



PRODUCTIVITY IN AUSTRALIA



SUBMISSION TO:
THE SELECT COMMITTEE ON
PRODUCTIVITY IN AUSTRALIA

FEBRUARY 2026

Submission to the Select Committee on Productivity in Australia

The Academy of the Social Sciences in Australia (the Academy) is an independent, not-for-profit organisation that brings together the multidisciplinary expertise of our nation's leading thinkers to provide practical, evidence-based advice on important social issues facing society.

As the pre-eminent organisation in Australia representing excellence across the social science disciplines, we welcome the opportunity to respond to the Select Committee on Productivity in Australia's Terms of Reference and Discussion Paper (the discussion paper).

Overview

The Academy welcomes the establishment of the Select Committee on Productivity in Australia. The Terms of Reference of this inquiry are broad and rightly reflect the complex and multifaceted nature of productivity.

The Academy plays a key role in convening expertise from across the social sciences, bringing together diverse disciplinary perspectives that are critical to navigating this complexity.

Our submission highlights recent expert forums, research and policy contributions from the Academy and selected Fellows, offering evidence-based insights and practical recommendations to address both short-term economic challenges and the long-term structural shifts required to boost productivity in Australia.

We emphasise that there are no quick fixes. While improving productivity requires immediate, sustained and coordinated action across multiple sectors, evidence shows that policy interventions today will take years to translate into measurable outcomes.

The Academy welcomes the opportunity to connect the committee directly with Fellows to explore these issues in greater depth. If this is of interest or to discuss any matters raised in this submission, please contact Andrea Verdich, Policy Director on 0438 218 352, or andrea.verdich@socialsciences.org.au.

Challenges in measuring productivity

- **Measuring productivity is complex.** Small decisions about how labour, capital, and outputs are counted can substantially affect results. In *Productivity Indexes and National Statistics: Theory, Methods and Challenges*, Academy Fellow Kevin J. Fox and W. Erwin Diewert emphasise that **using sound measurement methods and high-quality data is critical to producing reliable productivity statistics** that can effectively inform policy.¹ These issues are highlighted in their separate submission to

¹ Fox, K. J., & Diewert, W. E. (2019). [Productivity indexes and national statistics: Theory, methods and challenges](#). In T. ten Raa & W. H. Greene (Eds.), *The Palgrave Handbook of Economic Performance Analysis* (pp. 707–759).

this inquiry, which emphasises the importance of ensuring the Australian Bureau of Statistics (ABS) is resourced to address these challenges.

Productivity growth considerations across the economy

- **Ideas to drive productivity growth across the economy.** On 29 July 2025 the Academy partnered with the Melbourne Institute of Applied Economic and Social Research and CEDA to convene a 90-minute Flash Forum on *Driving Productivity Growth*. Moderated by finance journalist Alan Kohler the forum involved brief presentations by nine leading experts and industry representatives. Speakers **identified priority reform areas spanning competition policy, housing, energy, skills, gender equality, and innovation**. The [event recording is available online](#) and summary report is attached to this submission. The key proposals are detailed further in a special article in the Australian Economic Review, [Driving Productivity Growth](#).
- **Properly fund high quality research in Australian universities.** Funding for research and development (R&D), is a critical component of any economic plan seeking to invest in the foundations of future growth. R&D drives innovation and productivity and improves our quality of life. The Academy [Submission to the Strategic Examination of Research and Development](#) comments on **the relationship between productivity and R&D and makes the case for increasing public funding for research**, as well as encouraging business investment.
- **Boost productivity in care and support systems.** Rising demand for care and support services was identified in the [Employment White Paper](#) as one of the five forces that will shape our economy and labour market in the coming decades. The Academy [Submission to the draft national care and support economy strategy 2023](#) **identifies challenges measuring productivity in care sectors** using narrow input-output measures, which fail to account for the value generated through quality, human relationships and long-term social and economic spillovers. It also **highlights opportunities to drive productivity** through improvements to service quality, service mix and work design, in addition to technology.

