

Ai GROUP SUBMISSION

The 2021-22 Budget

FEBRUARY 2021

Ai
GROUP

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About Australian Industry Group

The Australian Industry Group (Ai Group®) is a peak national employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for nearly 150 years.

Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our vision is for *thriving industries and a prosperous community*. We offer our membership high quality services, strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

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1. Executive summary and summary of recommendations

The 2021-22 Budget is an opportunity to secure and build on the recovery from the dramatic economic impacts of Covid-19 and to take key steps to lift the longer-term capacity and dynamism of the Australian economy.

Australia's recovery from the Covid-19 crisis is proceeding at a faster pace than was previously expected. While recent signs are very encouraging and are pointing to further progress over coming months, Ai Group remains wary of the possibility that what we have seen to date is a more of a policy-led bounce than a self-sustaining recovery.

With key elements of fiscal stimulus already ended or due to end in March, there remains the risk that recovery could stall, and business and consumer confidence could deteriorate during the second quarter of 2021. This is even though, under current settings, considerable stimulus from other measures will continue to flow over the year ahead and beyond.

While the picture will become clearer over the next couple of months, an early announcement of key measures that could take effect in the second quarter could address the risk of a premature wind down of fiscal support. There is no sign that adopting such measures would place prices or wages pressure on the economy.

These measures could include targeted support for businesses and employees experiencing ongoing severe impacts from Covid-19; additional support for the employment and retention of apprentices and trainees; a new national cadetship program and a relatively modest extension to the immediate expensing of depreciating assets measure.

Beyond the important issue of the extent and timing of further stimulus, the 2021-22 Budget is an opportunity to take further steps to address underlying fragilities in the economy that were evident well before the onset of the Covid-19 crisis.

For this Budget, Ai Group proposes a concerted effort to build on the start that has been made in modernising Australia's approach to education and training. This area is a key to lifting opportunity, employment and employability; to securing longer-term productivity gains; and ultimately to improving social mobility and social cohesion.

We also propose measures across a range of policy areas including in the development of the digital capabilities of businesses and other organisations; in

advancing energy efficiency; supporting the advance of hydrogen as an energy source; and accelerating the development of a domestic recycling industry.

The submission also proposes several measures that will help reduce the most severe impacts of the current disruption to immigration. These include federal support for the states and territories to expand quarantining capacity both as a means of increasing the pace of return of Australians abroad and to create opportunities for the inflow of non-Australians to address key areas of skills shortage. We also propose the federal Government create new pathways for the conversion of temporary work visas into permanent visas. This would apply to people currently in Australia and would address the restrictions in many visa categories against looking for different work opportunities.

Summary of recommendations

Addressing areas of ongoing concentrated Covid-19 impact

- Support for businesses and employees to prevent a permanent loss of capability in industries and supply chains severely impacted by ongoing Covid-19 restrictions.
- Extend the funding for the International Freight Assistance Mechanism (IFAM) until our international borders have re-opened and international flight schedules have normalised.

Skills and Education

- Raise apprenticeship incentive rates to reflect the rising costs to employers of supervising and training apprentices.
- Make available apprentice supervisor workshops for employers of apprentices eligible for Commonwealth incentives and consider additional recruitment support for SMEs and those new to apprenticeships.
- Provide targeted funding to GTOs to support their activities to help disadvantaged groups, and to help SMEs participate in the apprenticeship system, similar to the previous Joint Group Training Program.
- Establish a new national internship and cadetship program that encourages businesses to provide employment opportunities for VET and higher education students.
- Identify a broader range of new priority occupations for higher skill programs in order to increase participation.

- Promote the uptake of higher apprenticeship initiatives by providing employer incentives and addressing systemic challenges to their implementation.
- Introduce a workforce development support program that provides guidance with skill needs planning and training delivery relating to new company directions and subsidised training.
- Introduce a national support program for displaced workers.
- Fund Industry-education sector collaborative hubs.
- Strengthen VET - industry engagement through the establishment of a national industry advisory body.
- Proceed with flexible education and training frameworks utilising the AQF review directions.

Improving the immediate expensing of depreciating assets

- Build leeway into the immediate expensing of depreciating assets measure so it is available for investments where contracts have been signed by 30 June 2022 and where the new assets are installed and ready for use by 30 June 2023.

Lifting businesses' digital capabilities

- Both for new and existing areas of digital regulation, regulatory agencies should be sufficiently resourced and encouraged to ensure efficient regulatory practices, including by developing digestible information about business obligations and compliance.
- Where appropriate, resources should also be allocated to assist businesses and other organisations build familiarity with regulatory obligations and help them upskill and develop new compliance processes and practices.

Climate and energy

- Offer matching funds for new or additional state and territory energy efficiency policies, with a requirement for information-sharing on these programs between jurisdictions.
- Leverage the \$43 m that ARENA has to support large energy user studies on opportunities for energy cost reduction by committing to capital grants for opportunities taken up on a matched-funding basis. This would deliver

dramatic progress on the process heat improvements identified by ARENA and create more than 7,000 job-years of employment.

- Add further federal initiatives where state and territory policies on energy efficiency are lacking. Private housing and agriculture seem set to be missed; substantial matched funding for efficiency upgrades in these areas would be extremely useful.
- Consult widely on options for a large long-term scheme to support rollout of hydrogen, and potentially other relevant technologies such as biogas.
- Allocate at least a further \$500m for an expanded second round of ARENA's existing \$70m hydrogen deployment funding round.

Circular economy and waste

- To further support the development of a viable domestic recycling industry, Ai Group proposes the Government undertake a review to identify the best ways to address cost gaps between recycled and virgin materials.

Population and immigration

- While maintaining rigorous and effective procedures, the federal government should work with the states and territories to expand the capacity of quarantining arrangements including to accommodate greater numbers of returning Australian citizens.
- Within the capacity of safe and effective quarantining, every effort should be made to facilitate the inflow of skilled migrants required to secure recovery and growth of domestic activity;
- Measures should be taken to ensure that in-country temporary workers are more readily able to become permanent migrants free from the restrictions associated with visa categories that currently do not permit a pathway to permanent migration.

Vaccine nationalism and regional support

- Further resourcing should be considered for the provision of vaccines and distribution advice and support for Pacific nations and our ASEAN neighbours.
- Australia should take a leading role in speaking against vaccine nationalism and calling for the G20 to work to ensure that less developed countries have safe and ready access to vaccines.

Remodelling the Fair Entitlements Guarantee

- The Fair Entitlements Guarantee (FEG) should be restructured to improve equity and reduce major budgetary risks by limiting redundancy payments to the minimum amounts specified in the National Employment Standards and by ensuring that current uncertainties about the definition of casual employees do not create scope for double-dipping under the scheme.

Improving integrity of tobacco taxation

- Ai Group proposes the federal Government adopt the recommendations of the Parliamentary Joint Committee on Law Enforcement's 2020 report *Illicit Tobacco* to take further steps to improve enforcement in relation to the distribution of tobacco products that have not been subject to tobacco excise.

Part 1: The Economy and the Budget

2. Overview of the economy and current challenges

Ai Group has recently released a detailed report on current business conditions *Business experiences in 2020 and outlook for 2021* which is included as an attachment to this submission.

