



Human Capital Management
& Payroll Software/Services

Upskilling and Retention

Redefining Workforce Priorities in Australian HR

Whitepaper

August | 2025

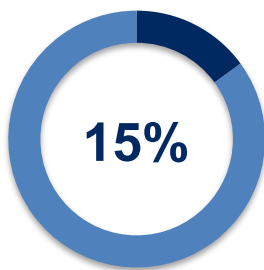
Recalibrating for 2025: Skills, Strategy and Sustainability

Australia's employment outlook in 2025 paints a complex picture. With unemployment holding at 4.1% and labour force participation at an all-time high of 67.0%, the nation's job market appears healthy at a glance. Yet, dig deeper and you'll find workforce challenges intensifying, chronic skills shortages, elevated turnover, and a growing mismatch between candidate expectations and traditional employment offerings.

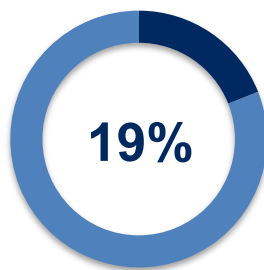
The Current Workforce Landscape

Turnover rates remain stubbornly high, averaging 15% across the private sector and peaking at 19% in government roles. In areas like tech, healthcare, education and finance, demand for specialised expertise continues to outpace supply. Employers are exploring global talent pools, but international recruitment brings its own complications, visa restrictions, onboarding complexities, and cultural integration hurdles.

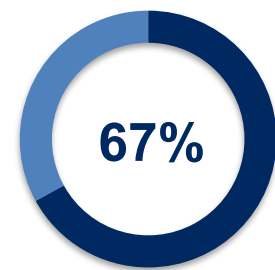
More importantly, jobseekers are changing. Flexibility, professional development, and a sense of purpose have edged out pay rises as primary decision drivers for many Australian workers. The implication for HR leaders is clear: recruitment alone is no longer enough. Competitive advantage now hinges on an organisation's ability to build skills from within and foster long-term loyalty. Upskilling and retention, once complementary, have become core.



Private Sector Turnover
Average turnover rate across Australian private sector



Government Roles
Peak turnover rate in government positions



Labour Participation
All-time high labour force participation rate

Upskilling: A Strategic Imperative, Not An Optional Extra

In 2025, upskilling has become a frontline response to the digital transformation sweeping through Australian industry. Roles are being redefined overnight, driven by rapid shifts in technology, sustainability, and compliance. Skills in artificial intelligence, cybersecurity, data science, and ESG reporting are no longer niche, they're baseline capabilities.

Australian employers are responding with serious investment. Learning and development spend is projected to reach \$8 billion this year, up 15% on a per-employee basis. Much of this is directed at micro-credentials, digital literacy training, and cross-functional learning, programs that are short, targeted, and built for agility.

Investment Growth

L&D spend projected to reach \$8 billion this year, up 15% on a per-employee basis.

Potential Shortfall

One in eight businesses has flagged intentions to reduce training budgets this year, potentially creating a \$2 billion shortfall in skills development.

Competitive Advantage

Companies with mature L&D frameworks are 30% more likely to retain top talent and 25% more successful in attracting high performers.

But not all businesses are on board. One in eight has flagged intentions to reduce training budgets this year, potentially creating a \$2 billion shortfall in skills development. This runs counter to evidence showing that companies with mature L&D frameworks are 30% more likely to retain top talent and 25% more successful in attracting high performers.

Beyond capability uplift, upskilling is also a buffer against automation. As repetitive tasks are automated, the workforce must pivot toward higher-order capabilities, analytical reasoning, creative problem-solving, and adaptive communication. Upskilling is not simply a nice-to-have initiative; it's a safeguard against stagnation and a foundation for future resilience.

Rethinking Retention in a High-Turnover Climate

In Australia's tight labour market, retaining talent is every bit as important as finding it. Turnover is costly; replacing a single employee costs, on average, 1.5 times their annual salary when recruitment, training, and lost productivity are factored in. But beyond cost, high attrition also drains culture and erodes organisational memory.

To counter this, a growing number of Australian companies are shifting focus from external hiring to internal mobility. Instead of always looking outward, they are actively mapping talent pathways within. The message to employees is clear: there's a future for you here.

Structured career frameworks, cross-functional rotations, mentoring programs, and skills audits are helping HR leaders identify capability gaps to fill roles more efficiently. These initiatives don't just address skills shortages, they build engagement. Employees who see clear growth pathways are more invested and more loyal.

Career progression is also evolving. Today's workforce no longer sees success as a linear climb up a hierarchical ladder. Instead, lateral moves, project-based assignments, and multidisciplinary exposure are seen as valuable stepping stones. A mobility mindset doesn't just serve individuals, it builds a more agile, better-rounded workforce.



