



Australian Government
Department of Employment
and Workplace Relations

Select Committee on Productivity in Australia

Submission from the Department of
Employment and Workplace Relations on
labour productivity growth and labour market
dynamism

February 2026

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Introduction

The Department of Employment and Workplace Relations (department) acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

The department supports people to have safe, secure and fairly paid work in co-operative and productive workplaces, equipped with the skills they need for a sustainable future. It helps to broker local opportunities through Workforce Australia, creating a bridge to employment, skills, and training for Australian communities. It assists the functioning of the vocational education and training sector, monitoring and helping to address future skill demands through initiatives and by working collaboratively with states and territories. The department's work is supported by its organisational capability in economics, data, and labour market analysis. It actively monitors and advises the Minister for Employment and Workplace Relations on labour market changes.

The department welcomes the opportunity to make a submission to the Select Committee on Productivity in Australia. This submission addresses the questions on the dynamism of Australia's labour market posed in the discussion paper released by the Senate Committee.

The department's submission focuses on the commonly identified barriers to Australian labour productivity growth that relate to employment, workplace relations, and skills. The right regulatory settings can support an increase in labour productivity growth by creating more cooperative and productive workplaces and increasing labour market dynamism, recognising the importance of regulations such as the National Employment Standards (NES).

The department recognises both the importance of productivity growth for national wellbeing and the maintenance of living standards that Australians enjoy, and of full and inclusive employment. Meaningful employment that is safe, secure and well paid underpins living standards and social cohesion, and a skilled and adaptable workforce that meets employer needs is fundamental to growing productivity and resilience.

The Australian labour market and labour productivity

Historically, productivity growth has been the most important determinant of economic growth and living standards in Australia.¹

Labour productivity is defined as output per hour worked. For the whole economy, output is measured by Gross Domestic Product (GDP), so labour productivity is measured as GDP per hour worked. An increase in labour productivity means that more output is produced per hour spent at work, making it more likely that real wages will grow and the living standards of Australians will improve.²

¹ ABS (Australian Bureau of Statistics) (2025) [A primer on labour productivity](#), ABS, accessed 15 January 2026.

² As above.

Higher living standards are largely enabled through higher income, called Gross National Income (GNI) per person.³ In the *2023 Intergenerational Report*, Treasury calculated that over the last 30 years, around 70% of Australia's living standards growth was attributable to increases in labour productivity. Labour productivity growth is forecast to continue to be the most important source of income growth in the future.⁴

While labour productivity is a key measure of productivity growth, other productivity measures, which are more difficult to quantify, include capital and multifactor productivity. Capital productivity is defined as the ratio of output to capital input, or the amount of output per unit of capital. Multifactor productivity reflects the overall efficiency with which capital and labour inputs are used together to produce output.

Productivity measurement could be strengthened through more frequent collection of the ABS Employment, Earnings and Hours survey, which is currently undertaken biennially. This limits more timely analysis of issues such as methods of setting pay. Greater use of administrative datasets presents a significant opportunity to improve productivity insights. For example, if Single Touch Payroll data were expanded to include hourly pay rates, labour productivity analysis could be conducted in near real time. This would need to be balanced against any cost to business. Enhancing the measurement of quality adjusted output in the care sector also remains critical to developing a more accurate and comprehensive view of productivity across the economy.

Australian labour productivity growth

Australia's labour productivity growth has fluctuated over the last 30 years, with rapid increases in the 1990s slowing in the 2010s, and the most recent data showing further slowing.

Productivity growth varies by industry, reflecting the different levels of capital intensity, use of technology, market structures and competitive pressures, and by sector.

Recent economy-wide labour productivity estimates

Economists tend to measure productivity growth over longer time periods, often aligned with economic cycles so that variations in response to economic conditions are smoothed out. This is because employers often increase output as the economy strengthens and often do this without adding additional labour, which shows up as strong productivity growth. Similarly, when there is an economic downturn, employers often initially retain workers despite reducing output, which shows up as negative productivity growth. Over time, retention of workers helps employers quickly respond to strengthening conditions again without needing to recruit on a broad scale.

Chart 1 shows the long-term trend in labour productivity growth in Australia. In the 1990s, labour productivity growth was rapid, increasing by an average of 2.9% per year in the 5 years to June 2000. This rapid growth is thought to be partly attributable to microeconomic reforms in the 1980s and 1990s, including the introduction of enterprise bargaining.⁵ In the 2010s, that growth was lower and in

³ Treasury (2023) [2023 Intergenerational Report](#), Treasury, Australian Government, accessed 15 January 2026.