Ai Group's report *Business experiences in 2020 and outlook for 2021* can be accessed at:

https://cdn.aigroup.com.au/Reports/2020/Business_outlook_2021_report.pdf

and an infographic summary of major findings is available at

https://cdn.aigroup.com.au/Reports/2020/Business_outlook_2021_infographic.pdf

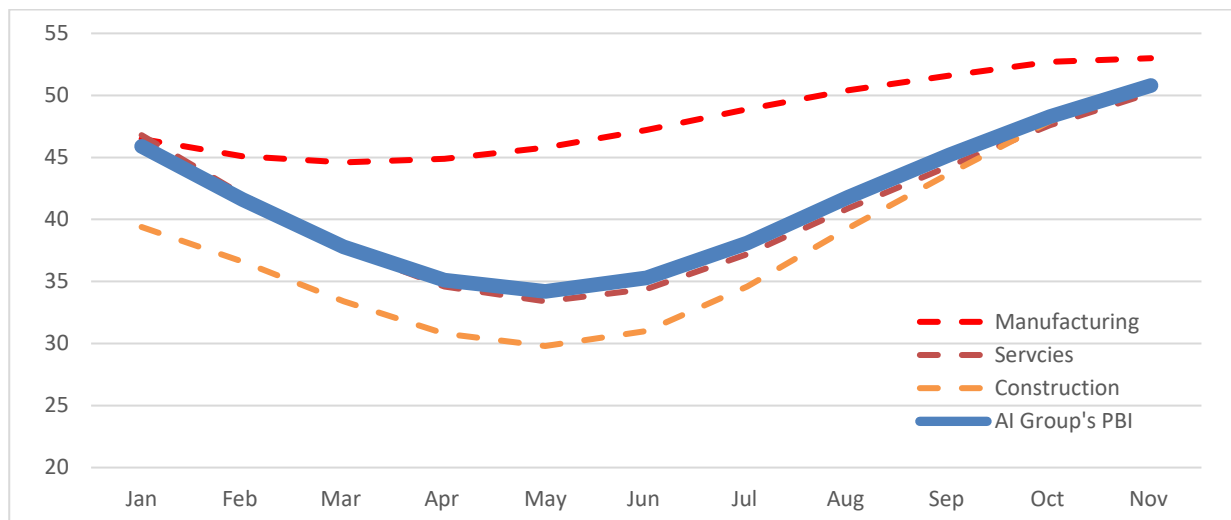
In this brief section we draw on that report and on other information in setting out our view of the state of the economy and the challenges we see as most relevant to framing the 2021-22 Budget.

The recovery to date from Australia's Covid-19 recession is considerably stronger than earlier expectations.

- At 3.3 per cent, GDP growth in the September quarter was well above most forecasts.
- The number of people in employment grew in six of the seven months following May and recovered by 784,000 over this period compared with the 878,000 reduction in the number of people employed over the three months to the end of May.
- Despite an unexpectedly firm recovery in workforce participation, the unemployment rate fell to 6.6 per cent December. This is an impressive improvement on the peak of 7.5 per cent reached in July and well shy of the mid-year fears of the unemployment rate reaching 10 per cent.

Ai Group's measures of business performance over the course of 2020 (Chart 1) record the extent of decline and the beginnings of recovery towards the end of the year (measures of over 50 indicate growth).

Chart 1: Ai Group's Monthly Business Performance Index (PBI) (and component indices) over 2020 (trend series)



Sources: The Australian PBI; manufacturing: the Australian PMI®; Services: the Australian PSI®; and construction the Australian PCI® (with the Housing Industry Association).

While the steps towards recovery are very encouraging, the impacts of Covid-19 remain severe by any standards.

- GDP at the end of the September quarter was still 4.2 per cent below the level reached at the end of 2019.
- 278,000 more people were unemployed or underemployed in December 2020 than a year earlier.

Securing a full recovery will not be easy. This is particularly the case because, at least for the year ahead, notwithstanding the high hopes being placed on vaccination, there is likely to be a need to manage intermittent outbreaks and to continue to adjust to disruptions to work, social activity, commuting and interstate movement. Tight constraints on international travel is a further barrier.

Constrained international travel has pulled the rug from under immigration which has been a staple of Australian economic growth and has been critical to the supply of key skills. This presents particular challenges for the housing industry and could act as a brake on the recovery and expansion potential of many businesses.

Another challenge for policy is how to address the particular concentrations of ongoing severe impact of Covid-19 and avoid the risk of a permanent loss, or a very heavy erosion of capability. To date many businesses and employees experiencing severe impacts have been insulated by JobKeeper which also has served as a vital element in stimulus to the overall economy. Its role in helping hold the economy together helped overshadow its impacts in dampening work incentives and the

normal processes of business attrition. A more tightly targeted approach to the remaining concentrations of severe impact of Covid-19 will be more appropriate as recovery builds and as the need for general stimulus fades.

Beyond the tasks of recovery and managing the ongoing impacts of Covid-19 adjustment, there remains the need to address the underlying weaknesses evident from well before the Covid-19 crisis. These weaknesses showed up in entrenched low productivity growth; weak business investment (especially outside of the mining sector); and disappointing real incomes growth. While the immediate emphasis needs to be on job creation, lifting output and rebuilding business and consumer confidence, the 2021-22 Budget should also include steps towards addressing the underlying weaknesses in the Australian economy.

The broader policy agenda required to reboot Australia's productivity growth is far-reaching and, as discussed in Ai Group's Post Pandemic Policy Papers released in 2020¹, requires sustained and cooperative attention by all levels of government over an extended period. The agenda we identify includes education and training, workplace relations, industry development policies including business capability development and innovation, taxation, climate and energy, circulate economy and waste and workplace health and safety.

In this submission we place greatest focus on the education and training agenda both because it is fundamental to the long-run success of our economy and society and because of its role in improving employment and employability which are central to the further recovery and adaptability of the economy.

Important steps are in train in some of the other key areas – such as industry development including the important Modern Manufacturing Strategy) and workplace relations, and further near-term progress does not depend on additional budgetary measures. We also put forward measures below in relation to the climate and energy and circular economy and waste areas.

While making substantial progress on taxation reform, including to boost business investment, remains a high priority, substantial reform will require careful foundational work across the federation and the broader community and, with an already-crowded agenda, Ai Group does not see the 2021-22 Budget as the vehicle to initiate, or rule out, the substantial reform agenda that is required.

¹ See <https://www.aigroup.com.au/policy-and-research/policy-papers/>

3. Policy contours

Ai Group supports the broad medium-term fiscal strategy set out in the 2020-21 Budget. That strategy balances the important task of consolidating the federal government's balance sheet over the medium term with both the scope for short-term fiscal stimulus and the recognition that well-directed public sector investment has a key role to play in building a stronger economy and larger tax base.

This strategy sits alongside highly accommodative monetary policy and the readiness of the Reserve Bank to maintain this stance.

Additional fiscal stimulus and addressing areas of ongoing concentrated Covid-19 impact

The unprecedented fiscal stimulus introduced over the course of 2020 played a central role in insulating the economy from the shockwaves of Covid-19 and ensured it was better positioned to bounce back as restrictions began to be lifted.

