



UNSW Sydney Submission – Economic Reform Roundtable Consultation

UNSW Sydney welcomes the opportunity to contribute to the Government’s Economic Reform Roundtable and supports the ambition to build a more dynamic, resilient, and fiscally sustainable economy. Australia’s universities play a critical role in achieving these goals by developing a skilled workforce, driving innovation, strengthening sovereign capability, and generating knowledge that delivers lasting national benefit.

Realising the five-pillar productivity agenda will require coordinated action across government, industry, universities, and the broader community. This submission presents a suite of practical, nationally focused proposals aligned with the Roundtable’s three priority areas and the Government’s broader productivity reform goals.

UNSW also notes the forthcoming release of a detailed consultation paper on lifting national productivity, authored by Professor Richard Holden and Attila Brungs et al, which will provide rigorous analysis of the challenges and opportunities facing Australia’s economy.

Executive Summary

Australia’s declining productivity growth is one of the most pressing economic challenges of this generation. Although digital technologies are advancing rapidly worldwide, the diffusion of new innovations across Australian industries has slowed. In particular, small and medium-sized enterprises have lagged behind their international peers in adopting productivity-enhancing technologies.

A major driver of this trend is the transformation of the industrial base, particularly in manufacturing; a sector that has historically been the backbone of business investment in research, development, and technological diffusion. As manufacturing has contracted, Australia has come to rely increasingly on large multinational firms operating primarily as sales and distribution hubs, with limited commitment to domestic R&D or advanced manufacturing. This shift has driven persistently low business R&D, undermined economic complexity, and held back productivity growth.

At the same time, small and medium-sized enterprises, from local service providers to technology startups, face structural barriers that prevent them from scaling and commercialising new innovations. These businesses remain an underutilised engine of productivity growth.

Reversing the trend of declining productivity will require coordinated effort of both government and industry to revitalising Australia’s industrial base and strengthen domestic R&D capacity. To achieve this, the Government must first create the conditions for businesses of all sizes to innovate, scale and compete globally. Alongside enabling business innovation, building a skilled and adaptable workforce is essential to ensuring Australia can fully capture the benefits of new technologies.

Building a future-ready workforce requires a coordinated, long-term approach. UNSW recommends expanding access to high-quality Masters conversion programs and streamlined recognition

pathways to harness the expertise of qualified residents and skilled migrants already in Australia. Unlocking this underutilised talent will address acute skills shortages in priority sectors, reduce reliance on temporary migration and lift labour force productivity.

To accelerate innovation and economic resilience, UNSW proposes the development of a National Collaboration Framework to align R&D investments across jurisdictions, reduce duplication, and streamline engagement. Establishing mission-driven innovation centres, drawing on successful international models, will help bridge the gap between discovery research and commercialisation, and fast-track the adoption of new technologies.

A modernised R&D Tax Incentive is essential to stimulate investment and build sovereign capability. We recommend introducing a premium tax credit for firms partnering with Australian universities or publicly funded research agencies on nationally significant R&D, simplifying administration, and ensuring eligibility is limited to only activities genuinely undertaken within Australia.

Unlocking greater institutional capital is also critical to scaling high-potential technologies and accelerating productivity growth. Targeted policies to incentivise superannuation funds and long-term investors to allocate capital to domestic R&D and commercialisation will expand Australia's innovation pipeline and strengthen economic competitiveness.

Finally, a comprehensive regulatory stocktake and a measurable commitment to reduce regulatory burden will improve efficiency, attract private investment, and create a more responsive environment for innovation and growth. Faster approval processes for critical projects, including R&D facilities and enabling infrastructure, will also ensure Australia can deliver innovation at pace and scale.

These recommendations are fiscally responsible, targeted to areas of national priority, and designed to deliver measurable improvements in productivity. UNSW stands ready to partner with government, industry, and the broader community to deliver reforms that secure long-term prosperity for all Australians.



Building a Skilled and Adaptable Workforce

Australia is experiencing a sustained decline in labour productivity growth, now at its lowest rate in decades. This trend presents a serious threat to national prosperity, wages growth, and fiscal sustainability. A key driver is the persistent underutilisation of skills within the labour force. Many qualified workers, particularly migrants and mid-career professionals, are employed in roles that do not reflect their training or capabilities. Structural barriers, including fragmented skills recognition systems, limited upskilling and re-skilling pathways, and weak incentives for businesses to invest in workforce development, are constraining the economy's ability to adapt to technological change and shifting demand for advanced skills.

