THE UNIVERSITY OF MELBOURNE

MELBOURNE INSTITUTE

# Driving Productivity Growth Flash Forum

In partnership with

ACADEMY OF THE SOCIAL SCIENCES IN AUSTRALIA

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# Towards a seamless national economy

**Driving Productivity Growth Flash Forum**

**29 July 2025**

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# Success from past reform

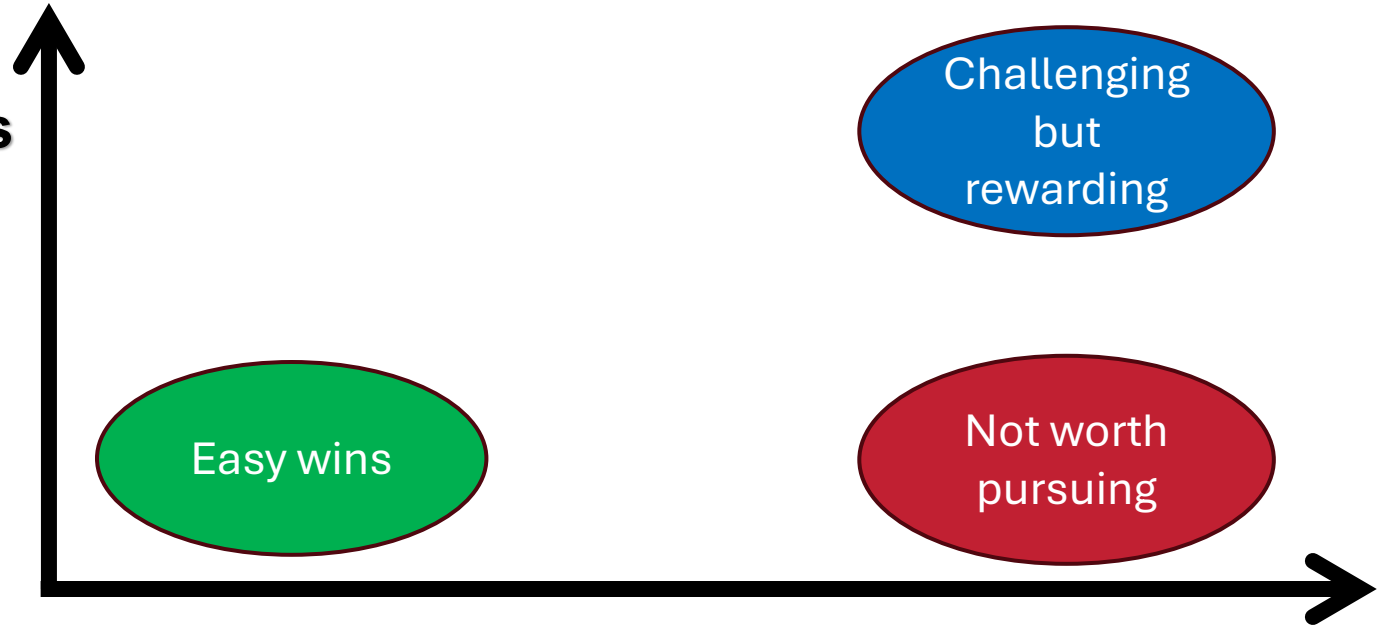
- National Partnership Agreement to Deliver a Seamless National Economy
  - $6Bn+ boost to GDP from **substantial progress** on **22 of 27 deregulation priorities**
  - **Less progress** on priority areas for **competition reform** but still payoffs

- Key lessons learnt
  - First develop **evidence base** and case for change
  - **Central agency** responsible for driving reform
  - **Payments** to states and territories following **implementation**
  - **Independent assessment** and verification

# Prioritisation framework

**Scale of potential benefits**

↑ Share of economy
↑ Benefit in affected sector
↑ Flow-on benefits
↓ Compliance + admin cost
↓ Delay until benefits




**Difficulty of implementation**

↑ No. of stakeholders
↑ Institutional complexity
↑ Budgetary costs

↓ Recognition + evidence of net benefits
↓ Sufficient time for consultation
↓ Compensation mechanisms

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# Priority areas for a new agenda

- Reigniting stalled past reforms
  - National occupational licensing
  - Environmental assessment
  - More consistent heavy vehicle access and design rules
  - Payroll tax harmonisation
- Addressing emerging challenges
  - Data sharing across jurisdictions by default
  - More streamlined and consistent land use planning regulation
  - Consistent standards and registration to enable a more circular economy
  - Best practice procurement
  - Delivery of national care worker screening