⁴ As above.

⁵ Treasury (2002), [Economic Roundup Winter 2001: Article 2 - A more productive Australia – policy and technology](#), Treasury, accessed 15 January 2026.

the 5 years to March 2020, average annual growth was just 0.8%. Most recently, annual productivity growth has been negative, averaging -0.3% in the 5 years to September 2025. The recent slow productivity growth reflects several factors, including a decline in capital investment generally and in mining in particular, and a shift in employment share towards the lower measured productivity non-market sector. This is combined with evidence of a long-running slowdown in productivity growth across many advanced economies, and in Australia, evident before the COVID-19 pandemic.

Chart 1: Productivity growth was sluggish pre-COVID and has fallen further

Rolling five-year average growth in labour productivity (GDP per hour worked)



Source: ABS, *National Accounts: National Income, Expenditure and Product*, September 2025.

Note: 5-year rolling compound average growth rates of seasonally adjusted data.

The market and non-market sectors

The Australian Bureau of Statistics (ABS) measures labour inputs as the number of hours worked by employed people who are paid for their time, assuming that all hours worked are equal. This does not acknowledge that the quality of labour input can vary with many factors including education, skills and training, work experience and worker fatigue.

Productivity (as measured) differs markedly between market sector and non-market sector industries. The ABS defines the non-market sector as consisting of the Health Care and Social Assistance, Education and Training, and Public Administration and Safety industries.

The market sector is comprised of all 16 other industries. In the market sector, prices are observable and assist in providing a measure of the quality of different products. Market sector firms usually have incentive to increase labour input to the point where profits are maximised.

Firms in non-market sector industries often provide services, tend to have lower levels of capital, limited competition and are often government-funded. Prices are not observable, and quality is harder

to measure. The ABS notes that measures of quality can be introduced by weighting the quantities depending on how costly they are to produce. When explicitly accounting for quality improvements in healthcare, a recent Productivity Commission (PC) paper found that productivity in parts of Australia’s healthcare sector had in fact experienced robust productivity growth in recent years.⁶

Where quality improvements are not captured, estimates of output and labour productivity may be underestimated. Hours worked in the non-market sector tend to reflect demographic trends and government policy.

Mining

Mining has a very high average level of productivity, but it tends to be volatile and cyclical. In recent years, mining productivity has declined as capacity has expanded following the investment boom, and natural disasters have affected some facilities. This has a substantial impact on economy-wide measures of productivity, and for this reason it is common to examine labour productivity growth in the non-mining economy.

Labour productivity by sector

Table 1 provides estimates of labour productivity growth. The data shows that average annualised productivity in the market sector has been positive over the long term, whereas non-market sector productivity has fallen, which partly reflects the measurement issues identified above. Excluding the mining sector, labour productivity growth has been stronger still.

Table 1: Labour productivity is higher in the market sector

	Change over the quarter (Sep-25)	Change over the year (Sep-25)	Change over 5 years	Change over 10 years
Whole economy¹	0.2%	0.8%	-1.4% (-0.3% pa)	2.8% (0.3% pa)
Market sector²	0.0%	1.1%	0.8% (0.2% pa)	6.0% (0.6% pa)
Market sector excluding mining	0.4%	1.5%	4.4% (0.9% pa)	8.1% (0.8% pa)
Non-market sector³	0.3%	-0.3%	-6.4% (-1.3% pa)	-2.2% (-0.2% pa)

Sources: ABS, *National Accounts: National Income, Expenditure and Product*, September; ABS, *Labour Account*, September 2025.

Notes: pa – Compound annual growth rate over relevant period. 1) Labour productivity for the whole economy is calculated as Gross Domestic Product per hour worked. 2) Labour productivity in the market sector is calculated as Gross Value Added per hour worked. Non-market industries are Healthcare and social assistance, Education and training, and Public administration and safety. 3) DEWR estimates for non-market sector. Gross Value Added per hour worked is calculated as the sum of gross value-added chain volume measures in the industries that make up the non-market sector divided by the sum of actual hours worked in those industries from the ABS *Labour Account*.

