



Growth mindset: how to boost Australia's productivity

5 productivity inquiries

The PC will release its 5 productivity inquiries' interim reports from 31 July to 13 August 2025 for further public consultation and input. The PC will finalise its reports after these processes have taken place.

July 2025



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

The Productivity Commission

The Productivity Commission (PC) is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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Contents

Growth mindset: how to boost Australia's productivity	1
Why now?	2
Growth improves people's living standards	2
Productivity growth has stalled	6
Where will future growth come from?	10
Australia needs to be match fit	15
References	16

Growth mindset: how to boost Australia's productivity

Australia should be a country where children born today live better and more prosperous lives than the generations who have come before them.

To fulfil that promise, productivity growth is essential.

Productivity growth happens when we improve our skills, technology and ways of working so that for each hour worked we produce more and higher-quality goods and services. The pay-off is higher incomes for workers, and more revenue for governments to support their policy goals. This can mean more of the things that matter for a good life – better health, housing and education, and more and more varied leisure time.

In an increasingly uncertain world, growth provides a buffer against the impacts of global shocks. And it supports our economy to respond to slow-burn challenges like climate change and population ageing, because it expands our options and resources to address them.

History shows that progress is not guaranteed. In the past 10 years, productivity grew by less than a quarter of its 60-year average. Even before the COVID-19 pandemic, stagnating economic progress meant that wages growth stalled, and Australians entering the workforce did not see the same level of generation-on-generation improvements in their disposable incomes as earlier generations did.

But it is possible to turn this around. If we could boost growth from its current level to its historic average, adult Australian full-time workers would be at least \$14,000 a year better off by 2035.

Governments do not hold all the cards when it comes to boosting productivity, but their policy choices can make a real difference. These choices are the focus of the following interim reports.

The Australian Government has asked the Productivity Commission to recommend practical reforms across its 'five pillars' of productivity policy:

- Creating a more dynamic and resilient economy
- Investing in cheaper, cleaner energy and the net zero transformation
- Harnessing data and digital technology
- Building a skilled and adaptable workforce
- Delivering quality care more efficiently.

We identify policy changes under each pillar that would support prosperity through boosting productivity. We do not attempt to canvass every possible reform that could make a difference – some are already underway, and limited time and resources make it impossible for governments to pursue every good idea. The productivity enhancing reforms in our Advancing Prosperity report also remain relevant, but we do not revisit them all here (PC 2023c). Instead, we focus on a small number of priority reforms that will improve the lives and livelihoods of Australian generations to come.

Australia needs a growth mindset. These reports show how we can get there.

Why now?

Australians have entered a distinct period of economic uncertainty.

Many Australians were forced to tighten their belts in recent years as the fallout from the COVID-19 pandemic response brought rapid inflation, higher interest rates, and soaring housing costs.

With these pressures now easing, Australians have turned a watchful eye to global markets as the second Trump administration reshapes world trade and international relations. Even before the 2024 United States election, shifting global power dynamics and heightened geostrategic competition were affecting economic activity in Australia and around the world.

Looming challenges are having real impacts on Australians. The effects of climate change hang over Australia's communities: some are forced to clean up businesses and homes after significant floods, while others count devastating agricultural losses and financial pressure caused by drought. Australia's ageing population – a challenge the first Intergenerational Report in 2002 highlighted clearly – is also continuing to put pressure on governments' budgets and the care workforce.

At the same time, Australia's growth engine – productivity growth – is sputtering.¹

Many of these problems are global in nature and are challenging developed and developing nations alike. But that doesn't mean Australia is powerless to do something about them.

Our most effective response is to ensure that domestic policy settings support economic growth and resilience through productivity gains.

The draft recommendations in the interim reports aim to address Australia's biggest challenges over coming years. The recommendations include ideas to lift business investment in new tools and technologies, embrace head-on the opportunities and challenges of the net zero transformation, unlock the potentially transformative power of data and digital technologies like artificial intelligence (AI), boost our human capital, and reshape the care economy to enable more efficient and higher-quality care.

The draft recommendations have been informed by expansive consultation – from crowdsourcing to questionnaires to regulator surveys – with Australian communities and experts. We're now inviting submissions on the interim reports before the PC provides its final reports to the Australian Government at the end of 2025.

Growth improves people's living standards

Why does the average Australian have material living standards three times higher than the average Australian in the 1960s?

The answer is productivity growth.