Addressing these challenges is critical to reversing productivity stagnation, lifting living standards, and preparing Australia's workforce for the demands of a global, technology-driven economy.

For example, Australia faces a projected shortfall of up to 200,000 engineers by 2040, with demand outstripping supply across key sectors such as construction. Yet, Engineers Australia estimates that more than 100,000 qualified engineers, many with foreign or unaccredited qualifications, are already living in Australia but employed in non-engineering roles.¹ This mismatch represents a substantial, avoidable drag on productivity and economic performance.

Building a future-ready workforce requires a coordinated, long-term strategy. National efforts should prioritise lifelong learning, strengthen education-to-employment pathways, and position Australia as a destination of choice for global talent in critical fields. By unlocking the full potential of Australia's existing workforce and addressing systemic barriers to skill utilisation, the nation can rebuild its productivity base and drive sustainable, inclusive growth.

Proposal 1: Expand government funding to support lifelong learning programs, enabling individuals to upskill and reskill throughout their careers to meet evolving workforce needs.

Expanding government funding for lifelong learning programs (including microcredentials) across areas of strategic importance (including digital skills, cybersecurity, renewable energy, and advanced manufacturing). This would enable workers to upskill and reskill in response to emerging industry demands. Targeted programs should be designed in close partnership with employers to ensure training is directly relevant to workforce needs and delivered flexibly to support participation by individuals at all career stages. This could be funded through a new lifetime learning levy for large businesses, which would incentivise them to invest in upskilling their workforce and support the expansion of existing programs and initiatives.

For workers and education providers, integrating post-secondary pathways would support the development of flexible, stackable, adaptive qualifications that reflect the realities of contemporary careers. Clear, coordinated pathways between universities and training providers will allow students to seamlessly combine practical training with advanced academic study, accelerating progression into high-demand industries.

These measures would directly support the workforce through a flexible post-secondary education and training, in line with Pillar Two of the productivity agenda.

¹ [Tens of thousands of qualified, skilled migrant engineers missing out on engineering work](#), Media release, Engineers Australia, 14 July 2023



Proposal 2: Introduce targeted incentives to expand work-integrated learning opportunities, strengthening the connection between education and industry and improving graduate employability.

Incentivising employers to host students in work-integrated learning placements is essential to bridging the gap between study and employment. Targeted support should prioritise placements within priority industries and emerging sectors, fostering practical experience, building industry connections, and accelerating the development of job-ready graduates equipped to contribute to national productivity and innovation.

Proposal 3: Establish targeted Masters conversion programs and streamlined recognition pathways to equip temporary and permanent residents with accredited skills in priority sectors.

Empowering universities to deliver high-quality Masters conversion degrees could play a pivotal role in lifting national productivity. This approach would address critical skills shortages and unlock the full potential of Australia's existing talent pool, reducing our reliance on temporary migration and without adding to our population burden.

Targeted Masters programs would enable graduates holding a related bachelor's qualification (for example, transitioning from Science to an accredited Engineering credential) to quickly upskill within an accelerated timeframe. This approach would fast-track the development of advanced technical skills and expand the pipeline of qualified professionals in sectors experiencing acute workforce shortages that constrain productivity.

In parallel, establishing clear and efficient pathways to convert foreign or unaccredited qualifications into recognised Australian credentials is essential to harnessing the expertise of skilled migrants already living in Australia. Removing unnecessary barriers to recognition would unlock a significant pool of underutilised talent, boosting workforce participation and enabling faster responses to emerging labour market needs.

Streamlined and transparent conversion processes, supported by targeted bridging programs and accelerated assessment pathways, will enable skilled migrants to contribute more effectively to the economy. This will strengthen labour market dynamism, reduce reliance on short-term migration, and help build a more resilient, competitive national skills base.

Proposal 4: Streamline and better integrate skilled visa pathways with migration and workforce planning to attract and retain global talent, strengthen Australia's workforce, and enhance international competitiveness.

Streamlined visa pathways and improved recognition processes for skilled migrants are critical to strengthening Australia's human capital base. A fit-for-purpose migration system should reduce barriers for universities and employers to attract and retain top talent in critical sectors. Enhancing the visibility and accessibility of skilled migration programs will bolster Australia's competitiveness and ensure the workforce can adapt and grow in line with national and state priorities. Better integration of skilled visa and migration workforce outcomes would further strengthen industry's capacity to adapt and respond to changing demands, supported by closer alignment between skilled visa settings, state priorities, and industry accreditation bodies.



