

Discussion paper

Productivity is fundamental to economic growth, Australia's prosperity and living standards. Yet since the mid-2000s, productivity has slowed significantly across the economy, with average annual growth over the decade to 2020 the weakest it has been in 60 years.¹ This stagnation has contributed to weak real wage growth and is reducing national competitiveness while increasing household cost-of-living pressures, with a palpable effect for Australian families. At a time of global uncertainty, demographic ageing and rapid technological change, the future trajectory of Australia's productivity will determine whether national living standards stagnate, rise, or fall. This challenge is the backdrop to the establishment of this select committee.

The terms of reference for this select committee are broad and complex. The issues and questions below highlight the committee's key areas of interest and are provided to assist submitters.

Challenges in measuring productivity

Productivity is a measure of how efficiently an economy turns inputs—such as labour, capital and resources—into outputs, such as goods and services. Productivity growth occurs when an economy produces more output from the same inputs and/or maintains output with fewer inputs. Measuring productivity is complex, including due to short-term instability in response to economic cycles and incomplete data for some industries.²

- What is Australia's historical and recent productivity performance, and the expected outlook and related assumptions on future productivity growth. How does Australia's productivity performance compare with other countries, including the global productivity frontier?
- What are the limitations of Australia's current productivity measurement frameworks?
- Does the language and assumptions around productivity growth used in the Australian Government Budget influence how productivity and productivity projections are measured?
- How do measurement gaps in non-market sectors affect understanding of overall economic performance?
- How does Australia compare to international best practice in measuring productivity?

Australia's global competitiveness

Australia's labour productivity ranks 16th among the 38 countries in the Organisation for Economic Co-operation and Development (OECD).³ However, our productivity rate is decelerating noticeably, with average growth from 2013 to 2023 ranking only 29th.⁴

- What factors have contributed most to Australia's decline in productivity growth relative to OECD peers?
- How does Australia's productivity performance affect its global competitiveness and attractiveness for investment?

¹ Economic Policy section, Australia's flagging productivity growth, *Policy Brief 2025–26*, Parliamentary Library, p. 5.

² Reserve Bank of Australia (RBA), *Productivity*, <https://www.rba.gov.au/education/resources/explainers/productivity.html> (accessed 21 November 2025); Economic Policy section, Australia's flagging productivity growth, *Policy Brief 2025–26*, Parliamentary Library, p. 5.

³ Mr Jim Stanford, *Productivity in the Real World: What it is, what it isn't, and how to make it work better for workers*, The Centre for Future Work at the Australia Institute, July 2025, p. 29.

⁴ Mr Jim Stanford, *Productivity in the Real World: What it is, what it isn't, and how to make it work better for workers*, The Centre for Future Work at the Australia Institute, July 2025, p. 30.

- What lessons can Australia learn from top-performing OECD countries (for example Ireland, Luxembourg, Norway, Belgium, United States), in terms of productivity growth?
- Can lessons be learnt from Commonwealth countries, such as Canada and the United Kingdom; or regional countries, such as Japan, Singapore, Korea or New Zealand?

Productivity growth considerations across the economy

Industry contributions to productivity, including the non-market sector

There is considerable variation in productivity across Australia's industries, given different levels of capital intensity, use of technology, market structures and competitive pressures. It is important to understand these variations and the drivers behind them. In terms of the non-market sector, this refers to parts of the economy where output is provided without the intention of making a profit (e.g. public administration, emergency services, charity organisations). It includes the care economy (e.g. health, education, early childhood care and aged care), which is one of the fastest-growing parts of the overall Australian economy, as well as unpaid care and volunteer work. Output in the non-market sector can be difficult to value in dollar terms.⁵ Nevertheless, the ABS have noted it is striking that recent average productivity growth in the non-market sector industries has been negative, and below their 20-year averages.⁶

- What has been Australia's productivity growth performance by industries, including in the market and non-market sectors?
- How significant is the contribution of the non-market sectors in Australia's overall economic performance?
- Why has productivity performance been lacklustre in Australia's non-market sector?
- How can official productivity measures of the sector be improved, to facilitate policy making and resource allocation?
- How can technological advancements improve productivity?

Australia's regulatory burdens that limit productivity

The Productivity Commission commented that regulation is imperative but can also stymie productivity growth, such as in the housing and construction industries where heavy regulation has constrained productivity and increased housing costs.⁷ For example, some recent research indicates that the cost to businesses of complying with federal regulation has risen to \$160 billion (5.8 per cent of GDP), up from \$65 billion (4.2 per cent of GDP) in 2013.⁸

- Which regulatory requirements impose the greatest burden on productivity growth and how could these be streamlined without compromising public interest or safety?
- How do government-related regulatory burdens affect and limit productivity growth, including regulations imposed by different Australian Government agencies and determine their relative contribution to the red tape burden?

⁵ Mr Jim Cox, *The productivity problem: Australia's Growth slump is undermining prosperity*, The Centre for Independent Studies, 7 August 2025, <https://www.cis.org.au/publication/the-productivity-problem-australias-growth-slump-is-undermining-prosperity/> (accessed 21 November 2025)

⁶ Australian Bureau of Statistics, A primer on labour productivity, <https://www.abs.gov.au/articles/primer-labour-productivity>, 3 September 2025.

⁷ Productivity Commission, *Housing construction productivity: Can we fix it?*, February 2025, p. 35.

⁸ Mandala, *\$160 billion and counting: the cost of Commonwealth regulatory complexity*, <https://mandalapartners.com/reports/160-billion-and-counting-the-cost-of-commonwealth-regulatory-complexity>, 2 December 2025.

