KPMG

Employment White Paper

KPMG submission

KPMG Australia, November 2022

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Contents

Executive summary

It was a privilege to participate in the Government's Jobs and Skills Summit (the Summit) on 1-2 September 2022. KPMG Australia (KPMG) appreciates the opportunity to contribute to the subsequent work on the Employment White Paper.

The Summit provided an excellent forum to bring together employers, unions, civil society and governments to address shared economic and workforce challenges. KPMG was pleased to see that gender equality for women was such a strong theme throughout the two-day Summit.

KPMG has prepared a series of 10 reports advocating policy measures to improve gender equity in Australia (KPMG's gender equity series). These proposals include reform to the Child Care Subsidy, an expansion of the Commonwealth's Paid Parental Leave (PPL) scheme with incentives for equal sharing of leave, the inclusion of Superannuation Guarantee payments in PPL, enabling businesses to make greater superannuation contributions for women and the introduction of a Carers' Income Tax Offset (CARITO).

It was heartening to see the Government's reforms to the Child Care Subsidy along the lines of proposals by KPMG and others, the decision in the October 2022 Budget to expand the Commonwealth PPL scheme to 26 weeks by 2026, encouraging more equal sharing of caring duties and the inclusion of targets for women in the Australian Skills Guarantee. These initiatives are welcome in shifting the dial on traditional social norms that can hold women back from fully participating in the workforce and contributing to Australia's economic development.

KPMG's submission includes further proposals for enabling women to participate more fully in the Australian workforce, alongside considerations of future industries' role in the energy transition and how migration settings can further facilitate a vibrant and flexible workforce.

Another strong theme throughout the Jobs and Skills Summit was the role of immigration in bolstering the skills in the Australian workforce. Distinctions were drawn at the Summit between skilled and unskilled migration and between permanent and temporary migration. KPMG welcomes the Government's announcement at the Summit of an increase in the permanent migration cap to 195,000 for the 2022-23 financial year.

This KPMG submission explores policy options for the migration program, noting that we will provide a more detailed submission to the review of the migration program – A Migration System for Australia's Future – drawing on the themes outlined in this submission.

Thank you again for the opportunity to attend the Jobs and Skills Summit and to provide KPMG's input into this Employment White Paper. We look forward to working with the Government on these important issues. Should you wish to discuss this submission further, or any related issues, please do not hesitate to contact us.

Yours sincerely,

Alison Kitchen

National Chairman
KPMG Australia

Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

Section 1:
KPMG recommendations

RECOMMENDATION 1:

The Employment White Paper should set out a clear vision for Australia's economy and society including maximising women's workforce participation and ensuring long-term economic security, against which outcomes can be measured and monitored, and policies adapted over time.

RECOMMENDATION 2:

The Government should review the funding and business models across the care economy, particularly in light of the recent Fair Work Commission (FWC) decision, to determine how these can sustainably support higher wages and better working conditions in line with community expectations for a well-educated and still largely female workforce.

RECOMMENDATION 3:

Government policies to progress gender equity should increasingly focus on shifting the cultural norms underpinning current practices, such as through:

— including a non-transferable "use it or lose it" individual right rather than a family right in the enhanced Commonwealth PPL Scheme with the following features:

— the non-transferable individual right should not be available if the other partner is at home and not working or studying (except for the first two weeks); and

— the non-transferable individual right for both parents be at least 5 weeks by 2026, creating equality and facilitating real cultural change.

— including Superannuation Guarantee contributions in the Commonwealth's PPL scheme.

— providing greater clarity, either through amending the Sex Discrimination Act or by developing clear guidance, to ensure employers are able to enact affirmative policies to provide higher superannuation payments and other workplace benefits to their female employees.

— considering introducing a Carers' Income Tax Offset (CARITO) to be credited against any income tax payable upon carers returning to work after caring for children, people with a disability or elderly parents, in recognition of the value of their unpaid caring work.

RECOMMENDATION 4:

Recognising the Government's decision to make it mandatory for larger organisations to set, monitor and report against gender equity targets, and building on KPMG's previous recommendations to the Workplace Gender Equality Act 2012 review[1], KPMG considers that this decision should be phased in over the short term to allow companies to design appropriate targets over a five, 10 and 15 year period, and that the targets and reporting could relate to:

— partners/senior executives when reporting on promotions, resignations
and those who cease employment during, or at the end of, a period of parental leave;

— pay levels and gender pay gaps across all levels of an organisation, including number and gender of those working part time;

— the collection of broader diversity data to ensure that we better benchmark our collective commitment to culturally diverse talent;

— reporting the number of allegations of sexual harassment that were either fully or partially substantiated (especially mandatory); and

— greater reporting and transparency of gender other than female and male.

