

Addressing Australia's Critical Skill Shortages: Unlocking Women's Economic Participation



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ACKNOWLEDGEMENT OF COUNTRY

We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas. We also pay our respects to Elders – past and present – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.

SUMMARY

Australia is facing a critical labour and skills shortage which is adding to inflationary pressures in our economy and undermining economic growth. Job vacancies hit a record 423,500 in February 2022 and the National Skills Commission has forecast an additional 1.2 million workers will be needed to fill skill gaps across the economy by 2026.

While migration has been flagged as one way to meet the current and future skill needs, we already have a skilled workforce in Australia that is chronically underutilised - our women.

Australian women engage in 43 per cent less paid work than Australian men. This is due, in large part, to women carrying the economy's unpaid care burden, with women undertaking 81 per cent more unpaid work than men.

In addition, wages in female dominated industries are below wages in male dominated industries. Analysis by Impact Economics and Policy shows that:

- Workers in female dominated industries with a bachelor degree or above earn 30 per cent less per hour than workers in male dominated industries with a bachelor degree or above.
- Workers in female dominated industries with a Certificate III/IV earn 36 per cent less per hour than a worker in a male dominated industry with a Certificate III/IV.

New analysis undertaken for this report shows that we can address our economy's current and future skill needs by closing the gap between the number employed and hours worked of men and women across our economy:

- Closing the gap between men and women would represent the equivalent of an additional 1 million FTE workers with post school qualifications.
- Halving the gap between men and women would represent the equivalent of an additional 500,000 FTE workers with post school qualifications.

Closing the gap will require a number of reforms, including priorities supported by Chief Executive Women that will have a meaningful impact on lifting female participation:

- Invest in well-paid, secure jobs in care sectors
- Expand the Commonwealth Paid Parental Leave scheme for all parents
- Make quality early childhood education and care accessible and affordable
- Make workplaces safe from sexual harassment.

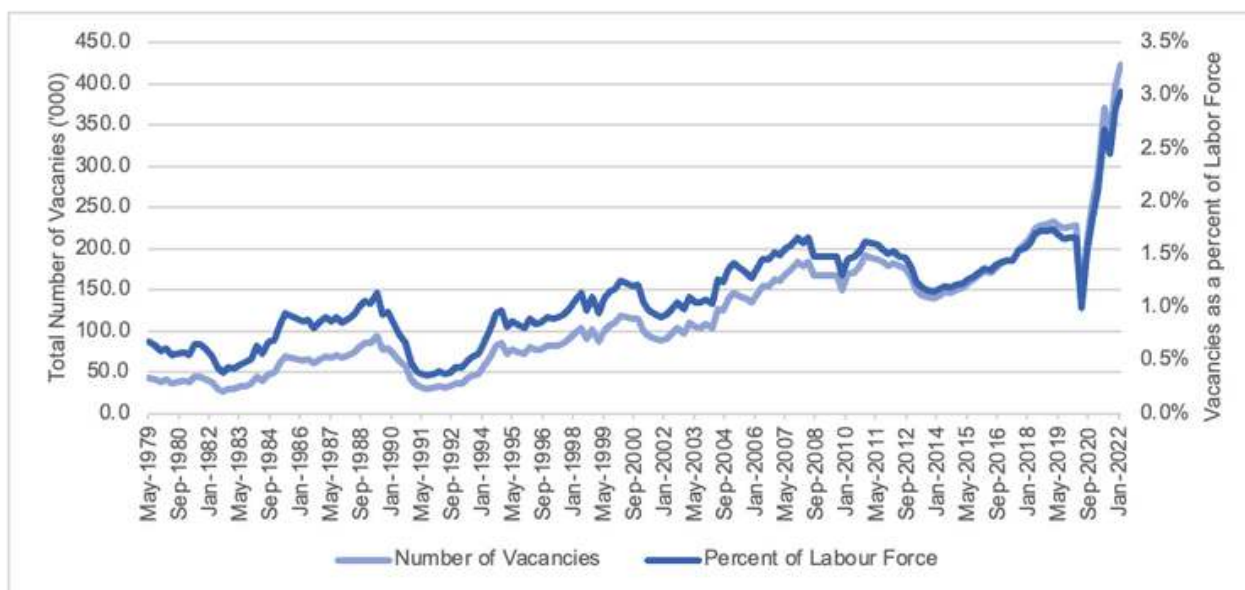
Since 2006, Australia has dropped from 13th to 70th in the World Economic Forum's gender equity scorecard on female economic participation. The reforms and investments outlined in this report will help Australia climb back up those rankings, and unlock a source of economic growth and greater prosperity for all Australians.