The key question over coming months is whether the pace of withdrawal of fiscal stimulus is appropriate or whether additional measures are needed before recovery is more firmly entrenched.

The more conspicuous elements of stimulus such as JobKeeper, the Coronavirus Supplement, the \$40 billion in withdrawals from superannuation accounts, and special payments to low and middle-income households have come to an end or are scheduled to do so by the end of March.

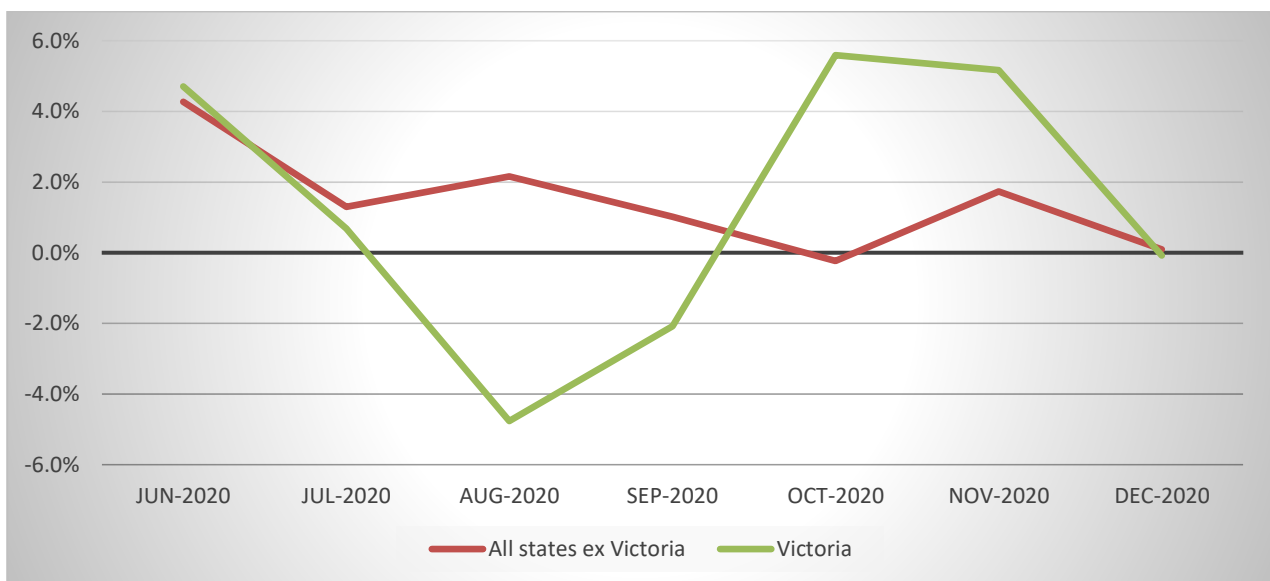
While this amounts to a substantial drop of inflows into the economy, a good deal of fiscal stimulus will continue to flow.

- This includes increased spending on infrastructure over the next few years; the personal income tax cuts; and, to lesser extents the JobMaker Hiring Credit and the incentives for business investment and loss carry-back provisions.
- It also includes the proportion of stimulus that has already been paid to households and businesses that has not yet been spent. A good part of this is likely to flow into circulation and help boost activity over the period ahead.

Despite this level of continuing stimulus, Ai Group remains cautious that what we have seen to date is more of a policy-led bounce than a self-sustaining recovery. The risk is that the present trajectory for the withdrawal of fiscal support could see momentum stall and household and business confidence deteriorate in the months after March.

We are concerned that the pace of recovery in the labour market slowed quickly once the initial impact of the easing of restrictions passed. As shown in Chart 2 below, across states other than Victoria, the pace of growth in hours work trended down from June. The downward trend was only temporarily interrupted as further impetus was generated nationally when restrictions were eased in Victoria. In Victoria itself the strong recovery of October and November had stalled by December and the national rate of growth of hours worked was only 0.1 per cent.

Chart 2: Monthly change in hours worked: June to December 2020 (seasonally adjusted)



Source: ABS, 6202.0 Labour Force Australia.

Whether the recovery does become more firmly entrenched will become clearer over coming months. However, if there is a need for further stimulus it should be delivered, or at the very least announced, well before the May Budget to minimise the risk of the recovery stalling in the second quarter of the year.

With little pressure on prices or wages, there would be little to fear from a macroeconomic management perspective from an additional fiscal boost ahead of the May Budget.

This timing fits with the imperative discussed above for the Government to introduce an approach to the further amelioration of the difficulties faced by businesses and employees in the concentrated areas of ongoing severe Covid-19 impacts. Many businesses linked to inbound tourism, international students, entertainment venues, and passenger transport among others continue to struggle and, in the absence of new measures will face a heightened risk of retrenchments and insolvency from late March.

The program should permit flexibility in the identification of eligible businesses and supply chains and support could be accompanied by the provision of business advisory services to ensure that restructuring and repositioning options were actively considered by eligible businesses.

A key measure the Government put in place last year for particularly severely impacted businesses was the International Freight Assistance Mechanism (IFAM). This is a temporary measure to keep international freight routes operating while Australia's international borders remain closed. Currently the funding is expected to end in the middle of 2021. Ai Group encourages the Government to extend the funding for the IFAM until our international borders have re-opened and international flight schedules have normalised.

Additional fiscal support over this period could be delivered by the early announcement of measures which, while essentially aimed at lifting the pace of productivity growth over the longer term, would also have near-term stimulatory benefits. For example, there are two measures in the broad skills and education agenda detailed in this submission that could be considered for early adoption to provide additional stimulus from March:

- Raise apprenticeship incentive rates to reflect the rising costs to employers of supervising and training apprentices; and
- Establish a new national internship and cadetship program that encourages businesses to provide employment opportunities for VET and higher education students.

Another measure that would provide additional fiscal stimulus is to adopt Ai Group's recommendation to improve the full expensing of depreciating assets announced by the Government in 2020.

Other measures for the May Budget

Beyond the near-term additional stimulus, Ai Group, is proposing the Government place a heavy emphasis on skills and education in the 2021-22 Budget. A more highly skilled Australian workforce is the foundation of future productivity growth; a return to real incomes growth; and the expansion of the opportunities that underwrite social mobility and social cohesion.

Ai Group is also proposing a refinement of the welcome focus the Government has given to the development of digital capabilities among Australian businesses.

We have recommendations for additional programs in support of the important tasks of boosting energy efficiency; supporting the development of hydrogen as an

energy source; and accelerating the emergence of competitive waste recycling capabilities.

With immigration severely constrained, there is a need to do what can be done to safely expand quarantine capacity especially for returning residents but also to accommodate migration of non-Australians with the skills required for our economic recovery and expansion. There is also scope to adjust rules governing applications for permanent residency so that people already in Australia can participate in a broader range of economic activities than is permitted under the terms of their temporary visas.

Ai Group is also proposing that Australia take an active stance in providing vaccines and distribution assistance and advice to our Pacific and ASEAN neighbours.

Ai Group is concerned that over the course of 2021 and 2022 there will be large increase in the number of businesses facing insolvency. This is a consequence of the deferred impacts of the Covid-19 disruption combined with the deferral of insolvencies that normally would have been expected to occur over the past year. As mentioned above one impact of the temporary fiscal stimulus measures was to dampen the normal process of business attrition.

