



2022 Jobs and Skills Summit

CCIWA submission

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Keeping unemployment low and raising productivity

Businesses employ six in every seven Western Australians. The key to keeping unemployment low and raising the productivity of our workforce is therefore to make it as easy as possible for businesses to hire and retain the best employees for the job.

Two clear mechanisms for enabling this are workplace relations reform and tax reform.

Reforming our workplace relations system

Change to our workplace relations system is needed to deliver increased productivity, higher wages and more secure jobs in more resilient enterprises.

Enterprise level bargaining is a key part of improving the productive performance of workplaces and Australia's competitiveness and living standards. However, despite these benefits, there has been a significant decline in agreement making since 2010.

Fewer employees are covered by current enterprise agreements and fewer new agreements are being made. Direct coverage of the modern award safety net has increased, delivering low wage growth, poor productivity and increased rigidity in workplaces. A viable and effective agreement making system should not go backwards and see an increase in the application of the safety net at the expense of agreements.

This picture is opposite to the successful model for workplace relations introduced by the Hawke/Keating Labor Government, which placed the primary emphasis on bargaining at the workplace level within a framework of minimum standards set out in Awards. Under this model, awards and arbitrated wage increases are the safety net, and the proportion of Australians working on that safety net should not increase.

Bringing unions and employer groups together in a collaborative manner at the Summit will be an important opportunity to reform our ailing enterprise bargaining system. All potential fixes to rejuvenate workplace bargaining should be on the table at the Summit.

A particular priority must be fixing the Fair Work Commission's unnecessarily technical and complex agreement making process. Complexity is not making the system fairer or more productive. Multiple independent reviews have found complexity to be the main contributing factor in the decline in enterprise bargaining.

All aspects of agreement making, including bargaining, the approval process, and the application of the "better off overall" test (BOOT), should be considered and consensus reached on changes that can start to restore confidence in bargaining. Consideration should be given to both legislative and complementary non-legislative changes.

The focus must be on improvements, incentives and mutual gains. The business community has no intention of putting forward proposals that would see employees worse off, and is ready to consider proposals put forward in good faith (including

proposals on termination of expired enterprise agreements, where not mutually agreed or non-controversial).

Achieving greenfields reform is another critical priority for WA's economy. Being unable to establish terms and conditions of employment for the life of a major project imposes risk and disincentives for businesses to invest. Our international reputation as a safe investment destination is undermined when major projects such as Gorgon, Curtis Island and Ichthys LNG in WA can be disrupted by mid-project industrial disputes.

Decision makers must bring forward greenfields reform as a standalone priority.

Tax reform for growth and jobs

Australia's inconsistent rate of company tax imposes a disincentive for businesses operating in Australia to grow. To mitigate this disincentive, CCIWA's recommendation to decision-makers is to amend the definition of small business for the purpose of company tax.

Raising the threshold at which the 30% rate applies would enable more successful small and medium sized businesses to operate without the burden of higher tax, removing a barrier to their growth, helping to attract international capital, and ultimately, enabling them to create more jobs. Nearly half of all Australian workers are employed by small and medium sized businesses, and measures to reduce their tax burden would have widespread support.

We note that changes proposed by the previous Government, and partially enacted, would have scaled down the corporate rate for all businesses to 25%. As a point of general principle, it remains the view of CCIWA that a consistent tax rate of 25% for all businesses is a sound objective.

Skill shortages and the long-term skills mix

Over 80 per cent of WA business are struggling to fill roles, and the skills crunch is getting worse not better. In addition to solving this short term problem, we need to ensure WA businesses can access the skills they are going to need in the future.

Alleviating current skills shortages

WA businesses have been ramping up training and employing locals, supported by efforts from government including low-cost training and wage subsidies. In addition, apprenticeships and traineeships in our state are now at boom-like levels.

Despite this, our most recent Business Confidence survey found that over four out of five businesses were struggling to fill a role, with labour shortages being felt acutely among most sectors. To further illustrate the scale of the problem, WA is the only state that has more job vacancies than unemployed people.

To alleviate these skills shortages, a suite of measures is needed, including:

- Addressing bottlenecks in the skilled migration system
- A concerted international marketing effort to attract skilled migrants and international students to Australia
- Increasing women's workforce participation
- Increasing the participation of under-represented groups

Our recommendations on these issues are further fleshed out in the rest of this submission.

Creating a more responsive education and training system

Over the longer term, it's vital that our education and training system is better able to respond to the needs of employers to ensure we are developing a pipeline of workers with the skills businesses need. Reform in this area is desperately overdue.

An effective education and training system should be focused on preparing individuals for a lifetime of work and learning and ensuring businesses have people with the skills they need to drive growth and productivity. It requires a business-first — as opposed to a top-down, government led — approach.

