



24 January 2018

Mr Stephen Palethorpe
Secretary
Senate Select Committee on the Future of Work and Workers
PO Box 6100
Capital Hill ACT 2600

Dear Mr Palethorpe

Re: Inquiry into the Future of Work and Workers

Thank you for inviting SEEK to make a submission to the Inquiry. We at SEEK are excited by the positive impact technology can have on the future of work and workers. However, we believe the impact of technology can be detrimental to the Australian economy and workforce if Government and business does not lean into the changes and investment required to create an Australia that thrives in a technology-driven future.

SEEK is a global leader in the creation and operation of online employment markets. By bringing employers and jobseekers together using leading-edge and easy-to-use technology, SEEK helps people into the right jobs in Australia and around the world. SEEK has relationships with over 700,000 hirers and 150 million candidates to enable this.

SEEK's interest in the future of work and of workers is two-fold.

- The changing workforce: As Australia's largest employment marketplace, we see first-hand the impacts of the digital economy and automation on workforce demand and supply. We would like to share the trends we see and the challenges and opportunities this raises.
- Impact of digital economy on Australian businesses: SEEK, like other Australian businesses, competes against aggressive global players. Over the past 20 years SEEK has grown from an Australian technology start-up to one of the world's largest operators of online employment marketplaces. Operating in 18 countries and employing over 9,000 people, SEEK remains proudly headquartered in Melbourne. We are well positioned to talk about our own first-hand experience of leaning into technology to remain globally relevant and competitive.

The areas discussed below - shifting labour market trends, employment and education - are all critical to Australia's prosperity in the "new world" of work and I believe SEEK can assist with all three.

The SEEK team and I would be pleased to participate further in the Committee's important work.

Kind regards

 Geoff Roberts
Chief Financial Officer

SEEK Limited

Level 6, 541 St Kilda Road, Melbourne, Victoria, 3004 | Tel: 03 8517 4100 | Fax: 03 9510 7244 | ABN 46 080 075 314

THE CHANGING WORKFORCE

A. SPOTLIGHT ON AUTOMATION AND THE LABOUR MARKET

The Australian labour market is changing shape.

For high cost, developed labour markets like Australia, the digital economy and automation is a negative from a jobs perspective if we continue the same path. Domestic labour has already been replaced by lower cost labour in other jurisdictions, or simply by machines. And while new jobs will be created for those building the automation tools, the big question is whether they will be established at the same rate and available to the same people who are impacted? In SEEK's expert view, this is unlikely.

Automation continues to radically change the way we work and thus the jobs in the economy. It has been estimated that around half of existing labour is automatable with current technology.

History has shown that relatively free labour markets will correct an oversupply of labour, however there is a question as to what cost this will come to Australian workers? Addressing falling demand with a fixed supply-side of labour in the market may see downward pressure on wages. This will be a significant shock to the Australian labour force, which has known only continuous economic growth for over a quarter of a century.

Directionally, the more repetitive and unambiguous a task is, the more automatable it is likely to be. Advances in artificial intelligence mean that automation no longer applies to just the physical realm; repetitious and rule-based tasks are also in danger. If tasks are repeatable and based on rules, a machine can be trained to carry out the action. This is very much what we are seeing and will see occur a lot more.

B. CURRENT STATE - AUSTRALIAN'S OUTLOOK ON THEIR CAREER AND THE EMPLOYMENT MARKET

SEEK's market research shows that nearly one in five working Australians (18 per cent) felt that their job or role was not going to exist in 10 years' time.

Industries where there was a perception that jobs would not exist in 10 years included:

- Manufacturing and transport;
- Construction;
- Banking and financial services; and
- Call centres and customer service.

The perceptions Australians have of the future of work is reflective of what we see in SEEK New Job Ad data. The fear of job decline in vulnerable industries is real.

