



PC NEWS



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Australian Government
Productivity Commission

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.

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How resilient are Australia's regional economies to the end of the mining boom?

The Australian economy's transition from the mining investment boom towards broader based growth is presenting both challenges and opportunities for Australia's regions.

Australia benefited substantially (and will continue to benefit) from the resources boom, which ended in about 2013. It led to higher incomes on average for individuals, larger profits for many companies engaged in mining, and increased revenues for State and Territory governments and the Australian Government. Mining employment remains substantially higher today than in 2008. However, the slowing of the investment phase has caused

transitional pressures. The Australian Government asked the Productivity Commission to undertake a study of the impact on regional economies of the transition from the mining investment boom. The study is to examine how well different regions are adapting to the transition, and the factors influencing their capacity to successfully adapt to economic change. It will also identify those regions most at risk of failing to adjust to changing economic conditions.

The mining commodity and investment cycle was large

Western Australia

Economic growth peaked at 9.1 per cent in 2011-12 and business investment accounted for over 34 per cent of economic growth in 2012-13 (the average was about 12 per cent between 1989-90 and 2004-05). Following the end of the investment phase, economic growth slowed and in 2015-16 was the lowest in 13 years, at 1.9 per cent. The unemployment rate rose from about 3 per cent in 2008 to over 6 per cent in the year to February 2017.

Queensland

Construction expenditure in Queensland rose to unprecedented levels during the boom, peaking in 2013-14 at \$36.6 billion, and subsequently decreasing by about 70 per cent. During the period 2008 to February 2017, the unemployment rate rose from less than 4 per cent to over 6 per cent.

The Commission released its initial report in April 2017, and is seeking submissions on the report by the end of July. Following consultation within regions, a final report will be sent to the Government in December 2017.

The Commission's study covers all regions of Australia (both urban and non-urban), not only those directly affected by mining investment (such as the Pilbara, the Surat and Bowen basins, and the Hunter Valley). Some regions are subject to transitional

pressures from other sources, such as environmental, energy and climate change policies (examples include the Latrobe Valley and Port Augusta/Leigh Creek regions). Other regions are subject to economic and policy changes affecting specific industries (for example, vehicle manufacturing in Geelong and North Adelaide).

Developing a framework to assess economic resilience and adaptation

The Commission adopted a framework comprising the following three key elements.

1. *Economic performance over time*

An examination of economic growth over time can identify regions that have experienced a significant disruptive event and recovered (were resilient), or stagnated or deteriorated (were non-resilient). This may provide insight into factors associated with resilience and appropriate policies for enhancing resilience and adaptive capability. In practice, operationalising this concept is challenging, given the time series data available and the level of regional disaggregation possible.

2. *An economic metric of relative adaptive capacity*

The Commission was asked to develop a single economic metric that can be used to rank and identify regions most at risk of failing to adjust successfully to economic disruptions.

This was achieved by creating an index of the relative adaptive capacity for each region, using data from the 2011 Census of Population and Housing. Factors used to construct the metric included skills,

What is a region?

'Regions' can be defined in many ways, and the way that they are best defined is likely to depend on the purpose of the analysis. For example, the definition used in this study is likely to be different from the definition used in a study of the Murray-Darling Basin, where environmental issues regarding water are the main policy interest.

Within the context of this study, there is no clear answer as to how regions are best defined. 'Regions' could be based on economic characteristics ('mining' or 'manufacturing' regions), administrative units (such as local government areas), or the effects of the resources boom (for example, towns that are inter-related because of fly in, fly out workers).

Due to the widespread effect of the resources boom and the variability in the data across regions that might be considered similar, the Commission has used geographical regions defined under the ABS Australian Statistical Geography Standard.

income, natural resources and access to infrastructure and services. Caution is required if making policy decisions based on the rankings of regions using the estimated metric of relative adaptive capacity in the initial report. There is unavoidable uncertainty about its estimated value for each region, and actual adaptation to any specific disruption would be affected by factors beyond the metric. Nevertheless, the metric can be used to explore some broad themes and patterns of adaptive capacity in Australia's regions.

3. Framework for economic and social development

The third element is a policy framework to assess the scope for economic and social development in regions, and the factors that may inhibit adaptation to changing circumstances. The framework is intended to provide guidance to governments about how best to support regional adaptation and development.

A snapshot of regional growth and adaptive capacity

The study used the first two elements of the Commission's framework to assess the performance and adaptive capacity of Australia's regions. Initial findings include the following:

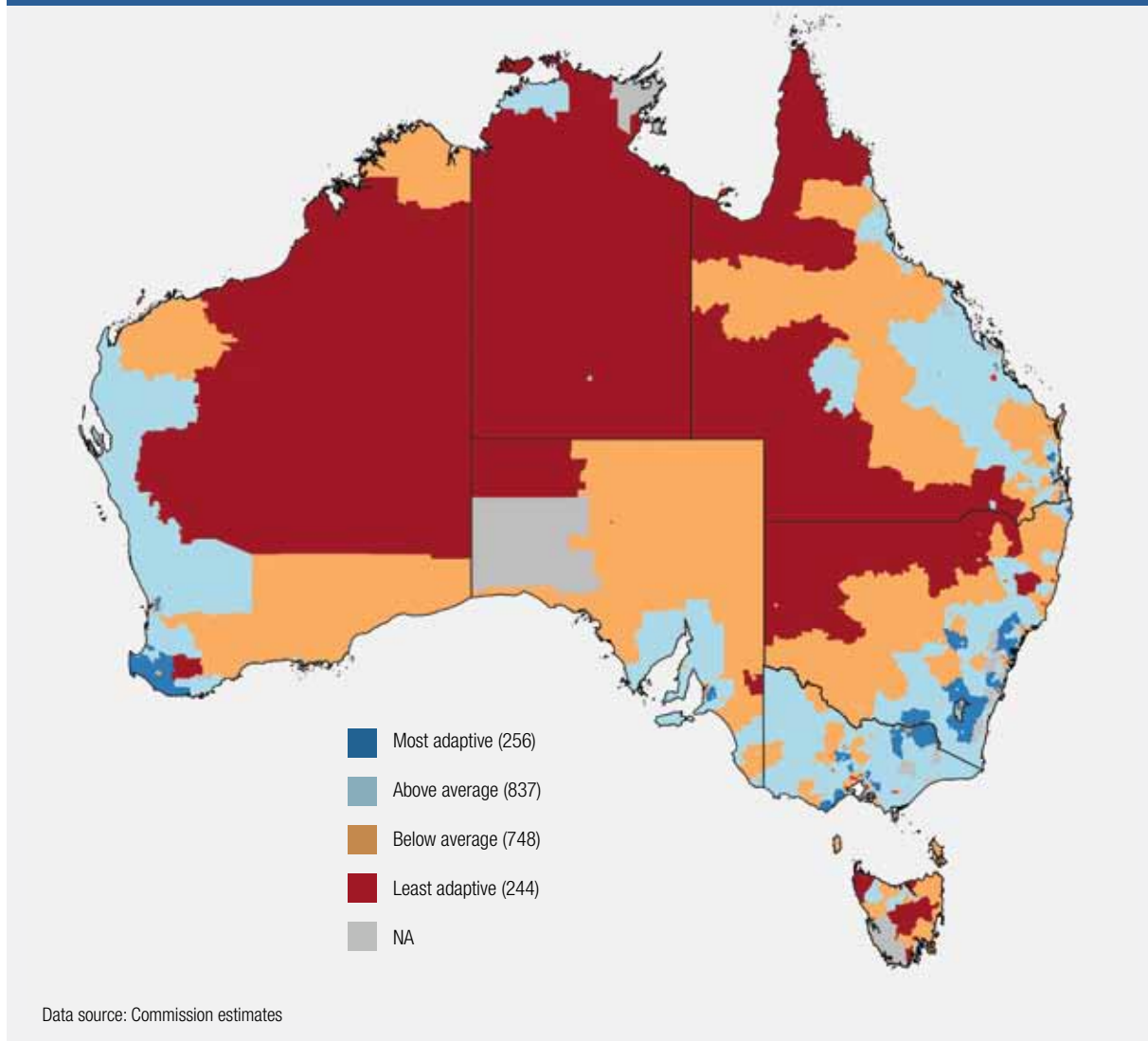
- Most regions (about 80 per cent) have experienced overall positive growth in employment over the past five years. However, almost all regions have displayed significant variability in growth rates.
- Not all regions have the same capacity to adapt to change. Regional communities likely to have the least capacity to adapt (about 12 per cent of all regions) are spread across all areas of Australia, in both remote and regional areas and in outer urban areas, including major cities (figure 1).
- Major cities and very remote areas have a relatively higher representation in the least adaptive category of regions. Over half of the people in the least adaptive regions reside in the greater metropolitan areas of Sydney, Melbourne and Adelaide. Regions with the least adaptive capacity frequently have high levels of disadvantage.
- Regions whose economic base is large-scale mining have generally had the highest rates of growth in employment since 2005, notwithstanding the end of the investment boom. Overall, employment in mining remains higher now than it was prior to the boom. However, not all mining areas are prospering and some are in decline. These are typically areas that have marginally profitable mines or where existing mines are approaching the end of their economic lives (including coal mines supplying local power stations that have been closed).

