



# PC NEWS



## CONTENTS

---

Improving Australia's health system: what we can do now	4
Australian gas markets – is there a case for policy reform?	8
Housing assistance and employment in Australia	10
Australia's international tourism industry – what role should governments play?	14
What is productivity and how is it measured?	17
Report on Government Services 2015	20
Overcoming Indigenous Disadvantage	24
Expenditure on services for Aboriginal and Torres Strait Islander Australians	29

---



The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians.

**Chairman** Peter Harris

**Deputy Chair** Patricia Scott

**Commissioners**

Karen Chester  
Melinda Cilentio  
Jonathan Coppel  
Robert Fitzgerald (on leave)  
Paul Lindwall  
Angela MacRae  
Alison McClelland  
Warren Mundy

**Head of Office**

Daryl Quinlivan

**First Assistant Commissioners**

Ralph Lattimore (Canberra) A/g  
John Salerian (Melbourne) A/g

**Principal Adviser Research**

Jenny Gordon

**Media and Publications**

Leonora Nicol (Media Director)  
Ph: 02 6240 3239  
maps@pc.gov.au

**Melbourne Office**

Locked Bag 2  
Collins Street East  
Melbourne VIC 8003  
Level 12, 530 Collins Street  
Melbourne VIC 3000  
Ph: 03 9653 2100  
Fax: 03 9653 2199

**Canberra Office**

PO Box 1428  
Canberra City ACT 2601  
Level 2, 15 Moore Street  
Canberra City ACT 2600  
Ph: 02 6240 3200  
Fax: 02 6240 3399

**Website** [www.pc.gov.au](http://www.pc.gov.au)

**Email** [webmaster@pc.gov.au](mailto:webmaster@pc.gov.au)

**Twitter** @ozprodcom

Requests to be placed on the mailing list for PC News are welcome. Contact the Media and Publications Unit (03 9653 2244 or email [maps@pc.gov.au](mailto:maps@pc.gov.au)). Copies are also available on the Commission's website.

## Latest releases



**Migrant Intake Into Australia**  
*Issues Paper*

**Natural Disaster Funding Arrangements**  
*Inquiry Report (2 vols)*

**International Education Services**  
*Commission Research Paper*

**Efficiency in Health**  
*Commission Research Paper*

**Public Safety Mobile Broadband**  
*Issues Paper*

**Housing Assistance and Employment in Australia**  
*Commission Research Paper (2 vols)*

**Barriers to Services Exports**  
*Issues Paper*

**Examining Barriers to More Efficient Gas Markets**  
*Commission Research Paper*

**Australia's International Tourism Industry**  
*Commission Research Paper*

**On Productivity: Concepts and Measurement**  
*Staff Research Note*

**Childcare and Early Childhood Learning**  
*Inquiry Report (2 vols)*

**Report on Government Services 2015**  
*Steering Committee for the Review of Government Service Provision*

**Workplace Relations Framework**  
*Issues Papers*  
No. 1 *The Inquiry in Context*  
No. 2 *Safety Nets*  
No. 3 *The Bargaining Framework*  
No. 4 *Employee Protections*  
No. 5 *Other Workplace Relations Issues*

**Mutual Recognition Schemes**  
*Issues Paper*

All publications can be downloaded from the Commission's website:  
[www.pc.gov.au](http://www.pc.gov.au)

# Productivity Commission News



## NEW COMMISSIONED PROJECTS

### *Public Safety Mobile Broadband*

A commissioned study into the best way to secure a mobile broadband capability to meet the long term needs of Australia's public safety agencies – the police, fire, ambulance and emergency services. An issues paper was released in April 2015, a draft report will be released in September, and a final report will be handed to the Australian Government in December 2015.

### *Migrant Intake into Australia*

The Commission has been asked to undertake a public inquiry into the greater use of charges relative to quotas and qualitative criteria to determine the intake of temporary and permanent entrants into Australia. An issues paper will be released in May, a draft report in November and the final report will be sent to Government in March 2016.

### *Services Exports*

The Australian Government has asked the Commission to undertake a study into barriers to growth in Australian services exports, focusing on the education, financial services, health services, information technology, professional services and tourism sectors. An issues paper was released in April, a draft report will be issued in August and the final report will be published in December 2015.

### **Child care inquiry report released**

The final report of the Commission's inquiry into Childcare and Early Childhood Learning was released by Government in February. The report examines current arrangements for Early Childhood Education and Care (ECEC) in Australia, and recommends ways for improving ECEC regulation and funding to ensure the system provides the highest possible net benefits to the community within current funding parameters. The report can be downloaded from the Commission's website: [www.pc.gov.au](http://www.pc.gov.au).

### *Workplace Relations Framework*

The Australian Government has asked the Productivity Commission to undertake an inquiry into the performance of Australia's workplace relations framework, and to consider the type of system that might best suit the community over the longer term. The framework comprises laws and organisations that regulate minimum wages, awards and penalty rates, unfair dismissal arrangements, and how employees and employers can bargain with each other.

In January 2015, the Commission released a suite of 5 issues papers outlining the priority issues the inquiry will examine. A draft report will be released in August, and a final report will be sent to Government in November 2015.

### *Mutual Recognition Schemes*

The Commission has been asked to review the operation of the Mutual Recognition Agreement (MRA) and the Trans-Tasman Mutual Recognition Arrangement (TTMRA). Under the MRA and TTMRA, jurisdictions in Australia and New Zealand mutually recognise compliance with each others' laws for the sale of goods and the registration of occupations.

An issues paper was released in January 2015, a draft report will be released in June and a final report will be sent to Government in September 2015.

### *Business Set-up, Transfer and Closure*

The existence of barriers to business set-up, transfer and closure can have a detrimental impact on the efficient operation of markets and economic growth. The Australian Government has asked the Productivity Commission to conduct an inquiry into impediments faced by those setting up or closing businesses in Australia. An issues paper was released in December 2014, a draft report will be released in May, and a final report sent to Government in August 2015.

> Details of all current commissioned projects appear on page 32 and are available at [www.pc.gov.au](http://www.pc.gov.au)

# Improving Australia's health system: what we can do now

Australia's health care system produces good outcomes by international standards, but parts of the system are not performing as efficiently as they could be. There is scope for improvement through incremental, 'within system' reforms, as proposed in a recent Commission Research Paper on efficiency in health care.



There is evidence of inefficiency in some parts of Australia's health system. This can manifest as wasteful spending, reduced access to health care and substandard quality and safety outcomes. Improving efficiency would mean achieving better 'value for money' from health spending: better health outcomes, higher quality of care, improved access to health services or less waste, for a given level of funding.

Based on a roundtable the Commission held with health policy experts in November 2014, the report identifies opportunities to improve the efficiency of Australia's health care system through reforms that can be delivered *without* changing existing institutional and funding structures, and without delay. The Commission noted that a comprehensive and independent review of Australia's health system could identify more substantive efficiency gains. However, in the meantime, there are immediate gains that can be secured by progressing with 'no regrets' actions that would be beneficial under any future set of institutional or funding arrangements.

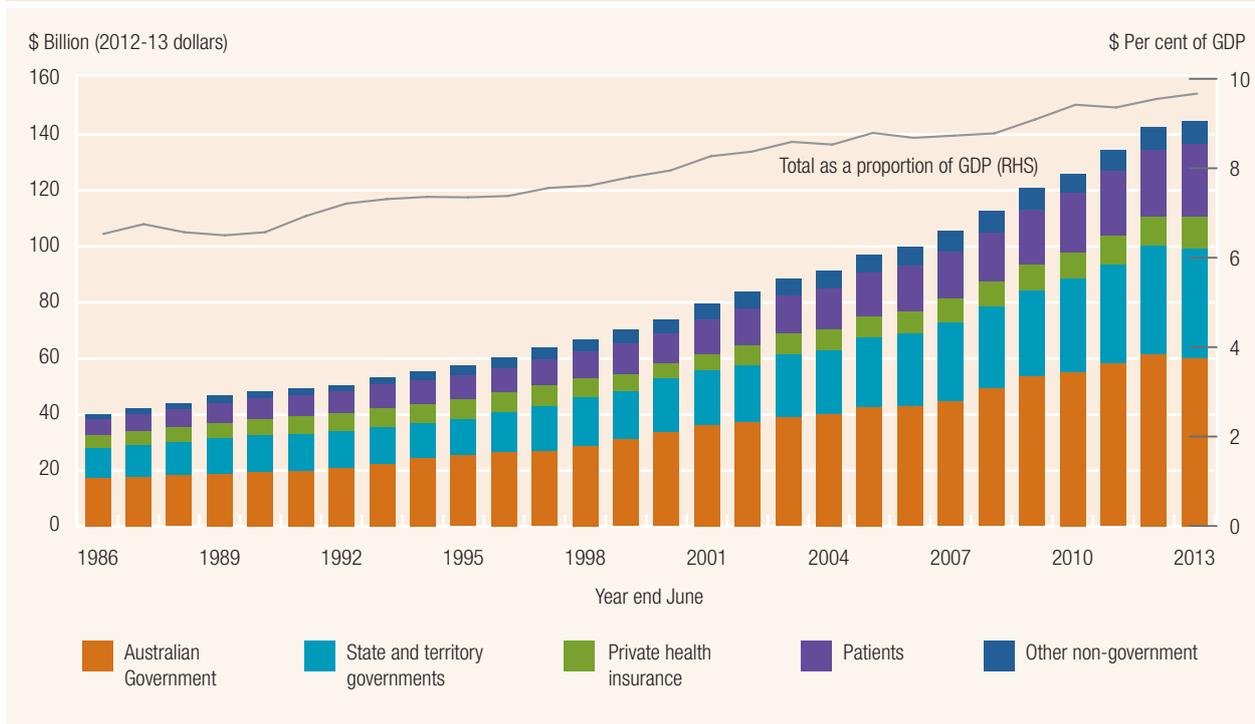
Key themes of the Commission's research paper, released in April 2015, are outlined below.

## Health expenditure is large and growing

Australians spend a lot of money on health – through taxes, insurance premiums and direct payments. About 10 per cent of Australia's GDP is spent on health care each year (\$147 billion in 2012-13), and governments account for about two-thirds of this expenditure.

Health care spending has been growing faster than the broader economy. In the decade to 2012-13, total health spending grew by an average of 4.7 per cent each year in real terms (figure 1). This trend is expected to continue, driven by the increasing burden of chronic disease, the ageing population, rising incomes and changing consumer expectations, as well as the effects of new medical technologies.

**Figure 1 Australia's health expenditure has been growing**



### More can be done to promote clinically and cost effective health care

Australia is spending a considerable amount of money on health interventions (tests, procedures, medicines and so on) that are irrelevant, duplicative or excessive, provide very low or no benefits (relative to the risks and costs), or, in some cases, cause harm.

Processes to assess whether health treatments warrant government funding, and to reduce or remove public subsidies where they are not justified, do not work as well as they should. This means that governments subsidise many health interventions that do not meet present day clinical and cost effectiveness ‘thresholds’ – and may even cause patient harm. The Australian Government Minister for Health could take steps immediately to reduce wasteful spending through accelerated reviews of subsidised medicines and health services.

Often health care providers do not realise that they are providing inappropriate or even harmful treatments. Clinical guidelines can help to promote high value medicine, but are often too complex, out of date, lack credibility or are poorly implemented. Getting guidelines right requires getting clinicians involved in guideline development and implementation, such as through the use of clinician expert panels.

Health care providers may also lack strong financial incentives (and the financial ability to choose) to deliver

clinically and cost effective medicine. While the payment models used in Australia have advantages (fee-for-service in primary care, activity-based funding in public hospitals), there is evidence that these models can encourage over-servicing, reduce quality and safety, and lead to fragmented care and cost shifting.

There is broad agreement that Australia should be investing more in preventive health, but it is not always clear how to do so cost effectively – especially for complex health problems such as obesity. More evidence on the clinical and cost effectiveness of specific preventive health measures is needed, and should be gathered through advice from private insurers, and trials and evaluations.

### Regulations can be made to work better

Governments regulate many aspects of the health system, in order to protect patient safety and promote affordable and accessible health care. But there is evidence that some regulations are not achieving their objectives as efficiently as they could be.