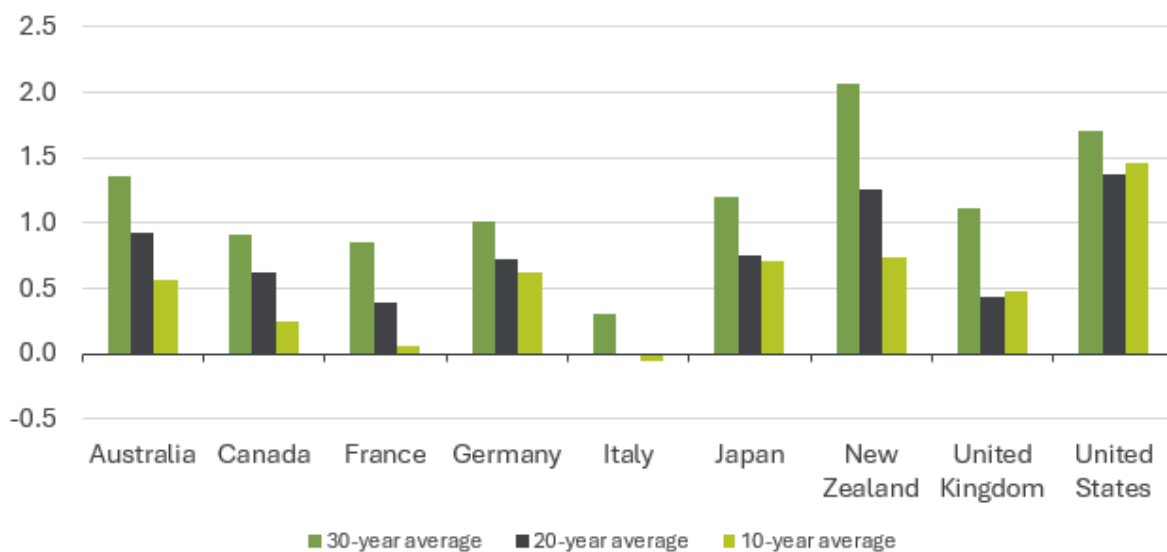
⁶ PC (Productivity Commission) (2024) [Advances in measuring healthcare productivity: Research paper](#), PC, Australian Government, accessed 15 January 2026.

International comparisons of labour productivity

Department analysis of Organisation for Economic Co-operation and Development data shows that in comparison to nations with similar systems of governance and market conditions, Australia’s annualised average growth rate of labour productivity over the last 10 and 20 years is around average (see **Chart 2**). Average annualised productivity growth has fallen across most G7 nations and New Zealand, illustrating that Australia’s own declining labour productivity growth is not unique.

Chart 2: Comparisons of G7 nations and New Zealand labour productivity growth

Annualised average growth rate (%)



Source: DEWR calculations using *OECD data explorer – Productivity database*, GDP per hour worked, US dollars per hour, PPP converted, Chain linked volume.

Note: Annualised averages calculated to the latest data (2024). Canada’s earliest observation is 1997, therefore the 30 year average for Canada reflects the 27 year annualised growth rate.

Opportunities to grow labour productivity in Australia by addressing barriers

There are many reasons for slowing labour productivity growth in Australia, and productivity growth around the world. The Reserve Bank of Australia has identified a range of factors that affect labour productivity growth in Australia, including slower technological diffusion and slowing growth in human capital.⁷ Ahead of the Economic Reform Roundtable in 2025, Treasury released analysis exploring the factors contributing to slowing productivity growth in Australia. Treasury identified that, like many other countries, Australia faces structural challenges to productivity such as capital deepening, competition and dynamism, skills development and job matching, and changing industry composition.⁸

These factors influence the rates of labour productivity growth in Australia, and are, in turn, influenced by government settings. Other factors include regulatory settings, tax rules, competition, business investment, management capability, and immigration.

Dynamic labour markets

Dynamic labour markets are those where workers can find and retain jobs which best match their skills, experience, remuneration expectations, and desired working conditions. Dynamic labour markets also meet the needs of business for an appropriately skilled and adaptable workforce.

Matching skills to business needs

When skills are not well matched to business needs, this leads to lower productivity. Productivity is highest when people are performing the jobs for which they have the most appropriate skills. A skilled workforce can lead to better business processes and greater innovation. It drives the uptake of technology, critical for maintaining and improving productivity.

A skills mismatch occurs when a job seeker does not have the skills required for an available job, or the job does not offer the required conditions or remuneration that the worker wants. Matching efficiency describes the rate at which people seeking work are matched to vacant jobs in a labour market. A more efficient labour market will have lower rates of unemployment for a given level of vacancies. Improving matching efficiency lowers labour and skills shortages and increases potential output. The data suggest that matching efficiency in the Australian labour market started to improve in 2022 after a long slump during the period 2008 to 2021.⁹

2025 analysis found that using an experimental model found that matching efficiency in the Australian labour market is currently relatively high.¹⁰ There is still room to improve labour market dynamics.

