



5-year Productivity Inquiry: Advancing Prosperity

Recommendations and Reform Directives

The following set of recommendations and reform directives from across the report are organised by broad policy theme, and are reproduced here from volume 1. There are 29 reform directives drawing on 71 separate recommendations.

Building an adaptable workforce: *education*



Reflecting the role of education in creating a high skilled and highly adaptable workforce, broad-ranging reforms are proposed across higher education, vocational education and training (VET), schools and lifelong learning. These reforms emphasise stronger foundational learning to support further skills acquisition throughout individuals' working lives via a broader array of flexible options.

Higher education reforms aim to create a more dynamic university sector, putting greater emphasis on quality teaching. Loan reforms would expand access to high quality VET, and encourage emerging vocational options that develop broad, adaptive and less occupation-specific skills.

A more coherent approach to lifelong learning and ongoing skill development is based on targeted tax incentives, and the improved availability and recognition of flexible, short form training options.

Long-term improvements in school outcomes are possible through increasing (and judicious) use of learning technology and a stronger link between pedagogical evidence and classroom practice. Proposed reforms focus on assisting governments and schools in this journey.

Reform directive 1: Improve schools' capacity to lay the educational foundations for the future workforce



Recommendation 8.1 Leverage digital technology in schools

State and Territory Governments should work with schools to extend, improve and embed the use of education technology in order to realise future benefits for students.

Initiatives should aim to:

- enable teaching practices to evolve with the changing classroom environment by prioritising the development and implementation of digital tools to support teaching and learning, while balancing flexibility for individual jurisdictions' needs – this could include developing an online assessment tool and giving the Australian Education Research Organisation (AERO) responsibility for researching and vetting effective digital technologies to be implemented in schools
- replace manual school administrative processes with technology-based and automated solutions where this has not been done already – this could include evaluating technology-based solutions for administrative processes currently in place and developing mechanisms to diffuse these to other schools
- support continuous commitment to ongoing professional development modules that support teachers in using data analytics to drive student improvement.



Recommendation 8.2 Make best practice teaching common practice

State and Territory Governments should facilitate greater classroom access for the Australian Education Research Organisation (AERO) to support more principal and teacher involvement in education research to ensure that evidence-based research provides information that is salient and readily applicable by practitioners.

Initiatives should focus on:

- enabling greater observation of, and feedback on, classroom teaching practices, by supporting more informal teacher networks, and creating or strengthening the existing roles within the local school system for highly accomplished and lead teachers (HALT) to share their in-depth knowledge and skills with their colleagues
- increasing curriculum implementation support for teachers, by curating high-quality, evidence-based and government endorsed curriculum resources (curriculum plans, whole-subject sequences, lesson plans and classroom tools), to be made available for teachers and school leaders from a single source.

Reform directive 2: Enable innovative schooling approaches for improved learning outcomes



Recommendation 8.3

Enable experimentation with alternative approaches to schooling

State and Territory Governments should be open to experimenting with new, innovative school models or operational changes where there is an evidence base (including overseas) to suggest outcomes could be improved for Australian students.

In the first instance, legislative, regulatory, administrative or policy barriers that would prevent individual schools varying their operating model should be removed. In addition, there should be capacity and appropriate resourcing within the local school system to allow the merits of any trials to be evaluated.

Innovations should aim to:

- offer different lesson delivery options to lift quality teaching and learning, including for example, offering online classes in the absence of a teacher with the relevant expertise in a topic, or trials of untimed syllabus approaches to promote a continuous learning process
- better cater to student needs to encourage school attendance and lift student outcomes, including through variations in school hours and use of technology to personalise students' learning environment.

Reform directive 3: Grow access to tertiary education



Recommendation 8.4

Grow access to higher education over time

The Australian Government should adopt an improved demand-driven model for providing Commonwealth supported places to domestic undergraduate university students, subject to measures outlined in other recommendations that: contain fiscal costs (recommendation 8.5); and ensure all students are adequately supported (recommendations 8.13 and 8.14).



Recommendation 8.5 **Better targeting of investment in higher education**

The Australian Government should introduce a new university funding model to better target investment while facilitating wider access to higher education.

- Total university funding per student by field of study (comprising the student contribution and government contribution) should continue to be the cost of delivery for that field (reflecting a median estimate of efficient costs with the methodology to be refined over time as outlined in recommendation 8.6).
- The student contribution should be set based on average expected earnings for each field of study, with students with a greater capacity to repay incurring more debt. Student contributions should be higher, on average, to recoup a greater share of the costs of university from those who benefit from attending university, rather than recouping this from the broader tax base. This would also help to fund the return to a demand-driven system.
- The government contribution should make up the gap between the student contribution and estimated cost of delivery for each field of study.



Recommendation 8.6 **Improve price setting in tertiary education**

The Australian Government should conduct regular costing exercises to estimate the cost of delivering tertiary teaching and research. The methodology underpinning these cost exercises should be periodically reviewed and refined to inform more accurate cost estimates, and should aim to ultimately reflect only efficient costs. These cost estimates should inform funding as well as price and loan caps, to encourage efficient delivery of quality education and research by tertiary institutions.



Recommendation 8.7 **Expand loan eligibility to more students**

The Australian Government, in consultation with State and Territory governments, should gradually expand VET Student Loan eligibility.

- Access should expand to more Diploma and Advanced Diploma level courses. Instead of current criteria, all courses should be eligible except those that are primarily taken for leisure or have demonstrated poor labour market outcomes. This expansion should be evaluated after a suitable period, including observed effects of the earlier expansion on student participation, course decisions and employment outcomes; and any evidence of sorting by providers. Following this evaluation, and addressing any implementation issues, eligibility should also be considered for Certificate IV and Certificate III courses.
- Loan fee arrangements should also be equalised across the tertiary sector, levied on all students regardless of type (that is, extended from fee-for-service VET students and non-university higher education students to include subsidised VET students and university students). The loan fee rate should also be lowered reflecting application to a broader base of students.

