

Employment Hero submission to Productivity Commission *Harnessing data and digital technology: Interim report*

12 September 2025

Introduction

Employment Hero welcomes the opportunity to comment on the Productivity Commission's Interim Report on [Harnessing data and digital technology](#). We broadly support the draft recommendations and the pragmatic approach to avoiding additional or unnecessary compliance burdens, particularly for small and medium-sized businesses (SMEs).

Employment Hero serves more than 350,000 SMEs and 2.5 million employees. Our AI-powered platform delivers end-to-end HR, payroll and recruitment solutions that streamline administration, lift compliance standards and give business owners more time to focus on growth. Founded to make employment easier and more valuable for all, our AI-led innovation has delivered significant time and cost savings for SMEs, driving productivity and business growth.

While our submission focuses on the 'Harnessing data and digital technology - Interim Report' (**the Interim report**), we also provide relevant insights across the several other pillars where appropriate, noting these throughout.

Real-time workforce insights

Employment Hero currently processes more than \$120 billion in wages and superannuation annually, which provides an unparalleled pool of real-time, aggregated and anonymised data that can play a pivotal role in providing front line employment market insights to help sharpen policy recommendations and inform decision making to support business growth, job creation and economic prosperity.

As outlined in our inaugural [Annual Jobs Report](#)¹, the Australian workforce is underundergoing significant transformation, shaped by generational shifts, cost-of-living pressures and new expectations around work. We continue to see hours worked slowing (from rising 3.4% in 2023 to a lesser increase of 2.3% in 2024 and to an increase of 1.8% over the 12 months to July 2025) yet wages continue to rise (up 4.7% YOY). This underscores the challenge for SMEs in balancing competitive pay with declining productivity. With SMEs representing more than 99% of Australian businesses², lifting productivity is essential to Australia's future prosperity and central to this is harnessing technology, especially artificial intelligence (AI).

Enabling local innovation

AI is one of the most transformative technologies of our time and Australia must act deliberately to capitalise on the opportunity it presents. If we want Australia to be a nation of innovators, we need to start treating small businesses like the engine room of the economy, rather than an afterthought and foster an environment where

¹ Employment Hero, Annual Jobs Report, 2025, <https://employmenthero.com/news/annual-jobs-report/>.

² ASBFEO, Number of Small Businesses in Australia, 2025, <https://www.asbfeo.gov.au/small-business-data-portal/number-small-businesses-australia>.

innovation can thrive. We encourage policy recommendations that reward risk-taking, streamline regulation, and give business owners the freedom to focus on what they do best: solving problems, creating jobs and driving growth.

Australian SMEs are already facing an employment complexity crisis. Our customers consistently report being overwhelmed by compliance obligations while also contending with rising costs, talent shortages and economic uncertainty. [Employment Hero's 2025 Recruitment Report](#) shows more than one in four small businesses cite compliance as a top concern; 59% name reducing operational costs as a major challenge; 46% are grappling with economic uncertainty; and 43% are concerned about business survival in 2025.³

We therefore support recommendations 1.1 and 1.2 from the Interim report. Rather than implementing sweeping, AI-specific regulation, the government should conduct an in-depth gap analysis, in consultation with industry, to identify and manage risks within existing legal frameworks. We strongly agree that any regulatory responses to potential harms from AI should be proportionate, risk-based, outcomes-focused and technology-neutral, with ongoing industry collaboration. We also endorse recommendations 2.1 and 2.2 from the Interim Report on [Creating a more dynamic and resilient economy](#) to deliver immediate, concrete reductions in regulatory burden and strengthen regulatory scrutiny.

A measured approach to regulation is essential to help existing businesses to thrive and to allow new ones form, attract talent and leverage emerging technology. The greatest productivity gains will come from enabling AI-powered new business and ensuring that opportunity is captured domestically. Australia competes globally for AI investment and regulatory overreach risks pushing innovation offshore. This risk is compounded by local startup challenges: only 1% of Australians prefer to work at startups⁴, and half of SMEs report that attracting and retaining talent is among their biggest challenges.⁵

We recommend policymakers ensure small-business and startup support across any reforms, including direct consultation; tailored training and digital-literacy programs; SME-focused support services; phased implementation (with greater leeway for smaller employers); and initiatives to lower costs for SMEs. Our [Annual Jobs Report](#) shows access to training and upskilling has become a key driver of retention; employees who feel supported are far less likely to leave. For SMEs/startups, this means investing in digital capability and workforce development is critical to staying competitive. While resources may be tighter, agility and innovation give smaller businesses a unique advantage in adapting quickly to changing workforce expectations.

