

## National Economic Review 2015 – The Future of Jobs

Global Access Partners 6<sup>th</sup> Annual Growth Summit

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Parliament House of NSW

Sydney, Australia

**Communiqué to the Organisation for  
Economic Co-operation and Development (OECD)  
2016 Ministerial Meeting on Jobs Strategy**

## **Summit Communiqué to the 2016 OECD Ministerial Meeting on Jobs Strategy**

We, the attendees at Australia's 6<sup>th</sup> Annual Growth Summit, met on the 17<sup>th</sup> and 18<sup>th</sup> of September at the Legislative Assembly of NSW Parliament House in Sydney. The Summit was hosted by public policy and implementation institute Global Access Partners (GAP) and welcomed a select audience of federal and state politicians, business leaders, academics and social commentators to discuss the future of jobs. Topics included digital disruption and entrepreneurship, productivity and competitiveness, skill shortages and education, wider workforce participation and the changing nature of work.

We thank the Hon. Anthony Roberts, NSW Minister for Industry, Resources and Energy, for hosting the Summit, and its sponsors and supporters, including Chartered Accountants Australia & New Zealand, Cognizant Technology Solutions, Department of Education and Training, Department of Employment, Department of Social Services, Edith Cowan University and the ECU Emirates Centre of Aviation & Security Studies in Dubai, Herbert Smith Freehills and Hewlett Packard Enterprise. We congratulate the Summit's steering committee and GAP for their organisational expertise and the volunteers and staff responsible for its success.

We recognise that Australia faces a more uncertain economic future as the commodity boom begins to wane. Digitisation, technological disruption and intensifying international competition may threaten employment in existing industries and services, but it will also offer new avenues for growth, employment and prosperity. Australian policy should encourage innovation to bring value to consumers and reinvigorate the economy, rather than shield entrenched producer interests. Government, businesses and individuals should be courageous in their decision making and take the initiative to grasp the opportunities which technological progress and economic development presents. We should nurture a culture of experimentation and positive failure which supports, rather than damages, diminishes or punishes, entrepreneurs as they pursue innovations which will benefit us all.

## International Perspectives

1. Many OECD countries suffer high unemployment and a shortage of marketable skills. Although tertiary education has been greatly expanded, too few young people graduate in subjects relevant to the modern labour market, while vocational courses and apprenticeships have been neglected. Societies around the world are ageing, reducing the ratio of workers to dependents, and there will be increasing international competition for skilled migrants. The relationship between GDP and employment is eroding as automation expands to affect – if not destroy – half the jobs done today. The specialisation of labour which has characterised recorded history will continue to intensify, with growing disparities of income. Technological advance has always created more jobs in the long term than it initially destroys, but the increasing pace of change may see a significant interregnum in which unemployment increases unless policies and attitudes are changed.

## Services

2. The service sector has lagged behind manufacturing in improving productivity in recent decades, but the rapid development of key enabling technologies will see many professional services and back office functions digitised, with major losses of jobs. Technologically driven improvements in service productivity are removing the need for 'middle men' in companies, just as they are disintermediating relationships between consumers and producers. The retention of a strong manufacturing sector strengthens the service industries which are often touted as its replacement.

## Digitisation

3. The digitisation and automation of many commercial activities by increasingly sophisticated computer algorithms will see a host of professional and administrative jobs disappear in the near future, just as manufacturing jobs were lost to low-cost Asian producers in previous decades. While the net positive results of Schumpeterian 'creative destruction' will probably persist into the future, the quickening pace and broader impacts of technological change may create mismatches between the skills required by the employers and those available in the labour market. Australia and other developed countries may suffer both unemployment and skill shortages, causing both social and economic difficulties. However, while routine, and many non-routine, activities in sales and administration will be automated, jobs which require emotional responses, such as those in health and education, will remain in human hands. Demographic change may see a million workers employed in aged care by 2055.

## **Technological Disruption**

4. Large, long-established companies face an ever-intensifying struggle to stay relevant, as digitisation decimates barriers to market entry and traditional business models are disrupted by new entrants, technology and techniques. The internet and social media furnish consumers with real-time information and market power, removing the need for middle men and gatekeepers. 3D printing may soon remove the need for commercial manufacturers of many goods themselves. Innovations such as driverless cars are set to change society – and leave large numbers of people, whose jobs depend on driving, looking for alternative work. However, the current impact of digitisation and the informal economy can be over-emphasised, with the number of Australians working outside formal employment structures increasing by just 1% per annum over the last decade. While internships, contingent workers, zero hours contracts and the 'gig economy' are increasingly prevalent around the world, they do not yet pose a public policy issue in Australia. Rather than pauperise vast swathes of the population, technology could eventually create an 'era of abundance' in which people will contribute to society in many ways beyond the world of work.

## **Productivity**

5. Domestic productivity growth has remained poor over the last decade, despite the widespread adoption of ICT and other modern technology. Productivity improvements should be pursued as beneficial in their own right, regardless of debates around the extent and impact of demographic or digital change.

