

Executive Summary

The Government's vision for the labour market

The Government's vision is for a dynamic and inclusive labour market in which everyone has the opportunity for secure, fairly paid work and people, businesses and communities can be beneficiaries of change and thrive. We are working to create more opportunities for more people in more places.

Today's labour market is much more inclusive, flexible, services-oriented and productive than in previous eras but there's more work to do to achieve our vision and maximise our potential.

Australia currently has an unemployment rate near historic lows and a participation rate around record highs, although labour market conditions are expected to soften over the coming year. Wage growth has started to pick up, inflation has started to moderate but is still too high, and workforce shortages are holding back businesses and our economy. While skill and worker shortages are easing for some sectors, long-term solutions will be needed to meet growing workforce demands in sectors such as care and support services.

Our economy and labour market will be shaped by five forces in the coming decades – population ageing, rising demand for quality care and support services, expanded use of digital and advanced technologies, climate change and the net zero transformation, and geopolitical risk and fragmentation. These forces are changing the composition of our industries, workforce needs, and the nature of work itself. Maximising the opportunities these shifts present, and ensuring all Australians can participate and benefit, will require a more productive, dynamic and resilient economy, with a bigger, better-skilled and more adaptable workforce.

This White Paper provides a Roadmap to position the Australian labour market for the future. It outlines the practical actions being taken and further reform directions required to achieve our potential. With clear leadership, collaboration and careful policy design, we will make the most of future opportunities.

Five ambitious objectives contribute to achieving the Government's vision.

Objective 1: Delivering sustained and inclusive full employment

The Government is working to create an economy where everyone who wants a job is able to find one without having to search for too long. These should be decent jobs that are secure and fairly paid. This is central to a strong economy and a prosperous and inclusive society.

The Government's objective is sustained *and* inclusive full employment. *Sustained* full employment is about minimising volatility in economic cycles and keeping employment as close as possible to the current maximum level consistent with low and stable inflation. *Inclusive* full employment is about broadening opportunities, lowering barriers to work including discrimination, and reducing structural underutilisation over time to increase the level of employment in our economy.

While more people are participating in paid work than ever before, there is still considerable untapped potential. There are around 3 million people in Australia who want work, or want to work more hours – equivalent to a fifth of the current workforce. Labour market outcomes vary significantly across



cohorts and regions. This indicates more can be done to reduce structural underutilisation, expand employment opportunities and increase economic potential.

Identifying the causes of underutilisation is central to determining the appropriate policy responses.

- Frictional unemployment is a normal aspect of the labour market, reflecting that people may take time to move between jobs.
- Cyclical underutilisation is the result of insufficient demand for workers at different points of the economic cycle and can be lessened through effective macroeconomic policy settings.
- Structural underutilisation arises from persistent mismatches between potential workers and available work. This can occur when workers' skills don't match those required for available jobs, when there are geographical mismatches between where workers live and jobs are, or other barriers to participation, including disadvantage or discrimination.

The Government will take a broad approach to achieving sustained and inclusive full employment. This includes sound macroeconomic management to help keep employment as close as possible to its current maximum sustainable level in the short term. We are also committed to addressing the structural sources of underutilisation to increase the level of full employment that can be sustained over time without adding to inflationary pressures.

We are taking comprehensive action, including improved education, migration and regional planning systems, and setting out reform directions to improve key enablers such as employment services, affordable and accessible child care, and housing. We are equipping the workforce with the skills needed for the jobs of the future, and enhancing the ability of individuals and businesses to adapt to the modern labour market.

Objective 2: Promoting job security and strong, sustainable wage growth

The Government will seek to promote a labour market with jobs that are safe, secure, fairly paid and provide mutually beneficial flexibility to workers and employers.

Wage growth in Australia has been subdued over the past decade, though it has picked up over the past year to be at its highest level in a decade. In the long term, real wage growth depends on productivity growth, a dynamic and competitive labour market and effective wage-setting institutions.

Labour market dynamism, including job switching and labour mobility, is important for employers and workers, who both benefit from better job matches. Job switching promotes higher wage growth, while mobility more broadly plays an important role in ensuring we can adjust to structural change. A system of minimum wages, bargaining and a culture of genuine workplace cooperation can support both higher productivity and higher wage growth for workers.

