



Response to the Productivity Commission

Creating a more Dynamic and Resilient Economy

Consultation Questions | May 2025

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May we contact you about your response? Yes

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We agree to the Productivity Commission guidelines and policies related to this consultation.

We are not providing additional supporting documentation at this time. Relevant documentation has previously been provided to the Commission.

Section 2

Support business investment through corporate tax reform

What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

There has been considerable growth in corporate agriculture over the last ten years, as smaller farms have struggled to compete and survive. Finance for farm operations has become harder to source as banks and financial institutions have changed lending criteria to include ESG considerations. The cost of money for regional, rural and remote Australia (RRR) has increased, as has the level of detail required for financing applications and insurance coverage. Extensive influence of dominant purchasers from the domestic supermarket industry, the aging profile of agriculture owners and workers, and uncertainty over government policies, including land, water and energy access have been other influences limiting investment. The apparent increase in major natural disaster events is also affecting investment.

This has led to significant increases in corporate agriculture, which is a trend that appears likely to continue and potentially accelerate. It is difficult to predict what this will mean for Australian markets and domestic access to product, as well as to the support for research and development. This makes it difficult to attract investment outside of the corporate farm structure.

The growth in diversity of agricultural production, including the expansion of cotton, harvesting of native foods and the continued increases in productivity in "dry farming" have encouraged some investment. The work of RDCs and CSIRO appear to be crucial to attracting investment in Australian agriculture.

Manufacturing sectors have received encouraging signals of support from federal, state and territory governments to promote investment, however limited results have been achieved to this point. There appears to be growth opportunities in textiles, clothing, footwear and furnishings, however there is considerable work required to take advantage of opportunities and to encourage investment.

The Forestry and Wood Products sectors face increasingly complex decisions and uncertain government policy outlooks at all government levels, as struggles continue between protection of old growth forests, the need for long-term carbon capture and the changing climate which is affecting tree species. This in turn has an impact on the pulp, paper and other wood product manufacturing sectors, especially when there are uncertainties around access to raw materials.

A key experience of RRR is that attraction of investment does not lead to significant local returns. Areas such as the Pilbara and Kimberly attract significant investment, but see the vast majority of the returns on that investment leaving the area. This leads to detrimental results such as the cost of building a house in Karratha exceeding the value of the finished property and continuing difficulties in attracting and retaining residents.

Lack of access to labour in RRR is widespread across many industries, and leads to higher costs, extensive use of short-term workforces and lower productivity, all of which will have an impact on levels of investment. This includes extensive use of Fly-in, Fly-out workforces and temporary visa holder workforces, which provide short term benefits to local economies but very limited long-term benefits.

There has been little incentivisation of investment in vocational training and education, especially in RRR. The removal of industry training levies has not resulted in increasing investment in training. Government funding is skewed towards high enrolment, low cost delivery areas, at the expense of higher safety risk occupations where formal training could deliver significant safety and productivity improvements. There is a lack of access to Vocational Education and Training (VET) across RRR which is inhibiting access to workforce and productivity.

We do not have responses for

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the corporate tax system be reduced?

Section 3

Reduce the impact of regulation on business dynamism

4. What areas of regulation do you see as *enhancing* business dynamism and resilience? What are the reasons for your answer?

Industry feedback collected by Skills Insight suggests that there are advantages for some industries to attracting and retaining workforces when those workforces have trade recognition, and often when there are minimum entry standards (such as qualifications or equivalent). This is particularly true for sectors with higher

human, animal and biosecurity safety and welfare concerns, and those which face integrity challenges.

Many industry sectors face market substitution when unqualified people claim to be able to deliver services which do not meet current industry standards. While there is good innovation and substitution based on better consumer experiences, there can also be bad disruption which leads to under-use of industries and increased danger for people undertaking work. For example, arboriculture is a high-risk occupation, yet anybody can claim to be a person who can deal with tree trimming and removal. When unqualified people perform poorly or injure themselves, this makes consumers wary of using any services and can lead to lower overall demand. Similarly, pet groomers can be unqualified, and this can lead to adverse welfare impacts on animals if work is poorly performed, and suspicion about the quality of the whole industry. People who have been trained as business receptionists can start to undertake veterinary nurse duties without achieving qualifications or passing assessment for equivalency.

Currently, there are no or limited protections relating to emerging industries that substantially rely on or utilise First Nations knowledge and experience, which restrains development of First Nations enterprises in remote communities, which already have market disadvantages. These emerging industries can quickly become dominated by existing, non-Indigenous enterprises, with or without the agreements with First Nations communities.

Regulations related to biosecurity, animal and plant health, protection of Australian stocks (especially fish stocks) and ecosystem management have the potential to enhance business dynamism, if designed with that purpose in mind. However, as recent experiences with live export has shown, this can also lead to business limitations. This is becoming increasingly relevant as climate change impacts are being realised and stock systems evolve.

We do not wish to respond to:

5. How has your regulatory burden changed over time?

6. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

7. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Industry stakeholders have been raising the issues of ESG reporting with Skills Insight for the last three years. The requirements for industry ESG reporting are being sent downstream, particularly to the agriculture sector. While they have no obligations to report directly under current settings, enterprises that are required to report are requiring assistance from downstream and upstream enterprises, resulting in many agricultural enterprises of all sizes being caught up in ESG reporting.

This burden has been added without compensation from governments or reporting organisations, and with limited assistance and guidance. The current reporting has little or no direct benefit for Australian agriculture.

Had the ESG reporting, specifically the climate elements, been considered in a business benefit context, this could be completely different. Much of the information needed to accurately report on Australia's climate and emissions positions would also be of great benefit to agricultural producers, if collection and data system had been designed with that in mind. Instead, a purely regulatory and reporting approach has been taken, and because agriculture is mainly involved through indirect reporting, they obtain no return for the work they have to undertake.

There is support for sustainable agriculture from these industry sectors, and there is no industry that could benefit more from accurate climate, soil, water and greenhouse gas data on a local basis. However, ESG reporting has been designed without this purpose in mind, making it difficult for industry participants to provide accurate data for reporting or to gain benefit from the reporting requirements.