Submission to the Productivity Roundtable: Mid-Life Skills, Productivity, and Australia's Ageing Workforce

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Introduction

Australia is facing a demographic shift that will profoundly affect its economic and labour market performance. By 2050, nearly 40% of the adult population will be aged 55 or older. At the same time, Australia's labour force growth is expected to slow, and the traditional working-age share of the population (15–64) will decline. In this context, a clear opportunity exists to increase both productivity and labour force participation through targeted investment in mid-life skills training.

This submission argues that underinvestment in mid-life skills development is holding back productivity growth and contributing to lower participation among older workers, and that this under-investment is to a significant degree due to a lack of income support. The problem is not just about individual outcomes: it has macroeconomic consequences. Workers who are not supported to adapt and upskill are more likely to withdraw early from the labour force or remain underutilised. Yet Australia lacks an inclusive, scalable, and financially accessible policy framework to support such training. Internationally, initiatives of this kind have been mixed, but the Singapore example is very comprehensive: the Singaporean Futureskills initiative https://www.skillsfuture.gov.sg. Chomik et al. (2021) provides an overview of options to tap into the mature workforce in the Australian context.

The Case for Mid-Life Investment

Older Australians are healthier and better educated than previous generations, and many express willingness to continue working. But labour force participation gains among mature workers are slowing. Since the mid-2000s, rate of increase in participation has more than halved, with male participation in the 55–64 age group flatlining and female gains slowing (Chomik et al 2021).

This is not inevitable. International comparisons show that with the right interventions, significantly higher participation is achievable. While Australia's mature labour force participation is above the OECD average, many countries do better. New Zealand, Sweden and Japan are among OECD countries with higher participation rates. If Australia matched New Zealand levels, it could boost GDP by the equivalent of a 0.3 percentage point increase in productivity by 2050.

Research shows that improving participation depends not just on health or age eligibility, but on policies that enable and incentivise ongoing workforce engagement. A critical enabler is access to affordable and relevant training in mid-life. More productive workers are likely to stay in the labour force for longer. Mid-life - say between the ages of 30 and 45 – re-skilling has the potential to impact significantly not only the productivity of workers, but to incentivise them to remain in the workforce for longer, thus increasing participation and GDP.

Financial and Structural Barriers to Training

One of the key barriers to skills-based training in mid-life is financial, with the data showing that in 2021 about 300,000 adults reported being unable to undertake formal training due to a lack of access to finance (ABS 2021). This is easy to understand since many individuals in their 30s and 40s face competing financial demands: mortgages, dependent children, or care responsibilities. Employers are unlikely to provide support for training which is not firm-specific, such as IT or technology management, because of the risk that workers will migrate to other organisations. (Work-related training has declined significantly over the last decade (CEDA 2024).) And because their collateral lies in their human capital, workers contemplating re-skilling are unable to borrow in the private commercial market, a fact that is well recognized in the economics literature. This creates a liquidity constraint: individuals may want to retrain but simply cannot afford the up-front cost, especially if they are at risk of job displacement. This market failure calls for government intervention.

This demand-side constraint also affects the supply of training. With low enrolments from mid-life workers, providers have little incentive to develop short, flexible, or industry-relevant offerings for this group. A redesigned funding model would not only address affordability but also help generate the scale needed to stimulate better course design and delivery. In this context, a policy direction that would further promote this reskilling is “tertiary harmonisation” (Jobs and Skills Australia 2025) which would encourage VET and higher education to collaborate in providing the skills and knowledge that industry and workers need to support productivity growth.

Funding mechanisms

At present, the only major income support mechanism available for further study is Austudy. Its parameters render it not fit for purpose, if the objective is to provide liquidity to workers in their 30s and 40s, many of whom have family and mortgage obligations, to upskill outside the work context.

To deliver the required liquidity while maintaining budget neutrality, an obvious alternative is to elaborate the HECS study arrangements to provide income for workers undertaking upskillling through a period of leave from full time work. Chapman *et al* (2009) have examined this extension in some detail in the Australian context, and its feasibility is clear. The paper’s major contribution is that it illustrates the benefits of a HECS-type policy for mature aged training through both insurance for borrowers (such loans are based on future income so there are no repayment hardships or defaults) and, compared to grants, incur much lower government subsidies. Further, experience with the collection of income-contingent loans (ICLs) for income support in both England and New Zealand shows it to be administratively straightforward. The conclusion, replicated in on-going work done for this submission, is that a properly designed scheme has the strong prospect of improving participation of mature aged trainees in reskilling, with no or little cost to taxpayers.

Importantly, access to these opportunities should not be limited to those with university degrees, although some age restrictions may be appropriate. Workers in trades, services, care, and logistics may face significant risks of displacement from automation or age-related physical demands. AI adoption will also necessitate up-skilling and re-skilling. The policy must recognise their potential and create inclusive, vocationally-oriented training pathways that are as respected and supported as academic ones. The policy is targeted at reskilling and thus productivity and subsequent participation enhancement, and more specific targeting to areas of skills shortage could be incorporated.

Conclusion and Recommendations

Australia cannot afford to leave mid-life skills development to chance. The demographic trends are clear, and the opportunity is compelling. To unlock productivity and participation gains among older workers, the following steps are recommended:

1. Introduce income-contingent loans for approved mid-career upskilling, based on a modified HECS model in a reform process involving reconsideration of the role of Austudy for mature-aged workers
2. Ensure broad access to training opportunities, regardless of educational background, industry, or employment status, paying attention to areas of skills shortage.
3. Incentivise providers to offer modular, high-quality, flexible programs tailored to mid-life learners
4. Consider steps towards tertiary harmonisation to enhance supply efficacy.

With the right strategy, mid-life skills investment can be a cornerstone of Australia’s productivity and ageing policy. It would empower individuals, support business transformation, and deliver lasting economic dividends in the decades ahead.

References

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