Reform directive 4: Support a culture of lifelong learning for an agile workforce



Recommendation 8.8

Consolidate support for lifelong learning

The Australian Government should consolidate and examine the effectiveness and accessibility of available programs to support lifelong learning and to reduce gaps and increase uptake. In doing so, it should evaluate the effectiveness of targeted programs to inform and prioritise policies for a consolidated lifelong learning strategy by:

- trialling policies that target support at employed lower-income people, including vouchers for career planning and work-related upskilling and reskilling
- evaluating the incoming Skills and Training Boost to assess its effects on the uptake of additional overall training, the skills it develops, productivity, labour mobility, and the characteristics of the businesses most responsive to the measure. Government linked administrative datasets will be useful for such an evaluation but might need to be supplemented
- extending the existing capacity for self-education deductions to education that is likely to lead to additional income outside of the employee's existing employment. This change should be evaluated after a suitable period, and pursued subject to assurance that strong integrity measures can effectively reduce the risks of fraudulent claims
- examining the effectiveness of training programs delivered to people who are unemployed and those transitioning to work such as Employability Skills Training programs, particularly for people later in life.

Government should also increase the accessibility, flexibility, and coherence of available pathways by:

- extending income-contingent loans to more VET courses (recommendation 8.7)
- providing alternative exit opportunities through the provision of nested qualifications (recommendation 8.13)
- requiring publicly-funded universities to make their lecture materials available online, with consideration of extending this to some aspects of government-funded VET where that is practically feasible (recommendation 8.9)
- ensuring that the Australian Government's Microcred Seeker extend beyond courses supplied by TEQSA-recognised providers to the VET sector and where possible, to other private and well-recognised domestic and international course offerings
- constraining regulations that make acquiring new skills and moving to new occupations overly onerous. Most particularly, through regular review of occupational licensing policies and addressing issues in scope of practice (reform directive 10).

Reform directive 5: Increase tertiary education teaching quality to underpin a well-trained workforce



Recommendation 8.9

Leverage information to improve quality

The Australian Government should:

- increase the transparency of teaching performance by requiring universities to provide all lectures online and for free
- refine and validate new Quality Indicators for Learning and Teaching (QILT), and use these and other data to develop and publish more meaningful indicators of tertiary teaching quality and performance
- adapt the ComparED tool to address the risk that students may misunderstand its information and consider the option of abandoning it and providing additional QILT data to non-government funded websites that cover many other aspects of higher education providers relevant to student choice
- give the Tertiary Education Quality and Standards Agency (TEQSA) the responsibility to undertake external university teaching quality assurance review processes akin to those applied by the Quality Assurance Agency (Scotland).



Recommendation 8.10

Professionalise the teaching role

The Australian Government should bolster the incentives for, and prestige of, higher education teaching by:

- facilitating trials of additional funding for undertaking research and teaching development provided to individual staff based on their teaching performance, drawing on the Griffith Business School's Teaching Excellence Recognition Scheme (TERS)
- trialling a modest Australian Research Council Grant that provides funding for teaching focused research for 6 months to a year
- enhancing preparation for higher education teaching, informed by the evidence collected by initiatives outlined in recommendations 8.9 and 8.11.



Recommendation 8.11

Develop an Australian evidence base

The Australian Government should extend the role of the Australian Education Research Organisation (AERO) to the collection and dissemination of evidence on best practice post-school teaching, covering both VET and higher education. As part of this new role, AERO should also:

- draw on the lessons from the teaching practices of awardees of the Australian Government's Australian Awards for University Teaching
- undertake a rapid review of the use of formative and summative review processes and professional development initiatives in higher education institutions.

**Recommendation 8.12****Favour light-handed and simple incentives over performance-based funding**

The Australian Government should:

- put on hold the scheduled commencement of performance-based funding of universities in 2024 and only reinstitute if its risks are better managed and if other approaches to improving the performance of universities have proved ineffective
- explore the option of financial rewards to higher education providers that AERO identifies as having made successful efforts to improve and use formative assessment tools and professional development (drawing on recommendation 8.11).

Reform directive 6: Better and more flexible matching between students and work opportunities

**Recommendation 8.13****Expand alternative exit opportunities through the provision of nested qualifications**

The Australian Government should require that for any given undergraduate degree, Australian higher education providers create at least one subset of courses that, if completed, lead to a lower level qualification for students who decide to withdraw before completing the whole degree ('a nested qualification').

The Australian Government should leave the design, requirements, and timing of the nested qualification/s to providers' discretion, with the exception that any qualification would need to meet the relevant Tertiary Education Quality and Standards Agency (TEQSA) standards and monitoring requirements.

**Recommendation 8.14****Give students support to complete and clarity to exit**

The Australian Government should amend the *Higher Education Support Act 2003* (Cth) (HESA) to support completion where desirable and facilitate early exits where necessary.

It should do this by:

- providing grants to encourage higher education providers to experiment with and share new strategies for student retention
- assessing any individual grant for its effectiveness and lessons in post implementation reviews and evaluating the higher education grant program as a whole after six years to determine whether rounds of funding under the grant have contributed to a demonstrable improvement in student completion rates
- amending the 'census date' in the HESA to the 'payment date' and requiring that universities effectively communicate to students that the payment date is the time when they can exit without having to pay fees for any initially commenced course.

Reform directive 7: VET reform that supports an adaptive workforce



Recommendation 8.15 Support a responsive VET sector

The Australian Government, in consultation with State and Territory governments, should continue reforms that enable the VET sector to support an adaptive workforce and keep pace with industry needs, by:

- monitoring the development of training packages under the newly formed Jobs and Skills Councils (JSCs) to:
 - ensure their development takes place within acceptable timeframes
 - identify and disseminate best practice and innovative training package design models
- prioritising the development of cross sectoral skills standards that are applicable across industries over the next year to both reduce duplication in training package development for the JSCs and allow individuals enrolled in the VET system to be assessed against these new standards as soon as possible.



Recommendation 8.16 Improve VET teaching, pathways and partnerships

To ensure the successful implementation of Skills Reform, the Australian Government should:

- fund extra training and development programs for VET trainers and assessors so they can adequately perform independent and proficiency based assessment
- task the National Centre for Vocational Education Research to conduct a census of the VET workforce, focusing broadly on the characteristics of teachers at the provider level, including their pedagogical and occupational qualifications, as well as industry experience.