# Reforming Tertiary Education to achieve a ‘twofold boost’ to Productivity

**Peter Dawkins,** Emeritus Professor of Economics, Mitchell Institute, Victoria University
(& Special Advisor, Jobs and Skills Australia)

with

Megan Lilly Deputy Commissioner Jobs and Skills Australia and

Barney Glover, Commissioner, Jobs and Skills Australia

***Presentation to Melbourne Institute and ASSA Flash Forum on Driving Productivity Growth, July 29 2025***

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# The need for reform of the National Skills System

- The core focus of the Treasurer's roundtable looks likely to be reducing red tape and reforming taxes to unleash the supply side of the economy. This discussion is to be encouraged and to be acted on

- **Our proposition is that sustained productivity growth will also require a responsive supply of skills and knowledge in the labour market**

- Tertiary education reform will be a crucial element, **particularly to get vocational education and training (VET) and higher education (HE) working more effectively together**

# Tertiary Harmonisation

## The issue

i. The economy needs a combination of knowledge, skills and their application to industry, that requires an optimal blend of VET and HE, requiring widespread strategic collaboration between the sectors

ii. This is inhibited by different funding models, different regulatory frameworks, a qualifications framework with a rigid hierarchy of knowledge over skills, and the lack of an agreed skills taxonomy that can apply to both VET and HE

iii. A commitment by Commonwealth and State Ministers to cooperate in breaking down these barriers (as proposed by JSA 2025) would be like cutting red tape that gets in the way of productivity

## Examples of problems this creates:-

i. Skills are undervalued relative to knowledge in our qualifications

ii. Too many engineering and IT graduates are not being hired because they lack the employability skills that are required

iii. VET graduates who wish to broaden their knowledge and skills with some higher education find it difficult to gian the credit recognition that their skills, knowledge and experience should justify

iv. Nested and hybrid programs combining VET and Higher Education are very difficult to provide

v. Choices between VET and Higher Education are likely to be distorted by different funding models and perceptions of VET relative to Higher Education due to the lower perception of value placed on VET skills

# The Twofold boost to Productivity

1. Increased productivity of the tertiary sector itself
   - more skills produced more quickly at lower cost

2. Economy wide benefits through moving our workforce skills towards the optimal requirements of industry though:-
   - Better designed initial qualifications
   - Better designed snackable and stackable upskilling and reskilling micro-credentials

Budget impact

- Can produce more skills better connected with the labour market at the same cost (through better credit transfer, and nested and hybrid programs)
- Some upfront investment would be beneficial but could be financed by re-prioritisation
- Twofold boost to productivity would result in a high return on investment and a fiscal dividend

# Mature Aged Training Reform

Bruce Chapman, ANU

## Driving Productivity Growth Flash Forum

Melbourne Institute and the Academy of the Social Sciences Australia

July 2025

With thanks to: John Piggott, Tim Higgins and Peter Dawkins, and to CEPAR UNSW, who helped with the data

# Unfortunate demography, the need for reskilling, the credit market problem, and budget constraints: Towards a solution

(i) The Australian demographic context: age-dependency ratios show a profoundly adverse future.

(ii) The situation augers poorly for productivity growth: the need for re-skilling reform.

(iii) Income support credit constraints for mature aged workers wanting to reskill.