Restrictions on health professionals’ scopes of practice (the tasks they are allowed to perform) can limit the flexibility of health care services to respond to patient needs. Researchers have identified some tasks that could be performed just as safely and effectively by other professionals, (table 1). Such role expansions

**Table 1 Potential opportunities to expand workforce roles**

Tasks	Currently done by	Potential for expanded duties
Performing basic personal care (washing patients) and indirect care (clerical work)	Registered nurses	Nurse assistants
Performing endoscopy and sedation procedures	Medical practitioners	Nurse practitioners
Assisting with patient procedures, administration tasks and patient transfer	Allied health professionals	Allied health assistants
Administering vaccines, monitoring blood pressure, diabetes testing, and issuing some medical certificates and repeat prescriptions	General practitioners	Pharmacists or nurse practitioners
Diagnosing patients, performing examinations, prescribing medicines, and referring patients to specialists	General practitioners	Physician assistants
Diagnosing and treating some patients within hospital emergency departments	Medical practitioners	Physiotherapists
Treating patients in their usual place of residence rather than in hospital emergency departments	Medical practitioners	Paramedics

could result in better coordinated patient care and improved job satisfaction for health professionals. State and territory governments are best placed to lead this work, by initiating and evaluating trials and using the results to expand workforce scopes of practice.

Restrictions on the location and ownership of retail pharmacies limit competition, raise prices and make it harder for some consumers to access pharmacy services. There would be significant potential benefits from governments removing these rules and targeting safety and access objectives more directly.

There is evidence that the Australian Government and patients pay far more for prescription medicines (through the Pharmaceutical Benefits Scheme) than do governments and patients in other countries. More competitive pharmaceutical prices could be achieved through changes to the arrangements for pricing medicines, and, potentially, through the establishment of an independent price-setting authority.

Regulations on private health insurance may be limiting the ability of insurers to develop new and innovative products that better meet their customers' needs. There could be benefits in amending these restrictions to enable insurers to play a greater role in supporting better health outcomes and lowering health care costs. However, a careful, incremental approach to reform is needed, so as not to undermine the multiple objectives of private health insurance regulation.

### More information can be made available

Good information is a prerequisite for an efficient and effective health care system. The complex and technical nature of health care means that patients, governments and insurers do not have the same information and expertise as health care providers, and so can find it difficult to control the quality and cost effectiveness of health care.

Information and transparency are vital for helping the community and governments to hold health care providers to account, and to promote clinically and cost effective patient care. However, inadequacies in the collection and dissemination of data on individual hospital costs and quality, and the performance of individual clinicians, have impeded transparency. Australia performs poorly compared to other countries in terms of releasing detailed performance and administrative data, and in the uptake of nationally consistent electronic health records.

Transparency can be improved by all health ministers taking steps immediately to publish more information on health care provider and clinician performance. Cost effective practice can be better identified by providing researchers greater access to government datasets (subject to privacy safeguards). And increased uptake of electronic health records can promote better coordination and management of patient care.

## Improving health system efficiency: Summary of reform ideas\*

### Improve health technology assessment processes and reviews

The Australian Government Minister for Health can: accelerate reviews of existing MBS and PBS items; review and revise Australia's health technology assessment arrangements to reduce duplication and fragmentation and improve disinvestment mechanisms; and share Australian Government HTA assessments with the states and territories.

### Promote evidence-based clinical practice

The Australian Government Minister for Health could establish expert panels of clinicians to assess and endorse clinical guidelines, and to advise on dissemination, implementation and review.

### Improve financial incentives for better quality patient care

The Independent Hospital Pricing Authority can introduce a quality and safety dimension to pricing within activity based funding (subject to feasibility assessment currently underway).

Australian, state and territory health ministers can trial and evaluate alternative payment models.

### Encourage cost-effective investment in preventive health

Australian, state and territory governments can routinely trial and evaluate prevention initiatives.

### Increase health workforce flexibility

State and territory health ministers are best placed to initiate health workforce role expansions, based on evaluations of past and current trials, and amend scopes of practice accordingly.

The Australian Government Minister for Health could identify where there would be benefits in expanding the types of health professionals that can access reimbursement for MBS or PBS items, and can also champion workforce reforms at the national level.

### Increase competition in retail pharmacy

The Australian Government can remove restrictions on retail pharmacy location.

State governments can remove restrictions on retail pharmacy ownership.

### Increase competitiveness of pharmaceutical prices

The Australian Government Minister for Health could: eliminate delays in price disclosure processes; consider applying a larger statutory price reduction to PBS items when a generic alternative is listed; and examine the case for a statutorily independent PBS price-setting authority.

### Promote a more competitive, innovative health insurance sector

The Australian Government Minister for Health can facilitate trials of expansions in the role of private health insurers including in managing chronic conditions and in preventive health, and evaluate these trials.

### Improve information availability and dissemination

Australian, state and territory health ministers can release more data on the performance of individual health care facilities and clinicians, and drive greater uptake of electronic health records.

Australian Government social policy ministers can give researchers greater access to MBS, PBS, Centrelink and other government-held datasets.

*\* Full details of the reform opportunities are available in the research paper.*

#### Efficiency in Health

> Commission Research Paper

> Released April 2015

# Australian gas markets – is there a case for policy reform?

A period of rapid change in the eastern Australian gas market has intensified debate over policy settings in Australian gas markets. A recent Commission Research Paper identifies substantial benefits from the ongoing integration of the eastern Australian gas market with the Asia-Pacific market and investigates major transitional issues. Modelling results in the paper indicate that reservation of gas for domestic purposes would require a large diversion of future gas supplies to have any noticeable price effect.



The eastern Australian gas market is undergoing a period of rapid growth and transformation. The first shipment of liquefied natural gas (LNG) departed the Queensland port of Gladstone in January 2015, linking the last of Australia's three physically separated markets to international markets and exposing gas users on the east coast of Australia to market dynamics and prices in the Asia-Pacific region.

Expectations of higher gas prices and new sources of demand have created strong incentives for LNG producers to increase production, transmission and processing capacity. Estimates suggest that demand for gas in eastern Australia could increase more than threefold over the next 3–5 years, with around two-thirds of the volume of gas produced destined for export markets.

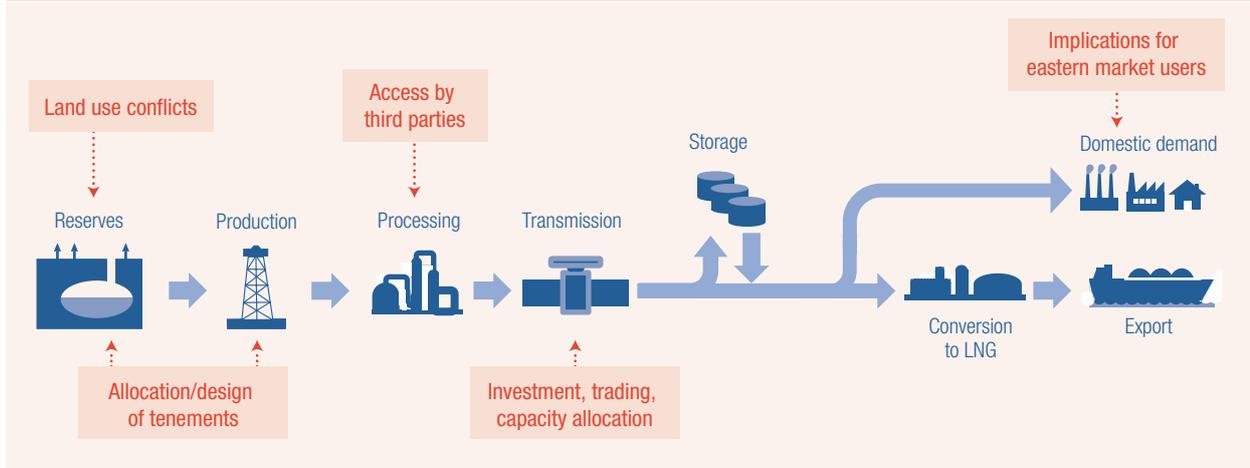
The fundamental structural changes in the market are creating or exacerbating a number of policy pressure points for gas producers, gas users and the broader community. In its research project 'Examining Barriers to More Efficient Gas Markets', the Commission has sought to provide an economic perspective on selected policy issues (figure 1).

The Commission found that the integration of the

eastern Australian gas market into the Asia-Pacific market has already had, and will continue to have, significant implications for eastern Australian gas market participants. The process is creating strong structural pressures and imposes costs on gas users. Ultimately, however, the broader Australian community will benefit from the rise in the price (and volume) of the gas produced on the east coast of Australia. Policies that impede or counteract this process of structural adjustment could distort important signals for adjustment and are unlikely to be efficient or effective in the long run.

For example, gas reservation policies are likely to require considerably more intervention than advocates imagine. Modelling by the Commission indicates that the level of intervention required to hold down long-term gas prices – at least 25 per cent of production from new gas fields to be reserved exclusively for domestic use – would carry significant costs. There is also no guarantee that a reservation policy will be effective, because reserving some of Australia's gas supplies for domestic users would deter investment in new sources of gas supply.

**Figure 1** The scope of the Commission's eastern Australian gas market project



## The need for sound policy settings across the supply chain

The rapid growth and transformation of the eastern Australian gas market puts a premium on policies that facilitate the reallocation of resources to their highest value use.

In upstream gas production, the mechanisms for allocating gas exploration and production rights should seek the optimal level and timing of such activities by companies that can perform them most efficiently. Policies designed to accelerate production, such as use it or lose it mechanisms, risk bringing forward gas production in a way that reduces the benefits received by the community from the gas resource.

## Conflicting land uses are a challenge for governments

The gas industry faces strong resistance from sections of the community, partly due to the poor early record of some companies in dealing with landholders and local communities. There is scope for improvements to legislated compensation provisions to better reflect the costs to landholders from negotiating land access agreements and from the decline in the value of their properties. There is also scope for measures to reduce the costs of negotiating land access agreements, improve direct industry-community engagement as a way of reinstating community confidence and using a well-designed voluntary industry-wide code of practice for community and landholder engagement.

Community concerns about the environmental and public health risks of coal seam gas activities have led to moratoria on exploration and production activities in Victoria and New South Wales. Moratoria are not costless, and the expected benefits of the moratoria must

be weighed against their expected costs – in particular, higher gas prices for users and reduced royalty and taxation revenue for governments. Scientific evidence suggests that technical challenges and risks from coal seam gas production can be managed through a well-designed regulatory regime, underpinned by effective monitoring and enforcement.

## Transmission pipeline capacity

Gas transmission pipelines are another key part of the gas supply chain, and stakeholders have proposed changes to the way transmission capacity is allocated for some pipelines. This includes proposals to introduce open access principles and mandatory capacity trading provisions. The Commission highlighted tradeoffs associated with these proposals, including the risk of undermining incentives for future investment in pipeline capacity.

## A note of caution on arguments of market power in upstream markets

Concerns about market power in upstream gas markets also feature prominently in the policy debate. A comprehensive assessment of the existence and exercise of market power in upstream gas markets was outside the scope of this project, but the Commission sounded some notes of caution in drawing firm conclusions on the extent of market power based on evidence that has been put forward to date.

### Examining Barriers to More Efficient Gas Markets

- > Commission Research Paper
- > Released March 2015

# Housing assistance and employment in Australia

Are people who receive government-provided housing assistance less likely to be employed? A new Commission Research Paper finds that the answer for public housing tenants is yes, but the reasons have little to do with receipt of housing assistance. In a pioneering study using several large administrative databases the Commission determined that relatively low employment rates among public housing tenants are explained by the characteristics of tenants, not their receipt of housing assistance. The results of this study could improve both the development of housing policy and the design of employment assistance for public housing recipients.

Housing assistance, delivered as public housing and Commonwealth Rent Assistance (CRA), has a broad reach. In 2013, about 700 000 Australians lived in public housing and a further 2.4 million who lived in private rental accommodation benefited from CRA.<sup>1</sup>

For a range of reasons, it might be expected that housing assistance affects whether a recipient works.

- For most public housing tenants, rents are set as a proportion of income, so a tenant's rent rises when their income increases – a potential disincentive to employment.
- In contrast, CRA recipients pay market rents and CRA isn't withdrawn until a recipient is earning a relatively high income. CRA increases a recipient's real income, so might influence work decisions.
- Lease terms are typically longer in public housing than in the private sector and the associated housing stability might mean that a public housing tenant is better able to work or study than would be the case in other tenures. The stress and uncertainty associated with a lack of stable housing are likely to reduce a person's ability to search for work, for example.
- Some public housing and lower cost rentals might be located in areas with poor access to transport or jobs and a concentration of disadvantaged people. Employment outcomes might be affected, for example, if high rates of social exclusion in a neighbourhood mean that residents don't have strong family and social networks to support them in accessing employment opportunities.