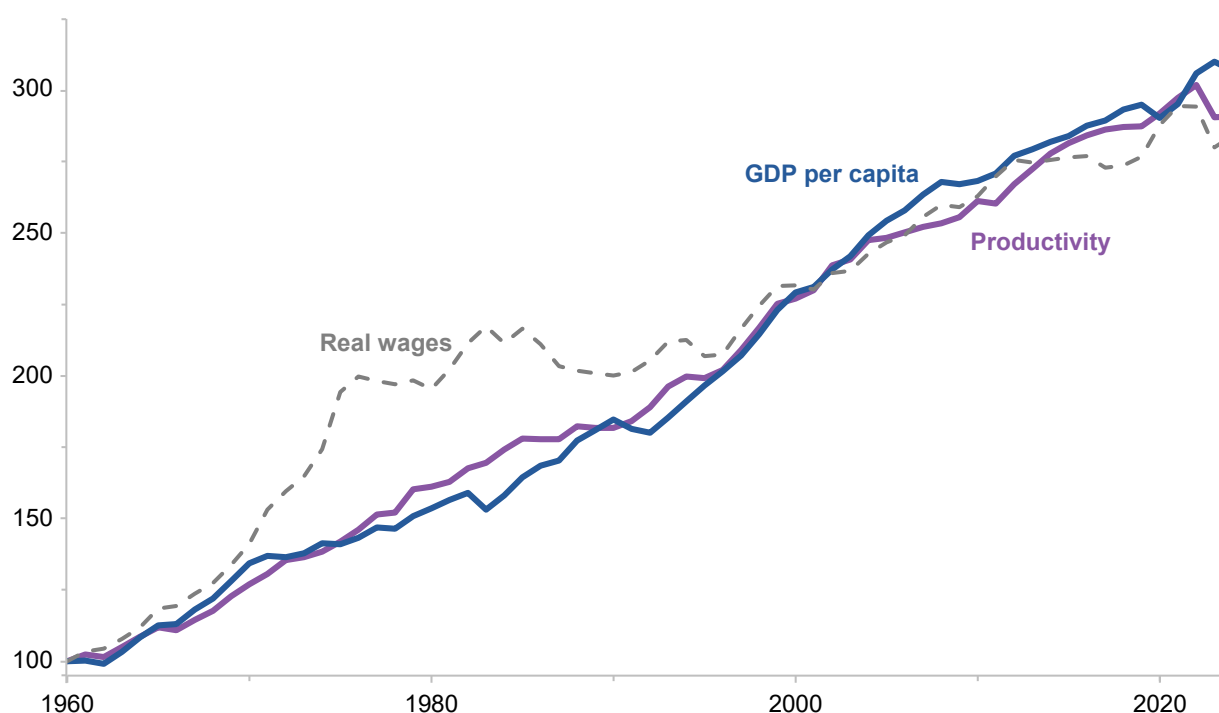
¹ Economic growth (in terms of measured GDP) broadly comes from three sources: population growth, increased workforce participation and hours worked, and productivity growth. Of the three, productivity growth is the most important for sustaining growth in material living standards over the long run. Higher population growth does not automatically result in direct increases in per capita income, and increasing workforce participation – while an important objective – will eventually reach its limit (people will naturally reach a point where increasing their working hours negatively impacts their quality of life). The ageing population and slower projected population growth means that workforce participation will have a more muted impact on future growth in coming years; the Australian Treasury expects that productivity growth will account for more than 90% of real income growth per capita in the 2030s (2023a, pp. 25–26).

Productivity growth is the process by which we get more from less: more and better products produced with fewer hours of work and fewer resources. It supports higher economic growth and growth in real wages (figure 1).

One of the most direct ways productivity growth improves living standards is by making goods and services more affordable. For example, in the 1960s, the average Australian worker needed to work 10 minutes to afford a loaf of bread. Today it is just four minutes. A flight from Melbourne to Sydney 'cost' the average worker 1.7 weeks of work in the early 1970s, compared with just five hours today. Even the cost of cultural activities has decreased. Going to the cinema, for example, 'cost' the equivalent of 70 to 80 minutes of work on average in 1972, as opposed to just 30 minutes today.²

Figure 1 – Rising productivity makes Australians better off

Labour productivity, GDP per capita and real wages, index, 1960=100, 1960–2022^a











a. See PC (2023d, figure 1.5) for methodological notes relating to the real wages historical index.

Source: PC estimates using ABS (2024a); Bergeaud et al. (2016); PC (2023d, figure 1.5).

These improvements have helped Australians to live better lives. Since the 1960s, the wages, consumption and leisure time of Australians have all increased (figure 2). Productivity growth also shows up in many other things that indirectly affect the quality of our lives. Productivity dividends come when businesses deliver the same output with fewer inputs, or when government services deliver better outcomes within the same budget envelope. This means productivity growth has many positive flow-on effects that matter to Australians' standard of living. For example, better economic outcomes for individuals can make neighbourhoods safer, and improvements in health technologies and treatments have supported longer and healthier lives.

² Hours of work today required to pay for items was calculated using \$40.00 median hourly wage for Australian workers in 2024 (ABS 2024b). Price and wages data from ABS (1963, 1975); Bereson (1989); BITRE (2025); PC (2023c); Screen Australia (2025).

