
Fitness & the future of work: time to swap out the marathon for F45

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Jobs matter. For almost all of us, they are a source of income. But they are also a source of self-esteem, social interaction, a feeling of purpose and even of community. So it’s not surprising that we pay attention when we are told that soon there won’t be enough jobs to go around.

But history is littered with soothsayers opining on the future of work — foretelling either a dystopia of jobless woe ... or a utopia of little need to work at all. And the only universal truth seems to be that they were all wrong — both happily and unhappily so.

No matter how transformative the technology, no technology has eliminated the opportunity or need for people to work. Be it the telephone, electricity, indoor plumbing, refrigeration, air transport, the personal computer, or today’s digital technologies.

We all know that the late 1980s saw workplace use of computers take off (with even more rapid growth in the 90s as the price of the humble computer plummeted). And we know that algorithms and robots have allowed the automation of many of the tasks done in offices and factories.

But if this technology was making existing jobs redundant without new ones being created — we would expect to see a persistent upward trend in the unemployment rate. And we don't. Indeed the amount of work available to Australians on a per capita basis has actually *increased* in recent decades. With average hours worked per person about 14% higher now than in the early 80s.

For the narrative about robots taking all the jobs is distracting us from the main event. Because the *nature* of work *has* changed. And with it the need for workers to approach their fitness for future work in a different way. More akin to F45 classes throughout their working lives. No longer training once in early adulthood for the marathon — of one job in a working life.

Over the last 100 years, technology has transformed the type of work that is done. And in doing so has mostly been the loyal friend of the worker, rather than the foe. Because the jobs that have disappeared have often been unpleasant, physically tiring, downright dangerous or just tedious (think toll booth operator). While the new jobs that have been created are more likely to be creative or caring (think designers and advertisers, nurses and child carers). Since the 1980s, there has been a fall in the proportion of jobs that are *routine* (from 50% to 37%); while non-routine jobs have increased (from 42% to 53%).

Who is doing the work has also changed. Since the 1980s the workforce participation rate for females has increased a lot (by some 15 percentage points to now be just over 60%). The participation rate for female 25–34 year olds is now approaching that for males of the same age. And with marriage and even children placing much less of a brake on the economic participation of women. These changes are both a good thing for the economy and for women.

At the same time, there has also been an increase in the prevalence of part-time jobs — by some 25 percentage points since the late 1960s, to now account for nearly one-third of total employment (around 35%) in Australia. And more workers today have multiple jobs (now around 7% of workers).

But despite what some have suggested, there is no evidence that more workers are being forced to work in short duration jobs. Indeed the opposite has happened. The proportion of workers in very long duration jobs (more than 10 years) has increased from just under 20 per cent in 1982 to around 27 per cent in 2016. Which is perhaps unsurprising when you also take into account the participation rate of older Australians (65+ in age) has risen steeply – having nearly doubled in the past 30 years to now represent 12% of our workforce. Also a good thing with our ageing population.

But perhaps of much greater significance, when workers do change jobs today more are changing occupations (some 40%) and industries (over 50%). And it was this modern day workforce reality that informed much of our thinking on what is needed from our tertiary education system (which I'll return to later).

And it also informed our thinking in proposing policy changes in our current superannuation Inquiry – to make sure that people moving between jobs don't leave behind an expensive trail of unintended multiple accounts. Where because of this new workforce reality some 10 million (or 1 in 3) of all superannuation member accounts today are unintended multiples. Unnecessarily eroding superannuation balances by some \$2.6 billion each and every year.

For today we are no longer in a world of one job for a working lifetime. Nor a world of one occupation for a working lifetime. Nor a world of one industry sector for a working lifetime.

The only certain thing is it's going to be a longer working lifetime. Average years in the workforce has inexorably risen over successive generations. But years spent out of the workforce have exponentially increased from 13 years for a 15 year old born in the early 1900s to 33 years for today's 15 year old. This is thanks to longevity, which has allowed both more time in work, and a lot more time in retirement. Which is a good thing.