- Rules about entry to public housing might affect the work activity of people on waiting lists. People can typically only enter public housing if their income is low. Applicants for public housing may choose not to work or work fewer hours than otherwise, so that their income remains low enough for them to qualify for a property. Similar disincentives could apply to tenants if continued tenure is contingent on remaining below an income eligibility threshold.

A recent Commission Research Paper has drawn on three large confidentialised administrative datasets to examine the links between housing assistance and participation in employment. Access to Centrelink administrative records on all income support payment (ISP) recipients for the period 2003–13 enabled a more detailed look at the relationship between housing assistance and employment than has been possible previously. Access to administrative records for public housing applicants and tenants in South Australia and Western Australia has enabled research into how moving into public housing might affect the employment of people who became tenants over the decade to 2013 – a period that saw increasing priority for high needs applicants in housing allocations.

A quick look at the Centrelink data for ISP recipients suggests that housing assistance, or at least public housing, might be related to participation in employment. At 30 June 2013 about 20 per cent of all ISP recipients worked, but the employment rate of those living

---

<sup>1</sup> A small proportion of CRA recipients rent from community housing providers rather than privately.



in public housing was only half that level – 9.8 per cent. Lower rates of employment among public housing tenants relative to CRA recipients and other income support recipients who don't receive housing assistance are seen across all ISP types (figure 1).

---

Public housing tenants are different from other ISP recipients in several ways that might affect their participation in employment (table 1).

Public housing tenants, for example, are much more likely to be receiving the Disability Support Pension (DSP), tend to be older and, if jobseekers, are much more likely to have been assessed as facing significant or severe barriers to employment. They are also more likely to live in areas of higher socioeconomic disadvantage. CRA recipients tend to have characteristics more like those of ISP recipients who don't receive housing assistance.

---

But marked differences in employment rates between public housing tenants and other ISP recipients remain, even when these observed characteristics are taken into account.

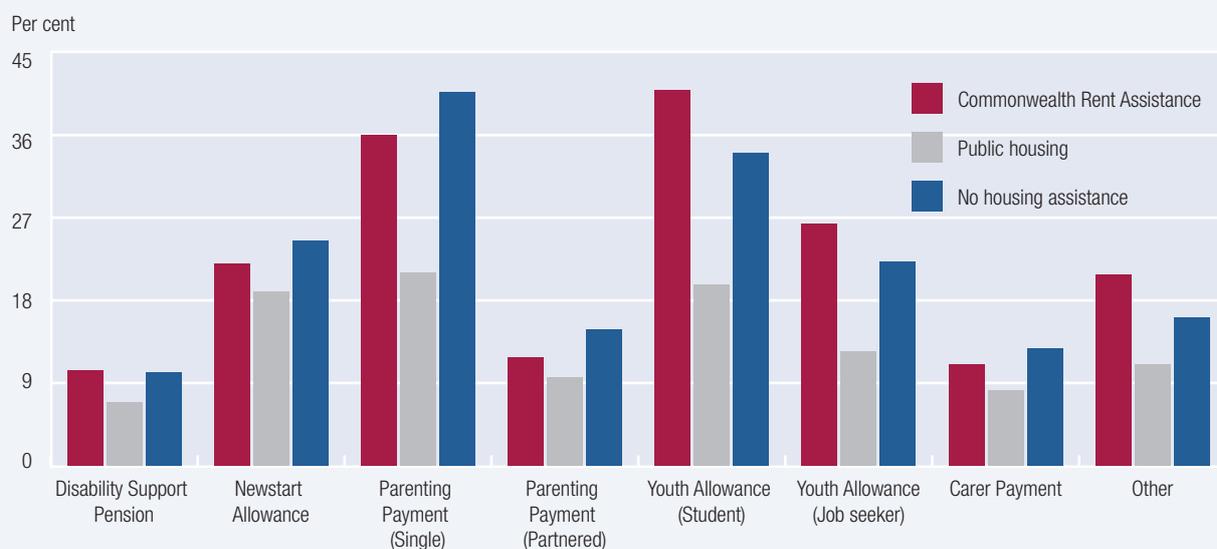
It is also possible that public housing tenants are different from other ISP recipients in ways that are not easily observed in the data, and that these differences matter for employment. Perhaps public housing tenants are more likely to have drug or alcohol problems, a criminal record or mental health issues, for example. Public housing providers have increasingly prioritised more highly disadvantaged people – including those who are homeless or at risk of homelessness – in housing allocations.

To the extent that these unobserved characteristics don't change over the time period studied (or are strongly associated with characteristics that don't change over the period), statistical techniques can be used to account for their effect on employment – even if the nature of the characteristics is unknown. When this is done, differences in employment rates between ISP recipients who do and do not receive housing assistance become very small (figure 2).

In other words, the relatively low employment rates recorded for public housing tenants are due to their characteristics, not their receipt of housing assistance.

**Figure 1 Employment of housing assistance recipients by income support payment type<sup>abc</sup>**

Per cent reporting earned income



<sup>a</sup> ISP recipients aged 15–65.

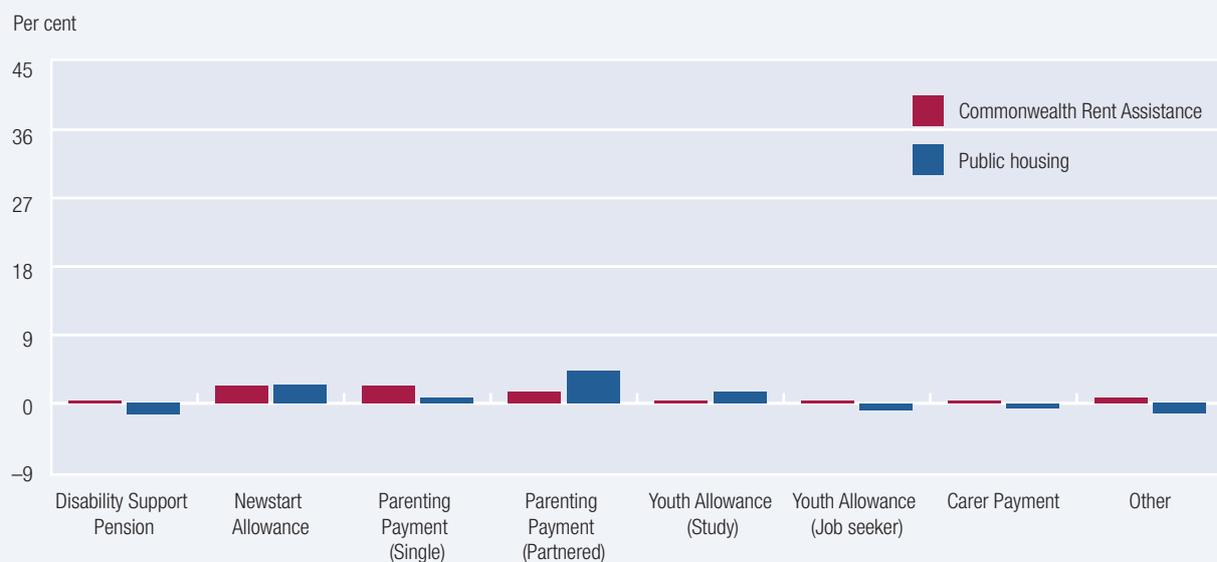
<sup>b</sup> Other payments include a range of less common income support payments, including Bereavement Allowance, Wife's Pension, Wife's Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy.

<sup>c</sup> Employment rates are based on a pooled sample spanning from 2005 to 2013. These figures are not directly comparable to those in table 1 where the focus is on working age ISP recipients active at 30 June 2013.

Source: Commission estimates based on Research and Evaluation Database.

**Figure 2 Expected effect of housing assistance on employment, by Income Support Payment type<sup>a,b</sup>**

Percentage point difference from no housing assistance, 2005–2013 data, accounting for observed and unobserved characteristics



<sup>a</sup> The employment effect of housing assistance is calculated using odds ratios from a fixed effects logit model that includes interaction terms between housing assistance type and ISP, and takes into account unobserved differences between ISP recipients.

<sup>b</sup> Other payments include a range of less common income support payments, including Bereavement Allowance, Wife's Pension, Wife's Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy.

Source: Commission estimates based on Research and Evaluation Database.

**Table 1 Characteristics of working age ISP recipients at 30 June 2013**

Per cent of ISP recipients within each tenure

	Renter with CRA	Public housing	No housing assistance
<i>Employed</i>	19.8	9.8	18.9
Disability Support Pensioners	30.5	52.4	32.0
Aged 50–64	24.8	43.6	34.1
Indigenous	10.8	18.0	13.2
Areas of high disadvantage (lowest IRSD decile) <sup>a</sup>	20.3	46.9	20.3
Jobseeker classification stream 3 or 4 (Newstart Allowance or Youth Allowance (Jobseeker)) <sup>b</sup>	45.5	73.8	39.8

<sup>a</sup> Socio-economic status is measured by an Index of Relative Socioeconomic Disadvantage created by the ABS using data from the 2011 Census. The index includes information about the socioeconomic characteristics of the residents of an area including unemployment rates, education levels, English language ability and household income. Areas are defined by the ABS's level 1 statistical areas. On average, these areas are home to 400 people.

<sup>b</sup> Data from Department of Human Services, administrative data (unpublished).

Source: Commission estimates based on Research and Evaluation Database.

---

Many reviews of housing assistance policies over the past 30 years have raised concerns about the effects on tenants' work incentives of income-based rent setting approaches in public housing. A common recommendation has been that tenants should be moved to market rents and receive CRA. The analysis in the recent Commission Research Paper suggests that a policy change of this type is unlikely to have much effect on tenants' employment rates.

---

Despite the availability of employment assistance programs, the employment rates of public housing tenants have changed little over the past decade. Existing programs appear not to be particularly effective at addressing the characteristics that are impeding employment for many public housing tenants.

A new approach may be needed to tackle the low levels of employment among ISP recipients living in public housing. Such an approach could combine intensive support for tenants looking for employment with temporary changes to the often high effective marginal tax rates that they face when entering the workforce.

Among other findings, the research also revealed:

- A strong link between housing stability and participation in employment. Taking other characteristics into account, ISP recipients who move twice over the course of a year, for example, are predicted to have an employment rate nearly 6 percentage points below that of their peers who do not move – a large difference in the context of an employment rate for non-movers of about 21 per cent.
- That public housing tenants who live in highly disadvantaged neighbourhoods are less likely to be working than those who live in less disadvantaged neighbourhoods, but only slightly – at 0.6 percentage points the effect is quite small.
- A rise in the employment rates of successful applicants for public housing in both South Australia and Western Australia while they were on the waiting list – suggesting that the potential problem of applicants avoiding employment while waiting for public housing in order to remain eligible should not be a major concern in these states.

#### Housing Assistance and Employment in Australia

> Commission Research Paper

> Released April 2015

# Australia's international tourism industry – what role should government play?

Despite strong growth in the number of visitors travelling to Australia over the past two decades, the global market for international visitors is heavily contested. A new Productivity Commission Research Paper examines trends in international tourism to Australia, and points to a number of reforms that would allow the tourism industry to adapt to changing consumer preferences and emerging digital technologies.



International tourism is important to the Australian economy. In 2013-14, international tourism contributed almost 1 per cent of Australia's GDP (about \$11 billion). Understanding the trends in and drivers of international tourism helps to inform government policy priorities in areas such as destination marketing and the support of major events, the regulation and funding of investments in tourism-related infrastructure, and international aviation regulation.

## What role should government play?

The way businesses in the international tourism industry innovate and adapt to changing visitor trends will largely determine how successful Australia is in continuing to attract international visitors. Governments also have a role, and a number of reforms would benefit the tourism industry and the economy more broadly.

---

The Commission Research Paper finds that a key role for governments is to ensure that their policies and regulations do not unnecessarily impede the international tourism industry from adapting to changes in consumer preferences and emerging digital technologies.

---

As visitors' preferences to undertake different activities or to travel to different destinations within Australia change, there will be a need for tourism-related businesses to adapt their tourism product offerings or make new investments. This can include private sector investments in tourism-related infrastructure,

such as accommodation or resorts, and visitor attractions such as casinos and theme parks. Investment decisions in these areas can be strongly influenced by development assessment and approval processes (including planning and zoning processes). The Commission's research paper finds that:

- There are concerns about tired and inadequate tourism-related infrastructure, particularly national park infrastructure which is hampered by persistent funding shortfalls. Greater user charging and private-sector investment in national parks would provide an additional source of funding and facilitate innovation in the provision of tourism-related infrastructure.
- Poor approval processes for tourism related infrastructure investments are not only costly to developers, but to businesses and communities. There is a need for governments to continually review and reform these processes so that they are flexible and risk based, and keep pace with innovations in the tourism industry.