⁷ RBA (Reserve Bank of Australia) (2025) [Statement on Monetary Policy – August 2025 – In Depth – Drivers and Implications of Lower Productivity Growth](#), RBA, accessed 15 January 2026.

⁸ Treasury (2025), [Economic Reform Roundtable: Productivity](#), Treasury, accessed 22 January 2026.

⁹ Mackey W (2024) [Labour market matching across skills and regions in Australia](#), Treasury, accessed 22 January 2026.

¹⁰ Lake P, Shamiri S, Sharma K and Bialowas A (2024) 'How efficient is the Australian labour market? Analysing job matching efficiency for regions, occupations and industries', *Australian Journal of Labour Economics*, 27(1):101-117, accessed 22 January 2026

Market information and anti-competition provisions

Worker transition between firms can be hindered by anti-competitive practices which:

- prohibit employees from disclosing their pay (called pay secrecy clauses)
- prevent or restrict exiting employees from setting up a business in the same industry, or changing to a different employer within the same industry, within a particular time period or geographical area after ceasing employment (non-compete clauses)
- prohibit or restrict exiting employees from approaching or providing a service to former clients or suppliers, or from recruiting their former co-workers to other businesses (non-solicitation clauses)
- cap wages or employment conditions through cartel behaviour (wage-fixing agreements)
- involve businesses agreeing to refrain from actively recruiting or hiring each other's current or former workers (no-poach agreements).

These can create imbalances in negotiating power due to obscured market information, restriction of mobility across the labour market, and prevention of establishment of new, potentially employing, businesses. In 2024, e61 Institute found that where businesses used non-compete clauses between 2021 to 2023, less workers left those businesses and they had lower wage growth.¹¹ This means that there is less job mobility and labour market dynamism.

Research shows a prevalence of these clauses in Australian workers' contracts. An e61 Institute survey found that 22% of surveyed Australians had a non-compete clause in their contract, 16% had a clause restricting solicitation of clients, and 7% had a clause restricting solicitation of co-workers. Non-compete clauses were most used in the \$100-160k income group, for managers at 39%, and for gig-workers at 43%. Non-compete clauses can be observed across all aspects of the labour market, from gig workers, customer-facing roles, and to senior roles in finance, law, and business.¹²

Removing market information barriers between workers, such as pay secrecy clauses or contractual agreements regarding disclosure of pay can improve labour market information access and improve mobility and dynamism across it. Improved access to earnings information may also assist women negotiate higher salaries, with males outearning females in 98% of all occupations.¹³ In 2022, changes under the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022 (SJBPA Act)* made clauses regarding pay non-disclosure void in new contracts made from 7 June 2023. Contracts made before 7 December 2022 continue to apply until the contract is renewed or amended. The laws also allow future employees to ask other employees about their pay, employment terms, and conditions. Impacts of this change of law on mobility across the labour market and market dynamism will be likely

¹¹ Buckley J, Rankin E and Andrews D (2023) [Non-Compete Clauses, Job Mobility and Wages in Australia](#), e61Institute, accessed 19 January 2026.

¹² Andrews D and Jarvis B (2023) [The Ghosts of Employers Past: How Prevalent are non-compete clauses in Australia?](#), e61 Institute, accessed 19 January 2026.

¹³ JSA (Jobs and Skills Australia) (2025) [New Perspectives on Old Problems: Gendered Jobs Work and Pay](#), JSA, accessed 21 January 2026.

take time as remaining pre-2023 enterprise agreements are re-negotiated, and workers asking each other about pay and conditions becomes normalised.

Restricting or prohibiting the use of non-compete clauses would improve competition within the labour market, encouraging mobility and dynamism as workers seek and find jobs which are better matches for them. Removal of wage-fixing agreements would encourage more competition between businesses for workers, with people moving to businesses which better match their desired pay and conditions. In March 2025, the federal government announced plans to ban non-compete clauses for low- and middle-income workers, no-poach agreements, and wage-fixing agreements. These reforms are expected to take effect from 2027.

Working conditions and arrangements

Keeping wages low does not increase productivity. As noted by the Fair Work Commission in its decision for the 2025 Annual Wage Review “the productivity problem will not be resolved by the indefinite continuation of the reduction in real wages which has occurred over the last four years”.¹⁴

Several studies have found that employees increase their effort in response to higher wages,¹⁵ that higher wages result in lower staff turnover (reducing employer recruitment costs and potentially boosting productivity)¹⁶ and that overall welfare improvements have been attributed to minimum wage increases.¹⁷ Increased use of enterprise bargaining could also lead to higher productivity, as bargaining incentivises employers, employees and unions to pursue more productive ways of working, in exchange for higher wages and improved conditions.