Another myth in need of busting is that the workforce is becoming increasingly casualised. In fact, the percentage of casual workers has not changed significantly since 2001. It's actually fallen a few percentage points from 20 per cent of employed persons in 2001 to around 18 per cent in 2014. And when people move out of casual jobs around 30% move to a non-casual job in any given year. And measures of satisfaction for casual workers are higher for total pay and job flexibility and lower for job security and hours worked.

And the 'gig' economy whilst still in its infancy – has not translated yet to any increase in the percentage of independent contractors.

But still, the policy and legal ground is shifting, sometimes in unexpected directions. The gig economy has intensified the debate about the distinction between an employee (with all of her regulated rights) and a contractor (whose rights are limited). In Australia, the Fair Work Commission has recently determined that Uber drivers are contractors, not employees. But it is premature to assume that this has settled the vexed legal issue of where on the boundary of employment types, gig economy workers in general will appear. Legal cases in the UK that apply the same common law principles as in Australia are finding increasingly that people can't be assumed to be contractors by virtue of employment via a flexible digital platform.

In the same vein, the recent *WorkPac v Skene* decision suggests that the heart of determining whether someone is a casual employee is not how a job is labelled, but how it is organised (which I'm sure the panel discussion will touch on).

The 'spirit level' challenge for Government is to respond to these shifts in a way that on one hand ensures protections for workers while on the other hand not doing so at the expense of opportunities for flexible forms of employment needed by both workers and business. And here it's especially critical to think of Australians who are trying to cling to economic participation – in some way shape or form. For casual employment is an important entry point to paid work. We know that for people moving into work today that had been unemployed or out of the workforce 12 months ago, almost half had taken casual jobs. For economic participation remains the keys to the kingdom of economic mobility. And thus the policy failsafe for delivering economic growth with equity.

So how have these workforce changes translated through to households across the distribution? How have the benefits of our unrivalled 27 year run of economic growth been shared? And how do the hard numbers fit with CEDA's recent finding that 44 per cent of people feel they have not personally benefitted from Australia's unicorn period of economic growth?

Our recent self-initiated report – *Rising Inequality?* – sought to inform a debate well underway, with a comprehensive analysis of income, consumption and wealth inequality in Australia. It's not a simple story – ill-suited to a single grab or selective citation. Although inevitably some people did so. But where a more subtle reading, three key take-outs emerge.

The first is that income inequality has only modestly increased in Australia, with the benefits of our 27 year run of growth being pretty well shared. And here it's clear that perceptions do not match reality. For over the last three decades, Australia has seen strong income growth across the distribution. In contrast, US income growth has been miserly, except at the very top.

All of this is not to say that in Australia over the last three decades, income growth has been strong for all groups at all times. And more recently (since the GFC), income and wages growth has been generally low, and especially so for young people. And it appears that many Australians are conflating this recent low income growth with widening income inequality.

The second key take out is the role of equalising forces. First and foremost, our progressive tax and transfer system plays an awesome equalising force. But we also found another important equalising force in the form of economic (life course) mobility. And we were surprised by the extent to which most Australians move up and down the income distribution throughout their lives. But it's important here to emphasise the word most. For mobility falls away at both the top and bottom of our distribution.

And this brings us to the third key take-out from the inequality report. That in Australia, there is a bedrock of entrenched disadvantage. And it is here that the real, not perceived, inequality problem resides. And in plain sight.

Some 2 million Australians remain in relative income poverty despite our 27 year run of economic growth. But not the same 2 million Australians through that period. And this is a critical distinction. Importantly, for most of those 2 million Australians, their poverty spell is short lived. But for some within this group, mobility remains out of reach – those 600,000 Australians who have been in relative income poverty for at least the last 5 years. This the bedrock of entrenched disadvantage – the inequality that matters most.

So what does all this mean for public policy? How do we continue to generate economic growth with benefits widely shared? And what is missing in our public policy play list that means we have an immovable bedrock of entrenched disadvantage, not sharing in the benefits of our 27 years of unrivalled economic growth?