[1] KPMG submission, *Consultation on the Review of the Workplace Gender Equality Act 2012* (2021)

RECOMMENDATION 5:

The Government should embed ESG strategies (bringing an intersectional lens to workplace inclusion, diversity and equity) into government operations, including departmental operations, financial reporting and government procurements. This can include:

— capturing broader demographic data to develop an intersectional perspective on the workplace;

— committing to using this data to design and inform interventions and initiatives to address social biases and achieve equitable outcomes for marginalised communities; and

— establishing ongoing monitoring and evaluation mechanisms to measure the impact of interventions on workforce representation.

RECOMMENDATION 6:

The Government should provide adequate resources to develop and roll out guidance, educational material and campaigns to support the widespread adoption by organisations of the new legislative obligations implementing the Respect@Work report.

RECOMMENDATION 7:

Governments and industry should focus on workforce planning strategies that produce the skilled workforce needed to secure the energy transformation, particularly in relation to:

— coordination between state and federal governments to deliver regional interventions aimed at a clean energy transformation that complements and achieve maximum benefits for communities;

— targeted skills strategies that provide skilling-pathways for existing workforces, and develop the new workforce capacity required to transform the energy system;

— pilot the Australian Skills Guarantee on a major construction project that includes gender and apprenticeship targets;

— increased coordination between governments in the roll out of major energy infrastructure projects to reduce workforce availability constraints;

— effective engagement with Indigenous communities by government and industry in the energy transformation, especially given the more regionally distributed nature of new energy resources; and

— setting ambitious workforce targets to ensure a diverse and gender equitable workforce and ongoing talent pool to deliver the energy transformation.

RECOMMENDATION 8:

To retain Australia's place as a migration destination of choice, the Government should:

— significantly increase migration arrivals;

— extend the Australian Skills Guarantee to international students and graduates on temporary visas;

— address tax related disincentives in superannuation, pensions and accommodation that exist for highly skilled migrants relocating to Australia;

— align immigration rules with how businesses manage their workforces;

— simplify the skilled immigration program; and

— better leverage the existing and future foreign workforce.

Section 2: KPMG insights

1 - A vision

As successive Intergenerational Reports have pointed out, a nation's GDP is a function of the three Ps: population, participation and productivity. The Productivity Commission has estimated that since Federation almost all of Australia's growth in GDP per capita is attributable to productivity growth[2].

Yet the Productivity Commission has also found that Australian productivity growth is at its lowest rate in 60 years and that Australia has slipped down the productivity rankings, maintaining its rich-country status largely through increasing the workforce participation rate[3].

Following a stellar performance of more than 2 per cent per annum during the 1990s, productivity growth fell below 1.5 per cent in the first decade of the 2000s, and to just over 1 per cent in the decade 2010-2020, its slowest in 60 years.

This productivity slowdown prompted the Treasury in its 2021 Intergenerational Report to include a sensitivity analysis based on a productivity growth assumption over the next 40 years of 1.2 per cent per annum, which is lower than the 1.5 per cent per annum that had been used in previous intergenerational reports and federal budgets. The 1.5 per cent assumption was the 30-year average annual productivity growth rate, that included the very high rate of the 1990s, which has not been approached since then.

The 2022-23 Federal Budget handed down in October has adopted the 1.2 per cent annual productivity growth rate assumption as its base case for its long-term economic forecasts. One consequence of using this more realistic assumption is that the forecast structural deficit is greater than it had been in previous budgets.

It can be anticipated that future intergenerational reports will adopt a 1.2 per cent annual productivity growth assumption as the base case, confirming Australia's structural deficit problem and underlining the central importance of productivity-raising reforms for future growth in national prosperity.

The adverse effects on per capita incomes of Australia's post-2000 productivity growth slowdown have been substantially offset by an increase in female workforce participation.

Since 2000, the female participation rate has risen from 54.5 per cent to 62.1 per cent. Under an alternative of no increase in the female participation rate, the labour force today would have been 805,000 fewer workers.

KPMG considers that the Employment White Paper should articulate a clear vision for Australia's economy and society for the next 40 years towards which policies can be developed over time and outcomes benchmarked to guide policy makers, businesses, trade unions and civil society groups in their decision-making.

