period – to ensure there isn't gaming of the system – they should have the opportunity to find a new employer if the need arises rather than having to leave the country within such a short period.

The Jobs and Skills Summit also raised the proposal of 'industry sponsorship', to facilitate movement within an industry rather than tying an employee to a specific sponsor. While this could have application in some industries at the lower paid end of the migration spectrum, it is important to recognise that in higher paid or technical roles, a specific expertise, cultural fit, and skill set is required; and an employer should have the ability to seek out the specific talent necessary for a role.

Recommendation

- The Government should consider extending the period a sponsored migrant could remain in Australia without a nominated employer beyond 60 days, provided they have already been in Australia for a reasonable period.

[8] Australia Bureau of Statistics. September 2022. *Labour Force, Australia, Detailed.*

5.3.6 Migration agreements supporting innovation and industry precincts

While we believe that the skilled occupation lists should be simplified (as articulated previously, including removal of a regional specific list), the Government should provide an overlay that allows specific geographic areas to bring in additional skilled workers that are necessary for a location's needs. This would be an expansion of the existing Designated Area Migration Agreements (DAMA) program.

Specifically, the BCA sees these agreements being used in conjunction with identified industry and innovation precincts, to support businesses being established in these particular areas, particularly in regional Australia. A precinct approach to industry planning would facilitate emerging and existing businesses in a critical sector of the economy physically co-locating within a particular area.

They would be supported with relevant infrastructure and government investment, along with specific planning policies. Providing targeted migration agreements for these precincts, tailored to the specialist skills sets required to support the precinct, would be one other additional piece of the puzzle in making these precincts particularly attractive for overseas investment, where local and international workers could work together to deliver the highly skilled and innovative industries of the frontier economy.

Examples of these precincts include the Western Sydney Aerotropolis (Bradfield), Fishermans Bend Innovation Precinct in Victoria, or the planned Battery Manufacturing Precinct in Queensland.

The intention is not to displace local jobs, but to ensure the talent required to support the specific advanced industries, as well as to train local workers, are available and accessible.

Recommendation

- The Designated Area Migration Agreements program should support the development of industry and innovation precincts that are moving Australia towards a frontier economy.

5.3.7 We need more efficient, risk-based labour market testing

Labour market testing can be an inefficient and ineffective tool, given that employers already have strong incentives to hire suitable local candidates, noting the requirement to offer salaries greater than the market rate. This is especially true where an occupation has been assessed as being in shortage. In these cases, it causes unnecessary delay to advertise a position for four weeks in order to 'test' an empty market.

Despite these shortcomings, the BCA acknowledges that the continuation of a strong migration program rests on maintaining public trust and confidence, where labour market testing could play a role. There is an onus on businesses that benefit from skilled migrants to demonstrate that they are giving a first opportunity to suitably qualified Australian workers.

That said, there are grounds for the government to provide flexibility for employers seeking to grow their businesses where skilled workers are in short supply. For instance, as part of a Trusted Trainer model (proposed above) where an employer has been confirmed to have a good track record of training and hiring locally, the Government could facilitate a shorter period for local advertising, down from four weeks to two weeks.

Additionally, the Government should extend the period that new labour market testing is required from four months to six months. This is a more responsive approach for business, while maintaining the integrity of labour market statistics that feed into policy making and business decision making, and public confidence in the skilled migration program.

Where labour market testing is maintained, the administrative burden on businesses should be reduced where possible while maintaining the system's integrity. For instance, the requirement for employers to advertise on the Workforce Australia platform should only be required for occupations that have a good chance or history of successfully attracting suitably skilled Workforce Australia participants.

Recommendations

- Provide a shorter period of local advertising down from 30 days to 14 days for employers that demonstrate a good record of local training and hiring (Trusted Trainers).
- Trial an extension of the period that a new round of labour marketing testing is required from four months to six months.

5.4 Ensuring that the migration system is sustainable and planning for population growth

Given the benefits derived from Australia's migration program, there must be a more wholistic approach by the Federal Government to support the nation's ongoing growth and ensure that the program retains community support. This means actively planning to deliver net-additional dwellings, infrastructure, and services. Migration is an easy scapegoat for lack of infrastructure delivery and poor planning, but it is too important for us to continue down this path.

As discussed above, to give certainty for long-term planning the Government should consider setting Australia's permanent migration intake at a percentage of the total population over the long term. This will provide a clearly defined figure to inform long term planning of infrastructure and services that automatically adjusts as Australia's population grows. Alternatively, the Government should at least provide a four-year look ahead for permanent migration numbers (in line with typical government budget cycles). In the current context, these should at least recognise a growth trajectory beyond the 195,000 number, particularly given the reduction over the last several years and current skills shortages.

Furthermore, the Federal Government's approach to infrastructure planning and housing must evolve. Infrastructure Australia must have a role to play in identifying infrastructure requirements for the Federal Government to fund, based on population and immigration levels, in conjunction with states and territories. An approach of funding major infrastructure based on political decisions alone must end. Australia has a significant infrastructure pipeline but providing funding for projects that are politically preferable, or are the hobby horse of a particular minister, member of parliament, or other interest group, risks diverting resources from the projects needed to keep the nation functioning.

The Federal Government must consider outlining a forward funding envelope for infrastructure that is project agnostic. This should be a baseline that gives industry confidence that Government investment in infrastructure will continue at a minimum level. This envelope could be set as a percentage of GDP to ensure there is a dedicated supply of Federal funds available that is matched to national economic growth, given the role population growth plays in driving GDP growth.

Finally, the Federal Government must do more to fix the issue of housing supply. Key constraints include the planning systems across the nation. This is not just the view of BCA members. In our most populous state, the NSW Productivity Commission has found "one of the fundamental determinants of housing supply in New South Wales is the strict regulation of land use."[9] The Federal Government's focus on affordable housing is commendable and an important component. But the National Housing Supply and Affordability Council must look beyond just this issue to housing supply overall. The Government's election and Budget commitments in this area go some way towards this.

The Federal Government must identify the levers it has available to get states and territories to improve their planning systems and deliver more supply in areas well catered for by existing infrastructure and services. This should be coupled with a focus on encouraging greater regional migration, including through the usage of DAMAs.

[9] NSW Treasury. 2021. *Productivity Commission White Paper 2021: Rebooting the economy*.

Recommendation

- The Government must leverage Infrastructure Australia, together with the states and territories, to identify and fund the infrastructure necessary to support Australia's growth. This should be coupled with policies to deliver net-additional housing supply. Migration should not be a scapegoat for poor planning.

6. A better skilled, better trained workforce

- We need to raise the level of education and training in Australia to match the needs of future jobs.
- We are falling short of where we need to be, and our education standards are declining compared to our international counterparts. We need to urgently address these challenges and adopt a lifelong learning approach that recognises that Australians gain skills and competencies beginning from early childhood, through secondary and tertiary education and throughout their working careers.

Australians would rightly expect our education system to be world leading. Sadly, the truth is we are not in many cases. There is an urgent need to focus on excellence in our education system from early childhood through to end of school years. But our future pipeline of young Australian school students is struggling.

The recent PC Interim Report '5 Year Productivity Inquiry: From learning to growth' found that despite increased investment in schools, foundational skills such as writing, and numeracy have stagnated for a decade. Senior school retention rates have slipped somewhat in recent years, following earlier increases, and proficiency in math, science and literacy have fallen over the last two decades, as measured by PISA scores for 15-year-olds.[10] The most recent NAPLAN results also suggest a worrying trend, particularly in numeracy results. Furthermore, the COVID-19 pandemic has disrupted the educational experience of many younger Australians, particularly among disadvantaged communities, which may require additional support to recover from.

We are falling short of where we need to be, and our education standards are declining compared to our international counterparts. We need to tackle this urgently. The population of post-school students is expected to increase by 20 per cent over the decade to 2030.

We need to raise the level of education and training in Australia to match the needs of future jobs. This is a challenge not only for Government but for industry as well and the BCA is committed to working with Government to develop solutions.

Given that nine out of 10 new jobs require a further qualification after school, we need to continue expanding access to tertiary education for young Australians. The task is particularly important for Australians facing educational barriers and disadvantage, including those in outer regional areas. For example, Indigenous Australians are 30 percentage points less likely to have completed a Certificate III or higher than non-Indigenous Australians.[11]

With higher-level skills increasingly the key to securing well-paid jobs, we can't allow educational gaps to persist and turn into an unbridgeable divide between haves and have-nots. Given that these educational barriers start at school or even earlier, it's critical that we firm up that foundation so that fewer students are left behind. An underlying challenge is to ensure young people complete their schooling and leave with proficiency in foundational skills, including English, reading, writing, maths and digital literacy.