The Shift in Workplace Power

The power dynamics in Australian workplaces have undergone a recalibration. During the pandemic, employees gained significant leverage via remote work, wage increases, and a greater say in how work was done. In 2025, as economic conditions normalise, employers are regaining ground. But the old rules no longer apply.

3.8%

Wage Growth

Expected wage growth in Australia for 2025

68%

Flexibility Priority

Workers citing flexible work options as a top priority when evaluating new opportunities

While wage growth is expected to hit 3.8% this year, employees continue to prioritise flexibility and wellbeing. Hybrid models are now the norm, not the exception, and any regression to rigid, office-

centric arrangements is met with resistance. A full 68% of workers cite flexible work options as a top priority when evaluating new opportunities.

HR teams are responding by refining hybrid work strategies and investing in performance measurement tools suited to a decentralised workforce. Wellbeing programs, resilience training, and inclusive policies are also being embedded more deeply into business-as-usual practices.

This new equilibrium is less about command and control and more about collaboration and mutual respect. Employees expect transparency, purpose, and recognition. Employers, in turn, are seeking commitment, adaptability, and results. The balance isn't static; it's renegotiated every day.

What's Working: Practical Strategies in Motion

Australian HR leaders are deploying a suite of tactics to meet emerging skills and retention demands. Among the most effective are:

1

Skills-targeted L&D

Programs are now built to address specific needs. Digital transformation, AI fluency, and climate-related risk capabilities top the list. Where traditional training might have taken weeks, new formats, micro-credentials, gamified platforms, and virtual simulations, deliver measurable outcomes faster.

2

Career Pathway Design

Role clarity and future vision are key to retention. Businesses are mapping career journeys that offer both vertical and lateral opportunities. Employees are encouraged to co-own their development via coaching, mentorship, and self-paced learning. In some cases, success profiles are being used to clearly outline the competencies needed for advancement.

3

Secondments and Cross-Functional Assignments

Short-term placements across departments are being used to boost both agility and satisfaction. These experiences expose staff to different areas of the business and create a culture of continuous learning.

4

Predictive Analytics

Advanced HR systems are helping employers identify flight risks early. Predictive models combine engagement scores, absenteeism data, and performance trends to flag individuals at risk of disengagement. Interventions, ranging from career coaching to project rotation, can then be deployed before a resignation letter lands.

5

Wellbeing as Retention Strategy

Mental health and wellbeing supports are now critical infrastructure. From mental health leave and telehealth services to wellness stipends and flexible working hours, these offerings are playing a direct role in keeping talent engaged and present.

Case in Point: What Success Looks Like

One of Australia's leading financial services groups provides a compelling example of what an integrated upskilling and retention strategy can achieve. In early 2024, facing critical skill shortages in digital product development and experiencing high voluntary turnover, the company launched a comprehensive workforce renewal program.

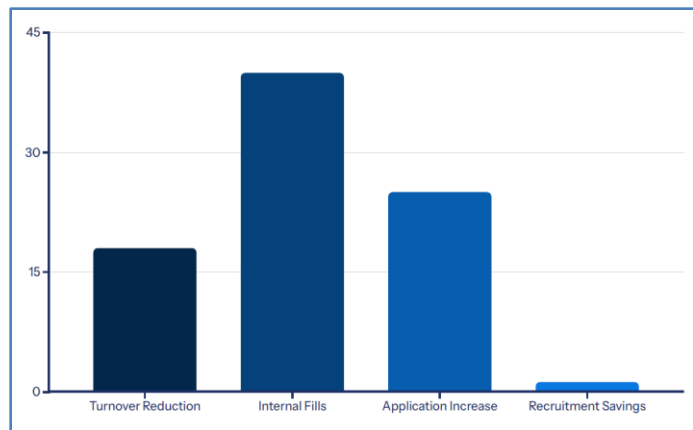
The initiative began with a detailed capability audit across technology and operations teams. This was followed by the rollout of digital bootcamps, AI certification programs, and leadership development modules. At the same time, the company restructured its internal mobility framework to allow for lateral movement into tech-adjacent roles, from customer operations to data analytics and product testing.

Team members were invited to apply for short-term secondments, receive digital mentorship from internal experts, and participate in hackathons to solve real business challenges. A gamified internal job board was launched, matching talent with emerging roles and surfacing "hidden skills" through machine learning.

Team members were invited to apply for short-term secondments, receive digital mentorship from internal experts, and participate in hackathons to solve real business challenges. A gamified internal job board was launched, matching talent with emerging roles and surfacing "hidden skills" through machine learning.