- Regions based predominantly on manufacturing tend to have relatively low rates of growth in employment and lower adaptive capacity. In contrast, regions whose economies are predominantly based on services (cities, large regional centres) tend to have higher rates of growth.
- Regions that are predominantly based on agriculture, particularly broadacre cropping, tend to have lower rates of growth in employment. Improvements in agricultural productivity mean output can increase with fewer workers. Agricultural regions have also experienced consolidation of small towns into larger regional towns.

These patterns reflect longer-term trends in employment and the move away from manufacturing and agriculture towards services (a trend observed in other advanced economies) as well as resource industries. The extent to which regions are affected will therefore depend on their industry mix and the concentration of employment in particular sectors.



Figure 1: The adaptive capacity of Australia's regions



Strategies for successful transition and development

The Commission's initial study finds that there is no single approach to facilitating adaptation and sustainable development in all regions. Moreover, it is unclear how successful current policies for facilitating adaptation and development have been, because evaluation is not usually undertaken.

Developing and implementing policies to support people in regional communities is a complex task for governments, and properly evaluated success is rare. There is no easy solution or 'one size fits all' approach that will facilitate transitioning and adaptive economies in all regions of Australia.

Nevertheless, it appears the best strategies are those that:

- remove barriers to people or business owners relocating, both within or to other regions

- are identified and led by the regional community itself, in partnership with all levels of government
- are aligned with the region's relative strengths and inherent advantages
- are supported by targeted investment in developing the capability of the people to deal with adjustment and the connectivity of the region to other regions and markets
- are designed with clear objectives and measurable performance indicators and subject to rigorous evaluation.

Transitioning Regional Economies

- > Productivity Commission Initial Report
- > Released April 2017
- > Final Report expected to be provided to Government in December 2017



Assessing the **performance** of the superannuation system

In **stage one** of a three-stage review of Australia's superannuation system, the Productivity Commission has developed a framework for assessing the efficiency and competitiveness of the superannuation industry.

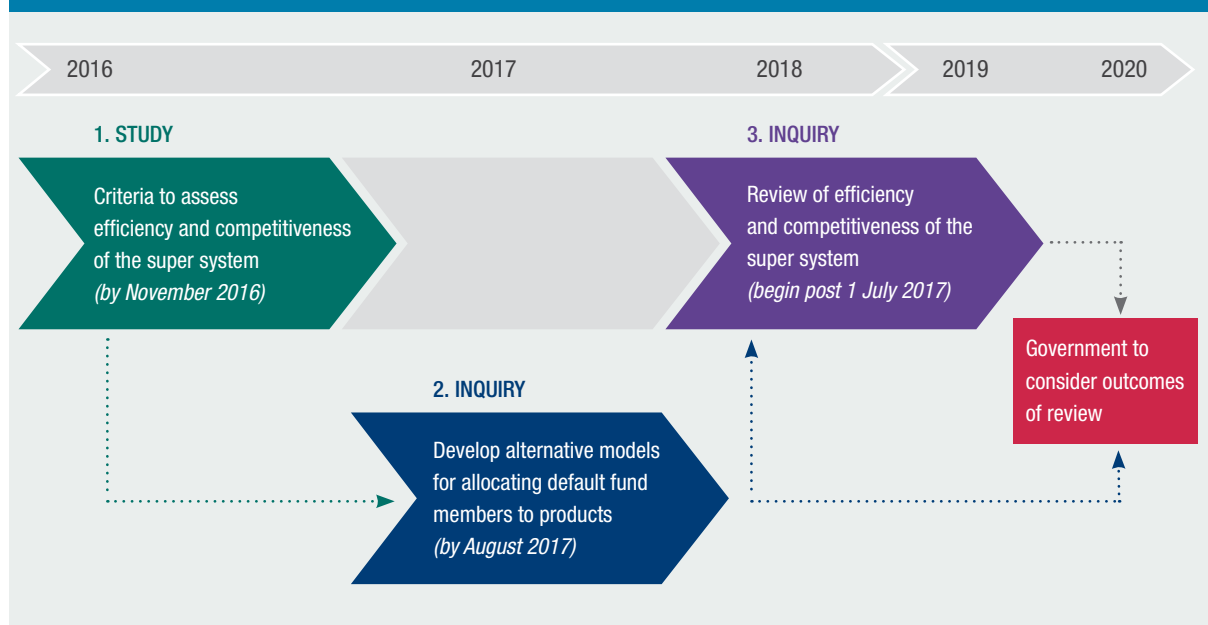
The Australian superannuation system forms a major pillar of Australia's retirement income system. Over \$2 trillion in funds are held under management by over 250 institutional funds and over 577 000 self-managed superannuation funds. Treasury forecasts that by 2040 there will be almost \$8 trillion in funds under management.

The sheer size of the superannuation system, combined with its broad and compulsory nature, means the efficiency of the system is paramount. Even small

system improvements can have significant impacts on the wealth and wellbeing of Australians.

The Financial System Inquiry (FSI), as part of its broad review of the financial system, examined the superannuation system, releasing a final report in 2014. Among other things, it found that there was a lack of price-based competition in the superannuation system, and that reforms and increasing fund sizes and consolidation have not delivered the fee decreases expected.

Figure 1: Stage one in a three stage superannuation review



In response to the FSI, the Australian Government asked the Productivity Commission to undertake a study to develop criteria to assess the efficiency and competitiveness of the superannuation system. This study represents stage 1 of a 3-stage work program on superannuation to be undertaken by the Commission, culminating in a system-wide review of the system (figure 1).

There is little precedent, even internationally, for conducting such a broad review. This highlights the importance of the review, and in particular the task of setting out the assessment framework. The publication of the assessment criteria developed by the Commission is aimed at providing transparency and certainty to the superannuation industry and fund members about how the system will be assessed.

Part of the challenge of undertaking the review is that it is system wide. This means that the Commission will look beyond superannuation funds. On the supply side, vertical relationships will be important, and upstream financial service providers will be in the scope of the review. On the demand side, decision making by individuals, and how this is influenced by employers, acting as intermediaries, will be examined. The role that regulators such as the ATO and APRA play will also be included in the review.



The Commission's approach to developing assessment criteria

To develop the assessment framework, the Commission asked the following questions:

1. What is the superannuation system trying to achieve; what are the system-level objectives?
2. Based on these objectives, what are appropriate assessment criteria?
3. Based on the assessment criteria, what indicators could be used for assessment?

The Australian Government has declared that the objective of superannuation is to provide income in retirement to substitute or supplement the age pension. This objective is broad and encompasses the wide set of policies and industries supporting retirement income, including voluntary private savings and the Age Pension.

To manage the scope of the assessment framework, the Commission defined five system-level objectives that are within the influence of the superannuation system and are specific to the principles of competitiveness and efficiency, as well as link back to the overarching objective set by the Australian Government (box 1).

Based on the system-level objectives, the Commission formulated assessment criteria and related indicators. In total, the assessment framework consists of 22 assessment criteria supported by 89 unique indicators (see table 1 for a full list of the assessment criteria). The indicators are wide ranging. They are qualitative and quantitative, and include

input, output, behavioural and outcome indicators. They have been carefully chosen to minimise additional data requirements; much of the data required is already collected or can be constructed from existing data sources.

Assessment criteria and indicators provide ways of measuring performance, but they do not provide a reference-point; or a way of asking if the performance is 'good'. To assess performance, the Commission will rely extensively on benchmarking. Relevant benchmarks will be both cross-sectional and over time, and include funds and (international) markets. In some cases it will be appropriate to conduct 'negative tests', for example, are there barriers to entry in the superannuation market? For any assessment, the Commission will draw on the comprehensive suite of indicators developed and evidence-based interpretation.

Given the heterogeneity of the system, it will also be important to consider issues around market definition. In part this will become clearer as the Commission conducts the assessment, but as a start the Commission has indicated it will be relevant to identify market segments that have distinct characteristics – such as choice and default segments.

Box 1: System-level objectives

Efficiency:

- The superannuation system contributes to retirement incomes by maximising long-term net returns on member contributions and balances over the member's lifetime, taking risk into account.
- The superannuation system meets member needs in relation to information, products and risk management, over the member's lifetime.
- The efficiency of the superannuation system improves over time.
- The superannuation system provides value for money insurance cover without unduly eroding member balances.

Competition that promotes efficiency:

- Competition in the superannuation system should drive efficient outcomes for members.

