

Where is your next worker?



Building the Lucky Country

On the surface, we are – still – the Lucky Country

Australia has gone two decades without a recession – a record unmatched by any of our peers. This has boosted our prosperity and our reputation in the world. While at home we debate the perils of our two-speed economy, Australia's standing abroad has grown as a safe haven among turbulent global markets, currency upheavals and industrial uncertainties.

Asia's surging growth – including its demand for our commodities – has placed us close to the engines of global wealth generation.

In fact, we have been living through a once-in-history event. Prices for the commodities Australia sells to the world have never been higher, providing an unprecedented opportunity.

However, it is not enough for us to ride on our luck; we also have to make it. History teaches us we should never take prosperity for granted.

As we publish this document, the world economy faces serious risks for the second time in four years. Despite the backdrop of economic conditions in Europe and the United States, the outlook for the Australian economy has not actually changed significantly in recent months.¹ Yet Australia's fundamentals are strong, and we remain confident our story will remain one of growth over the next decade. Even while we keep one eye on risk, we must also continue to focus on the enormous opportunities open to us.

At Deloitte, we see opportunities for government and business leaders to take advantage of this potential. In fact, business decisions will be integral to economic growth in a way we have never seen before. By making good decisions and executing them well, we can generate the long-term prosperity necessary to invest in our future and that of our children.

This is the premise at the heart of our new series, *Building the Lucky Country*.

Where is your next worker? Is our first paper in this series. It addresses the positive actions business and government can take to maintain momentum in the face of a looming national skill shortage. After all, the world may be desperately demanding what Australia has, but our ability to supply that demand is slipping as migration falls and retirements rise.

That means the problem in Australia in coming years won't be a lack of jobs – it will be a lack of workers. Leading organisations have already realised this.

This is not a simple issue. We recognise that industries such as manufacturing and retail are currently cutting back on staff. However, even those on the wrong side of the two-speed economy won't be immune from the coming skills crunch – they'll have to fight to keep their best staff.

With this report, you can get ahead of the challenges and opportunities. We hope you find it thought-provoking and useful.

Giam Swiegers
CEO, Deloitte Australia



¹ For more information, refer to Deloitte Access Economics Business Outlook, http://www.deloitte.com/view/en_AU/au/news-research/media-releases/86795008ff813310VgnVCM1000001a56f00aRCRD.htm?id=au_hpflashDAEBusinessOutlookSept2011

The question: where is your next worker?

The world is begging Australia to grow faster, offering us prices for our resources we have never seen before.

At the same time, Australia has adopted policies that have seen migration rates fall noticeably. We did so just ahead of the biggest surge in retiree numbers this nation has ever seen.

These factors will combine to create a perfect storm as the demand for labour exceeds supply.

The next few years will see skill shortages proliferate.

Occupations of importance to the resources sector include trade-qualified occupations (such as metal machinists, fitters and electricians where the risk of skill shortages is generally seen to be most severe) along with some professional/tertiary qualified roles (most notably for a range of engineering-related occupations).²

There is also strong competition for workers from other sectors. These include occupations in the health and medical sector (such as surgeons and other medical specialists, therapists and registered nurses) as well as professionals that work in a variety of sectors (such as accountants, auditors, barristers and solicitors) and a range of trade-qualified occupations (including carpenters, plumbers, and motor mechanics).

More broadly, the demand for workers from the resources sector and related sectors such as construction, poses a risk of skill shortages to a range of other areas as a limited supply of workers are enticed to switch roles by higher wages. Labour turnover will rise and so will wages. In the past, this mix has pushed interest rates and the Australian dollar higher.

The results will be felt right across the two-speed economy. Miners and construction companies will miss out on the full benefit of the resources boom, and businesses across Australia will juggle higher interest rates and inflation, and pay higher wages and higher prices than necessary for a wide range of skills.

In an effort to arrest these trends, the 2011–12 Federal Budget invested heavily in skills and training, and raised the target for skilled migration. This was a bold move, given the strength of the public debate surrounding the migration issue.

Even though skilled immigrants more than pay their way – indeed they generate wealth for our economy – the myth persists that immigrants steal Australian jobs. Debate continues to be starkly polarised on this issue between the major parties, even though they are both aware that their 2010 election stance on immigration effectively lowered the speed limits on Australia's growth.

Bringing more skilled immigrants to Australia can help to fill the short-term skills gap. However, we can only guess at the skills Australia will require in the decades to come.

One thing is certain: the commodities boom – and our opportunities to leverage it for the benefit of Australia's industrial structure for the longer term – will not last forever. When it ends, the more equipped with skills our workers are, the more readily they will be able to adapt to the changes required of them.

Before the commodities boom ends, businesses and governments must find innovative ways to access the skills and labour they need for today and tomorrow.

Those businesses that respond early to the coming skills crunch will be best placed to flourish.

How we respond to the skill shortages will change the game for the Australian economy and businesses

² For a list of the skills used by the government as a priority for general skilled migration, see Skills Australia website, "Skilled Occupations List 2011", http://www.skillsaustralia.gov.au/PDFs_RTFS/SOL2011.pdf

Twelve responses towards the ‘Three Ps’

In 2002, Ken Henry, Secretary of the Australian Treasury from 2001 to 2011, outlined three supply-side contributors to economic growth known as the ‘Three Ps’:

- **Population** – the number of people of working age
- **Participation** – the share of those of working age who are willing to work
- **Productivity** – the value generated by an hour’s work³.

This framework now underlies policy thinking in Federal Government in Canberra and governments around the world.⁴

This discussion paper offers 12 levers – four for each of the ‘Three Ps’ – which business and government can use to solve skills problems and boost growth prospects. Some are obvious steps, such as simplifying the visa system for migrants. Yet it is not enough for businesses to say, “The government ought to do something about it”. Individual businesses that get ahead of the coming skills crunch will also gain a key competitive advantage.

For example, businesses need to recognise that in the future:

- Competition will be for workers rather than jobs
- An employee already working for you will be more valuable than someone new
- Allowing an employee to retire without exploring the options to keep them for longer may represent a wasted (and costly) opportunity.

This report examines how you can make the most of the challenges and opportunities presented by Australia’s looming skill shortages.

We set out some possibilities beyond the traditional analysis around the “war for talent”. We show you some concrete examples of what organisations like yours are already doing to develop a larger, more effective workforce, tap into underutilised workers, and get the most from those who already work for them.

We encourage you to think about these 12 responses and form your own answers, recognising that the biggest benefit for your future will come from the actions you take today.



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3 Henry, Ken, “Economic prospects and policy challenges,” address to the Australian Business Economists”, Sydney, 20 May 2003 http://www.treasury.gov.au/documents/639/HTML/docshell.asp?URL=speech_%20main.asp

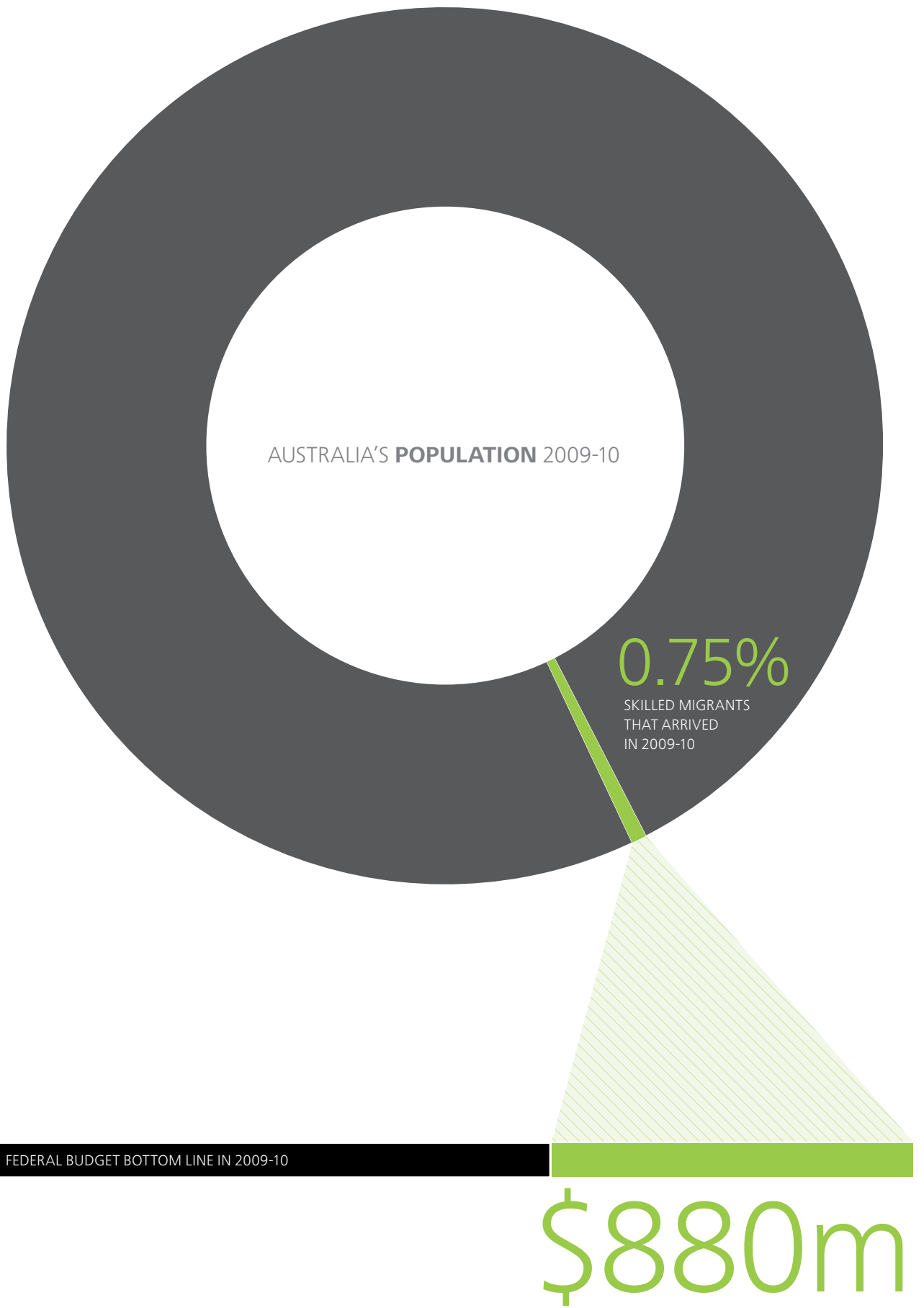
4 Henry, Ken, Economic prospects and policy challenges – Address to the Australian Business Economists”, Sydney, 20 May 2003 http://www.treasury.gov.au/documents/639/HTML/docshell.asp?URL=speech_%20main.asp

Population

The 168,800 skilled immigrants who arrived in Australia in 2009-10 boosted the Federal Budget bottom line by around \$880 million in the first year after arrival.⁵

\$290.6bn

⁵ Immigrants pay more in tax than they draw in benefits and other government spending. Australian Government, Department of Immigration and Citizenship (April 2011), "Migrant Economic Outcomes and Contributions" p. 11. http://www.immi.gov.au/media/publications/research/_pdf/outcomes-contributions-apr11.pdf.





Lever 1: Your next worker is still being educated

Capturing talent early

A 'demographic gap' is looming. The pace of retirement will ramp up in the next few years as baby boomers wind back, but the number of students exiting education is projected to stay stagnant through to the early 2020s.

As business scours the country for talent, that suggests a good place to look will be universities, TAFEs and even senior high school classes.

Numbers of graduates will eventually pick up after 2023 (the number of births in Australia increased by 20% between 2001 and 2009⁶), and those universities considering increasing semesters from two to three may speed graduates through the system. However, the demographic gap still leaves a looming shortage. Indeed, the next five years are projected to see fewer than 125 people exiting education for every 100 people retiring – the highest ratio of job market retirements to new entries in Australia's history.⁷

As the retirees-to-new-entrants ratio narrows, net overseas migration looks likely to be little better than half the level seen in 2008.

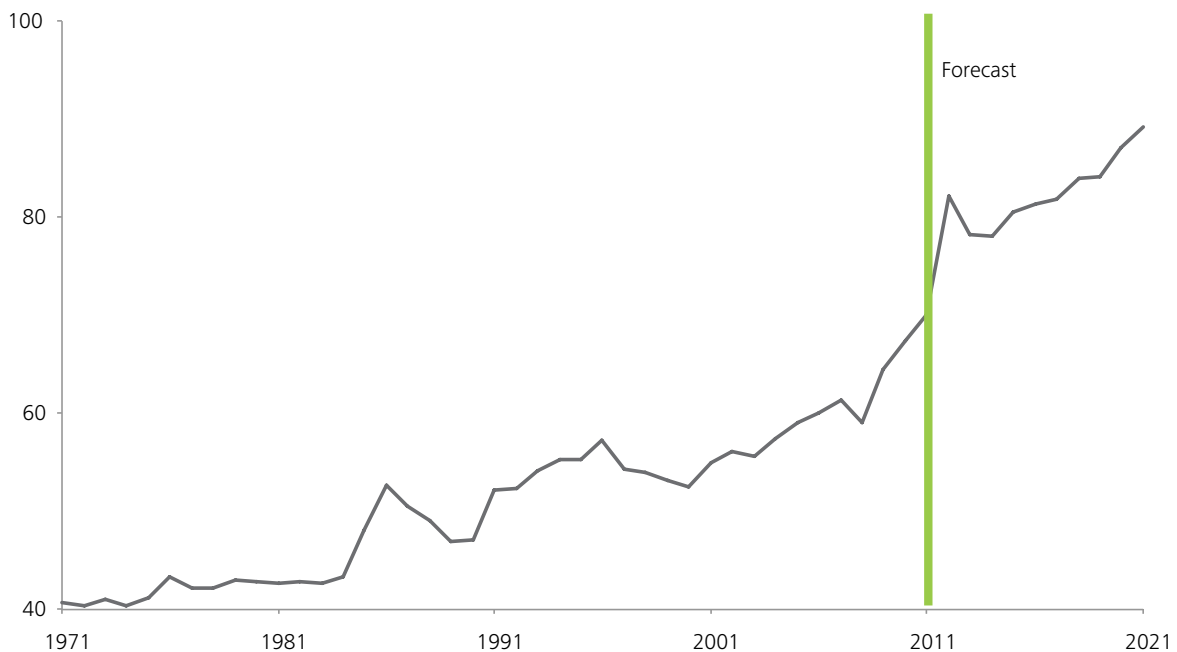
That means the competition among businesses for the best students is about to increase.

Besides, there won't just be a quantity crunch in the offing. The very nature of new entrants is itself undergoing a revolution, as lifestyle and changing study patterns mean students have technical skills – especially in IT – that are well beyond those of today's workforce.

Are you ready for these shifts?

Businesses should seek the opportunity to capture quality talent early, and to shape the learning and harness the innovative thinking of "Generation Next" in order to ensure future employees have the skills to meet their business needs.

Figure 1: Ratio of Australians turning 65 to those turning 18 (%)



Source: Australian Bureau of Statistics, Deloitte Access Economics estimates (2011).

6 Australian Bureau of Statistics, Births, Australia, Cat. No. 3301.0, 2009.

7 Deloitte Access Economics estimates, 2011.

In the next five years we will see the highest ratio of job market retirements to new entries in Australia's history

How would it work?

There are two possible channels businesses can use effectively: engaging current students at their place of study, or seeking out their early involvement in the workplace. Both are vital, and yet tertiary institutions are finding it increasingly difficult to get business to support work experience programs and other initiatives.

Businesses seeking to employ students or to contribute to their education have two readily accessible options.

The first is to commission students to complete tasks that might otherwise take up staff time or be outsourced to consultancies. Some major companies are already bringing in students on an ad hoc basis to fill gaps in new areas of expertise such as social media. Students can act as 'reverse mentors' in order to grow the overall capacity of an older workforce.

To engage students, businesses must consider holiday placements, apprenticeships, cadetships, internships, graduate recruitment, research grants and other cooperative programs with institutions that allow students to work while studying – or study while working. They should also ensure close alignment with their local education providers.

Such programs allow businesses to assess tomorrow's workers today, forming relationships at a vital stage in a student's career.

These types of learning, which combine theory with hands-on practice in a real workplace or simulated environment, have been shown to be particularly effective.⁸

The second option for businesses is to help educational institutions meet their resourcing requirements and expand their real-world expertise.