We recommend that the Fair Entitlements Guarantee be amended to remove some structural flaws and inequities that would see much higher amounts paid in response to this wave of insolvencies.

Ai Group proposes that the federal Government adopt the recommendations of the Parliamentary Joint Committee on Law Enforcement's 2020 report *Illicit tobacco* to take further steps to improve enforcement in relation to the distribution of tobacco products have not been subject to tobacco excise. While recent steps have improved the integrity of tobacco taxation, further improvements can be made including to ensure there is a more level playing field for businesses that are currently being undermined by the distribution of illegal tobacco products.

Part 2: Detailed Policy Areas

4. Addressing areas of ongoing concentrated Covid-19 impact

There is a need to further ameliorate the difficulties faced by businesses and employees in the concentrated areas of ongoing severe Covid-19 impact. Many businesses linked to inbound tourism, international students, entertainment venues, and passenger transport among others continue to struggle and, in the absence of new measures will face a heightened risk of retrenchments, insolvency from late March when JobKeeper comes to an end. This measure is needed to prevent a severe erosion of capability for areas of activity that have important parts to play in the full restoration of the Australian economy.

The new program should permit flexibility in the identification of eligible businesses and supply chains and support could be accompanied by the provision of business advisory services to ensure that restructuring and repositioning options were actively considered by eligible businesses.

5. Education and training

If Australia is to rebuild and provide access to jobs in all emerging and continuing industries as it exists within and moves out of a pandemic environment, our education and training outcomes need to closely align with opportunities in the labour market as they re-emerge. Education and training must be related to business growth needs, integrated with industry strategies and include innovative approaches that better anticipate immediate-, short- and medium- term skill priorities for industry sectors. All workers should receive the education and training needed to allow them to undertake productive and engaged roles in order to better contribute to renewal and innovation in the workplace.

Accelerated change in industry, brought about by the pandemic, has led to a leap by more companies into an increasingly sophisticated mix of human and technological capabilities. This reaches into all learning and development and has helped to demonstrate that ongoing learning for whole-of-company workforces links to workforce productivity. Moving forward, the broadening and deepening of skills and knowledge must be constant.

Our recommendations focus on renewed strategies and funding measures to ensure that education and training is a key driver in Australia's economic recovery.

5.1 Reform of Australia's apprenticeship system

Apprenticeships and traineeships are a central component in developing and maintaining Australia's skilled workforce. They are part of the skills equation that is key to our COVID economic recovery. They are an important vehicle in providing opportunities for young people to enter or re-join the labour market, and in helping employers re-establish their workforce as the economy recovers from the pandemic.

In a period where skilled migration is likely to be curtailed for some time, a skilled workforce in place to assist future growth will help the Australian economy recover from the current environment. If apprenticeships cannot meet Australia's skills needs, consideration needs to be given to how else they can be met.

Apprenticeship commencements

The level of apprenticeship commencements is a continuing concern for the nation's industry sectors; made worse by the recession caused by the pandemic. The most recent data from the NCVER indicated a reduction of 20 per cent of apprenticeship and traineeship commencements in the first six months of 2020 compared to the first six months of 2019². This follows a steady decline in commencements for the past decade.

Apprenticeships and traineeships are important pathways to good careers for many young people, and supply a steady pipeline of skilled workers for many industries. Further shrinking of commencement numbers will restrict career opportunities and in the longer term will create skills shortages in a range of occupations.

The announcement in the October 2020 Budget of the Boosting Apprenticeship Commencements Program, containing substantial wage subsidies for employers, appears to have improved apprenticeship commencements since its implementation. No official figures have been publicly released, but unofficial reports indicate that numbers across all industry sectors have improved significantly.

Ai Group is concerned about the short-term nature of the program. Commencements are limited to 100,000 and the subsidies cease on 30 September. This is no doubt stimulating new commencements in the short term, which is critical given the economic context, but there are no plans to address the long-term decline in apprenticeship numbers. Ignoring the temporary programs responding to the pandemic, the financial incentives for employers have changed little for the past 20 years.

² Numbers drawn from NCVER DataBuilder, released 16 December 2020.

The cost of employing and training an apprentice or trainee has increased markedly over recent years. Enrolment fees for RTO training have risen substantially in some states, apprentice wages rose significantly as a percentage of trade wages in 2013,³ When an employer weighs up the cost of employing an apprentice, financial considerations are not the only criteria. Some are motivated to do something for the community, to help out an individual, or to ensure a pipeline of skills for the future. However, cost is always an important factor, as it is with any business decision. Over time, the financial equation of weighing up incentives against wages, enrolment fees, durations and supervision costs, has made the employment of apprentices less attractive.

Ai Group believes that incentives need to be revisited in acknowledgement that costs have increased markedly over 20 years, and to restore some balance in the financial equation.

Apprenticeships primarily exist at a Certificate III level, however the economy increasingly needs higher level skills. The apprenticeship model can be applied to high level qualifications, including degrees. The broadening of the apprenticeship model for Australia is discussed in a later section.

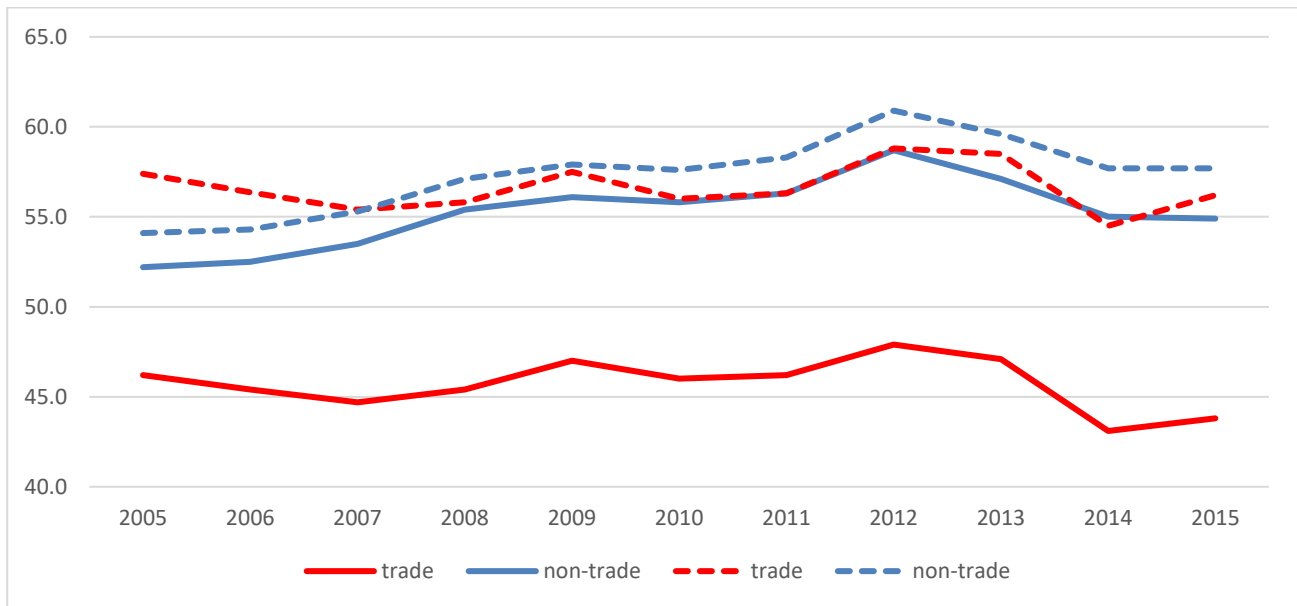
Incentives should be extended to cover apprentices and trainees undertaking higher level qualifications at the Diploma and Advanced Diploma levels, and in approved apprenticeships at Bachelor levels if and when they come into operation. Ai Group notes the Incentives for Australian Apprenticeships program, delayed for 12 months until 1 July 2021, includes incentives for Diplomas and Advanced Diplomas. Higher level programs are discussed in a later section.