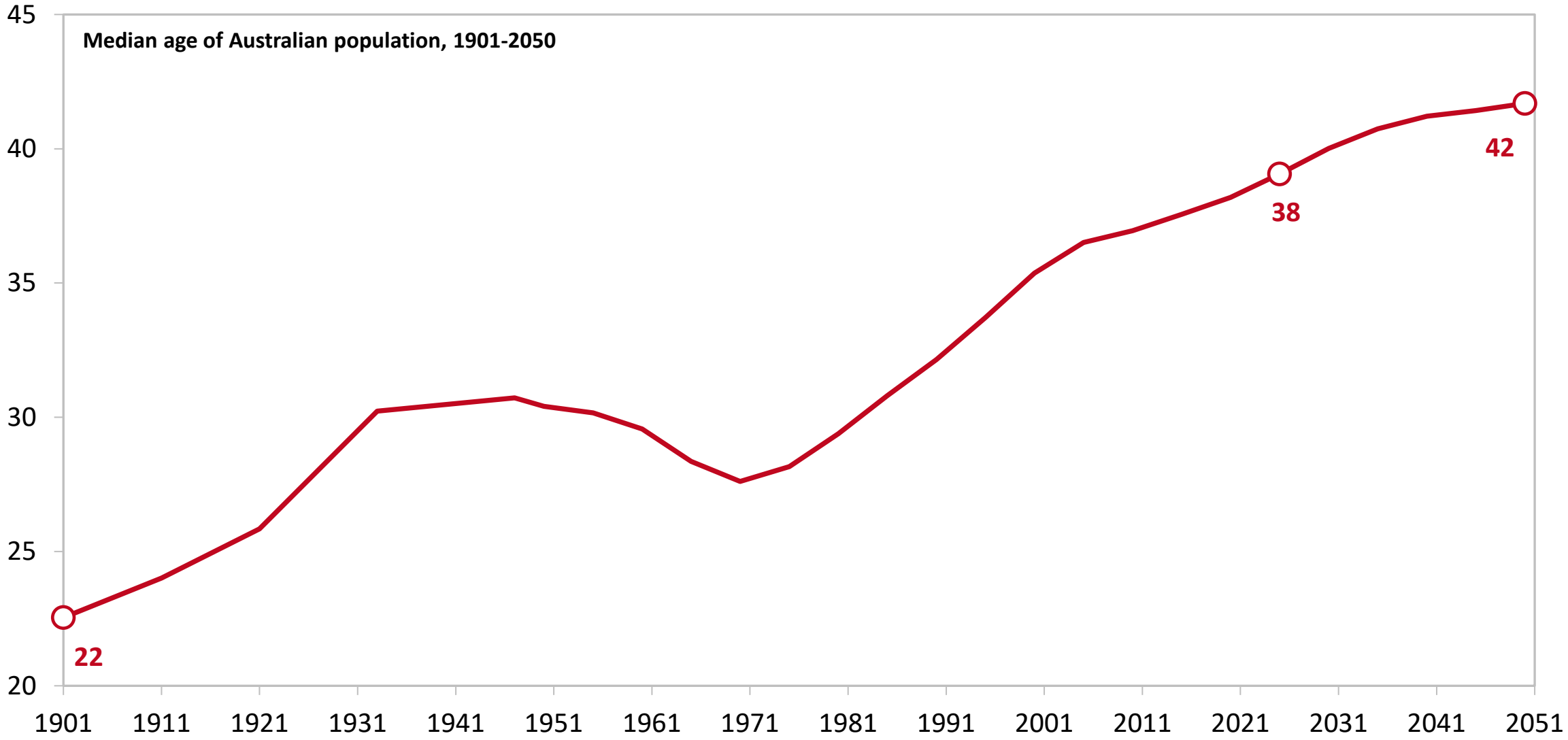
(iv) The inadequacy and cost of current income support arrangements

(v) The way forward: income contingent loans for income support

(vi) The consequences for the budget of ICL reform: low or no costs to government