Turning to our cohort of 600,000 for whom we need to better understand the underlying drivers – think mental health, Indigeneity, chronic disease, intergenerational stories of poor economic participation for parents and poor educational outcomes for their children.

Clearly the policy interventions needed for this bedrock of entrenched disadvantage go beyond our current policy playlist. Even alongside economic growth. A bedrock patently in need of ‘handmade’ policies. And a comprehensive deep dive needed to inform the shape and form of these ‘handmade’ policies to chisel down this bedrock.

Now, returning to the other question posed – how do we continue to generate the type of economic growth that over the last three decades has made most Australians better off?

This was a question the Commission sought to ask and answer last year in our inaugural 5 yearly productivity review – *Shifting the Dial*. A policy roadmap for Australian Governments on what is needed to deliver on growth with equity. And here we intuitively focused on economic participation.

So one of the 5 big questions we asked – is our education, skills and training system fit for purpose for the workers of today and tomorrow? In a world that has moved on from the old model of getting trained at an early age for the marathon – of a job for life. To a world where workers need regular F45 classes. Today’s world where workers need life-long learning and skill acquisition, to keep up with changing workforce demands, and equip them as they move between both occupations and industries.

In *Shifting the Dial* we identified three fundamental fractures in our current education and training system.

First, deteriorating results in subjects that matter for future work. Think maths and reading – the twin cognitive enablers at school.

Second, the VET system is a mess, struggling to deliver relevant competency based qualifications. Employers today are more satisfied with non-accredited training courses (90 per cent) than VET (76 per cent).

Third, universities need to improve student employment outcomes – delivering qualifications relevant to labour market needs. For as many as 26 per cent of students today are not completing their undergraduate studies in less than 9 years. And undergraduate underemployment has more than doubled in the last decade to now reach just over 20 per cent.

Currently, the tertiary education system is set up against becoming a chef at age 40 or a dementia care worker at age 50. Retraining is inconvenient and expensive. And the approach of education institutions remains outdated and outmoded. Still emphasising a one career for life approach. Which is no longer the modern day reality for most workers from the metrics cited earlier.

Taken collectively, this unfortunate troika erodes our capacity to deal with future labour market changes in an efficient and equitable way. So we proposed some changes. I'll just note a couple here.

For schools – eliminating teaching “out of field” in secondary schools.

For work skills – government to develop two things. First tools for proficiency based assessment for skills, rather than simply competency based assessment (whether they can perform it at all). And second, a framework to facilitate independent accreditation of skills obtained agnostic of learning method.

And for universities – aligning their financial incentives more closely with student outcomes, to give universities some ‘skin in the game’, and encourage them to tailor the education they provide to workforce needs.

And here we've recently self-initiated another project – examining the education and employment outcomes for the substantial cohort of “additional” university students. The additional being the product of a world of uncapped demand. And whether in that uncapped world universities (with little ‘skin in the game’) have delivered for those students. Especially the student for whom the better path to employment may not reside in expensive sandstone learning.

A final piece of the ‘lifelong learning’ policy puzzle came rather unexpectedly out of the Commission’s Inquiry in 2016 on Intellectual Property Arrangements. Where we found that Australia’s copyright rules are too prescriptive, and do not readily accommodate new legitimate uses of copyright material in education. Now more than ever workers need flexible access to ongoing learning. Think of the transitioning worker in regional Australia. Yet Australia’s current system of copyright usage heavily constrain Universities, TAFEs and schools from offering MOOCs.

So on a final note, when next you hear the foretelling of a dystopia or utopia for the future of work, perhaps turn first to the workforce changes that *are* taking place today. And the policy responses for the *now*. For so much of the Commission's endeavour over the last five years has dealt in some way, shape or form with the 'now of work' and thus the 'future of work'. And our policy prescriptions have been aimed at sharing the benefits of jobs, productivity and higher wages across all Australians. Avoiding a world of technology-driven haves and have nots. And heralding a world where economic participation – the keys to the kingdom of economic mobility are shared by more. And with that reduced inequality. Because that's what matters most for the future of work.