## **Comparative Economic Advantage**

6. A nation's prosperity is a function of its economic complexity, and Australia's complexity remains relatively low. Australian companies serve mature markets, generate low productivity growth, and compete on price rather than quality. Increasing that complexity and developing sectors in which Australia enjoys a comparative advantage could compensate for a future decline in mineral exports to Asia. Tourism, international education, agri-business, gas and wealth management have particular potential and, when aggregated, could match the mining industry in size.

## **Demographic Change**

7. While short-term disruptions may increase unemployment, Australia and much of the developed world face a long-term shortage of suitably skilled workers as the population ages and the ratio of working people to dependents declines. The ratio of workers to retirees has fallen from 7.3 in 1975 to 4.5 today and may be as low as 2.7 in 2055. If society and policy do not adjust, this will see fewer people working, less income tax collected and higher health, pension and aged care costs for the government.

## **Non-Traditional Employment**

8. Many companies will take advantage of digitisation and global connectivity and reduce costs where they can by minimising their numbers of formal employees and sub-contracting work to casual workers around the globe. Although the impact of the 'gig' or 'sharing' economy can be overstated at present, it may have a growing influence on employment, threatening traditional career paths and increasing insecurity for some individuals, while offering new opportunities for others currently marginalised from the traditional, full-time labour market.

## **Innovation**

9. Although Australia is a heavy consumer of technology, it produces little technology itself. It is an inventive nation which spends significant sums on research, yet has a poor record on commercialising these inventions, due to poor collaboration between industry and universities, a lack of venture capital for entrepreneurs, an intolerance of failure, and a dearth of appropriately skilled and experienced personnel. Innovation requires the successful commercialisation of inventions and must be improved if Australia is to create 1% of the world's intellectual capital, and thus retain its current 1% share of global GDP.

## **Workplace Reform and Flexibility**

10. Australia should begin to prepare for the workforce challenges which demographic change will generate by 2055. This will require greater economic participation by the over 65s, the retraining of retrenched workers in their 40s and 50s and increased female participation in the workforce enabled by more flexible working arrangements. More flexible working arrangements should encourage start-ups and smaller companies to launch and expand, but workers' rights should remain protected to guard against exploitation. Businesses will be forced to abandon their reluctance to employ older workers, as the supply of younger workers declines. Other factors which inhibit labour mobility include the high cost of metropolitan housing, incompatible local trading regulations, and a lack of ongoing education after leaving school or university.

## **Public Policy**

**11.** Public policy should encourage rapid resource reallocation in a dynamic economy, rather than allow vested commercial interests to stymie consumer-friendly competition and growth. Consumer preferences in a free economy are the main driver of change, and while jobs may disappear in the short term in the pursuit of higher productivity, impeding modernisation, rationalisation and productivity growth can only damage national income in the long term. Red tape costs the Australian economy \$250 billion every year. While there is obviously a need for regulation in the public interest, more attention should be paid to its cumulative effect, no matter how well-intentioned each individual measure may be.

## **Government Transfers**

**12.** The most important factor hampering Australian productivity is not unduly high wages or over-generous worker protections, but the lack of management and accountability regarding government transfers of funds. Virtually no effort is given to tracking the vast sums of money which the public purse transfers. Nor are there serious investigations regarding their true impact on society and the economy. This, in turn, means there is no hard data by which to judge where such funds should be allocated in the future for best effect. Rigorous efforts should therefore be made to 'follow the money trail' from the moment it is released by government agencies.

## **Education**

**13.** Although Australia has high rates of tertiary participation, there is a shortage of graduates with the STEM skills required in cutting-edge firms. Australian universities produce a surfeit of lawyers, but just 3,000 computer science graduates every year. Education should furnish young people with the skills required to identify and solve problems and the interpersonal skills required in productive teams as well as competence in their domain. There is no trade-off between success in traditional subjects and creativity in education. Contrary to popular belief, countries tend to excel at both or neither.

## **Leadership and Culture**

**I4.** Successful tech companies use novel means to attract, retain and reward skilled workers in the face of intense international competition for their services. Australian society has become ever more risk averse, but courage is needed from politicians, businesses, investors and individuals alike to embrace, rather than fear, the future. Few predictions of future trends bear any relation to reality, but economic and technological disruption is already an established trend. Although measures should be taken to ease these transitions, Australia has prevailed in the face of greater challenges before, and if the right decisions are made, it remains well-placed to flourish in the 21<sup>st</sup> century as it has before.

## **Key Recommendations for Change**

### **International Perspectives**

- Measures to promote skills, flexibility and modernisation should be adopted across the OECD.
- In common with other nations, Australia should pursue domestic structural reforms, international free trade agreements, market deregulation and labour flexibility to maximise productivity and job opportunities in the future.
- While productivity improvements may reduce employment in the short term, they will increase the number of high-quality sustainable jobs over the long term.

### **Economic Complexity**

- Australia must encourage higher levels of economic complexity by recognising the importance of innovation and manufacturing, as well as primary and service industries to the national economy.
- Industry, education and innovation policies should increase national economic complexity and empower the absorption and deployment of new techniques and activities.
- Policy should encourage firms which generate world-class increases in productivity, as only these firms can create stable, high-quality jobs.
- Australia must 'manage for change' in the future to seize its opportunities, rather than merely 'manage change' after the event to ameliorate its most damaging impacts.