The Australian Government, together with State and Territory governments, should also continue to improve pathways between VET, higher education and industry.

- Other State and Territory governments should monitor and follow the example set by the New South Wales Government's Institutes of Applied Technology, and support local models of vocationally oriented tertiary education that deliver qualifications combining VET and higher education content together with industry expertise.

Building an adaptable workforce: *migration*



Significant reforms to skilled migration could yield large productivity benefits. A shift away from occupation-based lists towards wage thresholds as the basis for employer sponsored migration can re-focus the program on productivity.

Reform directive 8: A better targeted skilled migration system



Recommendation 7.1 Abolishing investor visas

The Australian Government should abolish the Business Innovation & Investment visa program. Temporary migration should be facilitated for people with genuine plans to start a business in Australia, while pathways to permanent residency should involve the revised Skilled Independent visa, based on a points test that better accounts for income levels and age.



Recommendation 7.2 Implementing wage thresholds for employer sponsored visas

The Australian Government should remove current list-based restrictions for employer-sponsored temporary and permanent skilled visas and set an income threshold well above the Temporary Skilled Migration Income Threshold rate. The income threshold that applies to temporary migration should be lower than for permanent. The income threshold for employer-sponsored permanent visas should increase with age, though at some older age, people would no longer be eligible for this visa category.



Recommendation 7.3 Improving Skilled Independent visas

For the Skilled Independent visa (subclass 189), the Australian Government should remove current list-based restrictions, but the points system should be able to award points for any factors shown to be associated with fiscal and employment benefits. Additional points should be awarded for ongoing employment in Australia according to income level, with different income benchmarks for different age groups. Moreover, the design of the points system should be updated regularly based on empirical research.



Recommendation 7.4

Meeting the needs of human services without stifling wage increases

The Australian Government should introduce a pilot of a special permanent visa subclass for occupations in human services sectors largely funded by government (such as aged and disability care), but only if these are facing likely enduring and significant labour shortages that are weakly responsive to wage increases. The visa subclass should be subject to the current Temporary Skilled Migration Income Threshold, and include a condition that the applicant remain employed in the relevant sector for 4 years.

The pilot should be evaluated for its impacts and need after several years.

It should also be abandoned if the Australian Government develops sustainable alternative funding options for aged care that are sufficient to meet the wage increases required to limit labour shortages.



Recommendation 7.5

Improving temporary migration and pathways to permanent residency

The Australian Government should amend settings for temporary skilled migration to increase their duration to 6 years, subject to continuous employment (for a set percentage of a given year) with a sponsoring employer (with the ability to move to a new sponsoring employer under the same visa).

While temporary skilled migration visas should not come with an expectation of permanent migration, pathways to permanent migration should be available under revised employer-sponsored and independent skilled visas.

For international students, obtaining a qualification from an Australian tertiary education provider should be associated with some expectation of being able to test their skills in the Australian labour market, but not an expectation that their qualification alone will qualify them for permanent residency. The Australian Government should increase the duration of stay for Temporary Graduate visas (subclass 485) for graduates with Bachelor and higher level degrees, such that an extension to five years is guaranteed subject to proof of ongoing employment above a set wage threshold.

These changes should be subject to the revised Employer Nominated and Skilled Independent visas, both of which would place greater emphasis on age and income (recommendations 7.2 and 7.3).



Recommendation 7.6

Improving job mobility for employer-sponsored visas

The Australian Government should amend settings for employer-sponsored temporary and permanent visas to better allow workers to switch to competing employer-sponsors including by permitting a short period of unemployment while looking for a new sponsor.

Building an adaptable workforce: *occupational licensing*



Following on from automatic mutual recognition of occupational licences, a number of reform directions are proposed to ensure that licensing is not creating undue barriers to the mobility and adaptability of the workforce. Streamlining international recognition and expanding allowable scope of practice within licensed occupations are key priorities.

Reform directive 9: Improve occupational licensing arrangements to reduce barriers faced by skilled migrants



Recommendation 7.7

Expanding the default recognition of international licences

Australian governments and regulators should pursue further international mutual recognition of occupational licences by improving (and potentially formalising) links between Australian licensing bodies and those in similar countries.



Recommendation 7.8

Aligning migration and occupational license requirements

Australian governments and regulators should coordinate to align skilled migration requirements with occupational license recognition requirements, including by removing duplication of assessment where possible.

Reform directive 10: Occupational licensing regimes that are fit-for-purpose



Recommendation 7.9 Address known issues in scope of practice

Australian governments should work with the relevant regulators to re-examine boundary issues relating to occupational licences. In particular, where independent reviews have already highlighted problems or potential gains to service quality, safety, and productivity, governments and regulators should develop plans to implement those changes.

As an example, the Australian Government should work with the Australian Health Practitioner Regulation Agency to expand Medicare Benefits Schedule and Pharmaceutical Benefits Scheme items to nurse practitioner services that currently receive inadequate funding. Consideration should be given to amending requirements for collaborative arrangements and to credentialing policy, given their importance to the employment of Nurse Practitioners.



Recommendation 7.10 Pursue trials into expanded scope of practice

State and Territory Governments should undertake trials for expanded scope of practice in health services where supported by evidence. Where service funding is determined by an intergovernmental agreement (between state and federal levels) the Australian Government should allow the appropriate funding arrangements to encourage the use of evidence-based trials.

As an example, State and Territory Governments should undertake similar trials as those run in New South Wales and Queensland with regard to the prescription scope of pharmacists' providing vaccinations and low-risk medications. The Australian Government should ensure that the novel arrangements that are the subject of these trials are given equivalent funding through the Medicare Benefits Schedule or the Pharmaceutical Benefits Scheme, where the benefits are substantiated.



Recommendation 7.11 Improved process for regular review of licensing policy

Australian governments should conduct regular, independent review of occupational licensing systems in their jurisdictions, aiming to improve efficiency without compromising safety outcomes, considering efficient scope of practice as well as the optimal mix of licensing and other forms of safety regulation. Individual jurisdictions should drive the process, sharing the findings and conclusions publicly such that other jurisdictions may benefit. In some cases, the process of review and reform could usefully be driven by the coordinated efforts of all Australian governments, including through regular meetings at the ministerial level.