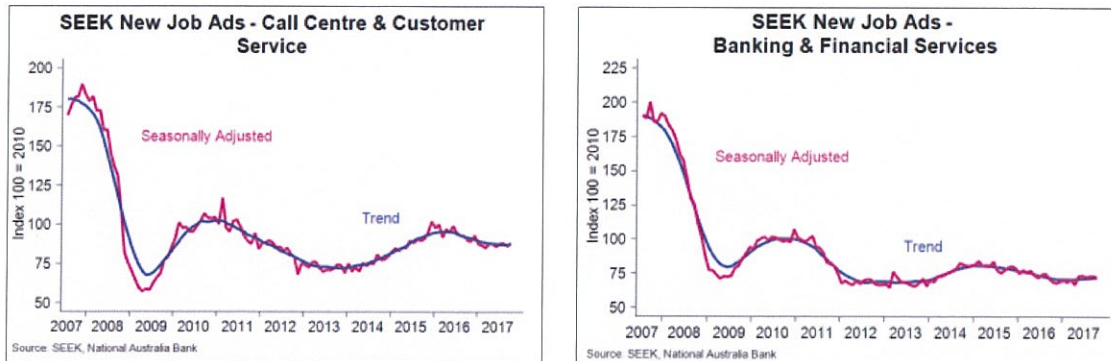


Figure 1 and 2: SEEK New Job Ads nationally over time; Call Centre & Customer Service and Banking & Finance

On the flipside, those who were confident that their roles would still exist in 10 years included those working in:

- Science and technology;
- Senior and executive management;
- Healthcare and medical; and
- Government and defence.

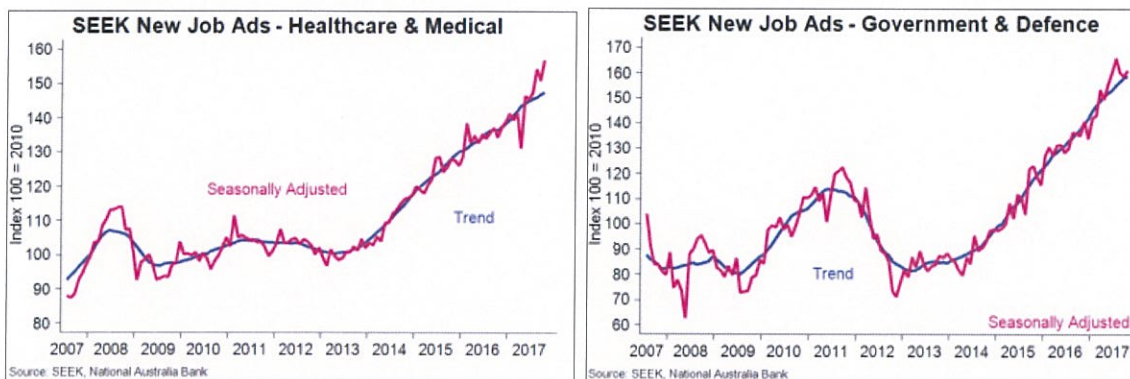


Figure 3 and 4: SEEK New Job Ads nationally over time Healthcare & Medical and Government & Defence

SEEK asked Australians how they plan to remain relevant to ensure that they continue to have a career in the next 10 years, with results stating that:

- On job training (47 per cent)
- Staying on top of current information and trends (46 per cent)
- Further formal education (30 per cent)
- Changing industry or looking at where their current skills might be utilised (24 per cent)

Soberingly, 22 per cent of people, nearly one in four working Australians, stated that they did not know how they could stay relevant.

C. DIGITAL ECONOMY - EMERGING WORKFORCE TRENDS

With 20 years as Australia's leading employment market operator, SEEK has job market data which is representative of the Australian labour force. Combining this with our ongoing research of employees and hirers, SEEK has the most timely and accurate view of what is happening in the Australian employment marketplace.

Key trends identified through SEEK's data and research in response to the future of work and workers include:

- **'Hollowing out of the middle'**: Middle skill roles are in decline while low-skill and high-skill roles are on the rise.
- **'War for Talent'**: There is not a large enough pool of highly-skilled technical people to support businesses as they transform to leverage digital technology.
- **'Flexible work'**: Full-time roles are not growing at the same rate as non-full-time roles.

These three major trends are already having a significant impact on employers, employees and youth in how they consider, engage and remain relevant to the workforce.