Table 1: Superannuation system-level objectives and criteria to assess efficiency and competitiveness

Assessment criteria	Number of indicators ^a
The superannuation system contributes to retirement incomes by maximising long-term net returns on member contributions and balances over the member's lifetime, taking risk into account	
• Are long-term net investment returns being maximised over members' lifetimes, taking account of risk?	4
• Are costs incurred by funds and fees charged to members being minimised, taking account of service features provided to members?	10
• Do all types of funds have opportunities to invest efficiently in upstream capital markets?	4
• Is the system effectively managing tax for members, including in transition?	3
• Are other leakages from members' accounts being minimised?	5
The superannuation system meets member needs, in relation to information, products and risk management, over the member's lifetime	
• Is the system providing high-quality information and intrafund financial advice to help members make decisions?	7
• Is the system providing products to help members manage risks over their life cycles and optimally consume their retirement incomes?	7
• Are principal-agent problems being minimised?	7

Table 1: Superannuation system level objectives and criteria to assess efficiency and competitiveness... continued

Assessment criteria	Number of indicators ^a
The efficiency of the superannuation system improves over time	
• Does the system overcome impediments to improving long-term outcomes for members?	6
• Are there material systemic risks in the superannuation system?	3
The superannuation system provides value for money insurance cover without unduly eroding member balances	
• Do funds offer value for money insurance products to members?	10
• Are the costs of insurance being minimised for the level and quality of cover?	7
Competition in the superannuation system should drive efficient outcomes for members	
Market structure	
• Is there informed member engagement?	8
• Are active members and member intermediaries able to exert material competitive pressure?	7
• Is the market structure conducive to rivalry?	2
• Is the market contestable at the retail level?	3
• Are there material anticompetitive effects of vertical and horizontal integration?	6
Conduct and outcomes	
• Do funds compete on costs/price?	6
• Are economies of scale realised and the benefits passed through to members?	5
• Do funds compete on member-relevant non-price dimensions?	5
• Is there innovation and quality improvement in the system?	3
• Are outcomes improving at the system level?	2

^a Many indicators are used multiple times. In total there are 89 unique indicators.

How to Assess the Competitiveness and Efficiency of the Superannuation System

> Productivity Commission Study Report

> Released November 2016



How should **default** superannuation products be allocated to employees?

In **stage two** of a three-stage review of the superannuation system the Commission has identified alternative models for allocating superannuation products to those workers who do not choose their own.

Under the Superannuation Guarantee, introduced in 1992, employers are required to make superannuation contributions for their employees. While most working Australians are now covered by superannuation, many do not actively choose where their super is invested – surveys suggest this to be about two thirds of working Australians. Under current superannuation arrangements, some employees are restricted from choosing their super fund (according to some estimates, 20 per cent of the workforce fall into this category). Of those who can choose,

most employees do not choose a superannuation fund. They leave the decision to their employer and become a *default* member of their employer's chosen fund. Because most people change jobs regularly, this has led to significant account proliferation. Well over 40 per cent of super fund members have multiple accounts.

While some (mainly larger) employers may be well-placed to choose a default product and negotiate favourable arrangements for their employees, many (mainly small and medium-size) employers

are not well placed to select a default product. Some employers may also be limited in their fund choices by long-standing workplace agreements. The combined lack of willingness, capability and opportunity for employees and employers to engage has resulted in a lack of price-based competition in the superannuation system.

As the second stage of a three-part review of the efficiency and competitiveness of the superannuation system, the Australian Government has asked the Productivity Commission to develop alternative models for a formal competitive process for allocating default fund members to superannuation products. The aim of the alternative models is to improve the efficiency of the superannuation system by reducing account proliferation and improving price-based competition.

Changing default member definition and extending choice

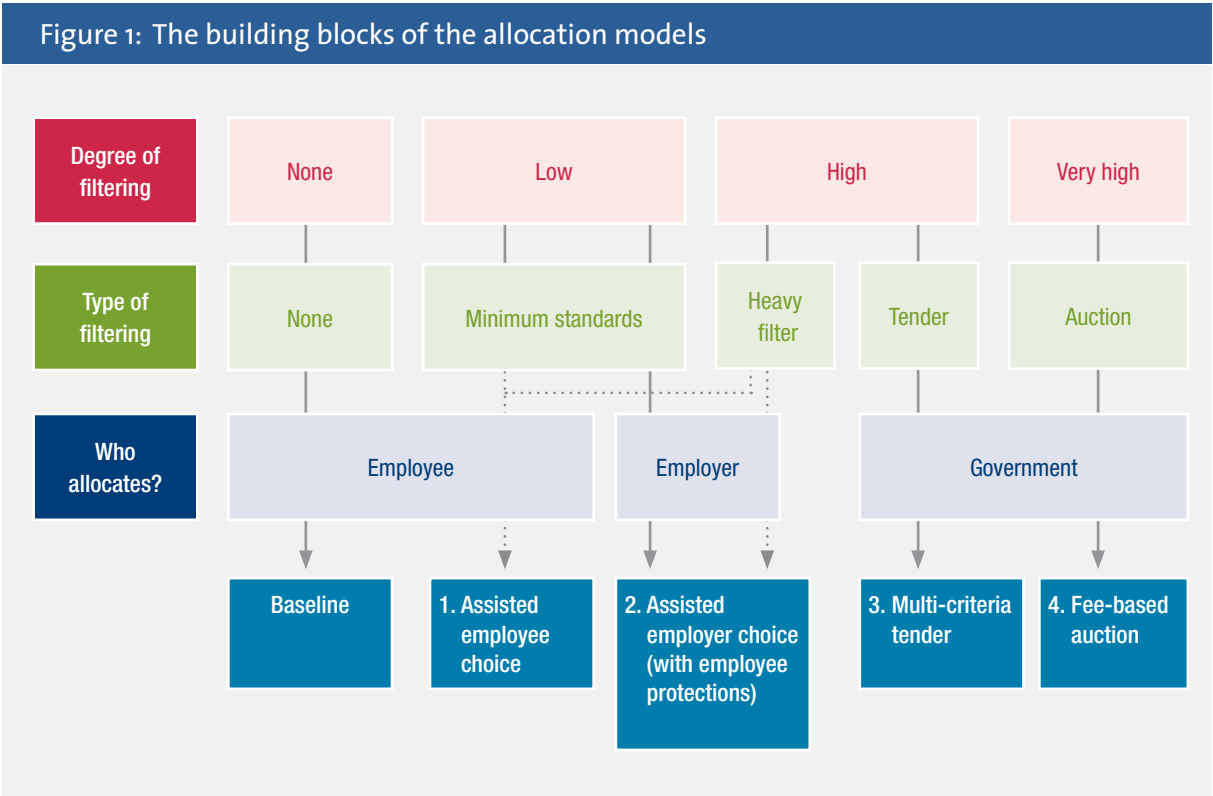
Under existing arrangements, an employee acquires a new default super account every time they start a new job and do not nominate a superannuation account. Over their careers, some workers could acquire multiple superannuation accounts, paying multiple sets of fees and insurance premiums, and ultimately retiring with less money. There is no inherent policy logic to support this proliferation.

The Commission considers that employees should only acquire a new default super account if they do not already have one. It is estimated that changing the definition of a default member in this way could result in system-wide savings of approximately \$150 million per year, once fully implemented. To facilitate this process, the Australian Taxation Office should establish a central online information service to enable both employees and employers to identify existing accounts.

The Commission has developed four alternative models

The Commission has developed four alternative models, each with different degrees of product filtering (based on product quality) and methods for allocating employees to superannuation products (figure 1). Some models are purely administrative, while others involve a market based solution.

- The four models are:
- *Assisted employee choice* – Employees are required to nominate their own product – there are no defaults. However, employees are assisted by a government-provided advisory shortlist. This shortlist would list 4-10 carefully selected ‘good’ products, along with some basic information about each one to allow for easy comparison by employees. This model also contains a voluntary system of



product accreditation (to encourage a broader pool of funds to provide simple products and to make comparability easier) and a ‘last-resort’ fund (to provide a temporary holding account for employees that fail to nominate a product).

- *Assisted employer choice (with employee protections)* – Employers choose a default product from one of two lists for their employees who do not exercise choice. A long list would contain all basic default products that meet a set of minimum standards – an improved MySuper list. Employers must choose from this list. Within that larger grouping, a much smaller group of preferred products would also be identified. Thus employers better able to bargain on behalf of their employees would have the flexibility to choose from a longer list of products; and employers not interested in that task would choose from the small preferred list. In both cases, the employer obligation to act in the interest of employees would be enhanced.
- *Multi-criteria tender* – Funds compete in a multi-criteria tender for the right to receive a share of new default members. An independent panel would assess and choose the products which best meet members’ needs, drawing on a set of pre-defined criteria. These criteria would relate to the past performance, member satisfaction and fee

levels, amongst other criteria. Default members would be allocated sequentially across the winning funds.