Australia's tax system and impacts on productivity

- **Tax reform: laying the foundations.** Tax policy affects the incentives, resources, and behaviours that drive productivity. It is broadly agreed that Australia's tax and transfer system is no longer fit for purpose and reform is necessary to restore fiscal sustainability, secure intergenerational fairness and enhance economic resilience within a simplified system. In 2024 the Academy partnered with CEDA to host the Keith Hancock Lecture and Panel Discussion *Tax Reform: Laying the Foundations*. Academy Fellow Professor Bob Breunig delivered the lecture and participated in an insightful panel discussion with Fellow Dr Ken Henry AC, Member for Wentworth Allegra Spender MP, and Angela Stevens from Think Forward. **Key priority areas for reform included housing and property taxation, consideration of superannuation concessions for high-wealth individuals, integrating carbon pricing**, and enhancing public

understanding to build trust and support for sustainable, equitable tax policy reform.

[The event recording is available online.](#)

Dynamism of Australia's labour market

- **Understanding trends in labour productivity since 2020.** Labour productivity in Australia experienced sharp swings during the COVID-19 era but by the end of 2024 it sat slightly below its pre-pandemic level, reinforcing concern about both the long-running productivity slowdown and short-term inflation pressures via higher unit labour costs. Academy Fellow Jeff Borland explains the **long term and COVID-specific influences contributing to the labour productivity slowdown** in [Labour market snapshot #106 November \(18\) 2024](#) and forthcoming paper *Decline to boom to slowdown: Australia's labour market in the COVID-19 era*².
- **Invest in human capital.** Education is a critical structural driver of productivity, building the skills, adaptability and innovation capacity of the workforce. The foundations for education start in the early childhood education and care system (ECEC) and continue throughout school to tertiary education and lifelong learning. Academy submissions to reviews of [ECEC](#), [schools](#) and [tertiary education](#) all identify actions to **ensure each stage of the pipeline is connected and encourages equity and quality which is critical to building human capital.**

² Forthcoming in the Australian Economic Review. Working paper available [here](#).



PRODUCTIVITY OPPORTUNITIES: PROPOSALS FROM A FLASH FORUM OF EXPERTS

On 29 July, 2025, the Melbourne Institute of Applied Economic and Social Research, the Academy of the Social Sciences in Australia and CEDA convened a 90-minute Flash Forum moderated by finance journalist Alan Kohler involving brief presentations by 10 leading experts and industry representatives.

Speakers provided a rich tapestry of perspectives—spanning competition policy, housing, energy, skills, gender equality, and innovation. Whereas each presentation focused on distinct sectors, several recurring themes and complementary ideas emerged with significant potential for national impact.

1. REIMAGINING REGULATORY STRUCTURES AND COMPETITION FRAMEWORKS

Several speakers stressed the need for modern and harmonised regulatory systems that keep pace with emerging markets and evolving technologies to enable greater job mobility, competition and innovation:

- **Revitalised National Competition Policy: Professor Allan Fels**, former Chair of the ACCC proposed a dynamic, proactive policy approach with an independent commission to monitor and strengthen competition, particularly in AI, energy, and care sectors.
- **Seamless National Economy Mark 2.0: Andrew Barker** from CEDA noted the successes of the 2009 National Partnership Agreement on deregulation and highlighted the opportunity to revisit this process with a concerted cross-jurisdictional effort to remove regulatory inefficiencies and bottlenecks.

Priority areas include occupational licensing, payroll tax harmonisation, heavy vehicle design rules, land-use planning and best practice procurement.

2. HOUSING AND URBAN DESIGN

Dr Michael Fotheringham from the Australian Housing and Urban Research Institute identified productivity opportunities in both urban design and housing construction. He noted the National Housing Accord's framing of 1.2M *well-located* homes, the importance of zoning and policy to prioritise infill development and densification over continuing expansion of urban growth boundaries of major cities, the productivity drain caused by very low-density cities, and the costs and congestion associated with moving large number of people significant distances around our cities for work and education.

