Australian Government
Productivity Commission

Review of Australia's mutual recognition schemes for workers

PC submission

The Productivity Commission welcomes the opportunity to provide input to this review of Australia's mutual recognition schemes. This submission provides a short, high-level summary of relevant PC work.

Key recent publications include:

- *Building a skilled and adaptable workforce* (PC 2025a, chapter 4)
- *National Competition Policy analysis 2025* (PC 2025b, pp. 15–19, appendix C)
- *National Competition Policy: modelling proposed reforms* (PC 2024, pp. 23–24, appendix B3)
- *5-year productivity inquiry: a more productive labour market* (PC 2023, chapter 3).

Some older publications, particularly studies of the mutual recognition schemes in 2009 and 2015 (PC 2009, 2015), also cover issues of interest to this review.

Impact and effectiveness of mutual recognition schemes

Questions 1 and 2: Labour mobility and economic benefits

Reducing barriers to labour mobility should improve the matching of workers to jobs and support productivity growth (PC 2023, pp. 1–2, 4). Unnecessary barriers to mobility – including those arising from occupational licensing and inconsistent regulatory requirements – can prevent workers and firms from realising these gains. Where such barriers are reduced, labour can be reallocated to more productive uses, supporting higher output and incomes (PC 2023, p. 4).

Previous PC reviews of mutual recognition arrangements found that the mutual recognition of licences had helped to alleviate labour shortages and assist interstate labour mobility (PC 2009, 2015, pp. 131–32). And several participants in the PC's recent study of national competition policy indicated that automatic mutual recognition (AMR) had improved interstate labour mobility (PC 2025b, p. 93). However, the PC noted that the Queensland Government's decision not to participate in the scheme, and the exclusion of certain occupations in other jurisdictions, means the benefits of the scheme have not been fully realised.

In terms of broader economic effects, PC modelling has generally estimated a small positive impact of licensing reform on GDP (2025b, pp. 101–2).

The PC's 2025 national competition policy study noted that much has been gained through previous reform efforts, which created national licensing for health professions and AMR for many other occupations (PC 2025b, p. 2). But analysis of the effects of introducing a national licensing scheme for paramedics did not find a significant effect on wages (PC 2025b, Appendix C). The study also observed that, if the goal is to increase productivity for licensed workers, reforms such as those considered in the *Building a skilled and*

adaptable workforce inquiry (PC 2025a) are likely to have a greater effect than changes to AMR or a national licensing scheme for high-risk occupations. *Building a skilled and adaptable workforce* recommended better targeting qualifications to risk (recommendation 4.2) and expanding entry pathways into trades (recommendation 4.3). Broader licensing reform including changes to the stringency of licensing requirements or the removal of unnecessary licences has the potential to increase economic output beyond the improvements to allocative efficiency gained by increasing interstate labour mobility (PC 2025b, p. 107). Reducing unnecessary licensing requirements could boost GDP by up to 0.4% ($10.33 billion) and reduce prices by as much as 0.2% (PC 2024, p. 133).

Question 3: Managing risks (safety and consumer protection)

Occupational licensing and related regulatory frameworks can play an important role in protecting worker safety and consumers by establishing minimum standards of competence and practice. However, the PC's work emphasises that such regulation should be proportionate to risk.

If any jurisdiction set its standards in a way that was too lax, putting workers or consumers at serious risk, then mutual recognition could be risky. However, the *Building a skilled and adaptable workforce* inquiry was unable to uncover an example of a jurisdiction where standards were too lax.

On the contrary, the comparisons made across jurisdictions suggested that several jurisdictions have set their occupational licensing standards at too restrictive a level, without any major safety benefits. For several occupations, the inquiry was able to uncover data on quality of the work and safety of workers and could not find evidence that the more restrictive jurisdictions had better safety outcomes.

Where licensing requirements are overly restrictive or poorly targeted, they can impose unnecessary costs, restrict entry and reduce competition without delivering commensurate benefits.

It is not always the case that more stringent licensing is more effective, and in some cases, there is relatively poor evidence that the extent of licensing reduces health and safety risks (PC 2023, p. 76). Policy advice has repeatedly emphasised proportionate and evidence-based approach to licensing, however this can be difficult to implement where data are lacking. In the building and construction industry, licensing has been increasingly focused on protecting health and safety despite little evidence of its effectiveness. The lack of empirical evidence supporting licensing design has led to a ramping up of licensing stringency that has increased barriers to entry and is likely leading to considerable inefficiencies in the provision of skills and reduced productivity in the sector.