Completion rates

Completion rates for apprenticeships and traineeships continue to worsen. NCVET's latest annual completion data were released in July 2020 and show national contract completion rates have declined to 49.1 per cent for all occupations and 43.8 per cent for trades. Individual completion rates are 56.2 per cent for trade occupations and 57.7 per cent for non-trade occupations.

³ For example, a first year apprentice's rate of pay increased from 42% of trade rates to 55% for Year 12 completers and 50% for others (Fair Work Commission Transitional Review of Modern Awards —Apprentices, Trainees and Juniors: Common Claims – August 2013).

Chart 3: Contract and individual completion rate (%) by course commencement year, 2005 – 2015.



Source: NCVER (2020), *Completion and attrition rates for apprentices and trainees 2019*
 NB: Contract completions are mapped in red, individual completions are mapped in blue.

When observing completion rates over the past decade, they seem to have been slightly improving for apprentices up until those who commenced in 2012, where the rate has come down markedly, from 58.8 per cent to 54.5 per cent over two years. The same thing happens for trainees, where the rate has declined from 60.9 per cent to 57.7 per cent.

It is disappointing that the numbers haven't shown much improvement over the past decade. The Industry Specialist Mentoring for Australian Apprenticeships Program started in 2017 and potentially had an impact, but data from that period is not yet available, and the program concluded in December 2019.

Ai Group has previously suggested other strategies to improve completion rates. Research shows that apprentices' employment experiences accounted for 33 per cent of non-completions. The most commonly cited reason given by non-completing apprentices was "did not get on with boss or other people at work".⁴ This points to either poor matching at recruitment or the need to further develop supervisory and mentoring skills in the workplace. . That same report found that employers with the highest completion rates generally have larger, experienced companies with well-organised systems for managing and recruiting apprentices. Employers with lower completion rates tend to be operating smaller companies and have less experience.

⁴ Bednarz, A. (2014), *Understanding the non-completion of apprentices*, NCVER

Most employers that take on apprentices have small companies. Sixty-three per cent of employers have only one apprentice; these employers need to be supported to help their apprentices complete. They need help to improve their recruitment practices and help to improve how they manage their apprentice after they commence, including understanding their obligations. Professional development workshops for apprentice supervisors have been trialled at different times with positive results; however, they have not always reached those employers who need help the most. Encouragement for new employers, or employers seeking additional support, to attend a workshop when eligible for incentives could help extend the intended audience.

Group training

Another report published by NCVET⁵ that relates to apprenticeship completions concerns group training. This report examined apprenticeship completion rates for apprentices and trainees employed through group training compared to those directly employed by a business.

The report found that for non-trade occupations, group training has a better completion rate than for those employed directly by both SME and large employers. For trade occupations, large employers have the highest rate of apprentice completions, but completions for group training are substantially higher than for those directly employed by SMEs. The report also found that 'GTOs apprentices and trainees are younger, more likely to be in the trades, more likely to be new than existing workers, and more likely to be indigenous.' These cohorts all require additional mentoring and supervision but are important participants in Australia's skill development.

Collectively, group training is the largest employer of apprentices in Australia, employing almost 25,000 apprentices and trainees across the country. Group training organisations (GTOs) have been operating for nearly 40 years and provide important support for SMEs. GTOs will rotate apprentices to different work sites so they gain broad exposure to skills that smaller companies can't offer, and they can guarantee continuity of employment for apprentices and trainees when companies operating on short-term projects cannot. GTOs also provide mentoring support and specialise in helping disadvantaged people into apprenticeships and traineeships.

The Commonwealth previously supported GTOs in their activities through the Joint Group Training Program, which was jointly funded with state governments. National funding was discontinued in 2015-16, however some states continue to provide funding. Targeted funding of GTOs to support their activities to help disadvantaged

⁵ O'Dwyer, L. & Korbel, P. (2019), *Completion rates for group training organisations and direct employers: how do they compare?*, NCVET, Adelaide

groups, and to help SMEs participate in the apprenticeship system may help improve commencement and completion numbers.

Ai Group's Background Paper on Apprenticeships for a Modern Economy is available at this [link](#).

Recommendations

Raise apprenticeship incentive rates to reflect the rising costs to employers of supervising and training apprentices.

Make available apprentice supervisor workshops for employers of apprentices eligible for Commonwealth incentives.

Provide targeted funding to GTOs to support their activities to help disadvantaged groups, and to help SMEs participate in the apprenticeship system, similar to the previous Joint Group Training Program.

5.2 National cadet program

Ai Group believes a new national wage subsidies program that assists employers to engage VET and higher education students as cadets and interns is urgently needed. The rapidly changing work environments and skill needs thrown up by COVID-19 are best served by learning that is connected to and closely reflects workplace skill needs, such as work-based and work integrated learning models.

This design principle must be more widely explored so that workplace learning is recognised as a key delivery component in all tertiary education.

Employment-based learning models are typified by apprenticeships and traineeships, but work based learning includes internships and cadetships, where formal education and training is augmented by application and support on-the-job, over time, from other skilled workers.

There is much evidence that combining an employment contract with formal education and training results in better employment outcomes. The recent Mitchell Institute report calling for the National Job Cadet Program⁶ cites reports from the OECD that note benefits for students from participating in work-based learning include learning environments linked to current workforce needs and better linkages with labour market demand, while for employers such programs offer potential long-

⁶ Dawkins, P., Hurley, P., & Lloyd, D. (2020). Averting an Escalating Labour Market Crisis for Young People in Australia: A Proposed National Job Cadet Program. Mitchell Institute, Victoria University. Melbourne

term employees while also gaining from the productive work completed during placements.

The proposed national program, designed and proposed by Peter Dawkins (Victoria University) and David Lloyd (University South Australia) would require substantial wage subsidies in order to incentivise employers to take on interns at scale in the height of exceptionally high youth unemployment and poor labour market prospects. The program could be developed through

Commonwealth/State and Territory partnerships, as well as with Commonwealth Higher Education funding. Existing infrastructure for employer incentives and wage subsidies could be expanded, in particular the Commonwealth funded Australian Apprenticeship Support Network (AASN). Select Group Training Organisations (GTO)s could act as third-party employment platforms that are able to aggregate demand thereby enabling scale at commencement.

Direct subsidies would incentivise employers with training costs met by the interns and cadets through FEE-HELP.

Ai Group notes the Federal Government's promising step in this direction by introducing the new Women in STEM Cadetship and Advanced Apprenticeship Program. A supported national cadet program for Australia would encourage more widespread use of such a model by employers and young people. During the COVID-19 crisis universities have worked hard to establish innovative work integrated learning arrangements for students, including remote internships and placements, projects and consultancies undertaken by students.