JOB VACANCIES

In February 2022 Job Vacancies in Australia reached a record high of 423,500¹, with strong economic growth, increased demand in specific industries and the lack of migration through the pandemic resulting in the biggest shortage of labour on record.

This shortage hurts our economy. It means economic activity is lower and the cost of goods and services is higher than they would be if these jobs were filled. Lifting participation is one mechanism for meeting this shortfall, with female participation in the labour market a clear easy win for policy makers.

Chart One: Vacancies - Total and As a Percent of Labour Force



Source: Australian Bureau of Statistics (2022), Job Vacancies Australia – February 2022, <https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release>

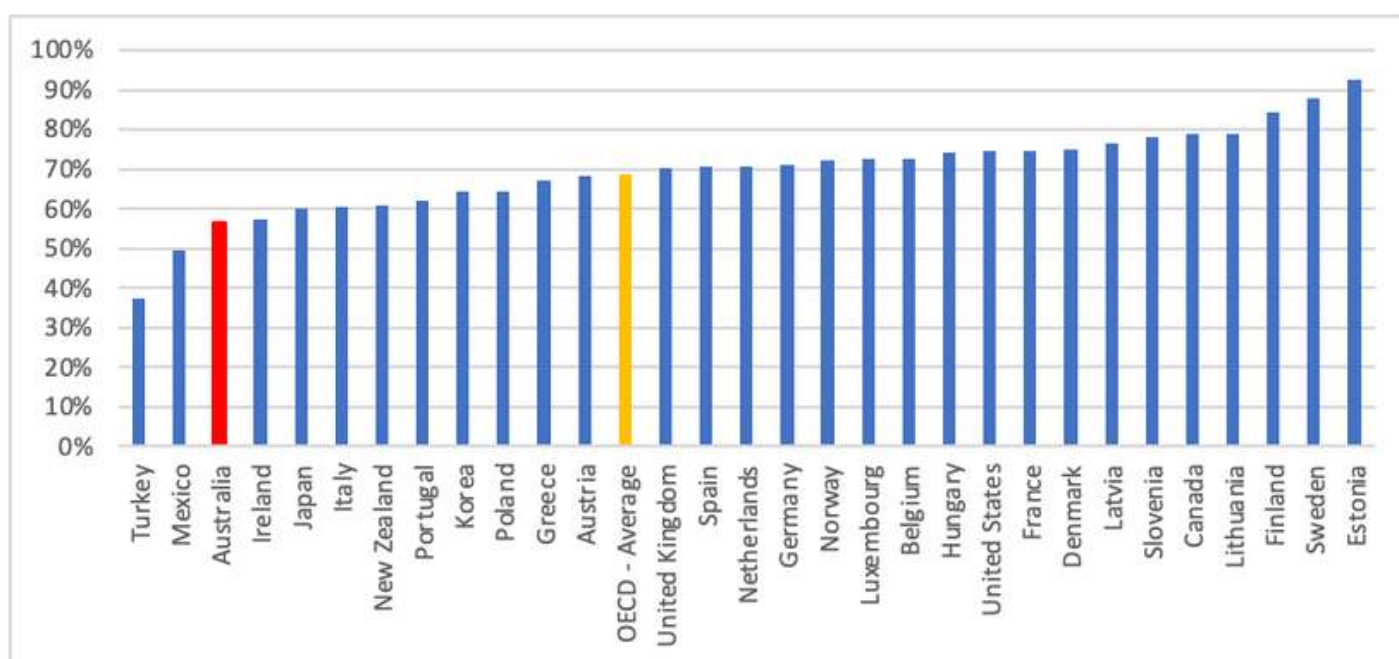


UNPAID

WOMEN DOING MORE WORK THAN MEN, BUT LESS OF IT IS PAID

Despite recent gains, Australia has one of the biggest gaps between average male and female participation and hours in paid work in the OECD.² Across the OECD women spend less time in paid work and more time in unpaid work than men. In Australia, on average, a woman spends 43 per cent less time in paid work than a man. Women in Australia however spend 81 per cent more time in unpaid work than men, to spend more time in total in combined unpaid and paid work.³

Chart Two: Women's Paid Work Compared to Men's Paid Work Across the OECD



Source: OECD (2022) Employment – Time Spent in Unpaid Work, by Sex: <https://stats.oecd.org/index.aspx?queryid=54757>

FUTURE JOBS DEMAND

The National Skills Commission has projected that over the five years to 2026 the economy will require an additional 1.2 million jobs, with female dominated industries experiencing the biggest increases.⁴ While female dominated industries account for 41 per cent of total employment, they will account for 53 per cent of the total increase in jobs over the period.