Catherine Livingstone, Chancellor of UTS and former Chair of both Telstra and Commonwealth Bank, has spoken of three horizons: competencies, skills and jobs. Competencies, which are the building blocks for skills, should be developed for life, which is why early and secondary education will play an important role to ensure Australians have the foundational skills that are necessary for them to develop. Skills, which are not as long lasting as competencies, will need continual refreshing as time goes on, which is why a revamped and reformed training and education system that encourages lifelong learning is so important.

Ensuring that Australians have the competencies and skills required for the jobs of both today and the future is the responsibility of the education system, complemented by a well-managed migration system. This begins with early education primary and secondary education ensuring that Australians have the core competencies that will

[10] ABS. 2022. *Schools*; Productivity Commission. 2022. *Report on Government Services 2022*.
[11] Productivity Commission. 2021. *Closing the Gap Information Repository*. Note: data is from the 2016 Census and is for 25-34-year-olds.

endure for a lifetime, with additional skills development provided through either tertiary education or developed through on-the-job training.

Industry Skills Pact

Businesses have a role to play in ensuring workers have access to continued training throughout their careers. In particular, there is a both a responsibility and an opportunity for businesses to continue to invest in their workforce to develop the skills they will need to thrive into the future. The BCA, in consultation with others, will develop an Industry Skills Pact that will:

- commit businesses to continue to invest in training;
- provide voluntarily reporting on the training businesses are doing, closing an important information gap; and
- share learnings from their work-based training that could form the basis for micro-credentials.

We will work with Jobs and Skills Australia to ensure the Guarantee is well designed and targeted.

Recommendation

- In our schools, we need to do more to tighten the connections between secondary schooling and further education, training and work. An underlying challenge is to ensure young people complete their schooling and leave with proficiency in foundational skills, including English, reading, writing, maths and digital literacy.
- The BCA, in consultation with Jobs and Skills Australia and others, will develop an Industry Skills Pact that will commit businesses to continue to invest in training, will provide voluntarily reporting on the training businesses are doing, closing an important information gap, and will share learnings from their work-based training that could form the basis for micro-credentials.

6.1 Early childhood education

Given the importance of early childhood development, the BCA commends the Federal Government for the reforms it is pursuing in early education and child care (ECEC). Ensuring we are maximising our talent and empowering future generations to participate and advance in the workforce will be central to our nation's success. Equally, the provision of an affordable and accessible and quality child care system is fundamental to that goal. It plays a critical role in decisions about workforce participation and the ability of women to progress and advance in their careers.

As a nation, we should be moving towards an early education development model which recognises the fundamental importance of the first five years of a child's development. These foundation years are critical to future success: not only for the individual but for the economy as a whole. The NSW Government's Early Years Commitment is a welcome development in this respect.

The evidence from organisations such as Minderoo's Thrive by Five and the Centre for Policy Development clearly shows the impact of moderate to high level access to early childhood services on a child's development and by extension their subsequent success at school and trajectory into higher education attainment, employment and career progression.

The BCA believes a comprehensive approach is needed to improve the child care system. For this reason, the BCA is on the public record recommending that the PC is tasked to undertake a comprehensive review into the relationship between the child care and early childhood systems and their intersection with primary school education.

Recommendations

- The BCA believes the following objectives should guide reform in ECEC:
    - A world leading, integrated early childhood service delivery from birth to school.
    - The system must be accessible and affordable and deliver a world class learning environment, including for curriculum and pedagogy.
    - Invest in a skilled early childhood workforce that elevates the profession to attract and retain the best and brightest.
    - Elevate the early childhood system on the national agenda and create arrangements across jurisdictions that are cohesive, evidenced based and family centric.
- Any PC final report should contain a roadmap of reform that supports the concept of an early years guarantee for children and their families, including recommendations on the quantum of that service delivery.

6.2 Secondary pathways

Another priority is to build up flexible pathways within and beyond secondary school that accommodate the full set of opportunities for young Australians once they graduate. It is clear that students that complete secondary school education are more likely to enter the workforce or move on to further study with a greater collection of competencies and skills. But these students need to be afforded the best chance to take advantage of the opportunities afforded them.

As noted above, the recent disappointing NAPLAN results suggest an intensive program of support may be required for Year 9 and 10 students to ensure that they are leaving school with the competencies and skills they need. This cohort has been particularly affected by the challenges of remote learning through COVID-19, so strong corrective action will be required to ensure that this does not become a permanent decline in their educational attainment.

For school leavers, the Shergold *Review of Senior Secondary Pathways into Work, Further Education and Training* outlines a comprehensive and plausible set of recommendations for improving secondary school students' ability to transition into work or further education or training effectively. This includes high-quality careers advice, with equal consideration of further education options in VET and higher education, and up-to-date information on the jobs, industries and skills needed now and into the future. Informed by this advice, students should be able to exit school with a Learner Profile that looks beyond an ATAR to their broader skills, experience and competencies.

Appropriate careers advice is particularly critical. Jobs and Skills Australia should feed into or incorporate the National Careers Institute, ensuring that its insights on future skills and workforce needs are translated into high quality careers advice that reaches school students, teachers and parents.

Recommendations

- Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways, including:
    - Setting ambitious proficiency standards for the basics and providing extra help for students falling behind.
    - Improving career advice through best-practice digital resources for students, parents and teachers, delivered by the National Careers Institute with strong backing from state and territory governments.
    - Equipping all students with a Learner Profile that they can build on and curate over their career.

6.3 Tertiary education

- Australia's tertiary education system needs to be improved.
- There needs to be an increased focus on rapid upskilling, given the need to ensure that our workforce is equipped for the jobs of the future.
- This can best be achieved by having a system that ensures interoperability between VET and higher education. To achieve this, we must remove the funding and other distortions that promote one sector over the other, regardless of the suitability for the learner.
- We also need to ensure that there is a focus on excellence in our tertiary education.

Australia's post-secondary education and skills system, whether through higher education or through vocational education and training, remains flawed. In particular, the current system suffers from distorted and unfair funding, a lack of market information and confused responsibilities between federal and state governments.

Much of the focus in our education system is on the skills Australians develop in their first 20 to 30 years. However, in an economy that needs to adapt to change, develop new industries and respond to the transformation associated with digitalisation, it is critical that systems and incentives are also in place for people to develop new skills throughout their careers. Australians must be able to refresh and update their skills over their lifetime, and they need a better set of options for acquiring new skills that match and track industry needs.

A key change here is to move past a narrow focus on qualifications that align with traditional occupations, and to think instead about the skills standards and competencies that cut across qualifications, occupations and industries. It is important to note, however, that a focus on ensuring that students are leaving with the appropriate level of competencies is not an issue just for VET and tertiary education, but one than is required though early education through secondary education as well.

We need a flexible approach will allow the training system to facilitate greater labour mobility and recognition of prior learning and make it easier to integrate short courses and skillsets that meet the needs of individuals looking to upskill or reskill, as well as their employers.

Further, the system is often not flexible enough to respond to emerging industries, with much of the system designed around delivering multi-year qualifications rather than short, stackable training options, including industry-delivered micro-credentials.

Recent government commitments to the tertiary education system are welcome. In particular, the commitments for up to 20,000 additional university places over the next two years and 180,000 additional fee-free TAFE places next year. It is critical to ensure that these additional resources are prioritised toward fields in high demand that will drive Australia's future industries and innovation and lead to high-skill, high-wage careers. Jobs and Skills Australia (JSA) should have a clear role in providing robust advice on these priorities, informed by workforce plans developed in collaboration with industry.

Recommendation

- Ensure that the commitments for up to 20,000 additional university places over the next two years and 180,000 additional fee-free TAFE places next year are targeted towards areas of skills shortage as identified by JSA.

6.3.1 Ensuring the interoperability of VET

The tertiary education system must become more interoperable. Interoperable between VET and higher education, and interoperable between institutional learning and workplace learning. Workplace learning needs to be part of the qualifications framework, part of the way we actually train and skill people. For this to occur, there

will need to be proper standards developed for recognition and inclusion as part of a portable skills sharing system.

Ensure the interoperability between VET and higher education requires more than the ensuring portability of the skills earned in each system, it also requires a more level funding system between higher education and VET. One way to improve the system would be to expand VET student loans to all courses by approved providers at Certificate IV level and above (excluding courses with poor completion or labour market outcomes as necessary). This change would boost take-up of higher-level VET qualifications and support greater interoperability between VET and higher education, while maintaining controls to ensure the integrity of government-financed courses.

To remain up to date in the 21st century and drive forward lifelong learning, we need to increase delivery and integration of short, stackable training options, including industry-delivered micro-credentials, consistent with the new National Micro-credentials Framework. This kind of education and training is particularly suited to mid-career Australians and parents looking after young children who are more likely to have existing qualifications and working or caring responsibilities that make it difficult to engage in full-time or long-term study.