Recommendation 7.12

Digital licensing designed to enable future data sharing and analytics

State and Territory Governments should continue to develop digital licensing platforms, prioritising choices in technology and design to enable future integration, information sharing and analytics.

Building an adaptable workforce: *workplace relations and platform work*



We propose a suite of practical reforms to labour market regulation to increase the scope for business-level productivity improvement while maintaining effective protection of accepted minimum standards.

To promote the productivity benefits of the gig economy while addressing risks to workers, we outline a regulatory framework with safeguards relating to insurance, safety and dispute resolution.

A renewed focus on awards is a key priority – to expand flexibility for many small businesses, improve compliance and provide a better basis for formal agreement-making. Incremental changes to the latter would also make it easier for businesses and workers to make mutually agreed workplace changes through formal agreements, and re-focus enterprise agreements on their core objective — productivity improvement.

Reform directive 11: Improve workplace outcomes and ensure a fair sharing of the gains from productivity improvements



Recommendation 7.13

A more efficient and fairer approach to adjusting awards

The Australian Government should amend the *Fair Work Act 2009* (Cth) to:

- replace the paragraphs of s.134(1) with seven paragraphs that cover:
 - (a) the needs of the employed
 - (b) the need to increase employment
 - (c) the needs of employers
 - (d) the need to achieve gender equality in the workforce
 - (e) the needs of consumers
 - (f) the need to ensure that modern awards are easy to understand
 - (g) the likely impact of any exercise of modern award powers on efficiency and productivity.
- remove the need for work value reasons alone for variations to award minimum wages outside of the Annual Wage Review, allowing the Fair Work Commission to have the same power to adjust award minimum wages in award reviews as the minimum wage panel currently has in annual wage reviews
- make it explicit that the Fair Work Commission should make variations to awards that would *better* achieve the modern awards objective, rather than only being required to make changes that are necessary to comply with the objective
- require that when reviewing and varying modern awards, the Fair Work Commission should use robust analysis to set issues for assessment, prioritised on the basis of likely high yielding gains, and consult widely with the community on reform options.



Recommendation 7.14 **Introducing menus into industrial awards**

In making variations to awards, the Fair Work Commission should seek to include options that allow employers some choice about how they can meet award requirements, subject to meeting the modern awards objective and appropriate consultation with affected employees.



Recommendation 7.15 **Limit restrictive enterprise agreement content**

The Australian Government should limit the ability for enterprise agreements to restrict productivity enhancing changes to technology or workplace practices that are best left to managerial prerogative by:

- leaving employers and employee representatives free to develop mutually beneficial consultation clauses in enterprise agreements, but amending section 205 of the *Fair Work Act 2009* (Cth) so that the model consultation term (as currently prescribed by Schedule 2.3 of the *Fair Work Regulations 2009* (Cth)) would be the only legally enforceable consultation term in an agreement if there was a dispute.
- exploring a mechanism that enables the Fair Work Commission to specifically authorise an alternative enforceable term or limit an excessive term.



Recommendation 7.16 **Review of recent bargaining changes**

The review of the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* (Cth) should particularly focus on the:

- degree to which it has promoted single-enterprise bargaining and achieved productivity-enhancing improvements in workplaces
- use of multi-enterprise bargaining and its effect on wages, prices, competition, and productivity
- potential need for further clarification on elements reliant on the Fair Work Commission's discretion.



Recommendation 7.17 **Disentangle enterprise agreements from awards**

The Australian Government should explore methods to further loosen the relationship of enterprise agreements with awards when there is genuine agreement between employees and employers. This should include an amendment to the Better Off Overall Test such that even if some employees are worse off from a change in an agreement, the Fair Work Commission could nevertheless approve an agreement if a range of public and private interest tests were met, including the degree to which the benefits to winners are larger than the losses to losers.

Any changes should have adequate protections in place to avoid undesirable outcomes as exemplified by the *Construction, Forestry, Mining and Energy Union v One Key Workforce Pty Ltd* case.

Reform directive 12: Regulation that works with new workforce models



Recommendation 7.18

Introduce independent dispute resolution for platform workers

The Australian Government should introduce an external, independent dispute resolution function within the Fair Work Commission that can provide conciliation and arbitration services relating to suspension or termination disputes or non-payment of earnings. The function should be funded by platforms and should be designed to encourage platforms to improve internal processes, rather than relying on the external body as the primary method of resolving disputes.



Recommendation 7.19

Evaluate insurance arrangements for platform work where there are significant risks to workers

Governments should evaluate insurance arrangements of classes of platform work where there are significant risks to worker safety, drawing on data and consultation with platforms, workers and their representatives. Classes of platform work that are likely to be of initial interest are those with many workers or total hours worked and those where there are material risks to work health and safety.

Where insurance arrangements are insufficient, governments should consider at minimum mandating a baseline level of insurance to be provided and paid for by platforms, or creating an industry-wide insurance scheme, or extending workers compensation. Each of the policy options would be best funded by the covered platforms. The appropriate policy option will depend on the class of platform work and its risks, and implementation considerations such as the existing level of insurance provided by platforms and the financial sustainability of the scheme.

Harnessing data, digital technology and diffusion



Innovation policy should broaden and give more emphasis to the spread and adoption of new technology and best practice. In particular, adoption of digital technology, such as AI, and the better use of data by businesses can boost productivity and be encouraged by government action. Reforms are proposed to further extend data sharing, improve funding of digital infrastructure and streamline cyber reporting regulation.

Reform direction 13: Faster and more reliable internet access to underpin productivity growth in regional Australia



Recommendation 4.1

Better access to digital infrastructure in regional communities by improving funding mechanisms

The Australian Government should more efficiently and transparently fund digital infrastructure investments to motivate improved provision in Australia's regional communities.

This would ultimately require a transition in funding arrangements from the current patchwork of programs to a single market-based tender mechanism for delivering the Universal Service Guarantee, once the market for internet connectivity services across all technology types (fixed line, mobile, satellite) is sufficiently competitive to support such an arrangement.

The government should request that the Australian Communications and Media Authority and/or the Australian Competition and Consumer Commission undertake market testing to understand whether it is currently feasible or, if not, when technology improvements and new market entrants would enable a more efficient tender mechanism to be implemented.

