AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

# ACCI SUBMISSION TO NATIONAL COMMISSION OF AUDIT

Small Business TOO BIG TO IGNORE

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# EXECUTIVE SUMMARY

The Australian Chamber of Commerce and Industry has been calling for a root-and-branch review of government spending for over a decade. The establishment of a National Commission of Audit is therefore a very welcome initiative in the eyes of the business community and represents the culmination of a long-standing policy ambition of the Chamber and industry association movements.

There are powerful arguments for reconsidering the size and effectiveness of the federal government. The pervasiveness of government intervention in the economy and its compounding effect comes at an enormous cost in terms of lost economic activity, as does the stifling weight of taxation necessary to sustain Australia's social safety net and system of largely publicly funded retirement incomes.

It is little answer to these concerns to point to the fact that many European countries have relatively larger governments. The European model and the social democratic provision of almost unfettered access to welfare benefits is not one that Australia should seek to emulate given our trade exposed economy and competitive challenges, especially in the Asian region. The current situation in Europe and its attendant economic calamity should stand as a stark warning to Australia about the inherent unsustainability of those models.

Europe also speaks to the fate that can befall Australia economically if we fail to act early to moderate the inevitable fiscal pressures we face in coming decades. At the heart of the European sovereign debt crisis was a slow burning political crisis, one that paralysed the Continent against sensible policy action for decades. A persistent failure of successive European governments to adopt any semblance of fiscal rectitude had its origins in the complacency of a political class that fostered unrealistic expectations of what government was capable of providing its citizens.

So stifling was the European political consensus that the reality of the situation was only capable of being recognised after deep crisis had already descended upon the Continent, even then only partially. The National Commission of Audit provides Australia with an opportunity to inoculate our politics against a similar complacency and should be the starting point of an ongoing dialogue with the community about the role of government and the limits of what can be legitimately expected in terms of public services.

ACCI undertook a similar exercise in 2005 when the Chamber commissioned eminent economist and former Deputy Secretary of the Treasury, Mr Des Moore, to examine opportunities to rationalise government spending. The resulting discussion paper *Commonwealth Spending (And Taxes) Can Be Cut – And Should Be* is attached to this submission for the guidance of the Commission. The numbers and policy landscape may have changed in the intervening years, and while not all its approaches were ultimately adopted as ACCI policy, the underlying concepts remain sound and provide good principle based arguments that support the case for limited government.

# ABOUT ACCI

## 1.1 Who We Are

The Australian Chamber of Commerce and Industry (ACCI) speaks on behalf of Australian business at a national and international level.

Australia's largest and most representative business advocate, ACCI develops and advocates policies that are in the best interests of Australian business, economy and community.

We achieve this through the collaborative action of our national member network which comprises:

- All state and territory chambers of commerce
- 30 national industry associations
- Bilateral and multilateral business organisations

In this way, ACCI provides leadership for more than 300,000 businesses which:

- Operate in all industry sectors
- Includes small, medium and large businesses
- Are located throughout metropolitan and regional Australia

## 1.2 What We Do

ACCI takes a leading role in advocating the views of Australian business to public policy decision makers and influencers including:

- Federal Government Ministers & Shadow Ministers
- Federal Parliamentarians
- Policy Advisors
- Commonwealth Public Servants
- Regulatory Authorities
- Federal Government Agencies.

Our objective is to ensure that the voice of Australian businesses is heard, whether they are one of the top 100 Australian companies or a small sole trader.

Our specific activities include:

- Representation and advocacy to Governments, parliaments, tribunals and policy makers both domestically and internationally;
- Business representation on a range of statutory and business boards and committees;
- Representing business in national forums including the Fair Work Commission, Safe Work Australia and many other bodies associated with economics, taxation, sustainability, small business, superannuation, employment, education and training, migration, trade, workplace relations and occupational health and safety;
- Representing business in international and global forums including the International Labour Organisation, International Organisation of Employers, International Chamber of Commerce, Business and Industry Advisory Committee to the Organisation for Economic Co-operation and Development, Confederation of Asia-Pacific Chambers of Commerce and Industry and Confederation of Asia-Pacific Employers;
- Research and policy development on issues concerning Australian business;
- The publication of leading business surveys and other information products; and
- Providing forums for collective discussion amongst businesses on matters of law and policy.

