



**LUME PARTNERS**

2026-2027

HR OUTLOOK for CEOs and CPOs

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# Australia Human Resources Outlook 2026–2027

## Executive summary

Australia's HR agenda for **2026–2027** is being shaped by a distinctive combination of (i) a still-tight but gradually easing labour market, (ii) re-accelerated inflation risk in **mid-2026** with wages moderating only later, (iii) a dense wave of workplace-relations reforms now moving from "law change" into enforcement, case law and operationalisation inside organisations, and (iv) fast adoption of AI tools that is **not yet translating evenly** into workforce capability, productivity and job redesign.

The **2025 baseline** (best approximated by late-2025 and early-2026 official data releases) shows:

- **Unemployment ~4.1% (seasonally adjusted, Jan 2026)** and **underemployment ~5.9%**, indicating ongoing competition for talent even as hiring growth has moderated.
- **CPI inflation 3.8% (year to Dec 2025)**, while **Wage Price Index growth 3.4% (year to Dec 2025)**—a configuration that keeps "real wage" pressure salient in bargaining, retention and employee sentiment.
- A workforce structure with meaningful non-standard work: **2.4M casual employees (19% of employees)** and **1.1M independent contractors (7.6% of employed)** (Aug 2025), alongside a stable hybrid footprint: **36% of employed people usually work from home**.

Looking into **2026–27**, macro projections from official forecasters indicate:

- The RBA expects inflation to **peak around mid-2026** (headline 4.2% and underlying/trimmed mean 3.7% in its central forecast) and then ease gradually, with trimmed mean remaining above 3% until early 2027, while unemployment is expected to be broadly stable near term then edge higher from late 2026 as growth slows.
- The government's 2025–26 budget messaging projected growth picking up into **2026–27** and unemployment peaking around the low-4s, reinforcing a "soft landing" narrative but with continued cost-of-living and productivity constraints.

In HR terms, the most material opportunities in 2026–27 are: (1) building durable productivity uplift through AI-enabled work redesign and skills pathways (rather than "tool deployment"), (2) resetting the employee value proposition around flexibility, wellbeing and internal mobility, and (3) strengthening governance for pay equity, wage compliance, psychosocial safety and supply-chain labour risks—areas where legal and investor scrutiny is rising.

## Baseline conditions entering 2026

Australia is entering 2026 with labour market conditions that remain historically firm, even as the pace of employment growth has cooled relative to the earlier post-pandemic period. The January 2026 Labour Force release shows unemployment at **4.1% (seasonally adjusted)** with underemployment at **5.9%**, and participation around **66.7%**—levels that continue to support bargaining power in many occupations and intensify competition for specialist skills.

The wage/inflation picture is mixed. On the one hand, the Wage Price Index rose **3.4% through the year to the December quarter 2025** (with public sector wage growth noted as higher than the private sector in that release), but CPI inflation rose **3.8% in the 12 months to December 2025**, with a notable services inflation pulse and housing as a major contributor.

A key structural baseline for HR strategy is that Australia’s work arrangement mix remains meaningfully diversified: in August 2025, the ABS reported **2.4 million casual employees** and **1.1 million independent contractors**, while **36% of employed people usually worked from home**—with work-from-home much more prevalent among managers and professionals than other occupations.

From a policy and compliance baseline, the “Closing Loopholes” reform package has already changed the operating environment for payroll governance, contracting models, labour hire and gig platforms, and will keep doing so through enforcement effects. For example, **intentional wage underpayment became a criminal offence from 1 January 2025**, with regulator guidance and a small-business compliance code designed to reduce prosecution risk for genuine compliance efforts.

## Top trends for 2026–2027

The table below ranks **12** trends that are most likely to drive HR and investor outcomes in 2026–27. “Impact” reflects potential business value/risk magnitude; “Likelihood” reflects probability of affecting a typical medium-to-large employer.