Real wage growth is a key element of increasing living standards but not all workers are fairly paid. The gender pay gap remains an ongoing challenge, and some groups are more susceptible to exploitation. The Government wants all workers to benefit from fair pay for the work they do.



Objective 3: Reigniting productivity growth

Productivity growth is the key driver of real wage growth and rising living standards over the long term, but it has been slowing around the world, and in Australia, since the mid-2000s. In the decade to 2020, productivity growth in Australia was the slowest in 60 years.

While several long-standing factors have contributed to the productivity slowdown, we also face new and emerging headwinds, and our productivity challenge is changing with shifts in our industrial base.

Realising our productivity potential will require a broad-based approach that promotes the enduring drivers of productivity growth such as investments in our human capital and infrastructure, as well as promoting competition and dynamism while leveraging the big transformations underway in our economy.

The potential to generate low-cost renewable energy and increased adoption of digital technologies present new avenues to improve productivity. Raising productivity in large or growing industries such as care and support services will also become increasingly important.

Rather than repeating previous waves of reforms, Australia's productivity agenda needs to respond to current economic circumstances and identify modern strategies to advance enduring policy goals. To make the changes we need, the Government is progressing a five pillar productivity agenda. This agenda focuses on driving higher productivity growth by promoting economic dynamism and resilience, investment in physical and human capital, delivering quality care more efficiently, and realising the opportunities of the net zero transformation.

Objective 4: Filling skills needs and building our future workforce

Addressing skills shortages and proactively building a strong and skilled workforce will be fundamental to achieving full employment and productivity growth. To do this will require substantial growth in the high-skilled workforce. Over the next 10 years, more than 9 out of 10 new jobs expected to be created will require post-secondary qualifications.

Some rapidly growing industries are facing acute skills shortages and will require tailored workforce solutions. This requires investments in domestic skills and training, complemented by targeted migration pathways. Australia needs an increasingly highly-skilled labour force, equipped with the right tools and technology, in order to meet the needs of a growing care economy and to maximise opportunities from the digital and net zero transformations.

Projections produced by Victoria University for Jobs and Skills Australia show that digital and technology jobs will grow by 21 per cent by 2033, while the care and support economy is expected to grow by 22 per cent by 2033. Projections produced by Deloitte for Jobs and Skills Australia show that the occupations key to the clean energy workforce will need to increase by around 30 per cent by 2033 to deliver the net zero transformation. This represents an increase of 213,000 workers. Workforce planning grounded in data like this, together with insights from industry and educators, can drive a responsive skills and training sector.

The education system is central to our goal of filling skills needs and building our future workforce. Lifting the level of educational attainment across the Australian population requires action through all stages of the education journey. To increase the number of people with post-school qualifications, students must be set up through an effective school education to succeed and complete their tertiary



qualifications. Migration is not a substitute for investing in the skills of Australians. However, well-targeted migration can complement local skills while contributing to productivity growth.

The tertiary system must adjust to meet future workforce needs by providing greater support for disadvantaged students and increasing collaboration across higher education, vocational education, industry and governments. Finally, a culture of lifelong learning, supported by greater workplace training, will ensure people are able to upskill to take advantage of future opportunities in the labour market.

Objective 5: Overcoming barriers to employment and broadening opportunity

Increasing labour force participation promotes social inclusion and boosts our economic potential.

Opportunities in Australia's economy have not always been shared equally. The five regions with the highest long-term unemployment rates make up 12 per cent of all long-term unemployed people nationally, despite only having five per cent of the working age population.

Disadvantage reduces the employment prospects of many people and can lead to intergenerational cycles of joblessness. Entrenched disadvantage often starts from birth and follows people throughout their life.

Compounding local factors, complex personal circumstances and discrimination can make engagement in work challenging for families and communities, including to break out of cycles of disadvantage. Many people face multiple, interconnected barriers to employment such as a lack of access to services or secure and affordable housing. Unemployment disproportionately affects key cohorts in our society.

- The employment rate of Aboriginal and Torres Strait Islander people continues to significantly lag that of non-Indigenous people, and the gap has not closed notably over the past 30 years.
- The employment rate for people with disability has been consistently lower than for those with no reported disability, and has shown no improvement over 20 years.
- Young people aged 15 to 24 years face an unemployment rate twice the unemployment rate for all Australians.

