



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

05 February 2018

Re. **Future of Work and Workers**

Dear Sir/Madam,

Future of Work and Workers, 2018: FPA submission

The Financial Planning Association of Australia (FPA) welcomes the opportunity to provide input to the Future of Work and Workers. The committee can make positive steps towards a more efficient, strong and fairer workforce that address the needs of the workers. Financial planners are uniquely placed to assist Australians with navigating the new working world and together we can provide a better financial future.

With respect to policy measures, the FPA recommends that Government modernise education standards, leverage flexible working patterns, integrate data analytics, incentivise lifelong learning and expand support for worker transitions. Along with these changes, encouraging all Australians to take control of their financial well-being and improve their financial capability with the support of a professional financial planner will better place Australians to take advantage of the changing global work force trends.

We welcome the opportunity to discuss our submission with the Government. If you have any queries or comments, please do not hesitate to contact me at policy@fpa.com.au or on 02 9220 4500.

Yours sincerely

Ben Marshan

Head of Policy and Government Relations

Financial Planning Association of Australia¹

¹ The Financial Planning Association (FPA) has more than 11,000 members and affiliates of whom 9,000 are practising financial planners and 5,500 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Mark Vincent, dealing with investigations and complaints against our members for breaches of our professional rules.



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2018

FUTURE OF WORK AND WORKERS

FPA submission to:

Select Committee on the Future of Work and Workers

05 February 2018

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- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 24-member countries and the 150,000 CFP practitioners that make up the FPSB globally.
 - CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
 - We are recognised as a professional body by the Tax Practitioners Board

Introduction

There is no doubt that the new digital world will create many changes and its impact will be felt strongly within the Australian workforce. However, insights from various reports can inform us about the source of change and how its impact will vary depending on educational standards, social class and the flexibility of regulatory policies. Lessons from history will tell us that revolutionary changes to the workforce are not new, but how we facilitate and integrate that change will be greater than previously. Our zeitgeist has changed from the rigid framework of the industrial revolution and the workforce attitudes and values will need to adapt. Perception of lifelong learning, support for the large workforce transition will be the forefront barrier of technological change. Amidst this change, the role of financial planners as coaches and mentors become more crucial in enabling Australian workers to seek clarity and manage their financial position.

Actions will be required from all sectors: business, government and education providers as the future workforce will depend on their collaboration. Wages will be affected for both low- and high- skill workers. Job responsibilities will shift as automation and robotics integrate into the workforce. Digital platforms will present more jobs for employees and working patterns will adapt. For the best outcomes, education models will need to complement the new workforce as they provide to be the fundamental platform for future change to be built upon. In the end, the future of work remains promising as it's filled with opportunities for employees and employers.

a) Impact on Australian: the future earnings, job security, employment status, working patterns

Wage shifts in advanced economies are different to developing countries. Arguably, an employee's responsibilities and their perceived level of contribution, helps determine their wages. The integration of machinery and automation into workplaces may displace job responsibilities more so than occupations. Overtime, occupation definitions may change, as the boundaries between different occupations become blurred². A common example is how the responsibilities of nurses have incorporated some of a physician's duties, such as handling routine cases and giving injections. The changing responsibilities were enabled due to the decrease demand in physical activities that were once required from nurses. Hence, over time nurses are allocated more responsibilities aligned with "soft skills" such as patient care. Similarly, the introduction of ATM's, increased demand for bank tellers, as banks competed to provide higher-quality services³. This demonstrates the positive effect of technology on future jobs, as automation handles the predictable part of social exchange, giving more time to improve customer engagement.

The changes to wages varies depending on worker skill level. As occupations increase emphasis on social and emotional capabilities, and advanced technical skills; wage compensation will correlate to their perceived cognitive contribution. This will present a challenge for education, training and skill assessment models which do not always emphasise "soft skills"⁴. Lower – skilled workers are associated with rote activities, hence are more affected than higher – skilled workers.

In advanced economies, physical capabilities will be less in demand as a percentage of the activity hours demanded in the economy. However, Australia's growing demand for digital infrastructure, job growth in physical labour, such as builders may remain strong, as they largely still work under unpredictable environments.

However, occupations with high education requirements can still be affected. The proportion of occupations who spend time collecting and processing data will experience a shift in their work activities which may affect their wage level. Financial managers, for example, could spend less time monitoring cash flow and approving expenditures, and instead have time to focus on more managerial tasks such as supervising employees, client engagement and other consultation responsibilities. Although this is just one example, most future jobs are likely to demand higher levels of education, especially in advanced economies⁵.