Trend	2025 baseline evidence	2026–27 outlook	Impact	Likelihood	Recommended actions for HR & boards
Labour market stays relatively tight but gradually eases	Unemployment ~4.1% (Jan 2026), underemployment ~5.9%	RBA expects unemployment broadly stable near term, rising gradually from late 2026 in its central forecast	High	High	Shift from “pure hiring” to productivity + internal mobility; maintain critical-skills workforce plans

Inflation volatility and wage pressure remain live	CPI 3.8% y/y Dec 2025; WPI 3.4% y/y Dec 2025	RBA expects inflation to peak mid-2026 and stay above 3% into early 2027 (trimmed mean)	High	High	Scenario-based remuneration budgeting; targeted retention offers; review award/EA exposure
Minimum wages and awards continue to lift cost floors	3.5% increase to NMW/award minima from 1 July 2025; NMW \$24.95/hr	Future annual wage reviews likely continue given cost-of-living dynamics (timing expected mid-year)	Med-High	High	Improve award coverage mapping; automate pay compliance; model flow-through to allowances/penalties
IR reforms move from legislation into enforcement & case law	Wage theft criminal offence from 1 Jan 2025	Expect higher governance burden, higher penalties and more scrutiny of contracting/labour hire	High	High	Strengthen payroll controls; audit labour hire, casual conversion, delegates' rights, right-to-disconnect practices
Gig/platform work regulation becomes "award-like"	New regulated-worker framework from 26 Aug 2024; FWC can set minimum standards orders	Increasing use of minimum-standards orders/agreements in 2026-27 (trend)	Med-High	Medium	If platform-exposed, prepare for minimum standards orders (pay, deactivation processes, transparency)
Skills shortages ease overall but persist in critical roles	2025 Occupation Shortage List: 29% of occupations in shortage; trades/professionals remain pressured	Persistent gaps in health, education, construction; inclusion/participation levers matter	High	High	Use role-based skills forecasts; broaden pathways (migration, career transition, inclusion)
Apprenticeship pipeline risk in some trades/non-trades	NCVER: in-training down; commencements soft; completions rising (2025 data)	2026-27 will test whether education/training programs translate into commencements and completions	Medium	Medium	Partner with TAFEs/providers; improve supervisor capability; track completion risk, not just enrolment

AI adoption accelerates, but reskilling remains uneven	PwC AU: 49% used AI in job past year; 10% daily GenAI; benefits reported	Next 3 years expected to be disruptive for many roles; job redesign and reskilling becomes core HR capability	High	High	Build AI skills pathways; redesign workflows; manage fairness for frontline/entry roles
Hybrid/remote work stabilises; workplace design shifts	ABS: 36% usually work from home (Aug 2025)	Continued hybrid equilibrium; performance, safety, and inclusion tensions increase	Medium	High	Clarify hybrid principles; redesign roles; upgrade manager capability; ensure remote WHS compliance and culture
Pay equity transparency and gender pay gap accountability expand	WGEA published 2024–25 employer pay gaps on 3 Mar 2026; >50% gaps >11.2% favouring men	2026–27 pressure rises from boards, employees and investors to demonstrate corrective action	High	High	Move from reporting to remediation (job architecture, promotion, bonus governance, targets)
Psychosocial safety becomes a dominant WHS and cost issue	Safe Work: mental health conditions ~12% of serious claims; median time lost ~35–36 weeks; high median compensation	Continued regulator focus; rising claim duration/cost; strong link to job design and workload	High	High	Preventive psychosocial risk controls (job design, workload, harassment prevention), not EAP-only
ESG/supply-chain labour due diligence and reporting maturity rises	Modern slavery review + government response; Anti-Slavery Commissioner appointed 2024; reforms in train	Heightened investor scrutiny and likely tightening of modern slavery requirements; climate reporting phases expand from 1 Jul 2026 and 1 Jul 2027 groups	High	Medium-High	Strengthen supplier due diligence; integrate labour rights into procurement; build climate reporting capability that includes workforce impacts

## Deep-dive themes, outlook, indicators, and responses

This section analyses each required theme using the structure: **current state (2025 baseline), 2026–27 outlook, key drivers, indicators to watch, risks/opportunities, and practical recommendations.**

