

Introduction

CEDA welcomes the Building a Skilled and Adaptable Workforce Interim Report's focus on critical issues for Australia's workforce: foundational skills, tertiary-education pathways to build skills and qualifications, work-related training and fit-for-purpose occupational entry regulations.

They are all important for CEDA's goal that Australia's skills, knowledge and ideas are valued, invested in and sought after locally and globally, as part of our Progress 2050 agenda.

Two of these topics – work-related training and occupational entry regulations – were the subject of previous CEDA research and 'Productivity Pitches' submitted to the Commission's five pillars inquiries in late 2024. This submission focuses on specific aspects of these two topics in response to the Commission's interim report.

Work-related training: the type of training is critical

As documented in both CEDA's researchⁱ and the Commission's interim report, work-related training can support productivity and wage returns. However, training is not homogenous and different types of training are likely to produce markedly different returns for organisations and individuals.

For instance, annual compliance activities may fall within the technical definition of work-related training but are likely to have less impact on firm productivity than training that supports more substantive skills development. A repeated theme from our consultations was that compliance training can crowd out more valuable skilling activities and undermine the learning culture within firms, as employees equate training with compliance.

Our analysis also indicated that firms' inability to assess return on investment was a potential barrier to more widespread training. Only 15 per cent of organisations we surveyed reported that they had a clear framework for measuring returns, despite broad recognition of the benefits training can confer.

With benefits going unmeasured, firms can face difficulty justifying the more visible costs of procuring training during the budgeting cycle. This challenge is felt even among firms with sophisticated learning and development capabilities.

Recommendations:

- a) Advisory services (information request 2.5) should include guidance on how to measure the return on investment from various types of training.**
- b) Where government support is introduced, policy design should target higher value-added training rather than compliance, which will occur anyway to comply with regulation.**

Financial incentives carry risks and implementation challenges

For most firms, financial considerations are not the primary deterrent to offering training. ABS analysis of training participation found the share of people identifying time constraints as a barrier to participation was 20 percentage points higher than the share identifying financial barriers.ⁱⁱ This result was echoed in our own smaller survey of 27 firms, with more than twice as many responses citing lack of time as a barrier to training delivery and adoption than financial constraints.

With time being more of a barrier to training than cost, it is not clear that government funding will address the decline. Indeed, doing so may create an additionality problem where public funds are used to pay for training that would have occurred anyway. International experience paints at best a mixed picture here.^{iii, iv}

Targeting financial incentives for training towards small-to-medium enterprises (SMEs), as suggested in the draft report, is one approach to seek greater additionality, as these firms provide less training on average. However, there is a lack of quantitative evidence in Australia or peer countries that targeting towards SMEs delivers greater payoffs.^v

Moreover, as acknowledged in the interim report, introducing financial support targeted only at SMEs may create a disincentive for growth for firms close to the threshold. Including some larger firms in any trial could provide important evidence as to whether there are significant payoffs from targeting by firm size.

Finally, while there are different ways that financial incentives for training can be provided, an important drawback of using tax credits (as suggested in draft recommendation 2.2) is that this does not enable targeting of the types of training most likely to deliver societal benefits.^{vi} Financial support that does not cover the full cost of training would at least retain an incentive for firms to invest only in training that offers benefits to the firm through skill development.

We anticipate that work to develop a robust recognition of prior learning (RPL) framework may deliver stronger results than direct financial support for training. Throughout our consultations, we heard that significant resources are lost to duplication of training that occurs because workers are unable to show and employers unable to assess learning that has occurred in the past. Addressing this friction would help to free up scarce time for more novel training.

Recommendations:

- a) If governments offer funding for training it should only be partial, reflecting the potential lack of additionality and private benefits that accrue to individuals and firms through increased wages and profits.**
- b) As part of any trial of financial incentives for training, include a mix of different sized firms and require recipients of funding to capture and report data on outcomes from training to help evaluate where public finances are best targeted.**
- c) Prioritise a Recognition of Prior Learning framework that enables portability of work-related training between firms to reduce duplication.**

The Federal Government should pay states to reform occupational licensing

While occupational licensing can be important to protect safety, overly stringent and inconsistent licensing impedes progress on key issues such as construction productivity,^{vii} the energy transition,^{viii} and making better use of migrants' skills.^{ix} CEDA thus welcomes the focus on fit-for-purpose occupational entry regulations in the Commission's interim report.

Substantial further data collection and analysis is required to better inform evaluation of occupational entry regulations (information request 3.1). There is a need for more analysis of the costs and benefits of licensing of different occupations, against a counterfactual of more tightly targeting licensing and relying on other remedies such as consumer protection laws or regulating outputs.

Given the costs of restrictive occupational licensing documented in the Commission's interim report, proponents of licensing should be required to document net benefits. This would require better evidence of the benefits from licensing, such as direct evidence of better consumer and safety outcomes.

In our recent report *Towards a More Seamless Australian Economy*^x we observe that two key issues holding back reform of occupational licensing are firstly, the benefits for incumbents from greater restrictions and thus less competition, and secondly, the substantial revenues that state and territory regulators receive from licensing where this is done on a jurisdiction-by-jurisdiction basis.