In the meantime, governments should improve transparency about how funding is allocated for existing regional digital infrastructure programs, including publishing the reasons for funding decisions and evaluating the outcomes of previous investments.

Reform direction 14: Cyber security compliance arrangements to underpin a productive digital economy



Recommendation 4.5 A single interface for cyber incident reporting

The cost for businesses of complying with cyber security regulations should be reduced by streamlining incident reporting requirements, with all reporting to occur via a single online interface. The operating system underlying this interface would then direct reports to the Australian Cyber Security Centre or other relevant government agency as required. This could provide the platform for the government to work with cyber security software providers to build incident reporting functions into commonly used software, so that reports are automatically sent to relevant agencies if an incident occurs.

Reform direction 15: Maximise the value of government-collected or funded data holdings



Recommendation 4.2 Expanding use cases for the Australian Government Digital Identity

The Australian Government, working with the Council on Federal Financial Relations, should increase access to its Digital Identity so that State and Territory Government services that require identity verification (such as applying for a driver's licence) and private sector services that require identity verification (such as opening a bank or utility account) are able to use the system, with appropriate access controls and safeguards.

Governments should work towards adopting a single national digital identity, rather than different jurisdictions having fragmented identity systems that require citizens to verify their identity with governments and businesses through different channels.



Recommendation 4.3 Private sector access to government data

The Australian Government should enable government data to be securely shared with the private sector, so that not-for-profit organisations and businesses can undertake research and develop improved products and services for Australians.

This could be enabled by extending the *Data Availability and Transparency Act 2022* (Cth). Extension could be gradual, starting with accredited private organisations using the data for policy and research purposes to achieve social objectives, before being opened for accredited businesses to use the data commercially. Appropriate safeguards should be employed to ensure security and privacy concerns are addressed, and the government could consider utilising advances in technology for individual privacy preservation.



Recommendation 4.4 Sharing data from government-funded services

The Australian Government should increase the safe sharing and use of data collected by government-funded service providers, including community, not-for-profit and private organisations. This would include identifying relevant data that could be safely shared and linked to benefit individuals receiving services, setting technical standards for data sharing to promote interoperability, and using funding levers to incentivise service providers to gather and share data that could improve service delivery and productivity.

Healthcare data should be targeted in the first instance to enable wellbeing benefits for individuals and productivity benefits at the practitioner and system levels. This could be implemented using My Health Record (MHR) as the foundation for a comprehensive data sharing system, and include provisions for:

- opting out of the system: Where consumers have not exercised their right to opt out of the system, practitioners should be required to upload agreed relevant health records to MHR. Patients that opt out should be required to confirm their decision each year after discussing with their general practitioner
- health software compatibility and standards: In the short term, the Australian Government should publish a register of health practice software that is integrated with MHR. In the medium term, it should set conformance standards that require all health practice software to be compatible with MHR to enable ready uploading of relevant records to MHR and extraction of patient data in an easy-to-use, secure and transferable format. The standards should also include consistent language and terminology, and a secure gateway to enable practitioners using different software to connect with each other
- de-identification to support system planning: The Australian Government should, in consultation with healthcare practitioners and the community, develop a framework for using the data in MHR in a de-identified way for health system-wide planning and policy development.

To support seamless service delivery, safe sharing of data held by government-funded service providers outside of healthcare — such as school education, childcare, aged care, criminal justice, community services and infrastructure contracts — should also be investigated and facilitated by the Australian Government.

Reform direction 16: Actively promote the diffusion of new knowledge and best practice across the business community



Recommendation 5.1 An enabling environment for small business access to finance

The Australian Government should monitor the effects of APRA's changes to capital requirements and risk weights for loans to small and medium enterprises (SMEs) that are not secured by property, and the activities of the Australian Business Securitisation Fund, to understand whether they are having the desired impacts on SME lending. Adjustments or further responses could be required if barriers to SMEs accessing finance remain. APRA may need to collect more detailed data about business lending to enable the government to undertake this monitoring.



Recommendation 5.2

An industry-agnostic approach to the National Industry PhD Program

The Australian Government should actively promote innovation diffusion across a range of industries as part of its role in capability building. By adjusting the National Industry PhD Program so that it is industry ‘agnostic’ and does not preference applications aligned with the National Manufacturing Priorities, the Government could encourage diffusion of new knowledge and best practice into the services and social sciences.



Recommendation 5.3

Improving collaborative networks and knowledge transfer

Governments could strengthen collaborative networks for diffusion and facilitate knowledge transfer through:

- trialling government-funded extension services, which have so far been focused on the agriculture industry in Australia, to support diffusion of technical knowledge and relevant technologies in other sectors. The initiative should be tailored by sector depending on what services are relevant for most small businesses in that sector, with early engagement between government and businesses to identify the types of services that would be most beneficial
- requiring open access for government funded research in journals, papers and publications that is currently locked behind paywalls. In implementing this change, the government should compare the benefits and costs of the Chief Scientist’s proposed open access model with the benefits and costs of other potential approaches
- partnering with intermediaries — such as industry associations and other advisory or network bodies — that have existing connections between industry, government, researchers and markets when implementing programs to support diffusion (such as capability development initiatives and extension services). This would enable governments to reach a wider audience with their diffusion initiatives.



Recommendation 5.4

Reducing administrative barriers to academic consulting

The Australian Government should reserve the right to facilitate more consulting by university academics, should universities be unable or unwilling to lower unnecessary administrative barriers that disincentivise academics from undertaking consulting. This could be incorporated into the Australian Universities Accord, with the government setting guiding principles to govern universities’ approaches to academic consulting and standardised processes and fee requirements.

**Recommendation 5.5****Using government-held data for benchmarking purposes**

Government agencies should use data they collect to help businesses benchmark their performance and provide insights that promote diffusion of best practice.

- Existing efforts to provide data collected from businesses back to businesses for performance comparison purposes, such as those by the ABS, ATO and ABARES, should be extended — for example, by making benchmarking tools with tailored results accessible online, or by accompanying benchmarking results with other analysis such as case studies on best practice.
- Other opportunities to use government-held data for benchmarking should be explored, including in specific sectors where applicable (for example, APRA and ASIC data for financial services and ACCC data for various consumer products).