An important aspect of job matching is employers and employees reaching agreement on working arrangements. With the advent of COVID-19, working arrangements for roles shifted out of necessity. Now, working arrangement expectations have changed by choice.

In August 2025, 30% of employees had an agreement to work flexible hours. In the same period, 36% of employees usually worked from home. While this is a fall from 40% at its peak in August 2021, it illustrates a sustained increase from 1989 to 2008, where 4 to 8% of Australians worked most of their hours from home.¹⁸

Greater access to and agreement between employers and employees on workplace arrangements and locations of working can improve mobility across the labour market and dynamism, encouraging movement between firms and potentially better job matches. Different working arrangements can also open the door to new or returning entrants to the labour market and increase matching efficiency.

¹⁴ Fair Work Commission (2025) [Decision: Annual Wage Review 2025](#), para [9].

¹⁵ For example, Coviello, D et al (2022) ‘Minimum wage and individual worker productivity: evidence from a large US retailer’, *Journal of Political Economy*, vol 130, no 9 and Dustmann, C et al (2022) ‘Reallocation effects of the minimum wage’, *The Quarterly Journal of Economics*.

¹⁶ For example, Brochu, P and D Green (2013) ‘The impact of minimum wages on labour market transitions’, *Economic Journal*, vol 123, no 12.

¹⁷ For example, Lenhart, O (2017) ‘Do higher minimum wages benefit health? Evidence from the UK’ *Journal of Policy Analysis and Management*, 36(4) and Coviello et al (2022), op cit.

¹⁸ ABS (2025) [Working arrangements: Working arrangements and forms of employment, such as casual work, fixed-term, independent contractors, shift work, job flexibility and job security](#), ABS, accessed 16 January 2026.

Working arrangements can be agreed to through employers and employees, employment contracts, and collective bargaining (see **Box 1**, p 18).

Increasing diversity, and full and inclusive participation in the labour market

An important aspect of a dynamic labour market is enabling full and inclusive participation for all people including diverse cohorts, those experiencing unemployment or living in regions with lower levels of employment. While increasing workforce participation can temporarily reduce measured productivity as new entrants acquire skills and experience, there are significant long-term benefits from inclusive participation, and overall economic output will be higher than with lower participation.

In addition to new entrants to the labour market, there is opportunity for employers to tap into existing pools of skilled persons. Unemployed and underemployed persons remain a deep reservoir of human capital, with 50% of Workforce Australia participants in November 2025 having a non-school qualification.¹⁹ Further, analysis by Jobs and Skills Australia (JSA) shows that 33% of women work in occupations below their skill level, compared to 27% of men, and 35% of CALD women and First Nations men work in occupations below their skill level.²⁰

There are opportunities to address labour shortages by improving gender balances in occupations of national shortage as workforces with skewed gender participation have shallower talent pools from which to recruit. Analysis by JSA shows that 67% of occupations which are almost completely dominated by one gender are in labour shortage.²¹ These occupations include plumbers (99% male workforce), electricians (98% male workforce), dental assistants (98% female workforce), and occupational therapists (91% female workforce). The department has programs and networks operating to reduce gender imbalances in male-dominated industries by providing enhanced services and support to women starting careers in them. This includes Apprenticeship Connect Australia, the Building Women's Careers Program, and the Advancing Gender Equality in Gender Segregated Industries grant program (see **Box 1**, p 17-18).

Under the *Fair Work Act 2009*, eligible employees can request a flexible work arrangement, including where an employee is a carer or has a disability. In 2022, changes under the *SJBP Act* clarified employer obligations when considering an employee's request for flexible work arrangements. The changes require that following a formal flexible arrangement request, the employer try to genuinely reach an agreement with the employee and must give the employee a written response to the request within 21 days. This may support diversity and full and inclusive participation in the labour market. Increasing inclusive participation can ease labour shortages and increase the volume of supply in the labour market, with higher potential for job matches. Addressing barriers to labour market dynamism can assist closer job matching at skill level for diverse groups. Pathway programs that aim to connect people to employment and upskilling can also assist in creating a bridge to employment (see **Box 1**, p 18).

¹⁹ DEWR (Department of Employment and Workplace Relations) (2025) [Workforce Australia Caseload Time Series – October 2022 to November 2025](#), DEWR, accessed 16 January 2026.