It is important that the National Industry Linkages Fund (NPILF), included in the Job-ready Graduates Package, provides a framework that steps up engagement between universities and industry on a range of quality innovative WIL activities. The National Strategy on WIL in University Education remains a key document from which strategies and actions can be developed. The NPILF's brief to facilitate research partnerships is also welcomed. Equally as important as work integrated learning is the fostering of stronger connections for research and development through the Fund.

If employers are to be partners in the increased work-based learning arrangements needed within programs that assist with early access to individual workers, support will be needed towards the increased supervisory, regulatory and cost burdens placed on businesses under such models. It is important to support industry involvement to build quality work-based learning models.

Recommendation

Establish a new national internship and cadetship program that encourages businesses to provide employment opportunities for VET and higher education students.

5.3 Higher level skills programs to meet the demands of a transforming economy

With digital transformation fast-tracked by the pandemic it is vital for the recovery that higher level skills programs are introduced across industry areas to meet the need for creeping skill levels. Prior to the pandemic automation was already disrupting skills, reallocating employment between tasks, sectors and regions. Labour demand is shifting towards higher level, more cognitive skills for which many workers are not adequately trained: a mix of technical and human skills.

Before the crisis, Ai Group's research had shown that employers were prioritising managers for digital technology training. This need for management development is likely to have been heightened by the acceleration into digital systems by many companies. Businesses are now more likely to develop new digital strategies which have implications for their workforce development. Managers must determine how to use their technologies to enable their people.

The transforming economy will continue to rely heavily on higher education to develop higher critical enquiry. In the last decade the employment of professionals has increased by 35 per cent in the context of overall employment growth of 17 per cent.⁷ Higher education is largely responsible for the development of the STEM-based advanced technology knowledge and skills increasingly required in many workplaces. Australian Government data show that from 2011-2016 the proportion of university students in STEM related fields of education including natural sciences, information technology and health increased, while they decreased in architecture, environmental and related studies.⁸ Regardless of discipline, graduates need to be sophisticatedly technically proficient, with higher level cognitive and human skills.

Formal work-based learning programs at higher levels, are gaining interest from both industry and potential apprentices/cadets. These approaches have the twin benefit of increasing the level of qualification awarded for apprenticeships as well as extending the scope to non-trade and more para-professional occupations.

In the United Kingdom, only higher apprenticeships have seen an increase in commencements in recent times. The latest statistics reveal that higher

⁷ The Skilled Labour Market 2016-17 at www.employment.gov.au/skill-shortages

⁸ Higher Education Student Data, Australian Government, 2017

apprenticeship commencements grew by 11,900 between their academic years 2016/17 and 2017/18, whereas commencements for other apprenticeships declined by 130,800 for the same period.³⁷ Higher apprenticeships respond to the need by industry for higher-level skills, but they also have the potential to attract a new cohort of potential apprentices by providing clear pathways to higher-level qualifications and careers.

The UK's higher apprenticeship framework covers qualifications in a wide range of occupations not usually associated with apprenticeships such as: accounting; advertising and marketing communications; banking; care leadership and management; construction management; facilities management; information security; legal services; life sciences; power engineering; and supply chain management.

In Australia, there have been two pilots to trial higher apprenticeships, both funded through the Australian Government's *Apprenticeships Training – alternative delivery pilots* initiative. The Ai Group pilot focused on high-level technical skills in engineering and digital technology. The other was developed by PricewaterhouseCoopers, who piloted an 18-month Diploma of Business in apprenticeship mode for professional, business, information technology and financial services. Both pilots drew interest from employers and potential apprentices.

Interest continues to grow. The Ai Group pilot has now seen the Diploma of Applied Technologies offered as a traineeship in five states. In South Australia at the start of 2021, a group of about 20 school leavers are commencing formal training contracts to undertake the Diploma with a range of companies including manufacturers and water and energy transmission companies. One large Defence industry manufacturer intends to offer apprenticeships at the Bachelor level once approvals have been obtained.

Within the higher education sector the Job-ready Graduates Package NPILF's brief to develop new higher education advanced apprenticeships will greatly assist the needs of industry.

There are challenges in making higher apprenticeships more broadly available. State Training Authorities currently recognise only VET-level qualifications as apprenticeships or traineeships. Universities in Australia are not familiar with the model. Industrial awards generally do not make provision for them. Potentially the National Skills Commissioner could examine how to progress the model.

Recommendations

Identify a broader range of new priority occupations for higher skill programs in order to increase participation.

Promote the uptake of higher apprenticeship initiatives by providing employer incentives and addressing systemic challenges to their implementation

5.4 National workforce development program

Ai Group believes that supporting employers with whole-of-workforce development planning and resulting training delivery will assist in matching Australia's skills supply with demand.

After 2020 many businesses are re-aligning their business models and strategic directions and moving into new industry areas. The use of digital applications and solutions has accelerated with the result that rapidly upskilled workforces must be prepared for closer collaboration between humans and smart machines. Workforces must be capable of continuously adapting, operating in agile spaces and relating within cross-functional teams. Employers will need to realise their new directions by building new skills, managing differently, having employees learn new tasks within roles or undertake completely new roles. This will be particularly acute for SMEs, companies that have accessed JobKeeper and for many regional businesses.

Support is needed for the large investments in continuous workforce development that now need to be made by businesses. While quick learning necessarily took place in many businesses during the crisis, these changed practices must be backed up with planned workforce development and capability frameworks in order to match skill development in changed directions. Planning needs to recognise and incorporate ongoing learning for the whole of the workforce. Where training needs are identified through workforce development plans developed under the program, subsequent training could attract subsidies for both new or existing workers in identified areas. A successful model for this approach was the Industry Skills Fund that operated across Australia in 2015/16.

Recommendation

Introduce a workforce development support program that provides guidance with skill needs planning and training delivery relating to new company directions and subsidised training.

5.5 National program to re-develop displaced workers

Ai Group believes a national support program should be established to assess the skills of existing workers that were displaced during COVID-19. It would then train the displaced workers to enable them to transition into roles required by

employers. The current environment presents an opportunity to utilise the skills of mature aged workers and allow a transition into new roles and industry sectors. Assessment must assist them to demonstrate how they can adapt by applying the knowledge, skills and capabilities they have developed over time. This assessment and re-development program could be housed within existing job agencies/training providers.

The crisis has seen rapid technology-related impacts in many industries. Workers have had to quickly apply different technology-based skills. This has highlighted changing work environments where new practices are being adopted with increasing regularity.

The acquisition of new skills by older existing and displaced workers, and the refreshing of existing skills, must be met through adaptive training. To set individuals up for the future, the education and training delivered under this program must incorporate the transferable capabilities of enquiry, agility, adaptability, creativity and problem-solving.

Recommendation

Introduce a national support program for displaced workers.

5.6 Industry-education sector collaboration through training hubs

Defence against COVID-19 has led to a number of beneficial partnerships across industry, governments and the community. Moving forward, closer partnerships between industry and all education and training sectors should be regarded as standard activity. A step change to embed co-involvement cultures, new approaches and models can only assist the success of all sectors.