In KPMG's view, particular attention should be devoted to gender equity to help remedy the inequities that have developed over generations, and which have not been removed despite encouraging progress over the last few decades.

Such targets would allow the government to assess new policies and spending measures against how they would impact productivity and drive sustainable real wages growth and improved living standards, particularly for women's wages and gender equity.

This approach would provide an opportunity for the Government to build on its proposal for Gender Responsive Budgeting by assessing the extent to which major policies drive gender-equitable growth, such as for the design of the announced expanded Commonwealth PPL scheme, changes to the tax system, and much needed reforms across the care economy. The development of the Government's proposed National Strategy for Gender Equality would provide a strong underpinning and benchmarks against which to assess progress.

Considerations of wage growth should be geared towards closing the gender pay gap. This is especially important given near full employment and record levels of women's economic participation and recognising this has been a crucial underpinning of the economic recovery.

With the proposed reforms to the Fair Work Act (FWA) and cases before the Fair Work Commission (FWC) in relation gender pay equality and the caring industries, there is an opportunity for the Government and the FWC to review how to equalise pay for equivalent work (not just equal work) between female and male dominated industries (i.e., to increase women's

2 Productivity Commission, *Productivity Insights, ISSN 2652-5461 | No. 3 / 2020* (2020)

3 Productivity Commission, (interim report) *5-year Productivity Inquiry: The Key to Prosperity* (2022)

wages in line with and above male dominated industries that require, for example, less education)[4].

The FWC has recently accepted that the award rate of pay for parts of the aged care sector has been too low due to gender bias, including that gender-based "undervaluation of work in Australia arises from social norms and cultural assumptions that impact the assessment of work value.[5]" In other words, gender-biased social norms have dictated that work done by women is considered having less intrinsic value than that of men's, which has played out in lower award rates in the aged care sector. In its decision, the FWC has increased the award rate by an interim 15 per cent and has not ruled out an additional increase after further consideration and submissions by the respective parties.

These pay increases will obviously have ramifications for employers and the Commonwealth and, in the future, potentially for other feminised industries. As such, there is an opportunity to review the funding and business models across the care economy to determine how these can sustainably support and grow a well-educated and still largely female workforce that provides working conditions in line with community expectations.

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RECOMMENDATION 2:

The Government should review the funding and business models across the care economy, particularly in light of the recent Fair Work Commission (FWC) decision, to determine how these can sustainably support higher wages and better working conditions in line with community expectations for a well-educated and still largely female workforce.

[4] This could further build on existing advice in a better mandated fashion to: https://www.fairwork.gov.au/tools-and-resources/best-practice-guides/gender-pay-equity

[5] [2022] FWCFB 200 at [42]

2 - Policies to promote gender equity

Women continue to face workforce challenges, whether they are in the paid workforce, or on the outside looking to get in. The Employment White Paper, alongside the Government's proposed National Strategy for Gender Equality, is an opportunity to help shift social norms so that all women are empowered to participate in the economy, regardless of social and cultural background, disability, sexual orientation and gender identification.

Normalising a more equal sharing of caring responsibilities is a vital part of changing social norms around employers' expectations and career outcomes for both men and women, in particular to challenge conventions around long hours of work and high levels of availability. Recent academic research has highlighted that while much of the gender pay gap has been eradicated over the last 40 or so years, a significant part of that which remains is a result of social norms that make jobs "greedy" with respect to people's time[6]. Policies that actively encourage men and women to step away from their desks (and hand over their work responsibilities), such as implementing well-structured shared parental leave, are a welcome step in addressing these norms. There must also be a greater acceptance that in order to remain competitive domestically and internationally, including in the race for a talented workforce, organisations in Australia need to lead on gender equity, diversity and inclusion strategies such as through Environmental, Social and Governance (ESG) strategies.

In this section, KPMG argues that this objective can be progressed through:

1. *Government policies that support women, carers and families* in balancing caring duties with a successful and fulfilling career. These policies should be designed through a gender responsive budgeting or gender impact assessment lens, and based on appropriate data collection and tracking processes[7] and;
2. *Workplace equity practices and targets*, including through the implementation of modern (ESG) strategies and bringing an intersectional lens (refer to subsection 'The 'S' in ESG: shifting workplace norms') to workplace inclusion, diversity and equity to such strategies.