### Labour market, participation, unemployment, underemployment, and non-standard work

- **Baseline:** Late-2025 and early-2026 ABS releases show unemployment in the low-4s, underemployment near ~6%, and participation in the mid-66% range. A large “non-standard” segment persists: casual employment (19% of employees) and independent contracting (7.6% of employed), and only a small share on fixed-term contracts in the ABS working arrangements snapshot.
- **Outlook:** The RBA’s Feb 2026 outlook anticipates broadly stable labour conditions near term and gradual easing later (unemployment edging higher from late 2026 as growth slows).
- **Indicators:** ABS Labour Force (unemployment, participation, underemployment), ABS working arrangements (casuals, contractors), and any leading indicators of labour demand (job ads/vacancies—**unspecified** here) should frame HR capacity planning.
- **Risks/opportunities:** The main risk is mis-calibrated workforce planning—either over-hiring into a softening macro setting, or under-investing in critical skills that remain scarce. The opportunity is to convert a still-tight labour market into productivity gains through internal mobility and skills development, rather than perpetual external hiring.
- **Recommendations:** Adopt scenario-based workforce plans by role family (critical vs non-critical), and monitor shifts in underemployment and hours worked as early signs of slack.

### Wages, inflation, and compensation strategy

- **Baseline:** CPI inflation rose **3.8%** in the year to Dec 2025, while wage growth measured by WPI was **3.4%** through the year to Dec 2025, implying ongoing “real wage and cost-of-living” sensitivity in employee expectations and enterprise bargaining dynamics. Minimum pay floors increased as the Fair Work Commission

lifted the national minimum wage and award minimum wages by **3.5% from 1 July 2025** (to \$24.95/hr for the national minimum wage).

- **Outlook:** The RBA expects inflation to peak around mid-2026 and then moderate gradually, remaining above 3% (trimmed mean) into early 2027; wages growth is expected to be a little higher than earlier projections but to ease later as labour market conditions move closer to balance.
- **Indicators:** WPI (headline + private/public splits), CPI (headline + trimmed mean), and annual wage review outcomes are core.
- **Risks/opportunities:** Wage cost pressure is a risk to margins and to labour-intensive sectors, but it is also an opportunity to reset remuneration architecture: fewer blanket increases, more role-critical and skills-based differentiation, and stronger links between pay, capability and productivity.
- **Recommendations:** Create a 2026–27 remuneration “control tower” that links finance forecasts, bargaining calendars, labour cost drivers (including award exposure), and retention risk by role.

## **Industrial relations, bargaining, and workplace law implementation**

- **Baseline:** The workplace relations environment has shifted materially through staged reforms. The Fair Work Ombudsman’s consolidation of “Closing Loopholes” changes signals employers must manage multiple reform streams (labour hire, wage theft criminalisation, casual rules, right to disconnect, definitions of employment/contractor, higher penalties, and regulated-worker frameworks). A major inflection was the start of **criminal penalties for intentional underpayment on 1 January 2025**, with the regulator (and DEWR) explicitly framing this as applying to intentional conduct and supported by a small business compliance code.
- **Outlook:** In 2026–27, the “second-order” effects dominate: enforcement approaches, litigation, bargaining strategies, and business model adaptation (contractor/employee classification, labour hire pay parity exposure, and wage governance).
- **Indicators:** Wage-theft enforcement activity (quantified national trend **unspecified**), enterprise bargaining activity (quantified national trend **unspecified**), plus internal metrics: underpayment incidents, remediation

rates, time-to-close payroll issues, and labour hire usage.

- **Risks/opportunities:** Risk is heightened penalties, reputational harm, and operational disruption (especially where payroll systems are fragmented). Opportunity is to professionalise payroll governance and “industrial risk” controls at a level comparable to financial controls.
- **Recommendations:** Treat payroll compliance as a regulated-risk program: independent audits, clear accountability, and proactive award interpretation management; integrate contractor/employee classification governance with procurement and finance.

## Gig/contract work and “employee-like” standards

- **Baseline:** The ABS shows sizeable contracting and casual segments, and policy has moved to address gig-economy power asymmetries. Under the regulated-worker framework, the Fair Work Commission gained powers to set minimum standards orders and guidelines for “employee-like” digital platform workers and certain road-transport contractors, with commencement anchored around **26 August 2024** (or earlier by proclamation). Practical features include minimum standards orders (binding), unfair deactivation protections, and potential collective agreements for regulated workers/businesses.
- **Outlook:** 2026–27 is likely to see more standard-setting activity through orders/agreements in platform work, and spillover consequences for delivery, logistics, customer service and some retail-adjacent segments, with costs potentially re-allocated across consumers, platforms and workers (distributional impacts **unspecified**).
- **Indicators:** Number and scope of minimum standards orders, and dispute volumes on unfair deactivation (national volumes **unspecified**), as well as platform earnings distributions if disclosed.
- **Recommendations:** Employers exposed through platform partnerships or contractor “chains” should stress-test unit economics and compliance controls, and ensure deactivation/termination processes meet fairness expectations and recordkeeping needs.