**Recommendation 5.13****No-cost or low-cost access to ideas that have large public good value**

To support the diffusion of best practice and knowledge that has already been generated by innovative businesses, not-for-profits and government organisations, the Australian Government should:

- make mandatory standards freely available and look at new funding models for Standards Australia to reduce or eliminate the pricing of voluntary standards that have high public good value
- require open access to research principally funded by governments (see recommendation 5.3 of this report for further detail)
- reform fair use provisions in intellectual property regulations to adopt a principles-based fair use exception.

Creating a more dynamic economy



A dynamic economy is a proven ‘machine’ for spreading innovations. Proposed reforms to boost competition, business entry, investment and dynamism go beyond general competition law to include general settings like tax, trade and regulation (e.g. planning).

A proposed generational review would focus on Australia’s fragmented private and social insurance arrangements, where short-term changes can pave the way for substantial long-term reform.

Technology-enabled pricing is a big emerging opportunity. Incremental reforms to apply it to transport can boost productivity through better infrastructure decisions and improving mobility.

Reform directive 17: Create a risk protection system that encourages entrepreneurship and a long-term view



Recommendation 3.1

A generational review and reform process for Australia’s risk protection ‘system’

Government could commence a review of Australia’s risk protection and social insurance arrangements, focusing on:

- encouraging individual entrepreneurship
- removing barriers to innovative service models by insurers
- fostering efficient mitigation and early intervention.

In the near term, incremental gains could be made by progressing:

- abolition of stamp duty on insurance premiums
- continued incremental expansion of the range of out of hospital services that private insurers can fund
- targeted exemptions from risk equalisation for innovative, evidence-based preventative initiatives by health insurers
- greater flexibility for life insurers to fund (on a discretionary basis) some approved health-like services, particularly in areas like mental health
- increased sharing of government held or funded data, particularly data collected through health providers (recommendation 4.4)
- continued exploration of the ‘insurance approach’ in government programs through measures such as payment by results, social impact bonds, actuarial evidence and innovation funds.

Reform directive 18: Create an investment environment that allows the right activities to occur in the right places



Recommendation 3.2 More flexible and streamlined planning and zoning

State and Territory Governments should revise their planning regulations to ensure residential, commercial and industrial zoning is not unduly restrictive. This should include:

- implementing standardised business, and industrial zones across local government areas
- aggregating existing business and industrial zones to reduce the number of zones where possible and to broaden the range of permissible activities
- ensuring that urban planning decision-making processes consider the introduction of competition to incumbent businesses as a positive outcome.



Recommendation 3.5 The next steps toward road user charging

Australian governments should work towards an intergovernmental agreement on road user charging for all vehicle types, focusing on distance-priced charging including any road damage premiums, and subsequently, incorporating congestion charges for crowded roads. The agreement should set out the roles of the different level of governments, how road funds and trials should be implemented, and the appropriate transition pathway away from fuel excise.

In developing a new pricing regime, Governments should consider the inclusion of compulsory third party insurance costs in distance-based charges and menu options for motorists to choose between higher distance-based charges and lower fixed charges.

The appropriate level of distance-based and fixed road charges, and the desirable extent of exemptions and concessions, should be based on trials and the experiences of overseas jurisdictions that have already employed them.

Ultimately, governments should work towards the longer-term objective of more efficient pricing of road use, including through the use of congestion charging in urban centres.



Recommendation 3.6 More efficient public transport fare settings

Public transport fares across all states and territories should apply the pricing framework used by the NSW Independent Pricing and Regulatory Tribunal, including consideration of fares that take into account peak-time crowding, reduced road congestion, distance-based charges and fares that reflect the lower costs of buses compared with trains.

States and territory governments without independent bodies to make jurisdiction-specific recommendations should improve fare setting through other channels, such as publishing pricing strategies and rationales for decisions, and increasing fares annually by growth in public transport costs.

Reform directive 19: Address lack of competitive market incentives in highly regulated sectors



Recommendation 3.3

Improve competitive pressures in highly regulated sectors

The Australian Government should remove impediments to competitive pressures in sectors where it has a substantial regulatory footprint. In the first instance, this could include:

- assessing the implications for competition, health outcomes and productivity of regulatory arrangements in private health insurance, as part of the generational review of Australia's risk protection and social insurance arrangements (recommendation 3.1)
- removing anti-competitive regulations on the ownership and location of pharmacies.

Other sectors where the Government has a large regulatory footprint should similarly and subsequently be examined to remove any impediments to competitive pressures that are not supporting a broader social or environmental policy objective.

Reform directive 20: Transition tax system incentives to invigorate productivity growth



Recommendation 3.4

Transition the tax system to reinvigorate productivity growth

In their use of the tax system for fiscal consolidation over the next decade, governments should, including through the Council on Federal Financial Relations, systematically transition the tax system to be supportive of productivity growth through tax arrangements that:

- promote skilled labour supply
- improve tax neutrality in respect of savings and investment
- encourage efficient asset transfers and capital allocation
- foster market entry and competition
- support efficient risk management by firms and individuals.

Reform directive 21: Pursue economic resilience through open trade and foreign investment



Recommendation 3.7 Pursue trade resilience through openness

The Australian Government should pursue economic resilience by harnessing open trade. Public interventions in vulnerable and critical supply chains should be considered as a last resort, given the incentives for and capacity of private businesses to manage supply chain risks. Calls for assistance in vulnerable and critical supply chains should be subject to assessment of economy-wide net benefits by the Office of Supply Chain Resilience, with some form of transparent, public reporting on the justification and/or costs of any intervention.



Recommendation 3.8 More open trade and greater recognition of international standards

The Australian Government should promote open and resilient trade in goods including by:

- reducing Australia's statutory import tariff levels to zero
- progressively removing Australia's anti-dumping and countervailing measures, and subjecting any new measures to an economy-wide cost-benefit test.
- increasingly accepting product standards adopted in other leading economies as 'deemed to comply', provided that a transparent review could be undertaken in cases where the Australian Government identified a significant safety risk.



