

Executive summary

Australia must get to work. We have an opportunity to make better choices about our work, our workers and our workplaces to pave the path to prosperity for all Australians.

Australia has retained 27 years and counting of continuous economic growth, even through a period of global economic volatility. As a result, we benefit from high living standards (the third highest in the world according to the Human Development Index).¹

But looking forward, **our future economic standing is not guaranteed**. Improvements in future living standards rely on continued gains in productivity, and that means fostering creativity and innovation in the workplace.

A big part of our productivity story will be about people. Yet there is a lot of **anxiety about the future of work**. Indeed, some question whether there is a future of work.

But we shouldn't be scared. Technology is not a substitute for people. Instead, it has the potential to make workforces more productive. Ultimately, it's about augmentation, rather than automation or replacement. While jobs are changing in nature because of automation, they will not disappear altogether.

How we structure the future of work will say a lot about us as a society, and the decisions we make now will be a key driver of our economic success. The opportunity is large: If we make better choices about our work, our workers, and our workplaces, it could amount to a **\$36 billion** annual boost to economic welfare.

Key myths busted:

- **Robots won't take your job.** Technological change is accelerating and yet, unemployment rates in the United States (US) are the lowest in half a century, in Europe they are at a decade low, and here in Australia they're close to their lowest since 2012.
 - Where new technologies do take effect, they generally create as many jobs as they kill. It's just that the ones that they kill are easily spotted, while the ones they create are hiding in plain sight.
 - After all, for every problem there is a job – and we're not running out of problems.
- **You probably won't spend your life changing jobs.** Australians are staying in their jobs longer than ever.
 - In fact, 45 percent of workers have been with their current employer for more than five years.
 - The gig economy isn't taking over: casual jobs are a smaller share of all jobs than two decades ago, and that share hasn't budged in over a decade.
 - The rate of self-employment has been falling for almost half a century. It's at a record low.
- **You'll be anywhere but the office.** We won't all be programming new artificial intelligence (AI) routines on the work laptop while sitting on the beach.
 - More of us are working flexibly; an afternoon at home for school pick-ups, for example. But only one in every 25 workers worked remotely on Census day, even though almost one in five Australian employers now offers the ability for staff to work from home.
 - That's because physical proximity to other creative people is becoming more important, not less. Working together helps us collaborate and socialise, as well as giving us infrastructure and support. So the office is not going away any time soon.

In short, we are not facing a dystopian future of rising unemployment, aimless career paths and empty offices. Quite the opposite – we can use technology to our advantage to create more meaningful work.

In doing so, our message in this report is simple: **the future of work will be human.**

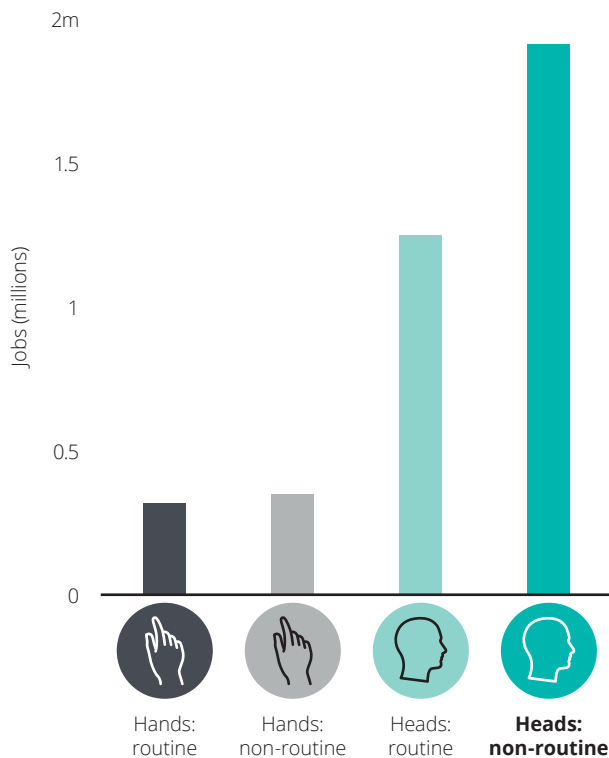
The shift: From hands to heads to hearts²

The nature of work is changing. Today's jobs are increasingly likely to require you to use your head rather than your hands, a trend that has been playing out for some time.

There is another factor at play. Regardless if jobs rely on brains or brawn, it's the less routine jobs that are harder to automate, and that is where employment has been growing.

That's why non-routine jobs have been the particular winners in job creation over the past two decades.

Chart 1: Job increases over the past two decades



Source: Deloitte Access Economics, Australian Bureau of Statistics, O*NET

These trends reveal something else: they tell us that the future of work is female. Women currently dominate the fastest growing jobs – the non-routine jobs of the head. While men dominate the jobs most susceptible to automation – manual occupations involving repetitive tasks.

The existing female workforce is in the right place at the right time to benefit from these changes. To meet the needs of the future, however, all employees will need to build skills and capabilities that have traditionally been more the domain of women.

And while today's jobs require us to use our heads, rather than our hands, this binary classification is hiding something important – the work of the heart. These are the skills that are embedded in both the work of the hands and the work of the head.

What do we mean by work of the heart? It is the interpersonal and creative roles that will be hardest of all to mechanise. And that trend has decades to run:

- 86 percent of the jobs created between now and in 2030 will be knowledge worker jobs.
- By 2030, one quarter of Australia's workforce will be professionals. Most of these will be in business services, health, education or engineering.
- Two-thirds of jobs will be soft-skill intensive by 2030.

These trends in job markets aren't alarming, they're liberating. The boring, repetitive work will be done by robots, leaving the more challenging and interesting work for humans.