# BUDGET FRAMEWORKS

## 1.3 Extension of forward estimates period

Transparency and accountability are fundamental to the task of budget management and both have been frustrated in recent years by the short length of the forward estimates period. The current four year forward estimates period used in the budget has been exploited by governments to hide the full costs of their policies in the years beyond the forward estimates.

ACCI believes the forward estimates period for the budget should be extended to ten years. There would be little practical difficulty extending the projections in the budget for an additional six years and it would ensure disclosure of costs associated with policies potentially well beyond the life of the current government. A ten year period is consistent with at least three terms of government and potentially four.

It is unfortunate, but the extension of the forward estimates period is made necessary by the willingness of politicians to game the budget framework to evade accountability for spending decisions. Ideally the willingness to backload the costs of large new spending items beyond the forward estimates period should never have arisen.

## 1.4 Estimates of structural budget position

Public debate with respect to fiscal policy is too superficial. Discussion seemingly takes as its sole reference point whether or not the budget is in surplus or deficit. Depending upon the operation of the business and commodity cycles, the budget may be recording a surplus, yet adjusting for the influence of these factors, may be in underlying deficit.

Estimates of the structural budget position abstract from the impact of the economic cycle and other factors that may be having a temporary impact on the budget position. A fiscal strategy of achieving budget surpluses on average over the medium term can be more difficult to accomplish without a sound reference point. Publishing estimates of the structural budget position would provide such a reference point and in turn anchor a more robust public discussion about fiscal policy.

Fiscal strategy should be conducted having reference to the structural budget position. Governments that fail to take this approach risk overspending while times are good. The quality of public discourse in relation to fiscal policy would be improved if credible estimates of the structural budget deficit were regularly published. These estimates, by their nature, will be subject to uncertainty and technical assumptions, which must be both acknowledged and explained.

The Parliamentary Budget Office (PBO) should be tasked with producing estimates of the structural budget balance on a regular basis. It is inappropriate for this function to lie within the Treasury given the conflict between their role in advising the Treasurer and formulating fiscal policy, and producing a benchmark for the conduct of that policy. The independence of the PBO would add to the credibility of the estimate of the structural budget balance.

## 1.5 Parliamentary Budget Office

Controversy about Treasury's economic forecasts and the size of expected budget surpluses and deficits in recent years has overshadowed and distracted from discussion of the merits of fiscal policy settings. In part, this concern is due to the status of the Department of Treasury as part of the executive arm of government. Treasury is not independent of government and forecasts it releases are officially those of the government.

There is some concern, real or perceived, within the community that Treasury aligns its economic and budget forecasts to suit the interests of the government of day. Proponents of that view point to the apparent fiasco surrounding the forecast of the government's pledged 2012-13 budget surplus and the subsequent dramatic revision once the inevitability of another large deficit became impossible to ignore. Many in industry share these concerns and believe substantial measures should be taken to restore the credibility Australia's economic forecasts beyond Treasury's recent internal forecasting review.

The Parliamentary Budget Office (PBO) was established in 2012 as an independent fiscal authority. On its face, it is a non-partisan public sector body immune from government influence. ACCI believes the creation of the PBO was highly desirable and its role could be extended to encompass the economic and budget forecasts. Resources within the Treasury dedicated to these functions could be relocated to the PBO and sufficient safeguards adopted to ring-fence the forecasting process from political interference.

# TAX AND TRANSFER SYSTEM

## 1.6 Introduction

Australia's system of income tax is pervasive and delivers one in three tax dollars raised by the federal government. Even small changes to income tax rates can deliver significant changes to tax receipts. Governments need to commit to regular indexation of income tax thresholds to limit the impact of bracket creep and ensure that tax cuts aren't simply clawed back due to inflation.