²⁰ JSA (2025) [Education and Training Divides – Gendered Skills, Pathways and Outcomes](#), JSA, accessed on 16 January 2026.

²¹ JSA (2025) [New Perspectives on Old Problems: Gendered Jobs Work and Pay](#), JSA, accessed 21 January 2026.

Human capital and skills shortages

Increasing human capital and skills can increase productivity by making people more efficient, innovative and adaptable, which leads to increased output. Embedding a life-long learning approach to skill development, and up-lifting both the attaining of and the recognition of skills, training, qualifications and licences can lead to improvements in labour market productivity.

Additionally, the profile of the labour market and skills needs is changing. More than 90% of employment growth over the next 10 years is expected to be in occupations that require post-secondary qualifications,²² with half requiring a higher education qualification and about 43% requiring a Vocational Education and Training (VET) qualification.²³ Between 2011 and 2021, Certificate I to IV attainment only grew by 25%, showing a mismatch between current and future skills needs projections. Preparing to meet the future needs of the labour market is required to sustain labour market productivity.

Many migrants are also often working below their skill level. In 2021, the Committee for Economic Development of Australia reported that a quarter of permanent skilled migrants are working below their skill level.²⁴ The Continuous Survey of Australia's Migrants found that skilled migrants at 18-months post-settlement face compounding barriers to finding work including lack of local work experience (38%), unrecognised overseas qualifications (12%), and discrimination (9%). Costly and complex recognition processes and language differences are also barriers to migrants finding work at their skill level in Australia.²⁵

The PC has conducted and published its final reports on the 5 Pillars of Productivity Inquiries. As a part of these inquiries, it examined ways to boost productivity by building a skilled and adaptable workforce. The PC has made recommendations which relate to labour market and dynamism, including that:²⁶

- the quality and integrity of recognised prior learning to boost productivity be improved
- the recognition of work-related training be improved
- that small and medium enterprises be encouraged to increase work-related training
- replace excessive occupational entry regulations with less burdensome alternatives
- better target qualification requirements to risk
- expand entry pathways into trades
- incentivising occupational entry regulation reform through National Competition Policy.

²² JSA (2025) [Employment Projections – Outlook by Skill Level](#), JSA, accessed on 16 January 2026.

²³ Department analysis using JSA 2025 Unit group Shortage List (ANZSCO 2022).

²⁴ CEDA (Committee for Economic Development of Australia) (2021) [A Good Match: Optimising Australia's Permanent Skilled Migration](#), CEDA, accessed 16 January 2026.

²⁵ Home Affairs (Department of Home Affairs) (2023) [Review of the Migration System: Final Report](#), Home Affairs, accessed 20 January 2026.

²⁶ Productivity Commission (2025) [Building a skilled and adaptable workforce: Inquiry Report](#), PC, accessed 16 January 2026.

Occupational licensing

Differing occupational licensing requirements and conditions across states and territories can create barriers to people working at their full skill-level potential and prevent mobility across labour markets. This is also true for skilled migrants who may qualify for a visa, but do not meet occupational licensing requirements in the state or territory that they will call home.

Job mobility has been declining,²⁷ and analysis by the e61 Institute shows that workers who switch roles move to firms 13% more productive than the ones they leave.²⁸ Workers that change jobs contribute to the diffusion of ideas, the creation of new firms and the supply of labour to fast-growing high-productivity firms. Better harnessing the human capital already available can unlock quicker access to labour market productivity growth.

In November 2025 following the Economic Reform Roundtable, Treasurers agreed to prioritise work on recognising skills in areas of acute demand such as construction, health and emerging industries.²⁹ The department is supporting the Treasury in implementing these areas of reform.

Skilled migration assessments

A well-functioning skills assessment system can assist in attracting talent from overseas as well as result in more efficient assessments, increasing supply of skilled workers in the Australian labour market. The department oversees 39 assessing authorities responsible for skilled migration assessments under the *Migration Regulations 1994*. As part of the Australian Government's 2023 Migration Strategy, DEWR released new Guiding Principles and Standards for Skilled Migration Assessing Authorities (the Guide)³⁰. The Guide took effect on 1 October 2025. The Guide introduced an enhanced assurance framework and new best practice principles and standards, and sets clearer expectation and guidance to align with best practice across the sector.