There are a number of examples of larger companies forming strategic alliances with education and training providers to develop and deliver new programs that align with their future business requirements. Smaller companies need greater support to recognise the benefit of, and establish relationships with both larger companies and providers. These alliances would guide the skills being developed by providers, explore new skilling models, and help to build learning into the everyday business of companies.

Funding for a national system of metropolitan and regional hubs that develop strategies to meet local skill needs will assist large and small companies to create innovative solutions to business problems, assist students and tackle unemployment.

The hubs would develop industry-student-provider engagement models that foster and increase relationships and result in industry-tuned workforce entrants. Initiatives already exist in Australia and globally, spanning those organic and local in nature to those that are part of co-ordinated country-wide models, but more are needed. Activities have been initiated by individual companies, industry associations and agencies, levels of government and education and training providers aiming to co-create skills ecosystems. Funding and support that accompanies these initiatives can range from financial incentives, education vouchers, training grants and scholars and general tax deductions.⁹

In Australia's regions in particular, such partnerships can lead to better alignment between secondary, vocational and higher education and assist teacher and trainer upskilling in vocational and higher skill tech-related areas.

A European example, the Centres of Vocational Excellence initiative, was piloted in 2019.¹⁰ It uses a broadly central framework that encourages operations within a given local context, bringing together centres that share a common interest in specific industry sectors/trades. It also cultivates innovative approaches to tackle social challenges which are now exacerbated through the COVID-19 crisis. Each centre aims to bring together a set of local/regional partners such as VET providers, universities, research institutions, companies, chambers and associations, social partners, national and regional authorities to actively co-create skills ecosystems.

Recommendations

Fund Industry-education sector collaborative hubs.

5.7 A strengthened VET - industry engagement mechanism

Ai Group is encouraged by the Government's recent progress to further VET reform through the Heads of Agreement for Skills Reform between the Commonwealth and the States. The activity promises to address a number of the system-wide issues identified in major reviews commissioned over the past few years.

The National Skills Commission has been a crucial new component of the revised architecture for VET. It has a broad number of functions, including the provision of

⁹ For example, High Tech Skills for Europe. *Scaling up best practices and re-focusing funding programmes and incentives*, European Commission, Interim Report, 2018.

¹⁰ Summary of the main features of the initiative on platforms of Centre of Vocational Excellence, European Commission, 2019.

advice on workforce skill needs, the state of labour markets and the performance of the VET system, amongst others. Ai Group believes a national industry advisory body that provides industry leadership and policy guidance at this overarching level of the VET system is needed to strengthen its effectiveness. It would become part of formal governance arrangements and would comprise representatives of key industry and societal sectors to ensure the articulation of relevant views.

Closer VET – industry engagement at this level will help to drive the continuous engagement now needed at all levels of the VET sector to cope with frequently changing workforce skill needs, the constant of re-skilling and learning on demand.

Ai Group notes that the Government's commitment and actions to overhaul the VET system are also addressing the long-term decline in funding by all levels of government in vocational education and training. Ai Group welcomes the statements in the Heads of Agreement for Skills Reform that commit to an increase in real investment in VET along with a new funding model for national consistency and efficient pricing.

Recommendation

Strengthen VET - industry engagement through the establishment of a national industry advisory body.

5.8 Flexible education and training for emerging skill needs

Australia now needs a coherent framework of micro and longer credentials, adaptable by industry and individuals, underpinned by a modern qualifications framework, and which better connects the tertiary education sectors.

As Australia moves through and out of the COVID-19 environment, focussed training programs that are aligned with specific work opportunities are needed. The demand from industry for readily available, short form training, reflects various re-skilling and up-skilling needs primarily arising as a result of increasing digital transformation.

VET sector qualification design allows components to be easily identified, and higher education institutions have been working towards micro-credential offerings for some years. Examples seen during the crisis included state governments providing free online access by job seekers to single units and skill sets, and Australian Government funding for universities to offer new certificates in high demand COVID-19 industry sectors. Additional free or low-cost training for school

leavers and transitioning workers offered through the JobTrainer skills package also includes short form training.

The crisis identified the need for short courses at a number of different AQF levels; it has highlighted the need for access to information on offerings for the public; for coherence in offerings; and for information on where credentials sit/how they stack in relation to specific qualifications. The announcement of a new micro-credentials marketplace and the fast tracking of micro-credentials in VET by the Commonwealth, along with states and territories, promises to assist these needs.

The recent recommendations of the Australian Qualifications Framework Review, all accepted by the Australian Government, have allowed a re-imagining of qualifications. As it is implemented the new Framework will allow for smaller forms of training/micro-credentials to be brought together in a qualification linked to an occupation or a career. The Framework also provides an equitable approach to the integration of knowledge, skills and application within qualifications and considers the needs of individuals in performing specific roles.

Ai Group urges a continued focus by the Government on flexible education and training frameworks that can successfully endure as future skill needs arise.

Recommendation

Proceed with flexible education and training frameworks utilising the AQF review directions.

6. Improving the immediate expensing of depreciating assets

Ai Group members have pointed out that constrained international travel into Australia and the impacts of pandemic-related restrictions in many countries that supply capital goods to Australia is slowing down the activation of investment decisions. These investors are reporting that, as a result, some large investments are at risk of not being installed and ready for use by 30 June 2022 when the measure is set to end. This is more likely if the investments need to be tailored for the specific use and refined in situ.

With uncertainty about the ability to have these assets in place and ready to use by 30 June 2022 calling into question the availability of the temporary tax treatment of these investments, decisions that would otherwise be brought forward are not proceeding.

In view of continuing disruptions to trade and international travel, Ai Group proposes that leeway be built into the immediate expensing of depreciating assets measure so it is available for investments where contracts have been signed by 30 June 2022 and where the new assets are installed and ready for use by 30 June 2023.

7. Lifting businesses' digital capabilities

The 2020/21 Budget affirmed the Government's laudable commitment to invest almost \$800m over four years in the JobMaker Digital Business Plan (JDBP) to accelerate digital technology uptake and remove outdated regulatory barriers. This initiative has the potential to build on the rapid leaps taken in the adoption of digital capabilities as businesses, employees and the broader community adapted to Covid-19 disruptions.

While the major task will be to further develop and roll out the JDBP, there are two areas of focus in removing obstacles relating to the plethora of regulation associated with digital technologies and cyber security that are impacting and will continue to impact on business uptake.

Ai Group recommends:

- Both for new and existing areas of digital regulation, regulatory agencies should be sufficiently resourced and encouraged to ensure efficient regulatory practices, including by developing digestible information about business obligations and compliance.
- Where appropriate, resources should also be allocated to assist businesses and other organisations to build familiarity with regulatory obligations and to help them upskill and develop new compliance processes and practices.

8. Climate and energy

The Government has made some significant recent commitments in climate and energy, including extending Climate Solutions Fund funding in the 2019-20 Budget and ARENA funding in the 2020-21 Budget. However, much remains to be done to build a new energy advantage and a successful transition to net zero emissions. We suggest two areas for substantial further action in the 2021-22 Budget: energy efficiency and hydrogen.