ACCI supports the provision of a social safety net to support those who have fallen on hard times or suffered misfortune. A well-targeted social safety net provides a minimum level of income in the event of a loss of employment or personal injury. However, welfare must never be allowed to become an alternative lifestyle and those in receipt of benefits should remain under an obligation to support themselves where they have that capacity.

## 1.7 Bracket creep

Each year Australian workers enjoy solid wage growth that includes both an element to compensate for the impact of inflation but also a component that provides for an increase in real incomes. Income tax thresholds remain constant over time unless subject to a deliberate policy intervention. The interaction of rising nominal incomes with unchanging thresholds leads to a steady increase in the income tax burden over time, otherwise known as bracket creep.

Much of what passes for an income "tax cut" in the Australian context is simply a handing back of accumulated bracket creep. It may provide useful theatre for politicians but taxpayers are simply receiving back what was taken from them as a result of inflation. Bracket creep allows politicians to steadily increase the income tax burden over time without explicitly legislating unpopular income tax hikes.

The first step to solving the problem of bracket creep is to provide transparency with respect to its impact. Budgets should disclose the impact of bracket creep in a manner that is transparent and readily interpretable. Current estimates suggest that bracket creep delivers the federal government an additional $4bn per annum in revenues and the effect is cumulative over time. Over a period of four years the federal government will collect an additional 1 per cent of nominal GDP in tax revenue as a result of the operation of bracket creep.

Regular indexation of income tax thresholds offers a permanent solution to the problem. Tax thresholds should be indexed to take account of the impact of inflation. The exact form of indexation makes little difference provided it takes place at regular and predictable intervals.

## 1.8 Paid Parental Leave

ACCI supports a measured government funded paid parental leave (PPL) scheme to provide financial support for parents taking time off from work to have children. However, employers should not be required to act as the "'paymasters" of the scheme nor should they be required to directly fund PPL schemes. The benefits of PPL are primarily social, which in turn argues for public funding. The government's proposed scheme is excessive, especially with regard to its economy-wide impact and current fiscal circumstances. The Commission of Audit should recommend that it be pared back.

With the budget still mired in deficit and a return to surplus still many years away, there is a pressing need to reconsider the policy merits of large scale social spending pledges. The Mid-Year Economic and Fiscal Outlook (MYEFO) will provide a vital update on Australia's fiscal position and it would be reasonable to defer any decision on changes to the PPL until it is clear that a more generous PPL scheme wouldn't add significantly to budget pressures and delay the return to surplus.

ACCI also supports a review of any proposed changes to the PPL, with an emphasis on examining options to enhance the affordability of these schemes by ensuring it remains appropriately targeted. There is also a horizontal equity issue that needs to be examined when considering those who are self-employed. The PPL scheme should seek to guarantee comparable treatment between the self-employed and salary earners.

## 1.9 Child Care Benefits

Government plays an important role in offsetting the cost of child care costs for working families with the primary object of lifting workforce participation, principally amongst female workers. The business community is concerned about the sustainability and affordability of these forms of assistance given the difficult current budget situation.

It is estimated taxpayers will provide $22.1 billion in support to households in the form of the Child Care Benefit (CCB) and the Child Care Rebate (CCR) over the next four years to assist families with the costs of child care. While the CCB is currently income tested, the CCR is not. Further pressure was added to the budget when the former government increased the CCR from 30 per cent to 50 per cent of out-of-pocket costs, increasing the maximum amount of the rebate from $4,354 to $7,500 per child per year.

The government should examine options for tightening the means testing for CCB and introducing means testing for the CCR. There is no rational basis for excluding the CCR from means testing. Child care is potentially a stronger contributor to workforce participation than an excessive PPL scheme. However, where a household clearly has the capacity to bear the cost of their own child care there is little policy justification in forcing the taxpayers to bear the expense.