Upskilling the nation and preparing for the future labour market profile

The vacancy fill rate describes the percentage of vacancies employers advertised that were filled. In September 2025, the vacancy fill rate for skill level 3 workers (Certificate II/IV plus 2 years on-the-job training) was 54%, significantly lower than other skill levels.³¹ In October 2025, JSA found that 295 of occupations were in national shortage, with 139 of those in persistent shortage since 2021.³²

Examples of large and growing occupations in shortage included registered nurses and various other medical roles (such as general practitioners and surgeons), teachers, engineers, aged and child carers,

²⁷ ABS (2025) [Job mobility: job mobility and job search of employed people, including changing industry or occupation, job tenure, and changes in current job \(e.g. hours\)](#), ABS, accessed 16 January 2026.

²⁸ Vlass L (2025) [More flexible labour markets would allow the Australian economy to maximise the skills and talents of workers](#), e61 Institute, accessed 16 January 2026.

²⁹ Treasury, [Treasurers agree reforms to increase competition and boost productivity](#), Treasury, accessed 22 January 2026.

³⁰ DEWR (2025), [The Guiding Principles and Standards for Skilled Migration Assessing Authorities \(the Guide\)](#), DEWR, Australian Government, accessed 22 January 2026.

³¹ JSA (2025) [Occupational Shortage Report – September 2025](#), JSA, Australian Government, accessed 16 January 2026.

³² JSA(2025) [Occupation Shortage List Key Findings Report – October 2025](#), JSA, accessed 16 January 2026.

and roles critical to construction and clean energy generation.³³ In general, industries with a higher workforce shortage (Construction, Mining, and Health Care and Social Assistance) have had lower productivity growth over the last 5 years. Lower productivity industries may experience persistent shortages over time as they may be more reliant on labour to increase output. These include industries such as Construction, and Health Care and Social Assistance, where occupations have been in shortage since 2021.

Employer investment in employees and activities which support attraction and retention to VET such as the Key Apprenticeship Program and Fee-Free TAFE (see **Box 1**, p 17), will help to ensure that labour supply matches labour demand now and into the future. Skilled migration which complements the domestic workforce can assist in addressing occupational shortages. Skilled migrants can also bring innovation and knowledge of more efficient processes and ways of working, resulting in productivity gains.

Harnessing new technologies

Workers leveraging new and nascent technologies to be more innovative and efficient, and create greater output is a key way to boost labour productivity and productivity overall.

There have been fundamental changes in the way work is performed, with the birth of the digital economy and a focus on digital and online services, production of information, and way to purchase goods.

Artificial intelligence (AI) is reshaping the global economy and transforming how Australians, work, learn and connect with one another.³⁴ With this marked change comes the opportunity to harness the benefits of it in the context of the Australian labour market and ways of working. Analysis by JSA has found that while overall demand for AI skills had fluctuated over the last 5 years from 2024 and declined recently, demand for AI skills within some occupations has increased and there are emerging roles that will appear within the Australian labour market for the first time.³⁵ To date, demand and wages for routine cognitive workers by employers does not appear to have reduced with the introduction of generative chat AI. Similarly, demand for new graduates has not changed.

Leveraging AI in the workplace will require responsible balancing of opportunities and risks. AI can be used as a tool for workplace efficiency and productivity, however it must be ensured that where there is unequal impact across occupations that opportunities and pathways to new employment exist for workers.

Work health and safety

Work health and safety (WHS) is a crucial aspect of working in Australia. Like the NES, Australia's WHS laws are a key foundation for the wellbeing of workers, and ensure the safe functioning of workplaces. All Australians expect to be able to walk into a safe workplace each day, and work for employers which respect their health and wellbeing.

³³ As above.

³⁴ DISR (Department of Industry, Science and Resources (2025) *National AI Plan*, DISR, accessed 23 January 2026.

³⁵ JSA (2024) *Emerging Roles – Report*, JSA, Australian Government, accessed 16 January 2026.

Research shows that poor WHS is connected to lower productivity. A healthy and safe workplace where risks are actively managed can also boost productivity through reduction of lost working time from injuries, and health-related interventions can lift labour productivity.³⁶ Additionally, where workers are injured, early engagement and support from employers results in better return to work outcomes.³⁷

WHS encompasses both physical and psychosocial health and safety. Work-related psychosocial injuries and illnesses frequently result in more time off work and more costs than physical injuries, with median time lost being more than 5 times greater. Over the 10 years to 2023-24, serious injury claims for mental health conditions rose 161%, the largest change in claims based on injury type.³⁸ Proactively addressing psychosocial hazards, and greater engagement and assistance to return to work, can grow labour productivity by reducing lost time.