To keep pace, the training system needs to strike a better balance between regulation and responsiveness to industry. Reforms underway to streamline VET qualifications and improve industry engagement will help with this and it is important that momentum on these is not lost. For short courses and micro-credentials to have their full impact, it is critical that they can be properly recognised, recorded and rewarded for the capabilities they signify. This would include the ability to 'stack' micro-credentials within the Australian Qualifications Framework (AQF). As it stands, skills and training undertaken outside formal qualifications often go unrecognised.

That is why the BCA supports development of an interoperable skills sharing system to recognise education and skills accrued over a lifetime and collate formal qualifications along with non-accredited training and micro-credentials.

Such a system would need to recognise the skills and competencies developed not just through higher education and VET, but also through work-based learning. Importantly, this would ensure that there is a digital record focused not just on what qualifications someone has, but what skills and competencies they may have gained that would potentially be applicable to a variety of jobs across a range of industries.

Importantly, this record, which should be built upon the person's Unique Student Identifier, should be available to be shared with employers, who would be able to see and verify what skills and competencies a potential employee has developed in a standardised format.

This kind of system would link together the various initiatives being developed by industry and state and federal governments (e.g. Education Wallets, Skills Passports, Learner Profiles). It can also better account for and reward non-formal work-related training, which had been on the decline leading into the pandemic, particularly for SMEs.

With the right settings in place, Australia can strengthen its post-secondary education and training system so it is set up to facilitate lifelong learning and support Australia's future economy. The goal should be to expand the learning and career options available to Australians and provide more choice and control in the skills and education pathways they take. The BCA has long called for the introduction of a Lifetime Skills Account approach (similar to the SkillsFuture Credit system used in Singapore), and the time has come to make it a reality.[12]

[12] Business Council of Australia. 2018. *Future-Proof: Australia's Future Post-Secondary Education and Skills System.*

Lifetime Skills Account - proposed model

A Lifetime Skills Account (LSA) would empower Australians to update their skills and retrain for new and better jobs. This style of model would create an account for every Australian and be used to pay for an initial qualification and then micro-credentials at approved VET or higher education providers over the person's adult life. This style of model would put the learner in charge, following the principle that the funding follows the learner. It gives potential learners greater choice about what they study and where, and removes the funding distortions that push people into one sector over the other.

The LSA would deliver:

- Access to a government subsidy for accredited learning in VET or higher education (lifetime cap of a set number of years of full-time equivalent accredited learning).
- Access to an income-contingent loan for accredited learning at AQF Levels 5–9 (a lifetime cap to be determined).
- Potential learners having the choice of what to study and where to study.
- All accredited providers can seek approval to offer a subsidy, a loan, or both.

Importantly, a LSA would require 'skin in the game' such that all learners should make a small upfront contribution, subject to their capacity to pay. Jobs and Skills Australia would be charged with determining how the cost of education is shared between the government and the learner, and the costs will differ according to the course.

This should ultimately be available for all Australians, but a first step to test the implementation would be to pilot the model and get the settings right before scaling it up. This could potentially be targeted specifically at micro-credentials to allow certain cohorts to retrain or upskill in certain skills and competencies that are needed, while making it easier to avoid duplicating public funding that is already available.

Given the challenges of ensuring a sufficient care workforce, the pilot could be targeted at those seeking to train or upskill in aged, disability or childcare work, while the initial cohorts could include parents of young children returning to the workforce or employees of industries facing disruption, including through the transition to a net zero economy.

The Employment White Paper is an opportunity for the government to consult on this and other measures to develop a comprehensive Lifelong Learning Strategy and then task JSA to develop a pilot model that could be scaled up over time.

Recommendations

- There needs to be greater recognition and support for lifelong learning, recognising that skills development does not end when Australians complete their initial secondary or tertiary educations. The Government, through JSA, should develop a comprehensive Lifelong Learning Strategy.
- Develop a portable skills sharing system that allows Australians to build and share a digital portfolio of education and skills that includes both formal qualifications alongside micro-credentials and other training, including non-accredited training, as well as recognition of prior learning.
- Ensure there is a pathway for short courses and micro-credentials to be properly recognised, recorded and rewarded. This would include the ability to 'stack' micro-credentials within the AQF.
- Develop a Lifetime Skills Account approach that offers financial support for Australians that would otherwise not participate in training to upskill and reskill. This could start with an initial pilot for disadvantaged or priority cohorts, to be designed by JSA.

- Increase funding parity between higher education and VET by expanding VET student loans for higher-level courses.

6.3.2 Skills agreement

While the commitment to finalising a new 12-month National Skills Agreement is very welcome, we cannot allow for momentum to stall on a comprehensive, longer-term Agreement that will deliver certainty for participants and ensure extra funding delivers more quality, transparency and accountability for learner outcomes. These reforms would help to ensure Australia's skills pipeline is in place to support recovery and growth. The Heads of Agreement signed in 2020 by federal and state governments provided a good common basis for such reform.

It is critical that a new skills agreement begins the process of reform immediately. We cannot afford to wait another five years to make progress on critical areas, such as the ability to properly recognise and stack micro-credentials in a nationally consistent way. Likewise, there is a need to develop a nationally consistent ability to build and share a digital portfolio of education and skills (discussed above). The new agreement must also ensure that additional training places are targeted towards areas of skills need identified by JSA.

There should remain a focus on developing efficient pricing for courses and it is important that the system supports a viable and robust system of providers (both public and private), which will provide contestability in VET markets.

The new agreement should also aim to create a more level funding system between higher education and VET, by expanding VET student loans to all courses by approved providers at Certificate IV level and above (excluding courses with poor completion or labour market outcomes as necessary). This change would boost take-up of higher-level VET qualifications and support greater interoperability between VET and higher education, while maintaining controls to ensure the integrity of government financed courses.

The new skills agreement must include foundation-level training for all Australians through a Foundational Skills Guarantee (discussed more below). This should ensure that existing programs are not duplicated and that these services are delivered through courses (and providers) that are designed to achieve the best outcomes for the targeted cohorts, especially for Indigenous Australians and migrants.

Finally, a new skills agreement provides an opportunity to expand the scope to cover both VET and higher education, particularly given the Terms of Reference for the Universities Accord, which include a focus on the connection between VET and higher education. This expansion will allow governments to create a genuinely joined up and interoperable post-secondary system that will be able to support Australian learners, businesses and industry, and build a culture of lifelong learning.

Recommendations

- Federal and state governments must negotiate an ambitious new 5-year National Skills Agreement, to be in place as soon as practicable, that combines ongoing and additional investment in skills and training with substantial reform.
- The new Skills agreement should include a Foundational Skills Guarantee that ensures fully funded access for basic skills training for those that need them.

6.3.3 Higher education

The Australian Universities Accord provides a welcome opportunity for a reset on our university system. It will need to consider the role, aims and functions of our university system. In particular, it will need to fundamentally consider what role Australia's universities will play in preparing Australia, and Australians, for the economy of the future.

Because once a clear purpose has been identified, it will be possible to design a stable and sustainable funding model that will deliver it and remove the distortions that are currently in the system. It is clear when looking at

other government systems, such as the health system, that an improved funding model can transform the system. When the right funding settings are in place, it will flow through to a better performing and more viable sector. This will involve considering issues such as the appropriate nature of caps on funded enrolments, as well as the appropriate fee structures for courses and the role of international education.

But an improved funding system is not enough in and on itself, we also need to ensure that our university system is targeted towards the sectors and skills that will allow Australia to take advantage of the natural advantages we have to succeed in the future industries that will help take Australia closer to the global frontier. As mentioned above, this will also involve enabling and encouraging businesses to work with the research community to drive collaborative research.

There will also need to be a continued focus on excellence from the institutions. Given the talent of our people, we should be world leaders at developing high achievers and being able to attract the best and brightest to learn the skills necessary to thrive in the jobs of the future.

Given that in previous sections we have highlighted the need to increase interoperability between VET and higher education, we welcome the inclusion in the Universities Accord Terms of Reference a focus on the connections between the sectors.

Recommendation

- Ensure that the Australian Universities Accord considers the role that Australia's universities will need to play in preparing Australia for our future skill needs and ensures that it will be supported by a stable and sustainable funding model that will build the skilled workforce that Australian industry will need to thrive, and Australian learners will need to achieve high-wage, high productivity jobs.

6.4 Foundation skills

With at least 2 to 3 million adult Australians lacking some of the basic skills for modern life, we need to ensure that we maintain a focus on foundational skills in reading, writing, maths, English and digital literacy. While many of the core competencies are best developed in early education, it is important that there are opportunities for disadvantaged and other Australians who may not have developed these foundational skills to have a 'second chance' at developing them.

As governments conclude negotiations on the new National Skills Agreement, it is critical that this include free foundation-level training for all Australians who need it, supporting those out of a job to enter or re-enter the workforce and those in work to update their foundational skills.