## 1.10 Disability Support Pensions

The number of Australians receiving disability support pensions has increased almost fourfold over the past thirty years. In excess of 800,000 people now receive a disability support pension, a number equivalent to almost 7 per cent of the labour force. To the extent that many of these recipients are capable of performing at least some paid work, this represents a form of hidden unemployment and lost opportunity on a personal and an economic level.

Fiscal pressures from an ageing workforce will require that we take measures to lift the workforce participation of all Australians, including those with disabilities where an appropriate capacity exists. Government should enhance the work testing requirements for the receipt of disability support pensions. Recent international experience has demonstrated the capacity to return people to the workforce after extended periods on disability benefits.

# RETIREMENT INCOMES

## 1.11 Introduction

The population is ageing and this will generate considerable fiscal pressures over coming decades. Around 80 per cent of Australians will be eligible to receive either a full or part pension when they retire, a fact that must be addressed in designing a sustainable system of retirement incomes.

## 1.12 Indexation of Retirement Age

Life expectancy has increased dramatically since the age pension and superannuation was introduced yet there have been limited changes to the age at which one become eligible to receive the age pension or access their superannuation. The Productivity Commission has recently suggested a number of possible reforms in relation to retirement incomes and aged care policy that the business community believe are worthy of consideration by the National Commission of Audit.

Amongst others these include:

- Measures to increase workforce participation amongst older workers. For example, gradually increasing the Age Pension eligibility age from 67 to 70 years could increase participation rates for people in the relevant ages by 3 to 10 per cent and yield accumulated savings of around $150 billion in 2011-12 prices over the period from 2025-26 to 2059-60.

- Using some of the annual growth in the housing equity of older Australians to contribute towards aged care services could reduce government expenditures by around 30 per cent.

## 1.13 Review proposed increase in SGL levy

ACCI remains opposed to the proposed increase in the Superannuation Guarantee Levy (SGL) from 9 to 12 per cent. Once fully implemented the increase in compulsory contributions will impose an annual cost on business of at least $20bn in today's dollars. This represents a significant new cost burden for industry for which no offset has been provided in our industrial relations or other policy frameworks. The Henry Tax Review opposed increasing the SGL further and the business community believes the government should follow that recommendation and agrees with its underlying rationale.

# INFRASTRUCTURE

## 1.14 Introduction

Meeting Australia's infrastructure needs will involve ramping up new investment, but the size of the task means it must also extend to unburdening public balance sheets and enabling greater private sector investment. State and territory governments undertake the bulk of infrastructure investment, yet are hamstrung by fiscal positions that make it difficult to support increases in recurrent expenditure without adding to pressure on credit ratings.

## 1.15 Privatising Commercial Assets

Privatising publicly owned commercial assets would break the funding deadlock as it concerns government. Not only would it free up significant fiscal space to expand investment in infrastructure, it would deliver substantial efficiency gains arising from these assets being run according to commercial disciplines. Government ownership of commercial infrastructure assets remains an obstacle to their efficient operation, placing unfair and arbitrary burdens on users.

Infrastructure Australia estimates that Australian governments hold $100 billion worth of commercial infrastructure assets and concludes that '"many publicly owned infrastructure assets now serve limited or no public policy objectives'". Where there are no compelling reasons for governments to own these assets, continued retention constrains their capacity to meet Australia's infrastructure task.

Privatisation of publicly held infrastructure assets must be a priority in the effort to address Australia's infrastructure shortfall. Governments at all levels need to conduct an audit of infrastructure holdings to assess the capacity of those assets to be relinquished from public ownership, subject to economic or social regulation where appropriate. The Commonwealth has a potential role to play in providing incentive payments to state and territory governments to realise the transfer of ownership.

# CLIMATE CHANGE POLICY

## 1.16 Introduction

Low-cost energy is an important source of comparative advantage for the Australian economy. Access to efficient, reliable energy underpins the international competitiveness of industry, and the efficient supply of energy is a key factor underlying a high-wage, high-productivity economy. Affordable energy serves to reduce the cost of living for Australian households, and ensures that the essentials of life are available at low cost.