D. DIGITAL ECONOMY - IMPACT ON THE AUSTRALIAN EMPLOYMENT MARKET

- **'Hollowing out of the middle'**: *Middle skill roles are in decline while low-skill and high-skill roles are in demand.*

The consequence of automation is what we call the 'hollowing out of the middle' – low- and high-skilled roles are on the rise, while jobs in the middle appear to be declining. This is a trend SEEK has observed over many years and there are no signs of this abating.

As automation spreads across the economy, **there will be more highly-skilled, highly-paid roles for the creatives, the developers, the scientists, and the makers of the machines.** There is already a shortage of this sort of talent in the Australian labour force so we expect these shortages to only get worse.

At the other end, we are likely to see a **proliferation of service-based roles** – particularly in caring and hospitality. These are roles which will require some basic training but the individual tasks are highly variable and require a degree of problem-solving and physical dexterity; hence are not prone to automation.

In between these two ends of the spectrum, we see the 'middle'. These medium-skilled jobs are comprised of a mix of white-collar and blue-collar workers whose roles are mostly process driven. **These medium-skilled roles are either being outsourced or automated** and we see this continuing. This is a fundamental change not just to the labour force but to society in general. Arguably, Australia's record economic growth has been on the back of the burgeoning middle class. With the hollowing out of the middle, there could be serious implications extending beyond the purely economic.

Partly because of relatively low entry requirements to service-based roles and partly due to the increased capacity in the labour force due to the reduction of the 'middle' jobs, **there will be a large increase in supply of workers in the low-skilled services sector.** We fear this will lead to downward pressure on wages in this sector.

The erosion of the ‘middle’ combined with increased ‘casualisation’ is contrary to the expectations of Australian workers. At SEEK, our data shows that almost 60 per cent of currently employed job seekers are looking to switch roles for one of the following reasons:

- More earning potential;
- More fulfilling role;
- Pursuing a passion; or
- Better work-life balance.

Although Australia has had more than 25 years of uninterrupted economic growth with unemployment levels the envy of the developed world, there is likely to be discomfort if the transition to the “new world” of work is not appropriately managed, as medium-skilled workers find themselves performing reduced hours with stagnant wages in existing roles, or being forced to transition into low-skilled, lower paid work.

- **‘War for Talent’:** *There is not a large enough pool of highly-skilled technical people to support businesses as they transform to leverage digital technology*

For businesses responding to a digital economy, one of the biggest headwinds they face is the lack of highly-skilled workers required to support their transformations to modern businesses to remain competitive. A related challenge for businesses is to ensure they have the right processes and structures in place to recruit, manage, and support the changing labour force.

Over coming years, competition for this scarce, highly-skilled talent will intensify further. Due to the long timeframes required to train highly-skilled talent, the labour market will lag in addressing today’s shortages and we expect these shortages to continue. Further to this, Australia will have less actual workers and much higher worker to non-worker ratios as the population ages, as identified in successive Intergenerational Reports¹.

Immigration, chiefly skilled immigration, has been the classical solution in Australia to this particular challenge, however with the highly-skilled segments of the labour market becoming increasingly globalised and most developed nations facing similar labour market issues as Australia, this policy option may not wholly address the problem.

- **‘Flexible work’:** *Full-time roles are not growing at the same rate as non-full-time roles.*

We are witnessing a ‘casualisation’ of Australia’s labour force. Technology is enabling low-skill roles to be done on an on-demand and flexible schedule, increasing the velocity of these roles. For businesses that are adapting to support this new workforce type, significant efficiencies can be achieved in their operations and costs. As shown in the chart below, SEEK has noticed a steady and significant decline of full-time jobs and increase in part-time and casual roles across the Australian economy over the past decade. We see no sign of this trend changing.

¹ Commonwealth of Australia, *2015 Intergenerational Report: Australia in 2055*, (Canberra: The Treasury, 2015), 8.