### **Comparative Economic Advantage**

- Australia should seek to optimise the sectors in which it enjoys an international comparative advantage.
- Tourism, international education, agri-business, gas and wealth management are potential areas of growth which could, when aggregated, compensate for the waning of the recent mining boom.

### **Demographic Change and Workplace Flexibility**

- More flexible working arrangements, including mobile and remote working, should encourage a wider range of older, female, disabled and minority Australians to enter or remain in employment.
- Rigidities in the workplace and labour market should be addressed by both government policy and business practice to encourage more diverse recruitment and the agile deployment of resources required by fast-changing market conditions.



- Legislation regarding minimum wages, penalty rates, payroll taxes, FBT and unfair dismissal should be investigated to encourage companies to recruit more workers with less fear of change or liability. However, workers should remain protected from exploitation as the nation's economy exists to serve its people, rather than vice versa.
- Australian businesses should encourage collaboration and maintain a mindset of ongoing reskilling, rather than relying on government or individual initiatives to satisfy their own demand for skilled and agile labour.
- Remote working should be embraced to encourage wider participation, and health and safety liability should be revisited to encourage its adoption.
- High-achieving millennials are attracted by an organisation's vision and values, rather than perks packages. Employees should be welcomed to the organisation, given meaningful activities and see their contributions valued in more than monetary terms. Successful companies must strive to improve the working environment in a systematic way to improve worker satisfaction and commitment to boost its own productivity. Surveys of workers can highlight problem areas to be addressed.
- Organisations should make a conscious effort to harness the collective wisdom of their employees to maximise the value of their greatest asset.

## **Public Policy**

- Governments should ensure that the basic infrastructure of transport, energy and water and services providing healthcare, education and security are well maintained, to allow people and prosperity to flourish.
- Governments' accountability frameworks for public money transfers and what public spending achieves should be improved.
- Businesses and industries should become more self-reliant in addressing and solving the problems they face, rather than relying on government action.
- Regulation conceived in the past should not impede new digital solutions, nor be used by vested interests to protect themselves against new entrants, although the protection of the public must be maintained.
- Regulation should be reviewed, and old or obsolete measures removed, more assiduously. Companies should also review the growing numbers of workers they employ to ensure company compliance with self-imposed internal procedures.
- Governments should not place unduly heavy 'bets' on particular policies or industries, given today's fast-changing social, economic and technological environment and the failure of such bets in the past.

## Education

- Education should emphasise the problem-solving ability and interpersonal skills required by both highly paid performers and lowly paid support workers in the new economy, as well as subject competence.
- The teaching of STEM subjects should be encouraged at all stages of education, from primary school to universities and beyond. The national school curriculum should emphasise computational and systems thinking, problem solving and adaptability and basic competence, as well as STEM subjects. Far from inhibiting it, the traditional disciplines of numeracy and literacy are the bedrock of creativity.
- While skilled immigration can address such shortages in the short term, Australia must train more people of every age, gender and background in the skills required today. Girls should be encouraged to study STEM subjects and computer science to address the poor rates of female participation and shortage of suitable graduates in these sectors.
- Industry, government and individuals must invest time and resources into constant retraining and upskilling to maximise capacity, agility and employability in a fast-evolving economic and technological environment.
- Rates of youth unemployment are lower in OECD countries with a well-established, work-based vocational training system. Australia should ensure its vocational education remains practical and employment-oriented, to ensure the availability of tradesmen and similar professionals. Businesses must offer more work experience places to school and university students.

## Commercialising Technology

- Cooperation between industry and universities, often mediated by research institutes, plays a vital role in Germany's success and should be improved in Australia. Collaboration between industry and universities should be enhanced to enable the successful and mutually beneficial commercialisation of Australian inventiveness and publicly funded research.
- Australia must produce its own businesses to digitise others, or face its own businesses being digitised from abroad. It should aim to produce 1% of the world's technological advances if it wishes to maintain its prosperity and 1% share of global GDP.

## Leadership, Entrepreneurship and Culture

- Australia should pursue excellence in education and innovation with the same vigour, and international success, it devotes to sport. Australia must embrace a 'have a go' culture of risk taking and endeavour, rather than the 'fair go' culture of entitlement and mutual mediocrity.
- Australia should be more tolerant of failure, as entrepreneurs and inventors may stumble several times before they succeed. The stigma and restrictions surrounding individual bankruptcy should be eased to reduce the penalties for business failure, while US-style 'Chapter 11' legislation would allow Australian businesses to trade their way out of difficulties, rather than being closed by administrators.
- Enlightened and positive leadership across business, education and government is required to inspire a positive embrace of inevitable global change. New decentralised leadership styles must be adopted in new companies, with managers balancing creative chaos and productive order to achieve the best results. Organisations which offer their employees opportunities to develop domain mastery, autonomy and purpose are most likely to succeed.
- Politicians should offer clear national goals for Australia to achieve through market mechanisms. The next GAP Summit in 2016 will discuss the implementation of a Vision for Australia.