- Which regulatory burdens have the greatest impact on sector productivity? For example, is it most damaging in mining or financial services or higher education?

Investment and productivity

Investment, and related capital flows, are a key contributor to productivity growth and overall economic growth. If the amount of capital workers have available to use increases (capital deepening), it will generally enable them to produce more output and so be more productive. Slower capital deepening is likely to have contributed to Australia's weaker productivity performance. There are several likely reasons for this, including those related to economic dynamism both in Australia and overseas (such as slower adoption of new technologies, and declining firm entry rates).⁹

- What factors are influencing the enabling environment for investment and capital flows in Australia?
- What are the benefits of capital inflows and foreign investment?
- How can Australia best attract foreign investment into the most productive uses?
- Which nations are we primarily competing with for marginal investment?
- How do foreign investment imperatives balance with other considerations such as national security? For example, how does foreign ownership of Australian housing impact our economy and nation? What type of reaction has there been in other comparable countries to institutional or foreign ownership of housing?

Australia's tax system and impacts on productivity

Business investment is important for economic dynamism and resilience, but according to the Productivity Commission, Australia's corporate tax system has become a barrier to innovation, capital expenditure, and competitive market entry. Additionally, Australia's high corporate tax rate of 30 per cent makes Australia a less attractive destination for foreign investment.¹⁰

- How does Australia's overall tax system, including personal, property and other taxes distort or limit investment and productivity growth?
- Can the corporate tax system be optimised to encourage productivity growth and economic dynamism?

Freight supply chains

The freight and logistics industry is an essential component of Australia's economy. However, global and domestic freight disruptions continue to destabilise the supply chain, leading to congestion, delays and higher costs.¹¹ Productivity growth in the industry has experienced either limited growth or a decline in most years since 2003–04.¹²

- How can fit-for-purpose freight infrastructure encourage productivity growth and economic dynamism?
- How has disrupted freight supply chains impacted Australia's infrastructure resilience?
- Would harmonised freight and logistics regulations better support Australia's economy?

⁹ RBA, *Capital Flows, Investment and Productivity*, <https://www.rba.gov.au/publications/rdp/2023/2023-03/capital-flows-investment-and-productivity.html>, March 2023.

¹⁰ Productivity Commission, *Creating a more dynamic and resilient economy*, July 2025, pp. 7–9.

¹¹ Australian Competition and Consumer Commission, *Disruptions and price rises persist in the container freight supply chain, report finds*, Media release, <https://www.accc.gov.au/media-release/disruptions-and-price-rises-persist-in-the-container-freight-supply-chain-report-finds>, (accessed 8 December 2025).

¹² Infrastructure and Transport Minister, *National Freight and Supply Chain Strategy*, August 2025, p. 22.

Productivity in regional Australia

Regional capitals foster local business and diverse entrepreneurial activity. However, increased growth in regional areas also creates challenges around housing, retention of skilled workers and availability of training, education and community infrastructure.¹³

- What aspects of productivity are most relevant for regional Australia, and what have been the developments in these areas over time?
- What strategies can be employed for supporting the economic and productivity growth of regional Australia? How does this growth impact Australia's national productivity?
- How do strategies that encourage increased settlement in regional areas support growth, development and improved productivity?
- How can skilled migrants be encouraged to settle in regional hubs rather than major cities?
- What opportunities and challenges do inland cities present for long-term development?

Effectiveness of Australia's competition policy

Strong competition improves overall economic dynamism and makes it difficult for individual businesses to accrue excessive market power, which in turn encourages fair and efficient markets and keeps prices in check. Strong competition can also motivate businesses to respond to the needs of consumers by offering better products and services.¹⁴

- What is the relationship between strong competition and productivity growth?
- How does competition influence innovation, product quality, and consumer choice?
- Is Australia's National Competition Policy effective, or does it need to be updated?

Dynamism of Australia's labour market

When labour market productivity grows, it makes it more likely our real wages will grow and our living standards will rise.¹⁵ A more dynamic labour market would allow the Australian economy to maximise the skills and talents of workers; it enables workers to find job opportunities that best match their skills and preferences.¹⁶ Jobs and Skills Australia highlights that productivity is being shaped by shifting skill demands and structural barriers; and there is a need for better alignment between education, migration and workforce settings to unlock participation and modernise skills pathways.¹⁷

- How do labour market policy and regulatory settings influence labour market dynamism and productivity growth?
- What are the main structural and other barriers to labour market productivity growth (for example, in relation to occupational licencing, skills recognition and portability, and other regulations)?
- Impact of labour (including skilled labour) shortages on productivity performance?
- How can these barriers best be addressed by policymakers and others?

¹³ KPMG, [Enterprising Cities: How they are shaping future growth](#), 2025, p. 4.

¹⁴ Productivity Commission, [National Competition Policy: modelling proposed reforms](#), 1 November 2024, p. 4.

¹⁵ Australian Bureau of Statistics, *A primer on labour productivity*, <https://www.abs.gov.au/articles/primer-labour-productivity>, 3 September 2025.

¹⁶ e61 Institute, *Labour market dynamism needs to be a key focus of the Economic Reform Roundtable*, <https://e61.in/labour-market-dynamism-needs-to-be-a-key-focus-of-the-economic-reform-roundtable/>, 15 August 2025.

¹⁷ Jobs and Skills Australia, [Connecting for impact: Jobs and Skills Report 2025](#), 4 November 2025, p. 4.