

**Submission
No 4**

INQUIRY INTO MUTUAL RECOGNITION (NEW SOUTH WALES) AMENDMENT BILL 2021

Organisation: NSW Productivity Commission

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The Hon. Tara Moriarty MLC
Chair
Portfolio Committee No 1 – Premier and Finance
Parliament House
SYDNEY NSW 2000

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Dear Chair,

Re: Mutual Recognition (New South Wales) Amendment Bill 2021

I welcome the opportunity to make a submission to the Inquiry into the Mutual Recognition (New South Wales) Amendment Bill 2021.

The NSW Productivity Commission is focused on driving economic reform to boost productivity, employment and household incomes. This Bill aims to drive greater productivity by reducing red tape and easing the constraint to the free flow of labour, goods and services between States and Territories. In the Productivity Commission Green Paper (2020), I recommended the government pursue automatic mutual recognition to help overcome skill shortages in New South Wales.

Recognising the importance of the freedom of movement of services and the flow on benefits, the Commonwealth, States and Northern Territory have all come together and agreed to the automatic mutual recognition scheme for occupational registrations.

The *Mutual Recognition Amendment Bill 2021* (Commonwealth Bill) establishes a uniform **automatic** mutual recognition scheme that streamlines the process for licensees seeking to work in other jurisdictions, providing a quicker and less expensive alternative to the current mutual recognition scheme. A registered person will not have to complete multiple application forms or pay for additional registration fees to undertake the same activities in another jurisdiction.

The current mutual recognition scheme still requires workers to apply for recognition of their home license and pay another fee to work in another state. Mutual recognition relies on schedules that specify equivalent occupational registrations between jurisdictions. These schedules are complex, cumbersome and have not been fully updated since 2009, which means it does not fully reflect today's qualifications and licenses.

Benefits of the Automatic Mutual Recognition scheme

The new scheme will improve labour mobility and allow more seamless provision of services across Australia, thus increasing output, investment, productivity and competition; and lowering costs for consumers, workers and businesses. These changes will increase the strength and resilience of the economy.

Individuals and business will be able to operate across borders without facing unnecessary and costly regulatory burdens. The reduced administrative costs with holding multiple licenses, will increase labour and capital productivity and allow businesses to optimize work allocation across jurisdictions. The process and cost of working across borders will be more certain, enabling large and small businesses to bid more confidently for interstate projects.

Over 124,000 licensees will benefit from reduced administrative costs from no longer being required to hold multiple licences and a further 44,000 licensees will benefit from optimizing work allocation across jurisdictions¹. PwC has estimated benefits from Automatic Mutual recognition of \$2.4 billion nationally. New South Wales can expect a significant portion of these benefits.

A New South Wales registered plumber will save at least \$357 over three years in registration fees to work in a nearby border town in Victoria and an architecture firm based in New South Wales and operating remotely could save around \$600 per worker through applying for automatic mutual recognition for their architects to work in Victoria and South Australia.

The scheme provides skilled workers with the flexibility to take up a new job opportunity wherever they arise. This will help New South Wales access skilled labour to address current skill shortages in licensed building occupations such as air conditioning mechanics, electricians, bricklayers and plumbers.

It will also assist with responding to national emergencies and natural disasters. Following the catastrophic 2020 summer bushfires, New South Wales faced acute shortages in trades required for rebuilding. This scheme would enable skilled interstate workers to assist with the rebuilding efforts more quickly, meaning household, communities and businesses can get back to normal quicker.

Consumers and businesses will benefit from a more diverse and skilled labour supply and greater competition between local and interstate licence holders. Increased competition will lead to lower prices and improved service quality.

Safeguards to ensure appropriate protections and standards are maintained

Some argue the potential costs associated with automatic mutual recognition may be reduced standards and compliance leading to greater risk to workers and consumer safety.

As set out in the Commonwealth Bill, standards and consumer protection will not be undermined, as the bill enshrines appropriate safeguards designed to protect the public, consumers and others, and the health and safety of workers and the public.

The Commonwealth Bill provides that local laws and provisions that regulate the manner of carrying on an occupation will apply to interstate registration holders. This obligates registered individuals to comply with the local laws of the states where they are working in and ensures local regulators can take the necessary enforcement action to maintain protections for businesses, employees and consumer.

To protect and support consumers, workers and the public the Commonwealth Bill provides various safeguards. All registered workers will have to meet local requirements relating to working with children, young people or vulnerable people, insurance, fidelity or compensation funds, trust accounts and probity and minimum financial requirements. Workers will not be eligible for the scheme if they are subject to disciplinary action or have conditions attached to their licence as result of disciplinary, civil or criminal action.

The Commonwealth Bill provides the flexibility for States to exempt occupational registrations under certain circumstances. To protect workers and the community, a

¹ Department of the Prime Minister and Cabinet, *Economic Impact Assessment of automatic mutual recognition of occupational licensing*, December 2020, PwC

Minister may exempt, for a renewable period of up to five years, a specific occupational registration if automatic mutual recognition poses a significant risk to consumer protection, the environment, animal welfare, or the health or safety of workers or the public. To maximize the economic benefit of automatic mutual recognition, the exemptions to the scheme should be limited, if possible.

The Commonwealth Bill will apply to all occupational registrations unless they are exempted from the scheme or subject to an existing national registration scheme or state-based automatic recognition scheme. It is worth noting, that some occupational registrations have been carved out of the scheme. The East Coast Electrician scheme, which applies to electricians from New South Wales, Queensland, Victoria or the ACT, is a state-based automatic mutual recognition scheme and therefore the Commonwealth Bill does not apply to these registered licences. Electricians from another jurisdiction, such as South Australia can apply under the current mutual recognition scheme and would benefit under this new automatic mutual recognition scheme. The same applies to a NSW electrician wanting to work in South Australia.

In addition, the Commonwealth Bill provides for an information sharing arrangement by regulators between jurisdictions. This would include information about disciplinary actions, licence validity in the home state, and scope of authorized activities and conditions to support compliance and enforcement activities. Local regulators will be required to publish information about a registered person and prepare and publish guidance on the operation of the scheme.

This Bill is the first step in a longer-term reform to reduce the impediments to labour mobility and ensure employment and productivity growth.

Yours sincerely

Peter Achterstraat AM
NSW Productivity Commissioner

9 April 2021