## Skills shortages, workforce planning, and the training pipeline (VET/HE linkages)

- **Baseline:** Jobs and Skills Australia's **2025 Occupation Shortage List** shows shortages easing overall (29% of occupations assessed in shortage), but persisting in trades and professional occupations, particularly in health, education and construction—sectors relevant to national productivity and service delivery. Training pipeline data suggest mixed dynamics: NCVER reported declining in-training contract numbers and soft commencements in trades/non-trades over 2025 windows, even as completions were strong in some series—an early warning that “today’s shortage relief” may not translate into “tomorrow’s supply” without commencements.
- **Outlook:** 2026–27 policy settings indicate continued investment in pathways and enabling education—e.g., the Australian Government’s funding for **FEE-FREE Uni Ready Courses** (investment commencing 1 Jan 2025; with governance moving in 2026 under a new managed growth system) plus ongoing Fee-Free TAFE reporting and program monitoring. The key uncertainty is conversion: enrolments → completions → job-ready talent at scale (completion data by field/occupation and state is a critical gap in many public dashboards—**unspecified** here).
- **Indicators:** Occupation shortage metrics (JSA), apprenticeship commencements/completions (NCVER), uptake and completion of priority skill sets (Fee-Free TAFE reporting).
- **Recommendations:** HR should build **skills-based workforce plans** linked to external pipelines (TAFE/university/enabling), and invest in supervisory capacity and structured on-the-job development—an identified barrier in many apprenticeship ecosystems.

## Automation/AI impact on jobs, skills and work design

- **Baseline:** Australian consulting evidence indicates broad AI exposure but uneven depth of use. PwC’s 2025 survey (Australian insights published Jan 2026) found **49% of workers** reported using AI at work in the prior year, and many users reported productivity and quality improvements; however, only **10%** reported daily GenAI use (below global), with marked differences between office-based and manual roles. McKinsey’s Australia-specific analysis anticipates substantial occupational transitions by 2030 driven by technology and labour demand shifts (with large transitions in some lower-wage and lower-degree roles), providing a frame for 2026–27 transition planning even if the horizon extends

beyond. Deloitte's human capital trends emphasise tensions HR must manage—stability vs agility, experience gaps for new hires, and a “human-AI value proposition.”

- **Outlook:** For 2026–27, the most plausible scenario is accelerated deployment plus intensified “capability stratification”: organisations that redesign work and develop skills pathways convert AI into productivity; those that treat AI as add-on tooling see fragmented adoption and increased employee anxiety (especially for entry-level roles).
- **Indicators:** AI usage frequency by role cohort, internal mobility, reskilling throughput, redesigned workflows/use cases, and employee trust/psychological safety in transformation (quantitative benchmarks vary; external standardisation is **unspecified**).
- **Recommendations:** Build a **role-based reskilling architecture** that prioritises (i) roles with high task automation exposure, (ii) frontline/manual cohorts with lower AI access, and (iii) entry-level pathways, while embedding strong governance for responsible AI.

## Hybrid/remote work and workplace design

- **Baseline:** Hybrid work appears to have stabilised in the Australian data: ABS reported **36% usually work from home** (Aug 2025) with strong occupational skew (managers/professionals far higher). The public sector provides a parallel benchmark: the State of the Service 2024–25 report notes widespread flexible work uptake in the APS, including elevated working-away-from-office patterns and explicit framing of flexibility as an attraction and retention lever.
- **Outlook:** For 2026–27, the core challenge is less “whether hybrid exists” and more “how it is governed”: safety obligations for remote workstations, performance management, fairness across roles, and sustaining culture and learning.
- **Indicators:** working-from-home incidence by occupation, engagement indices (public sector benchmarks exist; private sector comparability varies), and turnover/retention in hybrid-eligible vs non-eligible roles (private sector data often **unspecified** publicly).
- **Recommendations:** Create explicit job design principles for hybrid roles; invest in manager capability; and treat flexibility as part of the employee value

proposition—with controls to prevent inequity between hybrid-eligible and frontline cohorts.

