

Issued by the NSW Productivity and Equality Commissioner



15 May 2025

Media release

Productivity gains from a new approach to regulations

A major push for additional productivity gains and savings adopting a more experimental approach to regulation has been called for today by the NSW Productivity and Equality Commission.

Ahead of a gathering later this month of NSW agencies that manage government regulations, NSW Productivity and Equality Commissioner Peter Achterstraat AM called for regulatory experimentation – a powerful tool to encourage innovation and drive more cost-effective and efficient regulation.

The purpose of this latest research - **Smarter regulation through experiments: How NSW should road-test regulations** - is to continue building the case for regulatory experimentation and give regulators practical guidance and resources to conduct their own experiments.

"We need regulations but we need to be smart in the way we regulate. Testing new ways of achieving regulatory aims can help us seize the opportunities from new technologies and make it easier for businesses to innovate and invest." Mr Achterstraat said.

Using experiments to test regulation allows regulators to understand how alternative regulations or non-regulatory options perform. This might identify policies that are more effective, or that are less costly, and build evidence to support a change.

This new research sets out three types of experiments:

- before-and-after studies
- randomised controlled trials
- quasi-experiments.

Regulatory experimentation allows regulators to continuously improve and refine regulation rather than a set-and-forget approach.

There is ample evidence of the benefits from regulatory reform:

- The COVID-19 pandemic forced us to look at different ways of doing things, and some of the regulations that were changed at the time have been made permanent. These are expected to deliver more than \$3 billion in net benefits for NSW over ten years.

These permanent changes include allowing new technologies like virtual meetings to be used in strata schemes, conveyancing, some healthcare settings, saving hundreds of millions of dollars in time and travel costs over the 10 years to 2032.

- Apprenticeship dropout rates are a costly problem for NSW, with lost productivity and budget impacts estimated at \$348 million per year (NSW Government, 2021). In a 2019 trial, simply sending messages via SMS to support apprentices and encourage them to continue their training reduced dropout rates by almost one in six.

- Regulatory ‘sandboxes’ create opportunities to test new technologies and business models, making it easier for them to gain funding. One of the oldest, the UK’s Financial Conduct Authority sandbox has supported close to 1,000 businesses in the decade since its inception.

The Commission has previously highlighted that between 2010 and 2019, NSW created twice as many regulations than the previous decade, reinforcing the need for action.

Mr Achterstraat noted that evidence based on experimentation is becoming increasingly prevalent in the design and evaluation of public policy.

For example, several high-profile government teams have been established in recent years with a focus on policy experimentation, such as the NSW Behavioural Insights Unit, the Behavioural Economics Team of the Australian Government, and the Australian Centre for Evaluation.

“To boost productivity, we should always be looking for ways to improve regulation. We know there are opportunities to road-test regulation and we want to hear from regulators who are interested in trying new approaches and ways of doing things.” Mr Achterstraat said.

The ***Smarter regulation through experiments: How NSW should road-test regulations*** paper is available on the NSW Productivity and Equality Commission website
<https://www.productivity.nsw.gov.au/smarter-regulation-through-experiments>

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