6 For example, see Claudia Goldin says "greedy" jobs have widened the gender pay gap: Planet Money: The Indicator from Planet Money: NPR

7 KPMG, Budgeting for Gender Equity (2022)

Government policies

KPMG has researched extensively the types of government policies that could be implemented to support women, carers and families in the sharing of caring duties and to increase women's economic participation and security. As set out in KPMG's recent report on valuing unpaid caring work,[8] we believe it is timely for government to consider implementing several policies, particularly through a gender-responsive budgeting lens.

We are pleased that the Government has agreed to implement gender responsive budgeting.[9]

KPMG has proposed reforms to the Child Care Subsidy, which the government has essentially adopted.[10] These reforms will reduce Workforce Disincentive Rates (WDRs) faced by mothers seeking to increase their working days beyond three per week, lifting the two Ps of participation and productivity.

KPMG has also proposed increasing the Commonwealth PPL scheme to 26 weeks,[11] which the Government adopted in its October 2022 Budget.

KPMG congratulates the Federal Government on its announcement of an additional six weeks of Commonwealth PPL for families, bumping the total leave payable to up to 26 weeks by July 2026. Most importantly the policy will include "use it or lose it" weeks to encourage and facilitate more dads and partners to access PPL, so that parents can share in the caring responsibilities more equally.

KPMG understands that the model for the use it or lose it weeks is still under consideration by the Government. In line with KPMG's Better System for Paid Parental Leave report the scheme should have a component which is based on a non-transferable individual right rather than a family right and it should not be available if the other partner is at home and not working or studying (except for the first two weeks). The non-transferable individual right for either parent should be at least five weeks by 2026, creating equality and facilitating real cultural change while also allowing for parent A (usually the mother or birth parent) to access an additional three weeks of PPL (an increase from 18 weeks to 21 weeks) by 1 July 2026.

Individual Right (Parent A and Parent B)	Shared Component (either Parent A or Parent B can use)	Timeline
2 weeks / 2 weeks	16 weeks	1 July 2023
3 weeks / 3 weeks	16 weeks	1 July 2024
4 weeks / 4 weeks	16 weeks	1 July 2025
5 weeks / 5 weeks	16 weeks	1 July 2026

In addition to the reforms to the Child Care Subsidy, the extension of Family and Domestic Violence Leave and the extension of PPL already underway, KPMG recommends as outlined in *Towards a new and improved era in Women's Equality: Valuing Unpaid Work*[12] that the government should:

— include Superannuation Guarantee contributions in the Commonwealth PPL scheme;

— provide greater clarity, either through amending the Sex Discrimination Act or by developing clear guidance, to ensure employers are able to enact affirmative policies to provide higher superannuation payments and other workplace benefits to their female employees; and

— consider introducing a Carers' Income Tax Offset (CARITO) to be credited against any income tax payable upon carers returning to work after caring for children, people with a disability or elderly parents, in recognition of the value of their unpaid caring work.

8 KPMG, *Towards a new and improved era in women's equality: Valuing Unpaid work* (2022)
9 KPMG, *Budgeting for gender equity*, (2022)
10 See, for example, KPMG, *Unleashing our potential: The case for further investment in the child care subsidy* (2019) & KPMG, *The child care subsidy: Options for increasing support for caregivers who want to work* (2020)
11 KPMG, *Enhancing work-life balance: A better system of Paid Parental Leave* (2021)
12 KPMG, *Towards a new and improved era in women's equality: Valuing Unpaid work* (2022)

The proposed CARITO could have similar design features as the Low and Middle Income Tax Offset (LMITO). It would be a non-refundable tax offset, and the maximum amount of CARITO would be calculated as the basic offset amount multiplied by the total number of weeks of unpaid caring work performed. To illustrate, suppose the CARITO base were $100 per week and the carer took five years away from formal work to do informal, unpaid caring work. A CARITO amount of $100 x 5 x 52 weeks = $26,000 would be credited to the carer's tax account held with the Australian Taxation Office (ATO) to be offset against the carer's income earned upon returning to work.

Under this system, where the value of the credit relates to the amount of time spent out of the workforce on caring responsibilities, carers on lower incomes would gain a larger proportional benefit upon their return to work, making the CARITO progressive. Furthermore, by not phasing the credit out as the recipient's income rises, additional work and career progression would not be disincentivised. The CARITO would not be gender specific, but since women do most of the caring work it would be most beneficial to them.