Strengthening Industry and Academia Collaboration in Support of a More Dynamic Economy

Australia's research and innovation system is constrained by fragmented policy settings, inconsistent funding, and a lack of national coordination. These challenges contribute to duplicated effort, excessive administrative burden, and underutilised resources; limiting the system's ability to deliver economic, technological, and societal returns.

In the absence of a clear strategic framework, mission-driven innovation centres, and stronger integration into global research networks, Australia continues to fall short in translating world-class research into commercial outcomes. This is particularly concerning in critical technology areas where international competitors are accelerating investment and capability.

At the same time, growing compliance obligations are diverting time and resources away from research and innovation activities, further eroding productivity and institutional agility. A coordinated national approach is urgently needed to align investments with strategic priorities, strengthen collaboration across jurisdictions and sectors, and create the conditions for Australia's research system to deliver transformative impact.

Proposal 5: Develop a National Collaboration Framework to align federal, state, and industry R&D investments, maximising impact and reducing duplication.

Developing a National Collaboration Framework to align federal, state, and industry R&D investments is critical to reducing duplication. A national framework would streamline administration and maximise the productivity gains from public investment. A coordinated national approach would strengthen alignment across jurisdictions, improve transparency, and enable research institutions and industry to engage more effectively with government priorities that drive economic growth and national competitiveness.

Efforts to strengthen Australia's R&D system should be purposefully aligned with the implementation of the Australian Universities Accord and other key reforms, including the forthcoming Strategic Examination of R&D. A unified policy direction across research, education, and workforce development would ensure these investments are mutually reinforcing; supporting a more dynamic, resilient, and globally competitive innovation ecosystem.

This measure directly supports Pillar One of the Government's productivity agenda and could also be tailored to advance Pillars Three and Five, by strengthening digital capability and deepening workforce skills through research-led collaboration.

Proposal 6: Promote capacity building and structured knowledge exchange between researchers, industry, and government to drive innovation, lift productivity, and accelerate the adoption of emerging technologies that strengthen Australia's economic resilience and global competitiveness.

Building stronger partnerships between researchers, industry, and government is critical to turning new discoveries into practical solutions that deliver measurable economic benefits. Targeted investment in capacity building and structured knowledge exchange will allow Australia to share expertise, align priorities, and accelerate the adoption of emerging technologies. This will enhance labour dynamism, build the skills base, and increase job quality and satisfaction, which will in turn lift productivity, enhance sovereign capability, and strengthen economic and social resilience. Stronger partnerships will also help position Australia to compete more successfully in an increasingly technological global market. Formal knowledge exchange could be included in workplace recognition, with badging for skill acquisition aligned with Proposal 1.



Proposal 7: Reduce the compliance burden for research grants and institutions to enable researchers to focus on innovation and discovery.

In parallel, policy settings must address the growing administrative and compliance burdens that divert time and resources from core research and commercialisation activities. Streamlined processes and proportionate reporting requirements will enable research centres and innovation-driven institutions to operate more efficiently and maintain their focus on delivering high-impact outcomes. Reducing unnecessary regulatory overhead, especially for research activity led by and funded by public institutions in partnership with industry, is a practical way for government to enhance innovation, economic dynamism and institutional agility, directly supporting Pillar One of the productivity agenda.

Proposal 8: Invest in mission-driven innovation centres to bridge the “valley of death” between research and commercialisation.

Establishing nationally coordinated, mission-driven innovation centres is essential to bridge the persistent gap between discovery research and commercialisation. Purpose-built centres de-risk late-stage development, catalyse private investment, and position Australia to lead in critical technology domains.

Australia should establish a network of innovation centres drawing on successful international models, such as the UK’s Catapult Network and the U.S. Manufacturing Institutes. These centres should focus on accelerating the translation of research into market-ready solutions, supporting high-growth sectors, and fostering collaboration between industry, universities, and government.

Centres should be aligned with national priorities - such as clean energy, critical technologies, and advanced manufacturing - to ensure public investment delivers measurable economic, environmental, and societal returns. This approach will strengthen Australia’s innovation pipeline, boost sovereign capability, and support long-term productivity growth.

Proposal 9: Provide long-term, sustainable program funding to support predictable planning and foster research excellence.