In total, 87 per cent of projected jobs growth to 2026 will be in majority and moderate to high female industries. A failure to lift female participation will exacerbate current shortages that are already concentrated in these industries, and highlights the need to attract and retain staff with higher wages and better conditions to meet future demand.

Table One: Skill Shortages and Future Demand by Industry and Female Share of Employment

	Female Share of Employment	Total Industry Employment	Current Vacancies ('000)	Projected Growth ('000)
Majority Female Industry (>50%)				
Health Care and Social Assistance	76%	2023	60	301
Education and Training	72%	1116	12	150
Accommodation and Food Services	57%	893	46	112
Retail Trade	54%	1294	29	55
Moderate to High Female Industry (40%-50%)				
Administrative and Support Services	50%	420	41	29
Financial and Insurance Services	49%	561	18	33
Arts and Recreation Services	48%	232	6	24
Public Administration and Safety	47%	895	22	59
Rental, Hiring and Real Estate Services	46%	235	9	15
Professional, Scientific and Technical Services	45%	1283	42	207
Other Services	43%	1156	21	20
Information Media and Telecommunications	42%	518	5	1
Low Female Industry (<40%)				
Wholesale Trade	33%	209	22	7
Manufacturing	29%	322	31	23
Electricity, Gas, Water and Waste Services	26%	847	4	3
Transport, Postal and Warehousing	24%	172	15	40
Mining	21%	686	11	16
Construction	13%	277	35	66
Total - Moderate, High and Majority Female Industries	57%	10624	310	1006
Total - All Industries	48%	13137	427	1160

SOURCE: AUSTRALIAN BUREAU OF STATISTICS (2022), DETAILED LABOUR FORCE STATISTICS – MARCH 2022 AND NATIONAL SKILLS COMMISSION (2022), EMPLOYMENT PROJECTIONS.



UNLOCKING THE POTENTIAL

Australian women are amongst the most educated in the world, ranking number one in terms of educational attainment in the World Economic Forum's Global Gender Gap Index. Yet when it comes to economic participation, Australia's rank drops to 70th in the world.⁵

If we halved the current gap in participation rates and hours in paid work between Australian men and women with post-school qualifications it would represent the equivalent of an additional 509,000 full time equivalent (FTE) workers – more than enough to fill the current 425,000 vacancies across the economy.⁶ If we completely closed the gap between men and women it would represent 1 million additional FTE workers available for our economy, including over 800,000 with a diploma or above.⁷

These workers would not just be available to fill skill gaps in female dominated industries, but could help address gaps across male dominated industries today and into the future.

Table Two: Additional workers if gap between women and men in participation and hours worked was closed, by educational qualification

Educational Level	Women not Participating	Increase from higher participation	Increase from hours worked	Total increase
Diploma or above	1195.1	285.7	590.5	876.2
Certificate III/IV	375.4	24.2	142.4	166.6
Total	1570.5	309.9	732.8	1042.7

Table Three: Additional workers if gap between women and men in participation and hours worked was halved, by educational qualification

Educational Level	Women not Participating	Increase from higher participation	Increase from hours worked	Total increase
Diploma or above	1195.1	142.8	283.9	426.8
Certificate III/IV	375.4	12.1	70.2	82.3
Total	1570.5	155.0	354.1	509.1

BARRIERS TO WOMEN'S WORKFORCE PARTICIPATION

Australian women are undertaking less paid work than men, not because they do not want to work, but because they are carrying a disproportionate share of the unpaid caring burden across society.

A number of structural factors are key contributors to the low rate of paid work undertaken by Australian women, including:

- Low wages in female dominated industries
- High cost of childcare
- Inadequate paid parental leave
- Tax and family benefit policies that lock women into unpaid caring roles

Low Wages

Australia's gender pay gap stands at 13.8 per cent⁸, which can be explained in part by the lower wages in female dominated industries such as health and aged care, retail, accommodation services and education, compared to male dominated industries. Lower wages in female dominated industries reduce the incentives for women to engage in more paid work, and lower female participation in the labour market.