Workplace equity and diversity

It has become clear that if we do not set ourselves clear goals and targets on complex social and economic issues surrounding women and gender equity, the lack of direction subsequently delivers very little. To that effect, KPMG's recent collaborative effort with the Diversity Council Australia and the Workplace Gender Equality Agency, the *She'sPrice(d)less* report, has shown that simply reporting on issues such as gender pay gaps without needing to set and meet related pay targets has seen women's wages continue to be behind that of their male counterparts.[13]

In fact, our findings show that in respect of the gender pay gap no real progress on this front has been made in a decade, with discrimination in organisations continuing to hold women back socially and economically.
On another front, KPMG's research[14] on diversity reporting among almost 600 ASX listed companies has shown reporting on diversity, equity and inclusion has remained largely static over the past six years, and so has the proportion of women in the workforce and in senior executive roles - though at least the number of women on boards has increased.

KPMG's research has estimated that closing the primary drivers of the gender pay gap is equivalent to $966 million per week, or almost $51.8 billion per year in lost earnings.[15] Additionally, research consistently shows that a diverse representation at senior management and board level is not only increasingly expected but desired for the positive business performances it can deliver. Such research includes that:

— Companies in the top quartile for gender equality were 15 per cent more likely to outperform the national industry median in financial returns[16];

— Two years after the appointment of a female CEO, stock price momentum was found to increase by 20 per cent, and with the appointment of a female CFO, profitability increased by 6 per cent and stock returns also rose by 8 per cent[17];

— Businesses are 15 per cent more profitable when there are at least 30 per cent of women in leadership positions[18];

— Nearly 74 per cent of enterprises that tracked gender diversity in their management reported a profit increase of 5 per cent – 20 per cent[19].

Promisingly, KPMG's research also showed that over one third of the entities looked at recognise that having and implementing a diversity policy is not just the right thing to do, but also generates multiple benefits for the business.

13 KPMG, She'sPrice(d)less (2022)
14 ASX Corporate Governance Principles and Recommendations - KPMG Australia (home.kpmg)
15 KPMG, She'sPrice(d)less (2022)
16 McKinsey, Diversity Matters (2015)
17 Sandberg, D. J., When Women Lead, Firms Win S&P Global (2019)
18 see Science: Companies With Women in Top Management Are Much More Profitable | Inc.com
19 International Labour Organisation, Women in Business and Management: The business case for change (2019)

Adopting gender equity in workplace environmental, social and governance (ESG) strategies

Organisational stances on the increasingly important ESG issues of gender equity and diversity will be vital to attracting and retaining top talent. Governments can provide the enabling environment through regulation and incentives while leading within the public service itself.

KPMG commends the Government's commitment arising from the Summit to "strengthening existing reporting standards to require employers with 500 or more employees to commit to measurable targets to improve gender equality in their workplaces". This is an opportunity for organisations to incorporate such targets into company ESG strategies to further highlight their commitment to gender equity to their staff, shareholders and potential investors.

KPMG considers that for governments to match and sharpen Australia's commercial domestic and international competitive edge, they need to take advantage of the opportunities in supporting businesses to implement ESG strategies. This will not only empower women and diverse social groups to equitably participate in the workforce.

In this rapidly changing environment, KPMG considers that ESG credentials are essential requirements for industries that seek to maintain access to major global markets and sources of capital and attract the required workforce to operate and grow. For instance, major markets such as the United States (US) and European Union (EU) are raising ESG standards in the way they implement trade and investment rules. This serves several purposes, including tackling social inequality, while strengthening their industries' commercial competitive advantage. The introduction of mandatory human rights due diligence in European jurisdictions strengthens the need for robust inclusion, diversity and equity measures, not just for direct employees but across the value chain.

KPMG's report *30 Voices on 2030*: The *ESG Revolution* finds that collaboration between industries, all levels of government and communities is vital if Australian organisations are to meet ESG targets.[20] Our survey found that 38 per cent of respondents considered that by 2030, inclusion, equity and diversity would be one of their priorities. This increased to 64 per cent for organisations with revenues over $500 million, indicating they are more likely to see it as a priority.

These ESG expectations are already playing out now in businesses. Almost 60 per cent of global CEOs state they are experiencing an increasing demand for ESG reporting and transparency and that investors are requiring such strategies to evaluate the risk profile.[21] 65 per cent of international dealmakers report that ESG is a key consideration when making investments and in mergers and acquisitions decisions.[22] At the 2021 Bloomberg Data and Tech Summit, 81 per cent of respondents reported that their firms had experienced increased demand for ESG data over the 2020-2021 period.[23] Demand for ESG data is also growing among individual consumers and employees, who seek information on corporate, social and environmental activities.[24]

The 'S' in ESG: shifting workplace norms

People policies are at the heart of leading 'S' in ESG strategies. Diverse and inclusive internal cultures will attract and retain the best talent. As it becomes accepted that a diverse, inclusive and equitable workforce leads to better economic performance, so too social performance and its measurement will be lifted to join 'E' and 'G' expectations and metrics.