Government provision of international destination marketing, and support for major sporting, cultural and business events can influence decisions to travel to Australia. The research paper finds that there can be a case for governments to be involved in the provision of international destination marketing and support for major events. These activities display 'public good' characteristics: once provided the benefits (increased international visitor activity for tourism-related businesses) are available to all tourism-related businesses, and it is infeasible to exclude businesses that benefit from these activities, but 'free ride' by not contributing to the costs of provision. However, assessments often overstate the net economic benefits of destination marketing and major events – and consequently the basis for government support – highlighting a need for rigorous and transparent economic analysis to determine whether government expenditure is warranted.

Other government policies and regulations can also influence visitors' decisions to travel to Australia. These include policies and arrangements that govern air travel between Australia and other countries, and arrangements for facilitating the flow of international visitors, such as visa processes. The research paper finds that:

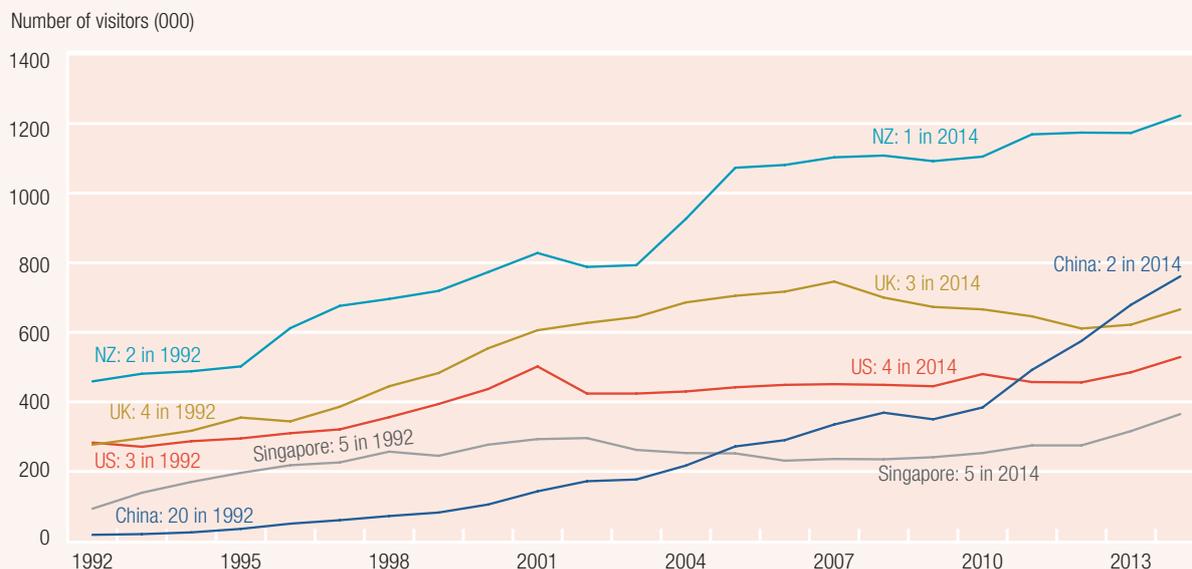
- Although Australia's international aviation policy settings have served Australia well, it is expected that further liberalising access to Australia's major gateway cities – Brisbane, Melbourne, Perth and Sydney – would provide net benefits to the international tourism industry and the Australian community. In

## Australia's international tourism industry has undergone substantial change

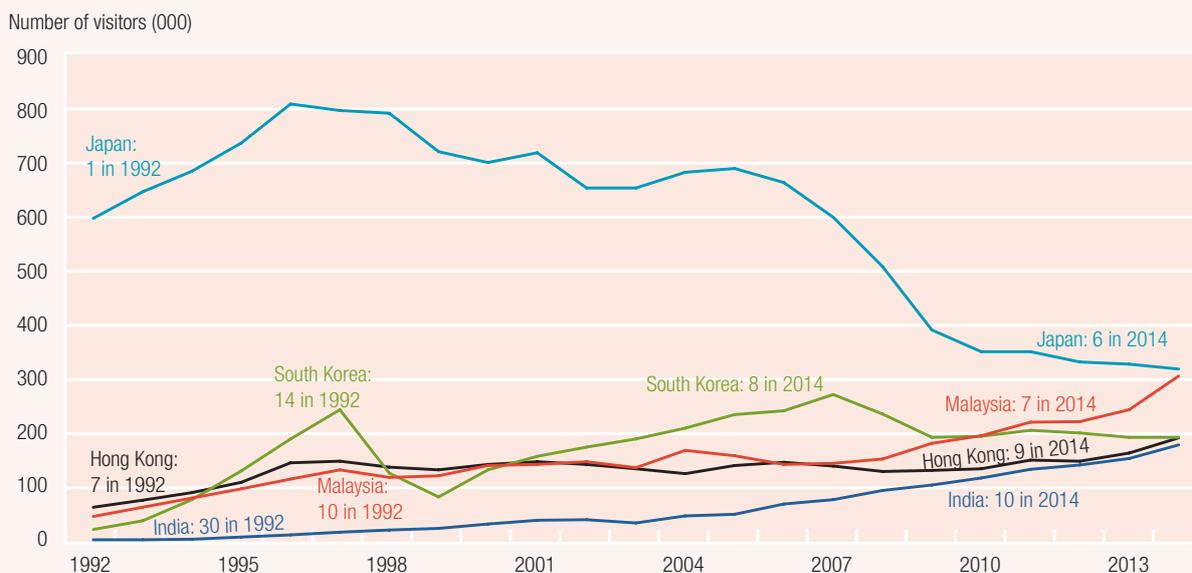
- Australia's international tourism industry has grown strongly over the past two decades – the number of international visitors to Australia has more than doubled, rising from 2.5 million in 1992 to almost 6.7 million in 2014.
- The composition of the industry has also changed. Markets in Asia, particularly China and India, have grown in importance as a source of international visitors to Australia, with China now the second largest source of visitors after New Zealand. Alongside this, there has been a slow down (and, in some cases, a decline) in growth in the number of visitors to Australia from some historically important source countries, such as the United States, the United Kingdom and Japan.
- Growth in the industry overall means visits to regional areas of Australia have increased, but the change in the composition of source countries has contributed to a decline in the *proportion* of international tourism activity that takes place in regional areas (estimates indicate that between 2006 and 2014 there was a 5 percentage point decline in the proportion of expenditure and the proportion of international visitors travelling to regional areas of Australia).
- In some regions there has been an overall decline in international tourism activity – for example, between 2006 and 2014 there was a 20 per cent decline in the number of international visitors travelling to Tropical North Queensland, particularly from Japan, and a 40 per cent decline in real expenditure.
- Australia's market share of global international visitors has declined, in line with most other developed countries. Australia's share declined from 0.7 per cent in the year ending 2000 to 0.6 per cent in the year ending 2013. Research commissioned by Tourism Australia suggests that the decline in Australia's market share is beginning to stabilise for some of its historically important source countries, such as the United States and Singapore.

**Figure 1 Australia's international short-term visitors, top ten source countries 2014**

**(a) Top five countries of origin**



**(b) Next five top countries of origin**



Source: ABS 2014, *Overseas Arrivals and Departures*, September, Cat. no. 3401.0.

addition, the paper states that it is difficult to see how restricting access to secondary airports serving the major gateway cities, such as Avalon and the proposed airport at Badgerys Creek, creates benefits for the Australian community. If any restrictions are to remain, the case for all restrictions, except those at Sydney Kingsford Smith Airport, is quite weak.

- Reforms to visa application processes, particularly those applying to visitors from key tourism markets such as China, would benefit the tourism industry,

but these benefits should be weighed against other public policy objectives. The Commission supports the steps being taken by the Australian Government to simplify visa applications.

**Australia's International Tourism Industry**

- > Productivity Commission Research Paper
- > Released February 2015

# What is productivity and how is it measured?

A new Productivity Commission Staff Research Note unpacks the concept of productivity and how it is measured.



Productivity growth is frequently lauded by the business community, media commentators and politicians as the solution to improving living standards, yet there is little agreement on what productivity actually is.

To economists, productivity is the efficiency with which firms, organisations, industry, and the economy as a whole, convert inputs (labour, capital, and raw materials) into output. Productivity grows when output grows faster than inputs, which makes the existing inputs more productively efficient. Productivity does not reflect how much we value the outputs – it only measures how efficiently we use our resources to produce them.

## Productivity at the firm level

The generation and application of technological and organisational knowledge (innovation) are the main drivers of firm-level productivity growth. These determinants are broader than technology in an engineering sense. The choice of production technology and how production is organised, which are management decisions, play a crucial role in productivity performance.

Firms can improve their productive efficiency in three ways:

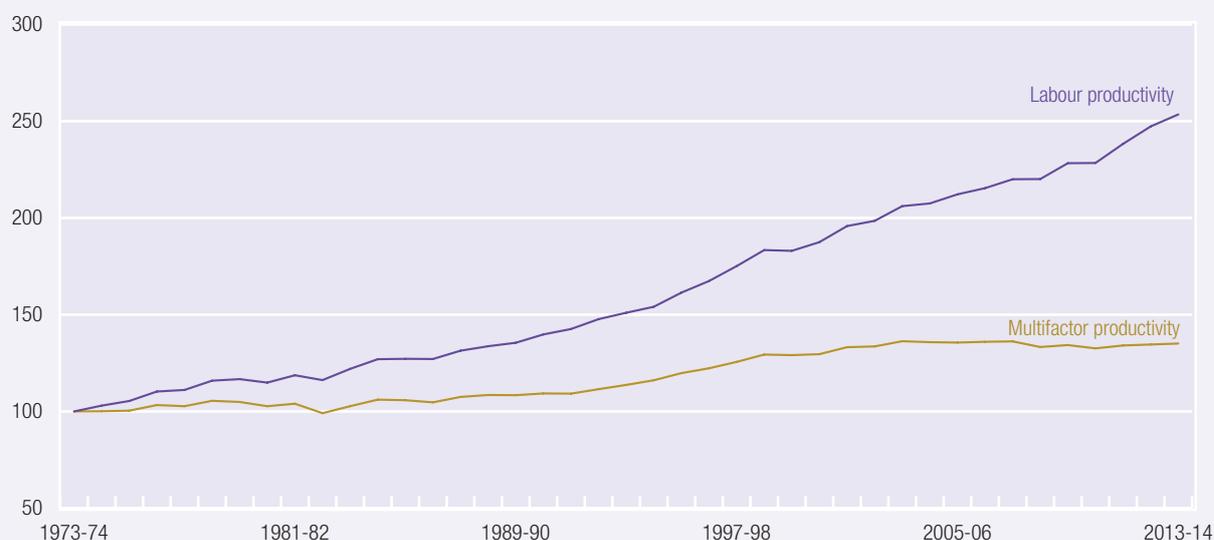
- Improvements in technical efficiency – increases in output can be achieved, at a given level of input, from more efficient use of the existing technologies.
- Technological progress and organisational change – as firms adopt technologies or organisational structures that are new to the firm, or develop and apply new technologies or approaches, they can expand output by more than any additional inputs that might be required.
- Increasing returns to scale – as the size of the firm expands, its unit cost of production can fall as it becomes financially advantageous to adopt existing technologies.

## Productivity at the national level

Improvements in firm level productivity translate directly into national economic growth, but productivity growth in the economy can exceed that of the individual firms. This is because competition favours firms that are more productive, and so these firms' market

**Figure 1** Australia's multifactor productivity statistics have been flat – how should this be interpreted?

Trends in productivity growth, 1973-74, index 1973-74=100



Sources: ABS (Estimates of Industry Multifactor Productivity, 2013-14, Cat. no. 5260.0.55.002, December 2014); Commission estimates.

share expands, while that of less productive firms contracts. In the process, the average level of productivity is increased. This process of competitive dynamics is important for keeping the economy close to its production possibility frontier. Policies and market behaviour that undermine competition may cause the economy to slip below its potential.

