

3 KEY WORKFORCE CHALLENGES TO NAVIGATE IN 2024



The workforce landscape in Australia has rapidly evolved in recent years.

Despite increases in skilled migration and a slowdown in hiring, unemployment remains at historical lows and a skills recession looms with companies grappling with the best way to attract and retain key talent.

The uncertain economic outlook (fuelled by geopolitical tensions and persistent inflationary pressures) has also meant that employers are less willing to reach into their hip pocket to bring in (and keep) the right people.

On the regulatory front, a number of developments around gender pay gap reporting and wage theft are encouraging employers to review their current practices and strategies (including their pay roll systems and processes).

In this article, we explore 3 key workforce challenges that companies are facing as we move into 2024, as well as questions and strategies that employers can be thinking about as we look ahead.

What workforce issues are front of mind for 2024?



Attraction & retention of key talent



Gender pay equity, wage theft & compliance



Skills shortages

Attraction & retention of talent



Despite some slowdowns in the rate at which companies are hiring compared to the Great Resignation years, employers continue to face challenges attracting and retaining the right talent. What are some strategies that you can be thinking about to ensure you're able to compete for the best talent and keep them?

Does your broader employee value proposition need a refresh?

What are we seeing?

- Upward pressure on wages in many industries arising from inflation and skill shortages, as well as broader cost pressures, has led to increased focus from companies on their overall employee value proposition.
- Companies are seeking ways to attract, motivate and retain staff without directly digging into their limited remuneration budgets and to maximise the return on investments made in the employee experience.
- This includes offering an attractive “emotional salary” – consisting of benefits, work-life balance, training and development, and personal fulfillment.
- The overall employee experience, including “how, where and when I work, my development, and my connection to my employer’s purpose and social contribution to community” have become higher order needs for employees in recent years.

What should you be thinking about?

- Can you be more targeted in your total reward strategies by focusing on areas where talent is critical to strategy and sustainability, and/or where the return on investment is highest? Knowing where your critical talent is now and how to engage and retain them will pay dividends.
- Are you currently using data to track the diverse mix of intrinsic and extrinsic motivators across the workforce, to guide the alignment of the employee experience and total rewards with key preferences?
- Are you using corporate partnerships strategically to offer benefits that help the workforce broadly deal with pressures arising from inflation and cost of living (such as partnerships in the energy sector)? Targeting areas that impact the majority of the workforce are a good start. In offering non-monetary benefits, employers do need to take care to consider the fringe benefit tax implications.

Is your Global Mobility program effective?

What are we seeing?

- It is increasingly important to elevate the global mobility role to support the wider workforce strategy. This helps to ensure that global talent initiatives directly support and further the company’s objectives (e.g. expanding into new markets, fostering innovation, developing leadership talent).
- Insights from our [recent GAAP survey](#) highlights that mobility policies are not always aligned to talent strategies and should be a focus moving forward.
- Data also shows that employees are drawn to organisations that provide the opportunity to work in different locations, experience new cultures and develop a global professional skillset.

What should you be thinking about?

- Does your organisation have the potential to offer global mobility opportunities such as international assignments or domestic relocations?
- Is your Global Mobility Program transactional or strategic? Can you better align your Program with your company’s overarching strategy, culture and talent management priorities?
- Are you utilising data to show the business the value that international experience brings to the bottom line?

Can you consider new ways to attract and retain talent from overseas?

What are we seeing?

- The height of the COVID-19 lockdowns saw several countries (like Canada) reform their migration programs to retain global talent and tackle skills shortages.
- Australia has lagged significantly and is still yet to release its final Migration Strategy.

What should you be thinking about?

- With uncertain times ahead, it is critical for businesses to regularly assess the impact of migration changes on both their existing and future workforce. Do you have mechanisms in place to do so?
- For global talent, a pathway to permanent residence is often front-of-mind. In November 2023, the Government confirmed updates to employer-nominated permanent residence criteria from 25 November 2023 (subject to legislative approval). This significant news is likely to be one of the key changes to assist businesses in attracting and retaining global talent. How will your business leverage these changes?