# How to measure it

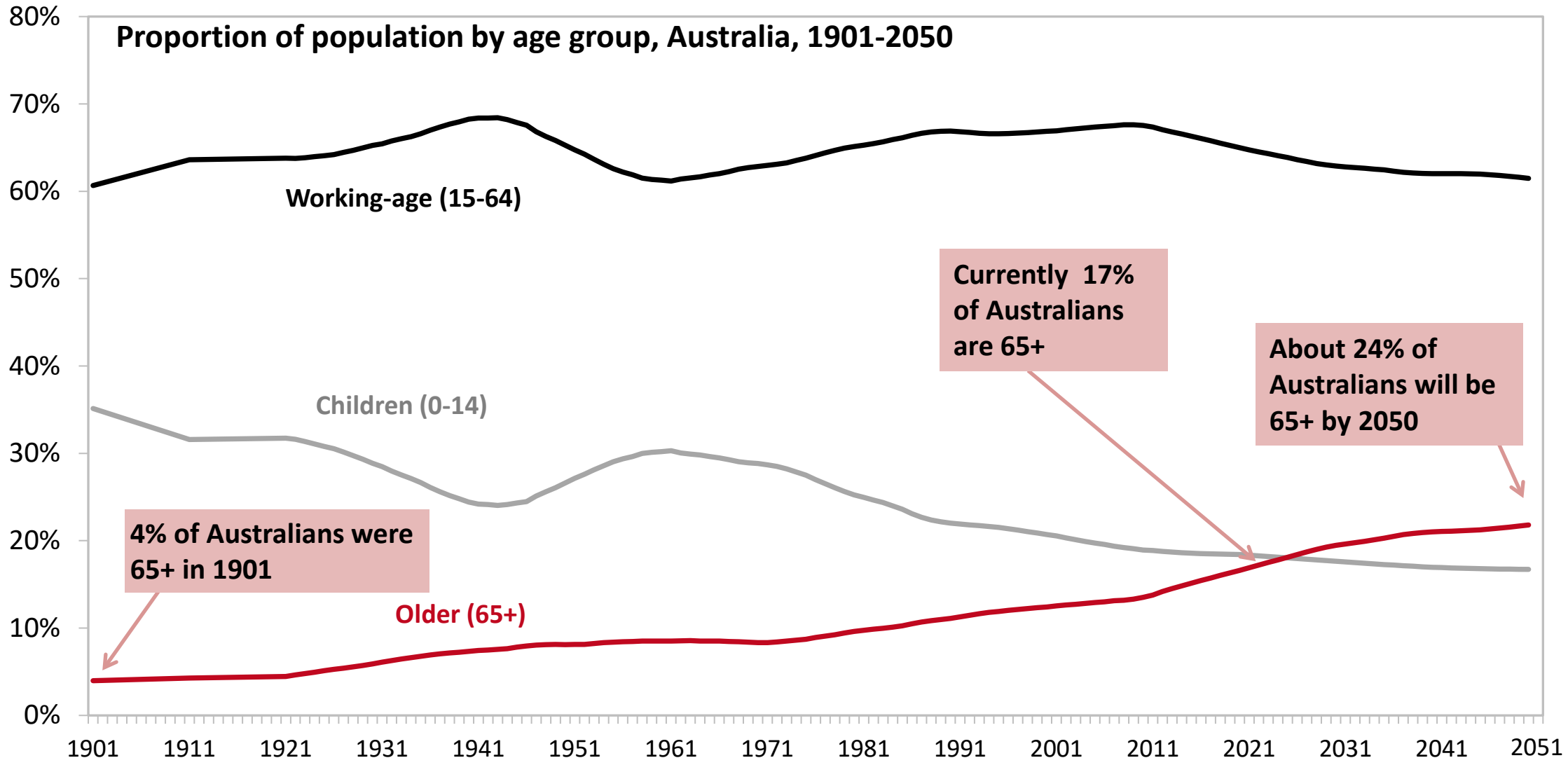
**Another option is median age**




Source: ABS Census various years, UN population prospects

# How to measure it

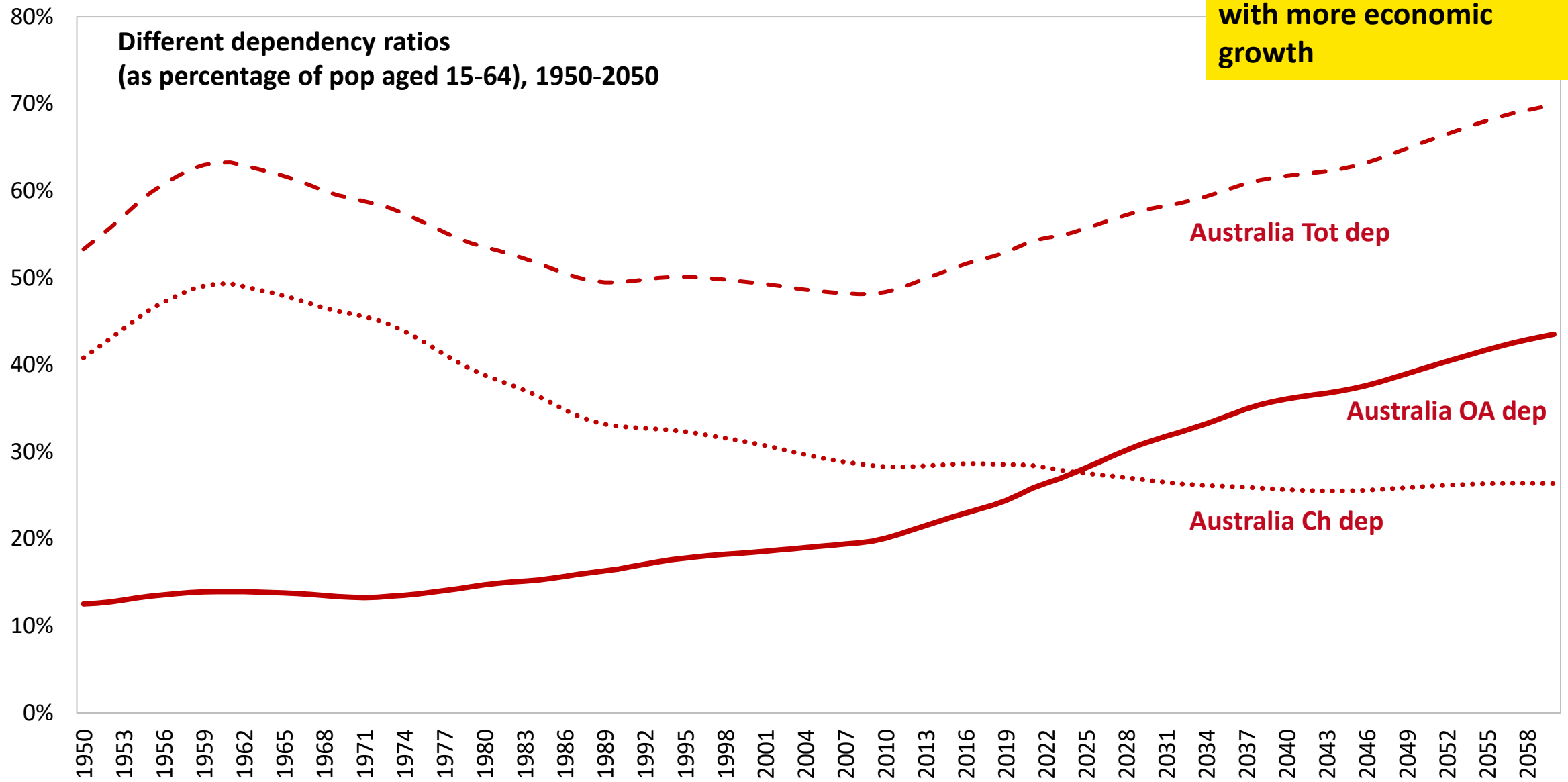
**Another option is population shares**




Source: ABS Cat 3101.0, ABS Cat 3222.0, ABS Cat 3105.0.65.001, Author's calculations

# How to measure it

**Lower old-age and child dependency is associated with more economic growth**



# Demography take-aways

- Population ageing is indeed a big deal unprecedented, enduring, pervasive and profound

- But major and innovative policy and practice reforms will be necessary to manage demographic change effectively


# Driving long-run productivity

Professor Beth Webster,

Melbourne Institute of Applied Economic and Social Research

University of Melbourne

ASSA, CEDA, Melbourne Institute Flash Forum 29 July 2025

# Truism: if we don’t change, productivity will flat line

- New knowledge is the only source of LR productivity growth
- Francis Bacon (1660s) … man (sic) does not create material things, he only creates ideas.
- Embodied new knowledge = innovation
- No single simple solution but multi-faceted
- But there are some common elements across economies


Innovation = new-to-the-world or new-to-the-firm (imitation)

- New-to-the-world builds on the work of others
- Much copying involves adaption / mistakes
- All business productivity improvements should eventually lift well-being of the mass of householders

# State of innovation today….

- Parts, ideas for complete product spread across many specialist suppliers & customers (i.e., not like Bell Labs/AT&T, DuPont, GE, IG Farben pre-1950s)
- Markets for technology more important - Innovation is a team sport
- Key features - uncertainty, non-codifiability and opacity

# Uncertainty

- Unknown future cost- or demand-side conditions
- Not all contingencies can be predicted
- Often need ex post renegotiations
- Scope for opportunistic behaviour


# Non-codifability

- If  difficult to accurately codify the technology idea being traded, parties may fail to trade
- Fear the other party will act on the literal terms—rather than the spirit—of the agreement

# Opaque

- Quality of technology/idea hard to assess esp. if trade infrequent
- Quality is only revealed through use
- Trade may fail  to occur
- Legal remedies (litigation) can be pyrrhic victories