There is also potential for 'spillovers' between firms that mean productivity improvements can be contagious. That is, the things that firms do to benefit themselves benefits other firms as well. Proponents of proactive industry policies (such as government support for innovation hubs and clusters) often cite the importance of spillovers as a source of productivity growth. However, proposals for public expenditure in this area need careful scrutiny to ensure that spillovers are indeed generated, they are from activity that otherwise would not have occurred, and the benefits exceed the public cost.

### Measuring productivity growth

Measured productivity is the ratio of a measure of total outputs to a measure of inputs used in the production of goods and services. Productivity growth is estimated by subtracting the growth in inputs from the growth in output – it is the residual.

There are a number of ways to measure productivity. In Australia, the most common productivity measures used are:

- multifactor productivity (MFP), which measures the growth in value added output (real gross output less intermediate inputs) per unit of labour and capital input used; and
- labour productivity (LP), which measures the growth in value added output per unit of labour used.

The calculation of MFP using the traditional accounting methods requires independent measures of inputs and outputs. For Australia, this is calculated for 16 industries, which the ABS terms the market sector of the economy. Hence, economy-wide MFP estimates reflect productivity growth in only around 80 per cent of the economy (the share of the 16 industries in total GDP). LP can be measured for both the market and non-market sectors of the economy. This is because labour input can be measured in real volume terms as hours worked.

MFP is a measure closer to the concept of productive efficiency than LP as it removes the contribution of capital deepening from the residual.

Two potential sources of change in measured productivity warrant special attention: unmeasured inputs that affect real costs, and capacity utilisation. There are also a number of measurement problems associated with estimating output and input volumes.



### *Unmeasured inputs*

In some industries, inputs other than capital and labour (and knowledge) can have a strong influence on output. Where these inputs are not purchased in the market, as is the case with some natural resource inputs and volunteer effort, they are not included in the measure of inputs. If the availability or quality of these inputs is changing then productivity estimates, as the residual, will be affected.

Recent Commission research has identified Mining, Utilities, and Agriculture as industries where the MFP estimates are affected by changes in unmeasured inputs. These industries are all dependent on natural resource inputs. Deterioration in the quality of the natural resource input, or more stringent regulatory restrictions on the uses of such inputs, can reduce measured productivity despite the productive efficiency of the firms in the industry remaining unchanged or even improving.

### *Capacity utilisation*

Business output responds to market demand. As demand rises or falls over time with the business cycle or other influences, firms adjust the output they produce. In the case of cyclical downturn, many firms will reduce output volumes, but cannot easily reduce their capital and labour inputs as they need these inputs ready for when demand recovers. As a result, firms are likely to underutilise their capital and labour inputs in a downturn and productivity will be lower. When business is booming, firms will fully utilise their capital and labour. Hence, measured productivity tends to be pro-cyclical as utilisation rates of inputs rise in upswings and fall in downswings.

Many industries experience cycles in demand that affect capacity utilisation but industries with high levels of fixed capital, such as manufacturing, tend to be more exposed to the business cycle. This means

that annual productivity estimates are likely to under or overstate the underlying trend level of productivity depending on where the industry is in the business cycle.

To assist users to interpret measured productivity, the ABS divides time series MFP into productivity cycles for the market sector. The start and end points of the cycles correspond to points where the levels of capacity utilisation are likely to be comparable. Average productivity growth between these points is a more reliable measure of productivity growth over a given period than those based on different years in the cycle.

### *Measurement problems*

Problems in both the accuracy of the raw data and in the methodologies applied generate measurement errors. Improvements in data quality and methodology are a part of the ongoing function of the ABS, resulting in periodic revisions of the estimates of MFP.

Two problems in measuring inputs that can introduce errors into the estimates of productivity are difficulties in measuring the volume of capital services, and lags between investment (when it is counted as adding to the productive capital stock) and when it is actually utilised in production. These issues arise mainly where there are large infrastructure projects and when major new technology is introduced, such as ICT.

### *Summing up*

Measured productivity growth (MFP and LP) reflects a number of influences:

- changes in the productive efficiency of the economy
- changes in unmeasured inputs (such as natural resources), which affect the real costs of production
- lags between investment (when an input is measured) and when it is utilized in production
- variations in utilisation of inputs due to economic cycles
- errors and discrepancies in the underlying estimates of inputs, outputs and prices.

The key point is that it is important to unpack measures of productivity to understand the proximate and underlying factors affecting productivity growth.

#### **On Productivity: Concepts and Measurement**

> Gordon, J., Zhao, S. and Gretton, P.

> Productivity Commission Staff Research Note

> Released February 2015

# Report on Government Services 2015

This year marks the twentieth edition of the Report on Government Services – a remarkable milestone for a unique report providing comparative information on the performance of government services across Australian jurisdictions.

The Report on Government Services was commissioned in 1993 by Heads of Government (now COAG), with the first report produced in 1995. A new terms of reference issued in 2010 emphasised the Report's dual roles of improving service delivery, efficiency and performance, and increasing accountability to governments and the public.

A Steering Committee, comprising senior representatives from the central agencies of each of the Australian, State and Territory governments, and chaired by the Chairman of the Productivity Commission, manages the Review, with the assistance of a secretariat provided by the Productivity Commission.

---

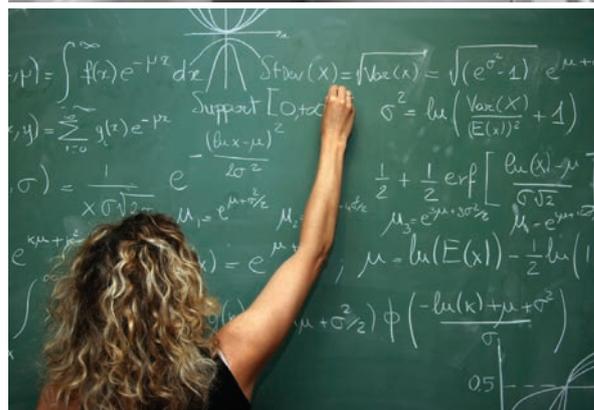
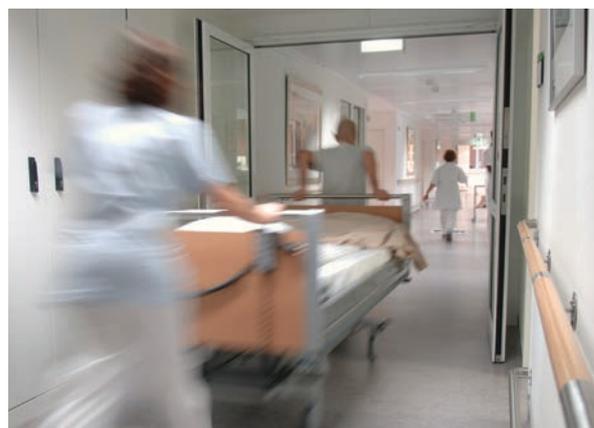
On the release of the 2015 Report, Productivity Commission Chairman Peter Harris said:

'I commend all governments for their long-term commitment to transparency and accountability. Few exercises that rely on cooperation and consensus across governments and departments continue to thrive over two decades.

The Report helps to drive improvements in the effectiveness of services, providing benefits to those who use them. It also helps to improve the efficiency of services, with potentially significant economic benefits – governments spent around \$184 billion on the services covered in this year's Report, equivalent to around 12 per cent of Australia's national income.'

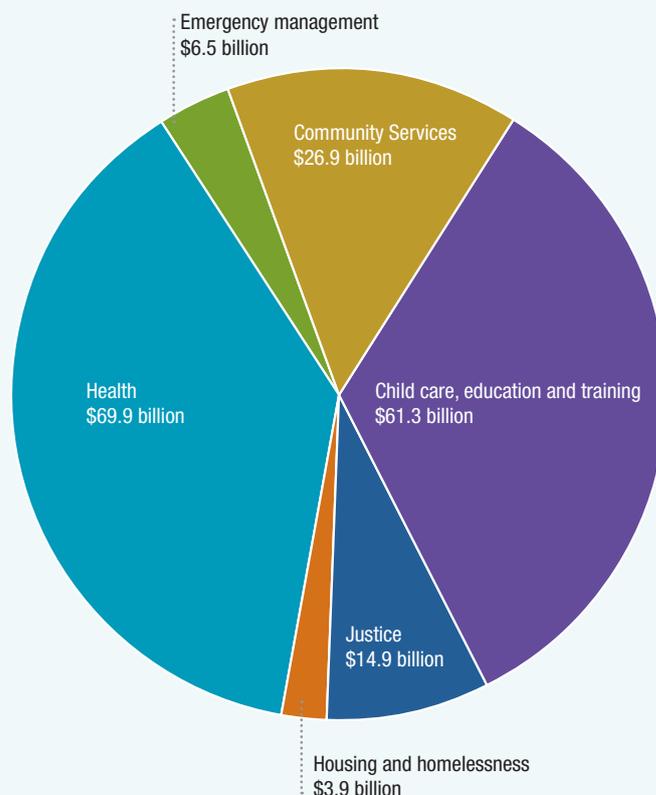
---

All services included in the Report affect the community in significant ways. Some services form an important part of the nation's social welfare system (for example, social housing and child protection services), some are provided to people with specific needs (for



example, aged care and disability services), and others are typically used by each person in the community at some stage during their life (for example, education and training, health services, police services and emergency services).

## Estimated government recurrent expenditure on services covered by the 2015 Report on Government Services



Data sources and caveats: see *Report on Government Services 2015*, figure 1.1.

## Why measure comparative performance?

Comparative information on the performance of government service delivery contributes to the wellbeing of all Australians by encouraging improvements in those services. Public reports, such as the *Report on Government Services*, improve government accountability and create incentives for better performance, which can lead to major social and economic benefits.

Traditionally much of the effort to improve the effectiveness of government services has focused on increasing the level of resources allocated to them. Another way of improving services is finding better ways of using existing resources. Performance measurement provides a way of shifting the focus from the level of resources to the efficient and effective use of those resources.

The three main reasons for reporting *comparative* performance information across jurisdictions are to:

- verify high performance and identify agencies and service areas that are successful
- enable agencies to learn from peers that are delivering higher quality and/or more cost effective services
- generate additional incentives for agencies and services to improve performance.

## Services covered in the 2015 Report on Government Services

### Child care, education and training

- Early childhood education and care
- School education
- Vocational education and training

### Health

- Primary and community health
- Public hospitals
- Mental health management

### Housing and homelessness

- Social housing
- Homelessness services

### Justice

- Police services
- Courts
- Corrective services

### Community services

- Aged care services
- Services for people with disability
- Child protection services
- Youth justice services

### Emergency management

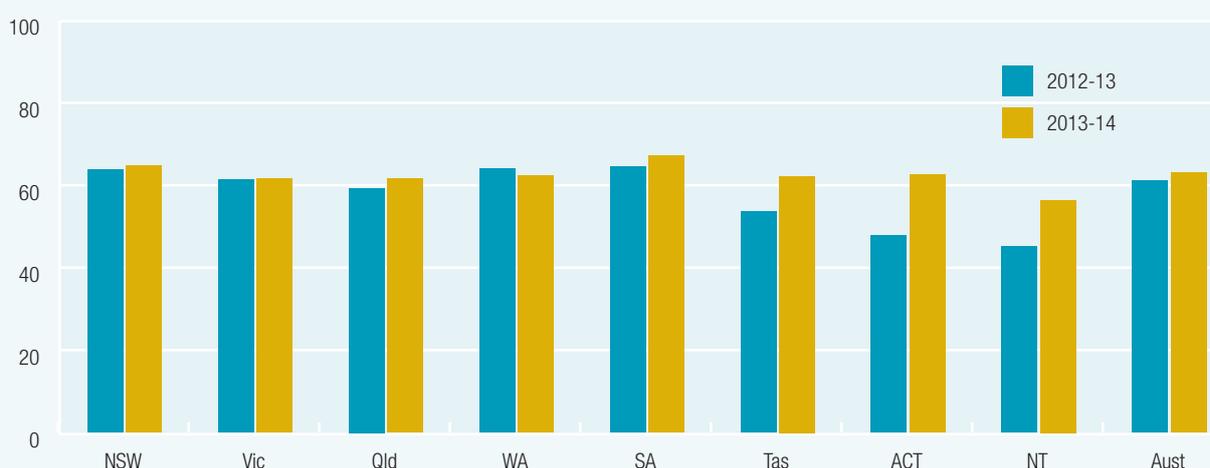
- Fire and ambulance services

## Report on Government Services 2015 – selected indicators

### Homelessness

Achievement of independent housing on exit (proportion of clients who needed assistance to obtain or maintain independent housing who obtained or maintained independent housing after support)

'Achievement of independent housing' is an indicator of governments' objective to enable clients to participate as productive and self-reliant members of society at the end of their support period.