We argue there is an important role for the Federal Government to make payments to state and territory governments to assist with the implementation costs of national licensing. This reflects the substantial federal revenue benefits that the Commission has estimated would accrue from licensing reform.

In this context, the figure cited in the interim report that “revenue from licences in New South Wales accounted for about 5% of the state budget in 2011-12”^{xi} (or \$2.8 billion for NSW alone) is somewhat misleading, because it includes more than just occupational licences. For example, it includes drivers' licences and vehicle registrations.^{xii}

We estimate that occupational licensing revenue is in the order of \$1 billion per year nationally, with about half of that going to state and territory regulators.^{xiii} While not all registration fee data is publicly available, this is based on 20 per cent of workers being subject to licensing, and an average licence fee of just over \$350 per year.

The average licence fee is based on published estimates of fees for occupations including registered health professionals (\$288 million per year from just over 900,000 health professionals^{xiv}), pilots (\$13 million per year from 31,000 pilots^{xv}) and lawyers (about \$50 million per year from 107,000 lawyers^{xvi}).

Recommendations:

- a) Build on the 2024 National Competition Policy agreement to move towards national licensing of all occupations, with federal payments to states and territories following successful implementation.**
- b) Systematically review licensing regulations, considering whether they meet stated objectives, international experience and recent technological developments.**

ⁱ Barker, A. and Dillon, L. (2024). *Learning Curve: Why Australia Needs a Training Boost*, CEDA Report, <https://www.ceda.com.au/researchandpolicies/research/workforce-skills/learning-curve-why-australia-needs-a-training-boost>

ⁱⁱ Australian Bureau of Statistics (2022). *Work-Related Training and Adult Learning, Australia*. <https://www.abs.gov.au/statistics/people/education/work-related-training-and-adult-learning-australia/latest-release>

ⁱⁱⁱ Leuven, E. and Oosterbeek, H. (2004). “Evaluating the Effect of Tax Deductions on Training,” *Journal of Labor Economics* 22, no. 2, 461-88. <https://www.journals.uchicago.edu/doi/epdf/10.1086/381257>

^{iv} For a broad discussion of empirical findings on deadweight loss for training, see Black, D. A., Skipper, L., and Smith, J. A. (2023). “Firm Training,” in *Handbook of the Economics of Education*, vol. 7 (Elsevier, 2023), 287-468, <https://doi.org/10.1016/bs.hesedu.2023.03.004>.

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- ^v Black et al. (2023, above) and OECD (2017, below) do not provide quantitative evidence that additionality is greater for small to medium enterprises. Evaluation of schemes such as the UK's 'small firm training loans' and 'employer training pilots' (the latter offering greater compensation for small firms, which were the main recipients) and the Michigan Job Opportunity Bank (targeting firms with under 500 employees) still show considerable deadweight loss of at least 35 per cent: UK Department for Business, Innovation and Skills (2012). *Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, BIS Research Paper No. 71; and Black et al. (2023 *ibid*).
- ^{vi} OECD (2017). *Financial Incentives for Steering Education and Training*, Getting Skills Right, OECD Publishing, <http://dx.doi.org/10.1787/9789264272415-en>.
- ^{vii} Wilson, M. and Brooks, J. (2025). *Size Matters: Why Construction Productivity is so Weak*, CEDA Report, <https://cedakenticomedia.blob.core.windows.net/cedamediatest/kentico/media/research-team/ceda-construction-productivity-2025-final.pdf>
- ^{viii} Barker, A. (2023). *Powering the Transition: The Net-Zero Workforce Challenge*, CEDA Report, <https://cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/attachments/powering-the-transition-ceda.pdf>
- ^{ix} Barker, A. and Tofts-Len, S. (2024). *Making Better Use of Migrants' Skills*, CEDA Report, <https://cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/attachments/making-better-use-of-migrants-skills-ceda.pdf>
- ^x Barker, A. (2025). *Towards a More Seamless National Economy*, CEDA Report, <https://www.ceda.com.au/researchandpolicies/research/economy/towards-a-more-seamless-australian-economy>
- ^{xi} Productivity Commission (2025). *Building a Skilled and Adaptable Workforce*, Interim Report, p. 56.
- ^{xii} IPART (Independent Pricing and Regulatory Tribunal of New South Wales) (2014). *Reforming licensing in NSW: Review of licence rationale and design*.
- ^{xiii} Barker, A. (2025). *Towards a More Seamless National Economy*, CEDA Report, <https://www.ceda.com.au/researchandpolicies/research/economy/towards-a-more-seamless-australian-economy>
- ^{xiv} AHPRA (2024). *Annual Report 2023/24*, <https://www.ahpra.gov.au/Publications/Annual-reports/Annual-report-2024/Finance.aspx>
- ^{xv} Civil Aviation Safety Authority (2024). *Annual Report 2023/24*, <https://www.casa.gov.au/sites/default/files/2024-10/annual-report-2023-24.pdf>
- ^{xvi} Law Council (2025). *About Us*, <https://lawcouncil.au/about-us> and Law Council of New South Wales (2024) *2023-24 Scale of Fees*, <https://www.lawsociety.com.au/sites/default/files/2023-04/2023-24%20Scale%20of%20Fees.pdf>