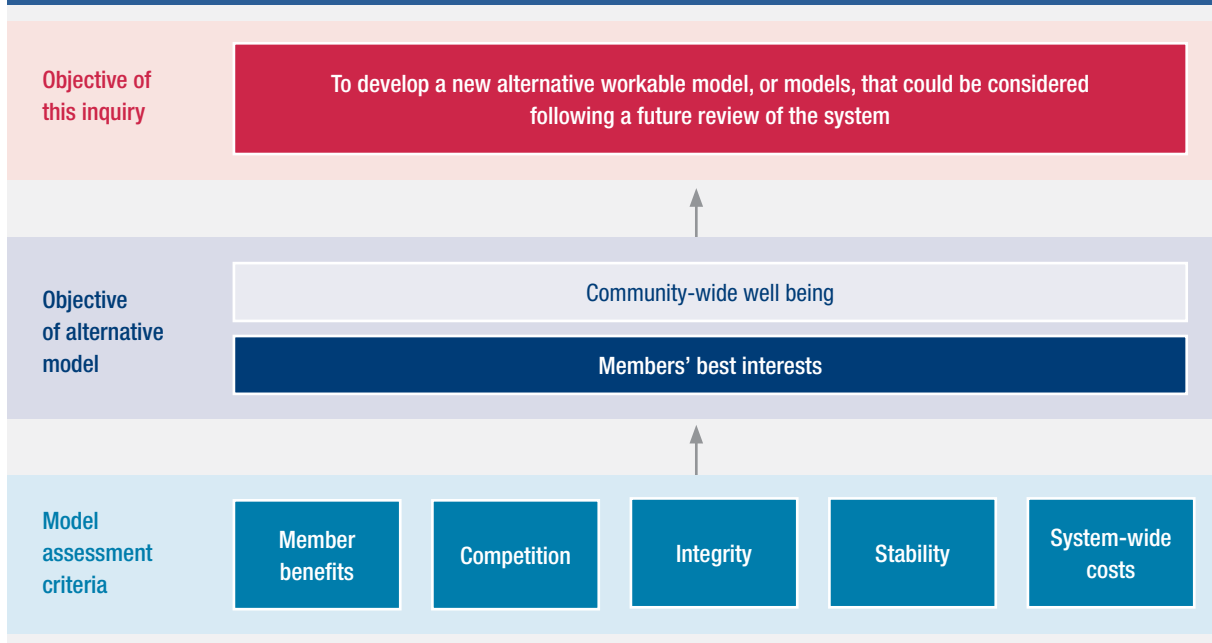
- *Fee-based auction* – Funds compete in an auction for a share of new default members by bidding on fees (a composite of investment and administration fees). The winning fund(s) are those offering the lowest fees. To participate, funds need to pass a pre-qualification stage, to demonstrate they can deliver a minimum level of services for their products.

Assessing the models

The Commission considers that each of the four models is clearly practical and workable. To explore their relative merits, the Commission compared them against a baseline of minimal government intervention – unassisted active choice. This zero-based benchmark assists in exposing the true purpose of a default system, rather than focussing on perceived weaknesses in the current model.

The Commission issued its draft report in March, and is seeking feedback from interested parties. The final report is to be sent to the Australian Government in August 2017.

Figure 2: The framework for assessing alternative models



Superannuation: Alternative Default Models

> Productivity Commission Draft Report

> Released March 2017



Improving human services outcomes

The Commission has identified areas of human services delivery that would benefit from introducing greater competition, contestability and informed user choice.

High-quality human services, such as health and education, underpin economic and social participation and contribute to the wellbeing of individuals and the community as a whole. The Commission is currently undertaking an inquiry to determine the circumstances where the outcomes for the users of human services, and the broader community, could be improved by the introduction of greater competition, contestability and informed user choice in the provision of those services. Many, but not all, human services are suited to this type of reform.

The Commission is undertaking its inquiry in two stages. The publication of the final study report in November 2016 marked the conclusion to the first stage, and set out the Commission's view on which services would be best suited to reform. The second stage is underway, and will make reform recommendations for the identified services. A draft report will be released in June 2017.

Why competition, contestability and informed user choice?

Well-designed reform, underpinned by strong government stewardship, could improve the quality of services, increase access to services, and help people have a greater say over the services they use and who provides them. Informed user choice places users at

the heart of human services delivery and recognises that, with some exceptions, the service user is best-placed to make choices about the services that match their needs. Competition between multiple service providers for the custom of users can drive innovation and efficiencies. Where competition is not possible or desirable, governments' use of contestable processes to select and replace providers can achieve many of the benefits of effective competition.

The introduction of greater competition, contestability and choice does not preclude government provision of services.

Government stewardship is critical

Governments' stewardship role in the provision of human services is broader than overseeing the market. Stewardship includes identifying policy objectives and intended outcomes, designing models of service delivery, and helping to ensure that services are responsive to users, accountable to those who fund the services, equitable, efficient and high quality. Some recipients of human services can be vulnerable, with decisions often taken at times of stress. The development and implementation of consumer safeguards is an important aspect of the stewardship role and will be a key focus for the Commission.

What are the Commission's preliminary findings?

The Commission identified six priority areas where introducing greater competition, contestability and informed user choice could improve outcomes for people who use human services, and the community as a whole.

Social housing

Within the current social housing system, user choice is limited, and the suitability of an allocated property is often a question of timing and luck. There are long waiting lists to enter social housing, and some properties are poorly maintained and underutilised. In some overseas countries, efforts to improve users' choice of home have led to a range of benefits, including tenants being more likely to have stable accommodation and invest in the local community. Introducing greater contestability could also benefit tenants – most social housing properties are managed by government entities, yet on some indicators, including tenant satisfaction and property maintenance, community housing providers outperform public providers.

Public hospital services

Australian hospitals may often perform well against those in other countries but there is still scope for many to improve outcomes for patients, and to lower costs, by matching the practices of better-performing hospitals within Australia. Other countries have shown that user choice can benefit patients when they have access to useful consumer-oriented information on services, and referring practitioners support them in making decisions.

End-of-life care

While Australia's end-of-life care services are well regarded internationally, patient preferences are not always well satisfied – many Australians wish to die at home, supported by family, friends and effective care services, but often their wishes are not being met. In addition, access to high quality care is variable and services are often not as well integrated as they could be. A greater emphasis on user choice could help to better satisfy patient preferences regarding the setting, timing and availability of end-of-life care. As part of a wider suite of reforms, contestability and competition could play a role in promoting user choice.

Public dental services

Public dental services act as a safety net by providing access to basic dental care. Access continues to be a concern for certain populations, such as people living in remote areas who are more likely to suffer from poor oral health and to be hospitalised for potentially preventable dental conditions. More contestable delivery arrangements for public dental services that encourage known but not widely-adopted innovative and flexible service provision could improve oral health in communities not well serviced by the private sector. Introducing greater choice over the timing and location of treatment, and dental professional may also lead to fewer people delaying dental treatment until more painful and costly care becomes necessary.

Human services in remote Indigenous communities

Indigenous Australians living in remote areas are more likely to experience poor outcomes than other Australians. Inadequate access to human services is one factor that contributes to these poor outcomes. There is scope to improve outcomes over the long term through better design and implementation of policies to purchase services in remote Indigenous communities. Greater responsiveness to community needs through more community choice, place-based service models or greater community engagement could also improve outcomes. More stable policy settings and clearer lines of responsibility could increase governments' accountability for improving service outcomes for Indigenous Australians living in remote communities.

Commissioning family and community services

Family and community services include services for people experiencing homelessness, alcohol and other drug abuse, and family and domestic violence. Many services are contestable but better outcomes for service users could be achieved by taking a systematic approach to identifying community needs and prioritising services; funding services that are tailored to the needs of individuals; and taking an outcomes focus to performance monitoring and service evaluation.

Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform

> Productivity Commission Study Report

> Released December 2016

Consumer law enforcement and administration

A Commission study released in April has identified several reforms to strengthen consumer protection.

Consumer protection in Australia comprises a complex web of laws and institutions spread across different levels of government, which augment the commercial incentives for businesses to operate fairly and supply products with the safety and quality that consumers demand.

Although there is only one body of Australian Consumer Law (ACL) (box 1), 10 different regulators – one from each State and Territory and two from the Commonwealth – administer and enforce it. This

Box 1: What is the Australian Consumer Law?

The ACL is set out in the *Competition and Consumer Act 2010* (Cwlth). It applies generically to virtually all consumer goods and services but is confined to narrowly defined consumer protection issues, such as:

- consumer rights to not be misled or treated unconscionably when buying goods and services
- consumer rights in relation to door-to-door and telephone sales, and lay-by agreements
- consumer guarantees of acceptable quality for goods, and due care and skill for services
- ‘unfair terms’ in standard form contracts (for small businesses as well as consumers)
- consumer product safety matters
- penalties, enforcement powers and consumer redress options.

The provisions in the schedule do not apply to financial matters, but there are broadly parallel provisions dealing with these matters in the *Australian Securities and Investments Commission Act 2001* (Cwlth).

‘multiple-regulator’ model has been in place since the introduction of the ACL in 2011.

Complementing the ACL is a plethora of commonwealth, and state and territory, specialist consumer protection regimes and regulators (such as for electrical appliances, therapeutic goods and motor vehicles). There are also various mechanisms for consumers to resolve disputes (figure 1).

This complex regulatory system to protect consumers confronts some obvious challenges. There are risks of gaps or overlaps in investigations and enforcement, and of inconsistent approaches to interpreting, administering and applying the law.