Below new analysis from Impact Economics and Policy shows how wage rates differ across industries and levels of education, highlighting that women working in these industries do not receive the same return on their education as men working in male dominated industries.

- Workers in female dominated industries with a bachelor degree or above earn 30 per cent less per hour than workers in male dominated industries with a bachelor degree or above.
- Workers in female dominated industries with a Certificate III/IV earn 36 per cent less per hour than workers in male dominated industries with a Certificate III/IV.
- Workers in female dominated industries with no post school qualification earn 19 per cent less per hour than workers in male dominated industries with no post school qualification.



Table Four: Average hourly rate of pay across industries and educational qualification

	Bachelor and above (\$ hourly rate)	Certificate III/IV (\$ hourly rate)	No post school qualification (\$ hourly rate)	Total (\$ hourly rate)
Majority Female Industry				
Health Care and Social Assistance	45.0	31.3	30.0	36.8
Education and Training	51.6	31.7	31.1	45.0
Accommodation and Food Services	28.1	27.6	23.0	25.0
Retail Trade	31.9	28.6	26.3	27.7
Average - Majority Female Industry	39.2	29.8	27.6	33.6
Moderate to High Female Industry				
Administrative and Support Services	35.0	33.1	29.7	31.9
Financial and Insurance Services	55.8	42.2	37.1	50.0
Arts and Recreation Services	38.4	32.4	27.7	31.9
Public Administration and Safety	54.1	38.6	38.3	46.4
Rental, Hiring and Real Estate Services	57.5	36.5	31.7	40.0
Professional, Scientific and Technical Services	50.5	36.5	34.1	46.6
Other Services	34.8	30.6	27.1	30.0
Information Media and Telecommunications	47.2	37.8	29.8	42.3
Average - Moderate Female Industry	46.7	36.0	31.9	39.9
Low Female Industry				
Wholesale Trade	49.7	34.1	31.9	35.0
Manufacturing	46.1	35.0	29.3	34.2
Electricity, Gas, Water and Waste Services	58.8	43.8	32.7	46.1
Transport, Postal and Warehousing	38.3	37.3	31.2	34.1
Mining	70.0	55.1	42.2	52.7
Construction	43.2	37.1	29.9	34.6
Average - Low Female Industry	51.0	40.4	32.9	39.5
Low Female Industry Premium over Majority Female Industry				
	30%	36%	19%	17%

Source: Impact Economics and Policy analysis using Australian Bureau of Statistics (2021), Characteristics of Employment, <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/characteristics-employment-australia/latest-release#data-download>