We are therefore highly supportive of recommendation 2.2 in the Interim report on [Building a skilled and adaptable workforce](#) proposing incentives to lift work-related training rates in SMEs. We suggest extending this to owner-focused training on emerging technologies, which may include practical education on using AI to drive productivity, selecting appropriate models and tools and implementing them safely. This could be delivered through industry partners like Employment Hero, which has an extensive SME network and an adaptable digital platform.

Remote work is also a powerful lever for attraction, retention and innovation. Employment Hero has been fully remote since 2020 and has developed an AI-first operating model that strengthens consistency and

³ Employment Hero, The 2025 Recruitment Report, 2025, <https://employmenthero.com/resources/recruitment-report/>.

⁴ Employment Hero, Annual Jobs Report, 2025, <https://employmenthero.com/news/annual-jobs-report/>.

⁵ Employment Hero, The 2025 Recruitment Report, 2025, <https://employmenthero.com/resources/recruitment-report/>.

accelerates iteration by broadening access to global talent and enabling asynchronous collaboration. This supports faster experimentation, transparent knowledge sharing and rapid problem resolution, ultimately lifting productivity.

We expect remote work to keep growing where physical presence is not critical to the delivery of core business activities. With maturing collaboration technologies and AI capabilities, the benefits are clear. Policymakers should scrutinise return-to-office mandates or reforms that could curb these benefits without demonstrable upside or necessity. We recognise remote-first models are not suitable for every role or sector but where they are, businesses should be supported to implement remote practices that benefit employers and employees alike.

Amplifying human capability

As AI transforms workplaces, investment in training and education is critical. Employers increasingly seek candidates who can step into tech-enabled roles and leverage AI effectively. Although still early, our first-party data indicates an upward trend in AI-related job titles and vacancies. Employment Hero strongly believes AI will amplify human capability and create many new opportunities, provided we take the right action to realise this potential.

Meaningful human-AI collaboration is essential to ensure every worker can thrive. As an AI-first organisation, Employment Hero provides employees access to AI training and tools from day one. We continuously innovate and explore new technologies that empower our people and improve customer experience. By creating a formal space for employees to test, share and scale AI-driven initiatives, we've enabled new ways of working that materially lift productivity. Anecdotally, our teams feel better equipped to work with AI systems and tools due to our training and open encouragement and, we have already realised substantial gains across a number of business functions by implementing AI-powered processes.

For our customers, we continue to build AI-powered solutions that make employment easier and more valuable, directly addressing SMB pain points. Our focus is on enabling business owners and their teams to reallocate resource away from cumbersome and/or repetitive tasks to higher-value, human-led work that will drive business growth. For example, in recruitment, which traditionally, on average, requires 12+ hours of admin time per role, our AI-powered SmartMatch technology has enabled faster, fairer hiring by integrating into a business' Human Resources Information System (HRIS) to match candidates to roles within the business based on skills and experience, while consciously minimising Personally Identifiable Information (PII) in decision-making. The system provides a clear and transparent rationale to employers on why a candidate appears as a suitable match, which significantly reduces the role of human bias in shortlisting candidates, whilst saving SMBs significant time in filtering through resumes and applications and enabling resource to be redirected to higher-value activities like strategic decision making and building high performing teams.

In this context, we support recommendation 1.3 in the Interim report to pause steps to implement mandatory guardrails for high-risk AI and again support a gap analysis of existing regulatory frameworks as a first step. We also emphasise that AI in HR can *reduce* risk, including bias risk, and raise compliance standards by helping SMEs meet their obligations. Employment Hero's Employment Operating System (EOS) enables HR and payroll automation with robust reporting and auditing, while AI-enabled support steers employers to relevant resources and expertise. Over-restricting these technologies would limit benefits not only for employers but also for employees and government objectives across related policy areas.

Data use is fundamental to delivering these kinds of innovative, beneficial solutions. As such, we support recommendation 2.1 in the Interim Report to broaden access for SMEs to data that relates to them for the benefit of businesses, customers and communities.

Summary

Australia's future prosperity relies on enabling SMEs to fully harness the benefits of data, digital technology and AI. The recommendations in the Interim Report strike an appropriate balance between fostering innovation and safeguarding against risk, provided they are implemented with proportionality and in close consultation with industry.

By prioritising regulatory gap analyses before new rules, expanding flexible data access, supporting SME training and digital capability, and avoiding unnecessary compliance burdens, policymakers can create the conditions for local businesses to thrive.

Employment Hero stands ready to partner with the government to ensure that SMEs are equipped with the tools, insights and technology they need to innovate, grow, and deliver the productivity gains that will secure Australia's economic future.

Contact

Lisa Dewar
Head of Communication and Government Relations ANZ
Employment Hero