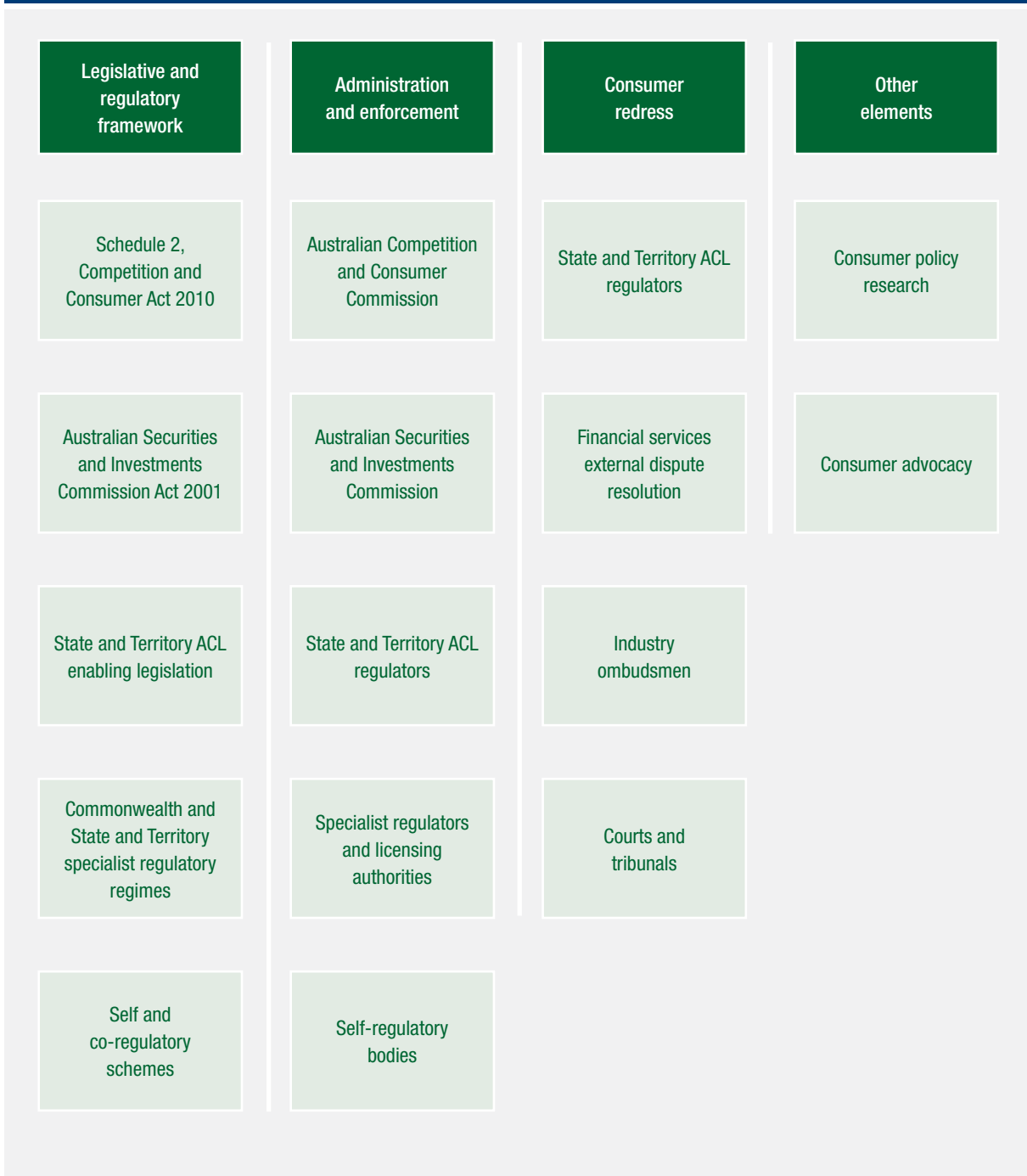
The Commission has examined whether the system’s complexity is causing problems for consumers, businesses and the regulatory agencies themselves. In April 2016, the Government asked the Commission to report on:

- the effectiveness of the ‘one-law, multiple-regulator’ model and ways to strengthen it
- how well the ACL regulators interact with the specialist safety regulators
- what progress has been made in addressing the issues identified in the Commission’s last (2008) consumer policy report, which was the catalyst for the ACL.

A health check for the multiple-regulator model

The Commission found that the multiple-regulator model generally appears to be operating as intended. The ACL regulators have taken steps to adopt or maintain good regulatory practices, and have robust mechanisms to collaborate and coordinate effectively. Study participants largely expressed support for the multiple-regulator model or, at least, indicated that the ACL regulators have reduced the potential for problems to arise.

Figure 1: The Australian consumer protection landscape is complex



Notwithstanding a handful of problem cases (mainly to do with bans or recalls of faulty electrical products), the study found little evidence of problems with the interaction between the ACL regulators and specialist safety regulators. The regulators generally have a clear understanding of their own and others' remits, although inevitably there is scope for some difficult 'boundary' issues to emerge – for example,

should 'bath milk' be considered food for regulatory purposes?

And although consumers and suppliers are sometimes unsure about which regulators are responsible for a particular matter, the regulators have adopted a 'no wrong door' approach that generally sees complaints or queries directed to the most appropriate body in a timely manner.

Room for improvement

While the study concluded that the multiple-regulator model is operating broadly as intended, it also found that there are potential inconsistencies and other concerns with the way the ACL is being administered and enforced. There are also some broader concerns about aspects of the consumer protection landscape, including that several of the recommendations from the Commission's 2008 consumer policy report have not been implemented or fully progressed.

Among other problems, the study found that:

- retaining state and territory government powers (in addition to those of the Commonwealth government) to issue interim product bans and compulsory recalls can cause confusion for businesses and increase compliance costs
- a dearth of data hinders robust analysis of the activities and performance of the state and territory ACL regulators
- maximum financial penalties are small relative to the commercial rewards businesses can gain by breaching the ACL; and high-level enforcement action (including prosecutions) is limited by resources and, in some cases, a risk averse regulatory culture
- the mechanisms in place for sharing data and information between ACL regulators are relatively slow and resource intensive
- some industry-specific consumer regulation continues to differ across jurisdictions, and, particularly in the case of electrical products, can hamper a national response to safety concerns
- the system for resolving consumer disputes is not as effective as it should be.

Summary of findings and recommendations

The Commission made recommendations in four areas:

- *The generic national product safety regime* – State and ACT governments should relinquish their powers to impose compulsory recalls or interim bans. This should be accompanied by a mechanism for the states and ACT to provide input on product safety matters to the Australian Competition and Consumer Commission.
- *Performance reporting* – ACL regulators should publish a comprehensive and comparable set of performance metrics and information to enhance their public accountability and enable improved regulator performance.
- *Industry-specific regulation* – State and Territory governments should move to agree on nationally consistent laws on electrical goods safety.
- *Consumer redress* – Australian governments should establish an independent review of consumer alternative dispute resolution (ADR) mechanisms.

The Commission also made a range of findings, including on:

- exempting interim product bans from the Commonwealth government's regulatory impact assessment requirements.
- a national database of consumer complaints and product safety incidents, and a public register of consumer complaints
- enhancing the ACL regulators' enforcement tools and penalties
- improving the interaction between the ACL and specialist regulators
- public funding for consumer research and advocacy
- enabling designated consumer bodies to lodge 'super complaints'.

Consumer Law Enforcement and Administration

> Productivity Commission Study Report

> Released April 2017



Australia's children from **birth to adulthood** – what do the 2017 RoGS and 2016 OID reports tell us?

The Productivity Commission recently published the 2017 Report on Government Services (RoGS) and the 2016 Overcoming Indigenous Disadvantage (OID) report. These reports are vital tools for evidence-based policy making and to facilitate improved wellbeing for all Australians. This article shows how information from these reports can help answer some key questions about the wellbeing of children and young people.

Are Australian children born healthy?

Birthweight is a key indicator of the health status of babies and a predictor of their health outcomes later in life. Around 5 per cent of Australian babies are born of a low birthweight (less than 2500 grams), with the rate for Aboriginal and Torres Strait Islander mothers twice the rate for non-Indigenous mothers (RoGS table EA.5 and OID table 6A.4.2).

The child mortality rate has decreased over the past eight years from 105.9 to 80.7 per 100 000 children (based on three-year averages up to 2015; RoGS table EA.55). The rate for Aboriginal and Torres Strait Islander children is around twice the rate for non-Indigenous children (based on a five-year average for 2011–2015; RoGS table EA.56), but there has been a narrowing of the gap since 1998 (single year data up to 2014; figure 1).

Are Australian children accessing the services they need to maintain their physical and mental health?

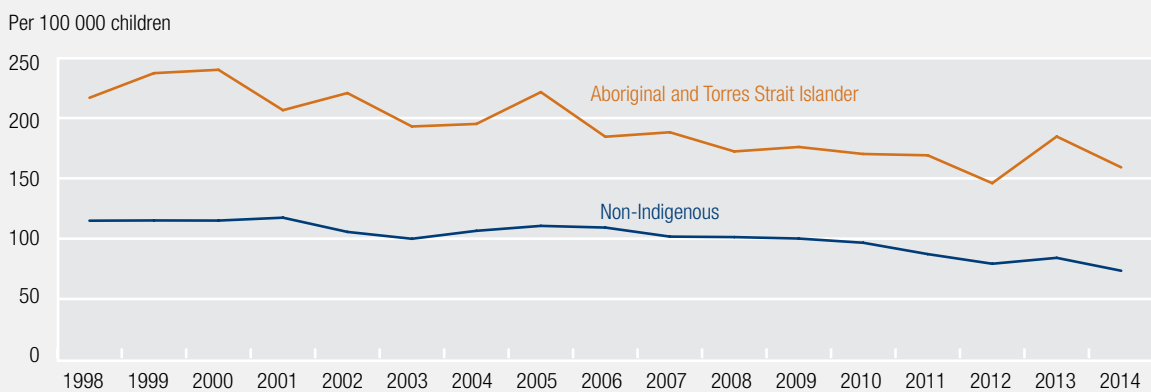
Access to effective health care services can influence the health of children in the short and long term. Governments seek to facilitate early detection of physical and mental health issues and illness, followed by appropriate intervention. Since their inception, Medicare Benefits Schedule (MBS) health

checks have been accessed by an increasing proportion of children, with the rate of assessment higher for Aboriginal and Torres Strait Islander children (figure 2).