Note: Calculated using the numerator Total number of clients who had an identified need for assistance with 'long term housing', to 'sustain tenancy or prevent tenancy failure or eviction' or to 'prevent foreclosures or for mortgage arrears', and had achieved independent housing at the end of support and the denominator Total number of clients who had an identified need for assistance with 'long term housing', to 'sustain tenancy or prevent tenancy failure or eviction' or to 'prevent foreclosures or for mortgage arrears'. A client's housing tenancy was determined at the end of their last closed support period in the reference year.

Primary and community health

Health assessment for older people – proportion of older people assessed

'Health assessment for older people' is an indicator of governments' objective to improve population health outcomes through the provision of prevention as well as early detection and treatment services.

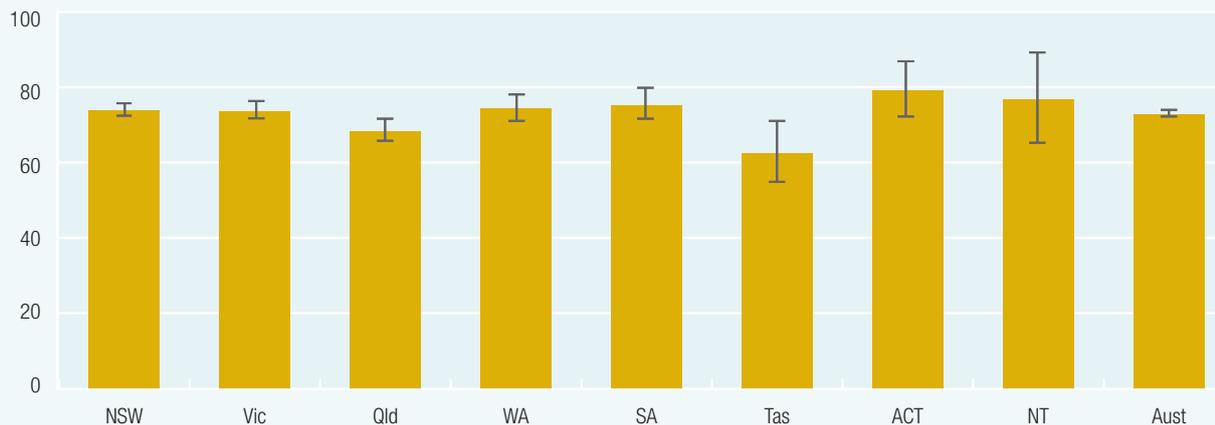


Note: Older people are defined as Aboriginal and Torres Strait Islander people aged 55 years or over and non-Indigenous people aged 75 years or over. Excludes services that qualify under the DVA National Treatment Account and services provided in public hospitals and residential aged care.

School education

Destination – Proportion of 15–24 year old school leavers fully participating in education and/or training, or employment, 2013

'Destination' is an indicator of governments' objective of ensuring that school leavers make successful transitions from school and continue to improve their skills through further post-school education, training and/or employment. It is an indicator of students' post-school transitions into education, training and employment.



Note: Fully participating includes people primarily engaged in full time formal study, people primarily engaged in full time employment, people engaged in full time formal study and full time employment, and people engaged in part time formal study and part time employment.

Data sources and caveats for these charts are available from the website for the Review of Government Service Provision [www.pc.gov.au/research/recurring/report-on-government-services](http://www.pc.gov.au/research/recurring/report-on-government-services)

Report on Government Services 2015

> Released 28 January – 6 February 2015 > <http://www.pc.gov.au/research/recurring/report-on-government-services>

# Overcoming Indigenous Disadvantage

Outcomes for Aboriginal and Torres Strait Islander Australians have improved in a number of areas but a significant task remains – several outcomes have not improved, with some getting worse over time.



Image by Wayne Quilliam, courtesy of Reconciliation Australia and the 2012 Indigenous Governance Awards and finalist Ngaanyatjarra Pitjantjatjara Yankunytjatjara Women's Council Aboriginal Corporation.

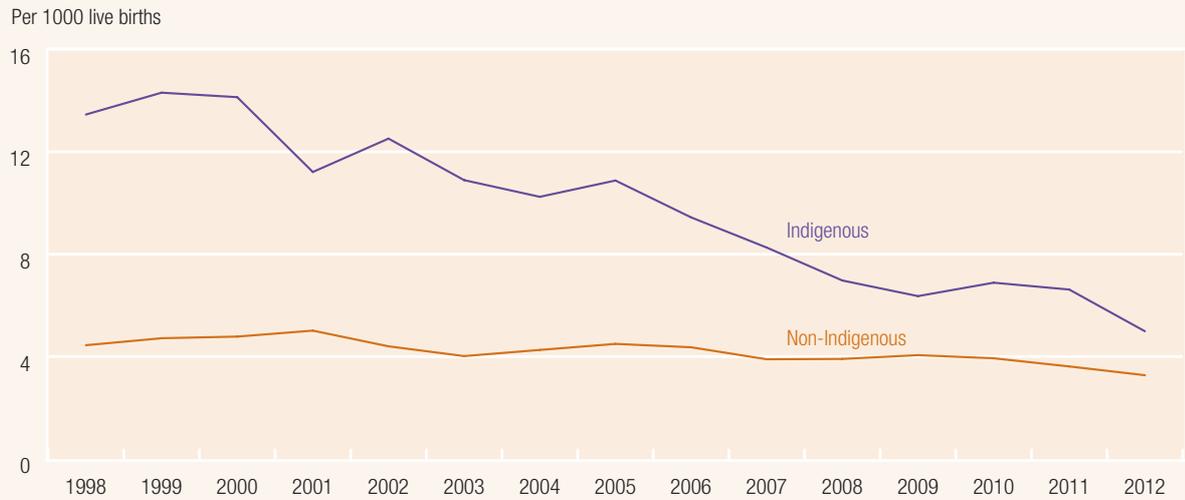
The 2014 *Overcoming Indigenous Disadvantage: Key Indicators* (OID) report measures the wellbeing of Aboriginal and Torres Strait Islander Australians and is the most comprehensive report on Indigenous wellbeing produced in Australia. It contains accessible data for an extensive range of measures, as well as case studies of programs that have led to improved outcomes.

The OID report is based on evidence about the underlying causes of disadvantage, and the positive factors that contribute to wellbeing. The report's framework has two layers of measurable indicators: the first consists of the six COAG Closing the Gap targets and six headline indicators; and the second consists of strategic change indicators linked to the seven COAG building blocks.

The logic behind the framework is that improvement in the strategic change indicators will lead to improvement in the COAG targets and headline indicators over time.

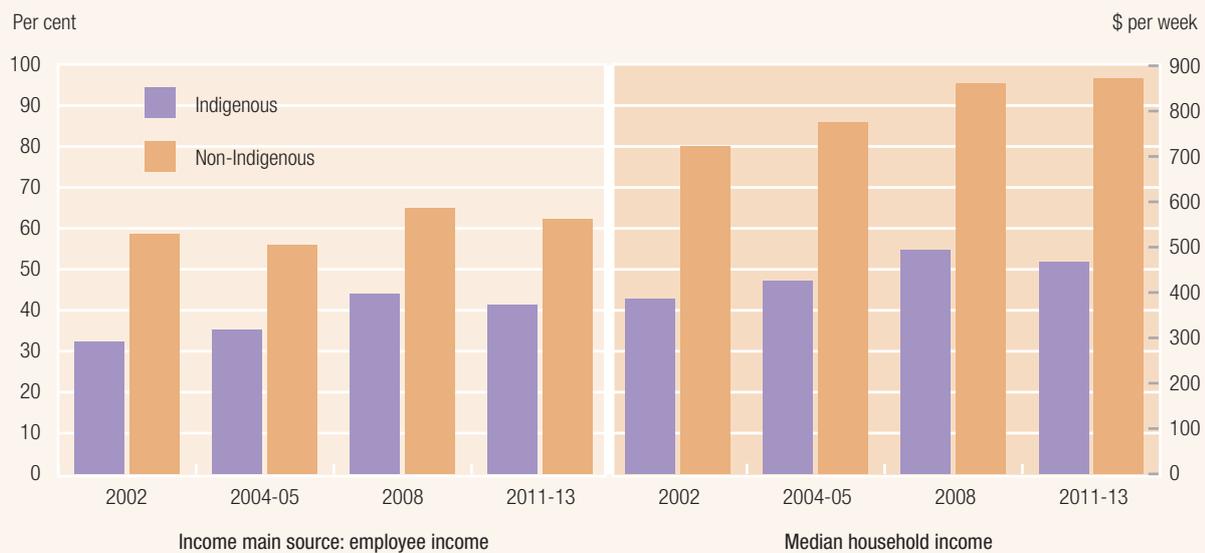
Peter Harris, Chairman of the Productivity Commission and of the Steering Committee stated that 'It has been almost three years since the previous OID report. For this report we made a concerted effort to increase the involvement of Aboriginal and Torres Strait Islander Australians. Their input contributed to significant developments, including broadening the focus from overcoming disadvantage to improving wellbeing, and the inclusion of new indicators, such as Indigenous language revitalisation and maintenance, valuing Indigenous cultures and participation in decision making.'

### The gap in infant mortality rates has narrowed



Data source: Overcoming Indigenous Disadvantage: Key Indicators 2014, section 4.2.

### Employee income as main income source has increased and household incomes have risen



Data source: Overcoming Indigenous Disadvantage: Key Indicators 2014, section 4.9 and section 9.4.

### What has changed for Aboriginal and Torres Strait Islander people?

Outcomes have improved in a number of areas, including some COAG targets:

- The gap in life expectancy narrowed from 11.4 years to 10.6 years for males and from 9.6 years to 9.5 years for females from 2005-2007 to 2010-2012.
- Mortality rates for children improved significantly between 1998 and 2012, in particular for 0<1 year olds, whose mortality rates more than halved (from 14 to 5 deaths per 1000 live births). In addition, the proportion of low birthweight babies has decreased.
- The proportion of 20-24 year olds completing year 12 or above increased from 45 per cent in 2008 to 59 per cent in 2012-13.
- The proportion of 20-64 year olds with or working towards post-school qualifications increased from 26 per cent in 2002 to 43 per cent in 2012-13.
- The proportion of adults whose main income was from employment increased from 32 per cent in 2002 to 41 per cent in 2012-13, with a corresponding decrease in the proportion on income support.

However, there has been little or no change in some areas:

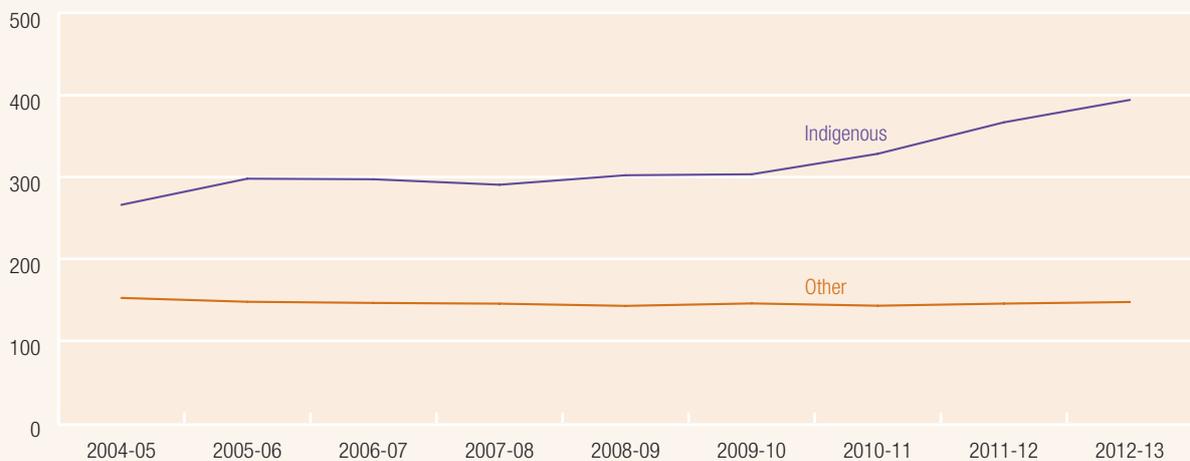
- There was virtually no change in the proportions of students achieving national minimum standards for reading, writing and numeracy from 2008 to 2013.
- Relatively high rates of family and community violence were unchanged between 2002 and 2008, and there was little change in alcohol and substance use and harm over time.