## Diversity, inclusion and pay equity

- **Baseline:** Pay equity transparency and accountability have strengthened. WGEA released combined private and Commonwealth public sector employer pay gaps on **3 March 2026**, covering around **10,500 employers**; WGEA’s analysis indicates that more employer pay gaps have reduced from the prior year, but **more than 50%** of employers still have a gender pay gap larger than **11.2% in favour of men**, and men remain much more likely to occupy the highest-earning quartile. For investors, the salience is reinforced by governance expectations: ACSI’s governance guidelines set out investor expectations around transparency and board oversight of material risks (and ACSI is actively assessing workplace mental health disclosure quality as financially material).
- **Outlook:** In 2026–27, the key shift is from *publishing data* to *demonstrating remediation*. The regulatory and reputational costs of “data without action” rise as employees and stakeholders use pay-gap disclosure as a lever for bargaining, retention decisions and employer branding.
- **Indicators:** employer gender pay gap trend line; gender composition by pay quartile; promotion rates; bonus allocation differences; flexible work uptake in leadership.
- **Recommendations:** Implement job architecture and promotion governance reforms; address discretionary pay drivers (bonuses/overtime allocation); and integrate pay equity into workforce planning and leadership KPIs.

## Mental health, wellbeing and safety (including psychosocial hazards)

- **Baseline:** Evidence strongly supports psychosocial injuries as both a human and economic risk. Safe Work Australia’s national WHS statistics show mental health conditions represent a material share of serious claims (e.g., **~12%** of serious claims in 2023–24 provisional data), with far higher median time lost and compensation paid than typical physical injuries; “mental stress” mechanisms show similarly high median time lost. The model Code of Practice on managing psychosocial hazards provides practical guidance and reinforces that PCBUs must eliminate or minimise psychosocial risks so far as reasonably practicable (jurisdictional legal effect

depends on adoption).

- **Outlook:** 2026–27 will likely see increased regulator attention, stronger expectations that employers implement preventive controls (work design, workload, harassment prevention, fatigue management), and rising insurance/cost pressure where claim volumes and durations remain high.
- **Indicators:** serious claims for mental health conditions (counts, time lost, cost); workforce survey fatigue/burnout; incident reporting (harassment/violence) by sector; regulator guidance updates.
- **Recommendations:** Move beyond EAP-centric approaches: adopt job design and workload controls; ensure harassment risk controls (including online/in-person); and build manager capability in psychosocial risk identification and intervention.

## **Workforce costs, benefits, and contractor/employee compliance**

- **Baseline:** Cost pressures are shaped not only by wages but also by benefit structures and classification risk. AB S shows the share of employees entitled to employer-provided paid parental leave and the prevalence of flexible-hours arrangements, indicating benefits are part of labour competition. On compliance, ATO guidance highlights the operational importance of correctly determining employee vs contractor status for tax and super obligations, including the six key factors approach and obligations differences. Importantly, Fair Work Ombudsman notes that the Fair Work Act's employment definition changes do not override "employee" definitions used in other laws like tax and superannuation, so employers must manage multi-regime classification risk.
- **Outlook:** 2026–27 sees the compliance burden increase as more organisations reassess labour models under Closing Loopholes and as wage-theft criminalisation embeds.
- **Indicators:** internal misclassification findings, contractor share, payroll tax exposure (state-based, **unspecified**), and remediation volumes.
- **Recommendations:** Establish a cross-functional "employment status governance" process spanning HR, tax, payroll and procurement; unify worker records and controls across employee and contractor populations.

## Talent attraction/retention and culture

- **Baseline:** The “employment deal” is under strain: PwC’s Australia insights highlight employee fatigue and financial strain, and show that trust in management is uneven—conditions that directly affect retention and change readiness, especially amid technology disruption. The APS State of the Service report similarly frames flexible work as a key attraction and retention tool, reinforcing that flexibility is now a mainstream component of the employee value proposition.
- **Outlook:** In 2026–27, culture and engagement risks rise where organisations demand productivity increases without rebuilding trust, capability support and psychological safety—especially as AI and cost pressures intensify.
- **Indicators:** engagement, intent-to-stay, internal mobility, managerial trust, and workload sustainability (often measured by internal surveys; public comparability **unspecified**).
- **Recommendations:** Treat culture as an operating system for change: set explicit commitments (what employees “give” and what the organisation “gives”), and track delivery to rebuild credibility for transformation.