To that end, there must be an industry voice at all levels of workforce planning and Vocational Education and Training. The systems architecture must include:

- An independent statutory authority in Jobs and Skills Australia with a tripartite board and independent chair.
- A link between Jobs and Skills Australia and the new industry skills clusters for workforce planning.

When it comes to VET, a central performance indicator of our national skills agreement has been the proportion of employers that are satisfied that training meets their needs. Yet Productivity Commission reviews and evidence from CCIWA's members highlight that the VET system is struggling to deliver the skills employers need.

One of reasons for this is the system's overly cumbersome and non-responsive qualifications development system. The process for developing training packages is time-consuming, involving many parties and layers of supervision. The lengthy development, approval, and endorsement processes ultimately lead to long delays in delivery to market, by which time the qualifications become outdated. To address this, we recommend:

- There be a new approval body under Jobs and Skills Australia for training products (replacing the Australian Industry and Skills Committee).
- That States and Territories with locally based VET regulators retain this function, because they have the deepest and most nuanced understanding of local market conditions. (This should, however, be complemented by state regulators taking urgent action to eliminate overlapping and inconsistent regulatory requirements across the States and Commonwealth.)

It is also important that VET markets are funded in such a way as to ensure the nature of training offered by providers delivers the skills employers want. To achieve this, we recommend that:

- The National Agreement on Skills and Workforce Development be finalised and deliver real funding increases in VET and in turn an increase in the number of funded students. Subsidies should be available through both public and private VET providers on a relatively consistent basis, with incentives for quality delivery.
- Individual state governments retain flexibility to decide relative subsidisation across courses — training priorities will differ on a sector, state and regional basis, and state governments have the deepest and most nuanced understanding of local market conditions.

Finally, employer facing incentives to take on apprentices and trainees should be retained. Commencements supported by wage subsidies to employers in year 1 and retention by assistance to apprentices through subsidy and mentoring is the most effective approach.

These incentives encourage businesses to continue providing an important public good in the form of an apprenticeship or traineeship. The provision of a training opportunity can deliver a significant net community benefit as it ensures a pipeline of skilled workers, in turn reducing the risk of productivity sapping skills shortages. Not all businesses will continue to provide training opportunities if support stops being available. This risks lost productivity as well as a long-term impact on young people's engagement in the workforce.

A return to world-leading migration settings

WA relies more heavily on skilled migration to meet labour demands that cannot be filled locally and for highly specialised skills than other states. It is the most reliant state on permanent migrants and tied with Queensland for reliance on temporary migrants. Border restrictions due to COVID-19 led to a significant fall in the supply of overseas workers and sectors that have traditionally relied on migrants (e.g. hospitality, retail, agriculture, and health care) continue to be materially impacted. Finding ways to get more skilled migrants to WA must therefore be a top priority.

For many years Australia's approach to skilled migration was world leading. But since 2017, the program has become expensive, complex, less responsive to needs and subject to unacceptable delays, with COVID-19 exacerbating these problems. To address these issues, CCIWA recommends that the Commonwealth Government:

- Invest substantially more resources in all aspects of visa processing for the next two years to alleviate current bottlenecks in the visa processing system. In addition, address issues with red-tape in the system, in particular:
 - Temporarily suspend labour market testing requirements until Australia's unemployment rate is below the natural rate of unemployment.
 - Remove overlapping prioritisation which slows down processing for all those except applications favoured by being at the top of the lists.
- Increase the permanent migration cap for the next two years to 200,000 skilled workers (in addition to family migrants) to replenish the skills lost during COVID-19, then restore it to around 120,000 as part of the previous 190,000 cap.
- Remove the differential between short and long term temporary skilled migrants and restore pathways to permanency for all skilled occupations. These are the settings that were in place prior to 2017: restoring them would increase Australia's relative attractiveness as a place to come to live and work, and make the system more responsive and less complex.
- Abolish skills lists — they are unable to evolve quickly enough to capture new and emerging skills gaps. Employers should be allowed to sponsor migrants in all skilled occupations, not just those on the Medium to Long Term Skill Shortage List. This is not novel — it is the setting that was in place prior to 2017.

In addition, the State Government should ensure State based migration programs capture the largest number of occupations possible – doing so will ensure that WA does not lose out attracting talent to other Australian jurisdictions.

Along with migration reforms, promotion campaigns by Government that build Australia's profile on jobs, liveability and education are needed to attract workers and students to Australia, particularly in priority skill areas such as climate, care and digital. We need to recognise that Australia is being outplayed by other economies in this area and also in their approach to processing visas. This extends to attraction of international students and tourists.