The results were swift and measurable. Voluntary turnover dropped by 18% within 12 months. Forty percent of tech vacancies were filled internally, resulting in an estimated \$1.2 million in recruitment savings. Applications for internal roles tripled. Perhaps most tellingly, the company saw a 25% increase in external job applications, with candidates citing the firm's development culture as a key attraction.

Even with success stories emerging, not all organisations are able, or ready, to make the leap. Budget constraints continue to plague many SMEs. Ingrained hierarchies and cultural inertia can slow the pace of change. And in some sectors, the urgency to upskill is acknowledged, but the roadmap is unclear.



Building Future-Ready Workforces

One approach gaining traction is the use of pilot programs. Rather than overhauling enterprise-wide systems, HR leaders are trialling strategies in single departments to demonstrate ROI. Partnerships with universities, VET providers, and tech startups are also proving valuable, offering access to training content without the overheads of in-house development.

Policy as Enabler, Not Just Influencer

The federal government is also playing a more active role. The Skills and Training Boost offers tax incentives for employers investing in staff development, particularly in areas aligned to national priorities such as healthcare, renewables, and cybersecurity. Reforms to the vocational education system are aligning course content more directly with industry needs, closing the long-standing gap between learning and application.

Still, stronger coordination is needed. Business, government, and educators must work more closely to ensure emerging industries don't fall behind. National workforce strategy must be built on collaboration, not just compliance.

Time to Build, Not Wait

For Australian organisations navigating 2025's evolving workforce landscape, the message is clear. Competitive advantage will no longer belong to the biggest employers or the flashiest brands. It will belong to those that make capability, culture, and commitment their core.

Upskilling and retention aren't separate threads, they're intertwined drivers of resilience and innovation. Those who get it right won't just hold onto talent. They'll build future-ready workforces, equipped to meet whatever comes next.



Upskilling, retention, and smart analytics are redefining how Australian businesses compete in 2025. At Frontier Software, we help organisations stay ahead by simplifying data insights and driving smarter decisions all while empowering your people. Visit www.frontiersoftware.com to learn more.

References

1. Australian Bureau of Statistics (2025) *Labour Force, Australia, May 2025*, ABS Cat. No. 6202.0
2. Australian HR Institute (2025) *Quarterly Australian Work Outlook, March 2025*
3. People2People (2025) *The Future of HR 2025: Key Trends Shaping the Workforce*
4. InnovationAus (2025) *The Skills Gaps Holding Back a 'Future-Fit Workforce'*
5. Deloitte Access Economics (2024) *Ready Set Upskill: Maximising the ROI of Skills and Training*
6. McKinsey & Company (2024) *Upskilling for the Future: Building a Skilled Workforce in Australia*
7. LinkedIn (2025) *Workforce Confidence Index: Australia 2025*
8. PwC Australia (2024) *The Cost of Turnover: Why Retention Matters*
9. Harvard Business Review (2024) *Internal Mobility: The Key to Workforce Agility*
10. SEEK (2025a) *Australian Employment Trends Report 2025*
11. RetailBiz (2025) *AHRI Research Shows Pay Rises on the Horizon for Workers*
12. SEEK (2025b) *Job Seeker Priorities Survey: Flexibility and Beyond*
13. Australian Government (2024) *Skills and Training Boost: Supporting Business Investment*
14. Department of Employment and Workplace Relations (2025) *VET Reform Roadmap: Aligning Skills with Industry Needs*

About Frontier Software

Frontier Software is a leading software and services organisation specialising in digital transformation for payroll and HR solutions. With over 40 years of industry experience, our comprehensive solutions are trusted by businesses across the globe. Our expert team is dedicated to helping organisations streamline their payroll and HR processes, ensuring compliance, accuracy, and efficiency. Looking to enhance your payroll and HR processes? We can help you optimise your existing Frontier Software solution or create a completely new system tailored to your business needs.

“Commitment to customer service is our number one priority.”

Michael Howard, Founder

This communication contains general information only. Frontier Software Pty. Ltd., its affiliates, and related entities (collectively, "Frontier Software") do not, by means of this communication, provide professional advice or services. Before making any decisions or taking any actions that may affect your financial or business situation, you should consult a qualified professional adviser. No representations, warranties, or undertakings (express or implied) are made regarding the accuracy or completeness of the information in this communication. Frontier Software, its affiliates, related entities, employees, or agents shall not be liable or responsible for any loss or damage whatsoever arising directly or indirectly from any reliance on this communication. Frontier Software and each of its affiliates and related entities are legally separate and independent entities.

Please consider the information contained in this presentation as commercial in confidence.