Outcomes have worsened in some areas:

- The proportion of adults reporting high/very high levels of psychological distress increased from 27 per cent in 2004-05 to 30 per cent in 2012-13, and hospitalisations for intentional self-harm increased by 48 per cent over this period.
- The adult imprisonment rate increased 57 per cent between 2000 and 2013. Juvenile detention rates increased sharply between 2000-01 and 2007-08, and fluctuated since at around 24 times the rate for non-Indigenous youth.

### Rates of hospitalisations from intentional self-harm have increased

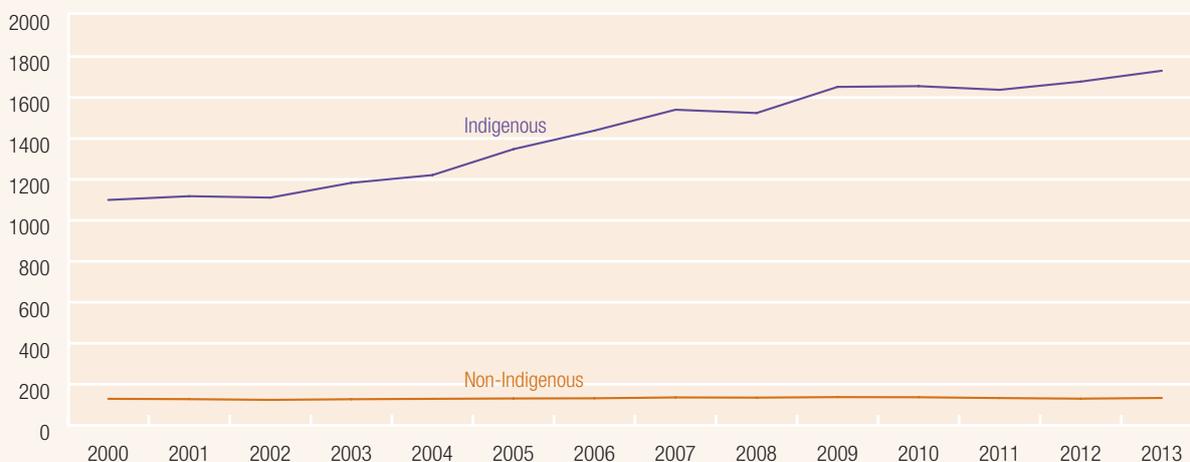
Per 100 000 population



Data source: Overcoming Indigenous Disadvantage: Key Indicators, 2014, section 8.8.

### Rates of adult imprisonment have increased

Per 100 000 population

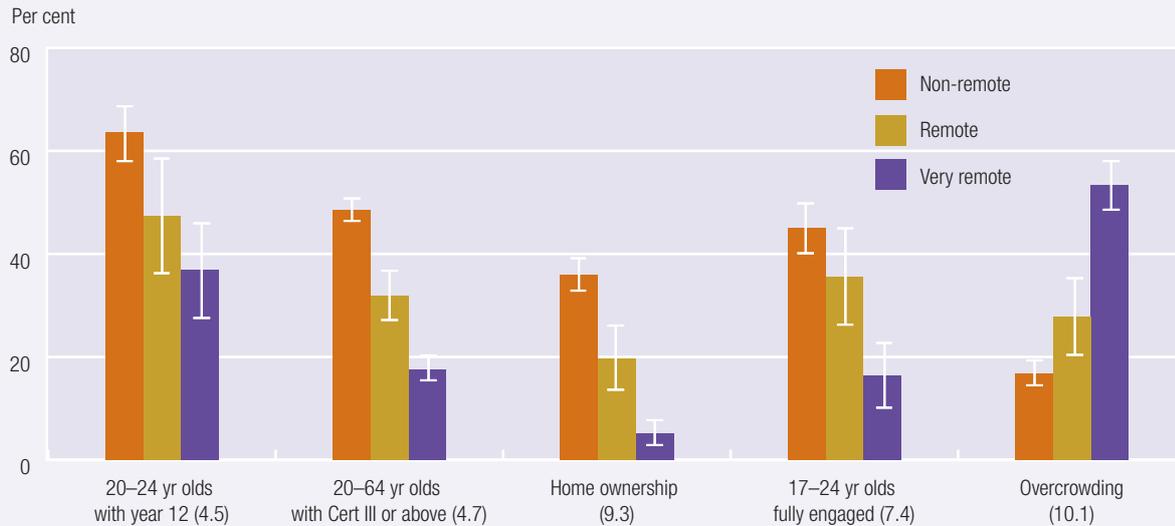


Data source: Overcoming Indigenous Disadvantage: Key Indicators 2014, section 4.12.

## The impact of remoteness

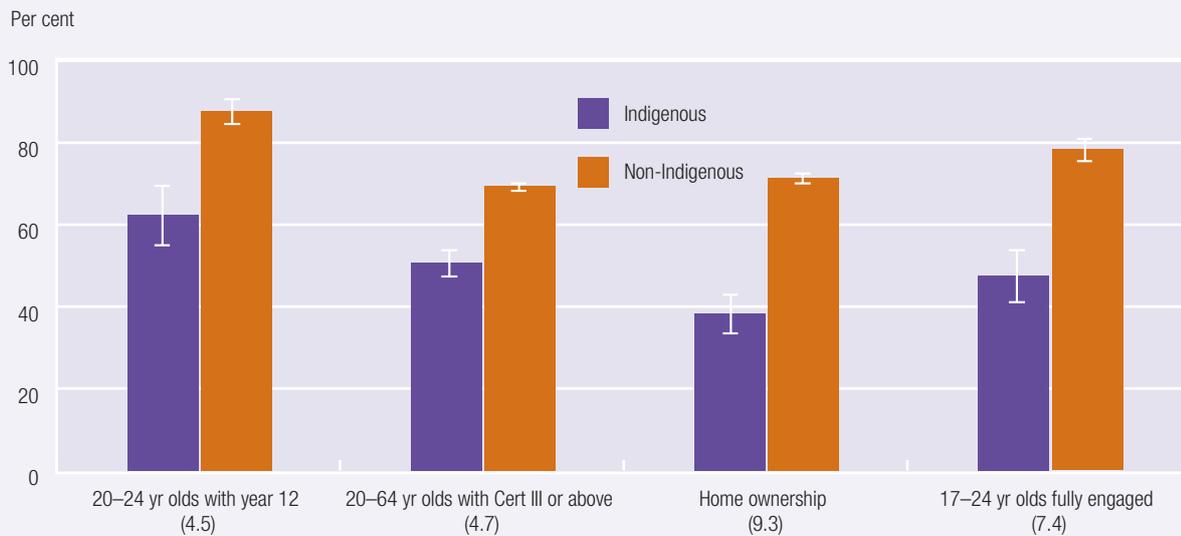
Most Aboriginal and Torres Strait Islander Australians lived in major cities or regional areas as at 30 June 2011 (35 per cent in major cities, 22 per cent in inner regional areas and 22 per cent in outer regional areas). However, significant proportions lived in more remote areas (8 per cent in remote areas and 14 per cent in very remote areas). Less than 2 per cent of non-Indigenous Australians lived in remote plus very remote areas. For most indicators that can be disaggregated by remoteness, outcomes for Aboriginal and Torres Strait Islander Australians worsen as remoteness increases.

### Selected outcomes for Indigenous people by remoteness, 2012-13



However, on average, Aboriginal and Torres Strait Islander Australians experience poorer outcomes than non-Indigenous Australians wherever they live. For example, Aboriginal and Torres Strait Islander Australians living in major cities experience disadvantage compared to non-Indigenous Australians in the same setting.

### Selected outcomes, major cities, 2012-13



Data source: Overcoming Indigenous Disadvantage: Key Indicators 2014, section year 12 attainment – section 4.5; Cert III or above – section 4.7; Home ownership – section 9.3; Youth fully engaged – section 7.4; Overcrowding – section 10.1.

## 'Things that work': some examples

Not everything that matters can be captured in indicators, and some information is better presented in words, rather than numbers. In particular, community level change may not show up in State and Territory or national data. The OID report includes many case studies of actions that are making a difference for Aboriginal and Torres Strait Islander Australians.

**Families as First Teachers (NT)** is a promising early learning and parenting support program, operating in 21 remote Indigenous communities since mid-2011. Preschool enrolments increased in half the sites surveyed and 95 per cent of parents were satisfied with the program and felt more skilled and able to support their child's learning and development.

The national **Working on Country** program provides employment and training opportunities to assist Aboriginal and Torres Strait Islander Australians in rural and remote areas to undertake work in natural resources management. In May 2012 there were over 690 rangers. A 2011 evaluation found that the rangers saw the jobs as 'real jobs' that provided better income and conditions, more interesting work and ongoing employment, than the CDEP alternative.

The **Alice Springs Domestic and Family Violence Outreach Service** provides targeted support to women experiencing domestic and family violence. A 2012-13 evaluation found that all of the 19 women interviewed reported their safety had improved. Almost half of the women who had previously used the crisis accommodation services had not used crises accommodation since receiving outreach services.

The **Aboriginal Maternal and Infant Health Service (NSW)** has improved health outcomes for Aboriginal mothers and babies by providing culturally appropriate maternity care, including secondary programs on mental health, drug and alcohol, and Quit for Life Smoking cessation in pregnancy. A 2012 evaluation found an increase in women receiving antenatal care before 20 weeks gestation, and a reduction in pre-term births.



Image by Wayne Quilliam, courtesy of Reconciliation Australia and the 2012 Indigenous Governance Awards and finalist Secretariat of National Aboriginal and Islander Child Care.

### Success factors

The following high level principles and practices have been identified as underpinning successful programs for Aboriginal and Torres Strait Islander Australians:

- flexibility in design and delivery so that local needs and contexts can be taken into account
- community involvement and engagement in both the development and delivery of programs
- the importance of building trust and relationships
- a well-trained and well-resourced workforce, with an emphasis on retention of staff
- continuity and coordination of services.

Source: Overcoming Indigenous Disadvantage: Key Indicators 2014

### Overcoming Indigenous Disadvantage: Key Indicators 2014

> This report is produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision.

> <http://www.pc.gov.au/research/recurring/overcoming-indigenous-disadvantage/key-indicators-2014#report>

# Expenditure on services for Aboriginal and Torres Strait Islander Australians

Estimates in the latest *Indigenous Expenditure Report* contribute to the information available to policy makers attempting to address the gap in outcomes between Aboriginal and Torres Strait Islander and other Australians.

The 2014 *Indigenous Expenditure Report* is the third in a series of biennial reports, commissioned by the Council of Australian Governments (COAG) to provide information about the levels and patterns of government expenditure on services to Aboriginal and Torres Strait Islander Australians. The Report provides estimates of government expenditure nationally and by state and territory for 2008-09, 2010-11 and 2012-13.

While the report does not assess the adequacy or effectiveness of government expenditure, the estimates contribute to the evidence base that policy makers need to gain a clearer picture of the efficiency of government services provided to Aboriginal and Torres Strait Islander Australians.

## Indigenous expenditure reporting

The 2014 *Indigenous Expenditure Report* was produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision.

The Indigenous Expenditure Report complements other Review of Government Service Provision publications, such as the *Overcoming Indigenous Disadvantage* report, which provides information about the wellbeing of Aboriginal and Torres Strait Islander Australians, and the *Report on Government Services Indigenous Compendium*, which collates available information on the performance of mainstream services provided to Aboriginal and Torres Strait Islander Australians. These reports, together with COAG reporting on the National Indigenous Reform Agreement and associated National Partnerships, help governments at all levels better assess the effectiveness of their expenditure on Aboriginal and Torres Strait Islander Australians.

Estimating government expenditure on services for Aboriginal and Torres Strait Islander Australians is a complex task and will be subject to continuing improvement in future reports. Several important improvements were made for the 2014 *Indigenous Expenditure Report*, including time series analysis, a more concise main Report and an online database allowing users to create their own custom tables from the Report's 500 000 data points.

---

The Report estimates that governments spent \$30.3 billion on combined mainstream and Indigenous specific services to Aboriginal and Torres Strait Islander Australians in 2012-13. Indigenous expenditure made up 6.1 per cent of all government expenditure. This is higher than the Aboriginal and Torres Strait Islander representation in the population (3.0 per cent), reflecting the greater level of disadvantage experienced by many Aboriginal and Torres Strait Islander Australians and the higher cost of providing services to some Aboriginal and Torres Strait Australians.