Boosting workforce participation

There has never been a better time to tap into a wider pool of talent within our labour force including young people, people living with a disability, and retirees. To increase participation of these groups effort needs to be put in to improve the pathways and resources that will encourage and better enable the individuals to work.

Increasing youth employment

The national youth unemployment rate continues to be materially higher than the national unemployment rate. This also applies to WA where the youth unemployment rate in June 2022 was at 8.5% compared to the state's unemployment rate of 3.4%. This illustrates that there is scope for improvement in supporting young Australians in finding work in a labour market that is in dire need of workers.

One way to achieve this is to replace the Youth Jobs PaTH program with a model that allows the jobseeker to undertake vocational training concurrent with work experience in a hosted environment. At the end of the hosted period, the employer would either take them on to finish their traineeship, or employ them outside of the apprenticeship system, or conclude the arrangement so that the jobseeker could take their vocational skill set and experience and look for work elsewhere. This concept, Training to Work, reflects the link between nationally recognised training and work experience being a pathway to employment.

The Training to Work model can also be applied to support other groups of disadvantaged job seekers (e.g. the long term unemployed).

Supporting people living with a disability

A concerted effort to significantly increase the workforce participation rate of people living with disability would also provide a marked boost to our labour force. The latest ABS data reveals the participation rate of people aged 15 to 64 living with disability in Australia is only at 53.4%, compared with 84.1% of people in the same age range living without disability.

To increase workforce participation and extend working life, more effective assistance for disadvantaged job seekers including those with disability is crucial. The New Disability Employment Support Model, set to commence from 30 June 2023, offers promise in this regard.

As part of developing the New Disability Employment Support model, consideration should also be given to how more employers can be made aware of, and have easier access to, the employment services that aim to assist people with disability to find work. This includes creating a 'single contact' service for employers to access the full pool of jobseekers (both people with disability and those without) and leveraging the value of the reforms being made to and engagement strategies rolled out under the broader New Employment Services Model.

Encouraging retirees to participate

There is also an abundance of older workers that possess the skills Australia needs but who are currently discouraged from engaging in the workforce due to the pension income test.

Currently, the interaction of the Work Bonus of \$300 per fortnight and pension income test free threshold of \$180 per fortnight, allows a single pensioner to earn an average of \$480 a fortnight before their age pension is reduced.

This structure provides only limited benefit for a pensioner considering a return to the workforce, as it allows them to work only one day per week (at minimum wage) before their pension is reduced. It is also of limited benefit to business, due to the fixed cost of engaging an employee and the ability for this older skilled worker to mentor a junior employee if working only one day per week.

We urge the State Government to advocate to the Commonwealth Government to consider introducing reforms that would allow older Australian workers to earn at a significantly higher rate to unlock the potential for hours not otherwise worked. This figure needs to reflect the opportunity to bring pensioners back into the workforce for 2 to 3 days per week.

Ensuring women have equal opportunities and equal pay

Making it easier for women with young children to take part in the workforce is one of the most effective ways to ensure they have access to equal opportunities and pay. The Commonwealth Government can make the following changes to support this outcome.

Reconsidering childcare funding

Several studies, including CCIWA's 2021 report *Making Paid Work Pay*, have concluded that reducing the out of pocket cost of early childhood education and care is an effective way to boost women's workforce participation.

CCIWA backs the Commonwealth Government providing more support for families with children in early childhood education and care where the social and economic benefits outweigh the costs. To build the case for increased support, we think the Commonwealth Government's intention to have the Productivity Commission conduct a comprehensive review of the early learning and care sector has merit.

Removing Fringe Benefits Tax on early childhood education and care costs

The *Fringe Benefits Tax Act 1986* makes it complicated and unattractive for businesses to offer parents the opportunity to salary sacrifice early childhood education and care costs. The legislation requires that childcare facilities need to be provided onsite by the business to avoid paying tax on the fringe benefit. This naturally favours large and better resourced businesses, over smaller organisations.

Removing FBT on all early childhood education and care — regardless of where it is delivered — would make it more attractive for a broader range of organisations to allow employees to salary sacrifice early childhood education and care costs and in turn facilitate the return to work for these families.

Fairer sharing of unpaid caring duties

Paid parental leave and flexible working policies can create better opportunities for mothers and fathers to share the primary carer role. CCIWA continues to call for:

- Greater flexibility in the management of paid parental leave entitlements to accommodate shared responsibility between parents and alternative working arrangements.
- Amending the Fair Work Act to provide employees and employers with greater flexibility to agree to alternative working arrangements.

For our part, CCIWA is helping to drive change in business culture in WA by supporting organisations to create cultures that encourage dads to spend more time raising their young children, therefore making work easier for mums.