While psychosocial hazards and risks differ between workplaces and require tailored WHS assessments, there are common workplace controls that can be used to manage risks to psychosocial health. These include:

- Designing work to keep job demands manageable
- Increasing worker control and autonomy
- Providing strong supervisory and peer support
- Managing organisational change transparently and fairly
- Promoting fairness, recognition and respectful workplaces.

Safe Work Australia's model Code of Practice *Managing psychosocial hazards at work* sets out detailed practical guidance for businesses on how they can manage risks to mental health in the workplace.³⁹

³⁶ Centre for Workplace Leadership, University of Melbourne (2014) [Workplace Health and Safety, Business Productivity and Sustainability: A Report Prepared for Safe Work Australia](#), Safe Work Australia, accessed 19 January 2026.

³⁷ Ross J, Emertius Prof Creyke R AO and Isolani G (2025) [Getting the Best Outcomes for Injured and Ill Workers](#), DEWR, Australian Government, accessed 19 January 2026.

³⁸ SWA (Safe Work Australia) (2025), [Key Work Health and Safety Statistics Australia 2025](#), SWA, accessed 20 January 2026.

³⁹ SWA (2022), [Managing Psychosocial Hazards at Work – Code of Practice](#), SWA, accessed 20 January 2026.

Department's programs and activities

Box 1: Department's programs and activities that support labour productivity growth and participation

Building human capital through skills and training

The department administers a variety of programs and initiatives which aim to build human capital through skills and training, including:

- The National Skills Agreement is a landmark agreement between the Commonwealth and states and territories to strengthen the vocational education and training sector. The Agreement provides states and territories with access to additional Commonwealth funds of up to \$3.7 billion over 5 years. This takes total Commonwealth investment in state and territory training systems up to \$12.6 billion over 5 years.
- The Commonwealth Government has partnered with state and territory governments to deliver 500,000 Fee-Free TAFE and VET places over 2023 to 2026 in areas of national priority including construction, manufacturing, and technology and digital. Places will continue to be offered on an ongoing basis from 2027. As of September 2025, the top completed courses in national priority areas included Diploma of Nursing, Certificate IV in Building and Construction, and Certificate III in Electrotechnology Electrician.
- The Key Apprenticeship Program, which encourages growth of the workforce and expanding pipeline of workers training towards critical occupations in the clean energy and housing construction sectors. Eligible apprentices in the program can claim payments over the duration of their apprenticeships, up to \$10,000 for full-time and \$5,000 for part-time.
- The Skills for Education and Employment (SEE) Program delivers free language, literacy, numeracy and digital skills training to eligible persons across metropolitan, regional and remote Australia. SEE is flexible and can be full-time, in the classroom, workplace, or online.
- Australian Apprenticeship Support Services, which through Apprenticeship Connect Australia Providers help apprentices, trainees, and employers to identify individual needs, find the right pathways, and support apprenticeships until their completion. Financial support of up to \$2,500 is available to apprenticeships training in an occupation listed on the Australian Apprenticeship Priority List, and loans of up to \$25,983 are available to help apprentices meet day-to-day costs while studying.

Box 1 (continued)

Encouraging efficient allocation of labour and encouraging workforce participation

The department delivers policies and programs that promote fair, productive and safe workplaces and assist people to participate in the labour market. Examples of this work are:

- Maintaining the *Fair Work Act 2009*, and implementing policy changes through it where passed by Parliament. This includes workplace arrangement and collective bargaining settings. The Fair Work Commission is responsible for approving Enterprise Agreements, subject to them making workers better off overall, being lawful, and being genuinely agreed to by workers.
- Workforce Australia, which helps individuals move into, or towards secure employment and training and education. There are tailored services for culturally and linguistically diverse persons, Indigenous Australians, refugees, and ex-offenders. Workforce Australia also supports businesses with applicant matching and wage subsidies.
- Parent Pathways provides personalised assistance and financial support to eligible parents and carers of children up to the age of 6 years. Assistance includes language and literacy programs, training, career guidance, and support to find a childcare centre and help with childcare costs.
- The Transition to Work program helps eligible youth (aged 15 to 25 years old) who left school early or experience difficulties finding a job after school, to connect with work, apprenticeships and training, or education.
- The Advancing Gender Equality in Gender Segregated Industries grant program, running until 2027–28, will identify actions that deliver tangible outcome in gender segregated industries through projects by industry and community.
- The Building Women’s Careers Program partners with industry and community to break down barriers and encourage women to join, remain and advance in advanced manufacturing, clean energy, construction, and digital and technology.