

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 1330

Topic: Productivity Growth

Hansard Page: Thursday 31 May, page 84

Senator WATERS asked:

Senator WATERS: I want to move now to some broader productivity questions. I raised some of these with Treasury earlier today, and I am interested in your take. What do you see as the major reasons for the slowdown in productivity in recent years?

Senator Wong: Productivity growth.

Mr Banks: Productivity growth, yes.

Senator Wong: That is important.

Mr Banks: As I was saying earlier, we have been doing quite a bit of work in this area. If I had to encapsulate it in a sentence, structural change and the kind of transitional adjustments that are occurring in the economy is an important part of what we are observing in terms of productivity. The slowdown has actually been very dramatic and more dramatic than you could explain by normal events. So there is the massive increase in the terms of trade, what has been going on in the mining sector, the major capital expansion in electricity, gas and water and so on and the drought problems that my colleague talked about. A mixture of things that have been responsible has come into play. So we have written this down in a couple of publications, one of which came out just quite recently, which we can make available to you.

Senator WATERS: Thank you. I will look at it. In the longer term, what are the main drivers of productivity? How important is education, for example, in your view?

Mr Banks: There is a lot of discussion about drivers of productivity. We have tried to provide a framework for people to think about that. Earlier reference was made to a submission that we made to the House of Representatives review in relation to productivity a couple of years ago. We set that framework out there. Essentially it is a framework that has both enablers and drivers of productivity. That picks up the incentives for firms to be more productive, the flexibility that they have to respond to such pressures and incentives and then the capability they have, particularly through the human capital and organisational capital, to respond. The point we have made is that all three of those—the drivers and the enablers—are very important and they all interact. So education, obviously, is very important to capability and to human capital. But if you had very inflexible work arrangements et cetera where you could not get the best out of your people, obviously that would not be as productive as if you had the opportunity for those people to be used in the most productive way. Again, that is a submission which I could make available to you where we set that out.

Answer:

Mr Banks referred to the Productivity Commission submission made to the House of Representatives Standing Committee on Economics on 1 September 2009, which is available on the following link:

<http://www.pc.gov.au/research/submission/productivity-growth>

A description of the framework can also be found in the 2007-08 Annual report theme chapter 1.

http://www.pc.gov.au/_data/assets/pdf_file/0006/83868/chapter01.pdf