Summary of recommendations

Keeping unemployment low and raising productivity

The following changes to our workplace relations system are needed to deliver increased productivity, higher wages and more secure jobs:

- Reforms to the enterprise bargaining system — all potential fixes, including bargaining, the approval process, and the application of the “better off overall” test, should be on the table at the Summit. A particular focus must be fixing the Fair Work Commission’s technical and complex agreement making process.
- Greenfields reform is another critical priority for WA’s economy — being unable to establish terms and conditions of employment for the life of a major project imposes risk and disincentives for businesses to invest. Decision makers must bring forward greenfields reform as a standalone priority.

The threshold at which the 30% corporate tax rate applies to businesses operating in Australia should also be raised. This would in effect classify more businesses as “small” for tax purposes, reducing a tax barrier against the pursuit of growth.

Skill shortages and long-term skills mix

To alleviate current skills shortages, a suite of measures is needed, including:

- Addressing bottlenecks in the skilled migration system.
- A concerted international marketing effort to attract skilled migrants and international students to Australia.
- Increasing women’s workforce participation.
- Increasing the participation of under-represented groups.

To ensure we have an education and training system that responds to long term skills needs:

- There must be an industry voice at all levels of workforce planning and Vocational Education and Training. The systems architecture must include:
 - An independent statutory authority in Jobs and Skills Australia with a tripartite board and independent chair.
 - A link between Jobs and Skills Australia and the new industry skills clusters for workforce planning.
- The process for developing VET training packages must be improved through:
 - The creation of a new approval body under Jobs and Skills Australia for training products (replacing the Australian Industry and Skills Committee).
 - States and Territories with locally based VET regulators retaining this function.

- VET markets must be adequately funded, including through:
 - Finalising a National Agreement on Skills and Workforce Development that delivers real funding increases and an increase in the number of funded students. Subsidies should be available through both public and private VET providers, with incentives for quality delivery.
 - Individual state governments retaining flexibility to decide relative subsidisation across courses.
- Employer facing incentives to take on apprentices and trainees must be retained at levels that are effective in boosting apprenticeship and traineeship numbers.

Migration settings

To lower the cost, reduce the complexity and increase the responsiveness of the migration system, we recommend:

- Investing substantially more resources in all aspects of visa processing for the next two years, and addressing issues with red-tape in the system:
 - Temporarily suspending labour market testing requirements until Australia's unemployment rate is below the natural rate of unemployment.
 - Removing overlapping prioritisation which slows down processing for all those except applications favoured by being at the top of the lists.
- Increasing the permanent migration cap for the next two years to 200,000 skilled workers (in addition to family migrants), and then restoring it to around 120,000 skilled workers as part of the previous 190,000 cap.
- Removing the differential between short and long term temporary skilled migrants and restoring pathways to permanency for all skilled occupations.
- Abolishing skills lists — employers should be allowed to sponsor migrants in all skilled occupations, not just those on the Medium to Long Term Skill Shortage List.
- Ensuring State based migration programs capture the largest number of occupations possible.

Along with migration system reforms, promotion campaigns by Government that build Australia's profile on jobs, liveability and education are needed to attract workers and international students to Australia.

Boosting workforce participation

To tap into a wider pool of talent within our labour force including young people, people living with a disability, and retirees:

- Introduce a Training to Work approach where disadvantaged job seekers (e.g. young people, the long term unemployed) can undertake work experience concurrent to

vocational training within an industry framework, in order to overcome risk for employers and provide a pathway to employment as a trainee or otherwise.

- Make it easier for employers to learn about and access the employment services that aim to assist people living with disability to find work.
- Enable aged pensioners to work at least 2 to 3 days per week on average without impacting their pensions nor their access to superannuation to bring more of these experienced workers back into the labour force.

Ensuring women have equal opportunities and equal pay

One of the most effective ways to ensure women have access to equal opportunities and pay is to remove barriers to their participation in the workforce. We recommend:

- The Commonwealth Government ask the Productivity Commission to conduct a comprehensive review of the early learning and care sector, to build the case for increased support for families, where the benefits outweigh the costs.
- Amending *the Fringe Benefits Tax Act 1986 (Cth)* to exempt all types of early childhood education and care from Fringe Benefits Tax, so that more businesses are able to offer this to their employees as a fringe benefit.
- Enabling fairer sharing of unpaid caring duties by:
 - Allowing for greater flexibility in the management of paid parental leave entitlements to accommodate shared responsibility between parents and alternative working arrangements.
 - Amending the Fair Work Act to provide employees and employers with greater flexibility to agree to alternative working arrangements.