8.1 Energy efficiency

Improving energy efficiency and energy management across the economy offers multiple benefits: lower energy bills and reduced exposure to energy prices; reduced pressure on, and cost of, energy systems; improved health and comfort; lower emissions; and intense immediate economic activity – not just in construction

and trades, but in the manufacturing and retail supply chains that provide building materials and smart appliances.

Large opportunities exist to upgrade private and public housing, commercial buildings, public buildings, agriculture and industry. Different policy approaches will be appropriate to different sectors. Demand reduction is also currently a missing pillar of the Government's strategy on natural gas.

Some of the States have already announced policies to encourage energy efficiency upgrades, but not all have done so and they have not covered all opportunities. We encourage the federal Government to support help build on these steps by:

- By offering matching funds for new or additional state and territory policies announced, with a requirement for information-sharing on these programs between jurisdictions;
- Leveraging the \$43 m that ARENA has to support large energy user studies on opportunities for energy cost reduction by committing to capital grants for opportunities taken up on a matched-funding basis. This would deliver dramatic progress on the process heat improvements identified by ARENA and create more than 7,000 job-years of employment.
- Add further Federal initiatives where State policies are lacking. Private housing and agriculture seem set to be missed; substantial matched funding for efficiency upgrades in these areas would be extremely useful.

8.2 Hydrogen

The initial Low Emissions Technology Statement sets out worthy goals for cost reduction of a set of technologies, including hydrogen production. However, these cost goals will only be met with the combination of strong learning effects and many doublings in global installed capacity. Australian policies so far announced are helpful but will not be enough to fund, or make privately investable, sufficient mass rollout to reach the cost goals.

Globally, other major economies including the European Union, France, Germany, Japan and Korea are committing large resources to expand hydrogen, so Australian investment will add to global progress rather than going to a technology that never reaches critical scale. Australia has much to gain from a global hydrogen economy, and much to lose if we miss out while long-term demand for current high-emissions exports declines. Our refining and chemicals sectors face serious and intensifying economic challenges that threaten energy

security and critical industry supply chains and need viable longer-term transition options as well as nearer-term stopgaps. Hydrogen production technologies are sufficiently mature to allow substantial scale-up to economically meaningful projects.

Ultimately hydrogen could be cheaper than natural gas is today and this can be accelerated with investment in installed capacity.

The Government should consult widely on options for a large long-term scheme to support rollout of hydrogen, and potentially other relevant technologies such as biogas. In the meantime, it should allocate at least a further \$500m for an expanded second round of ARENA's existing \$70m hydrogen deployment funding round. The first round attracted \$1b in applications for \$3b in total project value.

9. Circular economy and waste

Waste and circular economy remain areas of critical importance for Australia. Industry has welcomed recent initiatives in this area, notably the Product Stewardship Investment Fund, the Recycling Modernisation Fund and the Product Stewardship Centre of Excellence. However, the well-documented lack of markets for recycled products in Australia remains of concern.

While innovation encouraged by existing funding arrangements may assist, more needs to be done as Australia faces significant challenges around recycling contaminants and our comparatively small market for recycled input material alongside the changing requirement for domestic recycling associated with constraints on waste exports.

Ongoing gaps between the price of virgin materials and the cost of recovered materials remains a barrier to increased demand and use. To further support the development of a viable domestic recycling industry, Ai Group proposes the Government undertake a review to identify the best ways to address cost gaps and reward greater use of recovered materials.

10. Population and immigration

With normal channels of inflow of permanent and temporary residents severely disrupted, Ai Group proposes the following initiatives:

- While maintaining rigorous and effective procedures, the federal government should work with the states and territories to expand the capacity of quarantining arrangements including to accommodate greater numbers of returning Australian citizens.

- Within the capacity of safe and effective quarantining, every effort should be made to facilitate the inflow of skilled migrants required to secure recovery and growth of domestic activity;
- Measures should be taken to ensure that in-country temporary workers are more readily able to become permanent migrants free from the restrictions associated with visa categories that currently do not permit a pathway to permanent migration. For example, the Short-Term stream of the 482 visa does not provide a pathway to permanent residence – this should be lifted for those currently in Australia. This would add much-needed flexibility and mobility to the workforce.

Looking beyond the current year, Ai Group urges a return as soon as possible to the annual migration cap to its previous level of 190,000 and for a further strengthening of the focus on skilled migration categories.

11. Vaccine nationalism and regional support

Australia can be proud of taking an early position to reject export controls on medicine and PPE as the world struggled to respond to the COVID-19 crisis. We can also take pride in our quick commitments to provide vaccines and distribution advice to our Pacific and ASEAN neighbours.

This could be backed by considering further resourcing of the provision of vaccines and distribution advice and support and by Australia taking a leading role in speaking against vaccine nationalism and calling for the G20 to work to ensure that less developed countries have safe and ready access to vaccines.

12. Remodelling the Fair Entitlements Guarantee

The Fair Entitlements Guarantee (FEG) is excessively generous to employees covered by enterprise agreements with very generous redundancy entitlements. As currently structured, the scheme is very inequitable between different employees. Upon insolvency, why should one employee receive hundreds of thousands of dollars in compensation from the FEG because their union succeeded in forcing their employer to agree to a redundancy package of four weeks per year of service with no ceiling on payments, when most other employees are only entitled to the minimum redundancy entitlements in the National Employment Standards?

Unless the scheme is restructured, the increased cost of FEG to the budget is likely to be very substantial, due to the increase in insolvencies as a result of the pandemic. There is a significant risk of a marked increase in insolvencies when the

Jobkeeper scheme ends. The collapse of even one large business with generous redundancy entitlements could lead to a cost of hundreds of millions to the budget.

A further very significant risk to the budget arises from the current uncertainty about the meaning of a 'casual employee' and the consequent risk that employees engaged as casuals will succeed with 'double dipping' claims for annual leave, redundancy pay and other entitlements. This issue presents major budgetary risks with respect to the FEG. The present lack of certainty around the meaning of a 'casual employee' provides an incentive to casuals engaged by insolvent businesses to pursue 'double-dipping' claims under the FEG. A claim of this type is currently before the Federal Court of Australia (see [Kyle Warren v Secretary, Department of Jobs and Small Business, NSD302/2019](#)). We understand that the applicant's costs in the case are being funded by the CFMMEU (Mining and Energy Division) as a test case.

The Fair Work Act needs to be amended to define a 'casual employee' in a manner which aligns with the existing industry practice and with the approach taken in modern awards. The Act needs to clarify that an employee engaged as a casual and paid a casual loading is not entitled to the benefits that the casual loading has been paid in lieu of. The Act also needs to be amended to prevent existing and past casual employees who have been paid a casual loading pursuing 'double-dipping' claims for annual leave, sick leave, redundancy pay or other entitlements. The Government's *Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020* addresses these issues and it is essential that the Bill is passed by Parliament as soon as possible.

13. Improving the integrity of tobacco taxation

Ai Group proposes that the federal Government adopt the recommendations of the Parliamentary Joint Committee on Law Enforcement's 2020 report *Illicit Tobacco* to take further steps to improve enforcement in relation to the distribution of tobacco products have not been subject to tobacco excise. While recent steps have significantly improved the integrity of tobacco taxation, the further improvements should be made including to ensure there is a more level playing field for businesses that are currently being undermined by the distribution of illegal tobacco products.



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