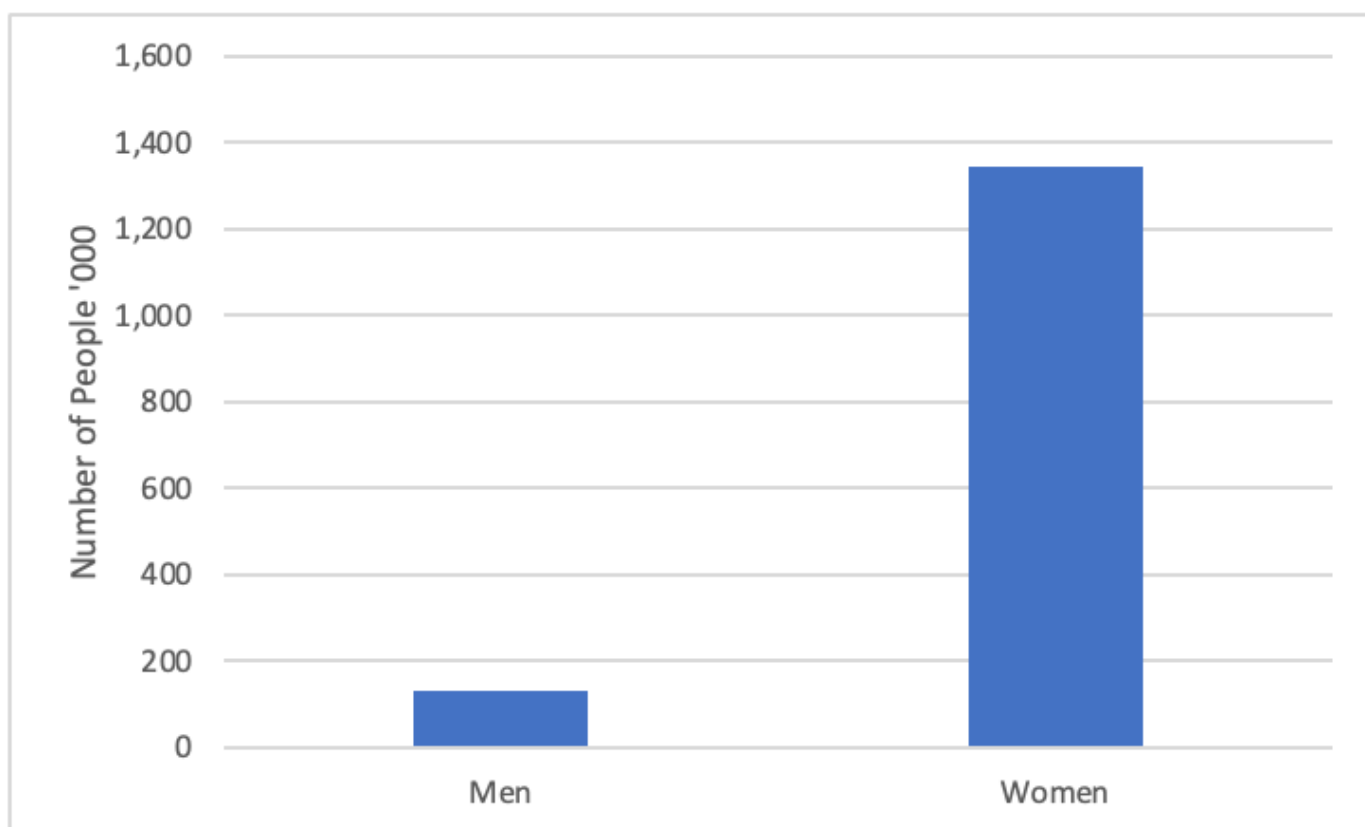
High Cost of Childcare

Because women undertake the majority of the economy's unpaid caring work, they are limited in their ability to engage in paid work.⁹ Ten times the number of women, compared to men cite not wanting a job or more hours due to caring and home duties as the main reason.

Access to early childhood education and care is one of the most effective ways to reduce barriers to women's participation in paid work.¹⁰ Early childhood education and care not only lifts female participation in paid work, it also lifts the productivity of women and in the future of children.¹¹

Australian parents face some of the highest out of pocket early childhood education and care costs in the OECD, making returning to work harder, and placing families under financial pressure in the pre-school years.¹² The cost of childcare matters because it reduces the returns from working, acting as a disincentive to work or to work additional hours.

Chart Three: Main Reason for Not Seeking a Job or More Hours – Caring and Home Duties



Source: Australian Bureau of Statistics (2022), Characteristics of Employment: <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/characteristics-employment-australia/latest-release#data-download>



Inadequate paid parental leave

Australia currently has some of the lowest levels of paid parental leave taken by fathers in the OECD.¹³ Countries with more generous paid parental leave - that is equally shared between parents - tend to have higher rates of female labour force participation.¹⁴

Access to maternity leave is linked to higher rates of post birth labour force participation by mothers.¹⁵ This is because it maintains the link between mothers and employers, and makes it easier for women to balance the caring responsibilities associated with a newborn child and returning to work. However, where women take more than six months maternity leave this relationship weakens and can reduce participation.¹⁶

Paternity leave is important because it sets up more equal patterns of caring within the household and allows a mother to return to work when her partner takes over the primary care role.¹⁷ Policies that encourage men to also care for young children are linked to higher female participation in the short and long term.¹⁸

International evidence shows that it is not just the rate of paid parental leave that matters, but the inclusion of 'use it or lose' it provisions, or quarantined daddy's leave, that drive higher take up and flow on economic benefits.¹⁹



Tax and family benefit policies that lock women into unpaid caring roles

Australia is unique in basing access to a number of tax and family assistance payments on household rather than individual income.²⁰ A household means test effectively ties the returns from work of a second earner (most likely a woman) to their partner's income.²¹ This creates very high effective marginal tax rates, as we see in Australia, because of the interaction between individual marginal tax rates and reduced family assistance. These high effective marginal tax rates reduce labour force participation, particularly of women.²²

REFORMS TO LIFT FEMALE PARTICIPATION

Chief Executive Women has identified four areas for reform to lift female participation in the labour market:

1. Invest in well-paid, secure jobs in care sectors
2. Expand the Commonwealth Paid Parental Leave scheme for all parents
3. Make quality early childhood education and care accessible and affordable
4. Make workplaces safe from sexual harassment.