Recommendation 3.9 Addressing potential chilling effects of the Foreign Investment Review Framework

While the Australian Government should ensure its Foreign Investment Review Framework is fit for its purpose in addressing fraud and strategic risks, its design should be cognisant of the potential chilling effects on investment and subsequent costs to productivity. Application fees for proposed foreign direct investment (FDI) should not be used as a tax base.

More specifically, application fees for proposed FDI into agricultural land assets should be brought closer into line with other forms of investment, including by:

- applying indexation to the threshold investment value, as is done with most commercial investments
- adjusting the fee tiers so as to reduce the marginal rate fee as a proportion of the investment amount.



Recommendation 3.10

Prepare for increased global trade in services

In order to ensure the Australian economy is well-placed to benefit from the global increase in trade in services, Australian governments should reduce barriers to trade in services both 'at the border' and 'behind the border'. This will require consideration of not only trade policy (recommendations 3.7 and 3.8), but also tax settings (recommendation 3.4), occupational licensing (recommendations 7.9 to 7.12), foreign direct investment (recommendation 3.9), improved recognition of overseas qualifications (recommendations 7.7 and 7.8) and temporary migration settings (recommendation 7.5).

Lifting productivity in the non-market sector



Governments should persevere with the hard work of driving innovation and spreading good practice in their own services. Reforms to funding models will be a key enabler of service innovation.

The innovation 'ecosystem' in much of the non-market sector is incomplete. Reforms focus on strengthening the role of public bodies to spread ideas and best practice; more transparency and better use of data to inform consumers, funders and regulators.

Health reform is a work in progress; next steps toward integrated patient-centred, data enabled care can drive long-term productivity benefits.

Reform directive 22: Implement best practice resource allocation when funding public infrastructure



Recommendation 5.7

Collaborative procurement on major projects to increase productivity

The Australian, State and Territory Governments should improve the quality and productivity outcomes of public infrastructure projects by increasing the use of alliance contracting or collaborative contracting for major projects, so that contractors are involved earlier in the planning and scoping stages of a project. This could also include building incentives into contracts for the achievement of certain targets or standards.



Recommendation 5.8

Improving the efficacy of public expenditure through better investment decisions

Governments can improve the efficacy and productivity outcomes of public expenditure through institutional and governance arrangements that address the systemic absence or disregard of rigorous cost-benefit analysis (CBA) for both major infrastructure projects and in other government activities, such as defence and social services. Such arrangements should include:

- independent evaluation of the assumptions and inputs used in a CBA, which could be undertaken by a single institution across the State, Territory and Commonwealth levels to support consistency and comparability across different projects and programs. The proposed Evaluator General at the Commonwealth level could be a starting point for this improvement
- transparency about the analysis, including on cost and benefit estimates and forecasts and scenario selection, with independent assessments to be published and provided to government decision makers before an investment decision is made
- government officials aligning their investment decisions with CBA results, and being held accountable for how the CBA outcomes are used — or not used — in project selection.

Reform directive 23: Using health funding approaches to diffuse innovations



Recommendation 5.6

Using health and human service funding approaches to improve diffusion

Governments should use their funding and procurement approaches to drive improved efficacy, innovation and diffusion in health and human services that they deliver or contract external service providers to deliver. This could include:

- improving the diffusion of good practice in primary healthcare by regularly updating the Medicare Benefits Schedule (MBS) to reflect effective treatments. The Medical Services Advisory Committee (MSAC) should be required to undertake an annual rolling review of selected MBS items, focusing on treatments where emerging evidence or clinician feedback questions their efficacy or cost effectiveness. The Australian Government should assess the need for higher levels of funding for MSAC to undertake these annual reviews as a standing function
- implementing funding models that support the diffusion of innovation in healthcare, including preventative care, and a more patient-centred approach by aligning incentives across different parts of the health system. This includes by accelerating and scaling up long-term co-operative funding mechanisms that align the incentives of primary and hospital providers to avoid costly hospital admissions and support integrated care, such as capitation models that have demonstrated success and other mechanisms supported by the Independent Hospital and Aged Care Pricing Authority. Governments should also seek to overcome obstacles to implementing co-operative models, such as changing the *Health Insurance Act 1973* (Cth) and improving data sharing
- encouraging human service providers to innovate and compete to meet consumers' needs by providing citizens with more control over how government funding allocated to these services is spent. This could apply to the allocation of housing assistance to people rather than properties, end-of-life care, public dental services and healthcare
- increasing default contract lengths to 5–7 years for government-funded services delivered by community organisations to support innovation and diffusion. Suitable contract lengths will depend on the type of service provided, and the lengths of contracts that are retendered could be reconsidered upon their expiry.



Recommendation 5.11

A bigger role for diffusion bodies

Expand or strengthen the role of existing diffusion bodies — such as the Australian Commission on Safety and Quality in Health Care, Aged Care Research and Industry Innovation Australia, Australian Education Research Organisation, CSIRO and Australian National Audit Office — with the aim of disseminating best practice, including the elimination of practices no longer underpinned by adequate evidence. Trial innovation funds in selected public services where there is no existing body for diffusing best practice, such as in mental health service delivery.

Reform directive 24: Promote innovation and diffusion within government agencies and regulators



Recommendation 5.9

Using performance data on government services to diffuse best practice

Governments should collect and use data on service outcomes and provider performance to benchmark their own service delivery and diffuse best practice. This should go beyond simple descriptive performance comparisons by providing more like-with-like comparisons, so that governments and service providers can understand what is driving differences in performance and how, when not justified, these differences could be narrowed.



Recommendation 5.10

Recruiting public sector workers from overseas to bring in global best practice

Improve the diffusion of global best practice in the public service by loosening the security and citizenship requirements, and overly bureaucratic processes, which currently limit the recruitment of workers from outside Australia who bring innovative ideas and different models to the public service. This could include expedited security approval processes for overseas workers who have already obtained similar levels of security clearance in their home country, where Australia has a security or intelligence agreement with that country (for example, the Five Eyes alliance).