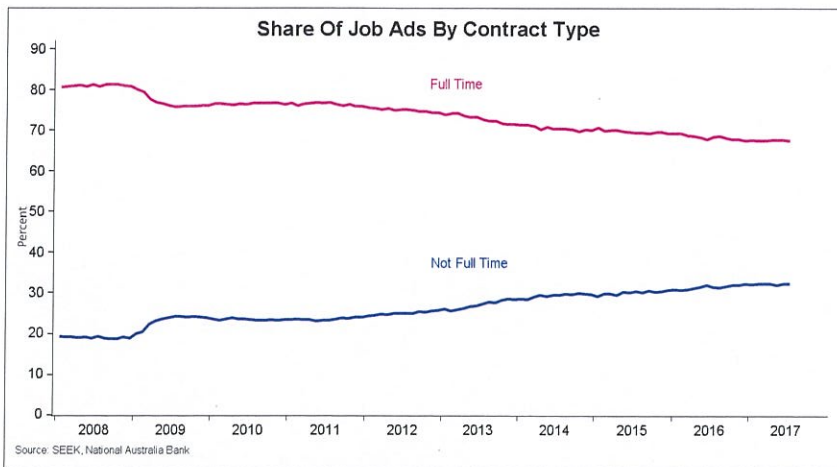


Figure 5: SEEK New Job Ads by work type

DIGITAL ECONOMY: IMPACT ON BUSINESS

Australian business needs to ask itself what skill sets it will need into the future and how can this be developed?

Shortages of highly-skilled workers and the rising wages they will demand will create incentives and pressure for organisations to step-change how they train employees. This is a departure from how businesses effectively operate currently; relying on the education sector to train staff. Considerations businesses now face include:

- How do I help my staff acquire these skills?
- How do I retain and motivate those people, given they are likely to be highly desired by others?
- What level of investment can or should I be making in an increasingly transient workforce?

Businesses cannot afford to simply rely on the workforce the education sector is producing; it must be more involved in training and developing its employees' skills.

Despite the obvious growth of computer technology throughout Australian businesses - as evidenced by SEEK's longitudinal data showing the continued strong demand for IT-skilled workers - IT undergraduate enrolments have declined by 38 per cent over the past 15 years and, alarmingly, by 65 per cent for female undergraduates². This is cause for concern for IT-based companies which represent 16 per cent of Australia's economic output, as well as other businesses with a reliance on their products and services³.

² Falkner K, "Broadening participation not border protection: how universities can support women in computer science", *Journal of Higher Education Policy and Management*, 2017, 9.

³ O'Mahony J and Simes D, *Australia's Digital Pulse*, (Sydney: Deloitte Access Economics, 2016), 78.

DIGITAL ECONOMY: LIFE-LONG LEARNING, EVERYONE'S RESPONSIBILITY

Businesses will require ongoing reinvestment in workers to understand and adopt technologies to support growth and opportunities. SEEK's survey figures show that 66 per cent of early-career Australians are expecting that their job will not exist, or will fundamentally change, within the next 15 years. A further 47 per cent think that their job will require very different skills or tasks within the same period.

However much of the labour force, particularly those who have been working for longer, will not have this mindset. For these workers and the third of young working Australians not attuned to the "new world" of work, disruption will be significant.

There will be many businesses who have large cohorts of staff with skill sets that may not be required in the future. Indeed, there are more than five million working Australians over the age of 45⁴. For almost half of these workers, high school or equivalent is their highest level of education⁵. Government and businesses alike must give serious thought and contemplation to ensuring these workers can transition into future roles. At SEEK, we believe we have the information and expertise to help Parliament mitigate and minimise these negative effects through good foresight and planning.

By developing sophisticated policies using SEEK's and others' data and insight, the public sector can provide more insightful information to the labour market, specifically around where skills will be in demand and where future jobs will exist. This will ensure the negative externalities of the transition to the "new world" of work can be partially mitigated for those workers most likely to be adversely affected, while maintaining the benefits for all Australians of having an open market economy.

If we do not prepare our workforce of today and the future for the realities of a digital age, we face a dire situation of a population of undesirable workers. Australian businesses will be fighting amongst themselves for the limited pool of highly-skilled workers. We have social structures and policies that are not made to support a new high velocity, low-skill labour force.

THE CHANGING WORKFORCE: HOW CAN THE PUBLIC SECTOR HELP?

SEEK is working on solutions that help candidates and organisations prepare for the digital employment market of the future. We want to collaborate with Parliament and the public sector to expedite our ability to support this transition.