As the pressures for workplace equality and diversity increase so, too, matures the conceptualisation of what these initiatives must look like and who they must support and benefit. Shifting away from the term 'gender equality', there is a push instead to strive for 'gender equity'. While gender equality is often framed as offering all people the same opportunities regardless of gender, gender equity instead seeks to acknowledge the gendered barriers inherent in societal and workplace structures, and then correct them.

20 KPMG, *30 voices ESG Australia* (2022)
21 KPMG, *KPMG 2022 CEO Outlook, KPMG CEO Outlook:Plugged-in people-first, purpose-led, 2021* & *30 voices ESG Australia* (2022)
22 Smart Company, *How poor ESG performance can stop a merger or acquisition in its tracks, June 2021*
23 Bloomberg, *How ESG Data is Going Mainstream* (2021)
24 Harvard Business Review, *An ESG Reckoning Is Coming* (2021)

Similarly, gender equity no longer only refers to men and women, but to people of all genders, including trans and gender diverse people. Likewise, intersectionality is critical to the success of gender equity initiatives, recognising the additional discrimination or challenges experienced by people with cross-cutting personal characteristics including disability, cultural and ethnic diversity, Indigenous identity and more. Government policies and organisational ESG strategies must increasingly account for the structural barriers that inherently disadvantage these groups.

In striving for workplace equity, government and business must consider the broader diversity of people's identities and lived experiences; this is often referred to as taking an intersectional lens and allows for the consideration of the way people's identities can overlap and inform how they experience inequality.[25] Recognising this compounding impact of intersectionality and capturing a broader range of demographic data are critical steps to understanding workplace experiences. It is important to incorporate this data on intersectionality into the design and development of any workplace equity initiatives in order to effectively address barriers preventing the workforce participation of people from all backgrounds.

An example is talent development programs to retain people and develop future leaders that empower and support those from marginalised communities to build their skills and progress careers in workplaces where they may experience barriers for not being seen as the 'traditional' leader. In addition, 'pay, promotion and performance' processes that extend beyond the gender pay gap through collection of data on other key demographics such as cultural can build a whole picture on the gender pay gap for culturally diverse women which may vary from the overarching gender pay gap. This includes creating workforces that are inclusive, and supportive of Indigenous Australians, LGBTIQ+ people, people from culturally- and linguistically- diverse backgrounds, and people with disabilities. In practice, this attention means that efforts, such as attracting and retaining a skilled workforce in a manner that addresses systemic and ingrained economic and social inequalities, are both demanded and expected from women and, increasingly, from broader parts of the community.

However, diverse, inclusive and equitable workforces must exist in safe workplaces. Initiatives designed to attract and retain diverse talent are only successful where robust programs are in place that prevent and respond to discrimination, harassment (including sexual harassment) and bullying. For example, leading sexual harassment prevention frameworks, informed by the findings and recommendations of the Australian Human Rights Commission's Respect@Work Inquiry, need to be implemented. KPMG welcomes the Government's commitment to implementing these recommendations and the steps taken to date, including the passage of the Respect@Work legislation,[26] which will provide the building blocks for supporting Australian business to improve. Australian workforces of the future, including shifting imbalanced gender demographics in particular industries, will not succeed without ensuring people are safe, respected and able to fully participate in their places of employment.

In KPMG's view, a combination of regulatory push at the federal and state levels mandating ESG disclosures and pull from a range of international and domestic public and private actors, will increase the stakes in ESG action or inaction. This includes mandates across the EU and US as well the United Nations (UN) Sustainable Development Goals (SDGs). As such, governments could already align and build on gender equity practices and align these as part of departmental ESG strategies and make ESG gender equity targets a focus in large government procurement.

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Government policies to progress gender equity should increasingly focus on shifting the cultural norms underpinning current practices to ensure entrenched behavioural change, such as through:

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— including Superannuation Guarantee contributions in the Commonwealth's PPL scheme.

25 See *Kimberlé Crenshaw on What Intersectionality Means Today | Time (2020)*
& *Kimberlé Crenshaw on Intersectionality, More than Two Decades Later | Columbia Law School (2017)*
26 see the now passed *Anti-Discrimination and Human Rights Legislation Amendment (Respect At Work) Bill 2022*

— providing greater clarity, either through amending the Sex Discrimination Act or by developing clear guidance, to ensure employers are able to enact affirmative policies to provide higher superannuation payments and other workplace benefits to their female employees.