The agreement to reinvigorate foundational skills programs at the recent Jobs and Skills Summit is a welcome one, as was the Federal Government's announcement it will fund and undertake a National Study on Adult Literacy, Numeracy and Digital Literacy skills. Improved data on foundational skills is vital, from the number of Australians that require these skills through to the effectiveness of the courses that provide training.

We need a nationally consistent Foundational Skills Guarantee that ensures Australians (and migrants) have fully funded access to the basic skills that enable them to succeed and undertake further learning. A Foundational Skills Guarantee should expand on existing programs to create a more demand-driven system, increasing the number of people who can engage with targeted, modular training when they need. This could include fully subsidised provision of approved courses up to Certificate II level, but also support a micro-credentialling approach by funding individual units within approved qualifications.

Recommendation

- For those who missed out at school or need to catch up, we need a nationally consistent Foundational Skills Guarantee ensures Australians have fully funded access to the basic skills that enable them to succeed and undertake further learning.

7. Increasing labour force participation

- We must build on the commitment at the Jobs and Skills Summit and embed women's economic participation and equality as a key economic imperative.
- We must ensure that all Australians have the same opportunities to engage in education, skills training and employment.

7.1 Pay equity, including the gender pay gap, equal opportunities for women and the benefits of a more inclusive workforce

Australian women are among the world's most educated, but women's economic participation is not where it should be. The World Economic Forum 2022 Global Gender Gap report shows that while Australia ranks equal 1st in the world for women's education, we rank 38th for economic participation and opportunity.

While this level of educational attainment shows the value of our national investment in education, it is apparent we are not capitalising on this investment. Women's workforce participation bears the brunt of the economic and social trade-off between work and care. It remains the main barrier to women joining the workforce, increasing their hours of work and advancing to reach their full potential.

A 50 per cent reduction in the participation gap between men and women would unleash an additional 500,000 full-time skilled workers with post school qualifications, while equal pay could unlock an additional one million full-time workers which almost meets the total shortage the Australian economy requires by 2026.[13]

Ingrained cultural and societal norms are a key driver producing economic and social inequities. Ongoing skewing of labour market outcomes have a corresponding impact on wealth accumulation for women when calculated over a working lifetime, with one third of the difference between male and female pay outcomes can be attributed to caring responsibilities and associated career interruptions.[14]

7.1.1 Sharing the care with Paid Parental Leave (PPL)

Barriers to women (in the child rearing years) maintaining their connection to the workforce and advancing in their careers are multiple and often reflect entrenched cultural biases. The BCA commends the Government's recent announcements to extend PPL and that it will remove the distinctions between primary and secondary carer and make it administratively easier for parents to share leave.

It is a longstanding policy of the BCA that a future PPL system should embed design features that promote a more equitable distribution of care in the longer term. That is because a system that enables and incentivises both parents to share responsibility for caring will help shift traditional cultural and gender norms and see more women participating in the workforce and able to advance in their professions.

Recommendation

- Government and business should continue to promote a more equitable distribution of PPL. This should include ongoing monitoring of take-up rates among partners allowing for evidence-based adjustments to be made in the future.

[13] Chief Executive Women and Impact Economics and Policy. 2022. *Addressing Australia's Critical Skills Shortages: Unlocking Women's Economic Participation*.
[14] KPMG, Workplace Gender Equality Agency and Diversity Council of Australia. 2022. *She's Price(d)less: The Economics of the Gender Pay Gap*.

7.1.2 Women in Leadership and Women in Business

Barriers to women's progress to leadership positions, whether they be managerial or on Boards, are multifaceted. Nonetheless, having women in leadership positions helps to reduce pay gaps and provides important role models and mentoring opportunities for the next generation.

There is a growing recognition in Australia's business community that increasing women's representation in leadership and board positions is critical to having better run, more effective companies that can respond to the diverse demands of an ever-changing business environment.

The Workplace Gender Equality Agency (WGEA) estimated that increasing female participation in the workforce and representation of women in leadership and board positions is critical to a company's bottom line, adding up to 6.6 per cent of market value for ASX-listed companies as well as helping to attract and retain talent.[15]

Australian businesses are deploying a range of strategies to address the known issues affecting women's advancement, such as the challenge of balancing work and family, biases, and barriers that keep women from many of the roles that typically lead to senior leadership.

In 2017, the BCA partnered with WGEA and McKinsey & Company to produce a landmark report "Women in Leadership". The report revealed a common recipe for success among companies that have above average representation of women in executive roles. The report also revealed a suite of ten practices that have proven to be effective and can be implemented across industries.

A similar report by Chief Executive Women and Bain & Company in July 2022 "Take it from the top: accelerating women's representation in executive leadership" similarly revealed five accelerators for increasing women's representation at executive levels. It revealed that leading companies are taking deliberate and strategic actions to improve the cohort of women in senior leadership levels.

The BCA is working with the Government to develop a National Strategy on Gender Equity through our membership on the Women's Economic Equality Taskforce. A key element of this work is the development of architecture for women's advancement, including in leadership positions. As per the evidence-based research mentioned above, the BCA argues that any National Strategy will be enhanced by an understanding of key attributes of employers who are leaders in women's advancement.

Women-owned businesses have grown exponentially over the past decade with two thirds of new businesses founded by women.[16] However capital raising is a well-known challenge that is hampering business expansion.

Research released earlier this year by the Australian Small Business and Family Enterprise Ombudsman found that 43 per cent of women it surveyed identified access to funds as the most significant barrier to growth that they faced.

Greater support for women entrepreneurs would act as further stimulus to female participation in the economy. Research conducted by Asialink suggests that if there was parity in business ownership between men and women, the Australian economy could be boosted by between $70 - $135 billion.[17]

The BCA believes there is value in the collection and dissemination of best practice guidance and further codesigned approaches to support women entrepreneurs and women to progress into executive and leadership positions.

Recommendation

- The BCA, in consultation with the Women's Economic Equality Taskforce, will produce a report and associated case studies detailing the key attributes of employers who are leaders in women's

[15] Bankwest Curtin Economics Centre and the Workplace Gender Equality Agency. *Gender Equity Insights 2020: Delivering on Business Outcomes*.
[16] Xero. *Boss Insights 2021*.
[17] Asialink. 2021. *Empowering Women Innovation Leaders in Australia and Southeast Asia: A regional blueprint*.

advancement. The report will focus on the key elements of what a good workplace looks like and include consideration of women in business mentoring and supply chain investments.

7.1.3 Supporting women's economic security

A combination of greater levels of part time work, employment in lower paid industries and less time in the workforce due to caring responsibilities contribute to economic insecurity for women now and into their retirement years. Increasing the opportunities for women to continue to work if they choose, and to advance with support for additional training, will improve their economic security.

The latest WGEA data show 81 per cent of companies that offer paid parental leave also paid superannuation as part of this leave.[18] The Government should examine support for superannuation paid on PPL and how it can benefit the long-term financial security of women, as well as any further changes to enable them to catch up on superannuation lost due to time out of the workforce due to caring responsibilities.

Additional options include:[19]

- Time-limited rebates of the superannuation contributions tax (SCT).
- Providing top-up superannuation contributions for primary carers (not on a co-contribution basis).
- Allowing employers to make unused Superannuation Guarantee concessional contributions for recipients of Commonwealth paid parental leave without a time limit.
- Removing the five-year limit on utilisation of concessional caps for years spent as a primary carer.
- Creating a Primary Carer Supplementary Concessional Cap.

These could be further supported by a gender responsive budgeting approach to demonstrate their potential in delivering ongoing economic and social value. For example, the proposals on the supplementary concessional cap and removal of the five-year limit on utilising earlier contribution caps is about giving women the opportunity to catch-up when their earnings have recovered from any time out of the workforce. This would smooth out a person's income and savings over their working life to account for changing circumstances (which impact women much more than men when it comes to having children). The other proposals explicitly value the unpaid work primary carers take on when out of the workforce.

Recommendation

- The Government should examine support for superannuation paid on PPL and how it can benefit the long-term financial security of women, as well as any further changes to enable them to catch up on superannuation lost due to time out of the workforce due to caring responsibilities.

7.1.4 Male-dominated industries

There should be an ongoing focus on addressing industries and occupations where women's participation is low. We know that Australian women are among the smartest and most educated in the world. Increasing educational attainment of women in Australia has driven corresponding improvements in workforce participation and by extension supported lifelong economic security. Unlocking this significant source of human talent will provide an additional economic bounce as we rebuild the economy and deliver future prosperity.

Early intervention and investment can be a key opportunity to address imbalances. Encouraging young women to participate and develop STEM skills in secondary education is important, as is ensuring there is appropriate career advice that highlights the opportunities available. At the same time, continued technological progress will

[18] https://www.wgea.gov.au/newsroom/parental-leave-scorecard
[19] See for example, KPMG report *The Gender Superannuation Gap* and *Towards a more equal sharing of work*

provide the opportunity to remove some of the barriers that had been in place in certain industries, particularly where technology has reduced the need for more physically demanding work.