Under formalised quality-control mechanisms set by the universities, businesses can second staff to teach as guest speakers, lecturers and tutors, or to help shape curricula and wider educational agendas. Again, such measures enable educational programs to be enriched by the input of experienced professionals.

These programs need to incorporate an early discussion with students about possible recruitment. Competition for graduates is set to intensify in the years to come. It will be vital for businesses to continue to participate in career fairs and other information events that offer opportunities to meet students and enable graduates to make informed career decisions.

⁸ See for example J Dewey (1938/1997), *Experience and education*, Macmillan Co.

Case study: University of Sydney Business School

According to Dr Nigel Finch, Academic Director of the University of Sydney Business School, "The benefits of experiential learning are that students get the chance to learn how business concepts, designs and thinking are applied in practice. This application doubles the impact of learning for the student.

"One example is Fastrack, where business employees and students interact on business projects. Students undergo the company's innovation training, identify a business opportunity, develop the business case and get to pitch it back to the business."

Dr Finch says of the six business cases pitched by students to date, one is being taken forward by the business. A student has also been offered employment in that sector.

Cooperative learning programs, provided they are appropriate and deliver a high standard of education to students, also allow companies to form relationships with potential future employees at the earliest stages of their careers. These programs help students grow and give them a passion to stay with the organisation that provided the placement. Investing in students at this stage helps secure the future supply of labour, solving immediate needs and also delivering longer-term benefits.

Reinventing corporate education

Changing the dynamics between business and education need not stop at the corporate front door. Another vital step is for companies to continue to focus on improving the significant volume of training, as well as the quality of the education they provide to their existing workforces.

Businesses that can capture the magic of a great teacher and effective curriculum material can increase their internal capabilities. A potential source of these great teachers is the anticipated flood of retiring educators⁹ whom businesses could hire as consultants to help improve the quality of their internal learning programs.

Companies may also consider transitioning older, highly experienced employees into teaching roles. These experts have the potential to make excellent teachers and have a tremendous wealth of knowledge to share.

Harnessing foreign students

Despite a recent decline, at any given time there are hundreds of thousands of overseas students attracted here to study.

There remains, in turn, a real opportunity for businesses and government to retain these students to live and work in Australia after they complete their studies rather than returning to their countries of origin. There are mechanisms in place for this, but the process needs to be part of a broader program aimed at plugging the supply gap. It would be particularly beneficial to retain workers in roles that have traditionally been difficult to fill or show evidence of growing need, such as within the health sector.

The advantage of employing these students is that their training standards and accreditation are in line with those expected within Australian industries, since they have been educated locally. This makes retention a cost-effective way to plug our skills gaps.

An additional opportunity here is that most of these students are allowed to work up to 20 hours a week, making them well suited to retail and other part-time or casual positions.

9 The education and training sector currently has the second-highest median age of employees compared to other industries, pointing to a looming spike in retiree numbers in the sector. See the Department of Education, Employment and Workplace Relations website, <http://www.skillsinfo.gov.au/skills/IndustryReportsCharts/WorkforceAgeing>, 2010.

Policy opening the way

Businesses and students have much to offer each other – but need further assistance from governments to facilitate their interaction and support innovation in curriculum, teaching methods and infrastructure. Our state and Federal Governments need to foster teaching excellence by formalising a range of existing processes through policy and program development. Leveraging the business sector could help state governments manage the looming rise in retirements among teaching professionals while also boosting national competitiveness through quality education.

This further support could include:

- Structured formal programs supported by policy that are designed to encourage business to engage with students
- Increasing links between business groups and educational institutions to help drive curricula
- Fostering opportunities to encourage students to actively participate in the workforce while studying.

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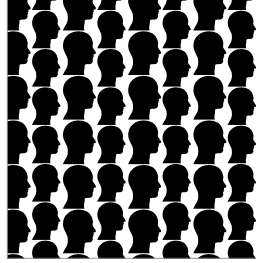
Reflecting on the business opportunity

Businesses can adopt a two-pronged strategy to solve the education dilemma: engaging the hearts and minds of students by employing them or helping to teach them; and providing high-quality teachers to train and develop businesses existing talent.

Many bright students still have much to learn about life skills and the skills that are valuable in the workplace. Recruiting students into your organisation on apprenticeship, internship or scholarship programs helps them to grow.

More importantly, it creates increased passion and advocacy for them to want to stay with your organisation. Your investment in these students will be returned over time when they enter the workforce.

- What initiatives are you implementing to source and train graduates and trainees as a source of future skilled labour?
- What co-curricular opportunities, research grants or apprenticeships are you offering students?
- How is your organisation encouraging students to engage and innovate in your business?
- What recruitment programs are you exploring?
- What channels into influencing educational curricula do you have?
- Are you offering your people incentives to share their experience by teaching at schools, TAFEs and universities?



Lever 2:

Your next worker is in the crowd

Building a web-based workforce

Crowdsourcing seeks solutions to complex problems by placing an open call on the web for help. Communities of experts spring up to work on these problems under their own steam.

As Don Tapscott and Anthony Williams outlined in their book *Wikinomics* and as a range of other publications highlight¹⁰, in 2000, Canadian gold-mining company Goldcorp was struggling to produce new gold, and its market capitalisation had shrunk to around \$100 million.

Goldcorp CEO Rob McEwen acted in an innovative way to unlock an extraordinary reserve of intellectual energy residing outside his business. Launching the 'Goldcorp Challenge', McEwen offered a total of approximately \$575,000 in prize money to those who could help his company identify new gold deposits. To help them do so, Goldcorp took the unprecedented step of publicly releasing 52 years of proprietary geological data over the Internet.

The move ran counter to established practice in mining, which was to jealously guard geological data. The Goldcorp Challenge was based on McEwen's intuition about information sharing, and the growing sense that problems would be solved in the future through networked communities – a technique now known as 'crowdsourcing'. McEwen also knew crowdsourcing was behind the successful development of the Linux computer operating system, for example.

The response was stunning. Respondents included consultants, geologists, students, mathematicians and military officers. The winning entry came from Australian geoscience consulting firms Fractal Graphics, based in Perth, and Taylor Wall & Associates in Brisbane.¹¹

Together, "the crowd" identified more than 100 new mining targets on Goldcorp property, 80% of which yielded new gold. As a result, Goldcorp found more than 8 million ounces of gold and rapidly overcame its performance issues, increasing its market capitalisation to over \$9 billion.

Virtual workers online

Our increasingly connected world creates opportunities for businesses to radically rethink how they access skills. The Internet and massive advances in communication technology constitute a powerful lever for Australian companies to overcome the looming skill shortages.

Companies can access workers outside their organisations and often outside our national borders. In this way, they are using people who are not employees of any description – they are simply the right people for the task, sourced from "the crowd".

High-profile examples are the way companies including Amazon, Apple, Facebook, Google and Twitter have fostered communities of developers who have hundreds of thousands of applications on their platforms.

Sites such as eLance, Freelancer and 99Designs have aggregated thousands of skilled people across areas such as marketing, consulting, programming, design, writing and administration. Amazon's Mechanical Turks is a marketplace for "human intelligence tasks" that cannot be performed by computer, such as categorising items, cleaning data and creating or moderating content.

Crowdsourcing is the latest and most topical example of this idea in action, but there are many other ways in which businesses can work outside traditional corporate and geographic boundaries. Technologies such as Skype and FaceTime allow for low-cost, easy-to-access video conferencing. Further, internal corporate social networking tools, including Communicator and Yammer, make it easy to collaborate in real time or to build knowledge over time.

¹⁰ Examples of references include Don Tapscott, Anthony Williams, "Wikinomics: How Mass Collaboration Changes Everything", Penguin Books, 2006; Linda Tischler (May 2002), "He Struck Gold on the Net (Really)", Fast Company, May 2002, tumblr, <http://crowdsourced.tumblr.com/post/637675703/gold-rush-2-0-a-case-study-of-the-goldcorp-challenge>; ideaconnection, "Open Innovation: Goldcorp Challenge", <http://www.ideaconnection.com/open-innovation-success/Open-Innovation-Goldcorp-Challenge-00031.html>.

¹¹ Linda Tischler, "He Struck Gold on the Net (Really)", Fast Company, May 2002.

Overcoming geographical isolation

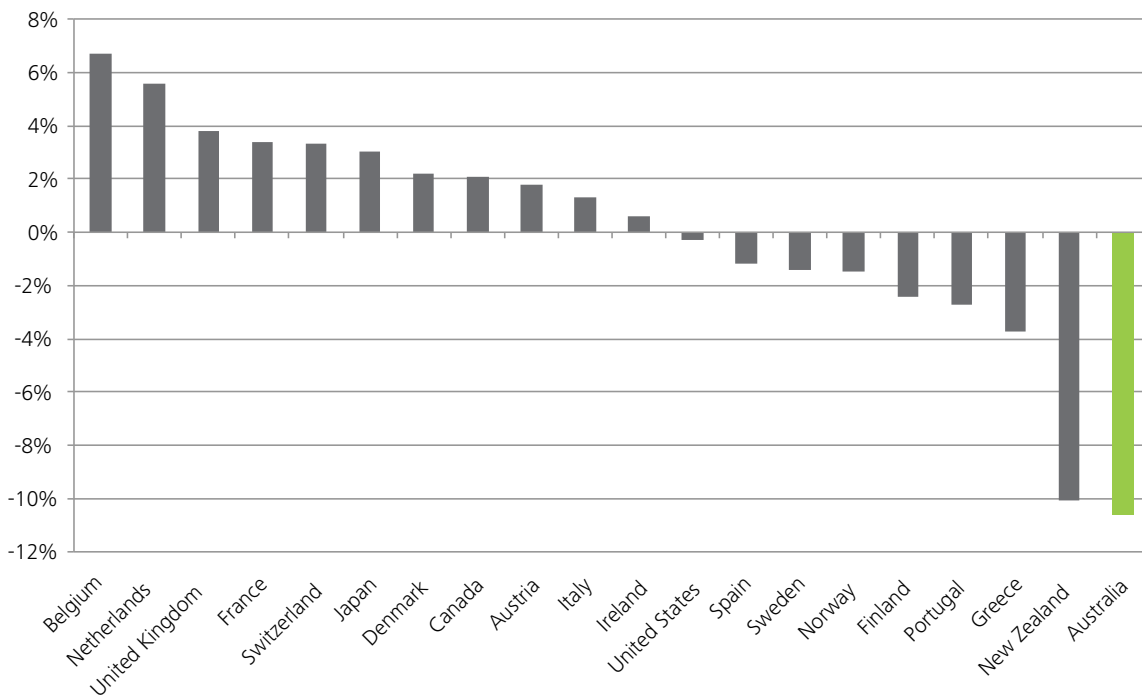
Distance to world markets helps explain differences in economic performance. In 2008, the Organisation for Economic Co-operation and Development (OECD) found that the distance from Australia to world markets cut our incomes per head by 10.6% relative to the average OECD country. That is a cost penalty equal to more than \$7,000 a year for the average full-time worker in Australia.

In fact, Australia is hurt by its distance from world markets more than any other OECD country; Belgium and the Netherlands located in the centre of Europe benefit the most from proximity (see Fig. 2).

This is why crowdsourcing could be more valuable to Australia than to any other advanced nation on earth.

Using crowdsourcing and other innovative approaches, Australia can fill many skill gaps by going online, without having to search the world for skilled migrants.

Figure 2: Crowdsourcing can narrow the ‘tyranny of distance’ – the change in income per capita resulting from distance to major markets



Source: OECD 2008, "Economic Geography and GDP Per Capita", in Economic Policy Reforms: Going for Growth, OECD, Paris.

Policy opening the way

Government can support crowdsourcing by providing low-cost platforms and the regulatory backdrop required to support the uptake of crowdsourcing. Building a virtual workforce is easier with a fast, efficient Internet connection, and the Australian Government's push for a high-speed National Broadband Network (NBN) should accelerate the foundation of crowds and collaboration.

Crowdsourcing could be more valuable to Australia than to any other advanced nation on earth

Case study: the Kaggle option

Australian start-up Kaggle has consistently proven that crowdsourcing works better than conventional problem solving.

At the time of writing, Kaggle had hosted 21 competitions to crowdsource complex data-mining problems. The company says each winning entry has outperformed existing “world’s best practice” benchmarks.

Founder and CEO Anthony Goldbloom, who previously worked for the Reserve Bank of Australia and the Australian Treasury, started Kaggle with the vision of turning data mining into a sport with prizes. Kaggle also provides a centralised clearing house for analysts to apply their expertise to a variety of problems.

Crowdsourcing taps into a fundamental survival trait: we like to compete and win. It’s being studied, adapted and used in a wide range of business practices. Presenting a problem to a wide audience exposes it to researchers who have no preconception about how to solve the problem. This maximises the chances of finding a breakthrough solution.

For instance, the world’s brightest physicists have been working for decades on solving one of the great problems of our universe: mapping dark matter. Our universe, it turns out, behaves as if it contains far more matter than we can currently observe. Recently a consortium from NASA, the European Space Agency and the Royal Astronomical Society posted the problem on Kaggle for the whole world to weigh in.

In less than a week, Martin O’Leary, a PhD student in glaciology, had crafted a solution. The solution outperformed algorithms for mapping dark matter that had been developed over a 10-year period.

Reflecting on the business opportunities

Crowdsourcing means we do not have to hire people to be on site because we can access their talents online. The challenge often lies in being willing to draw on resources that fall beyond official corporate boundaries.

Improving communication with simple and freely available technologies makes it easier to run a virtual workforce. Taken further, building your own “crowds” or communities can cause an explosion of innovation and productivity at a very low cost.

Many organisations fail to solve tough problems, despite having large research teams. In recent years, an alternative has emerged in the form of crowdsourcing platforms such as Kaggle (see case study on the previous page), Innocentive and Nine Sigma. Businesses across many industries are using these platforms to solve their biggest challenges.

- What challenges does your organisation face that it could “throw to a crowd” to solve?
- What types of rewards could you offer the public to solve a challenge your organisation faces?
- What impact could using the crowd have on your investment in research and development projects?
- How are you involving your customers in the design of new products and services?
- What data analysis is your organisation undertaking right now that could benefit from the insights of others?

Contributing authors



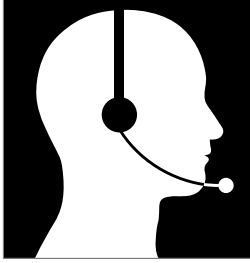
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Lever 3:

Your next worker is overseas

Rethinking your staffing model

Offshoring has a bad reputation. As a result, most businesses may not properly explore the opportunities it presents.

Yet the business case for designing services that can be delivered remotely regardless of geography is clear: it will create more highly skilled, high-wage jobs for Australians. If offshoring succeeds, Australia prospers. If opposition to offshoring succeeds, that prosperity may be lost.

As Ken Henry noted in 2006: *“Australia... has much to gain from ‘off-shoring’ – most obviously through a lowering of costs to business and, ultimately, consumers. Opposition to ‘off-shoring’ is based on the same protectionist nostrums that were once used to support the high tariff wall that a generation of Australian policy makers has been busy dismantling. It may be dressed in different garb, but it is no more respectable.”*¹²

Being opposed to importing services through offshoring is like being opposed to imports. That would leave Australians unable to watch foreign movies or TV shows (or, for that matter, unable to watch TVs, travel overseas, or drive small cars).

The opportunities for offshoring are improving fast. New technologies have made offshoring easier and enabled a broader range of services to be provided seamlessly from other countries, at a much lower labour cost than with a domestic workforce. These capabilities provide even more compelling economic grounds to look for workers offshore.

Offshoring has helped businesses in developed economies to solve skill shortages since the early 1990s, when Y2K remediation work was sent to low-cost destinations such as India, Ireland, Israel and the Philippines.¹³ Today, offshoring is recognised as a proven strategy across many industry sectors including auditing, banking, finance, IT and medical diagnostics.

As a high-wage, high-productivity nation, Australia cannot compete with wage costs in developing nations. Instead, we need to compete on other grounds, including our workers’ excellent skills and innovation. Our global competitors are gaining cost advantages over us by offshoring. We cannot afford to ignore this advantage if our industries are to remain competitive.

Well implemented offshoring programs have yielded benefits. For example, many in the finance sector have done what all businesses should aspire to do; moved further up the value chain as a result of a successful program which has seen lower-wage, lower-skilled jobs moving offshore. The finance sector is now experiencing:

- Aggregate employment and wages growth above the Australian average
- Continued upward movement of relatively high wages for onshore work, offering local staff higher-skilled, higher-wage occupations.

