

CEDA media release

Boost skills recognition, tackle housing to lift productivity and fix skill shortages: CEDA

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Overhauling occupational licencing in Australia and letting homeowners, renters and social-housing tenants move more easily for work can deliver tens of billions of dollars in productivity gains, the Committee for Economic Development of Australia (CEDA) has found.

“Australia’s rigid occupational licensing and restrictive housing market are a handbrake on more Australians moving for jobs suited to their skills,” CEDA Chief Executive Melinda Cilento said.

“At a time when we need to be addressing skills shortages and lifting lacklustre productivity to drive a stronger economy and wages, Australia must break down entrenched barriers in the jobs market.

“Major structural shifts including digital transformation, the energy transition and an ageing population will require a much more agile labour market.”

In a submission to the Federal Government’s Employment White Paper, CEDA finds that occupational licencing is widespread in Australia, with around one in five people in jobs with registration requirements.

CEDA analysis of the OECD’s indicator of occupational entry regulations shows that the level of licencing on personal services in New South Wales and Queensland is among the top five most restrictive of 21 OECD nations including the US, the UK, Canada and Europe.

Australia could gain up to \$5 billion each year from reform to match the best-performing countries in this area, going beyond recent reform efforts focused on mutual recognition. Unlocking the full scale of benefits would involve removing mobility restrictions across all occupations and matching Sweden by removing licencing of personal services such as taxi drivers, driving instructors and building trades such as electricians, plumbers and painters. This would also lower consumer prices.

Housing is another drag on the labour market: Australians spend a relatively high share of income on housing, heightening its importance when choosing where to work.

“Compared with other developed countries, Australians regularly move home, but they rarely do so for work,” Ms Cilento said.

“In stark contrast to the United States, Australian renters are more likely to be forced to move by their landlord than choose to move for work.

“Better housing affordability, lower transaction costs – especially by replacing stamp duty with a land tax – and making renting a more viable long-term option, can deliver tens of billions of dollars in productivity gains via better matching of skills to jobs.”

Institutional investors also play a relatively small role in the Australian market, with the largest holding just a few thousand units. Removing barriers to institutional housing investment such as land tax arrangements, negative gearing and foreign-investment rules could help by reducing eviction due to the landlord’s personal situation. One way to do this is via “build to rent”, where the developer maintains ownership of dwellings and rents them out after completion.

“Australia must not squander the ideas and opportunities generated at the national Jobs and Skills summit earlier this year,” Ms Cilento said.

“We must pull every available lever to help employers find the best workers and skills for each job.”

Skills recognition

Occupational licencing sets out the legal requirements to practice an occupation such as teaching, or being a plumber or an electrician, restricting entry for people who have gained skills through alternate routes or in other jurisdictions.

CEDA makes three recommendations to streamline occupational licensing:

1. Extend the Automatic Mutual Recognition of Occupational Registration scheme introduced in 2021 to all states. Reduce exclusions and take steps to remove requirements in occupations not subject to restrictions in other states.
2. Review licencing regulations considering whether they meet stated objectives, international experience and recent technological developments such as online reviews that allow consumers to assess quality more easily.
3. Reduce licencing and shift regulation where necessary towards quality standards for goods and services within consumer law.

Housing affordability

OECD estimates show increasing the responsiveness of housing supply could boost Australia’s productivity by as much as two per cent by reducing the level of skills mismatch in the jobs market.

And reducing development approval timeframes and transaction costs such as stamp duty could boost productivity by an around an additional one per cent each.

CEDA makes six recommendations to make it easier for people to move to a job that better matches their skills:

1. Review planning and zoning rules around the country to reduce obstacles to higher density in areas with good access to jobs and transport.
2. Federal and state governments should work together to phase out stamp duties and shift to land taxes. The Federal Government should provide revenue support during the transition. First home buyer grants should be phased out.
3. Improve protections for renters to make their tenure more secure, including banning 'no grounds' evictions and restricting rent increases for existing tenants in line with local market changes.
4. Review land tax, negative gearing and foreign-investment rules to reduce barriers to institutional investment in rental housing.
5. Increase the generosity of Commonwealth Rent Assistance payments to at least match recent rent price increases, while reforming eligibility rules to better reflect housing need.
6. Continue to increase social-housing supply while trialling portable rent assistance for social-housing tenants and better match housing stock to need by reducing the average unit size.

CEDA Chief Executive Melinda Cilento is available for further comment and interviews.

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CEDA – the Committee for Economic Development of Australia – is an independent, membership-based think tank.

CEDA's purpose is to improve the lives of Australians by enabling a dynamic economy and vibrant society. Through independent research and frank debate, we influence policy and collaborate to disrupt for good.

CEDA has more than 620 members from a broad cross-section of industry, government, community and academia. Our members span every state and territory.

CEDA was founded in 1960 by leading economist Sir Douglas Copland. His legacy of applying economic analysis to practical problems to aid the development of Australia continues to drive our work today.