Nevertheless, more needs to be done. Australian companies operating in some of the traditional male-dominated industries have implemented a range of policies and initiatives to support increased women's participation. But there are many areas still for improvement.

Business and industry recognise the significant potential and want to work with the Australian Government to explore opportunities for special measures to ensure substantive change in equality and diversity outcomes.

In some male-dominated industries, qualifications and other occupational licencing requirements can present an entry hurdle for women. Skills and training programs that meet these requirements can provide a pathway into these roles.

One of these programs, the Boosting Apprenticeship Commencements wage subsidy, was a success. It resulted in the number of apprentices and trainees increasing by around 60,000 during the pandemic, despite the uncertainty for businesses in taking on a new employee and investing in their training.

Women have benefited significantly from this program. The number of female apprentices and trainees increased to around 95,000 by mid-2021, an increase of over 47 per cent compared to a year earlier. This compares to a 21 per cent increase for male apprentices and trainees over that time period.

In targeting jobs to women in traditionally male-dominated occupations, employers need to be able to promote vacancies directly to this group. By way of example, companies with occupations where women's participation is at its lowest (e.g. truck drivers) confront difficulties obtaining exemptions to run an advertising campaign targeting women-only trainees. It is important that exemptions to anti-discrimination legislation are more readily available to allow employers to advertise roles exclusively for women to improve the gender workforce balance are easy to access.

Recommendation

- The Government should consider ways to encourage women to enter, upskill or reskill into male-dominated industries, including digital industries. Such incentives to encourage women to enter these industries could include increased support for women to enter these industries through an apprenticeship/traineeship.

7.2 Improving labour market outcomes for those who face challenges in employment

It is critical that we support participation in the economy by all Australians in a way that enables everyone to achieve their full potential. This includes support for the more than 5 per cent – or over 1.2 million Australians – who experience deep social exclusion through multiple challenges such as poor health, unemployment, and inadequate education.

Australians who are more likely to experience deep exclusion include people with lower levels of educational attainment, Aboriginal and Torres Strait Islanders, those with long-term health issues/disability, and those living in remote and regional areas.

With at least 2-3 million adult Australians lacking some of the basic skills for modern life, we need to ensure that we maintain a focus on foundational skills in reading, writing, maths, English and digital literacy.

As discussed above, a Foundational Skills Guarantee, which could be included as part of a revamped National Skills Agreement, should expand on existing programs to create a more demand-driven system, increasing the number of people who can engage with targeted, modular training when they need it.

This could include fully subsidised provision of approved courses up to Certificate II level, but also support a micro-credentialling approach by funding individual units within approved qualifications. The BCA believes that

foundation skills should involve a partnership with industry and will be successful if government works with employers to deliver bespoke training.

7.2.1 Empowering Indigenous Australians

Meaningful consultation and genuine engagement aimed at building trust, leading to the exchange of ideas and embedding Indigenous voices will create the long-lasting partnerships and national prosperity we all seek.

Equally, it is important to move to the language of aspiration, ambition and wealth creation and prosperity in all elements of Indigenous Affairs. This goes beyond simply 'closing the gap' and extends the goal to enable all Indigenous Australians to achieve their full potential.

Improving educational attainment for Indigenous Australians is critical. Through the National Plan on Closing the Gap, the nation has set a target of increasing the share of young Aboriginal and Torres Strait Islander people with a tertiary qualification to 70 per cent by 2031. This is an ambitious objective, requiring a 30-percentage point increase compared to 2016. This requires a concerted effort at every learning stage – from early childhood, through to school and tertiary education – and at skill levels ranging from foundational skills to the advanced skills required in professional, technical and digital roles.

Governments should consider opportunities to extend existing VET and higher education programs and expand eligibility to support indigenous participation.

As an immediate step, the Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians. This would mean all Indigenous Australians are guaranteed a Commonwealth-supported place at university with access to a HELP loan. This measure is likely to appeal to Aboriginal and Torres Strait Islander women in particular, who are already twice as likely to be enrolled in higher education compared to Indigenous male students, who engage more in the VET system.[20] Universities and businesses should respond by providing outreach, mentoring and educational support programs to ensure that Indigenous students are set-up to succeed in tertiary study and future employment.

BCA members have been ramping up their efforts through partnerships with Indigenous communities resulting in:

- strategic investments in education, training and employment;
- creating pathways for Indigenous businesses to flourish; and
- preparing for the future Indigenous workforce and future economy that maximises Indigenous participation and wealth.

The exponential growth of Indigenous businesses is a tremendous success story that underscores what can be achieved when Government and industry work together to match and reinforce Indigenous priorities and solutions.

The BCA's Raising the Bar initiative will be extended further with additional companies committed to joining.

Recommendations

- Move to the language of aspiration, ambition, wealth creation and prosperity in all elements of Indigenous affairs, and move beyond simply 'closing the gap'.
- The Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians.
- Ensure that a Foundational Skills Guarantee includes the ability to deliver bespoke training to the Indigenous community.

[20] AIHW & National Indigenous Australians Agency. 2020. *Aboriginal and Torres Strait Islander Health Performance Framework*.

7.2.2 Removing barriers for people with disability

A new approach is needed to break the barriers to people with disability to increase their role and advancement in the workplace.

The BCA will work with government and organisations such as Australian Network for Disability (AND) and Get Skilled Access (GSA) to significantly increase employment opportunities for people with disabilities.

In June 2022, the BCA together with the Commonwealth, AND and GSA held an employer roundtable with 75 members to galvanise activity in this area.

A joint survey is currently being conducted by the BCA and AND aimed at gaining baseline data on employment numbers and existing strategies and activities by members covering recruitment, retention, advancement of people with disability in employment and procurement practices. A report covering the findings of the survey will be released in due course, together with best practice case studies and a guide for employers.

This will assist in a re-think on job recruitment and design, to remove barriers that prevent people from taking on positions. As an example, job descriptions that require a driver's licence for an administrative role where driving is not a required task.

Linked to this work, the BCA and Department of Social Services have agreed to enter into a Memorandum of Understanding for Disability Employment pilots that will create a demand-driven model for employment and training; support employers to focus on job design with access to disability industry expertise including disability employment services; and focus on career progression and advancement.

The BCA believes that demand-led employment approaches offer the best avenues for successful employment.

This is because it is based on the needs of a business and the demand it has for labour. It is therefore sustainable and delivers long-term employment opportunities as it based on real jobs.

This contrasts with many of the programs which work in reverse, where a job applicant is offered to an employer whether the need is there or not. The recent reviews of disability employment services, by way of example, found that the current approaches to commissioning and funding these services do not facilitate best practice collaboration, nor do they necessarily result in sustainable employment.

When employment service providers don't understand the working requirements of the employer, it stands to reason, the placement of a job seeker will not be effective or successful. The BCA argues that Government should be working with sophisticated, established job marketplaces like LinkedIn and SEEK to ensure the best outcomes for employers and jobseekers, particularly in the digital stream.

Recent data provided by SEEK found that that fewer than one per cent of people surveyed stated that they got their job through the Workforce Australia or JobActive site.

By contrast, adopting a 'place based' or industry-based approach ensures government and industry is responding to actual labour market needs and ongoing employment opportunities. That is largely because employers and market-based employment agencies such as SEEK and others invest heavily in attracting job seekers and employers.

The BCA supports the development of a program for and designed by people with disability which includes three key elements:

- accessible procurement;
- targeted recruitment using specialist services such as disability employment services (DES) and The Field and other parties; and
- a supply chain of businesses owned and operated largely by people with disability.

This can be developed in the style of the Raising the Bar program for Indigenous Australians and will require the creation of a certifying body predominantly made up of people with disability.

Consideration should also be given to other programs which have been successful in lifting workforce participation for disadvantaged groups that could be adapted to the disability sector.

Recommendations

- Industry collaboration will be crucial to ensuring supports are provided to deliver work-ready candidates as well as providing support to employers. To further augment these programs, the BCA recommends extension of pre- and post-placement support services that offer more targeted wrap around supports and co-development and co-delivery of employment programs by employers, employment services providers and training providers.
- Recognise that demand-led employment approaches offer the best avenues for successful employment.
- Develop a procurement program along the lines of Raising the Bar for and designed by people with disability.

7.2.3 Bridging the regional divide

Regions are in the box seat to lead the development of new industries and technology as the world decarbonises. Major regional centres can use existing networks to be at the epicentre of growing the new industries of the future in renewable energy and critical minerals.

National Cabinet should be engaged in developing a regional policy that identifies regional locations with the greatest potential to contribute to the nation's economy and allows for targeted for investment, coordination and concentrated effort in those locations.