Immunisation is an effective means of preventing some diseases and death. For 5 year olds in Australia coverage is now above 90 per cent, having increased by over 10 percentage points in less than 10 years (figure 3). From 2013, the coverage rate for Aboriginal and Torres Strait Islander 5 year olds has overtaken that for other 5 year olds (figure 3).

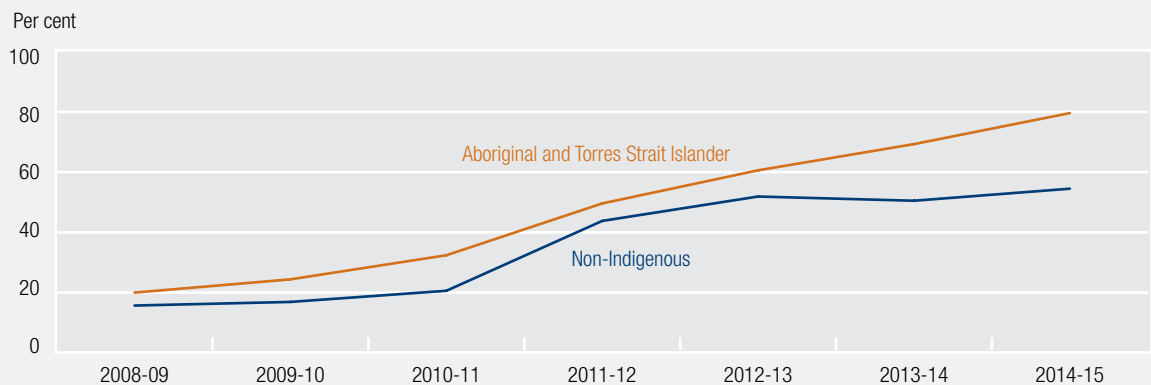
An increasing proportion of children (aged less than 18 years) are using MBS subsidised mental health services (figure 4). Rates are similar for Aboriginal and Torres Strait Islander and non-Indigenous young people (aged less than 25 years) (RoGS table 13A.19). Increasing proportions may indicate better access, but may also suggest higher prevalence of mental illness among young people.

Figure 1: Child mortality rate (0-4 year olds)



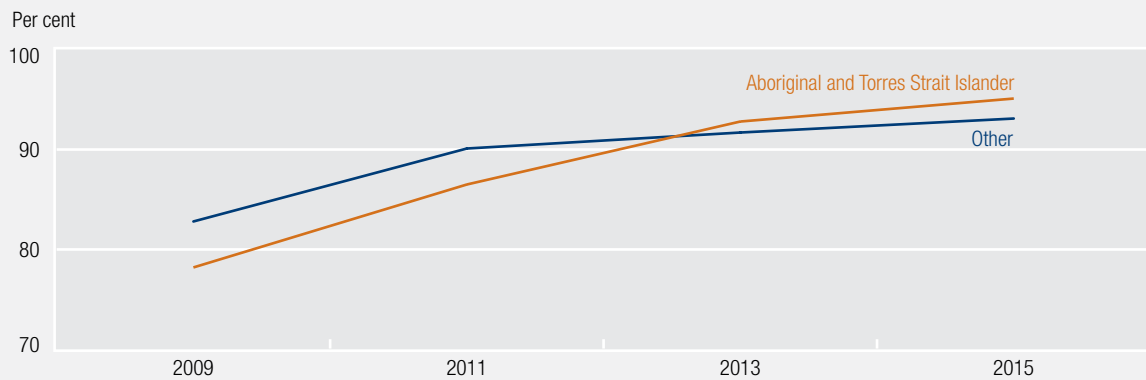
Source: OID table 4A.2.1 (note data do not include Victoria, ACT or Tasmania). RoGS contains three year averages for total population by state and territory in table EA.55.

Figure 2: Proportion of children receiving a fourth year developmental health check



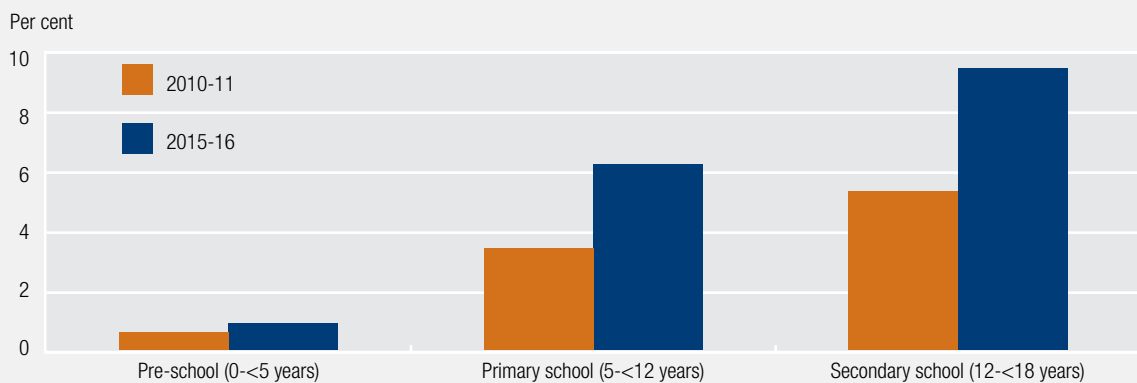
Source: OID table 6A.8.8 and RoGS table 10A.31

Figure 3: Proportion of 5 year olds who are fully immunised



Source: OID tables 8A.1.25–28. RoGS contains data for all children in table 10A.72.

Figure 4: Proportion of children using MBS subsidised primary mental health care services



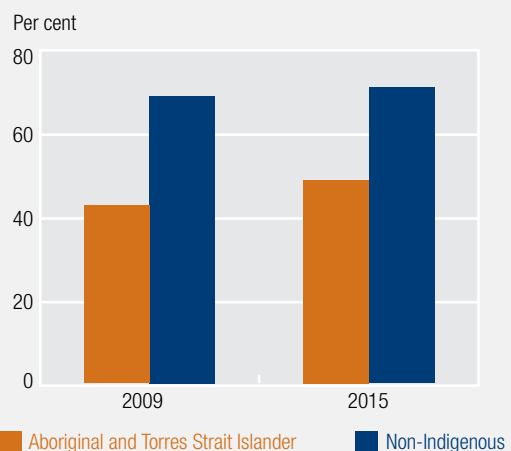
Source: RoGS table 13A.18.

Are Australian children developmentally on track when entering school?

Since 2009, an increasing proportion of students are developmentally on track when they commence full-time schooling. The larger percentage point increase for Aboriginal and Torres Strait Islander students has led to a narrowing of the gap to non-Indigenous students (figure 5).

Data for 2015 show that for children who attended preschool, 19.9 per cent were developmentally vulnerable on one or more domains, compared to 38.5 per cent for those who did not attend preschool (RoGS table 3A.75). In 2015, around 87 per cent of Aboriginal and Torres Strait Islander 4 year olds and 97 per cent of non-Indigenous 4 year olds were enrolled in a preschool program in the year before full time schooling (up from around 74 per cent and 91 per cent respectively in 2013) (OID tables 4A.3.2–4 and RoGS table 3A.28).

Figure 5: Proportion of children on track on four or more domains of the AEDC as they enter school