## Modern slavery, compliance, and supply chain labour risk

- **Baseline:** Australia’s Modern Slavery Act has been under review and reform consideration. The Attorney-General’s Department published the statutory review report (May 2023) and the Australian Government released its response (Dec 2024), agreeing (fully/partly/in principle) to **25 of 30 recommendations**, including options such as penalties for non-compliance and lowering the reporting threshold (recommendations and status vary). The Australian Anti-Slavery Commissioner was appointed in late 2024 with a mandate including supporting business and raising awareness, and has since indicated ongoing reform work and due diligence direction.
- **Outlook:** 2026–27 likely brings stronger expectations for due diligence and enforcement mechanisms (exact legislative timing **unspecified**), and increasing trade/market pressure as other jurisdictions tighten forced labour standards.
- **Indicators:** Modern Slavery Statements Register publication performance exists, but “quality of due diligence” metrics remain inconsistent across entities

(comparability **unspecified**).

- **Recommendations:** Build supplier risk segmentation (geography/product), update procurement controls, and integrate worker grievance/remedy pathways into supplier management rather than treating modern slavery as disclosure-only.

## ESG and human-capital reporting expectations

- **Baseline:** Mandatory climate-related financial disclosure architecture is now in force via Australian Sustainability Reporting Standards. AASB notes that **AASB S2 Climate-related Disclosures** is mandatory for certain entities under the Corporations Act for annual periods beginning on or after **1 January 2025**, with phased commencement dates for other groups (including **1 July 2026** and **1 July 2027**). Assurance expectations are also evolving: AUASB implementation support describes mandatory climate reporting commencement by group and links to assurance phasing for climate disclosures (with Scope 3 assurance requirements phased later). Meanwhile, human capital disclosure itself is increasingly discussed in formal reporting forums (e.g., AASB dialogue series focused on human capital reporting evidence and gaps), indicating rising investor attention even where mandatory requirements are not yet standardised.
- **Outlook:** 2026–27 is a high-intensity period as Group 2 entities begin mandatory climate reporting and as assurance expectations and data controls mature; HR implications are indirect but real—demand for climate reporting capability, data governance, scenario analysis skills, and workforce transition planning. Indicators: readiness for AASB S2 compliance (governance, strategy, risk management, metrics/targets), internal control maturity, and sustainability assurance findings (where published).
- **Recommendations:** Treat ESG reporting as a cross-functional capability build: map workforce impacts of climate transition, build specialist roles (data, assurance readiness), and ensure governance includes HR where workforce transition risk is material.

## Sector differences that matter in 2026–27

The table below summarises how the trends above typically present by sector, focusing on **resources, healthcare, finance, retail, tech, and public sector**.

Sector	Primary HR challenges (2025 baseline)	2026–27 direction of travel	Quantitative indicators to watch	Investor red flags
<b>Resources</b>	IR complexity (labour hire parity exposure), safety and psychosocial harm risk, remote workforce logistics; pay equity scrutiny in male-dominated roles	Continued cost pressure and IR disputes as reforms embed; targeted skills shortages persist in trades/engineering	Injury/claim rates; contractor/labour hire share; pay gap quartiles; vacancy fill rates	Weak payroll governance; high contractor dependence without controls; recurring safety incidents
<b>Healthcare &amp; social assistance</b>	Critical shortages; high psychosocial hazard exposure; training pipeline and retention risks	High demand persists; prevention-focused WHS and workforce pipeline become central, especially in care roles	Occupation shortage rates; mental health claims; training completions; absenteeism proxies ( <b>unspecified publicly</b> )	Workforce burnout with rising claims durations; inability to staff growth initiatives
<b>Finance &amp; insurance</b>	Pay equity, hybrid governance, AI adoption and trust; compliance and control expectations high	AI-driven productivity push intensifies; wage/inflation volatility affects cost and talent markets	WGEA gaps; GenAI usage rates; turnover in critical roles ( <b>often unspecified</b> ); WPI/public-private dynamics	Persistent pay gap without remediation; inadequate AI governance; high conduct risk linked to incentive design
<b>Retail &amp; hospitality</b>	Award dependence; bargaining changes; wage compliance risk; casual conversion and scheduling complexity	Cost floors likely rise; enforcement intensity grows; supported bargaining/campaign activity risk (case-specific)	Award wage increases; wage theft investigations; casual share (ABS); turnover ( <b>unspecified</b> )	Underpayment incidents; weak rostering controls; elevated attrition and absenteeism
<b>Tech &amp; professional services</b>	AI skills and talent competition; rapid role redesign; pay equity and inclusion visibility;	AI adoption accelerates; risk of two-tier workforce (leaders vs frontline) without	Daily AI/GenAI usage; reskilling throughput; gender pay gaps; voluntary attrition ( <b>unspecified</b> )	High burnout; weak internal mobility; AI governance failures leading to trust breakdown

