

Comment by the Tasmanian Government

Productivity Commission

*Study into Impacts of COAG Reforms – business regulation, and vocational education and training
and transitions from school*

October 2011

Study into Impacts of COAG reforms – business regulation, and vocational education and training and transitions from school

The purpose of this submission is to provide the Tasmanian Government's initial comments in relation to the Productivity Commission Study into the impacts of COAG reforms - business regulation, and vocational education and training and transitions from school.

1. Introduction

The reform agenda agreed to by the Council of Australian Governments (COAG) in March 2008 and refined at subsequent meetings of First Ministers spans a broad range of economic and social initiatives that directly relate to key challenges facing the Australian community.

The task given to the Productivity Commission to assess the economic impact of the reforms is critical to ensuring that governments and the community are informed about the extent of benefits already gained from COAG's reform agenda – and potential benefits into the future.

The Tasmanian Government welcomes the opportunity to contribute to this initial stage of the Commission's work in preparing its 2012 report. The comments below relate specifically to the two themes for the study. The Commission's circular indicates that there will be opportunity to comment on a discussion draft of the report in December 2011 and Tasmania may comment more broadly at that point.

2. Assessment of the impacts of deregulation priorities

Tasmania is largely on track to meet the milestones for the deregulation priorities in the implementation plans under the *National Partnership to Deliver a Seamless National Economy* (NP). At a national level the reforms have potential to deliver significant benefits over time. However, the costs of implementing the reforms and the benefits they may generate are not equally distributed around the country.

In Tasmania's case some reforms require substantial administrative effort to implement, but will provide limited real benefits to the State. An example of this is the reform around heavy vehicle regulation. At the same time the range of reforms is wide and implementation of the program as a whole involves a significant administrative and legislative burden – especially for a small jurisdiction like Tasmania.

Under the current NP, it has been difficult for jurisdictions to achieve the reform objectives of certain deregulation priorities, for example the Environmental Assessment and Approvals and Development Assessment priorities. Other priority areas, such as the Regulation of Chemicals and Plastics and the reform of Directors' Liability, have been highly complex and difficult to implement.

In assessing the economic impacts of the deregulation reforms it is important that the costs of implementation are taken into account alongside the benefits and that this occur at the national and jurisdictional levels.

In identifying future deregulation priorities it would be preferable to focus on a smaller number of high-impact reforms. In selecting the reform areas it is important that they are rigorously assessed against the COAG agreed principles to ensure they are well targeted, supported by jurisdictions, capable of being implemented, take account of associated transactional costs and will deliver worthwhile productivity benefits to business and the community.

3. Assessment of VET reforms and transition initiatives

3.1 Productivity Places Program (PPP) – impact on productivity and workforce

(i) Participation

PPP has provided new opportunities for publicly funded training for job seekers. Until the PPP began in Tasmania, jobseekers were not treated as a specific client group for targeted assistance. By encouraging Registered Training Organisations to apply for funds in partnership with employment services providers, PPP facilitated better matching of job seekers and training provision, and ensured job seekers were supported during and after participation in the program. Supported work placements have been an important element in breaking down barriers to participation in work post training. Priority weighting for disadvantaged local government areas in Tasmania was an important criterion in allocation of training places.

(ii) Productivity and skills utilisation

The priority criteria for PPP allocations in Tasmania supports improved productivity and utilisation of human capital by ensuring that training aligns with business needs and benefits.

Substantial allocation of places under PPP went to higher management level qualifications across diverse industry sectors such as early childhood education and care, aged and community services, agribusiness, manufacturing and tourism and hospitality.

In the future

The contribution of PPP to the achievement of outcomes will be more significant in future years with approximately 50 per cent of allocations for 2009, 2010 and 2011 occurring in 2011. Ongoing refinement of purchasing arrangements (under PPP and other programs informed by PPP learnings) will support implementation of reforms. Tasmania expects to deliver further potential benefits in 2011-13, particularly in relation to "the supply of skills ...to meet changing labour market demand".

3.2 KickStart Program

This one-off Program demonstrated the benefit of pre-apprenticeship training with a strong emphasis on personal support and work placements. The associated projects had comparatively high completion rates (71 per cent) and demonstrated success in encouraging participation in employment and further training.

(i) Participation

An evaluation of the program shows that 54 per cent of participants who completed it went on to participate in an apprenticeship, other training or employment.

(ii) Productivity and skills utilisation

The Program provided 222 work placements with some employers providing multiple positions. Work placement was a key ingredient for increasing student opportunities to gain employment and better matching the skills to the job required.

In addition to those who found employment, employer feedback indicated that many employers were interested in recruiting KickStart graduates as opportunities arose later in the year.

3.3 Issues

For reform initiatives to enhance productivity and participation at the jurisdictional level, they must be flexible enough to account for jurisdictional differences and external factors that might affect outcomes.

(i) The focus on higher level qualifications

In order to ensure Australia has a workforce equipped with the quantity and types of skills it needs for the future, the NASWD emphasises the need to improve the numbers of Australians achieving higher level qualifications. However, the focus on higher level qualifications does not suit all jurisdictions, particularly those such as Tasmania, with a lower skills and qualification profile. Tasmania has the highest percentage of people in Australia without a Certificate III or above (53.2 per cent in Tasmania compared to 48.1 per cent of Australians). Part of Tasmania's focus, therefore, is to ensure that there are accessible and subsidised pathways from foundation skills and low level qualifications to higher level qualifications.

(ii) Measuring increases of productivity and participation

It is difficult to measure how much of the training undertaken in relation to PPP and Kick Start would have been done anyway by institutions if the programs did not exist. While PPP tried to avoid this by measuring 'additionality', this proved to be difficult across jurisdictions for varied reasons.

Programs that support the COAG reform outcomes need to acknowledge the external factors that impact on a jurisdiction's ability to fulfil its obligations. Flexibility should be built into these programs to allow for this.

3.4 Financial Impacts of the VET Reforms

Further work on the COAG targets, undertaken by Skills Queensland in 2010 and outlined in their report *Scenario projections around the national skill and workforce development targets*, revealed that the targets would not be met without considerable additional investment from all jurisdictions. The study found that:

- for the first target, an additional 910 749 persons would need to be trained over the projection period to meet the target. This translates into 82 795 additional persons being qualified every year over the projection period; and
- for the second target, the number of persons completing a diploma or advanced diploma on an annual basis over the life of the projected period is 25 986, or 285 846 additional persons in total.

Given this, it can reasonably be concluded that for the reforms to be achieved and the targets to be met, a considerable financial input would be needed by states and territories.

(i) *Cost shifting to states and territories*

COAG reform activities can shift the administrative burden and funding risks to jurisdictions. It is important for states and territories to weigh up the value and benefits of participation in programs with the estimated administrative and financial costs and their capacity to administer the program before agreeing to sign up to the program. This can be hard to estimate, particularly when timelines to develop reform initiatives are very short and often all the information about the program is not available before jurisdictions need to sign up to the program.