Over the course of the last decade, a climate of unaccountability has pervaded government policy in relation to energy supply at both the state and federal levels. Policies aimed at imposing irrationally high-cost energy on consumers, including small business consumers, combined with expensive and often ineffectual emissions abatement policies have eroded productivity and damaged our standard of living. The current high level of energy prices is now a deliberate and intrusive policy choice and one that is open to governments to remedy.

## 1.17 Abolish the carbon tax

The former federal government's imposition of a $24 per tonne carbon tax ahead of co-ordinated global action to price carbon is a futile exercise in terms of its impact on carbon dioxide emissions, and is one that is highly damaging for the Australian economy. Treasury's modelling demonstrates unambiguously that the carbon tax is detrimental to productivity and will cost jobs, damage the international competitiveness of industry, lower real wages and curtail investment.

Treasury modelling shows that economic growth will be permanently slower for decades as a result of the carbon tax, it will drag on real wages growth over time while crippling emissions-intensive manufacturing industries. Aluminium production is forecast to shrink by more than 60 per cent by 2050 due to the carbon tax. With the world's major carbon emitters still yet to commit to substantive policy measures to reduce carbon emissions, it makes no sense for Australia to go it alone and introduce the largest carbon tax in the world.

The former government's announcement to move to an Emissions Trading Scheme (ETS) in 2014 provides no guarantee of lower costs over the longer term. An ETS still represents a multi-billion dollar burden not paid by our competitors, and a price linked to the European Scheme could quickly rise to close to the current fixed price.

ACCI supports the commitment of the current government to abolish the carbon tax and urges all parties in the Senate to support the passage of the carbon tax repeal bills as a matter of urgency.

## 1.18 Abolish the Renewable Energy Target

The Renewable Energy Target (RET) mandates the purchase of high-cost, inefficient energy from the renewables industry. Energy retailers are forced to pass these costs onto consumers in the form of higher prices. Unlike the carbon tax, consumers have received no compensation for the impact of the RET on energy prices, because the scheme delivers no revenue. Indeed, the lack of transparency with respect to the operation of the RET leaves households and business with little awareness that they are bearing its cost burden.

The impact of the RET on energy prices is considerable, and second only to the carbon tax in terms of the cost imposed by green schemes. Across the economy the RET imposes a cost burden of $1.8bn and this is expected to rise to $5bn by 2020. Dictating the supply of energy from high-cost generation aggravates the inefficiencies arising from the carbon tax, and prevents emissions reductions being achieved at the lowest possible cost. As a means of abating carbon emissions, the RET is highly inefficient benchmarked against alternatives, and as such is an obvious candidate for rationalisation.

Unfortunately, the recent review of the RET undertaken by the Climate Change Authority, while acknowledging the weak policy arguments underpinning the policy presumed its continued existence. Despite the weak policy arguments, it remains a core component of the government’s energy policy. The strong view of the business community is that the review of the RET scheduled for 2014 should be undertaken by the Productivity Commission and its terms of reference should include the option of abolishing the policy.

Renewable energy generation may have a substantial role to play in meeting Australia’s future energy supply needs, however, this does not justify artificially prescribing its deployment at a time when it is still inordinately high cost, and in advance of its proven commercial viability. The RET is an expensive policy measure and will not be effective in bringing forward low-cost base-load generation. Instead, the RET brings forward expensive off-the-shelf technologies, which are less likely to have a strongly declining cost path over the long run.

## 1.19 Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has been given a mandate to sink $10 billion of taxpayers’ money on uncommercial renewable energy and energy efficiency technologies. There is no convincing evidence of market failure with respect to investment in these technologies, nor is it clear that direct government ownership of projects unable to attract commercial backing would constitute an appropriate remedy for any potential market failure.

A mandate to invest in projects that the private sector has rejected is fundamentally inconsistent with achieving commercial returns. The CEFC is attempting to 'pick winners' in the same way as the failed industry policy experiments of the past. Moreover, the exclusion of carbon capture and storage technologies or emerging nuclear projects reflects purely ideological considerations. The implicit subsidy provided by government investment will lead to the inefficient expansion of the targeted technologies, raising the overall cost of energy supply once the cost of the subsidy is taken into consideration.