	high hybrid prevalence	structured reskilling		
<b>Public sector</b>	Flexible work as attraction/retention lever; wellbeing; productivity and stewardship reforms; decision-making reforms in APS	High expectations for service delivery + workforce capability, including working with AI in APS context	APS census engagement and wellbeing indices; flexible work uptake	Deteriorating engagement/wellbeing; inability to retain specialist digital talent

# Prioritised recommendations, investor implications, and 12–24-month calendar

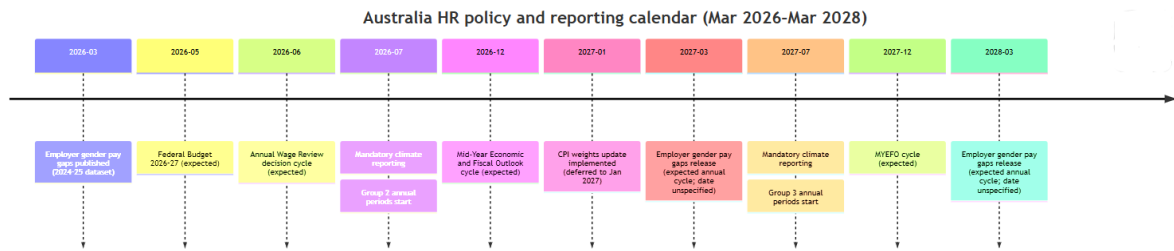
## Prioritised recommendations for HR leaders

1. **Build a “compliance-grade” payroll and worker-classification control environment.** Criminal wage underpayment laws and higher penalties change the downside risk profile. Treat payroll like a regulated system: independent audits, faster remediation cycles, and integrated contractor/employee governance across HR, finance, procurement and tax.
2. **Shift from hiring-based growth to skills-based productivity.** A still-tight labour market plus persistent shortages in key occupations mean the highest ROI is likely to come from internal mobility, targeted reskilling, and better work design—especially as macro conditions soften later in 2026.
3. **Treat psychosocial safety as core operational risk management, not “wellbeing programs”.** National data show mental health claims are long-duration and high-cost relative to many physical injuries. Implement job design, workload and harassment controls; use fatigue management guidance where relevant.
4. **Operationalise pay equity action plans, not just disclosure.** Use the WGEA dataset as a diagnostic (quartiles, progression, safe reporting), then re-engineer job architecture and promotion/discretionary pay governance.
5. **Make AI adoption equitable and role-based.** Australian workers report optimism and productivity gains from AI, but frequent use is low and uneven. Build structured skill pathways and clear “what changes in the job” narratives, especially for entry-level and manual/frontline workers.
6. **Integrate “people implications” into ESG/climate reporting readiness.** Climate reporting phases and assurance maturity are rising. Even where HR data is not mandated, workforce transition planning, capability and governance are material to risk management and strategy credibility.
7. **Strengthen modern slavery due diligence beyond reporting.** Government response supports many reforms; the Anti-Slavery Commissioner’s work signals continued pressure for stronger action. Build supplier due diligence, remediation pathways, and procurement governance now.

## Prioritised implications and actions for investors

1. **Re-rate payroll governance and IR exposure as a balance-sheet risk.** Criminal wage underpayment laws increase tail risk; investors should ask for evidence of payroll control maturity (audit results, remediation processes) and contracting model governance.
2. **Expect improved “own workforce” disclosure quality where climate reporting drives auditability.** Mandatory climate disclosures and assurance routines can lift broader disclosure discipline; investors can use this to demand consistent, decision-useful workforce metrics (turnover, critical role coverage, training effectiveness), even if not mandatory.
3. **Use WGEA employer gender pay gaps as a governance signal, not just a social metric.** Persistent gaps without credible remediation can indicate structural talent pipeline problems and cultural/controls weaknesses.
4. **Treat psychosocial safety disclosure as a financially material performance indicator.** Safe Work data show mental health claims have outsized time-loss and cost; ACSI is explicitly assessing mental health reporting maturity.
5. **Monitor how AI value is captured: productivity vs headcount cuts vs reinvestment.** Survey evidence shows tangible productivity benefits where adoption is meaningful; investors should press for clarity on workforce redesign, reskilling and controls around responsible AI.