Recommendation 5.12

Encouraging regtech development and diffusion

Governments should support greater use of productivity-enhancing regtech by:

- providing regulation in forms that lend themselves to regtech solutions, such as coding regulatory rules into machine-interpretable documents, like the NSW Government's machine-readable version of the *Community Gaming Regulation 2020*. New regulations that are likely to be amenable to a regtech solution should be implemented in a machine-interpretable format at the outset, to avoid the need to go back and codify such regulations in the future
- working with software providers to identify areas where they could improve foundational settings to encourage industry to design compliant regtech solutions. The Fair Work Commission's efforts to develop an application programming interface that enables software providers to directly access its awards database, in co-design with stakeholders, is an example of such an improvement.

Securing net zero and adapting to a changing climate at least cost



Adapting to climate change and achieving net zero at least cost will be key determinants of Australia's future productivity performance.

Proposed reforms make use of existing policy levers — broadening and strengthening the safeguard mechanism, maximising confidence in the integrity of offsets, and ensuring individuals and businesses have the necessary information to make decisions that reduce their future climate adaptation costs.

Reform directive 25: Create policy settings that enable and respect private adaptation decisions



Recommendation 6.1 Avoid government subsidised reinsurance schemes

Australian governments should avoid expansion of climate-related insurance sector interventions and set a medium-term time frame for the phase out of the Northern Australia Reinsurance Pool. Government interventions in private insurance markets risk subsidising the movement of individuals, households, and businesses into harm's way, and increasing overall adaptation costs. Setting a medium-term time frame for the phase out of the Northern Australia Reinsurance Pool would provide time for private insurance providers to secure alternative reinsurance services.



Recommendation 6.2 Helping to inform adaptation investment decisions

Households and businesses should be provided with the information they need to make informed adaptation decisions. State and Territory governments should mandate the pre-sale disclosure of climate risks for all residential and commercial property sales.

- Such disclosure should be based on existing climate change projections and cover a range of physical risks including riverine flooding, sea level rise, subsidence, fire and other natural disasters.
- This disclosure could operate in the same way that States and Territories mandate the pre-sale disclosure of building reports.

For new greenfield developments the cost of climate risk reduction measures should be incorporated into the price of buying into the new development, through mechanisms like developer levies, which will help ensure that future residents face cost-reflective pricing.

**Recommendation 6.3****Transitional assistance should not distort adaptation decisions**

If transitional assistance is provided to climate-impacted regions, industries, and workers, it should be structured in a way that lets people decide which regions, sectors, and occupations they are best placed to transition into. It should not be made conditional on recipients committing to live or work in a particular region, sector, or occupation.

**Recommendation 6.4****Cost-benefit analysis for adaptation-related infrastructure projects**

Proposed adaptation-related infrastructure projects (including projects to rebuild or relocate communities impacted by large scale natural disasters) should be subject to rigorous cost-benefit analysis that incorporates plausible climate projections over the projected life of the asset and compared with that of alternative options. In the case of community rebuilding proposals, a rigorous cost-benefit analysis would consider the broad range of costs and benefits - cultural, social, economic, and environmental - of rebuilding in-situ with increased defensive measures, relative to rebuilding in an alternative location.

Reform directive 26: Elevate the Safeguard Mechanism to be Australia's primary emissions abatement mechanism

**Recommendation 6.5****Make the Safeguard Mechanism Australia's primary emissions abatement mechanism**

To increase certainty, reduce investment risk, and promote least-cost abatement, the Australian Government should progressively make the Safeguard Mechanism (SM) Australia's primary economy-wide abatement mechanism. To this end, the Government should collectively implement the following changes to the SM over time:

- define SM baselines, the total amount of annual net emissions that captured facilities are allowed to produce, in absolute emissions terms, not emissions intensity terms
- expand SM coverage by reducing SM facility thresholds, the total amount of annual emissions that a facility can produce before becoming subject to the SM, from 100,000 to 25,000 tonnes of CO₂-e
- impose SM baselines on individual electricity generators, not at the sectoral level. Failing that, the sectoral baseline for the grid connected electricity sector should be reduced, removing the bulk of the headroom between current emissions and the sectoral baseline, though this would not have the same efficiency benefits as directly including individual electricity generators in the SM
- expand transport sector coverage: once electricity generators are covered at facility level, the SM should be extended to liquid fuel wholesalers, with downstream vehicle emissions imputed to them
- allow generation of sub-baseline abatement credits. If SM baselines are expressed in absolute emissions terms, SM facilities should be allowed to generate emissions credits for emissions abatement below their SM baseline.
- no additional Emissions Intensive Trade Exposed Industries (EITEIs) protections should be provided through the SM. The SM already provides the majority of emissions rights for free, and will continue to do so for the foreseeable future.

Reform directive 27: Increase the integrity of carbon offsets



Recommendation 6.6

Increase the integrity of carbon offsets recognised by the Safeguard Mechanism

To make emissions reductions credible, the Australian Government should discontinue the 25-year permanence period for sequestration-related ACCU projects, introduce an additional class of sequestration-based ACCUs that align with the more enduring permanence provisions of the biodiversity market, and publish offset reports and project audit reports required by the Clean Energy Regulator. State and Territory Governments should stipulate the proportion of biogas that needs to be captured by existing ACCU-generating landfill gas capture projects under existing regulations.

Reform directive 28: Remove emission reduction measures that are not complementary to the Safeguard Mechanism



Recommendation 6.7

Phase out policy measures not complementary to the Safeguard Mechanism

Policy measures that are not complementary to the Safeguard Mechanism (SM) should be phased out to lower the overall cost of abatement. A review of existing measures should be undertaken to assess their complementarity to a reformed SM and recommend a timetable for the removal of non-complementary measures identified by the review. A 'complementary measure' would be one that either drives emissions abatement from emissions sources not covered by the SM, addresses market failures that constrain the pursuit of abatement from emissions sources covered by the SM, or deliver broader non-carbon abatement related benefits. Remaining non-Safeguard Mechanism policies should (1) stipulate how they are complementary to the SM, and (2) have their estimated abatement costs independently estimated and made public.

Reform directive 29: Pursue a least-cost approach to securing electricity supply



Recommendation 6.8

Pursue a least-cost approach to securing electricity supply

The proposed Capacity Investment Scheme should be implemented with a five-year sunset clause, and independently reviewed ahead of any decision to extend its life. It should be implemented on a technology neutral basis, allowing for both supply and demand-side participation by households and businesses.