The PC recently measured Google ratings and an occupational entry regulation (OER) stringency index across 12 occupations and did not find strong empirical evidence that the stringency of OERs has an impact on service quality (2025a, p. 83). This may be because jurisdictions with less stringent OERs are able to rely on other regulations to achieve the same quality outcomes, or because OERs have a negligible influence on average service quality for the occupations examined due to low underlying risks.

More broadly, *Building a skilled and adaptable workforce* found evidence that many countries' licensing regimes are less stringent than Australia's. While this may reflect different attitudes to risk, it could also suggest that Australia's requirements are excessive or that Australia is not adequately using alternatives to licensing (PC 2025a, p. 79).

The PC has also noted that effective regulatory oversight is challenging under the AMR (2025b, pp. 94–5). Separate regulators for each state mean it can be difficult to consistently implement and communicate disciplinary actions. And inconsistent enforcement of compliance requirements was identified as a weakness of the scheme. The report also noted a lack of information for interstate workers on the differences in state licensing requirements, including restrictions on the types of activities permitted by their licence.

Implementation and alignment

Questions 5–7: Consistency, exemptions and harmonisation

Inconsistent application of AMR has hindered improvements to interstate labour mobility (PC 2025b, pp. 92–3). Not all states have joined the scheme (as noted above, Queensland does not participate), not all licensed occupations are covered and there are often exemptions for high-risk occupations. Exemptions are not uniform across states, although commonly exempt occupations include teachers and tradespeople such as specific categories of plumbers or electricians.

The PC's *National Competition Policy analysis 2025* also concluded that it appears that the exemption safeguards in the AMR have not been sufficient (2025b, p. 93). Several submissions observed that, despite the introduction of AMR, there remain barriers to interstate labour mobility and exemptions exacerbate this.

Analysis by the PC found wide variation in OERs across occupations and jurisdictions (2025a, p. 84) (figure 1). The inquiry concluded that if each state and territory government reduced the stringency of OERs in 12 selected occupations, to that of the jurisdiction.[1] This suggests that reducing the stringency of OERs could have productivity impacts through increased competition that encourages businesses to innovate and adopt best practices, and through promoting the reallocation of workers from low- to high-productivity firms. Reducing the stringency of OERs, in industries where stringency is more likely to vary across states and territories, is estimated to have the potential to increase annual real GDP in the long run by up to $6.3 billion in 2024-25 dollars (0.2% of GDP) (appendix C, section C.4).

Experience navigating mutual recognition arrangements

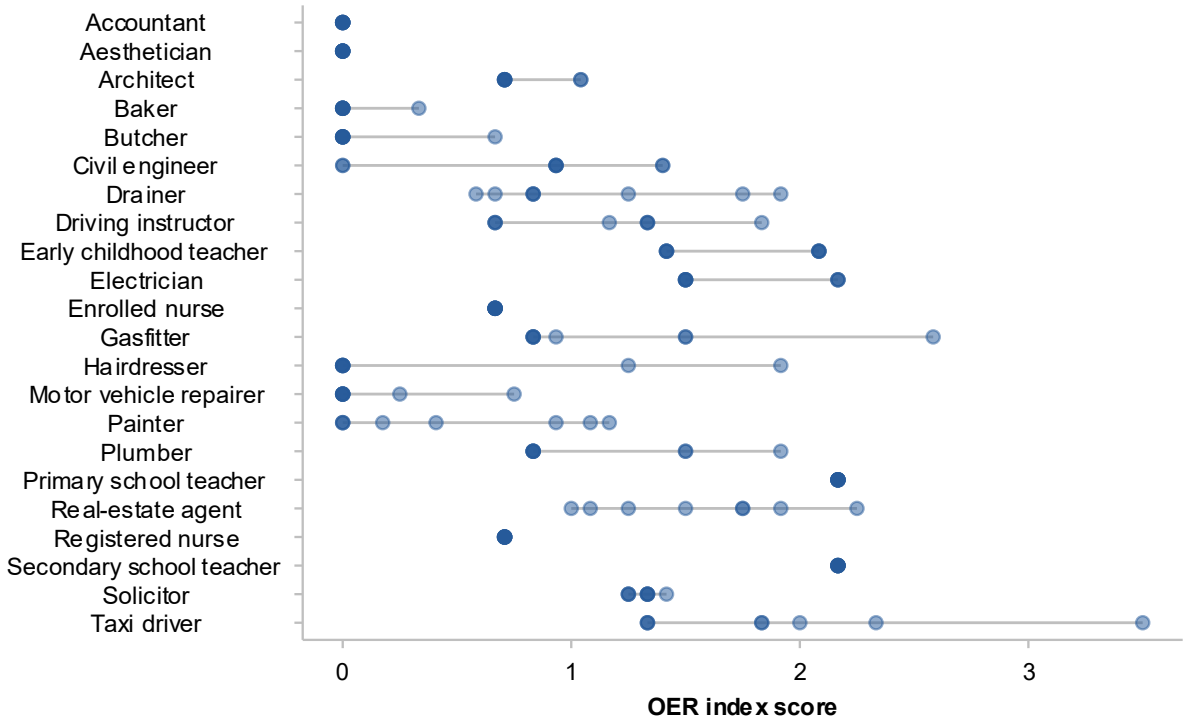
Questions 8–11: Barriers, information and administrative processes