Figure 2 – Productivity growth is not just about having more money or more ‘stuff’

The benefits of productivity growth over time	
Direct results since 1960	Indirect outcomes (correlates)
Real income growth 3-fold increase in GDP per capita, and almost a 3-fold increase in average wages 	Reduced poverty 3–4-fold reduction in share of population living in absolute poverty since 2001 
More goods and services Consumption of almost all household goods and services up around 3-fold 	Longer, healthier lives Life expectancy increased by 11 years (females) and 13 years (males) since 1960 
Better goods and services 3% p.a. quality-driven increase in healthcare productivity in some sectors since 2011. Goods have also improved 	Safer lives Nearly 3-fold reduction in per-capita annual crime rate since 1990 
More leisure time Average worker spends 5 fewer hours per week at work 	More satisfied lives too Countries with higher productivity levels report higher life satisfaction 

Source: AIHW (2025); Macrotrends (2021); PC (2023d, 2024b).

The dividends of productivity growth can support broader social progress by increasing the time, money and resources available to put towards things like healthcare, education and a social safety net. Where additional government spending is necessary to meet Australia’s policy goals, in the long run the only way to pay for it is through increased growth: more GDP per hour worked in our market-based sectors and more and better-quality services per hour worked in our education and care sectors.

Productivity growth isn’t everything ... but it almost is

Measured productivity growth might be ‘almost everything’ when it comes to living standards, but that doesn’t mean it should be the only thing policymakers care about when they manage the economy.³ Deficiencies in productivity measurement mean that important issues like environmental degradation can be overlooked. And growth doesn’t guarantee that gains are shared in a way that reflects the values of the Australian public (box 1).

³ Economist Paul Krugman famously said, ‘productivity isn’t everything, but in the long run it’s almost everything’.

Box 1 – Measured productivity growth misses some things that matter

Growth doesn't mean that everyone benefits equally. The relationship between inequality and productivity growth is not clear cut, as outcomes for vulnerable people depend in part on the nature of growth and the broader policy settings in a country.^a While absolute poverty rates have decreased as growth and prosperity have risen (figure 2), some Australians still experience socio-economic disadvantage. Over the course of a year, nearly 80% of households that rely on allowances such as JobSeeker as their main form of income experience some form of financial stress – things like skipping meals or turning the heater off in winter to save on bills (Phillips 2022, pp. 7–8).

Australia's history and policy settings also matter to how economic gains are shared. For Aboriginal and Torres Strait Islander Australians, colonisation and government policies have disrupted ways of living and contributed to poorer outcomes for many. As the PC's review of the *National Agreement on Closing the Gap* showed, governments need transformational change to share power with Aboriginal and Torres Strait Islander people before we will see progress under the Agreement (PC 2024d).

Measured productivity growth underestimates the impacts of some environmental issues such as biodiversity loss and greenhouse gas emissions. Official measures neglect these important externalities, but they have significant implications for the health and wellbeing of future generations.

Measured productivity growth misses the value of unpaid care. National Accounts estimates do not factor in the value of unpaid care work, such as caring for children and the elderly, which is disproportionately done by women.

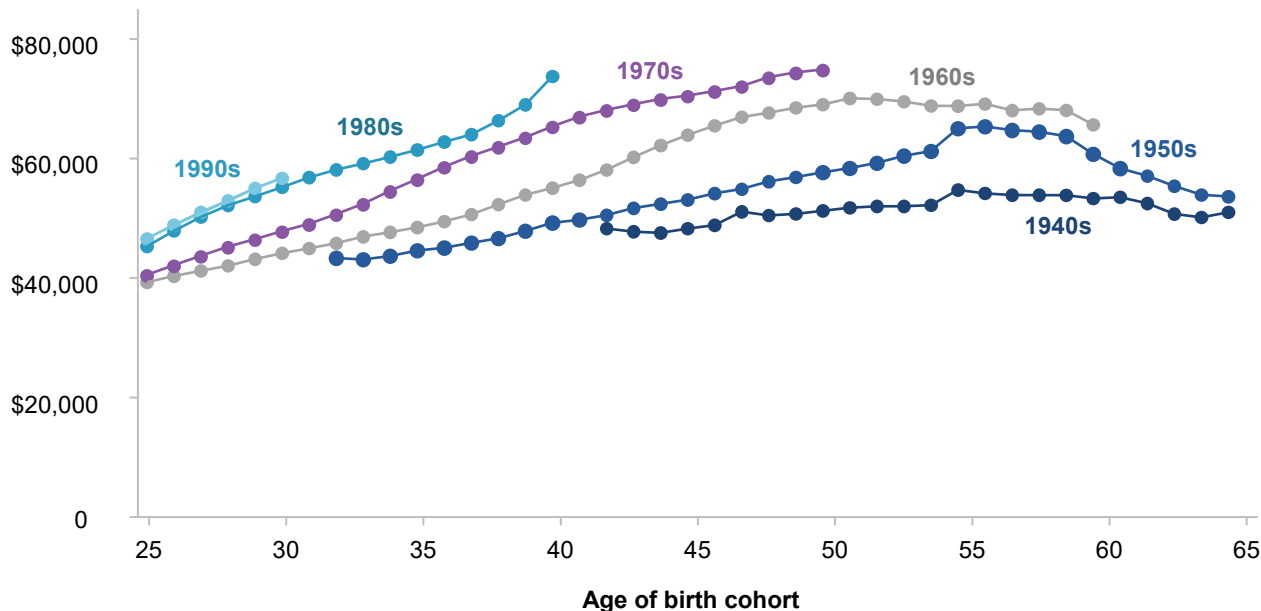
a. An OECD staff working paper found that the mechanisms that link growth and income inequality differ depending on the sources of growth and the impact of government redistribution (Hermansen et al. 2016).