Gender pay equity, wage theft & compliance



As a result of new legislation introduced in early 2023, gender pay equity is front-of-mind for employers across Australia as we move into 2024. Wage compliance also remains an important topic following a series of high-profile underpayment cases in Australia in recent years and further proposed legislative amendments in this area. So what should employers be aware of and actioning in their own companies?

Are you proactively addressing your gender pay gap?

What are we seeing?

- From early 2024, the Workplace Gender Equality Agency (WGEA) will publish gender pay gap information for reporting employers at an employer or organisation level (which differs from previous disclosures which were at an industry level).
- Employers will have an opportunity to provide a supporting statement to WGEA to accompany their gender pay gap information when it is publicly disclosed.
- From April 2024, employers will also need to report additional information about their workforce, including CEO remuneration, and prevention and response to sexual harassment and discrimination in the workplace. Employers with more than 500 staff must also have policies in place covering each of the 6 gender equality indicators.
- The Federal government has also introduced a new tranche of proposed employment law reforms² (currently with a Senate Committee due to report in February 2024).
- The scope of the proposed changes is broad and touches upon a recent focus on equal pay for equal work by giving power to the Fair Work Commission to require employees who provide labour hire to pay them the same amount as the employees of the host they work with.

What should you be thinking about?

Employers should consider their approach to managing these changes and, more broadly, to promote pay equity.

This may include:

- Considering your systems and processes in place to accurately respond to the requirements of the WGEA questionnaire;
- Proactively running a gender pay equity audit to gain a clear understanding of your existing gender pay gap, and considering how this is factored into your annual remuneration cycle;
- Developing an understanding of the key factors contributing to your gender pay gap (which may include organisation or industry specific reasons). This will help inform the narrative to accompany your gender pay gap as well as the steps to be taken to address the gap;
- Considering the effectiveness of strategies already in place to combat workplace inequality to help assess how your organisation is placed towards this movement; and
- Is there a gender pay gap disparity with your expat population?

Is it time to review your payroll and time and attendance systems?

What are we seeing?

- Wage compliance has been an area of focus in recent years and errors and/or incorrect interpretation has resulted in legal and reputational damage for a number of organisations. The new tranche of employment law reforms (mentioned above) also proposes to introduce a new criminal offence for certain underpayments.
- Given the highly complex industrial landscape in Australia requiring employers to navigate state and federal legislated minimum standards (over 120 modern awards and enterprise agreements), it is no surprise that antiquated payroll systems and processes are not effective to ensure complex entitlements are correctly paid to employees.
- This complexity is compounded by updates and reviews made to awards by the Fair Work Commission, the renegotiation of enterprise agreements, and the judicial power of the courts to hand down decisions affecting the interpretation of the law.
- We typically see payroll and time and attendance systems implemented that do not have the capability to meet complex award and enterprise agreement entitlements, particularly in the resources (oil and gas), facility management and healthcare industries.

What should you be thinking about?

Employers should consider reviewing their payroll function (with external support where appropriate). Key questions to ask include:

- Do you have adequate expertise in procuring the right payroll solution?
- Have you tested key requirements? For e.g.
 - Whether all entitlements through relevant enterprise agreements and company policies are adequately tracked, including clock-in / clock-out times for shift workers;
 - Leave calendars specific to employee location and how accrued leave interacts with public holiday calendars;
 - Limitations to complex entitlements (e.g. termination entitlements and long service payments, contractor reporting obligations) and how your payroll processes may need to supplement your system; and
 - Superannuation obligations above minimum entitlements such as those governed by your employees' individual contracts, modern awards and / or enterprise agreements.
- Are you rotating staff across different sites or temporary roles? This can create employment taxes challenges for workers' compensation and payroll tax.
- Do you have systems in place to ensure changing legislative requirements are appropriately translated into your payroll systems and processes?