Offshoring is also widely used in the engineering, energy and resources sectors to provide valuable skills to support rapid growth and expansion. Examples in the Western Australian market include sourcing engineering skills for significant energy and resources projects from the United Kingdom and a noticeable increase in the amount of offshore pre-fabrication of oil and gas capital projects.

As we move lower-paid jobs offshore, we can expect Australia’s economic performance to improve, freeing up Australian workers to do higher-paying jobs and lowering costs to business, and ultimately to consumers.

The economic benefits of offshoring become even more attractive to business as education levels in China, India and other offshoring hubs quickly improve, better meeting our demands for services and support.

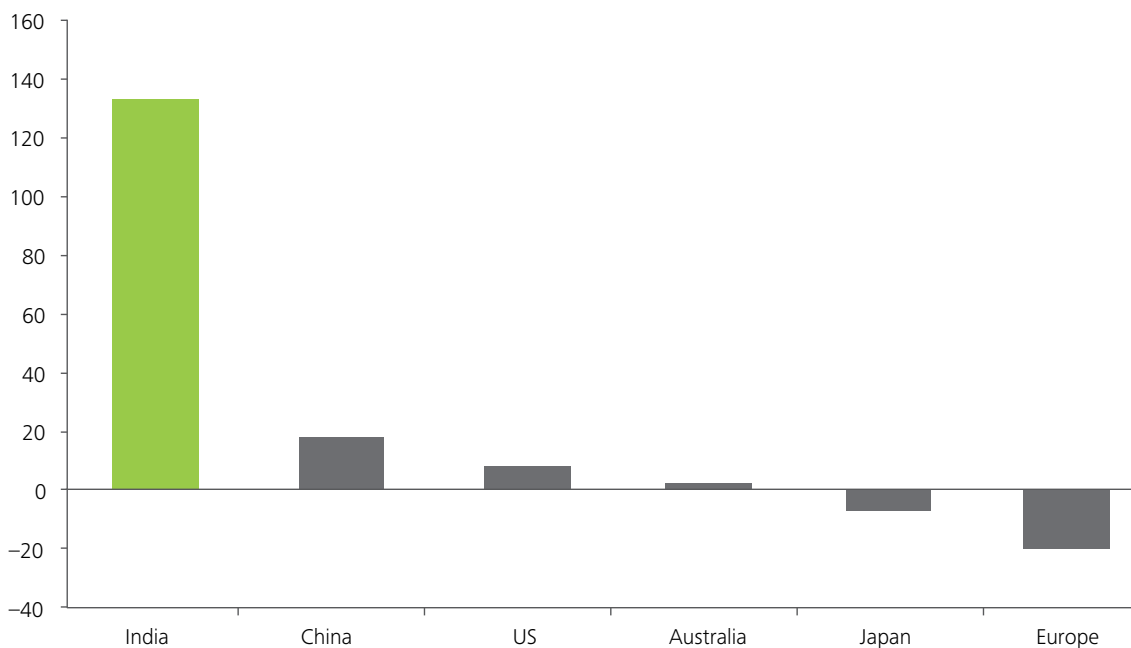
In addition, the number of available workers in countries such as India will grow much faster in the coming decade than anywhere else (see overleaf). This will provide a willing talent pool of educated individuals who can export services to Australia.

12 Ken Henry “Managing Prosperity”, address to the 2006 Economic and Social Outlook Conference, Melbourne, 2 November 2006.

13 Chris Farrell, “Remembering Y2K: The impact today”, transcript of radio appearance on 4 January, 2005. http://aparc.stanford.edu/news/remembering_y2k_the_impact_today_20050303.

For every additional worker available in Australia over the next decade, there will be 110 new workers in India

Figure 3: Working-age population gains over the coming decade (millions)



Source: United Nations Department of Economic and Social Affairs (2010), "World Population Prospects: The 2010 revision"
http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm

According to the United Nations, over the next decade, the working age population will:

- Fall by 20 million in Europe and 7 million in Japan
- Grow by 1.2 million in Australia, 8 million in the United States, 18 million in China
- Grow by 133 million in India.

That means for every additional worker available in Australia over the next decade, there will be 110 new workers in India.

So, who are you going to call to fill the skill gap?
(Hint: the phone number will probably start with +91 ...)

Competitive pressures

Australian businesses must urgently assess what work they can offshore to maintain and enhance their global competitiveness. By doing so, they will also boost pay and opportunities across their workforce.

Offshoring offers particularly significant opportunities for rapidly expanding or emerging industries.

For example, the anticipated arrival of carbon pricing means the Australian energy sector will need to make major decisions in relatively tight timeframes on retiring brown coal power stations in Victoria's Latrobe Valley. Organisations conducting techno-economic studies to assess the ramifications of these decisions could leverage talent in Indian power engineering schools by offshoring this research. Drawing on such talent pools to make better informed decisions could provide significant long-term benefits to all Australians.

Policy debate opening the way

Government needs to provide responsible leadership in the offshoring debate. The wider public sees offshoring as a threat: stealing jobs from Australians. Yet the problem in Australia in coming years won't be a lack of jobs – it will be a lack of workers.

Instead, the Australian Governments must emphasise that Australia needs workers to foster growth and that offshoring is a positive and productive way to find workers who can achieve economic benefits and enhance productivity for Australia.

In fact, by offshoring low-skill tasks, we free up Australian workers to earn higher incomes.

This policy could also include proactive efforts to build higher skill sectors, as Andrew Liveris – the Australian-born Chairman and CEO of The Dow Chemical Company¹⁴ has called for.

The more that government and political leaders can take a positive stand on this issue and explain to the electorate that their fears about offshoring are misplaced, the greater the prosperity Australia can achieve in the face of increasing skill shortages over the coming years.

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Reflecting on the business opportunity

It can take several years to prepare and successfully execute offshoring programs. Smart business managers will develop offshoring strategies, even if they have not yet decided to transfer work offshore.

Offshoring works best for companies with well-documented, mature processes that can easily be migrated to an external provider, with minimal risk to business continuity. However, to cut the complexity and cost of offshoring many organisations must first transform their systems and processes.

Companies need to thoroughly analyse processes and people structures to evaluate which roles don't need a physical presence in Australia. This analysis can have unexpected benefits as it exposes existing inefficiencies and provides cost savings even before a business decides to try offshoring.

- How will you ensure your organisation is aware of offshoring opportunities?
- What are you doing to help your people think creatively about offshoring? How could it transform your business or your people model?
- What level of access and connections to offshoring countries are necessary for you to explore offshoring options?
- How are you calculating the short-term and long-term costs and benefits of offshoring (including the tangible and intangible) impacts?
- How will currency fluctuations and exchange rates change your appetite for offshoring? How easily could you change your strategy in response?
- What impact would offshoring have on your staff's learning and leadership development?

14 See: The Dow Chemical Company website, <http://www.dow.com/financial/corpgov/leader/liveris.htm>



Lever 4:

Your next worker is waiting for a visa

Bridging the immigration gap

If our potential labour force is limited by falling migrant numbers and rising baby boomer retirement, the growth in Australia's productive potential will be significantly diminished.

Skilled migrants can provide an instant dividend, plugging the gaps in Australia's skill needs.

After all, many skilled tasks can't be done offshore; they need to be done by workers here in Australia. However, Australia's training and education system won't be able to produce anywhere near the number of skilled workers we need over the next few years in time to support our projected growth.

The combination of surging Asian demand for our commodities and falling growth in people power here at home is a combustible mix. We need skilled migrants to help fill the gap or Australia's economy risks increasing inflationary pressure over the next two years.

Importing people not services

There is now a strikingly large gap between global demand for Australian exports and the supply of immigrants to help meet that demand. The result will be upward pressure on wages and swings in the availability of particular skills. In this environment, businesses that can hire the right people from overseas will profit.

Immigration Minister, Chris Bowen notes that, unless we get migrants, the growth in potential worker numbers in Australia will almost halt within the next decade.¹⁵

One option has been temporary migrants. Yet while the number of 457 visa holders (temporary, employer-sponsored, skilled workers) has doubled since the mid-2000s, their share of total employment in Australia is still less than 1%.¹⁶ The number of 457 visa holders actually fell in the aftermath of the global financial crisis (GFC). Demand for 457 visas is rising again, but only at a modest rate¹⁷ – not fast enough to sustain the prosperity growth to which Australia aspires.

Australia has a growing amount of major construction work that is yet to be completed. The project pipeline is currently almost a quarter of a trillion dollars in Western Australia alone.¹⁸ Shortfalls in skilled worker numbers may lead to delays in major capital works project timelines, increasing building costs and longer lead times to generate revenues.

The growing strength of the Asian economies is adding further pressure to the skill shortages at home – and not just in mining and engineering construction. For example, Australian financial services professionals will be increasingly attracted to the major Asian financial hubs.

In addition, companies with supply chains that stretch across multiple countries need to develop mobile workforces with a demographic composition that matches their operations, strategy and investments.

Businesses are crying out for workers and more flexible workplace conditions. Origin Energy chairman Kevin McCann told *The Australian*: "The organisations that construct [liquefied natural gas] projects [overseas] are international companies and therefore have a global workforce, and it's important that Australia has access to that workforce and has flexible arrangements to allow the contractors to access people."¹⁹

15 Chris Bowen, "Australia's migration program as part of Australia's future – Address to the Law Council of Australia – 5th Annual Immigration Law Conference" 11 March 2011.

16 Department of Immigration and Citizenship, "Population flows: Immigration aspects 2009-10 Edition", www.diac.gov.au; Australian Bureau of Statistics, Labour Force, Australia, Cat. No. 6202.0, July 2011.

17 Department of Immigration and Citizenship, "Population flows: Immigration aspects 2009-10 Edition", www.diac.gov.au.

18 Deloitte Access Economics, Investment Monitor, June 2011.

19 Kevin McCann, 2011, cited in Hepworth and Kitney, "Use budget to lift intake of skilled migrants, say execs", *The Australian*, 11 April 2011, fourth paragraph.

Policy opening the way

The big fall in Australia's net migration intake of late has been mostly driven by falling foreign student numbers. Yet although the decline in foreign student numbers – a response to sensible policy developments – is the key mechanical explanation for the fall off in migration, the political explanation is different, revolving around the strength of the public debate surrounding the migration issue.

The Government must balance an economy which has key sectors and regions that desperately need workers with an electorate that has mixed feelings about migrants. A case in point is the impact that the reduction of foreign students has had on the availability of workers for sectors such as hospitality.

Against that backdrop, the decisions the Federal Government took in the 2011-12 Budget were positive. These included measures to improve training and skills, increase the annual skilled migration intake by 16,000 (to 185,000) and feed temporary migrants into large new mining and construction projects through "enterprise migration agreements".

However, these decisions have merely returned skilled migration targets part of the way back to pre-GFC levels.

There is now a strikingly large gap between global demand for Australian exports and the supply of immigrants

Do migrants steal jobs?

It is no wonder the backdrop to good policy making is fraught: talkback radio has propagated the myth that "immigrants steal jobs from Australian residents". Those with long memories may recall a similar debate in Australia in the 1970s about jobs being "stolen" by that generation's new arrivals in the workforce: married women.

Yet when somebody – whether migrant or resident – gets a job, they also earn an income. In spending that income, they create growth and the demand for the next worker.

Skilled immigrants have a lower unemployment rate than the national average, are more likely to be employed full time and on average earn higher wages. For example, employer-sponsored immigrants earn a median full-time income of \$100,000 a year. That is more than 40% above the median income of Australian adults in full-time employment.²⁰

That means they pay more tax and receive less in government benefits than the average Australian.

In other words, immigrants are not a net drain on the economy. In fact, they pay more in tax than they draw in benefits and other government spending. The 168,800 skilled immigrants who arrived in 2009-10 boosted the Federal Budget bottom line by around \$880 million in the first year after they arrived.²¹

Those numbers are a reminder of the remarkable bargain our economy gets from skilled migrants. Bigger migrant numbers can generate a genuine gain for Australia through the impact they can have on our national social compact through their higher productivity and participation.

²⁰ Australian Government, Department of Immigration and Citizenship, "Migrant Economic Outcomes and Contributions", April 2011, p. 8, http://www.immi.gov.au/media/publications/research/_pdf/outcomes-contributions-apr11.pdf.

²¹ Ibid, p. 11.

Despite these advances, the government could still do more. In particular:

- Although enterprise migration agreements are working well, many businesses that are under pressure on the skills front do not qualify to use them
- Current moves to simplify the visa framework are a welcome development, as long as they help address the mobility needs of business. A simpler migration framework should identify and accommodate business needs to move short- and long-term labour into Australia.

In some sectors – such as health – the Government must balance removing unnecessary barriers to entry with the need to maintain quality of care. As a result, there is a complex regulatory environment for health professionals who want to work in Australia but whose primary qualification is not from a recognised Australian institution.

Australia has had considerable success in importing people to shore up vital skills gaps. There are currently around 1 million workers in Australia on short-term visas of one kind or another.

In the light of the current global economic environment and increased unemployment rates in some developed countries, there is an opportunity to create a special class of visa that fits between the existing 456 and 457 categories to allow highly valued prospective workers to leave depressed markets overseas in order to come to Australia for 6 to 12 months.

Alternatively, the Government could consider temporarily allowing such workers to come to Australia without a visa. For example, more could be done to facilitate the temporary entry of highly valued prospective workers from weaker economies. Such a mechanism targeting employees from the United States, as an illustration, could give an additional 50,000 American workers an opportunity to work in and experience Australia. This more substantive shift in the existing policy framework would also support our foreign policy interests for the alliance between the two countries.

Finally, where there are many competing demands placed on the personal tax system, it is important that it remains competitive to those Australians who have the choice to work here or overseas.

Case study: Health sector struggling with doctor accreditation barriers

The health sector would benefit significantly if the Government removed unnecessary barriers to entry for skilled migrant workers while still maintaining quality care. When this balance is not maintained, this can create both immediate and long-term recruitment issues for the sector.

A district health service in Queensland, for example, could not find an Australian doctor to provide medical specialist services, so it advertised overseas. However, the hospital recruitment officer had to apologise in advance to potential recruits because the approval process for an overseas-trained doctor takes up to 18 months.

Delays are caused by a range of factors including Federal visa processing, the “Five Year Overseas Trained Doctor Scheme” or other Federal recruitment program processing, the Australian Medical Council registration processes and the State or hospital’s own signoff arrangements. Government needs to work with industry and professional partners to streamline the process, where a need exists.

Such delays are frustrating for specialists who have the qualifications and skills to work anywhere internationally. They are equally frustrating for hospitals with substantial workforce shortages. Many highly qualified specialists have withdrawn applications as a result.

Reflecting on the business opportunity

If adding migrants to the mix is good business, the key strategic decisions facing business are about which skills to add, where to find them and how to keep skilled workers once they are on board. Businesses need to implement effective talent programs which map out career paths and opportunities to minimise the loss of key individuals.

- How thoroughly have you considered which skills your business should “own” and which it makes more sense to “rent”?
- In what ways does your value proposition for overseas employees extend beyond money to emphasise Australia’s community and lifestyle factors and work-life balance?
- What are you doing to tap into highly skilled workforces looking to leave depressed markets such as Ireland, the UK and the U.S.A.?
- What investment have you made in infrastructure and programs to support global mobility?
- Have you explored enterprise migration agreements, regional Australia migration initiatives, or considered salary packaging and soft benefits for migrating workers?
- What are you doing to stay abreast of the migration strategies your competitors are exploring or implementing?
- What are you doing to attract and keep immigrants in Australia, such as establishing wider community networks and support for extended family?