# Features of successful innovators?

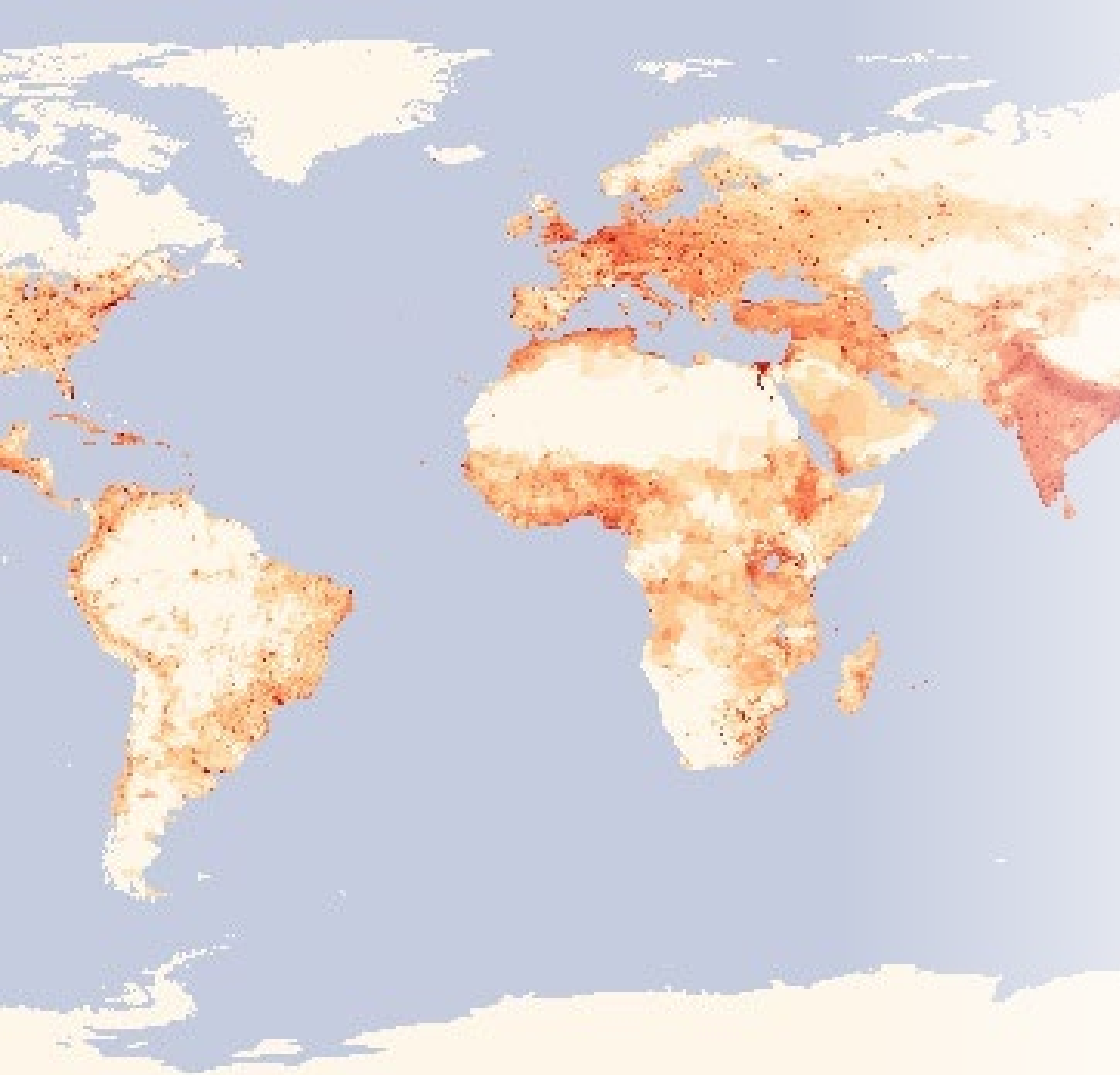
- Immersion within agglomerations – specialised clusters
- Reinforce pathways from ideas to fruition (e.g., commercialisation pathways; export pathways)
- Resourcing - heart of what eventually succeeds (history is replete with examples of unexploited opportunities which are never developed)
  - Government defence agriculture, space and health spending major impact on the innovative activities of their civilian firms

# Let’s unpack agglomerations – specialised clusters

- In-person relationships – mitigate opportunism, increase confidence
- Transmit tacit information & knowledge
- Triangulates info to instil confidence
- Deep specialised input markets – esp labour
- Enhance pathways to commercialisation/use
- Reduction in uncertainty premia has massive impact on the present value of the innovation investment

# Not just a government responsibility

- Major roles for business, labour and government
  - Networking events
  - Focus on improved business operations NOT just wages and taxes
  - Agency to workers to innovate
  - Socialising
  - Triangulating information on technology, markets
- Role for government in supporting agglomerations
  - Policy ≠ industry welfare. Strengthen areas of strength
  - Export correlated with innovation



# Success of agglomeration dep on ability to build on each others' ideas

- EU – Smart Specialisation
- USA – Regional Innovation Engines
- UK – Innovation Accelerators Program
- Canada – Superclusters