Building a skilled and adaptable workforce provides examples of issues that AMR cannot resolve (2025a, p. 77). Earlier PC analysis also discussed issues with AMR, noting that differences in the scope of licensed work across jurisdictions often cause licences to be granted under (non-automatic) mutual recognition with exemptions on some of the tasks able to be performed (2025b, p. 92). These licences are in turn often made exempt from AMR because of the difference in scope. Additionally, some occupations are only licensed in some jurisdictions and thus jurisdictions are often unable to grant licences to interstate workers for these occupations under mutual recognition or allow interstate workers to operate under AMR.

[1] PC analysis based on OECD research and simulated falls in OER stringency across 12 occupations linked to 15 industry classes using Australian firm-level data. Further details are in PC 2025a, appendix C, section C.4.

Figure 1 – OERs can vary widely across occupations and jurisdictions

OER stringency index scores across jurisdictions



Each point represents a state or territory. Point transparency indicates density – darker points mean more states or territories have the same score. A higher index score indicates that the occupation has more stringent OERs. The OER index is primarily used for comparing stringency between jurisdictions for the same occupation and may not be appropriate for comparing between occupations. The OER index was based on methodology developed by the OECD, which may not fully capture the complexity of the Australian regulatory environment. Actual OER stringency may differ when judged on other factors. The index also does not capture the underlying level of risk associated with the occupation, nor requirements that are not imposed by regulations. For example, professional bodies such as CPA Australia may impose requirements on their members, but membership is not legally required to work as an accountant. Other limitations are described in PC (2025a) appendix C, section C.4.

Source: PC estimates.

Opportunities to strengthen and streamline licensing arrangements

Questions: 12–14: Reform options, technology and national licensing

Chapter 4 of the report *Building a skilled and adaptable workforce* (PC 2025a) included many suggestions for improving occupational entry regulations, including licensing. It concluded that replacing excessive regulation with less burdensome and, in some cases, more effective alternatives could maintain safety and quality standards while lowering prices for consumers and allowing more people to work in jobs for which they have the skills and experience. Licensing regimes for motor vehicle repairers, painters and decorators, air conditioning and refrigeration mechanics, and introduction agents in some jurisdictions were identified as candidates for reform to improve efficiency (detailed arguments are presented in appendix B of the report).

The report also concluded that Australian governments should improve review processes and make a greater effort to sunset occupational entry requirements that do not provide a net benefit (p. 96). And it noted

the recommendation from PC 2023 that systematic regulatory reviews by an independent authority could also identify unnecessary legacy licensing.

Digital licensing provides opportunities to reduce administrative burden for business and individuals while improving information asymmetries faced by consumers (PC 2023, p. 87). It could also lay the foundation for a national licensing database and includes the potential for further matching across other administrative data sources. This would improve data sharing for mutual recognition arrangements, compliance activity and analytics to both monitor trends in licensing and assess the effectiveness of reform. Stronger emphasis on monitoring (that is, collecting and publishing data) and evaluation would go a long way to produce a better understanding of the costs and benefits of licensing schemes.

Regarding national licensing, estimates presented in the PC's *National Competition Policy analysis 2025* do not suggest that a scheme would have strong productivity impacts relative to AMR. The report concluded that there is merit in reviewing the functioning of AMR as it currently operates, and any policies that may improve it, before proceeding with national licensing in a range of occupations (PC 2025b, p. 106). That said, the report considered only productivity effects and noted that if a national scheme were needed for more effective regulatory oversight, for example in the oversight of care workers, there may still be benefits to introducing a national licence.

References

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