To support this more targeted approach to regional policy, the BCA commissioned Urbis to assess the relative vulnerability of 22 regions against the structural forces of demographic change, technology, climate and changing patterns of trade and investment. More than half the regions were assessed as being highly vulnerable to two or more of these forces. These vulnerable regions are home to approximately one million Australians, are located across multiple states, reflect different economic and geographical contexts and are responsible for more than 5 per cent ($100 billion) of gross regional product annually.

Together with key stakeholders such as National Farmers Federation and the Regional Australia Institute, the BCA argues the following principles should guide the selection of regional areas primed for growth:

- proximity to nearby gateway infrastructure and major power grids;
- home to one or two successful industries or the capacity to attract more investment strategically important locations;
- home to a university and TAFE that can work together;
- access to quality health services;
- capacity to increase the supply of housing and industrial land; and
- an appetite and capacity for more people.

Across Australia there are some communities that have longer term and entrenched pockets of disadvantage. The PC should undertake work to understand and identify these areas, the contributors to places of disadvantage, how to break that cycle and to prevent other areas from moving into a similar pattern.

The BCA notes the Federal Government's commitment of $111.3 million to stimulate regional manufacturing. This is in addition to the $15 billion investment on the National Reconstruction Fund and $14.2 million for the National Rail Manufacturing Plan. In addition, the Government has announced $1 billion for two flagship programs designed to turbocharge regions.

Given its importance for regional areas, we reiterate the need for planning for population growth in a sustainable way, including coordination of infrastructure and housing, that was discussed above.

Recommendation

- National Cabinet should be engaged in developing a regional policy that identifies regional locations with the greatest potential to contribute to the nation's economy and allows for targeted investment, coordination and concentrated effort in those locations
- The BCA is pleased to work with the Federal Government to maximise the success of recently announced regional manufacturing and growth initiatives in order to secure the future prosperity of our regions.

8. Emerging and critical sectors

- We need to position Australia as a frontier economy. One at the cutting edge of driving new technologies through innovation, adopting new ways of production, excelling in new industries and increased skills, and is taking advantage of the energy transition and decarbonisation process already underway.
- We must ensure we have the digital and cyber skills that are critical for our future prosperity and security. This is a requirement not just for the technology and IT industries, but across all levels and sectors of business and government.

8.1 Moving to a net-zero economy

We are only part of the way through a global transition driving us towards net zero emissions — one which is being spearheaded by the global investment community. Our economy is heavily reliant on emission-intensive industries for much of its wealth creation — with one in four jobs currently in emission-intensive industries.

Fully decoupling economic growth from emissions growth will not be easy. It requires a strategic approach to diversifying our economy and innovation to close the technology gap inhibiting emission reductions in hard-to-abate sectors. It will mean building up the new and repurposed infrastructure before we attempt to move away completely from incumbent systems. A durable and investible climate policy framework is required to provide the certainty to plan for a clean energy future.

The National Future Industries Council (proposed above) should also be asked, as a first priority, to develop advice on the steps needed to prepare Australia's industrial base for a clean energy future, including providing initial advice to lay the groundwork for Australia to become a clean energy exporting superpower.

We know there are parts of the economy that are going to withdraw or need to be substituted. We need to acknowledge what we know will be exiting and what opportunities we have. This will affect some areas more than others. Many carbon-intensive jobs are in regional areas, which will create challenges for these areas to generate new employment through the transition.

Part of this will need to include contemplation of the jobs and skills that will be needed to support the transition. Globally, the International Energy Agency (IEA) estimates 14 million new clean energy roles will be needed by 2030.[21] While this will more than offset the jobs lost in fossil fuel productions, there will not be a direct transfer between the two sectors, with many of the new jobs requiring new skills and expertise.[22]

Many of the jobs in the renewables sector do not have high formal training requirements – across solar PV and onshore and offshore wind, the majority of jobs require lower certifications and do not need 'STEM professionals'.[23] However, in the areas of growth 60 per cent of energy employment to 2030 will require at least two years of post-secondary education.[24]

The Australian government and businesses will need to understand and anticipate what skills will be needed and appropriately train and recruit to meet these needs and support areas where carbon-intensive industries may decline. Government, industry and communities must work together to manage the disruption to regional economies and workers dependent on carbon-intensive industries.

[21] New clean energy roles include renewables, energy efficiency, low-carbon fuels, nuclear power, battery storage and carbon capture, utilisation and storage; IEA. 2021. *Net Zero by 2050: A Roadmap for the Global Energy Sector.*
[22] IRENA. 2021. *Renewable Energy and Jobs Annual Review 2021.*
[23] Sydney Energy Forum. 2022, *Sydney Energy Forum Evidence Base.*
[24] IEA. 2021. *Net Zero by 2050: A Roadmap for the Global Energy Sector.*

We have previously recommended the creation of a National Regional Transition Taskforce, under the purview of the Climate Change Authority, to develop a low-carbon regional roadmap for the most affected regions — for example the Hunter Valley and the Latrobe Valley. This could also take the form of a standalone authority or ministerial taskforce reporting to National Cabinet. Regardless of the format, governments will need to rise to this challenge.

Recommendations

- Develop a strategy to prepare Australia's industrial base for a clean energy future by building up new and repurposed infrastructure before we attempt to move away completely from existing systems.
    - Such a strategy could be developed by the National Future Industries Council (proposed above).

8.2 The digital opportunity

The government has set a goal of 1.2 million tech jobs by 2030. This will mean creating an additional 340,000 tech-related jobs, with many of these jobs not being in IT start-ups or even directly in the digital sector – most 'tech' workers are employed in Australia's existing businesses, enabling them to meet the changing demands of their customers, such as through buying things they want online. For example, around 40 per cent of Transurban's workers are in technology roles.

The lack of access to workers is the key barrier to growing the digital economy in Australia (both to create new businesses and modernise existing ones). Removing this barrier means both developing Australian workers digital skills as well as attracting those with the required skills to Australia (particularly critical for the immediate shortage).

As it currently stands, there are not enough workers with the right digital skills. Worse, we risk being left behind by global competitors. Australia lags countries like the United States and Singapore in demand for cutting-edge digital skills.[25] Equipping workers with tech and digital skills will be key to driving a reset of Australia's economic structure. Productivity growth will rely on businesses adopting new technologies, taking advantage of data, and protecting themselves from cyber risks.

The problems and challenges of meeting existing demand are well known:

- low levels of awareness about 'tech' jobs;
- a lack of diversity in 'tech' professions (particularly for women, older, regional, and Indigenous Australians);
- a limited domestic talent pool for experienced tech workers and COVID-19 has made it hard for highly skilled migrants to come to Australia; and
- a lack of a coordinated effort to plan how to meet these skills needs between government, education providers, and industry.

Giving Australians the right digital and cyber skills is going to be critical for our future prosperity and security.

To enable Australians to acquire these skills, we need to grow our domestic capability. Key to this will be exposing Australians to the best international talent available, and doing so *in* Australia.

This means ensuring our migration system facilitates digital and cyber talent to come to Australia. A key challenge is that over past decades the talent pipeline has not kept up with current demand. This means there is a 'generational gap' in our digital skills – there are not enough experienced workers to train the next generation.

To fill this, the migration program needs to step in. As previously outlined, we have recommended changes that would make it easier and faster to bring highly skilled and high-paid workers into the country, with the removal of requirements such as the matching against the skilled occupation list above a certain salary threshold. This will ensure Australia has access to the best international talent. Ahead of these larger changes to the migration and

[25] National Skills Commission. 2021. *Digital skills in the Australian and International economies.*

visa system, the Government should consider what other short-term streamlining measures targeted at these specific skill sets could be put in place, such as a reworking of schemes like the Global Talent Visa program.

The lack of diversity in the sector is a key challenge and there is a need to get underrepresented workers into fields of high demand. For example, the future tech and digital workforce will need to have greater gender equity. Currently, fewer than a third of IT workers are women.[26] Programs that encourage greater female participation and development in tech roles should be a key focus of both government and business.

For example, NAB's Return to Work program seeks to upskill and retrain workers who have been on a career break such as parental leave in technology roles. 70 per cent of the participants in the program have been women. Likewise, Telstra's Iconic Experience Program focuses on fast-tracking women into influential and higher profile roles in tech and is accompanied by a Women in Tech Alliance to foster learning, networking, collaboration, and opportunities.

Bridging this gap will not only help skills needs – it also ensures products are better designed and able to meet a broader range of needs. This applies to other areas of underrepresentation in the workforce, like Indigenous candidates and those in regional and remote areas.

There is a raft of existing programs run across government, businesses, and the skills system to offer training for Australians, like the existing Digital Cadetships Trial, CyberCX's Cyber Academy, and Cisco's partnership with RMIT, Google's Career Certificates, or the digital apprenticeships offered by businesses like Microsoft and IBM. New government measures should also look at how these programs can be simplified and scaled – rather than adding further complexity by introducing new programs that partially replicate existing ones.