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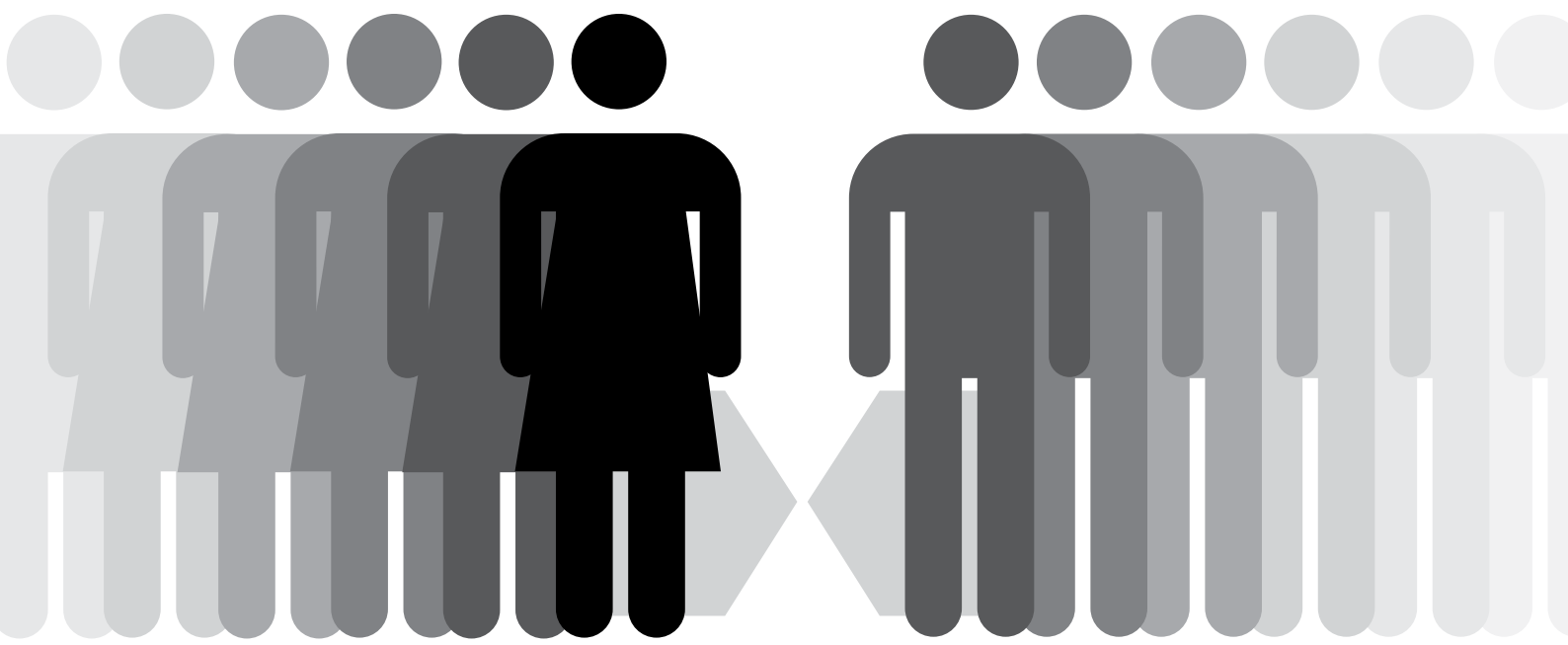
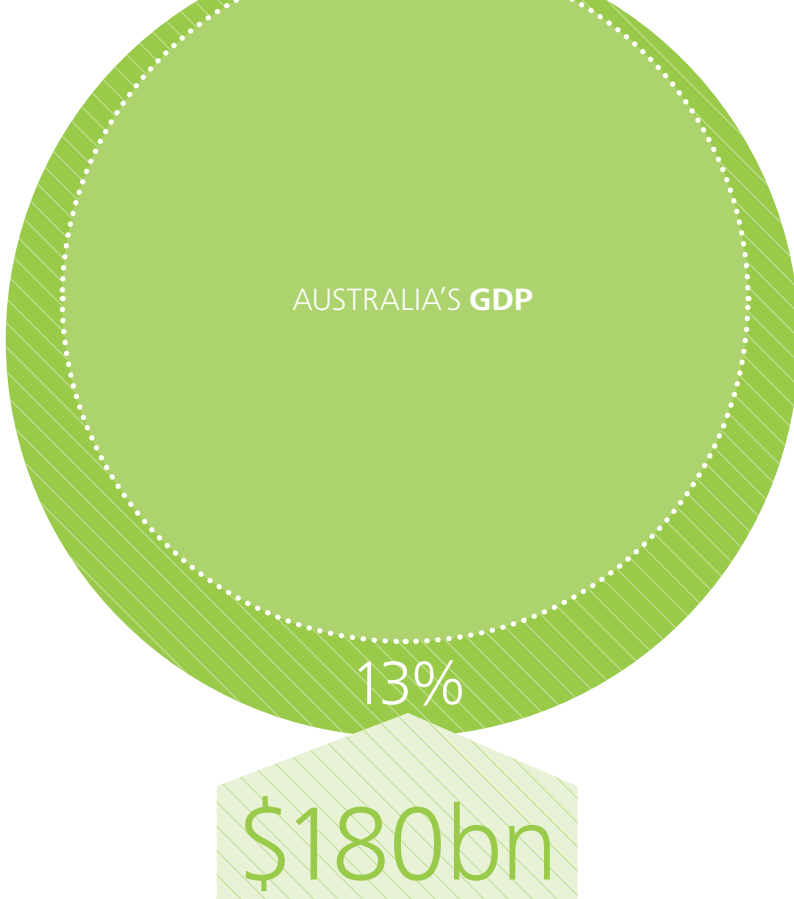
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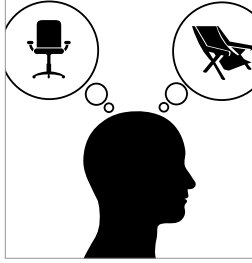


Jason White



WOMEN
PARTICIPATING
IN THE WORKFORCE

MEN
PARTICIPATING
IN THE WORKFORCE



Lever 5: Your next worker is retired – or about to retire

Making more of a rapidly ageing population

Australians are living longer than ever, thanks to improved health care, nutrition, occupational safety and road safety, and fewer deaths through war. At first glance, these trends would appear to boost the number of Australians available to work.

However, Deloitte Access Economics projects the ratio of the number of working age Australians to those aged 65 and older to fall from 5 to 1 in 2010 to 2.9 to 1 in 2050. By 2050, more than 1 in 5 Australians will be 65 or older (versus less than 1 in 7 in 2010).²³

Over the next 20 years, as our baby boomers move into retirement, we will lose significant knowledge and expertise.

Talent comes in many shades of grey

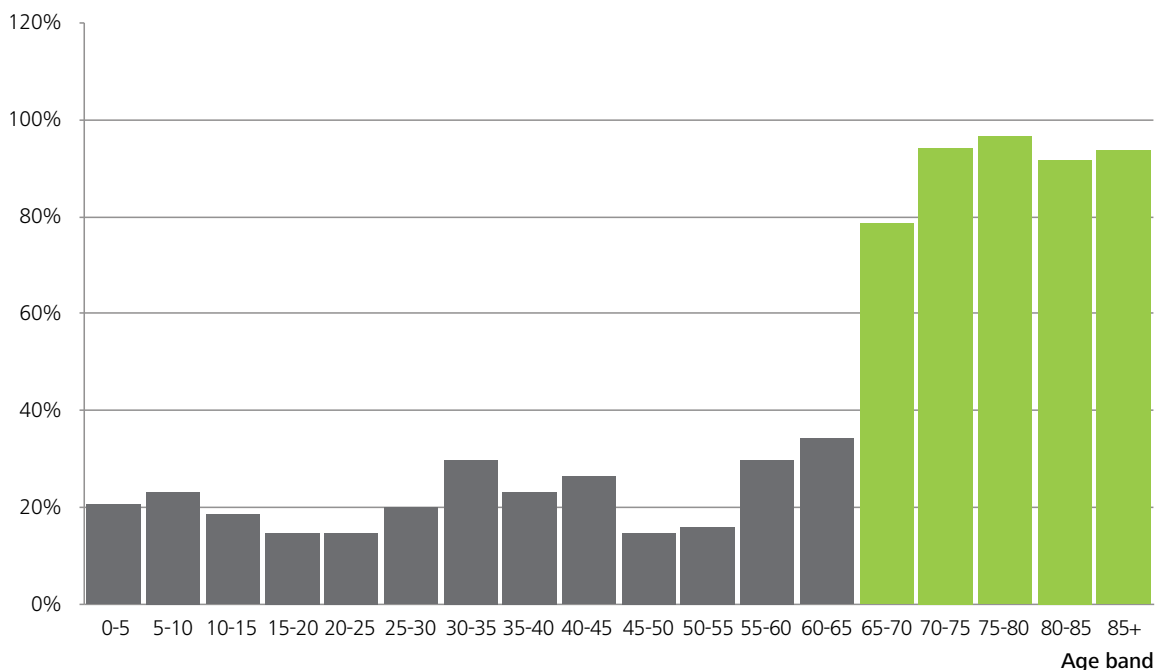
As a nation, Australia has many reasons to encourage mature-age workers to remain productively employed for as long as they want.

Mature-age workers are typically the most experienced and reliable employees. They have the lowest turnover, the fewest sick days and the best safety record. Yet instead of begging them to stay, we are often pushing them out the door.²⁴

When a mature-age worker leaves a business, their deep industry knowledge, market experience and sometimes irreplaceable technical expertise leaves with them – possibly to a competitor. Older workers also have great potential to provide valuable mentoring to other workers. In addition, their departure often means long-standing clients take their business elsewhere.

Figure 4: Population growth by age band, 2008–2028

Growth in period



Source: ABS, Deloitte analysis

²³ Deloitte Access Economics, Demographic Model, 2011.

²⁴ Deloitte Access Economics, "Population Ageing and the Economy", January 2001.

Lifting participation rates into a retirement headwind

Job market participation rates have made great gains since 2004. Strong job growth and generous childcare subsidies have encouraged more people to join the workforce.

This increase in workforce participation is not all by choice. Higher mortgage rates have seen more mothers taking on paid work, and the GFC – specifically, its impact on Australians’ superannuation savings – has led many boomers to put off their retirement. To that point, superannuation retirement adequacy will continue to need close monitoring.²⁵

Labour participation needs to sail even faster into the retirement headwind, or Australia will fail to capitalise on its current opportunities.

There is little scope to increase the already high workforce participation of those aged 15–54. By contrast, the population aged 55–70 is a massive untapped source of productive capacity.

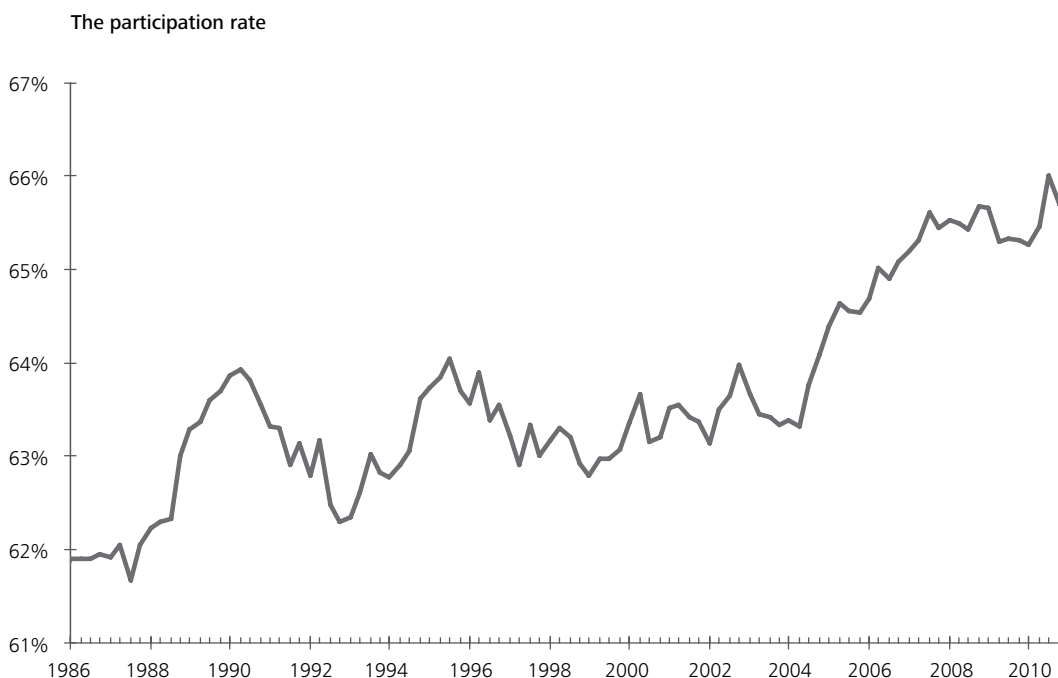
Deloitte Access Economics estimates that there will be over 5 million Australians in this age bracket in 2030. Based on current participation rates for those over 55, only 1.73 million people would still be in the workforce in that year.²⁶

As a result, businesses may need to think differently about staff engagement. Forward-thinking employers will do everything they can to convince their older workers not to retire.

However, financial rewards alone do not necessarily lead to improved performance.

Instead, some of the most important motivators are having a meaningful purpose, the ability to develop mastery of a skill and the permission to be self-directed (autonomy). Other motivators lie in an organisation’s ability to engage retirees to be self-directed, to create purpose at work for themselves and others and to allow them to continue to develop mastery in a skill they are truly passionate about.

Figure 5: Job market participation rates (those willing to work as a share of the adult population)



Source: Deloitte Access Economics, Business Outlook, June 2011

25 Deloitte’s “Dynamics of the Superannuation System – the next 20 years 2011 – 2030” is due for release 2 November 2011. See <http://www.deloitte.com.au>.

26 Deloitte Access Economics’ Demographic Model; Labour force participation rate for those aged 55 and over, Australian Bureau of Statistics, “Labour Force, Australia, Detailed”, Cat. No. 6291.0.55.001, July 2011.

Another key strategy to consider for retiree engagement is fostering flexible work arrangements. For example, older employees may wish to relocate to areas where the cost of living is lower. Employers can entice these employees to remain in the workforce for longer by providing offices in those areas, as well as the latest communication technologies. Progressive employers could also provide relocation/retirement transitioning advice to help retirees retain more of their superannuation nest egg, and by doing so, further entrench a culture of caring for their staff.

Policy opening the way

The economic effects of the ageing Australian population will rapidly accelerate over the next 5 to 10 years. The bulk of retirees will live to an advanced age. Many of them will outlive their superannuation and other savings.

This means dependence on Government assistance will constitute a rapidly increasing burden on national revenue. And while many Australian businesses will face a skill shortages, many retiring Australians will value the opportunity to keep working.

Government needs to encourage workforce participation among people approaching – or beyond – current retirement age. Accordingly, Government should provide incentives to employers to provide personal financial advice to employees approaching retirement as part of a package of fringe benefits they provide.

Yet the structure of Australia's current aged pension and means-testing regimes effectively discourage workers above a certain age from working. In addition, the interaction of social security and personal superannuation schemes for people of retirement age is complex and cumbersome. The Federal Government should consider:

- Further increasing the age at which retirees begin receiving the age pension
- Closing the gap between when retirees can access their super and when they can get the age pension
- Moving away from lump-sum superannuation payouts to retirement benefits provided in pension form
- Allowing people of retirement age to exchange an immediate aged pension for a deferred pension commencing, for example, between ages 75 and 85
- Giving people the opportunity to draw an income from their super while continuing to work and pay tax – and when income from personal super and work is exhausted, enabling them to make the transition to a government pension
- Removing the disincentives for institutions to offer Australians cost-effective pension benefits that protect them from longevity risk
- Extending access to retraining programs to older Australians who have left the workforce.

Many of these recommendations were made by the Henry Tax Review, but have yet to be acted upon by government. With the Federal Government's response to the Cooper Review set for implementation by 2013, now is the time to consider further reforms aimed at improving the efficiency and incentives in the drawdown phase of Australia's retirement income system.

It may also help to revisit the combination of the Senior Australian Tax Offset and the abolition of benefits tax on superannuation, by making the former more generous and specifically focused on earned income and the latter less generous.

Reflecting on the business opportunities

As stated previously, while many Australian businesses will face a skill shortages, many retiring Australians will value the opportunity to keep working. This is a classic case of opportunity meets business need.

To retain and engage mature age workers, businesses must offer appropriate retention and recruitment strategies for those who have left the workforce, and compelling roles for employees who might otherwise consider retirement.

- What percentage of your workforce will retire in the next five years?
- What alternative jobs or flexible arrangements with more work-life balance can your organisation offer to encourage retiring workers to keep working?
- Have you considered providing personal financial advice to your employees in this stage of their life, within the package of benefits provided by the organisation?
- How are you supporting and encouraging your retiring workers to pass on knowledge in critical competencies to other employees?
- What checks do you have in place to remove ageist barriers in language, processes and policies that might hinder retaining or recruiting older workers?
- What is your recruitment and retention strategy to attract older workers who are re-entering the workforce? Does this include specialist advice on retirement planning and associated complex matters?
- What is your succession planning strategy for retaining older workers?