Sustained and predictable, long-term funding for research is essential to avoid the “valley of death” that frequently prevents promising research and prototypes from progressing to commercial deployment. Stable resourcing will enable centres to build capability, attract global partnerships, and deliver outcomes at scale. By ensuring continuity of funding, government can create the conditions for high-impact research to translate into real-world solutions; driving productivity, competitiveness, and national resilience.

Proposal 10: Deepen international collaboration through targeted bilateral and multilateral agreements that expand research networks and market access.

Strengthening Australia’s engagement in global research networks is critical to maintaining our position at the forefront of innovation and ensuring that national capability continues to evolve in line with international best practice. Deeper collaboration will unlock new opportunities for knowledge exchange, accelerate the development of frontier technologies, and deliver shared economic and security benefits.

Negotiating bilateral and multilateral research agreements in shared strategic areas such as quantum computing, clean energy, and critical technologies would allow Australia to leverage global expertise and fast-track solutions to our complex societal challenges. These partnerships should be underpinned by sustained investment and a clear commitment to co-development and knowledge transfer.



Proposal 11: Join Horizon Europe to connect Australia to the world’s largest collaborative research and innovation program.

Facilitating researcher mobility and improving access to world-class research infrastructure would ensure Australian institutions and innovators can contribute to, and benefit from, leading-edge discoveries. Enhanced exchange programs, joint appointments, and collaborative facilities would help embed Australian researchers in international innovation ecosystems and support the development of globally connected talent pipelines.

UNSW echoes the call by Duncan Lewis, former Director-General of ASIO, and others to elevate Australia’s innovation capabilities. Joining Horizon Europe, the €95.5bn collaborative research program, represents a significant opportunity to deepen Australia’s international partnerships, strengthen sovereign capability, and ensure Australian research remains globally competitive across critical domains.

Membership would directly support Pillar Five of the government’s productivity agenda, investing in cheaper, cleaner energy and the net zero transformation.



Reduce the Impact of Regulation and Improve Policy Settings

Australia's innovation ecosystem is constrained by an outdated R&D Tax Incentive (RDTI), inefficient regulatory settings, and limited mobilisation of institutional capital. The current RDTI framework does not reflect the needs of a modern, knowledge-driven economy. It fails to sufficiently incentivise collaboration between industry and research institutions or to direct investment toward areas of strategic national importance. Complex administration and compliance requirements deter uptake, particularly by smaller firms, while eligibility rules allow a significant share of benefits to flow offshore, weakening domestic R&D capability.

At the same time, fragmented and burdensome regulation continues to inhibit private investment, delay critical project delivery, and erode Australia's global competitiveness. These structural inefficiencies are compounded by persistent early-stage funding gaps and the underutilisation of large pools of institutional capital.

Without clear policy settings to unlock long-term investment from sources such as superannuation funds, Australia risks falling behind global peers in scaling innovation, commercialising breakthroughs, and building sovereign capability in critical technologies.

Proposal 12: Reform the R&D Tax Incentive to drive greater collaboration and deliver strategic national outcomes.

A modernised R&D Tax Incentive (RDTI) is critical to strengthening Australia's innovation ecosystem and ensuring public investment delivers maximum national benefit. In line with Recommendation 2 of the 2016 Ferris, Finkel and Fraser ('3F') Review, the RDTI should be comprehensively restructured to reflect the evolving needs of Australia's research and industry landscape. Targeted reforms should focus on incentivising collaboration between business and research institutions, improving accessibility for smaller firms, and supporting the development of sovereign capability in priority sectors. This would ensure the scheme better drives innovation-led growth and supports long-term economic resilience.

Reforming the RDTI also aligns with efforts to boost business investment through corporate tax reform, directly advancing Pillar One of the Government's productivity agenda.

Proposal 13: Introduce an RDTI collaboration premium to reward partnerships between industry and research institutions.

UNSW calls for the introduction of a premium tax credit for firms partnering with Australian universities or publicly funded research agencies on R&D aligned to national priorities. This targeted incentive would strengthen cross-sector collaboration, encourage investment in high-impact research, and accelerate the translation of knowledge into outcomes that drive productivity, competitiveness, and long-term national benefit.

Proposal 14: Restrict RDTI eligibility to domestic R&D activities to strengthen local capability and skills.

Eligibility for the RDTI should be limited to activities undertaken within Australia to ensure taxpayer-funded incentives directly contribute to building local capability, generating high-value jobs, and enhancing sovereign resilience.