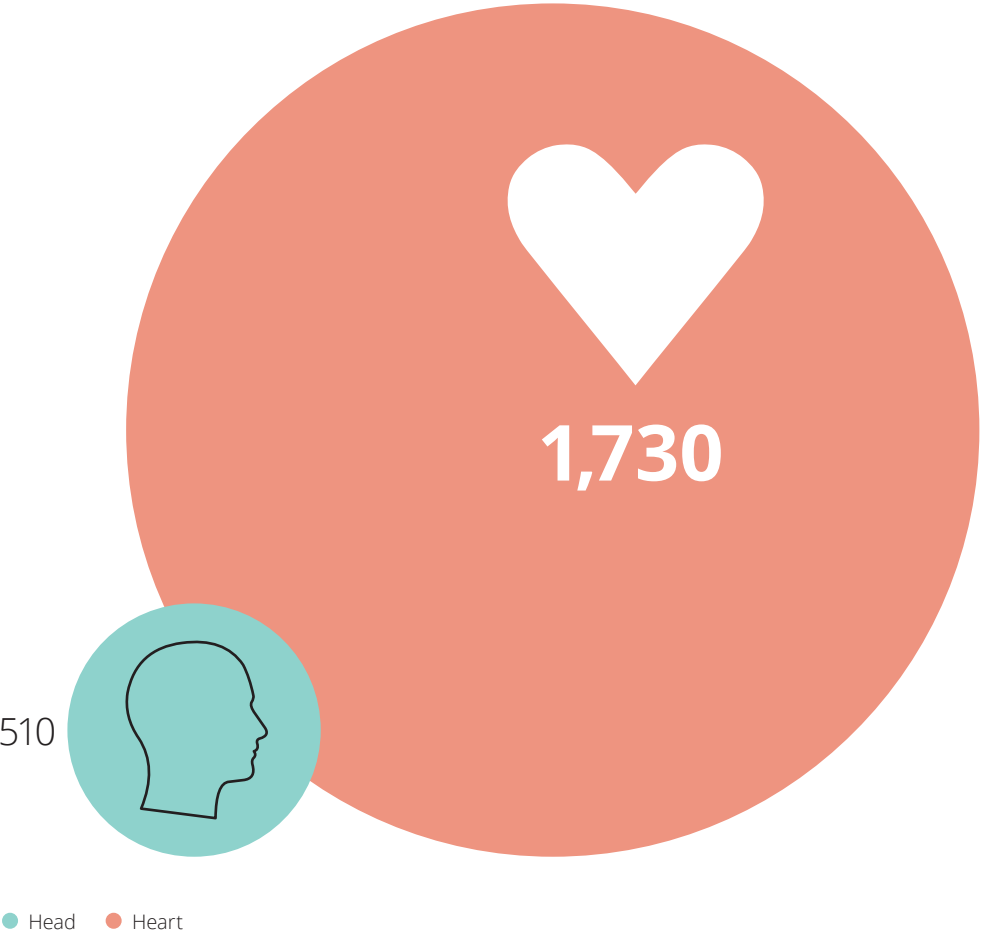
Skills: the job currency of the future

As the jobs we are doing will change, so too will the skills that we need to succeed in them.

Employers are already demanding different skills so that workers can do the work of the head and heart. Some of these are well-known; for example, the growing demand for people with coding and programming skills. But the skills at the top of the ladder are human skills; like customer service, sales and resolving conflicts.

These new trends are happening so fast they’re catching workers, businesses and governments by surprise. At the start of this decade, the typical worker lacked 1.2 of the critical skills needed by employers seeking to fill a given position. **Today, the average worker is missing around 2 of the 18 critical skills that are advertised for a job.** And the gap is still growing, with far-and-away the bulk of those ‘missing skills’, those of the heart.

Figure 1: The skills gap: Australia needs to have a heart (average shortage by skill, 000s) – 2019



Source: Deloitte Access Economics

Note: The average shortage by skills = the total shortage of skills in the category (head or heart) ÷ by the number of skills in the category. Skills of the ‘hands’ are not included in this Figure because they are on average over-supplied.

For example:

- 96 percent of jobs in Australia require time management and organisational skills, while 97 percent also need customer service skills and 70 percent require verbal communication skills.
- Australian employers want 3 million more people with digital literacy skills than are available. Yet that short supply is dwarfed by the severe shortage in customer service skills: employers need an extra 5.3 million workers with such skills.

The underlying equation is pretty simple: change is accelerating, and Australia and Australians will be more prosperous and more fulfilled if we can get ahead of the game.

Getting ahead of the game means refreshing everybody's skills – not just those of today's students.

That's why the future of work will require much more – and **much better – on-the-job learning** than Australia has today. On-the-job learning is cheaper, more relevant and more focused than classroom learning.

The returns from on-the-job learning have been increasing for a while now, because skill requirements are changing faster and becoming more job-specific, at the same time as workers staying longer in their jobs – the longest they've stayed in decades.

With the future of work more human than ever, organisations have a responsibility to build community trust. Ethical behaviour and diversity and inclusion must be embedded in business decision-making and workplace culture.

The payoff

If we set up the right workplaces – with people at the centre – as a nation, we can be smarter, happier and more engaged than we are today:

- Our workers can have the skills they need (effectively making them better suited to – **smarter** – for the jobs of the future).
- Better matching between what businesses need and what workers have can make our workplaces **happier** and more efficient.
- And more flexible workplaces can encourage more people to work – to be more **engaged** than they are today.

If we get this right, that combination could lift national income by **\$36 billion** per year from 2030.

Australia, let's take the guesswork out of the future of work.