In this context, we welcome the Government's announcement that it intends to deliver 'digital apprenticeships' that will support workers to earn while they learn in entry level tech roles. We look forward to working with the government to develop this proposal.

What is needed is a way to forge a link between the training that is provided by various businesses and training providers and ensure that those Australians receiving this training can demonstrate that they have attained these skills to employers. Work integrated learning can play an important role here. For example, Bendigo and Adelaide Bank has a relationship with Latrobe University for a set of placements during the last year of an IT degree.

And underneath this – Australia needs to set the 'digital standard'. This is the baseline of things Australians and Australian businesses need to have and to know to be part of a modern economy. For businesses, this means thinking about whether they have taken up – where appropriate – cloud-based services, or that they have appropriate cybersecurity, or no longer need to deal with paper forms in their dealings with government. For individuals, it means ensuring everyone has the knowledge and confidence to be part of the modern digital-based economy, that they can be sure their devices aren't being hacked, and that their jobs are using technology to make them safer and more productive – the fundamental underpinnings to higher wages.

Government also needs to avoid putting in place rules and regulations that make it hard for businesses to export digital products or do business in Australia. Where government pursues poor quality regulation, it drives off businesses from investing in Australia, and makes it harder for businesses already operating here to modernise or adopt new technologies.

Australia also needs to have the digital infrastructure in place to support the industries of the future, including high quality connectivity, access to new services (like cloud computing and data centres), and frameworks that support the use of data all enable businesses are critical to businesses modernising. But they are even more critical for regional economies. Getting this right will unlock regions and enable them to be at the frontier.

[26] ACS Digital Pulse 2022

Recommendations

- The Federal Government should work with industry to develop a framework that provides certification of cyber security workers and their capabilities.
- The Federal Government should work with industry to incorporate existing training programs into the Digital Apprenticeships through the Digital and Tech Skills Compact.
- As part of an interoperable, portable skills sharing system (mentioned above), prioritise digital skills and training offered by businesses, including potentially as part of an initial trial.
- The Federal Government should set a 'digital standard' that sets the baseline for what Australians and businesses need to have and to know to be part of a modern economy.

8.3 Building a sustainable care economy

Connecting the care economy to the overarching economic landscape may offer a significant productivity uplift for Government and further address the labour force participation of women.

A recent report by PWC Australia "The halo effect: reimagining Australia's care workforce to help solve broader skills shortage" offers a suite of strategies that are worthy of consideration and further development in the Employment White Paper.

The report argues for the implementation of three interconnected steps, namely, the supplementation of traditional care work with role augmentations and digital capabilities; a reassessment of cost structures including renumeration and elevating the traditional care role.

The care sector is largely female dominated, low paid and facing significant workforce shortages. It is also one of the fastest growing employment areas. By 2026, around a quarter of new jobs will be in the health care and social assistance sector, with the largest growth being for aged and disabled care workers.

Through the COVID-19 pandemic, Australians have increasingly appreciated the importance of this work and how essential it is to the wellbeing of our community. The current structures and funding controls, which are primarily set by governments, make it difficult for the value of the work to be recognised.

The fundamental challenges of the workforce can only be addressed through a broader, more sustainable and long-term approach to the care sector as a whole. These are important socio-economic issues that must be addressed as a matter of real urgency.

Elevating the traditional care role was the subject of a recent report by KPMG "Towards a new and improved era in women's equality: valuing unpaid work" which estimated that women do more than half of all work performed in Australia. The failure of this to be recognised contributes to women's ongoing inequality, reinforces stereotypes and underlines the societal and cultural norms which need to be understood and addressed.

Recommendations

- Ensure the implementation of three interconnected steps: the supplementation of traditional care work with role augmentations and digital capabilities; a reassessment of cost structures including renumeration and elevating the traditional care role
    - With respect to role augmentations and digital capabilities, National Cabinet should undertake a work program focused on how the care sector can be enabled to use new technologies. This means embracing new tools, such as trialling how care workers can use new technologies to do less paperwork and focus more on patients.

9. Institutional framework

- We need coordination among government, industry and the education system to ensure that we can deliver the right mix of technical and higher education, and of local and global talent, to meet our current and future workforce needs.
- Jobs and Skills Australia (JSA) is perfectly positioned to provide the necessary coordination and oversight.

9.1 A coordinated approach to meet workforce needs

We need skills plans that support growing industries or lay the groundwork for the industries we want and need to have, such as quantum, cyber, renewables and batteries. We face similar workforce challenges in other areas of strong future jobs demand, including aged and disability care, nursing, teaching, engineering, defence industry, and advanced manufacturing. We need a plan for each sector, but we also need to consider the workforce connections that span across industries and across interstate and international borders.

For example, some of the areas of highest projected jobs growth in coming years are in future-focused tech roles that will underpin Australia's success as an increasingly digital economy. Over 1.2 million tech sector workers are projected to be demanded by 2030, which is a 40 per cent increase on today's workforce.[27] Achieving this target will require over 650,000 new roles to be filled, with one quarter from entry-level university/VET graduates, another quarter from newly arriving skilled migrants and around half expected to be met by upskilling and reskilling existing workers.

One of the problems highlighted by our current spate of workforce shortages is the lack of a single body within government that has properly planned for such challenges. We need to get better at coordinating planning and policies to meet skills and workforce needs (e.g. training priorities and migration/visa settings) and use this coordinated approach to inform and bolster the various employment services aimed at providing jobs and skills pathways for unemployed Australians.

This is the role that JSA can perform once established and operational – charting a course ahead, coordinating effort, and providing independent advice to governments on priority areas for government support. With better alignment across and between governments, close industry engagement, and sophisticated use of data, we can map out the workforce we will need, and combine education and training with skilled migration to meet the challenge.

To be a success, JSA needs genuine engagement with employing businesses, along with industry expertise on its board. One way to facilitate this would be to link into and leverage the new Industry Clusters that are being formed in the VET system to undertake industry-specific workforce planning, training development and stewardship. These new bodies can provide necessary breadth and depth of insight into workforce demand across multiple sectors, as well as some of the levers needed to deliver.

It is also essential that JSA is not established with a one-eyed focus on skills delivered through the VET system, to the exclusion of higher education or other pathways. VET plays an integral role in delivering technical skills for many roles across our economy, but assessments of workforce needs should be based on the experience, education, and skills required by employers, rather than preferencing a given type of provider. JSA can only achieve its potential if it has the scope to consider all parts of the education and skills ecosystem (including migration). See Appendix A for a proposed model.

[27] Tech Council of Australia. 2022. *Getting to 1.2 million – our roadmap to create a thriving Australian tech workforce.*

Key Functions for Jobs and Skills Australia

Assessing skills and workforce needs, now and into the future

- JSA should map out Australia's current and future skills and workforce needs through regular economy-wide and sectoral scans and capacity studies, and produce detailed nowcasts and forecasts at a national and regional level.
- Workforce mapping should be undertaken in conjunction with industry (including with the new Industry Skills Clusters) to reflect and support industries' own planning and initiatives.
- Workforce and skills data should be made publicly available to the greatest extent possible, to support state governments, industry and education/training providers as they undertake their own workforce plans.

Advising on policy settings and system changes to meet workforce needs

- JSA should have an expert advisory role, providing advice to federal and state governments on barriers and challenges, as well as recommended changes to policy settings that can help to meet future workforce needs.
  - Advice should be provided at the request of the Minister, but JSA should also be funded to publish independent advice on issues that it identifies (similar to the PC's study reports).
- JSA's assessments of skills shortages should form the authoritative basis for skilled visa settings and subsidy and loan support for training places, apprenticeships, traineeships and cadetships.
- JSA's focus should extend beyond training pathways and policy levers in the VET system, and include pathways and policy settings relating to higher education, migration, and industry-delivered training (e.g. non-accredited micro-credentials) that can support upskilling and reskilling.
- In VET, JSA should advise on priorities for fee-free TAFE places and other training subsidies (including short courses), and support for on-the-job training including apprenticeships, traineeships and cadetships.
  - JSA should also use improved data on VET student outcomes to provide assessments of high (and low) quality training that can influence future funding and propagate best-practice, including industry-led training.
- In higher education, JSA should account for how education and skills needs are being met through existing funding settings and provide advice on prioritisation of non-CGS course funding (e.g. university short courses, National Priority and Industry Linkages funding, and additional Commonwealth Supported Places for priority fields or cohorts).
- On migration, JSA should advise on priorities for skilled visas, and on changes to visa settings that can help to attract and retain skilled migrants in areas of current and future demand.
  - JSA could determine eligible occupations for skilled migration based on assessments that go beyond identifying skills shortages, and that also account for industry plans to meet these shortages through an uplift in education and training.
- In the labour market, JSA should feed into or incorporate the National Careers Institute, ensuring that its insights on future skills and workforce needs are translated into high quality careers advice that reaches school students, teachers, parents and people looking for a career change later in life.
  - JSA should also link in with (and provide advice to) employment services delivered at a federal, state and local level to help unemployed and other disadvantaged Australians find new or better jobs, with a focus on demand-driven employment opportunities and bespoke skills and training programs.