Proposal 15: Simplify RDTI administration to make the scheme more accessible and effective.

Streamlined processes and simplified compliance requirements are essential to broaden access for SMEs and reduce the administrative burden associated with claiming the RDTI. A more accessible and proportionate system will drive broader participation and underpin greater investment in research and development.

Proposal 16: Streamline regulation to unleash innovation and accelerate commercialisation.

A high-performing innovation ecosystem, and the productivity it underpins, depends on a regulatory environment that is proportionate, efficient, and responsive to emerging opportunities. Reducing unnecessary complexity will enable industry to focus resources on delivering impactful outcomes and driving productivity gains rather than navigating administrative barriers.

Proposal 17: Undertake a comprehensive regulatory stocktake to remove barriers to research and innovation.

Government should undertake a cross-sector regulatory stocktake, including in higher education, to identify areas of duplication, overreach, and misalignment that constrain productivity and slow innovation. A systematic review will provide the evidence base to modernise regulatory frameworks and ensure they remain fit for purpose in supporting a more dynamic economy.

A clear, measurable commitment to reduce regulatory burden by 2030, while maintaining standards and safeguards, will drive accountability and boost productivity. Streamlined settings will accelerate decision-making, enhance competitiveness, and encourage greater private investment in innovation and capability development. Developing faster approval processes for major projects (including student accommodation, R&D facilities, and critical infrastructure) is essential to unlock new capacity. Efficient pathways will enable institutions and industry to deliver projects at pace and scale, directly contributing to higher national productivity and long-term economic resilience.

Proposal 18: Unlock institutional capital to scale high-potential technologies and grow Australia's innovation ecosystem.

Government should develop targeted policies that incentivise superannuation funds and private capital to allocate a portion of their assets to domestic R&D and early-stage commercialisation. Mobilising institutional capital is critical to both bridge persistent R&D funding gaps and accelerate the development and diffusion of new technologies that drive productivity.

Purposeful coordination and clear government signals can help shift investor behaviour. Expanding the scale of venture financing available to Australian innovators can support the emergence of new technologies and globally competitive industries.

Australia should consider adopting policy frameworks similar to the UK's Mansion House Compact, which aligns long-term institutional investment with national strategic priorities. Under this agreement, nine of the UK's largest defined contribution (DC) pension funds have committed to allocating at least 5 per cent of their default assets to domestic startups and high-growth companies by 2030. This initiative is helping to unlock up to £75bn in investment; mobilising capital from both private and public pension schemes to support the country's innovation economy.

Policy settings must better enable superannuation funds, family offices, and high-net-worth individuals to participate in high-risk, high-reward research and development. By mobilising greater institutional capital into R&D, Australia can accelerate the transformation of its industrial base and build sovereign capability. Importantly, this budget neutral measure could be targeted towards supporting investment in cheaper, cleaner energy and the net zero transformation, under Pillar Five.



Proposal 19: Transform government procurement into a strategic tool to support Australian innovation and emerging businesses.

Government procurement should be used strategically to strengthen Australia's innovation ecosystem. Prioritising the adoption of home-grown technologies and sourcing from local startups will build sovereign capability, help emerging businesses, and accelerate commercialisation. Consideration should be given to offering procurement advantages to businesses conducting genuine R&D activities in Australia, such as tender evaluation boosts or similarly targeted incentives.

More broadly, government should act as an active lead customer of Australian innovation. By demonstrating confidence in local capability and prioritising domestic providers, public procurement can serve as a powerful lever to drive market adoption and support the growth of globally competitive industries.

Conclusion

Australia's future prosperity depends on our ability to adapt, innovate, and invest in the capabilities that will drive long-term economic growth and productivity. By strengthening the connection between research, education, industry, and community, we can build a dynamic and inclusive economy equipped to meet the challenges and seize the opportunities of the decade ahead.

UNSW Sydney is committed to working collaboratively with government and stakeholders to deliver reforms that are fiscally responsible, nationally focused, and designed to achieve measurable impact. Our proposals aim to unlock the full potential of Australia's people, institutions, and ideas; ensuring that knowledge created here generates enduring economic and societal benefits for all Australians.

We thank the Government for the opportunity to contribute to this important process and stand ready to support the design and delivery of policies that build a stronger, more resilient Australia. Should you wish to discuss any issue raised in this submission, please do not hesitate to contact our Director of Government Relations, Mr Robin Schuck, on 0411 124 258 or r.schuck@unsw.edu.au.