- **SEEK is open to exploring this approach with the public sector whereby our data on the employment market can be used to craft public policy outcomes.** SEEK has read with interest Data61 and CSIRO's report on the 'Employment Data Ecosystem'⁶. This report recommends governments and the private sector collaborate to bring data together to deliver greater information and certainty to the labour market. Collaboration between SEEK, Parliament and the public sector can develop a common language for skills in Australia that will facilitate better analysis of the labour market across multiple data sources.

⁴ Australian Bureau of Statistics, *Education and Work – Australia*, (Canberra, 2017), 1.14.

⁵ Ibid.

⁶ Naughtin C et al, *Employment Data Ecosystem*, (Canberra: CSIRO, 2017).

- **SEEK would like to see data sharing arrangements between SEEK and the public sector to deliver superior information to Australians to ensure they develop rewarding career paths in a digital economy.** SEEK is investing heavily in building our Career Services Division to enable people to match their skills and passion with education and career opportunities based on real-world data. One example of this is our Career Guide product that provides real-time information on supply, demand and career paths for over 200 roles - this product is in a beta stage to be launched soon. Data sharing arrangements between SEEK and the public sector can help this product and other initiatives to deliver superior information to Australians on career pathways.
- **Releasing education data to provide greater transparency to the current and prospective workforce on the qualifications that will support their career goals and a digital economy.** There must be support for the concept of life-long learning. Our data shows this concept is currently not uncommon amongst the Australian labour force with 52 per cent of all workers anticipating they will need to upskill or reskill at some point during their careers. We will have to find ways to support adult learning, offering full transparency into the value of qualifications to support career objectives.
- **Parliament can put frameworks and incentives in place to make skills supporting a digital economy more desirable.** SEEK has an accurate view of the skills, experience and qualifications that organisations across Australia demand to support their growth. By providing more comprehensive and detailed insights on the Australian workforce, workers and young people can make more informed decisions about their future.
- **Embracing online delivery of education.** While traditional bricks-and-mortar models of university education are well-suited to undergraduates straight out of secondary education, they can be impractical for workers looking to upskill or reskill. Family commitments, work pressure and other factors often dissuade a worker from committing to signing up to the regular, inflexible hours and daily travelling time further study requires. Through our subsidiary, Online Education Services, SEEK has been able to partner with Swinburne University and Western Sydney University to deliver undergraduate and postgraduate courses to more than 10,000 adult students across Australia. These students are almost exclusively already in the workforce and are either boosting their credentials in their existing role or looking to transition to a new career. Embracing this thinking and expanding the opportunities for workers to further their education using modern technology is an available and effective way to help Australians adapt to a digital economy.

APPENDIX ONE: THE IMPACT OF THE FUTURE WORLD OF WORK ON AUSTRALIAN BUSINESSES

Many companies face the challenges of balancing short-term earnings and/or returning money to shareholders versus having the capital to reinvest to grow for the long-term. SEEK has a bias to invest for the long-term and is fortunate to have an aligned Board and shareholders who encourages us to continue down this path. In an increasingly competitive world where the battle lines will be with large, well-resourced international competitors, more Australian companies will need take a bias towards more aggressive investment with a focus on their employees to safeguard their future.

CASE STUDY: HOW DISRUPTION AND PARANOIA SAVED SEEK

SEEK has been built by disrupting the print players, who previously owned the “rivers of gold”, by focusing on available technology to provide far better outcomes for jobseekers and hirers. Perhaps the most relevant period has been the last five or so years when SEEK faced serious disruption threat from aggressive global players such as LinkedIn and Indeed, which reinforces that any organisation can be vulnerable to either global or digital technology disruptive threats.

SEEK now feels much more confident about its position against these competitors and genuinely excited by the opportunity in front of it. But to get to this position SEEK needed to act with urgency and aggression. This involved dramatically increasing hiring, investing approximately \$140 million in product and technology, and taking risks, such as establishing businesses that competed and challenged the value of our current business model whilst incurring initial losses.

Other industries and businesses are facing serious threats and opportunities from disruption, but too few appear to be acting with sufficient urgency and aggression. Australian businesses must beware. Digitally mature businesses tend to be more disruptive and innovative than those who are less digitally mature. Economic superpowers China and the United States are relevant case studies. In the United States, all five of the five largest listed companies are technology companies, with three of these companies being founded in the last 20 years. Similarly, in China, five of the top 10 companies are technology companies. Three of these technology companies were founded in the last 20 years. By contrast, in Australia there are only two companies in the top 20 listed companies that were founded in the last 25 years. Extending this out to the top 50, only five were founded in the last 25 years. The majority of Australia’s biggest companies are in banking, mining, energy, and real estate - most at great risk of disruption.