² Mckinsey Global Institute, *Jobs Lost, Jobs Gained: Workforce Transitions in a time of Automation*, 2017

³ Ibid

⁴ Ibid

⁵ Ibid

Changing work patterns are best illustrated by the declining average hours worked per week. The rise of gig-economy contributes to declining number of hours, especially in OECD countries like Australia. Australians are most likely to work 35 to 40 hours per week, with two in five (40%) working these hours. The census shows the percentage working more than 40 hours a week dropping to 26% in 2016 from 29% in 2011⁶. Although, the foundation of gig economy; hiring people for short-term contracts, is not new. The approach has changed, enabled by technology, specifically the internet. It allowed for employers and employee of the job market to connect directly, accelerating job transitions⁷. With fewer full-time scheduled hours comes increased leisure time, thus increasing demand for entertainment and other personal services. This spending will give rise to new industries and in turn create new jobs.

Online digital platforms are facilitating a new reign of working styles such as digital internship. The mindset of future workforce is shifting away from values imposed since the industrial revolution, in pursuit of experience. An article by Luke Misthos gives a glimpse of the future workforce⁸. As an example, Virtual internships from global law firm KWM enable law graduates to grasp practical law concepts from the comfort of their home. The program aims to increase diversity and “reach out to those in rural or under-represented parts of the country”. Hence, the digital age will introduce new working styles to produce more experiences for employees and access to diverse talent for employers.

The importance of a financial plan

Many changes lie ahead for the future workforce and without thorough financial advice, Australians will struggle to achieve their financial goals. Employment safeguards such as superannuation and insurance will have to evolve as both eligibility and portability of insurance and superannuation will need to adapt to the spasmodic nature of the gig economy. The necessity for higher education attainment will undoubtedly procure new costs and expenses, requiring better debt management. Furthermore, inconsistent income from episodic work will become critical to manage in terms of cash flow and debt management.

While financial products can adapt to the changing demands of its beneficiaries, the changing workforce necessitate a re-evaluation of individual life goals. Whether, human or monetary capital, financial planners can provide clarity on how to best approach an individual's life goals and achieve financial freedom in a technological world, where long-term job security becomes ambiguous.

Whether it is managing cash flow, debt management or other long-term financial and lifestyle goals, financial planners can assist the community to ensure their financial plans remain on track or implement a strategy for getting it back on track.

⁶ <http://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbyReleaseDate/7E56B97A3FEF932ACA2581BF00364712?OpenDocument> , accessed 30 Jan 2018

⁷ Clive Hopkins, *Understanding the 'gig economy' and the Changing World of Work*

⁸ <http://www.afr.com/business/legal/virtual-internships-give-students-a-glimpse-of-global-law-firm-kwm-20171205-gzj4y>, accessed Dec 2017

b) IMPACT on regional Australians, depending on their demographic and geographic characteristics;

Demographic: The Global Challenge Insight Report by the World Economic Forum has great analysis the different driver of change and the FPA recommend a closer examination. In saying that, a metric concerning rural Australians is 'Changing work environments and flexible work arrangements', which rated as the top driver of change. The digital age can bring many opportunities for remote work and teleconferencing, enabling employees to surpass physical and geographical barriers. Hence, access to the internet and digital infrastructure remains the forefront solution. With investments in digital infrastructure, increased accessibility to education will also promote further training. However, these opportunities will be prevalent for higher-skilled workers, leaving lower-skilled jobs succumbed to the adversary of travel. Even in a digital world where remote work is the norm, continued investment and development of public transport remains a priority as short term travel for work may increase. Projects and frequent employment changes may increase the need for remote workers to regularly commute to Central locations for face to face meetings.

c) The wider effects of that change on inequality, the economy, government and society

Effects on inequality – Technological innovation will impact both high- and low- skill workers. The impact can vary, and whether it complements high-skill workers more so than low-skilled workers, depend on the rate of technological adoption. Nonetheless, the chasm between lower- and higher-skilled workers will be determined by their ability to transition into new employment. Based on the OECD survey of Adult skills, low-skilled adults are less likely to participate in adult education and training, making future job transition difficult⁹.

⁹ OECD (2017) Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills©

d) The adequacy of Australia's laws, including industrial relations laws and regulations, policies and institutions to prepare Australians for that change;

The Three broad priorities for policy makers and business leaders are:¹⁰

1. **Skills upgrade:** upgrading workforce skills, especially retraining midcareer workers, as people work more with machines
2. **Fluid labour market:** The shifting occupational mix will require more fluid labour markets, greater mobility, and better job matching
3. **Transition support:** Adapting income and transition support help workers and enable those displaced to find new employment

Each can be elaborated further by the 'Global Challenge Insight' report from the World Economic Forum, there are many immediate recommendations for government can study to alleviate the impact of technology on displaced workers. These aim to achieve the four goals above.

Reinventing hr function: As technology integrates into the workplace, proactive adaptation and reskilling must become an urgent concern. With increasing number of tools to assist with talent management, HR can become more strategic with their skill-building roles by employing new kinds of analytical tools to spot talent trends and skills gaps and provide insights that can help organisations align their business innovation and talent strategies to capitalize on transformational trends.