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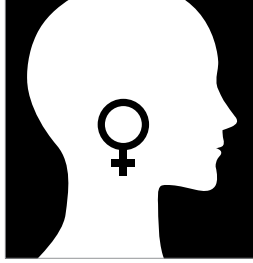
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Lever 6:

Your next worker is juggling work and family

Let's stop wasting women's talents

Where are all the women? While men and women are equally represented in the workforce at the start of their careers, women's participation rate drops between the ages of 25 and 44, and never fully recovers.²⁷

Women are also less likely to hold senior managerial positions (the "glass ceiling"), and more likely to work in the service sector (the "pink ghetto").²⁸

Yet Australian women are more highly qualified than men. In 2010, 83% of young women (aged 20-24) had attained Year 12, compared to 73% of young men.²⁹ Moreover, women are more likely than men to be university educated. For example, one study reveals that there are 38% more Australian women than men in Australian higher education.³⁰

Women's participation in the labour force in Australia has increased significantly over the last few decades.³¹ Yet in 2009, Australia only ranked only 18th of 33 OECD countries in workforce participation for women aged 45 to 54 years, and equal 13th for women aged 55 to 64 years.³²

Australia's hidden resource

Goldman Sachs estimates that Australia's GDP could be increased by 13% if the gap between male and female participation rates was closed.³³ Goldman Sachs identified women as "Australia's hidden resource", saying that our highly educated female workforce is a ready-made pool of talent.

The Economist underlined women's potential to transform national economies, reporting that: "Over the past decade or so, the increased employment of women in developed economies has contributed much more to global growth than China has."³⁴

At its heart, the difference between men's and women's workforce participation patterns can in part be explained by one particularly significant factor: caring.

Women currently take up the lion's share of caring for children, the elderly and the incapacitated, but most jobs are crafted around full-time hours.³⁵ Increasingly flexible work arrangements for both men and women allow parents to participate in the workplace. Most companies see flexible hours, part-time work and non-paid leave during school holidays as inconsistent with managerial and executive demands. And even women who do not have children are subject to gender stereotypes about their career aspirations and capabilities.

Creative thinking about retaining senior women under flexible work arrangements might include greater use of virtual teams, technologies and outsourcing work to lower-cost cities or towns where workers want to raise their children.

27 Simon Kelly, Tom Bolton, Ann Harding, "May the labour force be with you", National Centre for Social and Economic Modelling (NATSEM), published by AMP, November 2005, p. 8.

28 Rebecca Cassells, Riyana Miyanti, Binod Nepal, Robert Tanton, "She works hard for the money: Australian women and the gender divide," National Centre for Social and Economic Modelling (NATSEM), published by AMP, April 2009, pp. 20-21.

29 Australian Bureau of Statistics, "Australian Social Trends", Cat. No. 4102.0, March 2011, p 19.

30 See sources including Alan Olsen, Director of Strategy Policy and Research in Education Pty Ltd, <http://www.spre.com.au/download/SPREGenderAgenda.pdf>, AMP NATSEM (April 2008), "She works hard for the money", <http://www.dfat.gov.au/facts/women.html>, <http://econrsss.anu.edu.au/Staff/abooth/pdf/EducHistoryFinalJune09a.pdf> (See Figure 4a).

31 AMP NATSEM, "May the labour force be with you", November 2005.

32 OECD.Stat statistical database, OECD, <http://stats.oecd.org>.

33 Goldman Sachs Economic research, "Weekly Comment: Productivity – Much Ado About Nothing?", 26 August 2011.

34 "The Economist" (12 April 2006), "A Guide to Womenomics"

35 AMP NATSEM (May 2006), "The cost of caring in Australia 2002–2005" P. 14, 19 and 21.

Thankfully some companies have embraced workforce flexibility head on. Law firm Freehills, for example, expanded its career options for women and has taken all its leaders through unconscious bias training. These initiatives have helped Freehills retain more women for longer, which in turn is reflected in the number of female partners (which increased from 16% in 2005 to 22% in 2011).³⁶

Other examples of what Australian leaders are doing to address the issue of female participation has recently been released by the Australian Human Rights Commission. Thirteen Australian executive “Male Champions of Change” suggest three stages of the diversity journey: from getting in the game, to getting serious and then capturing the diversity advantage”.³⁷

Mature women in particular represent a relatively low-cost way of filling the skills gap compared to their mature male counterparts. However, businesses looking to engage these women must evaluate their skills, including those obtained outside the labour market, and help them grow their confidence and skills – for example, through mature-age vocation programs. Many women who stayed out of the workforce while their children were at school find their skills are outdated. Research conducted by the Taskforce on Care Costs found that 52% of carers outside the workforce named “reduced skills” as a barrier to returning to work, and 49% raised “reduced confidence”.³⁸

Policy opening the way

Government has had and will continue to have a significant role to play in developing policy to close the participation gap by:

- Increasing women’s participation overall
- Improving the quality and hours of work during periods of child-rearing
- Increasing the participation of mature-aged women with other caring responsibilities.

To achieve these policy goals, government could offer such responses as:

- Ensuring that child care subsidies are focussed on those with the greatest potential to return to work or lift their working hours
- Conducting communication campaigns to promote positive examples and access to channels to enable greater participation of women in the workforce
- Providing incentives to business to increase workplace flexibility arrangements to meet carers’ needs
- Promoting pay equity to provide a strong incentive for women to enter or remain in the workforce
- Extending paid paternity leave to fathers, with incentives to encourage men to use family-friendly policies
- Developing incentives for organisations to invest in retraining programs for women who return to work after a long absence
- Reviewing the ambit of the “right to request flexibility” National Employment Standard.

Industry groups and government agencies need to track the progress of these initiatives and provide practical support for increasing female participation in the workforce. For example, they can track progress by monitoring compliance with Australian Securities Exchange (ASX) requirements for companies to develop diversity policies and set measurable gender objectives. Practical measures could include expanding financial support and facilities for working parents with children.

36 “Creating the ‘light bulb moment’: Unconscious bias leadership awareness training at Freehills”, Deloitte client newsletter on diversity and inclusion, July 2011. http://www.deloitte.com/view/en_AU/au/services/consulting/human-capital/Diversityandinclusion/n/9f230382dc461310VgnVCM1000001a56f00aRCRD.htm.

37 Footnote: Australian Human Rights Commission website, October 2011, http://www.humanrights.gov.au/sex_discrimination/publication/mcc/index.html.

38 Taskforce on Care Costs, Interim Review: “Where are we now?”, August 2006, Page 26.

Case study: A balanced workforce reduces wear and tear costs

According to the ABS, in 2010 some 4,483 women were working in Australia's mining industry as truck drivers. Former teachers, nurses' aides and public servants are the recruits of choice, aged from 21 to a 68-year-old great-grandmother earning a six-figure salary.³⁹

In certain mines, female "truckies" are highly sought-after as drivers of large ore transportation trucks because they balance the group dynamics. As a result, some drivers are less likely to "show off" to their peers and more likely to drive with restraint. In this instance, a workforce that employs both sexes translates to less wear and tear on the costly tyres of 300-tonne ore transportation hulks.

Reflecting on the business opportunities

For businesses to draw women fully into the workforce, they will need to confront the stereotypes that curtail women's potential, and examine the ways in which job requirements make it unnecessarily difficult to balance work and caring responsibilities.

This analysis will mean diligently working through all of the elements of the employment lifecycle: attraction, development, reward and promotion and considering whether decisions are made on merit.

In the end, tapping into Australia's hidden resource of women will be less about policies and more about aligning systems, practices, processes and behaviours to create an inclusive and supportive workplace.

- How are you rewarding your managers and leaders for attracting, developing and retaining female workers?
- What is your strategy to attract women who may want to return to work but lack the connections or recent workplace history to do so?
- How do you maintain contact with employees on maternity or parental leave?
- What workforce flexibility and career options, such as childcare and flexible working hours, does your organisation offer a primary caregiver who is returning to work?
- How are you helping your leaders to understand the potential traps of unconscious bias in recruiting and retaining workers who have family or carer commitments?

Contributing authors



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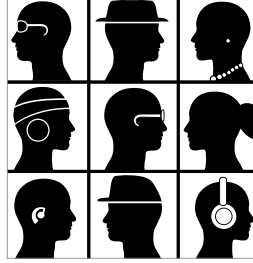


Juliet Bourke



Gail Pearce

³⁹ Steve Skinner, "Tough with a tender touch", Drive, Sydney Morning Herald, October 29, 2010, "Mines recruit women drivers on big money"; Tony Koch and Jamie Walker, The Australian, Feb 13 2010; Christian Science Monitor, "Bringing a woman's touch to truck driving in Australia", Global News Blog.



Lever 7: Your next worker has the ability

Seek out your workers in hidden places

Many overlooked potential workers – including Indigenous Australians, immigrants with qualifications from unfamiliar institutions, and people with disabilities – could make a major contribution to solving the looming skill shortages.

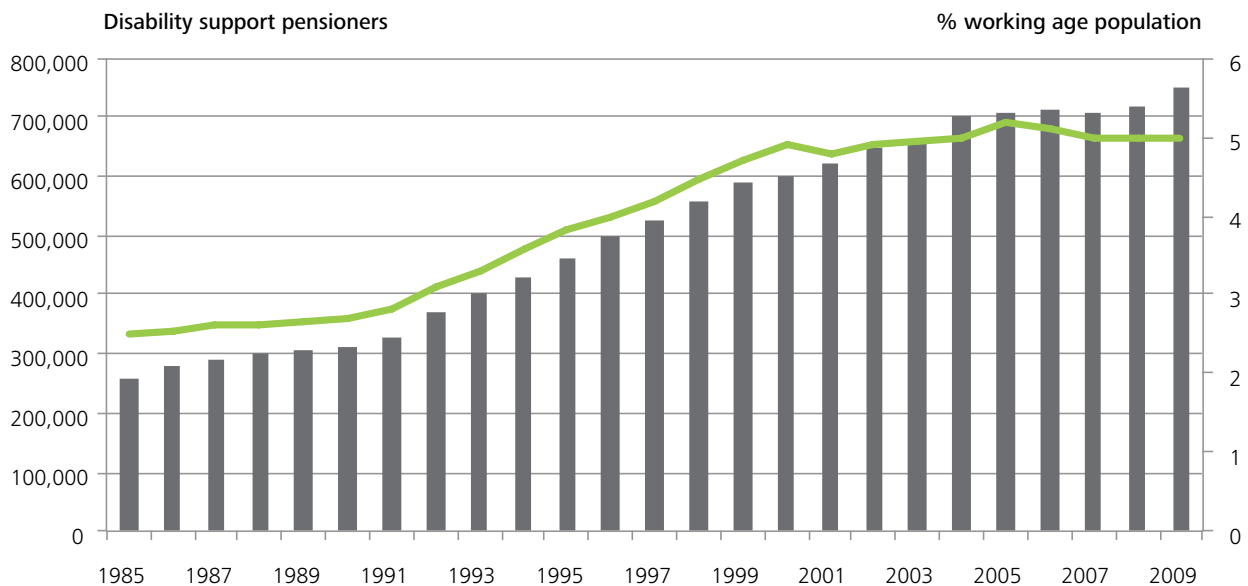
The figures are startling:

- In 2010, 18% of Indigenous Australians were unemployed, an estimated total of 36,600 people aged 15 years and over. The unemployment rate for Indigenous people was 16% in major cities, and 23% in regional areas. This rate is approximately three times higher than that of the non-Indigenous population.⁴⁰

- While skilled immigrants comprise 62% of Australia’s migrant program, those who do not speak English as a first language are more likely to be unemployed than their Australian counterparts. A 2010 report by AMP and the National Centre for Social and Economic Modelling concluded that despite having tertiary qualifications, 40% of young immigrants from non-English-speaking countries were working in low- or medium-skilled occupations, and there was a “mismatch happening in terms of what migrants are qualified to do and what kind of jobs they actually do”.⁴¹

- Of the 5% of working-age Australians who rely on disability support pensions (DSPs) around two-thirds have relatively moderate limitations. Yet less than 10% of them work.⁴²

Figure 6: One in 20 working-age Australians now relies on a DSP



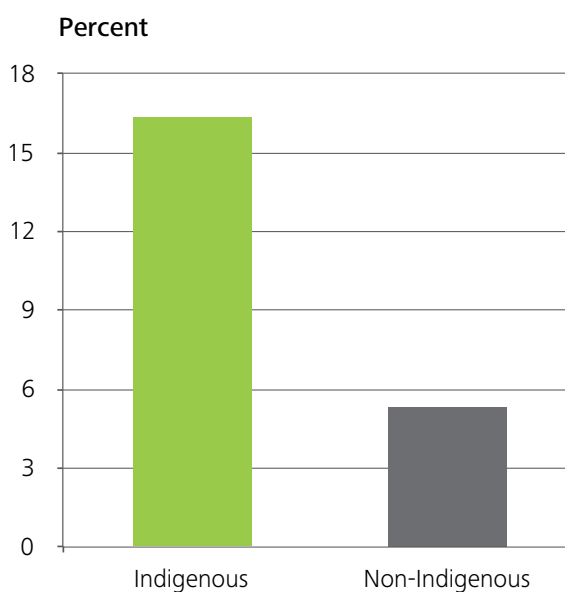
Source: J Brown (April 2010), “Defeating dependency: Moving disability support pensioners into jobs”, Centre for Independent Studies, Issue Analysis 120

40 Australian Bureau of Statistics, “Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians, Estimates from the Labour Force Survey”, Cat No. 6287.0, 2010.

41 National Centre for Social and Economic Modelling, AMP, “Calling Australia home: The characteristics and contributions of Australian migrants”, November 2010, pp. 3 and 7.

42 J Brown, “Defeating dependency: Moving disability support pensioners into jobs”, Centre for Independent Studies, Issue Analysis 120, April 2010.

Figure 7: Indigenous unemployment rate



Source: Ken Henry, "Managing Prosperity", address to the 2006 Economic and Social Outlook Conference, Melbourne, 2 November 2006, p14.

Many businesses struggle to identify these groups as a source of workers

Unaware of outside-the-box talent

Despite the potential in these labour pools, many businesses struggle to identify these groups as a source of workers. Companies also wrestle with the challenge of changing workplace practices and individual behaviours that marginalise these workers.

Businesses seem stuck in a one-size-fits-all approach to talent, leaving them poorly placed to tap into the productivity of people educated in overseas universities, people from Indigenous backgrounds or those who require a workplace adjustment.

In addition, businesses recruiting staff tend to focus a great deal more on the position to be filled than on the skills that underpin the job. Consequently, they choose recruits who have gained skills in a comparable job in favour of potentially equally skilled hires who do not have industry experience, limiting the ability of the individual to move forward.

Finally, it is not just about "taking the cream" of talent from disadvantaged communities: it is also about investing to create a sustainable undertow of talent to emerge in later years.

Andrew Forrest, CEO of Fortescue Metals Group Ltd has regularly promoted the value of an Indigenous workforce to the resources sector.

At a breakfast in March 2010 to launch the GenerationOne public awareness campaign which aims to encourage employers to offer jobs to Indigenous Australians, Forrest said: "I know that Aboriginal people have every bit of the ability any of us in this room have, and I know for sure they work as hard and when they come on board and join your company, they will add value to your business."⁴³

⁴³ Drew Warne-Smith, "Andrew 'Twiggy' Forrest urges big business to hire Indigenous Australians", *The Australian*, 19 March 2010.

Policy opening the way

All governments run systems of taxes and benefits. With the coming pressure on Australian labour markets in mind, it is particularly important for the Federal Government to use its taxes and benefits to optimise our potential workforce.

There are many opportunities to do just that. To take one example, the Disability Support Pension (DSP) is a vital and appropriate part of Australia's social safety net. However, it has tended to be a one-way ticket for recipients. It makes sense to reassess people from time to time to see whether they may be able to return to work.

The good news is that the Government recently overhauled the standards against which disability is assessed. This was the first review since 1993. However, this reform will only apply to new DSP recipients; existing recipients will continue to be assessed under the old criteria. In addition, the Government should look to strengthen the mechanisms that ensure recipients are reassessed from time to time.