The government should continue to vigorously progress the abolition of the CEFC and unwind the uncommercial investments made on behalf of Australian taxpayers.

## 1.20 Audit and rationalise green schemes

In addition to the carbon tax and the RET, governments across the country have been gifted an opportunity to reduce energy prices by reversing numerous past policy errors. A proliferation of wasteful carbon abatement schemes at the state and federal level provides a ready opportunity to reduce energy prices and take pressure off strained budgets.

The Productivity Commission has identified 230 such measures and concluded that "many of these policies impose material costs on the community for little or no benefit". The Energy Efficiency Opportunities program and its cost and regulatory burden on industry require further examination. COAG has been tasked with rationalising inefficient legacy carbon abatement schemes. The course of action prescribed in this area by the Productivity Commission in its recent Research Paper on COAG's Regulatory and Competition Reform Agenda should be fully implemented.

All of these ineffective policies should be terminated, unless it can be demonstrated that they deliver net benefits to the community. Reform of these policies will not only allow the efficient consolidation of Australia's carbon abatement effort, it will also reduce the regulatory burden and deliver significant budget savings.

# EMPLOYMENT, EDUCATION AND TRAINING

The commission of audit provides an opportunity to look holistically at funding for education and training across all the systems. There are specific issues within each system (early childhood, schools, vocational training, and higher education) that relate to funding responsibilities, efficiency and effectiveness but the starting point should be: is the education and training system providing the outcomes expected by the students, employers, economy and society in the most efficient and effective way?

Although the answer to this question is in large part beyond the terms of reference of the Commission, it is a critical context of any analysis of specific issues that may be under consideration by the Commission. For example, clarity of roles between the Commonwealth and the States should be considered across the system not just within each component, and pathways and recognition of quality outcomes should be improved between the sectors so as to achieve efficiency of public funding spend.

Also the issue of who pays between government (and within it, which level of government), student (including parents/relatives), or employer should be assessed according to private versus public benefit. These are big, but very important questions that cannot be addressed sufficiently in this submission, but which ACCI is happy to have further discussion with the Commission.

## 1.21 Schools

ACCI supports a lower federal bureaucracy footprint for schools, and decentralisation of delivery to the states and schools. That said, there is a continuing role for the national development of curriculum and the need for the federal government to take a more direct role in school to work (directly or via further education) transitions.

The federal government has more financial stake in successful transitions due to the significant cost of funding youth allowances, Newstart and other welfare benefits should the student not successfully transition. This comment is not inconsequential, if the school system is not delivering job and society ready student outcomes then that "looks bad" for the States but the financial cost of the less than desirable outcomes is largely not borne by them.

Specifically related to this the federal government should:

- take an appropriate measure of leadership of vocational training in schools by increasing the dialogue and engagement between schools and industry, and focus on improving the quality and significant inefficiencies created by poor pathways between VETiS and further VET qualifications;

- encourage states to introduce minimum requirements for literacy and numeracy to international workplace standards;

- continue current programs for youth connections (addressing disengaged early school leavers) and school partnership brokers under a redefined and more focused initiative School to Work Transitions. This focus maintains a direct connection between the prevention of poor outcomes and the cost of failure (welfare);

- discontinue further funding for the building of more trade training centres and the national trade cadetship program, but leave sufficient remaining funding to:

    - finalise and implement the work studies elective in years 9 and 10;

    - fund industry engagement officers in each of the trade training centres already built under the federal program. It is critical that we ensure the public funds spent to date on TTCs are not wasted on built infrastructure which is underutilised. This role would work with partnership brokers, industry bodies and local employers to improve work experience opportunities, promote ASBAs, improve quality etc.

- Work with industry, states and schools on increasing school based apprenticeships and encouraging more employers to offer the opportunity. This is important for all students, but a particularly relevant new initiative for school students with disability.