He also focused on increasing inefficiencies in Australia's housing construction sector, noting that a contract for a house construction leads to dozens of subcontracts, each subcontractor travelling from site to site, leading to further congestion and repeated site delays, as we build increasingly large houses for increasingly small households.

3. ENERGY INFRASTRUCTURE

Dr Aruna Sathanapally from the Grattan Institute emphasised the vast underutilisation of Australia's energy infrastructure, calling for regulatory reform to unlock battery storage potential and grid efficiency. This would amplify productivity gains across sectors—from housing to manufacturing—by reducing costs and enabling smarter grid utilisation.



4. SKILLS, EDUCATION, AND WORKFORCE ADAPTABILITY

Several speakers underscored the pivotal role of skill development and workforce adaptability.

- **Professor Peter Dawkins** from Victoria University argued for harmonising VET and Higher Education to better and more cost effectively meet Australian's skills needs.
- **Professor Bruce Chapman** from the ANU made the case for an income-contingent loan system to support reskilling of mature-age employees who are often excluded on affordability grounds.
- **Professor Rae Cooper** from the University of Sydney and **Joseph Mitchell** from the Australian Council of Trade Unions focused on the enormous productivity potential among the several million Australians who are under-employed or in employment not taking full advantage of their skills. Continued improvements to affordability and access for the child-care and aged care systems will help, as would a greater focus on improving managerial competencies, better job design and protections.
- **Michael Brennan** from the e61 Institute explained the different sources of growth by sector over time, with the resources sector a standout in achieving productivity-driven growth, and the care sectors having grown largely through workforce expansion. The projected growth in demand for care services in an environment of near-full employment will mean we're reliant on continued productivity gains in other sectors to enable an expanded care economy.

5. INNOVATION, AI AND TRUST-BUILDING

Professor Beth Webster from the Melbourne Institute highlighted that the only source of long-term productivity growth is knowledge and its application to tasks, products and services. She noted the importance of publicly funded research and agglomerations of related firms for the translation of new ideas into value. She pointed to evidence that direct public support for firm-level innovation is less efficient than support for trust-rich and well-supported innovation clusters and ecosystems

Joseph Mitchell from the ACTU spoke about the need for an AI Act, a national AI authority and implementation agreements to assist firms in the responsible deployment of AI at scale while protecting workers and building societal trust.

6. INCLUSIVE PARTICIPATION AND MANAGERIAL CAPABILITY

The importance of job quality, particularly for women and workers in feminised sectors, emerged as a productivity lever.

Professor Rae Cooper argued that managerial decisions around flexibility, consultation, and pay are critical.

She noted that boosting productivity is not just about systems—it's also about people. A more inclusive, respectful, and well-managed workforce directly affects morale, retention, and performance. Reinvesting in leadership development, especially at the managerial layer, is essential



KEY PRIORITIES TO BOOST AUSTRALIA'S PRODUCTIVITY

Bringing these themes together, Australia can achieve a more resilient, inclusive and productive economy through:

AREA	ACTION
Innovation Ecosystems	Support emerging world-leading business clusters.
Regulatory Reform	Launch a new National Seamless Economy framework focused on harmonisation and cross-jurisdictional coordination.
Competition	Revitalise Australia's National Competition Policy to strengthen competition in key sectors.
Skills & Education	Establish income-contingent reskilling loans and tertiary sector reform to facilitate better credit transfer and hybrid education and training pathways and programs between VET and Higher Education to better meet Australia's skills needs.
Housing & Urban Development	Streamline construction regulation, prioritise increasing density of our cities, through infill housing, zoning changes, and greater incentivisation of apartment and medium density formats aligned with household and workforce needs.
Energy Infrastructure	Reform grid regulation to enable battery storage and peak-load optimisation.
Workforce Participation	Invest in manager capability, workplace flexibility, and design respectful, secure job environments.
Artificial Intelligence	Establish a National AI Authority and AI Act and promote ethical deployment standards.