Existing evidence indicates that each of these measures would help lift female participation in the labour market.

Invest in well-paid, secure jobs in care sectors

Chief Executive Women supports investments to deliver secure, well-paid jobs in traditionally feminised industries including early childhood education and care, aged care, disability care, health, education and social services.

Female dominated industries are systematically lower paid than male dominated industries, and lifting pay rates will help attract and retain workers and ensure Australia's care needs are met now and into the future. This will help lift female participation by encouraging more women into these sectors, and also allow more women across the economy to work due to the availability of care.

A 2020 report found that additional government investments in the care sector through greater provision and higher wages could substantially increase GDP. By 2030 a \$2.8 billion net increase in government spending would deliver 1.6 percentage points higher GDP.²³

Importantly, while men and women would experience an increase in income, the policies would help reduce the gender pay gap between men and women.

Expanding the Commonwealth Paid Parental Leave scheme

Chief Executive Women has called for an immediate increase the Commonwealth Paid Parental Leave scheme to 26 weeks, with a 'use it or lose it' component that encourages greater shared caregiving by both parents. In addition, the superannuation guarantee should be extended to Commonwealth Parental Leave to reduce the gap between men and women in retirement. Long term reforms should look to increase paid parental leave to 52 weeks equally shared by both parents.

This reform proposal would put Australia on track to have some of the best paid parental leave in the world, lifting the number of fathers taking leave and lifting female participation in the labour market. Reforms introduced in Quebec in 2008 which provided fathers with 5 weeks of 'use it or lose it' paid parental leave saw the number of men taking leave increase from 28 to 80 per cent.²⁴ It also led to long term increases in female participation (between 14 per cent and 36 per cent increase in hours worked) and productivity (between seven and nine per cent).²⁵

Make quality early childhood education and care accessible

Chief Executive Women is calling for a number reforms to childcare support including:

- Increase the Child Care Subsidy to 95% for all low-income households (up to \$80,000);
- Smooth the taper rate, decreasing it consistently by 1% for every \$4000 additional income – up to a limit of 30% as outlined by KPMG.
- Build towards universal access to quality, flexible early childhood education and care; at a minimum – three days of ECEC from when families need it, until children start school.
- Build a sustainable, professional, secure sector to deliver universal access.

A number of reports have highlighted the economic benefits of investments in early childhood education and care, given its impact on female participation and long-term productivity of both mothers and their children.²⁶ Each of these reports illustrates that investments pay for themselves in terms of lifting GDP and taxation receipts received by Government.

The Australia Institute recently estimated that moving to a universal early learning and care in Australia would create an additional 225,000 FTE jobs in the sector and free up an additional 850,000 new workers to participate across the economy.²⁷

Make work a safe place for all

Everyone deserves to be safe at home and at work. Chief Executive Women is calling for the Commonwealth Government to:

- Implement all 55 recommendations of the Respect@Work report, and particularly a positive duty for employers under the Sex Discrimination Act; and a prohibition on sexual harassment in the Fair Work Act.
- Include at least 10 days of paid family and domestic violence leave in the National Employment Standards.
- Implement the recommendations of the Set the Standard Report.

Addressing sexual harassment would reduce a major source of gender inequality in the workplace, which lowers productivity across the economy. Sexual harassment has been estimated to cost the Australian economy \$3.5 billion per year, including \$2.6 billion in lost productivity.²⁸

Domestic and Family Violence costs our economy \$22 billion per year, including in lower participation and productivity.²⁹ Paid family and domestic violence leave reduces the financial instability faced by women leaving violent relationships, and contributes to reduced staff turnover, reduced disruption to the workplace, avoidance of recruitment and training costs for employers; as well as a 'positive work environment' and stronger employee morale and loyalty.



CONCLUSION

As Australia faces significant skill shortages across the economy, there is an urgent need for reforms and investment in lifting female participation in paid work. We need greater investment in early childhood education and care, expanded paid parental leave, better more secure jobs in our care sector, and safe workplaces for all. Without such reforms Australia's economic growth will be lower, and Australian women will continue to experience greater economic insecurity throughout their lives and into older age.

Australia's skill needs are immediate and growing, as is the urgency of the need for reforms that support women to fully participate in our economy. Through fully utilising our women we can help fill the 423,500 vacancies across the economy today and the additional 1.2 million jobs that will need to be filled by 2026. Without action, Australia's economy will underperform, and Australian women will continue to fall behind their international peers in terms of progress toward equity with men.



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