Case study: mining an untapped resource

The Argyle Diamond Mine's Participation Agreement⁴⁴ establishes a number of mechanisms to ensure its mining operations provide benefits to Indigenous people well beyond the life of the mine. These include community development initiatives and collaboratively managing the environmental and cultural impact of mining activities. The agreement also establishes mechanisms to ensure traditional owners are actively involved in managing the lease's assets.

Argyle also works to increase Indigenous employment through a number of educational initiatives, such as local high school support programs, young Indigenous women's leadership camps and a horse-mastery program.

Argyle uses a number of Indigenous staff recruitment strategies, including pre-employment training; accelerated training; flexible traineeships and apprenticeships; new entry points for employment; career planning; and Indigenous leadership development programs. Finally, in line with its longer-term outlook and lifestyle, Argyle pursues programs to improve health in the community and support local businesses that are independent of the mine.

44 Argyle Diamond Mine website, http://www.argylediamonds.com.au/indigenous_partnerships.html.

Reflecting on the business opportunities

To increase participation rates and fully leverage the skills of these communities, businesses must recognise the skills and experience of underutilised talent groups, the potential their skills represent and the barriers to workforce participation that some workers face.

A key consideration is the value of related experiences that have developed skills required for the work in question. Businesses are often focused more on the job than on the skills that underpin the job. Instead they should focus on the ability of individuals to bring value to a work situation based on the skills and aptitude they have, whether or not those were gained in a comparable job.

Seeing potential employees in terms of their abilities rather than their disabilities can help identify good job matches and indicate whether workplace adjustments – for which government assistance is available – are necessary.

Business must also continue to confront discrimination, prejudice and ethnic stereotyping within their ranks. For example, it would make sense that speaking English fluently would be a key factor affecting immigrants' opportunities. However, recent research by academics at the University of Western Sydney and the St Francis Xavier University in Antigonish, Canada found that Asian immigrants who spoke English well and who were degree-qualified were more likely to be unemployed than their non-Asian counterparts.⁴⁵

Understanding the qualifications and skills of immigrant workers – particularly those who entered Australia on migrant visas – will help to match those immigrants with suitable employment.

Businesses seeking to employ migrant workers should focus on their recruitment processes. Since 21% of immigrants say a lack of recognition for their skills and qualifications is a key barrier to employment⁴⁶, companies could train their internal recruiters and managers to know more about overseas qualifications and institutions, making them better equipped to place foreign-trained workers in appropriate roles.

- Can your organisation identify the qualifications and skills of foreign trained workers?
- What are you doing to challenge assumptions and stereotypes about workers with a disability?
- What work experience placements do you offer to foreign trained workers to gain on-the-job experience?
- What training do you have in place to help your workforce confront unconscious biases such as discrimination, prejudice and ethnic stereotyping in selecting candidates?
- How are you providing in-job mentoring and opportunities to build the workplace skills of Indigenous workers?

Contributing authors



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⁴⁵ PN Junankar, S Paul, W Yasmeen, "Are Asian migrants discriminated against in the labour market? A case study of Australia", *The Singapore Economic Review*, Vol 55, No. 4, 2010, pp. 619-646.

⁴⁶ National Centre for Social and Economic Modelling, AMP, "Calling Australia Home: The characteristics and contributions of Australian migrants", 2010; AMP NATSEM "Income and Wealth Report", Issue 27, November, P 20.



Lever 8:

Your next worker is interstate

Location, location, location

Finding the right person for the job often depends as much on where they live as their abilities. Physical and electronic mobility is vital to allow people to move to where employment is available, or to work without having to move at all.

At a time when workforce mobility is critical, the lack of uniform laws across states makes decisions to relocate hard for employees and greatly complicates the process of moving individuals between states for employers. The country is a patchwork quilt of conflicting regulatory regimes. As a result, businesses spend an estimated \$5 billion a year complying with inconsistent laws across multiple jurisdictions.⁴⁷

Estimates suggest that the “deadweight loss” – the cost to society caused by market inefficiency – of conveyancing stamp duties is 34 cents in the dollar. In other words, for every \$1 stamp duty raises, this inefficient tax wastes the nation 34 cents.⁴⁸ This additional impost, which can easily total tens of thousands of dollars, makes the process of moving house for work much more complicated for home owners.

In addition to the commercial barriers to firms moving workers interstate, our state-by-state mentality creates psychological barriers for individuals who worry that they may need a different driver’s licence or that their child will have to repeat a year at school because of curriculum differences or age requirements.

The states and the Federal Government are cooperating within the Council of Australian Governments (COAG) to introduce uniform systems throughout the country. However progress on COAG’s ‘Seamless National Economy’ initiative is slow.

Taking workers to the jobs

Even within urban areas, a lack of mobility resulting from inadequate transport infrastructure often means suitable employees are not available to companies because they live too far away. Australia needs more new transport infrastructure projects, focussing on improving the capacity and reliability of public transport and reducing road congestion.

For example, the recent Deloitte Access Economics analysis on rail infrastructure shows that every trip on public transport saves society between \$3 and \$8.50⁴⁹ – some of which is directly related to reduced congestion and improved worker productivity. An improved transport infrastructure system, along with appropriate road-pricing and congestion charging, will make transport for workers in our urban centres more efficient and significantly reduce travel times.

The pressure on workers to find employment interstate is enormous, and is clearly illustrated by aircraft movements. Between February 2010 and January 2011, Qantas announced six increases in capacity serving Western Australia to service the growing demands of the mining and resources sector to remote destinations.⁵⁰ Qantas also announced it was investing \$75 million to redevelop its Perth domestic terminal and was purchasing a regional carrier that served mining towns. In each case, Qantas cited increased demand as an important factor in its decision. For example, at time of writing commuters reported that the 16 flights a day from Perth to the Pilbara were fully booked for the next three months.

Australia is experiencing an increasingly mobile fly-in-fly-out workforce, not only to Western Australia but to a range of interstate and remote locations. Building a social infrastructure for these employees is integral to the staff-retention strategies of mining, energy and resources companies.

47 Ken Henry, “Realising the Vision”, address to the Ian Little Memorial Lecture, 4 March 2008.

48 KPMG Econtech, “CGE Analysis of the Current Australian Tax System Final Report”, 26 March 2010, p 77.

49 Deloitte Access Economics, “The True Value of Rail”, 3 June 2011, Executive Summary.

50 Qantas media releases: “Qantas to further expand WA operations” (19 January 2011), “Wide body aircraft to target East/West growth” (16 February 2011), “Qantas to purchase and grow WA charter operator” (13 December 2010), “Qantas grows capacity in WA” (13 July 2010), “Qantas announces additional Perth-Sydney services” (10 June 2010), “Qantas to increase Western Australia’s North West” (4 February 2010), http://www.qantas.com.au/regions/dyn/au/publicaffairs/introduction?ArticleID=paf_curr_intro.

Taking jobs to the workers

Another way to find people is to move the jobs to them.

For instance, many Australian firms are relocating jobs to low-cost regional centres within Australia.

This is often an effective option because domestic contact centres can generally provide higher quality verbal interaction than offshore centres, while the latter can be excellent for back-office processes.

In the future, innovative telework applications and faster Internet speeds through the National Broadband Network will also increase employees' capacity to work from home. Companies should be able to deliver the same capabilities at home – and see the same productivity – as they do in their offices.

Rio Tinto (see case study later in this section) is piloting another way to take jobs to its workers. In its ambitious Mine of the Future program, the company is using remote technology to mine the outback from the comfort of Perth.

Successful relocation is about more than money

Many families who move interstate for work for short-term assignments plan to return to their original home due to support networks, friends, family and lifestyle. For these workers to think about staying longer, their employers must consider issues beyond remuneration and bonuses.

Some key social infrastructure and community considerations include:

- The impact on the family such as moving children from schools, social networks, lifestyle pursuits and the emotional, financial and physical impact on ageing parents (increasingly significant due to the ageing of the population)
- The need to update wills and estate plans, health assessments and protection of income insurances with provision for claims based on the specific role
- Risk and reputation management, such as a disaster recovery regime for the assignee and family in the case of catastrophic events and an assessment of the various group insurance policies
- Career incentives and plans for the move home. Incentives to move are common; incentives based on a successful return home after an assignment less so. The impact on co-workers if the initial assignment is not successful should also be considered.

Companies can also support mobility by providing support infrastructure when executives and family are disrupted. This could include upfront counselling, relocation services and financial advice. Such advice should cover important dimension of family activities such as retirement planning, tax compliance and other personal financial planning.

Policy opening the way

The States and Federal Government must move as fast as possible to establish a more level national playing field for business. The States must reform their taxes so that moving interstate does not incur penalties such as the stamp duty on conveyancing.

Governments need to remove barriers to interstate migration and actively encourage mobility and avoid programs that unnecessarily or inadvertently tie people to one spot.

For example, reduced employment opportunities in Victoria's Latrobe Valley mining and electricity generation sector have resulted in calls for the Victorian Government to provide programs and funding to encourage economic activity in the valley. However, mining and power generation skills are in strong demand in the Northern Territory, Queensland and Western Australia.

Governments are making progress in this area. Significant regulatory work is now underway to nationalise WorkCover legislation. Even so, Governments also need to simplify the barriers that limit the ability of workers in one state to relocate to help address labour shortfalls in other states. These barriers include:

- Rail safety regulation
- Occupational health and safety
- National trade measurement
- Building regulation
- Environmental assessment and approvals processes
- Business name, Australian Business Number and related business registration processes.

A common school starting age and a national school curriculum would further reduce the hidden costs of moving.

Case study: Mining by remote control

Rio Tinto has opened a remote mining control centre in Perth, which is trialling operations of an iron ore mine in the Pilbara. Drivers and other machinery operators can control the equipment remotely from more than 1,000km from the mine, reducing the need for staff to be located in a remote area.

In its [thisisourstory.com.au](http://www.thisisourstory.com.au) advertising campaign⁵¹, Rio Tinto has featured employees such as Marie Bourgoïn. This recent recruit to the firm who studied a Masters of Business Administration in France, was given the opportunity to study in Australia, and today is a manager at Rio Tinto's Remote Operations Centre in Perth, with responsibility for scheduling and maintaining the efficiency of Rio Tinto's iron ore operations.

"The walls of the centre are lined with screens, which monitor rail, port and mine movements up to 1,500 kilometres away in the Pilbara region of Western Australia," she says. "In the mining industry, there is nothing that compares to it, anywhere in the world."

At present, the network bandwidth available at mining operations in remote locations constrains the widespread adoption of such services. However, they are likely to become more viable as wireless technologies gain speed, and additional bandwidth becomes available.

Finding people to work in remote locations is a challenge and involves significant transport and housing costs. This creative project could be an important part of the solution.

51 "This is our story" website, http://www.thisisourstory.com.au/our-stories_marie-bourgoïn.aspx, and related advertisement in the *Sydney Morning Herald Good Weekend*, 20 August 2011, pp 2-3.

Reflecting on the business opportunities

Teleworking can free businesses from geographic constraints in hiring the right people. Many projects can be delivered using consulting models, which provide a more flexible workforce that can expand and contract quickly in keeping with demand. These approaches improve the flexibility of the workplace, and allow for improved workforce participation by those for whom the traditional workplace and standard hours are impractical.

One of the most important things businesses can do to pave the way for increased workplace mobility is to continue to put pressure on the state and Federal Governments to complete the Seamless National Economy initiative as fast as possible.

Companies can also take a number of tactical steps such as addressing their HR functions' current inability to support moves and deal with the resulting cultural impact.

Businesses also need to seek creative solutions to their labour supply problems, such as using the fly in/fly out system rather than housing workers onsite. This will help provide for the large and growing need for workers in remote locations.

- Have you considered the financial benefits of reduced office space and infrastructure which might flow from increased teleworking?
- How is your HR function supporting mobility and minimising the cultural impacts of relocating workers?
- If your business requires employees for remote locations, what creative solutions have you adopted to address labour supply problems, such as fly in/fly out workers?
- How are you rewarding employees who are prepared to accept the challenge of relocating?

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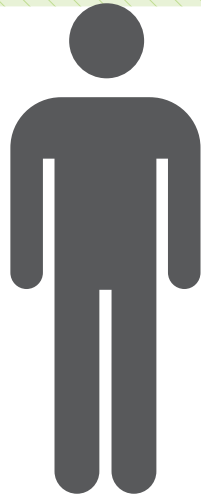
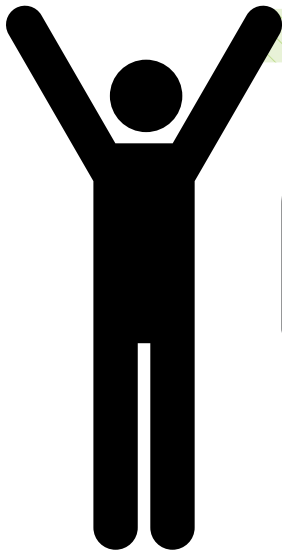
Paul Liggins



John Meacock



Tom Richardson



LOST PRODUCTIVITY

\$39bn+

A DISENGAGED WORKER RESULTS IN LOSS OF PRODUCTIVITY

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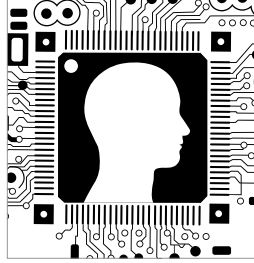
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EFFICIENCY

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ONE PERCENTAGE POINT INCREASE

\$14bn
AUSTRALIA'S PRODUCTIVE POWER



Lever 9: Your next worker is not needed

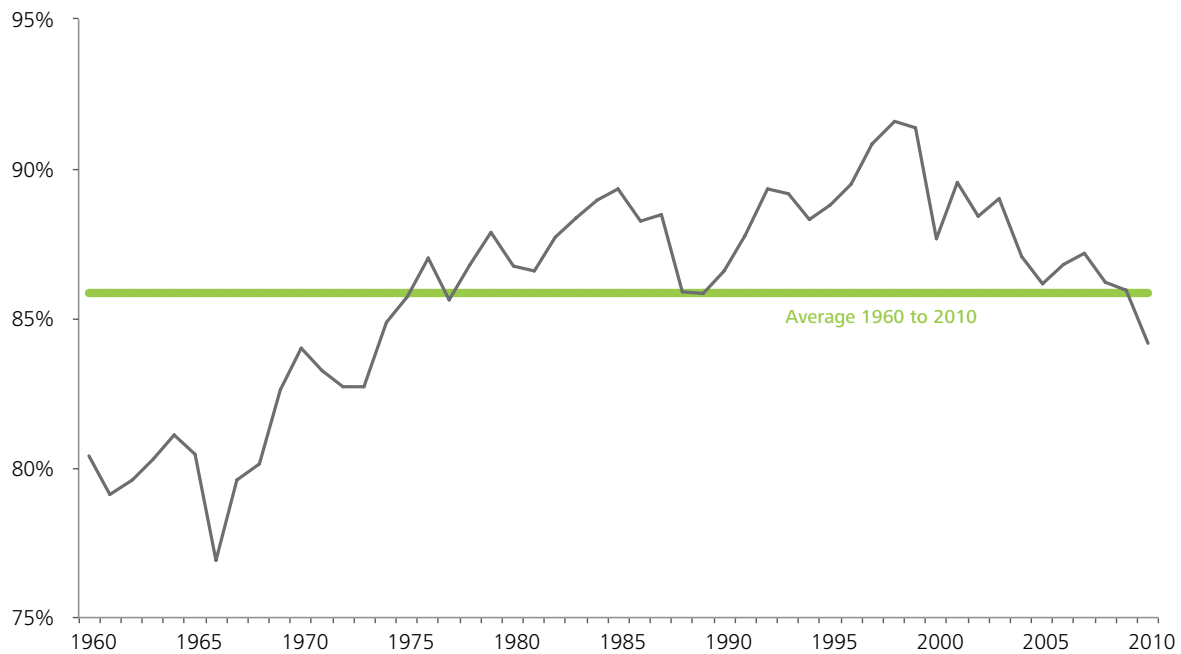
Eliminating roles through better systems

Productivity, the last of the 'Three Ps', is a measure of how much each available worker contributes to the economy while they are at work. Our national productivity has been declining since the late 1990s.

Combined with our country's looming skill shortages, this drop in productivity is spurring enterprises to find new and better ways to get work done. Companies that boost productivity by embracing technology, sound decision making based on data, and more efficient processes can beat the skills crisis without having to join the struggle for workers.