## 1.22 Vocational Training

The complexity of the system and the increasingly confusing role of Commonwealth and States has a significant impact on VET outcomes. This complexity and the need for industry engagement in understanding and responding to the system is also a strong reason to retain the Educational and Training Advisory funding provided to the peak employer groups and delivered through state and national level advisors to industry.

The national entitlement approach to VET contained within the national agreement, whilst well intentioned, is proving to be too expensive to deliver for States in the current fiscal climate, and the resulting inconsistency of approach has created a mess. Millions if not billions of dollars has been spent by federal government (through the PPP program) and by the States on courses that are institutionally based and in many cases not leading to the job outcomes desired by the student and the economy.

At the same time, over a billion dollars has been taken out of the federal spend on apprenticeships, and much more by the States who are reducing the funding of training, particularly in the non-trades areas.

ACCI does not support the view that training funding should be focused only on the trades and skills needs list occupations. This does not reflect the broader economic and productivity benefits of structured training across the economy. The loss of tens of thousands of apprenticeship and traineeship commencements is a blow to youth employment and a cost to the federal government in increasing unemployment benefits.

Funding should be focused on high quality, national qualifications delivered by industry engaged providers, including work integrated learning models such as apprenticeships. Given this urgent focus, ACCI would not support further removal of apprenticeship incentives until a comprehensive review with industry has taken place which discusses how to ensure the incentives are working to change employer behaviour to offer jobs for apprentices and trainees.

However, given the significant wage increases granted to many trade apprentices, the Audit Commission could look at recommending a reduction or removal of the apprentice tool allowance and redirect some of the savings to restoring mature age wage subsidies and other schemes to improve commencements and completions in the trades, including a commitment to continue apprentice mentoring.

Although the Audit Commission may be tempted to push further VET spend to the States, it should only do so if it is well established that the States will actually deliver on quantity and quality of outcome the right skills in the right place and the right time. For example, ACCI and its members strongly support the continuation of the federal National Workforce Development Fund, although it should be more efficiently managed directly by the department, not via the Australian Workforce and Productivity Agency or the Industry Skills Councils.

Discontinuation of this federal fund, which provides funds on a co-contribution basis directly to employers to support up-skilling using national qualifications without an equivalent mechanism in the states is removing a more effective delivery medium and potentially replacing it with a less effective one, or worse, no mechanism at all.

There is no doubt that a more effective national and partnership agreement with the States and Territories is needed. This will deliver medium to long term outcomes in vocational training. In the meantime, overall investment should not be reduced, and indeed more targeted effort should be placed on increasing apprenticeships particularly for school to work transitions and the disadvantaged groups so as to save on welfare support. Also, the priority is to focus on improving quality across the system, and in turn improving pathways and recognition of prior learning so that students do not have to duplicate learning which is resulting in wasted public funds.

## 1.23 Employment

The economic and fiscal policy context for this important priority is increasing workforce participation to improve productivity and reduce welfare dependency. The review of employment services due for 1 July 2015 implementation is critically important to get right, with the starting position being that the vast majority of the job market does not require government involvement and job seekers and employers are self-sufficient.

That said, with only 5 to 7 per cent of employers currently using the service, there is not sufficient engagement to deliver economies of scale and choice of jobs and job seekers, and there is still market failure in that some industries find it difficult to source labour and many job seekers are finding it difficult to get jobs. To deliver more effective outcomes, the services need to be more employer focused, and integrated with the services such as for people with disability.

The machinery of government changes after the election which moved disability employment services to the Social Services department should be reversed as an interim measure towards an integrated service of publicly funded employment post July 2015. Already, more people with disability are serviced through Job Services Australia than the specialised service, and to have the service split between two departments is inefficient.

For employment services generally, ACCI recommends a two tier approach – a more employer focused and responsive "JSA-lite" which could potentially be licensed, and a more client focused "job readiness" range of services linked in to training and other "wrap around services" to meet the needs of clients which have multiple challenges (current stream 3 and 4 and many in the disability area).