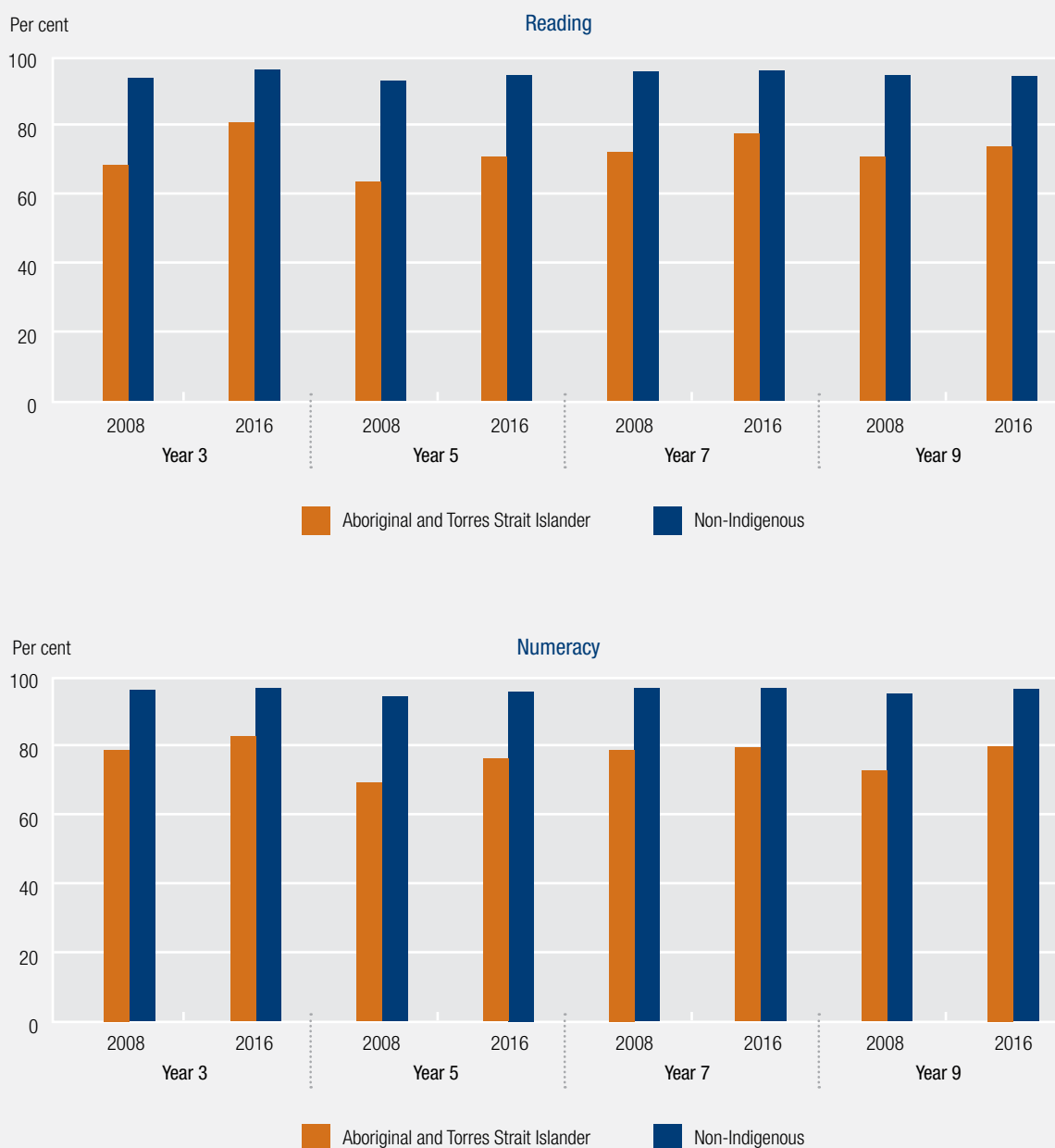
Source: RoGS table BA.7 (data by specific domain are available in the OID report)

Are Australian school students achieving national minimum reading and numeracy standards?

Nationally, literacy and numeracy skills are measured using data from annual National Assessment Program – Literacy and Numeracy (NAPLAN) tests for children in years 3, 5, 7 and 9. From 2008 to 2016, there were statistically significant increases in the

proportion of students meeting the national minimum standard for reading for all year 3 students and year 5 Aboriginal and Torres Strait Islander students. For numeracy, there were statistically significant increases for year 5 and year 9 Aboriginal and Torres Strait Islander students. However, volatility in the data means conclusions drawn from comparisons should not be interpreted as consistent improvement over time (figure 6).

Figure 6: Proportion of students achieving at or above the national minimum standard for reading and numeracy



Source: RoGS tables 4A.60 and 4A.86 and OID 4A.4.88, 90–91, 93–94 96–97 and 99.



For students to learn literacy and numeracy skills at school, attendance at school is a key input. Nationally, student attendance rates for years 1–10 have remained relatively stable in recent years at around 84 per cent for Aboriginal and Torres Strait Islander students and 93 per cent for non-Indigenous students (RoGS table 4A.37 and OID table 4A.5.1).

How many children are in need of protection and are they kept safe?

The proportion of children aged 0–17 years receiving child protection services has increased over time, with Aboriginal and Torres Strait Islander children overrepresented (RoGS tables 16A.9 and 16A.17 and OID tables 4A.11.1, 5 and 6). Data need to be interpreted with care as increasing rates may be due to greater

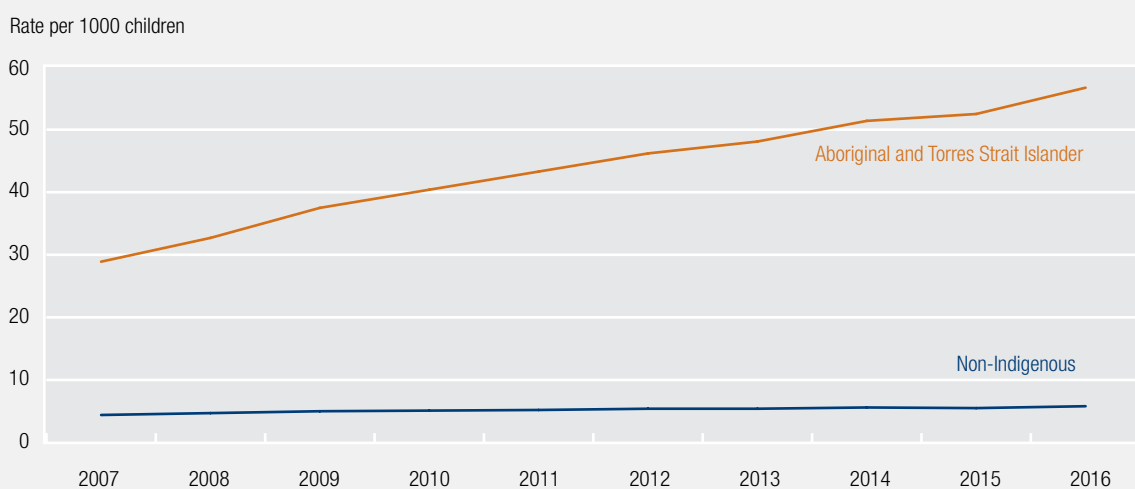
community awareness of child abuse and neglect, the propensity to report (for example, as a result of changes to mandatory reporting) and (for Aboriginal and Torres Strait Islander children) improvements in Indigenous identification.

Out-of-home care is one component of the child protection system, with rates for Aboriginal and Torres Strait Islander children almost doubling in the last 10 years whilst the rate for non-Indigenous children has remained similar (figure 7). At 30 June 2016, the rate of Aboriginal and Torres Strait Islander children in out-of-home care was almost 10 times the rate for non-Indigenous children (figure 7).

Safe and secure out-of-home care placements are strong predictors of improved outcomes for children and young people in out-of-home care. In 2015–16, for jurisdictions with available data, between 0.5 to 5.5 per cent of 0–17 year old children in out-of-home care were the subject of a substantiation of sexual abuse, physical abuse, emotional abuse or neglect - this is around 400 children (RoGS table 16A.27).

For Aboriginal and Torres Strait Islander children in out-of-home care, placements aim to maintain connections to family, kin and/or community where possible, which is linked to improved long-term outcomes. Over the past 10 years, the proportion placed in accordance with the Aboriginal and Torres Strait Islander Child Placement Principle has decreased (from 75.3 per cent to 67.9 per cent) (RoGS table 16A.23). This decline needs to be interpreted with caution as placements with family, kin and/or community may not always be the best option.

Figure 7: Rate of 0–17 year olds in out-of-home care



Source: RoGS table 16A.17 and OID table 4A.11.6.

How many children are in detention and are they kept safe?

One of the key principles underpinning Australia’s youth justice system is that young people should be placed in detention only as a last resort. Other options available are the diversion by police away from the formal criminal justice process, and community-based supervision.

The overall detention rate declined between 2007-08 and 2014-15 (although there were some fluctuations during the period). However, Aboriginal and Torres Strait Islander young people continue to be in detention at 20+ times the rate for non-Indigenous young people (figure 8). There has also been a downward trend from 2010-11 for community-based supervision, but with rates for Aboriginal and Torres Strait Islander young people still around 14 times higher than the rates for non-Indigenous young people (figure 8). Aboriginal and Torres Strait Islander young offenders were less likely than non-Indigenous young offenders to be diverted from formal criminal justice processes (OID table 11A.3.2).