The labour market reforms of the 1980s and early 1990s boosted Australia's productivity. This peaked in the late 1990s at 92% of productivity relative to the United States.⁵⁴ Since then it has declined to 84%, the lowest seen since the early 1970s. As Nobel Prize-winning economist Paul Krugman noted, "Productivity isn't everything, but in the long run it is almost everything".⁵⁵

Figure 8: Australia's labour productivity relative to the United States



Source: Conference Board Total Economy Database, January 2011.

⁵⁴ Conference Board Total Economy Database, January 2011

⁵⁵ Paul Krugman, "The Age of Diminished Expectations: U.S. economic policy in the 1990s", The Washington Post Company, 1990, p11.

As the profit share of Australia's national income increased over the past ten years, businesses in general attached less importance to pursuing productivity gains. The 2011 Telstra Productivity Indicator Report found that, among over 300 organisations with more than 200 employees, only 24% measured their productivity, had specific productivity targets and knew what they were. Another 25% didn't measure their productivity at all.⁵⁶ Further, only one in five businesses believed that they could accurately measure productivity benefits when considering investment decisions and only 34% of firms assigned individual responsibilities for productivity improvements.

The change in economic climate brings about new focus. The current skill shortages also represents a huge opportunity for the nation. Increasing productivity would have clear and significant impacts on GDP and labour supply, but would also help improve service levels and lower waste and emissions.

This is a 'one-for-one' equation: each percentage point increase in efficiency can reduce Australia's workforce challenge by a percentage point. And, for the nation as a whole, just one percentage point gain in efficiency adds \$14 billion to the productive power of the nation.⁵⁷

Our productivity is largely a consequence of the way we configure our work. The processes, tools, physical layout, policies and technologies that govern our work environments influence how we work and ultimately dictate how productive we can be.

Companies with better systems, processes, machinery and equipment, infrastructure, workforce training and human capital strategies are more productive than those less well equipped.

ICT powering productivity

In the absence of major reforms, Australia needs a new productivity catalyst. A key part of the solution, at least in recent years, has been information and communications technology (ICT).

In a broad study for the World Bank of the growth effects of ICT, Christine Qiang, Alexander Pitt and Seth Ayers found that each progressive stage of ICT innovation had a larger economic impact than the one that preceded it (see Figure 9 on the following page).⁵⁸

For broadband, the most recent of these technologies, the World Bank study found that a 10 percentage point increase in broadband penetration in high-income economies such as Australia resulted in a 1.2 percentage point increase in economic growth.

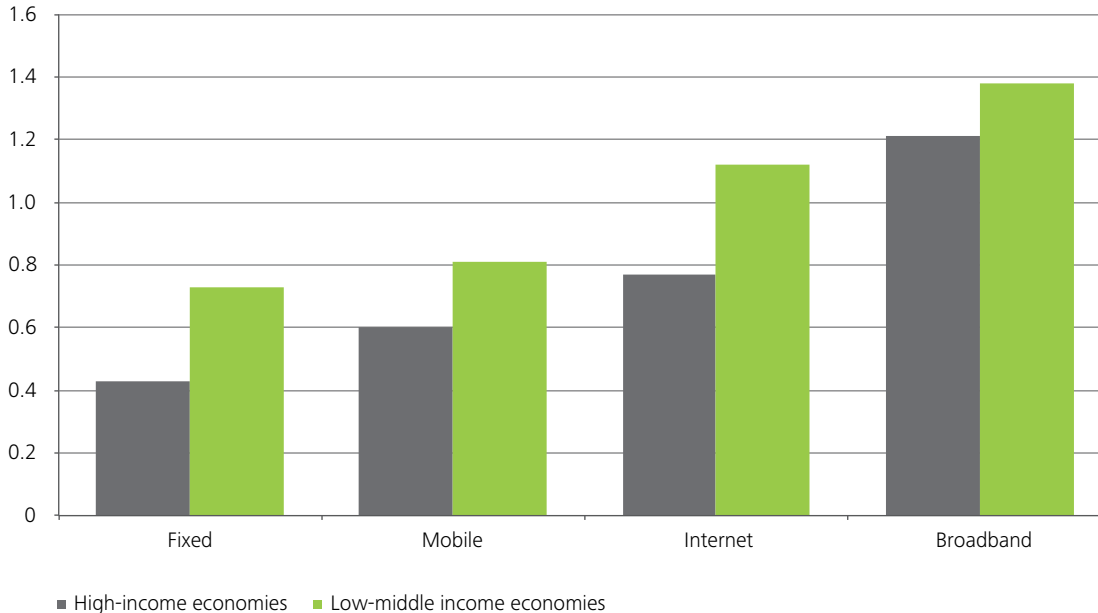
Each percentage point increase in efficiency can reduce Australia's workforce challenge by a percentage point

56 Telstra, "The Telstra Productivity Indicator: A report on business attitudes and behaviours towards improving productivity in Australia", April 2011, pp 5 and 10. <http://www.telstraenterprise.com/SiteCollectionDocuments/Brochures/TPI2011.pdf>.

57 Deloitte Access Economics estimates based on Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product, Cat. No. 5206.0, March 2011.

58 Christine Zhen-Wei Qiang, Alexander Pitt, Seth Ayers, "Contribution of Information and Communication Technologies to Growth", World Bank, 2004.

Figure 9: Growth effects of ICT as a percentage of GDP



Source: M. Khalil, P. Dongier, and C. Qiang (2009), "Overview", in "Information and Communications for Development: Extending Reach and Increasing Impact", World Bank, Washington D.C. p6.

A recipe for successful productivity growth

The 2011 Telstra Productivity Indicator report found that productivity was a top priority for three-quarters (76%) of organisations. However, only one quarter (24%) of respondents had significantly improved productivity in the past 12 months.⁵⁹ This means many large Australian organisations are failing to deliver their business priorities.

Australian businesses need leaders capable of fostering productivity. Such leaders are typically acutely aware of the impact of strategic investment in customer communications, process improvements and ICT. These leaders:

- Recognise the importance of making investments to improve productivity
- Have invested in ICT in the past, and plan to continue to do so in the future
- Invest in whole-of-organisation productivity programs and collaboration

- Create a more engaged workforce
- Connect better with their customers
- Are less influenced by perceived barriers to investment in ICT
- Are optimistic about the future.

Another important issue to consider when deciding how and what to automate is which skills will provide the best value in the eyes of customers. In this light, partnerships and alliances can easily become conversations about complementary capabilities along a value chain, where each participant is best equipped to provide the most value. These capabilities include capital, infrastructure, technologies and data, as well as specific human skills.

⁵⁹ Telstra, "The Telstra Productivity Indicator: A report on business attitudes and behaviours towards improving productivity in Australia," April 2011, pp. 5 and 10. <http://www.telstraenterprise.com/SiteCollectionDocuments/Brochures/TPI2011.pdf>.

Quick wins versus transformation

In improving productivity, a company must adopt a systematic approach which considers the distribution of work based on the business value it generates, the elimination of unnecessary tasks and the company's business model and corporate strategy.

The first two points are tactical improvements, while the last underpins a more fundamental, transformational productivity improvement. Companies must decide whether their productivity improvement goals are transformational – requiring a fundamental change to the business model – or tactical – where they optimise productivity within the bounds of the existing model.

Many organisations ignore the fact that productivity improvement programs can achieve quick tactical gains. These quick wins can be implemented in a cost-effective manner while building organisational momentum and support for more transformational productivity improvement initiatives.

For example, some businesses have found in individual productivity studies that highly paid people can lose up to a third of their day on unproductive activities (such as walking from their computer to printers and meeting rooms if they have roles outside of the office). One company increased its productivity by 60% by making information available to people outside the office on handheld devices, moving printers, co-locating highly dependent resources and revising one internal policy. Another tactical example is introducing automated controls to manage users' access to computer systems, which increases productivity by reducing the time individuals have to wait to gain access.

Many Australian companies are particularly reticent to include frontline workers in productivity improvements. As a result, frontline teams are usually left to their own devices. However, these teams are actually the key to sustaining and improving productivity, because they engage with customers.

While they can achieve a great deal through tactical improvements, organisations must avoid relying on a business model that is doomed to failure. This is where productivity transformation comes into play; in particular, eliminating unnecessary roles that have no place in a technology-enabled business model.

Policy opening the way

This area is one where action must be driven by Australian businesses rather than any significant change to Government policy. However, governments can enjoy significant productivity improvements in their own operations by applying the same processes and decision criteria as businesses.

Government could also consider the volume of policies that affect industry productivity. The flow of new regulation is rising and there are thousands of regulations imposed by different jurisdictions in force at any one time. For example, opening a business bank account can involve a dozen pieces of regulation and over 200 pages of documentation.⁶⁰

Yet despite the enormous and growing stock of regulations in place, it is incumbent on businesses and individuals to locate, digest and comply with all of the regulations that are imposed on them. That is an almost impossible task.

A particular problem is when regulations pile atop other regulations, even if a single regulation on its own has net benefits, the net costs of all regulations is greater than their parts. Overlapping or conflicting regulation can occur between different regulatory bodies at the same level of government, or different governments, or between public and private oversight bodies. Such "regulatory cocktails" can create significant compliance challenges for consumers and businesses.

Not surprisingly, increased regulation has prompted business owners to devote increasing proportions of time and attention to compliance and risk management. This in turn means businesses may be less likely to take on organisational change, enter new markets, develop new products or services or engage in other forms of productivity-enhancing innovation.

⁶⁰ Business Council of Australia, "Business Regulation Action Plan for Future Prosperity", Appendix 2, P1 <http://www.bca.com.au/DisplayFile.aspx?FileID=385>.

Case study: Boosting productivity through access to complete and accurate patient information

Medication-related health and safety problems place unnecessary resource and cost demands on healthcare systems. Medication errors – when one or more medications negatively impact an individual’s health – place increased pressure on public hospitals, primary care providers and other healthcare providers.

In Australia, medication errors are responsible for approximately 190,000 hospital admissions each year, at a cost of \$660 million.⁶¹ This figure excludes the cost of medication errors that do not result in hospital admissions, such as the costs of lost productivity within the economy; taking incorrect or too high doses of medication; and visits to GPs and pharmacists in relation to medication errors.

Currently, around half of all medication errors could be preventable.⁶² A better way to reduce medical errors is to better equip healthcare providers to make informed medication decisions for their patients. This in turn requires improved access to health information and decision support tools at the point of care.

eHealth frameworks such as “medicine use review” solutions support healthcare providers by identifying potential health and safety concerns with prescribed medications in a nationally consistent manner. This requires a patient’s complete medication history, rather than the localised history maintained by a single provider. Alerts and warnings raised by medicine use review solutions can help healthcare providers identify potential health and safety concerns with prescribed medications. They also provide a basis for discussing these with patients to determine the safest course of medication. Such intervention would significantly reduce the incidence of medication errors.

Medicine use review solutions have been shown to reduce preventable medication errors by between 50% and 75%. This represents a significant opportunity for productivity improvement.⁶³ For example, a national medicine use review service in Australia could reduce medication error-related hospitalisations by between 490,000 and 736,000 over 10 years of operation.⁶⁴

61 Nicola Roxon, “Announcement of a personally controlled electronic health record for all Australians”, 11 May 2010.

62 L. Roughead, S. Semple, “Medication Safety in Acute Care in Australia”, July 2008, p 3.

63 Based on various data points quoted in the National E-Health and Information Principal Committee’s “National E-Health Strategy”, 30 September 2008.

64 Deloitte estimates of the impact of a national medicine use review solution on reducing ADE-related hospitalisations in Australia over 10-years.

Reflecting on the business opportunities

Market and workforce pressures, and corresponding growth strategies, push business transformation to the top of many organisations' agendas. Think creatively: how could you redesign your business processes?

Extended enterprise thinking applies to links up and down the supply chain, taking into account options such as distribution chains, joint ventures and alliances. For example, Ikea's retailing model outsources furniture assembly to its customers, providing added value to customers and reducing business costs.

Successful innovation of business processes is not always led through technology. Instead, leaders start with a clear understanding of the core vision of their business, its mission and its values. From this base, they can review the business's competitive, value-creation, operational and asset strategies, and then consider new approaches.

- What insights do you have into how productive your people really are? How are you measuring it?
- Have you had conversations with business partners and allies about complementary capabilities along your value chain?
- What are you doing to reduce the time your people spend on unproductive activities?
- Are your organisation's productivity improvement goals transformational (changing the business model) or incremental?
- What measures have your competitors taken to improve productivity?
- Do you have a structured program for continuous business improvement?

Contributing authors



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Dean Grandy



Mike Kissane



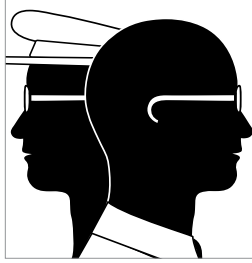
Paul Peters



Tom Richardson



Bruce Williamson



Lever 10: Your next worker is in the mail room

Talent right under your nose

In the struggle to meet skill shortages and the race to recruit external talent, many businesses overlook the enormous potential of their own staff.

They can overlook the value of continuing training and retraining to tap into workers in regions, occupations and industries where the growth outlook is more modest.

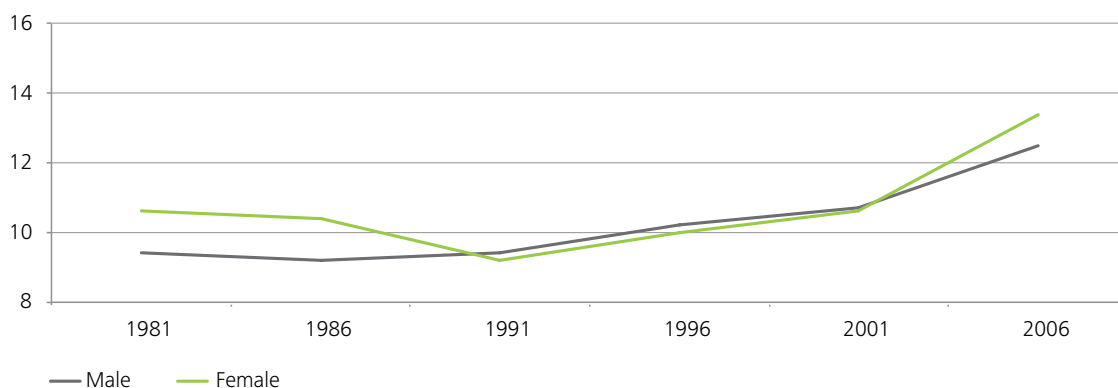
Research by the Australian National University and the Australian Bureau of Statistics shows very high returns on investing in people. Strikingly, those returns have actually risen over time.⁶⁵

According to the ABS analysis accompanying the chart below, “increases in the returns to completion of secondary education since 1991 are dramatic”.⁶⁶ This confirms that completing secondary education is a basic skill requirement in the Australian labour market.

The OECD has also found that, across a number of nations, an additional year of education – corresponding to an increase in human capital of about 10% – on average led to an increase in long-run GDP per capita of 4–7%.⁶⁷

For many workers, getting to the next stage in their career requires motivation to make a change that is not necessarily straightforward. This applies not only to the young, but also to those looking to reskill later in life. Getting workers into the right frame of mind requires a nurturing environment that provides opportunities for skills development and an engaged management team that encourages workers to grow.

Figure 10: The rate of return on education in Australia is high and rising



Source: Hui Wei, “Measuring Economic Returns to Post-School Education in Australia”, Australian Bureau of Statistics, 2010

65 Hui Wei, “Measuring Economic Returns to Post-School Education in Australia”, Australian Bureau of Statistics, 2010; A Leigh, “Returns to Education in Australia”, Centre for Economic Policy Research Discussion Papers, No. 561, Australian National University, 2007.

66 Hui Wei, “Measuring Economic Returns to Post-School Education in Australia”, Australian Bureau of Statistics, 2010, p. 11.

67 Organisation for Economic Co-operation and Development, “The Sources of Economic Growth in OECD Countries”, 2003, p.76.

Companies can harness individuals' potential by creating options for them to move along non-traditional paths as a way to gain experience, develop skills, expand their networks and teach others.

Moving around the corporate lattice (see: "The career ladder is dead – meet the corporate lattice" on the following page), an employee's career grows in multiple directions – up, sideways and diagonally – throughout the organisation. With each new challenge comes personal growth and rewarding experiences, both of which increase engagement.

By gaining broader experience across the business, individuals also learn more about their employer and can have a greater impact on how the company performs. This internal worker mobility fosters innovation and spreads knowledge throughout the company.