Recommendations

- The development of JSA should result in a body that can perform workforce planning and provide advice on and coordinate skills, employment and migration settings to meet industry needs and provide opportunities for all Australians. JSA must maintain strong industry connections and consider skills pathways across all forms of education, training and migration.
- JSA should prioritise skills plans for key future industries in Australia, like quantum, cyber, renewables and batteries.

10. Productive and collaborative workplace relations

- We need a workplace relations system which translates productivity gains into real wages growth and improves the incentives to work.
- In contrast, we cannot afford a system that creates uncertainty for business, stifles innovation and deters investment.

The key drivers of productivity – investment and innovation – are the way to sustainably drive real wages growth and raise the living standards of Australians. Fundamental to achieving these outcomes is an improved workplace relations system which translates productivity gains into real wages growth and improves the incentives to work. Indeed, the PC has noted that almost all wages growth in the long run is driven by productivity growth.

It is clear that best way of driving productivity and ensuring an inextricable link to wages is through bargaining at the enterprise level through single enterprise agreements. The BCA agrees with the Federal Government that "bargaining at the enterprise level delivers strong productivity benefits" and that it should "remain the primary and preferred type of agreement making".[28] However, recent legislative changes to significantly expand multi-employer bargaining will move us further away from these goals.

The current economic outlook is increasingly important to consider when addressing workplace relations reform. Australia cannot afford a workplace relations system that creates uncertainty for business and deters investment.

10.1 The need for Award simplification

Awards underpin our industrial relations system and are unique to Australia in providing a strong base for wages and conditions. It has been through this system that we have seen increases in pay rises through the annual review of the minimum wage and increases in particular sectors, such as Aged Care.

Enterprise bargaining is dependent on awards as the Better Off Overall Test (BOOT) must be assessed against them. For this reason, award simplification must be a priority.

Many awards continue to be overly complex and confusing for both employers and workers. This increases both compliance costs and the scope for non-compliance. When combined with the rigid approach to the BOOT, it has also been a key driver in the decline of enterprise bargaining, as more employers opt not to engage in the bargaining system.

The BCA encourages the Government to make this an immediate action item. There should be an initial focus on the key awards in priority sectors to facilitate bargaining such as retail, hospitality or fast food. These are also the awards of most concern to smaller businesses.

The focus should be on removing the complexity in each of the awards, as opposed to previous attempts to combine awards into a smaller overall number. This will make the task more achievable and address one of the key limitations on bargaining. It will also assist workers who find it extremely difficult to understand the detail of the awards. They will be able to be more clearly understand their wages and conditions and be in a better position to engage in bargaining.

Recommendation

- Award simplification should be a priority, with a focus on removing complexity in awards in priority sectors, such as the General Retail Industry Award, Hospitality Industry Award, Fast Food Industry Award and Restaurant Industry Award.

[28] The Hon Tony Burke MP. 27 October 2022. *Second reading speech, Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022.*

- The simplification of these awards should be completed within 12 months.

10.2 The risks of multi-employer bargaining

The BCA believes that an expansion of multi-employer bargaining will lead to diminished productivity benefits and reduce the ability for individual businesses to innovate and improve their terms and conditions.

At the very least, any such reforms should reflect the following principles:

- Businesses that already engage in single-enterprise bargaining should continue to do so and should not be covered by any new multi-employer agreements unless they choose to be.
- Multi-employer bargaining should be voluntary and on an 'opt-in' basis for any business (other than as currently allowed for under the 'low-paid' stream).
- The issue of low-paid workers in Government-funded sectors may require its own specific solutions. However, these sectors are very distinct from the commercial private sector and any amendments in the 'low-paid' stream or 'supported bargaining' stream should not be a precedent for any other sectors.
- The existing prohibitions on industrial action in support of multi-employer agreements must be retained.

There is a significant distinction between the concepts of 'multi-employer' agreements and 'sector-wide' agreements. We do not support sector-wide agreements in the private sector. The system should not allow for 'supply chain' bargaining, in which a business can be forced into bargaining for its suppliers or contractors. Nor should it allow for 'pattern bargaining' or 'industry-wide bargaining'.

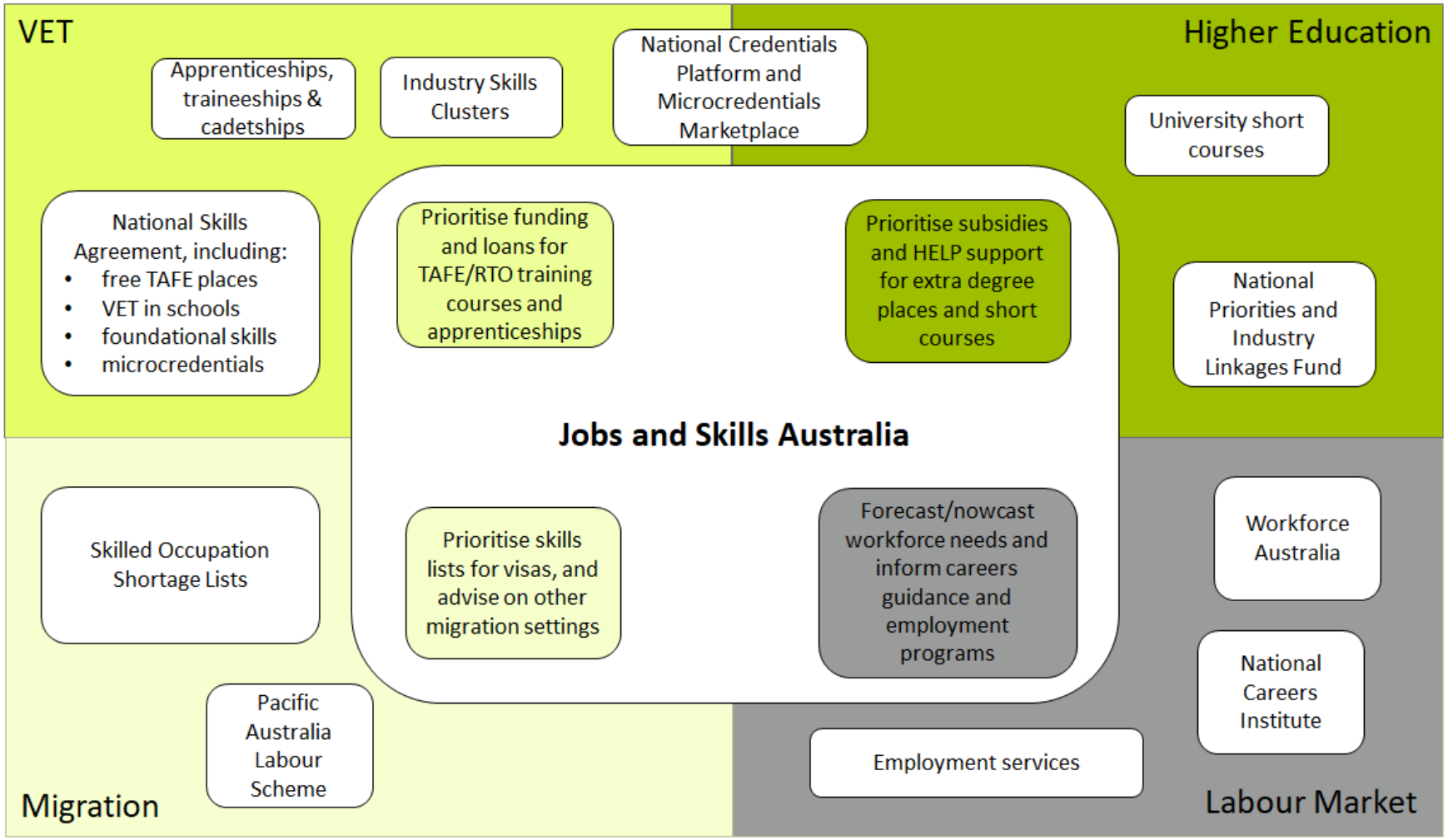
Requiring businesses which are competitors being forced to bargain together would undermine the key principles of how a business operates. Businesses would no longer be able to provide higher wages by being more efficient or innovative than their competitors, nor would they be able to compete for talent by offering higher wages to employees than their competitors. The additional complexity of having a range of different businesses along with a range of different unions trying to negotiate a single agreement that fits all needs will delay potential wage increases, rather than speeding up the process.

Recommendations

- Retain the primacy of single enterprise bargaining as the driver of increased productivity and sustainable wages growth.

Appendix A

Jobs and Skills Australia – proposed role and key functions



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