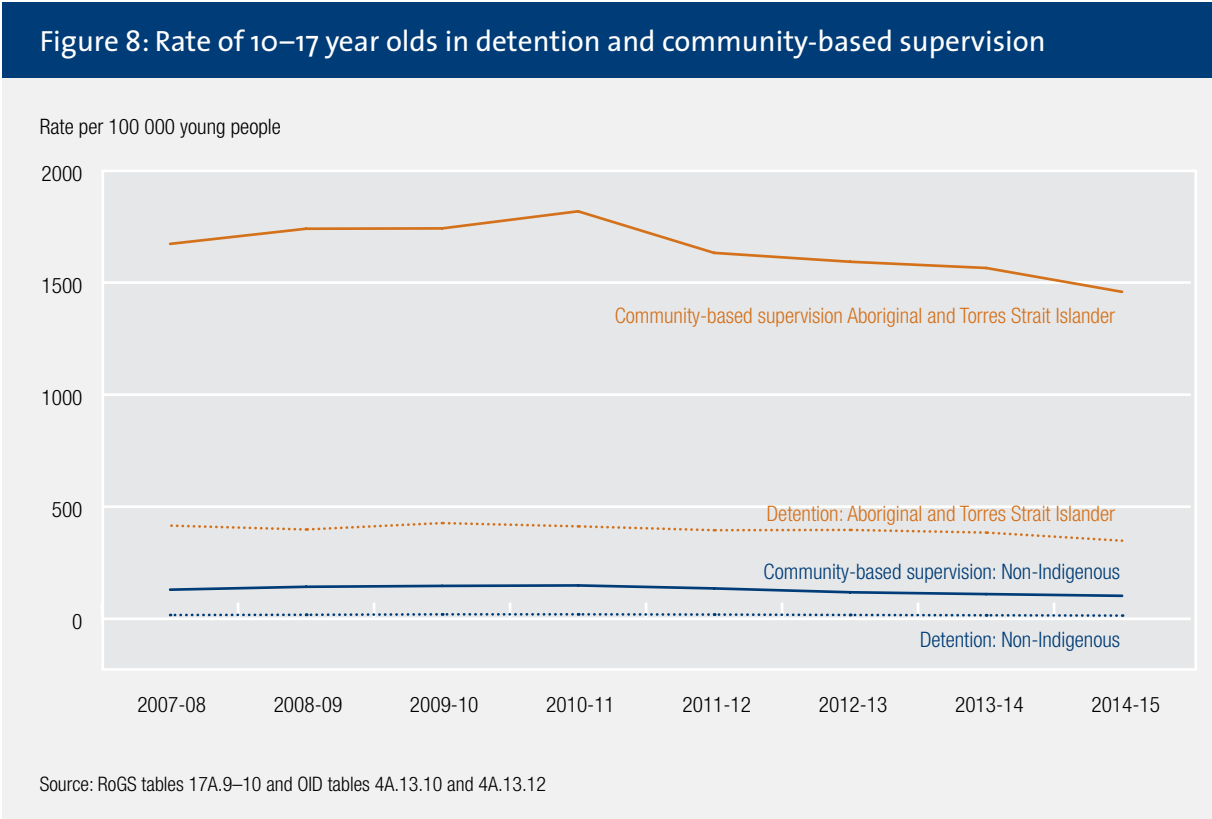
Safety of young people in detention is an important indicator of service quality. In 2015-16, eight young people in custody were injured as a result of

a serious assault (all non-Indigenous detainees) and 125 young people injured as a result of a non-serious assault (55 Aboriginal and Torres Strait Islander detainees and 68 non-Indigenous detainees) (RoGS tables 17A.18–19). There were 75 young people in 104 separate incidents reported as having self-harmed or attempted suicide, with 12 of these young people requiring hospitalisation (RoGS table 17A.20).

Are Australian students leaving school to further study or employment?

The destination of school leavers is an indicator of governments’ objective that the school system enables young people to make a successful transition from school to work and/or further study. In 2015, around 1 in 6 of all 15–19 year olds who left school in the previous year were neither studying nor employed (RoGS table 4A.110).

Students leaving school without completing year 12 are at a higher risk of not successfully transitioning to further work or study. In 2015, of all 15–24 year olds no longer at school, around 4 in 5 had completed year 12 (RoGS table 4A.111). Engagement in study (not school) or work was 56.3 per cent for non-year 12 completers compared to



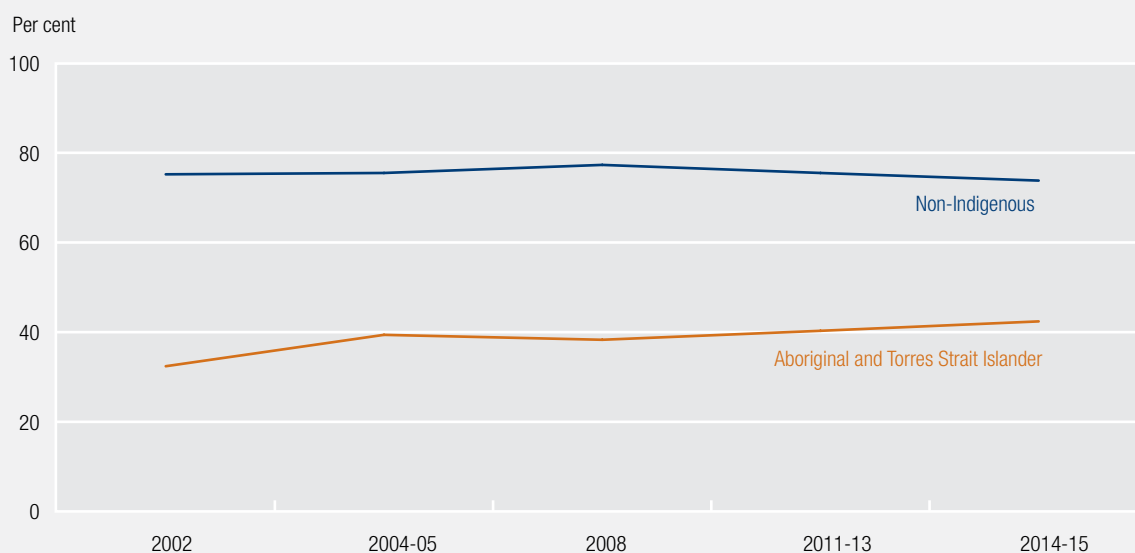
77.1 per cent for year 12 completers (RoGS table 4A.111). Whilst a lower proportion (around 2 in 5 in 2014-15) of Aboriginal and Torres Strait Islander 15-24 year olds no longer at school had completed year 12, this proportion has increased nine percentage points over the last 10 years (OID table 4A.6.5).

The proportion of Aboriginal and Torres Strait Islander 17-24 year olds (all school leavers) fully engaged in post-school education, training or employment increased 10 percentage points from 2002 to 2014-15. The rate for non-Indigenous Australians remained stable over this period, leading to a narrowing of the gap (figure 9).

For more information...

In addition to the national results presented here, the RoGS and OID report contain data by State and Territory, remoteness, age and sex, subject to availability and quality. The reports and their wealth of data provide a solid foundation for governments and the community to use to facilitate improvements in policies, programs and outcomes for both Aboriginal and Torres Strait Islander and all Australians.

Figure 9: Proportion of 17-24 year olds who are fully engaged in post-school education, training or employment



Source: OID table 7A.3.2.

The OID report and RoGS are produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision

- > See the 2017 RoGS web page: pc.gov.au/research/ongoing/report-on-government-services
- > See the 2016 OID report web page: pc.gov.au/research/ongoing/overcoming-indigenous-disadvantage
- > For more information contact gsp@pc.gov.au

Current commissioned projects

17 May 2017

Productivity Review – Public Inquiry	
Increasing Australia's Future Prosperity. Discussion Paper: November 2016 Inquiry report to Government: September 2017	Contact: Damian Mullaly 03 9653 2112 Email: productivity.review@pc.gov.au www.pc.gov.au/inquiries/current/productivity-review
Human Services – Commissioned Study and Public Inquiry	
Stage 1 Study: Identifying Sectors for reform Issues paper: June 2016 Preliminary findings report: September 2016 Study report released 5 December 2016	Contact: Stewart Turner 03 9653 2218 Email: humanservices@pc.gov.au Study website: www.pc.gov.au/inquiries/current/human-services/identifying-reform#report
Stage 2 Public Inquiry: Reforms to Human Services Issues paper: December 2016 Draft report: May 2017 Inquiry report to Government: October 2017	Inquiry website: www.pc.gov.au/inquiries/current/human-services/reforms#draft
Superannuation – Commissioned Study and Public Inquiry	
Stage 1 Study: Superannuation Competitiveness and Efficiency Issues paper: March 2016 Draft report: August 2016 Study report released November 2016	Contact: Alex Maevsky 03 9653 2253 Email: super@pc.gov.au Study website: www.pc.gov.au/inquiries/current/superannuation/competitiveness-efficiency
Stage 2 Public Inquiry: Alternative Default Fund Models Issues paper: September 2016 Draft report: March 2017 Inquiry report to Government: August 2017	Inquiry website: www.pc.gov.au/inquiries/current/superannuation/alternative-default-models

National Water Reform – <i>Public Inquiry</i>	
Issues paper: March 2017 Draft report: September 2017 Inquiry report to Government: December 2017	Contact: Jessica Hartmann 02 6240 3222 Email: water.reform@pc.gov.au www.pc.gov.au/inquiries/current/water-reform
National Disability Insurance Scheme (NDIS) Costs – <i>Commissioned Study</i>	
Issues paper: February 2017 Position paper: May 2017 Study report to Government: September 2017	Contact: Mark Bryant 02 6240 3314 Email: ndis.costs@pc.gov.au www.pc.gov.au/inquiries/current/ndis-costs#draft
Transitioning Regional Economies – <i>Commissioned Study</i>	
Initial report: April 2017 Study report to Government December 2017	Contact: John Salerian 03 9653 2190 Email: transitioning.regions@pc.gov.au www.pc.gov.au/inquiries/current/transitioning-regions
Horizontal Fiscal Equalisation – <i>Public Inquiry</i>	
Draft report: To be advised Final report to Government: January 2018	Contact: Mary Cavar 03 9653 2187 Email: hfe@pc.gov.au www.pc.gov.au/inquiries/current/horizontal-fiscal-equalisation

Log on to the Commission’s website www.pc.gov.au for full details of all current projects.



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