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RECOMMENDATION 6:

— The Government should provide adequate resources to develop and roll out guidance, educational material and campaigns to support the widespread adoption by organisations of the new legislative obligations implementing the Respect@Work report.

27 KPMG submission, *Consultation on the Review of the Workplace Gender Equality Act 2012* (2021)

3 - Future industries: the energy transition

The energy transition creates a significant opportunity to upskill and retrain the existing workforce and train the emerging one for a low-carbon future. A transformed workforce will be supported by: better forecasting to understand the skills and workforce requirements; better planning to develop and retain this workforce; and improving diversity and inclusion to maximise the participation of women, skilled migrants and disadvantaged cohorts.

A 'new' workforce will be built on the roles of today and the injection of transformed and new ones and the innovative skills they will bring. Workers will require new hard, soft and green skills, including in artificial intelligence and data analysis, and the ability to integrate and collaborate across different energy industries, for example to couple distributed generation and batteries with new transport and industrial applications such as from electrification of transport, and production of hydrogen for new end uses.

KPMG notes the Government's proposal for an Australian Skills Guarantee. It aims to use Government investment in major projects to help train the next generation of skilled workers. The Guarantee aims to ensure that one in 10 workers on major, Australian Government funded projects are an apprentice, trainee or paid cadet.

At the Jobs and Skills Summit, the Government announced the Guarantee will also include targets for women and a focus on the need for digital skills. A major energy related construction project could be a sensible pilot for the Guarantee given critical workforce shortages and the need to scale up projects to meet Australia's climate targets. As the state and federal governments align their views on climate and clean energy ambition, there is a need to coordinate the disparate policies and interventions that have emerged aimed at ensuring effective regional transformation.

Such a pilot would also provide economy-wide insights into workforce planning that will support the delivery and subsequent need for sequencing major government funded projects to mitigate skilled worker shortages.

Governments will also need to work closely with businesses and education and training providers to ensure the skilled workforce pipeline matches, and is coordinated with, the pace and composition of sector demand.

KPMG's recent report, *A New Dawn for Human Capital* highlights the complexities of how to manage the current workforce challenges across the energy and natural resources sector[28]. Worker shortages are increasing, particularly in mining, electricity, gas and water, while 78 per cent of employees could consider switching jobs or industries for the right opportunity. Meanwhile, these sectors attract less than 2 per cent of available STEM students, with only 18 per cent of Millennials and 6 per cent of Gen Z'ers finding a career in oil and gas appealing.

Diversity and inclusion challenges, alongside ongoing gender inequities, are compounding existing labour shortages from which future industries are not immune. Only 32 per cent of the renewable energy workforce is made up of women. In addition, overseas born engineers are three times more likely to be unemployed than their Australian born counterparts.

28 *https://home.kpmg/au/en/home/insights/2022/07/new-dawn-for-human-capital-energy-natural-resources.html*

Retaining and attracting staff, therefore, is crucial to maintaining current industries and transitioning to new ones. KPMG's report shows that investing in staff through training and being a more diverse workplace is a more cost-effective method to addressing evolving workforce needs than retrenching staff and needing to hire and on-board new workers. Employers must act now and make their industries attractive to both retain and attract a workforce with increasingly higher expectations relating to training, gender equity and diversity, and purpose. The inclusion of targets for women in the Australian Skills Guarantee is an example of how the Commonwealth can use its purchasing power to improve diversity on major projects.

There also needs to be increased focus on Indigenous communities in their role as traditional landowners and potential workforces, including as a result of the more distributed nature of the energy transformation. KPMG welcomes the recognition of this by governments, including that one of the first priorities of the National Energy Transformation Partnership has been to co-design a First Nations Clean Energy Strategy to ensure First Nations people help drive the energy transformation.

RECOMMENDATION 7:

Governments and industry should focus on workforce planning strategies that produce the skilled workforce needed to secure the energy transformation, particularly in relation to:

— coordination between state and federal government to deliver regional interventions aimed at a clean energy transformation that complement and achieve maximum benefits for communities;

— targeted skills strategies that provide skilling-pathways for existing workforces, and develop the new workforce capacity required to transform the energy system;

— pilot the Australian Skills Guarantee on a major construction project that includes gender and apprenticeship targets;

— increased coordination between governments in the roll out of major energy infrastructure projects to reduce workforce availability constraints;

— effective engagement with Indigenous communities by government and industry in the energy transformation, especially given the more regionally distributed nature of new energy resources; and

— setting ambitious workforce targets to ensure a diverse and gender equitable workforce and ongoing talent pool to deliver the energy transformation.