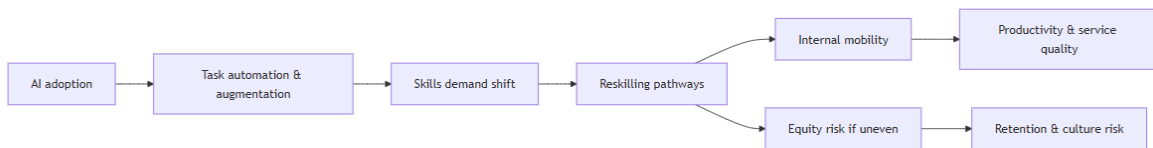
# Policy and reporting calendar for the next 12–24 months



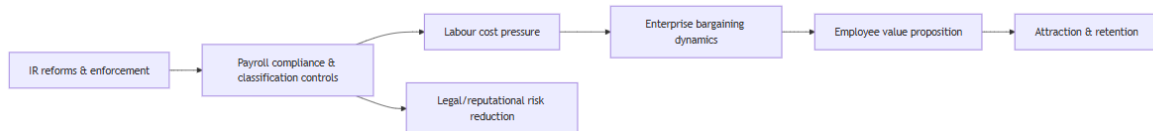
Sources supporting anchored milestones: WGEA release timing and dataset scope (3 March 2026); CPI weight update deferral to January 2027; mandatory climate reporting phasing dates (including 1 July 2026 and 1 July 2027 group commences).

Where “expected” is used (Budget, wage review cycle, MYEFO cadence), this reflects recurring Australian policy/reporting patterns; exact dates for 2026–27 events are **unspecified** until formally published.

## Relationship maps for strategy (mermaid)



This pathway is supported by evidence that many Australian workers report productivity/quality gains from AI use but daily GenAI use is low and uneven, while longer-term transition estimates highlight occupational movement risk without active reskilling.



This structure reflects the shift created by criminal wage underpayment laws, higher penalties, and contractor/employee classification complexity across regimes, which together increase the value of governance maturity as a talent and risk-management lever.

## Quantitative indicators dashboard to monitor through 2026–27

A practical monitoring set (replace/extend with org-specific measures):

- ABS Labour Force: unemployment, participation, underemployment, hours worked.
- ABS Working arrangements: casuals, contractors, working from home, minimum guaranteed hours.
- ABS WPI and CPI: wage growth vs inflation, including trimmed mean.
- Jobs and Skills Australia occupation shortages (headline % and critical occupation groups).
- WGEA employer gender pay gaps: mean/median gaps and pay quartile composition.
- Safe Work Australia key WHS statistics: serious claims, mental health conditions (share, time lost, compensation paid).
- Internal compliance KPIs: underpayment incidents, remediation cycle time, contractor classification outcomes (public benchmarks often **unspecified**).
- Climate reporting readiness milestones by entity group and assurance scope.

Key institutions and datasets relied on heavily in this report (non-exhaustive): Reserve Bank of Australia, Jobs and Skills Australia, Workplace Gender Equality Agency, Safe Work Australia, Department of Employment and Workplace Relations, Attorney-General's Department, Australian Anti-Slavery Commissioner, Australian Accounting Standards Board, Australian Auditing and Assurance Standards Board.

Assumptions and data gaps are explicitly flagged as unspecified where relevant (e.g., exact timing of some future reform bills; sector-specific gig-work shares beyond ABS high-level aggregates).

Assumptions: This report does not assume a specific employer list; it is a national HR outlook across sectors. Forecast framing relies primarily on official macro projections and published policy commencements; where future legislative timing is not formally committed, it is marked unspecified.

This report draws on multiple research papers from various firms to provide insights and it does not claim to own or author any of those papers. It acknowledges the data sources and owners where appropriate.

If you need help to address any people related challenges your business is facing, please get in touch with us @ LUME Partners.

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