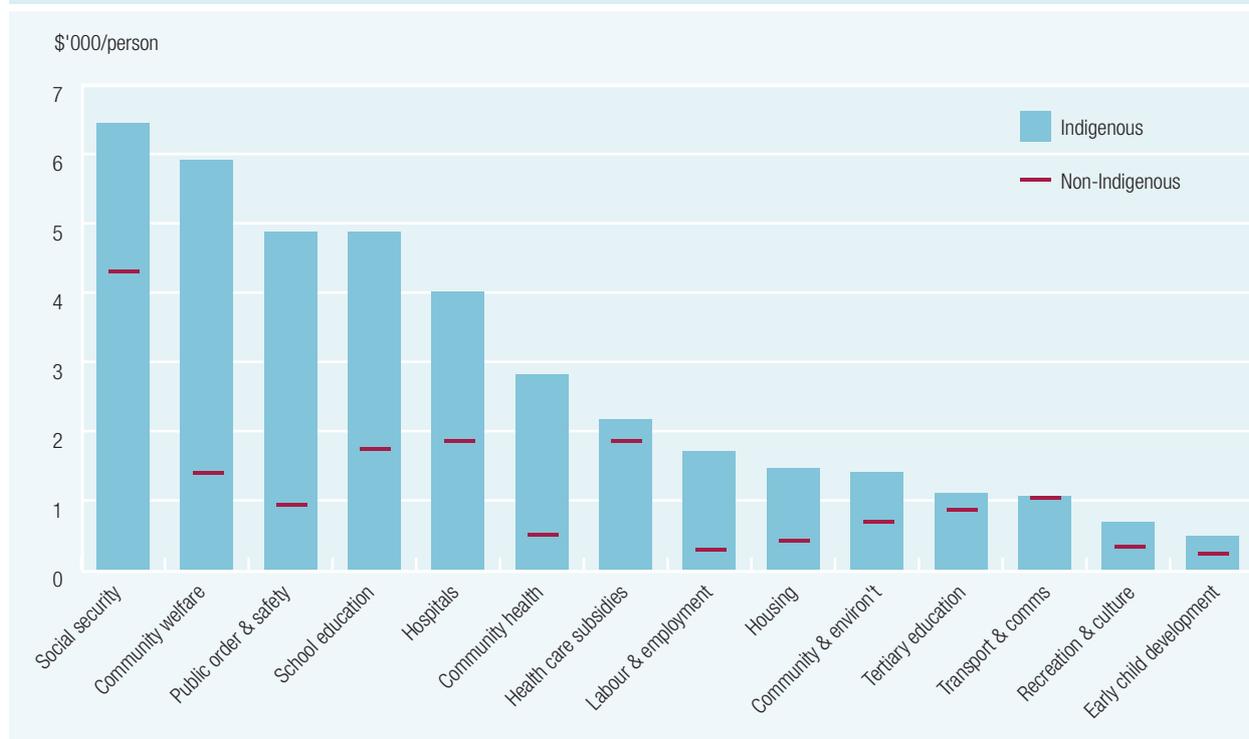
---

## How will this report contribute to the reform agenda?

The 2014 *Indigenous Expenditure Report* provides estimates of expenditure across key service areas – education; justice; health; housing; community services; and employment – that are aligned to the seven National Indigenous Reform Agreement building blocks. The

**Figure 1 Expenditure per person on selected service areas, Australia 2012-13**

Australian Government plus State and Territory government direct expenditure



estimates in this report can help answer key questions, such as:

- How much did government spend on key services?
- How much was spent on Aboriginal and Torres Strait Islander Australians, and how does this compare with expenditure on other Australians?
- What were the patterns of service use by Aboriginal and Torres Strait Islander Australians, and how do these compare with service use by other Australians?
- What drove the differences in expenditure between Aboriginal and Torres Strait Islander Australians and other Australians?

When combined with data from other sources, the estimates in this report can contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services for Aboriginal and Torres Strait Islander Australians.

Figure 1 shows expenditure across a selection of service areas. The highest expenditure per person<sup>1</sup> for both Aboriginal and Torres Strait Islander and non-Indigenous Australians was in social security.

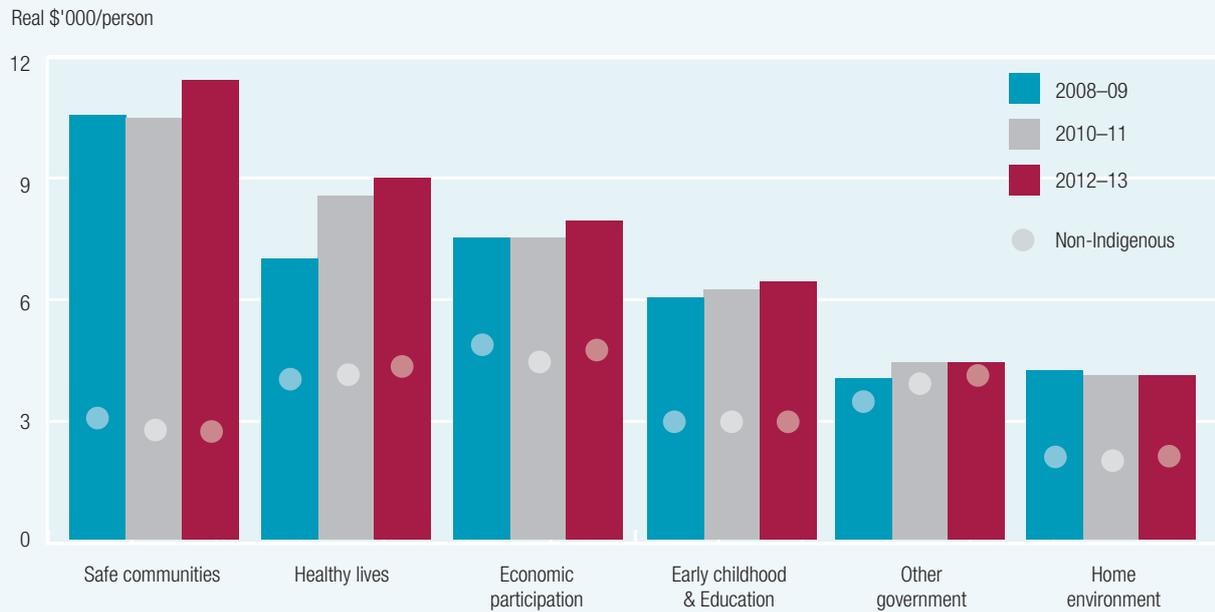
Changes in expenditure for Aboriginal and Torres Strait Islander Australians from 2008-09 to 2012-13 varied across areas of expenditure (see Figure 2).

Figure 3 shows mainstream and Indigenous specific expenditure across states and territories weighted horizontally by state/territory Aboriginal and Torres Strait Islander population (the wider the column the higher the population). The area of each column is in proportion to total Indigenous expenditure in each state or territory.

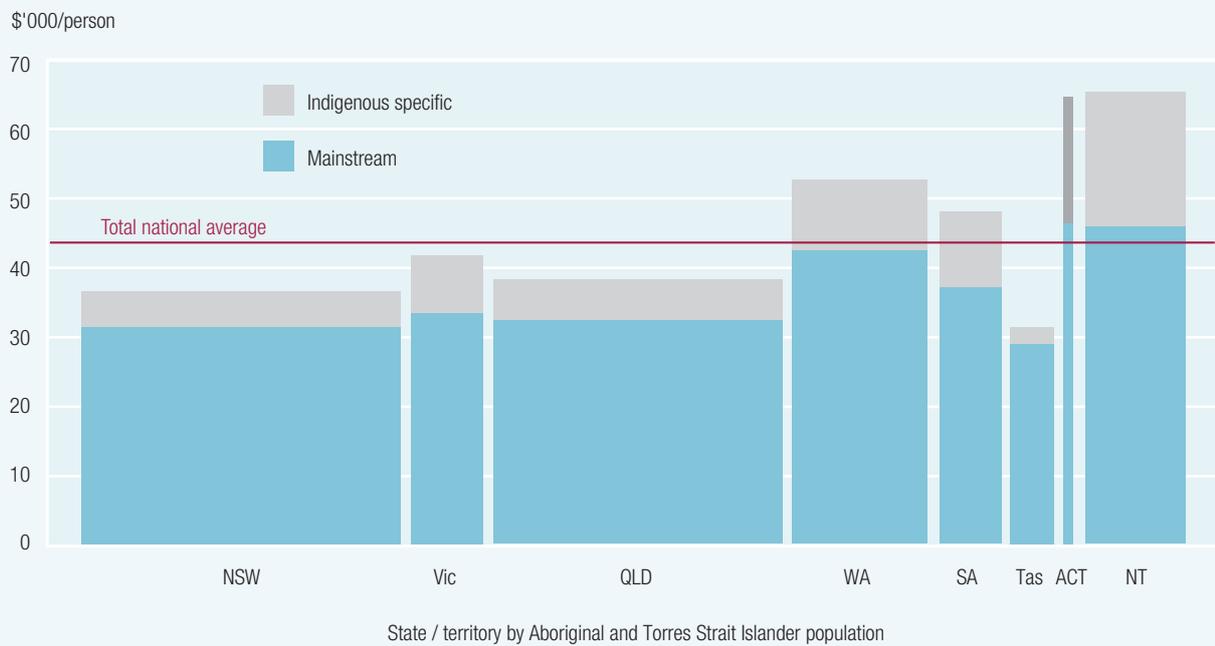


<sup>1</sup> Expenditure per person refers to population, not users, to enable figures to be aggregated. Not all people within the population will use a particular service.

**Figure 2 Expenditure per person by service area, 2008-09, 2010-11, 2012-13**  
 Australian Government plus State and Territory government direct expenditure



**Figure 3 Mainstream and Indigenous specific expenditure per person by state/territory, 2012-13**  
 Australian Government plus State and Territory government direct expenditure



Data sources and methodology for charts: See [www.pc.gov.au/ier](http://www.pc.gov.au/ier)

**2014 Indigenous Expenditure Report**

> Released December 2014

> <http://www.pc.gov.au/research/recurring/indigenous-expenditure-report>

# Current commissioned projects

4 May 2015

## Public Safety Mobile Broadband – *Commissioned Study*

Issues paper April 2015

Draft report September 2015

Final report to Government December 2015

Contact: Carl Toohey 03 9653 2114

Email: psmb@pc.gov.au

[www.pc.gov.au/inquiries/current/public-safety-mobile-broadband](http://www.pc.gov.au/inquiries/current/public-safety-mobile-broadband)

## Migrant Intake Into Australia – *Public Inquiry*

Issues paper May 2015

Draft report November 2015

Final report to Government March 2016

Contact: Stewart Plain 02 6240 3219

Email: migrant.intake@pc.gov.au

[www.pc.gov.au/inquiries/current/migrant-intake](http://www.pc.gov.au/inquiries/current/migrant-intake)

## Services Exports – *Commissioned Study*

Issues paper April 2015

Draft report August 2015

Final report to Government December 2015

Contact: Ana Markulev 03 9653 2137

Email: services.exports@pc.gov.au

[www.pc.gov.au/inquiries/current/services-exports](http://www.pc.gov.au/inquiries/current/services-exports)

## Workplace Relations Framework – *Public Inquiry*

Issues papers January 2015

Draft report August 2015

Final report to Government November 2015

Contact: Chris Perks 02 6240 3325

Email: workplace.relations@pc.gov.au

[www.pc.gov.au/inquiries/current/workplace-relations](http://www.pc.gov.au/inquiries/current/workplace-relations)

## Mutual Recognition Schemes – *Commissioned Study*

Issues paper January 2015

Draft report June 2015

Final report to Government September 2015

Contact: Greg Murtough 03 9653 2163

Email: mutual.recognition@pc.gov.au

[www.pc.gov.au/inquiries/current/mutual-recognition-schemes](http://www.pc.gov.au/inquiries/current/mutual-recognition-schemes)

## Business Set-up, Transfer and Closure – *Public Inquiry*

Issues paper December 2014

Draft report May 2015

Final report to Government August 2015

Contact: Mark Bryant 02 6240 3314

Email: business.inquiry@pc.gov.au

[www.pc.gov.au/inquiries/current/business](http://www.pc.gov.au/inquiries/current/business)

Log on to the Commission's website [www.pc.gov.au](http://www.pc.gov.au) for full details of all current projects.