A more efficient business model powered by new technology with highly-skilled workers will win over incumbent business models. Australia needs to embrace technology, change, and disruption - especially with its workers - lest it be disrupted.

HOW AUSTRALIAN BUSINESSES CAN THRIVE IN A DIGITAL ECONOMY

It is important for Australian companies to be led by CEOs and Boards across five- to 10-year horizons if they want to build scalable, globally competitive businesses. Having senior leadership teams in place over the medium-term will allow for a greater willingness to re-invest returns back into the business, take calculated risks, and resist short-term pressures of investors.

Businesses need to disrupt their own business models. SEEK had to radically transform its business model, from that of a sales and marketing business to a technology-led business. It required a high level of re-investment to make this aggressive transition but it was required to survive and thrive in the long-term and to deliver excess value to candidates, students and hirers. Since 2011, SEEK has transformed its business and increased our product and technology team by 400 per cent, hiring the best technology talent we could find and investing more than \$150 million in building new products.

Aggressive transformation strategies will help Australian business thrive. Parliament can play a critical role in creating the right settings. For example, creating a co-ordinated approach to addressing industry-wide challenges - such as cyber and data security legislation - is both an efficient and effective way of ensuring structural issues are addressed.

Increase collaboration between the public sector, business and the education sector. Universities and vocational education providers need to work with technology-based companies and other key industry participants to develop a “digital age” education. This is required to guarantee course offerings remain aligned with business needs, as well as addressing the declining enrolments in IT-based courses. Similarly, governments can also play a critical role by identifying areas of key employment so that education courses are aligned to areas of demand.

APPENDIX TWO: SEEK'S VISION FOR AN AUSTRALIA THAT THRIVES IN A DIGITAL ECONOMY

From SEEK's point-of-view, there are two key areas that will underpin the ability to thrive in the "new world" of work:

- Digitally literate labour force; and
- Access to public data.

DIGITALLY LITERATE LABOUR FORCE

Australians' enrolment levels in formal IT education are declining. While that is not the only pathway to success in the "new world" of work, it is a concerning trend for the future of the Australian labour force.

Encouraging more young Australians into formal IT education through a range of incentives is an area Parliament should consider. SEEK believes more sophisticated information about the prospects of various future career paths for young people will be a strong motivator and driver to IT-focused education streams. Camp SEEK, SEEK's school holiday program for young women to explore careers in technology, is an example of how we are helping to educate young people about the exciting, achievable and diverse career paths that exist in technology.

Embracing the concept of life-long learning should be encouraged so people continually develop their skills, especially outside of their chosen professions. This will leave them much more adequately prepared for digital disruption. By being digitally literate, medium-skilled workers, amongst others, can thrive in the digital economy, rather than being victims of it.

ACCESS TO PUBLIC DATA

Open sourcing more education and employment data is key to navigating the way to an Australia with a thriving digital economy. At SEEK, we have observed that workers' education is mismatched with the needs of employers. This is due in large part to the imperfect information young people have when deciding on future careers combined by out-of-touch career advisory services that exist for young people today.

Starting a career in Australia today usually requires a university degree or other vocational training. To get accepted into the right course of education often requires prerequisite subjects to be studied in Year 11 and Year 12. Hence, by default many people are compelled, by default, to choose their career in Year 10 at the age of 15 or 16 years. Choosing a career is one of the hardest decisions many of us will ever make in our lives - which we make as teenagers, even the most well-read of whom will have little idea of the future world of work.

Through analysing the resumes job seekers lodge and by examining the roles prospective employers seek to fill, SEEK can identify career paths and role requirements. Fostering collaboration between Government and the private sector on education and employment data, we can together provide Australia's young people with much more insight when making vital decisions for their future. By showing where the jobs of the future will lie and the skills required to get these jobs we can allow the current demand-driven market model for tertiary education to not only continue, but flourish, with more perfect information determining demand.