## 1.24 Higher Education

ACCI supports the announced review of uncapped demand driven policy. Policy change in this area should be primarily driven by evidence of graduate job outcomes of those graduates from 2013 and beyond that are the product of the significantly increased number of places offered by universities.

If the labour market is not absorbing the increased number of graduates, and yet there are still skilled shortages in key areas, then the market based approach is not working efficiently and needs to be examined. Certainly, there are concerns that the significantly increased spend by the federal government may be coming at the expense of quality which would otherwise have been delivered in part by an increased spend per student.

# WORKPLACE POLICY

## 1.25 Gender Equality

The Workplace Gender Equality Agency (WGEA) commenced operations on 6 December 2012. The WGEA has a dual role in (a) providing general assistance and advice to employers on gender equality matters and (b) acting as the regulator to ensure duty holders (private sector employers who are deemed by the legislation to be a reporting firm) comply with the relevant legislation which, in broad terms, requires relevant firms to collate prescribed data and provide information to the agency for a specified reporting period (on specified Gender Equality Indicators).

There is a significant degree of funding overlap in relation to both of these functions vis-à-vis other Commonwealth, State and Territory regulators and agencies. For example, the Fair Work Commission has recently established a Pay Equity Unit within its administrative arm to conduct "pay equity related research and provide information to inform matters relating to pay equity under the Fair Work Act 2009". The ABS has existing surveys on gender equality (i.e. on hours, wages and conditions and segregated on a gender basis), and publishes a series titled "Gender Indicators, Australia" (ABS cat. no. 4125.0). To the extent that there is already existing data and research, this duplication should be minimised.

## 1.26 Workplace Health and Safety

The Fair Work Commission retains a Research Unit to conduct both in-house and commissioned external research to assist with its statutory functions (mainly Annual Wage Reviews). The Research Unit also provides similar research services to the Road Safety Remuneration Tribunal (RSRT).

The Government is currently reviewing the RSRT. There is a significant degree of overlap with the statutory remit of the Fair Work Commission (in determining and adjusting modern awards and its role in bargaining generally) and the RSRT (in determining orders and its role in bargaining within the road transport sector and supply chain). There is also significant overlap with other jurisdictions and regulators (i.e. state and territory OH&S regulators and national schemes such as the National Heavy Vehicle Regulator). The case for an independently operating RSRT at cost to the taxpayer has not been made out.

There will be significant duplication with regard to the advice and regulation of workplace bullying with the Fair Work Commission jurisdiction commencing from 1 January 2014. The FWC will be able to hear and determine workplace bullying complaints, which also allows employees to file claims under federal/state & territory laws (including anti-discrimination, workers compensation and OH&S).

State and Territory Chambers of Commerce and Industry Associations are able to provide information and assistance to employers on compliance matters in a much more direct manner than is the case with government regulators/agencies. Business organisations have proven and established communication networks directly to the private sector. Business organisations have been provided with funding in the past which would allow information about new laws to be communicated to employers in a way that is relevant to small, medium and larger firms. Agencies like the Fair Work Ombudsman should not compete with private sector organisations in the provision of such services.

## 1.27 External Research

With regard to recent examples of agencies expenditure on external research to inform policy development, it is doubtful that the public value in such expenditure by relevant agencies can be fully justified when other policy priorities are considered.

# ACCI MEMBERS
# CHAMBERS OF COMMERCE & INDUSTRY

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| **TASMANIAN CHAMBER OF COMMERCE & INDUSTRY**<br>309 Liverpool Street<br>HOBART TAS 7000<br>T: 03 6236 3600<br>F: 03 6231 1278<br>E: admin@tcci.com.au<br>**www.tcci.com.au** | **VICTORIAN EMPLOYERS' CHAMBER OF COMMERCE & INDUSTRY**<br>486 ALBERT STREET<br>EAST MELBOURNE VIC 3002<br>T: 03 8662 5333<br>F: 03 8662 5462<br>E: vecci@vecci.org.au<br>**www.vecci.org.au** | |

# NATIONAL INDUSTRY ASSOCIATIONS

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