Women are participating in the labour market at higher rates than ever before. However more work can be done to achieve gender equality. Barriers include the affordability and accessibility of early childhood education and care, disincentives for secondary earners to engage in paid work, the unequal distribution of unpaid care between men and women, societal norms that limit choice and perpetuate discrimination, occupational segregation, and the impact of gender-based violence.

Mature age workers generally have good labour market outcomes, however, when they lose their job or want to return to the workforce, they can find it hard to get back into work.

Although governments have a range of policy tools to address these issues, employers can also contribute through creating inclusive workplaces, including by implementing recruitment practices and providing opportunities that are free of discrimination and designed to allow people to balance work with other responsibilities.



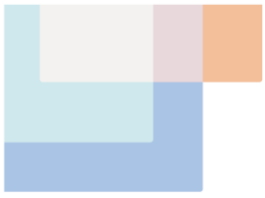
A Roadmap for the Australian labour market

The White Paper builds on the important progress made at the 2022 Jobs and Skills Summit and outlines a Roadmap to achieve the Government's vision. The future reform directions identified across the 10 areas in this Roadmap will inform policy priorities, development and design, including for the 2024–25 Budget.

Realising the Government's vision for the labour market requires ambition, collaboration and concerted action across a comprehensive range of policy areas. The labour market transformation of the past 50 years has shown we can become more inclusive and more productive – and the changes expected over the next 50 years will require even greater efforts.

The Government's Roadmap is focused on 10 policy areas:

1. **Strengthening economic foundations** by placing full employment at the heart of our institutions and policy frameworks, progressing a five pillar productivity agenda and strengthening the foundations for secure, fairly paid jobs.
2. **Modernising industry and regional policy** so people, communities and businesses are positioned to withstand the challenges and reap the benefits as we strive to become a renewable energy superpower, realise the opportunities of technological change and broaden and deepen Australia's industrial base.
3. **Planning for our future workforce** by coordinating skill priorities and policies, and meeting workforce needs in the context of a growing care and support economy, the net zero transformation and technological change.
4. **Broadening access to foundation skills** by charting a course towards universal access to affordable, quality early childhood education and care, improving school outcomes and expanding access to adult learning opportunities that help people find and keep a secure, fairly paid job.
5. **Investing in skills, tertiary education and lifelong learning** by increasing the share of Australians studying in areas of high skills need, improving collaboration between the vocational and higher education sectors, and removing barriers to learning across the course of people's lives.
6. **Reforming the migration system** through better targeting skilled migration, improving the employment outcomes of international students and realising the employment potential of migrants.
7. **Building capabilities through employment services** by setting out clear principles for future reform and implementing changes in an evidence-based way that applies learnings from evaluations and accounts for the needs of local labour markets and individuals.
8. **Reducing barriers to work** by addressing disincentives to participate, improving the quality of support for people with disability, and promoting gender equality.
9. **Partnering with communities** to achieve genuine place-based change informed by community needs, deepening ties with social enterprise and partnering with First Nations people to support economic development.
10. **Promoting inclusive, dynamic workplaces** by working with employers to foster workplace diversity, collaborating with businesses through the employment services system and improving the quality and transparency of data to measure workplace performance.



Improving women's economic equality is a Government priority, and will require a focus on women who face complex and intersecting forms of disadvantage, as well as looking at ways we can better value and share care work, ensure safe and respectful workplaces and reduce workforce gender segregation. These sit as cross-cutting principles guiding action across each of the objectives and policy priorities.

This White Paper lays the foundations for current and future Government policies that will continue to shape the labour market over the years to come. We have made meaningful progress – investing in skills, supporting women's economic participation, improving migration settings, making workplaces fairer and safer, and more – and through this White Paper we are taking new actions. But importantly, the policy directions laid out here demonstrate how the Government will prioritise and deliver reforms into the future.

Government cannot achieve its vision alone. Progress will require strong partnerships and collaboration with and between governments, employers including large, medium and small businesses, unions, civil society and the broader community. By working together, we can build a stronger, fairer and more inclusive society for generations to come.