Develop clear learning and development strategies

Businesses must support the personal growth and internal mobility of individual employees through clear learning and development strategies and programs that target the specific skills and qualifications required for new and evolving roles.

"Workforce skills assurance" is a key consideration for organisations that require specific qualifications, licensing or certifications to operate. Creating this assurance is becoming increasingly complex as businesses use more casual or contract workers and face increasing pressure to grow or change quickly.

A learning and development framework must include capability models, selection criteria, assessment activities and targeted learning and apprenticeship programs. This framework must make it easy to test workers against specific requirements, and to monitor their progress and performance against emerging requirements. Otherwise these worker movements can increase an organisation's execution risk.

Case study: The career ladder is dead – meet the corporate lattice

In their work, *“The Corporate Lattice, A strategic response to the changing world of work”*, Cathy Benko, Molly Anderson and Suzanne Vickberg provide a case study on the global lattice. They cite global law firm Orrick, Herrington, Sutcliffe LLP (“Orrick”) as a case study that illustrates how careers are today being built by way of a corporate lattice rather than in a linear fashion, traditionally known as the “corporate ladder”.⁶⁸

Orrick realised that launching a new career model could help address two key issues: client dissatisfaction with the price-value ratios of legal service providers, and significant changes in the expectations of law school graduates who want flexible career options. The firm’s new model gave these graduates a variety of career options rather than a single, linear path to partnership.

“Advancement at the firm is now performance-based rather than tenure-based, with specific core competency criteria used to guide decisions,” says Laura Saklad, chief lawyer development officer. “By aligning promotions and corresponding billing rate increases with the lawyer’s skill set and level of experience, client value and work delivery is better aligned since people attain various levels of proficiency at different rates. A custom career track allows individuals to tailor their development based on their career interests and goals as well as their life needs.

“Compensation has also changed to enable the new approach. Rather than base bonuses on billable hours or firm profitability, bonuses are based on what matters most to clients – quality, efficiency and contribution.

“All of these changes improve the value clients receive.”

“The model recognises that moving forward in one’s development is not limited to moving upward on the traditional career ladder. There are many ways of progressing one’s career and contributing meaningful value to the organisation.”

Building a corporate lattice organisation requires a new mental model of career progression based on lattice-like thinking.

Some organisations have adopted this type of thinking with excellent business results. Take SAS, the world’s largest privately held software company. It enjoys double-digit growth, a staff turnover rate of 3% compared to the industry average of around 20%, and a customer retention rate of 98%.⁶⁹

In another article, “Mass Career Customisation: Building the Corporate Lattice”, Cathy Benko and Anne Weisberg cite SAS as a case study.⁷⁰ SAS attributes much of these results to innovative workplace practices supported by lattice-like thinking, including work-life integration programs.

“One of the hallmarks of our success is we don’t really have stagnant career ladders,” says SAS’s vice president for human resources.

Instead, SAS continuously calibrates its business needs with the needs of its people, moving people around the organisation and customising dial-up/dial-down options.

While SAS and Orrick demonstrate the benefits of an informal model, we believe that adopting a systematic approach to replacing the corporate ladder with the corporate lattice creates more consistent, scalable results.⁷¹

68 Cathy Benko, Molly Anderson and Suzanne Vickberg, “The Corporate Lattice, A Strategic Response to the changing world of work”, *Deloitte Review*, 2011.

69 Ibid.

70 “Cathy Benko, Anne Weisberg, “Mass Career Customization: Enabling the Corporate Lattice”, *Deloitte Review*, 2011.

71 Ibid.

Policy opening the way

A number of countries have transformed their approach to reskilling through strong education programs. Ireland pursued such a strategy in the 1980s, encouraging training in European languages to capitalise on Euro-business and in the high-tech and biotech sectors. During its reunification, Germany redirected resources which helped it to remain an economic powerhouse in Europe.

Current investment in education in Australia is insufficient to compete with the numbers of qualified graduates from technology and business schools in emerging economies. Without seriously rethinking our investment strategy, Australia risks being badly outflanked by the educational capacity of our regional and economic competitors in the decades to come.

There are two major considerations.

Firstly, there is a significant opportunity to reform the sector in a holistic sense through better integration of the curricula across the K-12, vocational and educational training and higher education segments. Continuity of building blocks (from a disciplines perspective) from school through to higher education is both possible and valuable. This kind of reform will help individuals to navigate education pathways which create flexibility in how they plan for their future.

It is necessary to continue to build real partnerships across government, industry and academic institutions to engage on the capability gaps and drive towards developing skills relevant both now and in the future, such as engineering, maths and the sciences.

These partnerships can also lead to improvements in policy and programs that create more industry placements. Examples include apprenticeships, exchanges or cadetships, experiential learning programs, and intensive work placements. Industry-based experiences that are aligned with course curricula significantly improve the learning outcomes for the individual.

Secondly, there are opportunities to make investments that will improve the accessibility and quality of education. There is a need to invest in major technologies in all segments as teaching delivery modes adapt to alternative learning styles. Across many age groups, individuals are becoming more accustomed to blended learning approaches. These approaches incorporate social media and other technologies to support delivery and engagement of the learner.

The need for additional infrastructure is also highlighted by increasing participation rates, which place additional pressure on the number of academics in the workforce. Alternative delivery models will help to manage the necessary supply of teaching staff. These alternative models could also include formalised programs to engage talented industry and government personnel in conducting teaching activities.

Government could take steps to drive better outcomes from our education system – and hence a more prosperous Australia – through:

- Spending more on the quality of our teachers
- Increasing school retention rates
- Adopting a common school starting age across states
- Improving access to early childhood education
- Supporting investments in technology and alternative delivery models
- Improving access to apprenticeships, exchanges, work placements and other industry-based experiences
- Adopting a national curriculum.

To support existing programs, Government could also formalise a program for overseas students studying in Australia to remain here after completing their studies. It must weigh the cost of attracting skilled overseas workers against the costs of longer-term education. For example, while health departments invest significant money attracting overseas nurses and doctors, overseas students must wait for years to enter Australian internship programs.

The Federal Government has recently announced its intention to loosen some visa requirements for international students in an effort to draw more people to Australian universities.⁷² This will help to attract students and assist them in getting relevant work experience in Australia.

Reflecting on the business opportunities

- How are you measuring the productivity of your workers?
- What are you doing to enhance your understanding and use of your people's potential?
- How are you identifying which of your staff have the appetite to re-skill?
- How are you mapping your organisation's lattice to understand the talent you may already have on hand?
- What opportunities do you offer your people to move through the lattice to new roles?
- What are you doing to understand the aspirations of existing staff and how to develop them to match your business' needs?
- How do you track your investment in developing your people's education or skills? What return on investment is this giving your organisation?

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⁷² ABC News, 22 September 2011. <http://www.abc.net.au/news/2011-09-22/foreign-students-to-get-visa-incentive/2911346>.



Lever 11:

Your next worker is knocking on your door

The danger of losing key staff and future leaders

Businesses need to be aware that Australia's next generation of senior leaders could be blocked from progressing.

It will take innovative leadership, succession plans and career strategies to keep younger employees from leaving their employers in frustration and disappointment.

As discussed earlier (see page 22), making better use of older workers is an important potential solution to the skills crisis. However, organisations need to strike a careful balance between retaining older workers and providing opportunities for the next generation of leaders to ascend.

An Australian Bureau of Statistics survey indicates that Australians who intend to retire within the next 20 years expect to do so at an average age of 64 – five years older than the average age of retirement in the 20 years before the survey.⁷³

In addition, the weaker share market has dwindled superannuation nest eggs, so some senior executives are delaying retirement. Further, family-owned business leaders can sometimes be reluctant to retire. This can often be accompanied by a lack of succession planning, which can challenge the long-term survival of the business.

Mature-age workers delaying their retirement might prevent younger staff from moving into positions of power as quickly as they would like. As a result, younger workers may look elsewhere for advancement opportunities. This could shrink the pipeline of potential successors within the organisation.

The modern high performer is impatient and expects rapid promotion. They want a clear line of sight to the next move – and the move after that. There are likely to be plenty of other opportunities for promotion in a growing economy with an overall shortage of top senior talent.

Mismanaging transitions at the top bears a high cost for any business – and that cost will grow in a talent shortage. Many Australian organisations are already experiencing a net loss of top senior talent, which is opening up capability gaps in critical areas.

Policy opening the way

This is an area where action is likely to be driven by Australian businesses rather than by any significant change to government policy.

Case study: The value of planning ahead

Forward-thinking small and medium businesses use succession planning to allow owners to step away from day-to-day management to focus on business strategy.

Early planning avoids one of the most common skills and workforce challenges that threaten the survival of small and medium businesses – the loss of knowledge associated with the retirement of the long-standing business owner.

Business owners of Superior Food Services, Craig Phillips and Michael Jeffs, for example developed a management succession plan though both only being in their early 40s.

“The decision to step away from day-to-day management and subsequently hire a general manager has allowed us to redefine our roles, upskill and focus on longer-term business opportunities. Coupled with ongoing coaching and mentoring, succession planning is allowing us to drive growth,” said Craig Phillips.

⁷³ Australian Bureau of Statistics, “Australian Labour Market Statistics: Retirement intentions”, Cat No. 6105.0, January 2009.

Reflecting on the business opportunities

To retain rising stars, organisations need to adopt a more strategic approach to leadership succession planning and talent management.

Employees look for three key things in their careers: development, deployment and connection. Managing this upward mobility challenge will require businesses to provide interesting development and deployment opportunities, and a heavy focus on connection.

Senior executives who have deferred their retirement should have opportunities to step out of the executive role and contribute in other ways that leverage their experience and corporate knowledge.

Organisations can start by using a corporate lattice (see Lever 10 on page 46) to ensure all employees are trained to their full potential and create an expanded set of career pathways. This will provide structure, flexibility and room to create meaningful opportunities for the next generation to develop and grow.

Career and succession planning needs to start earlier, and should be based around acquiring critical experience, not just planned vertical job moves.

Businesses and their executives must engage in a new dialogue on leadership development. Leadership needs to be created, opened up transparently and discussed regularly. Input needs to be sought from a broader audience and emphasis placed on generating the collective experience needed for strategy execution, not just competence.

Career coaching and mentoring is critical. This is a key lever for keeping top people engaged, providing guidance around career planning and reassurance about development. In many cases, career coaching should be provided by someone outside the immediate manager relationship to ensure a completely objective source of advice.

- To what degree are your employees connected and looking for their next challenge in your business – or in someone else's?
- Are your talented people restless? What are you doing to keep these people and make "restlessness" work for you?
- How much does your business focus on career coaching, mentoring, succession planning and leadership development?

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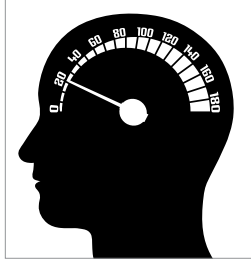
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Lever 12:

Your next worker may currently be on cruise control

Beating the skill shortages by engaging your employees

The performance of any organisation depends on having an engaged workforce. Engaged employees are prepared to put discretionary effort into achieving organisational goals, become strong advocates for the company's values and stick with a company for a long time.

“It is not cash that fuels the journey to the future, but the emotional and intellectual energy of every employee.”⁷⁴

If we assume that the average full-time employee is required to make 37.5 hours of effort a week, then an additional discretionary five hours (or one hour per working day) represents a 13% increase in productivity. To put it another way, every 7.5 workers who put in five hours of extra discretionary effort a week effectively negate the need for an additional worker. This means that you can access the productivity of 8.5 workers for the cost of 7.5 workers.

Effective employee engagement can provide significant business benefits, such as:

- Higher operating incomes, net income growth and earnings per share⁷⁵
- A significant reduction in staff turnover – the Corporate Leadership Council concluded in 2004 that employee engagement contributed an 87% reduction in staff turnover⁷⁶
- Higher retention rates, resulting in significant savings in skills and training costs – consulting firm Hewitt in 2009 found that four out of five (85%) of engaged employees planned to stay with their employer, compared to 27% of disengaged employees⁷⁷
- Productivity gains due to better employee alignment – performance management firm Peoplestreme reported gains of up to 25%.⁷⁸

Looking at it from another angle, management consulting firm Gallup estimates the cost of disengagement for Australian businesses is more than \$39 billion a year in lost productivity.⁷⁹

The challenges of engaging employees

The pressures of the skill shortages make it all the more important for businesses to help their employees shift from cruise control to top gear. By unlocking discretionary effort and getting more from each person, they can reduce staffing pressures.

The challenge for CEOs is getting all employees – or at least most of them – to commit to delivery. Being supportive of the direction is no longer sufficient.

74 Gary Hamel, C. K. Prahalad, *Competing for the Future*, Harvard Business Press, 1994.

75 Towers Perrin, “Employee Engagement Underpins Business Transformation,” September 2009.

76 Corporate Leadership Council, “Driving Performance and Retention through Employee Engagement: a quantitative analysis of effective engagement strategies,” 2004, pp. 4 and 6.

77 2011 Aon Hewitt Best Employer Highlight report, <http://was2.hewitt.com/bestemployers/anz/pages/studyhighlights.htm>.

78 Peoplestreme, “Employee Engagement – A Silver Bullet,” 2009.

79 See <http://www.gallupaustalia.com.au/consulting/118711/employee-engagement.aspx>.

Typically, three things stand in the way of achieving this:

- People do not see themselves as part of the whole organisation – they do not have a strong sense of belonging
- People are not committed to the specific goals of the organisation – they do not have a strong sense of belief in what the organisation is trying to achieve
- People do not have a common understanding of how they are supposed to behave to get the task done.

Real productivity stems from overcoming all three of these obstacles. Leaders achieve greater productivity in their organisations when they can create a sense of belonging, a belief in the goals to be achieved, and a common understanding of the behaviour needed to carry out key tasks.

The cost of disengagement for Australian businesses is more than \$39 billion a year ⁸⁰

Policy opening the way

Governments can and have assisted Australian workers to become more productive. Today's prosperity is partly attributable to our strong record of policy performance since the early 1980s. Governments of all stripes, state and federal, deregulated money and foreign exchange markets, addressed national competition policy and wound back the centralised regulation of labour markets. That process of policy reform assisted productivity and has helped to turn Australia into a prosperous nation.

And more can be done. In particular, Australia's federal system of government means that most businesses have to deal with a plethora of rules imposed by Local, State and Federal Governments. In addition, there is typically little coordination between these levels of government, resulting in unnecessary compliance costs for business.

Many of these difficulties are already recognised in the agenda of action items before the Council of Australian Governments (CoAG). Yet all too many of these matters have lingered on that agenda for much too long – "everyone" agrees with the need for action, but the difficulties of championing and coordinating changes across nine jurisdictions means that all too little genuine productivity-enhancing reform actually occurs. There is significant scope for further governmental action to enhance the productivity of the economy.

Businesses also have an important role to play in taking up the challenge for higher productivity in their own organisations.

80 Ibid.

Case study: Working As One

Leaders need to understand employees as individuals. The marketing industry discusses the virtues of marketing to the 'category of one' or the unified group: this can be applied equally to employees. Understanding and acting on individual employee' needs and preferences is the key to achieving greater individual effort and increased rates of retention.

An article in the May 2011 edition of AFR Boss⁸¹ provided an overview of global logistics giant Brambles CEO Tom Gorman's efforts to engage employees, foster collective action and enhance productivity.

Gorman applied a focus on making personal connections between people from Brambles subsidiaries in different regions to foster informal networks. Detailed analysis of how his top 1000 staff were working 'as one' led to significant insights that reshaped his strategy-setting and transformation efforts.

Reflecting on the business opportunities

Deloitte has undertaken a global knowledge initiative to study how collective leadership contributes to increased productivity to develop a systematic understanding of what gets employees to behave As One. Based on 60 detailed case studies across 19 industries and many countries, the study identified eight models for how leaders and followers work together to achieve great things.

- Are your employees just cruising or truly engaged? How are you measuring this?
- What are you doing to understand the individual needs, drivers and motivations of your employees?
- How systematically are you tapping into the needs and drivers of individual workers to help productivity?
- What strategies or recognition and reward programs have you implemented to encourage your employees to behave as one team?
- Do people in your organisation have radically different mental models of how they are supposed to work together? How are you mapping this and what strategies do you have in place to ensure you are dealing with this effectively?

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81 Catherine Fox, "The Flat World of Tom", AFR Boss, 11 May 2011, p 22.

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