1. Workplace Gender Equality Amendment (Closing the Gender Pay Gap) Bill
2. Closing Loopholes Bill 2023

Addressing skills shortages



A skills recession is said to be looming (if not upon us already), with a number of Australian employers experiencing a skills shortage and indicating that its impact has intensified in the past 12 months. A shortage of people with the necessary qualifications or experience is the main driving force. So, what are some strategies that employers can be thinking about to address skills shortages?

What reward strategies do you have in place to secure talent in critical roles for your business?

What are we seeing?

- Increased talent mobility and sharp increases in demand for specific and new skill sets (e.g. energy engineering / decarbonisation), is putting pressure on companies to compete more aggressively for talent when setting fixed pay packages.
- This has included using different comparator groups, industry pay lines and target market positioning for these roles vs the broader workforce.
- In the past this has happened more on an ad-hoc basis, however given the intensity and criticality of skills to business operations, more formal strategies are being employed with clear criteria and strong governance.
- Some companies use critical skills allowances vs adjustments to fixed pay – however these can be difficult to take away once in place.

What should you be thinking about?

- Given existing cost pressures, it is important differentiated rewards are only used where key criteria has been met, to avoid any unintended inflationary impacts on broader workforce reward.
- This includes ensuring a robust governance framework guides application. Criteria should include:
 - Testing the competitiveness of current remuneration against specific talent/skill segments and key competitors;
 - Validating the external and internal supply of talent; and
 - Confirming the vacancy impact of the role on sustainability of business operations or major project completion.

Is Global Mobility fundamental to your talent strategy?

What are we seeing?

- **There isn't enough talent in key locations.** Many employers are looking to utilise existing (or create) global mobility policies to be able to tap into a broader and more diverse talent pool – especially existing employees that can be transferred to mitigate a skills shortage in the market.
- We recently helped a client review their global mobility strategy to incorporate succession planning to alleviate pressure on high potential individuals.
- **Filling the talent gap:** skills are highly specialised and may not be available in certain countries. Our clients are using Global Mobility to effectively address skill shortages with speed.

What should you be thinking about?

- Do you have enough talent and where is your talent sitting? Have you undertaken mapping of the current workforce to identify talent which can be deployed to different parts of the business or certain projects?
- Have you considered other workforce strategies such as global intern programs which can be used as a feeder to talent development programs across the business aimed at improving talent retention?
- Are you invited to the talent strategy meetings in your organisation?
- Could you use Mobility data to bring valuable insights and get a seat at the table with leadership?
- Have you considered the best operating model for your Global Mobility program to thrive?

Can you use skilled migration to your advantage?

What are we seeing?

- The Australian Government remains determined to drive significant migration reform aligned to the April 2023 Interim Report and the release of its Migration Strategy (containing final reform recommendations) is expected by the end of 2023.
- Core focus areas for reform are anticipated to be: (a) meeting the demand for temporary skilled migration; (b) education sector reforms; and (c) measures to combat migrant worker exploitation.
- There is an emergence of the importance of employability over and above skills alone in migration policy. As the global economy shows signs of sectoral softness, governments are developing migration policies which are more targeted to deliver a greater return on investment in terms of attracting and retaining talent.

What should you be thinking about?

- Are you ready for the upcoming changes to the migration program that have been earmarked as the “biggest transformation of our migration system in a generation”?
- How are you leveraging your current talent and tapping into all possible hire pathways?
- Are your talent acquisition and recruitment teams up to date on the multiple Australian visas that can be utilised by your foreign employees?
- Is your current approach to securing and retaining global talent assisting your business to gain or maintain a competitive edge?



KPMG Australia's Workforce Advisory team have deep expertise in supporting clients on a broad range of people matters with specialists across mobility, migration, reward and employment taxes. We understand the unique workforce pressures businesses have been experiencing, and the complexity in staying up to date with legal and regulatory developments. We are here to help you navigate the ever-changing workforce landscape and would be pleased to assist you with any of the employer "action items" outlined in this article.

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