Productivity Inquiry: Submission from Tenfold Australia, March 2022.

Tenfold Australia is an Australian owned business that works with the Australian and Regional leadership of the local subsidiaries of foreign owned multinational corporations to develop their leadership skills, share best practice, understand common challenges and ultimately assist in the growth of their local business to the benefit of Australian society.

The group is industry and geographically agnostic and open to all leaders of the subsidiaries of foreign MNC's.

This submission is a compilation of the members views gathered at an event hosted in Sydney on February 23rd with the Productivity Commissioner and through subsequent feedback.

The main themes that emerged:

Education and Skills: There is a general consensus that the Australia Education system is not fit-for-purpose:

- graduates are not coming out with the necessary skills to rapidly assimilate effectively with the requirements of modern business.
- Training courses are archaic and not sufficiently adaptable to cater for short form learning and incremental education.
- There needs to be a greater focus on increasing the number of Technology and Engineering qualified students.

"Three challenges that need to be addressed – how to get more trained international workers in, faster? How to get better graduates? How to reskill?"

"Invest heavily in training young people to different trades. Our industry (commercial Refrigeration and air conditioning) has been affected by shortage of trained technicians for decades although it is still considering an essential service. There are simply not enough training schools (ie:Tafe) preparing staff to be employed in this ever growing industry."

"I think any scope for productivity needs to address the perceived laziness that has engulfed universities. Lectures even in 2022 are pre-recorded. Students never step on campus. Opportunity to discuss and stretch/challenge thinking is dropping. Impacts on human productivity and readiness to contribute are mounting and need to be considered. We know being in a room is key for creativity and learning. We must demand more from universities. "

"The education piece will be critical to ensure the classroom content and environment reflects the market reality, and the evolution of required skills. This needs to start in kindergarten to prepare our children from a young age. This way we can build a sustainable pipeline of relevant skills for existing and future generations. Education for people in the workplace also needs to be addressed so that employees have continuous access to relevant courses to build skills as opposed to long and arduous courses delivered in a traditional way."

"The biggest for me is improving the talent pool- right now it's very hard for me to find skills, especially out of university. I have to then pay so much for local talent that I'd be priced out of any deals. So, I need more talent to relieve this pressure.... else there is nothing I can do but use offshore resources to deliver valuable work for Australian companies."

"The whole education system needs to be addressed, from school through to tertiary, students need to learn the theory and the practical to be able to deal with ambiguous situations, which are only increasing."

"More "sandwich" courses earlier in education so graduates have gained some real world experience through partnerships with industry as part of their study, this practical learning will make them more attractive to hire and reduce the need for business to have to re-educate."

Innovation: Australia is recognized within the MNC community as an excellent location for innovation to occur. Its relative geographic isolation allows for experimentation without "being in the spotlight" while ethnic diversity provides a good sampling of potential consumers.

In addition, Australia is also seen as highly effective in adapting to the use of new technologies, either as is or modifying locally to make them fit for purpose.

There is a feeling that there could be a greater role for Governments in supporting the amplification of Australia's capabilities in these areas both to drive international business growth but also as a means of attracting and retaining talent.

More than this, Australia should be looking at what the industries of the future will look like and start planning now to be a critical part of their eco system, this will require imagination and a move from thinking about just recreating old industries back on shore.

"I would love for the PC to consider the relevance of Australia being a hub to create IP and licence it internationally. How can we support more commercialisation and leverage of our innovative nature?"

"My suggestion would be that government invests and supports start-ups and entrepreneurs much more than it does today and in line with examples elsewhere globally (refer to Ireland: www.dublinbic.ie). Australia is ready and quick to adapt new technology and digital innovation and one of the issues today is that global corporates are slow to transition launches and investment to Australia. Customers here have high costs and want innovation to help them drive out costs and improve productivity- it's not happening quickly enough. We have the talent here and know the pull is there from customers. We need to reverse the thinking and invest in entrepreneurship to meet our own needs and ideally export innovations launched here rather than waiting for innovations to come to us, which is just not happening fast enough in our high operating cost environment."

Impact of Digitalization: There was a general discussion on the impact of digitalization and emerging technologies, particularly looking at lifestyle entertainment enhancements, with the focus more on the positive impact it can have on standards of living and creating greater efficiencies. The question was asked as to how these tools can be measured given, they do not have a direct correlation with the traditional way in which productivity has been measured?

"Dive into impact discretionary spending on digital services/entertainment has vs. physical expenditure. Australians are spending more on digital services than ever before."

"Worth exploring the impact of gambling productivity tax revenue vs human capital loss … is it any better/worse given Australian can now gamble digitally anywhere in world."

"How do we measure quality of life improvements as a productivity measure - whereas in the past it was based on GDP?"

From a different perspective the changes in automizing functions in the workplace were seen as a generally positive development, particularly when they have the ability to reduce costs and allow employees to focus on more valued added activities.

Cost of doing business in Australia: The following are not all necessarily directly related to potential productivity improvements, while some are others are identified as barriers to foreign investment in Australia with the assumption that greater investment will drive productivity gains.

Regulation: Complexity of regulation within Australia both at a Federal and State level is seen as a hinderance to efficiency. That can either be the lack of skills recognition, the different standards on a State x State basis and a lack of harmony with our major trading partners.

Immigration: The Australian immigration system, and particularly for skilled workers, is seen as a major hinderance.

"Simplify the cumbersome and expensive visa process, 80% of applicants for data science/data engineering roles are from offshore and it takes too long to be able to build effective teams."

Taxation: Australia is seen as a complex and highly taxed by global comparison which serves as a deterrent to FDI. Simplifying the tax code and bringing elements in line with global standards promoted by OECD.

Salaries: Australia is seen as a relatively expensive place to employee people which acts as disincentive to hire people and grow the Australian business. While wage inflation has been more evident over the Covid related period due to lack of skilled workers, graduating foreign students and temporary labour force, cost of employment has long been a barrier to making Australia a preferred choice for foreign companies looking to expand in the region.

"Being part of a multinational, we get measured on profit and margin. Our ability to invest is often limited by either local regulatory hurdles which are much higher than overseas or barriers in scale - what can be done to reduce / align synchronise regulatory requirements with either EU or USA to help fast track innovation."

"How can we make salaries less expensive relative to worldwide standards?"

Economic participation: There is a view that a great driver of improved productivity would be the introduction of policies that enable greater economic participation. Too many women and carers are excluded from the workforce because of the constraints in childcare and the lack of imagination in the traditional working model. Addressing how and when work is performed, with the correct infrastructure to support it, would add significant value. The last two years of Covid related restrictions have shown change is possible but broader industrial relations policy reform is needed to facilitate lasting change.

Conclusion:

There is still uncertainty around how the next twelve months and beyond will evolve, while most have coped with working from home and associated disruptions there is a fundamental concern about building and maintaining corporate cultures, identifying and developing young talent, learning by osmosis, spontaneous idea generation and sharing that have been part of having a workplace-based environment.

There is a secondary question around disparity and the creation of a "caste" system between those who need to be physical present and those who don't and what impact this has on employee cohesion, morale and productivity.

"The current events (Global distribution crisis, labour shortages, cost inflation, etc.) have shortened the strategic time horizon for Executives and this has to impact future investment. We should be executing strong three-year plans and we are forced to work on critical short-term objectives."