Making use of data analytics: Collaborative work between business, industry leaders, education providers and government is required, to identify skills required in the future. Anticipating redundancies and changing skill requirements in response to the new digital world will allow private-public industries to be more effective at repurposing company strategies and internal talent requirements. This, in turn, can help governments better predict and assess industry needs, to better allocate resources and time, but more importantly, re-assess job programs for their beneficiaries.

¹⁰ Mckinsey Global Institute (2017) *Jobs Lost, Jobs Gained: Workforce Transitions in a time of Automation*, 2017

Integrating Skilled migrant: As best highlighted from an OECD report¹¹, Australia is populated with well-educated and highly skilled migrants, many of whom are young. Furthermore, Australia has strong ICT and computers skills, by international standards, across all age groups. Hence, with continuous support for the integration of newcomers, the Australian job market will benefit greatly.

Leveraging flexible working arrangements and online talent platforms: One advantage of the digital workforce is *overcoming* the barrier of borders. Physical and organisational boundaries of organisation should be re-assessed or redefined to allow more flexibility in the way business think about managing people's work and about the workforce as a whole. "Work is what people do and not where they do it"¹². Freelancers are also exacerbating the adoption of online talent adoption platforms which brings about the new concern for labour market regulations. Unions such as freelancer unions in US, provide resources on tailored health insurance, which encourage assessment of safety nets for freelancers¹³. Similarly, 'Self-employed-Australia' advocate for freelancers and small business on matters from superannuation, ABN, disputes and fair contracts¹⁴. These forms of unions and associations in the digital freelance market will begin to emerge and gather momentum, to complement the new organisational models. Hence, re-evaluation on super guarantee contribution and insurance eligibility to include freelancers in the new workforce is required.

Modernise education systems – the balance between technical and soft skills are shifting. With automation reducing demand for narrow expertise, there is huge emphasis on adaptability, grit and willingness to learn. General criticism revolves around the outdated, 20th century practices that highly siloed and focused on the "prestige premium of tertiary education rather than the actual content of learning"¹⁵. It is important that the increase attendance in tertiary education correlates with the needs of the future labour market. Publication of job placement data can help inform students and graduates about their best course of study¹⁶. Simply put, there must be strong collaboration between private, government and education providers to assess what the 21st century digital workforce is required. The collaboration between business, education institutions and accreditation providers can result in an overall increase in the quality of the talent pool, at lower costs and with greater social benefits. This is a more proactive rather than a reactive approach which will lead to short-medium term supply shortages in job occupations felt by today e.g. cyber security and data scientists¹⁷.

¹¹ OECD, (2017), *Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills*©

¹² World Economic Forum (2016) *The future of jobs. Employment, skills and workforce strategy for the Fourth Industrial Revolution*, Global Challenge Insight Report, pp 30

¹³ www.freelancersunion.org, accessed 29 January 2018

¹⁴ www.selfemployedaustralia.com.au, accessed 29 January 2018

¹⁵ World Economic Forum (2016) *The future of jobs. Employment, skills and workforce strategy for the Fourth Industrial Revolution*, Global Challenge Insight Report, pp 32

¹⁶ Mckinsey Global Institute(2017) *Jobs Lost, Jobs Gained: Workforce Transitions in a time of Automation*,

¹⁷ Cybersecurity Skills Gap Report, (2017) Indeed

Incentivising lifelong learning – To complement the modernised education reforms, would be an incentive to continue lifelong learning. An individual's flexibility and adaptability play a vital role in the reception on further education as well. Singapore has demonstrated this through their Skills Future Initiative where individuals are supported and motivated to continuously acquire new skills. The program tops up 500 credits for individuals to participate in approved course/programs. This is most ideal for mid-career changes where automation and digitisation will have a strong effect on their job of security. However, at the end of the day the Australian's HECS system sets up a great foundation for future education. In saying that, monetary support is not the only agenda. These practices require a cultural shift, and the government can play a more active role by providing the tools and resources to motivate workers to take a more active role in their own retraining.

Expand Transition support measures for workers – The expansion of the gig economy and displaced jobs in the automation and digital work will put pressure on the government's capabilities to assist the vulnerable workers transitioning into new careers or employees' in-between jobs. For policymakers, an important set of regulations concern the portability of safeguards and benefits between jobs and the equivalent treatment in law of different forms of labour and employment types¹⁸. With universal healthcare, and income support, the Australia government provide a good foundation for employment transition. However, in comparison to Denmark, Germany and Sweden, the Australian labour agencies are more concerned with fraud control and unemployment benefits. The focus needs to shift to the acquisition of new skills which will better prepare transitioning workers for the future workforce.

¹⁸ World Economic Forum (2016) *The future of jobs: Employment, skills and workforce strategy for the Fourth Industrial Revolution* Global Challenge Insight Report, pp 30