4 - Migration

The initial context for the Summit was to create jobs and address unemployment and underemployment. Yet by the time the Summit drew near Australia found itself in quite a different economic environment of low unemployment and critical worker shortages, in part due to lost migrant workers due to the pandemic. The Summit's focus, therefore, shifted to increasing workforce participation (especially women's), lifting productivity and migration, and improving skills to fill record job vacancies.

Australia must regain its place as one of the most attractive skilled migrant destinations in the world if our economy is to remain competitive and achieve productivity and wages growth. This should include efforts to make migration gender equitable, target skilled women migrants and provide better support to women who come to Australia under their partner's visa and subsequently have limited work and other opportunities. KPMG welcomes the recent announcement of the extension of the Commonwealth's PPL scheme to migrants who meet residency requirements "where the birth mother does not meet the newly arrived resident's waiting period requirement."[29]

KPMG analysis in 2020 indicated that in a scenario where the population was one million fewer people, real GDP was projected to be almost $100 billion lower than the baseline projection in 2029-30 and on an ongoing basis, even where no productivity loss was considered from the loss of younger, more skilled workers. Where KPMG assumed that the 'lost' working-age population was 20 per cent more productive than the incumbent workforce, given that these workers were more likely to be highly skilled and younger, the negative impact on the economy was greater, with annual GDP from 2029-30 being $117 billion lower.

Australia's best hope of bridging migration gaps due to the COVID-19 pandemic will be through increased migration combined with a better coordinated training and higher education sector. The permanent and employer-sponsored skilled visa systems are also no longer attractive to migrants and employers. This is due to a range of factors, including migration cuts before COVID-19, the exodus of temporary workers during the COVID-19 pandemic, border closures, short-term visas with no or protracted pathways to permanency and outdated and restrictive occupation lists, poor market testing and burdensome administration.

The disruption to traditional supply chains has necessitated a rethink by many developed economies of industries and skills which in some cases had been offshored several years ago. KPMG consider that this is an opportunity to rethink the focus of Australia's Business Investment Immigration Program and Global Talent Program to better target offshore skills in critical areas such as manufacturing, energy transition and cyber technology to leverage the attractiveness of Australia as a destination to build future-ready industries.

The Australian Skills Guarantee could also be open to international students and new graduates on temporary work visas in order to better utilise young talent currently onshore as well as enrich the international education experience in Australia.

Australia's tax and superannuation system can also create disincentives for highly skilled migrants to move to Australia. For example, currently an employer is not required to make superannuation contributions for an individual who qualifies as a "senior foreign executive". Temporary foreign workers generally do not intend or have the right to retire in Australia and so the government could consider extending this exemption to all such workers, on an opt-in basis in exchange for an equal amount of taxable wages.

Alternatively, there could be a more streamlined and less costly process for foreign workers to withdraw their superannuation on permanent departure from Australia. Currently, this process results in a temporary worker's superannuation ultimately suffering tax at the top marginal rate, regardless of the worker's level of income.

Fringe benefits tax (FBT) considerations also create barriers for employers bringing highly skilled workers on shore. For example, there is insufficient clarity as to which foreign retirement plans can meet the definition of a "foreign superannuation fund", such that employer contributions to those funds could be free of FBT.

The FBT legislation also disadvantages workers who relocate from overseas to take up a temporary role in Australia, compared to an individual who relocates within Australia in similar circumstances. The latter can receive subsidised accommodation FBT-free for up to 12 months in certain circumstances, whereas the former cannot.

29 https://ministers.dss.gov.au/media-releases/9486

KPMG believes that some tangible steps can be taken to build a migration system which is aligned to Australia's future workforce requirements. We will provide further specific recommendations on this in our submission to the government's Migration Review.

RECOMMENDATION 8:

To retain Australia's place as a migration destination of choice, the Government should:

- significantly increase migration arrivals;
- extend the Australian Skills Guarantee to international students and graduates on temporary visas;
- address tax related disincentives in superannuation, pensions and accommodation that exist for highly skilled migrants relocating to Australia;
- align immigration rules with how businesses manage their workforces;
- simplify the skilled immigration program; and
- better leverage the existing and future foreign workforce.

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