Productivity growth alone won't automatically solve crucial problems like inequality and environmental degradation. But it can help.

It is important for combatting intergenerational inequality, for example. A PC staff working paper showed that the weak labour market between 2008 and 2018 reduced labour mobility, which caused jobseekers to 'climb the jobs ladder slower'. Young people entering the workforce during this period experienced close to zero wages growth and were more likely to be employed in less attractive, part-time roles (de Fontenay et al. 2020, pp. 1, 22), which may be why people born in the 1990s are the first in many decades to not see generation-on-generation progress in incomes (figure 3). Higher wages growth through productivity improvements is the surest way to restart this progress.

Productivity growth can also reduce the impact of economic expansion on the environment when 'doing more with less' means businesses can expand while extracting fewer resources from the environment, or if it allows them to respond more efficiently to the requirements of the net zero transition (OECD 2011; Ruhl and Salzman 2023; Susskind 2024). New and cheaper green technology can support faster decarbonisation of electricity, industry and transport, and overall economic growth will give us more resources and resilience to support the net zero transition.

Figure 3 – Incomes have grown for each successive generation until recently
Average disposable income by birth decade and age^a



a. See PC (2024c) for methodology.

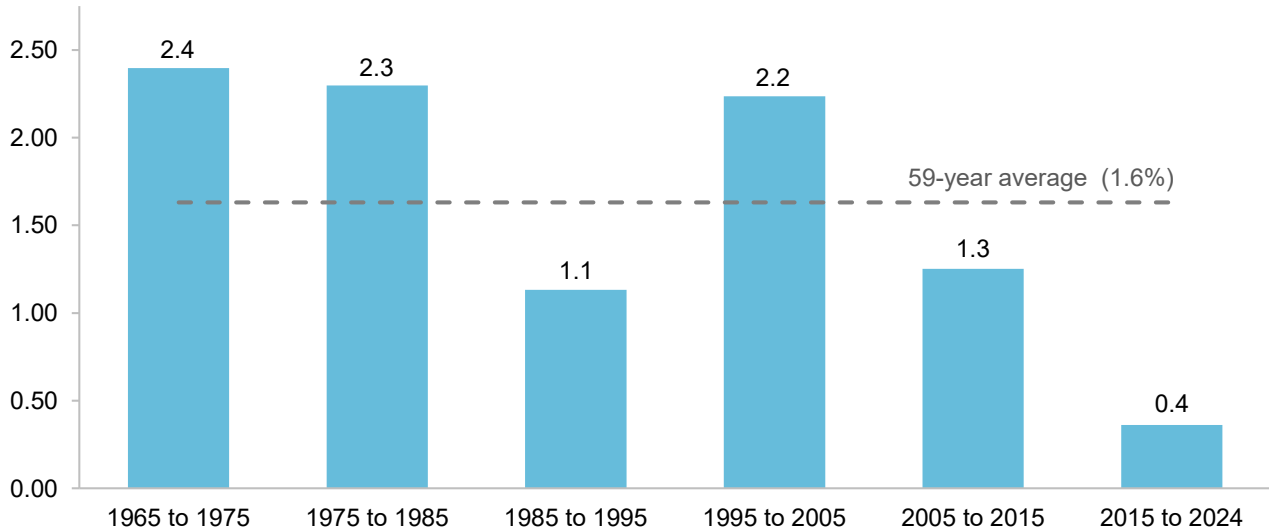
Source: PC estimates using the preliminary version of the Australian Taxation Office Longitudinal Information Files Family (ALife-Family) dataset; PC (2024c, p. 34).

Productivity growth has stalled

While productivity growth has brought many benefits for Australians over previous decades, Australia's productivity performance has stalled in more recent years (figure 4). Labour productivity growth has averaged just under 0.4% a year since 2015, compared to the 60-year average of 1.6%.

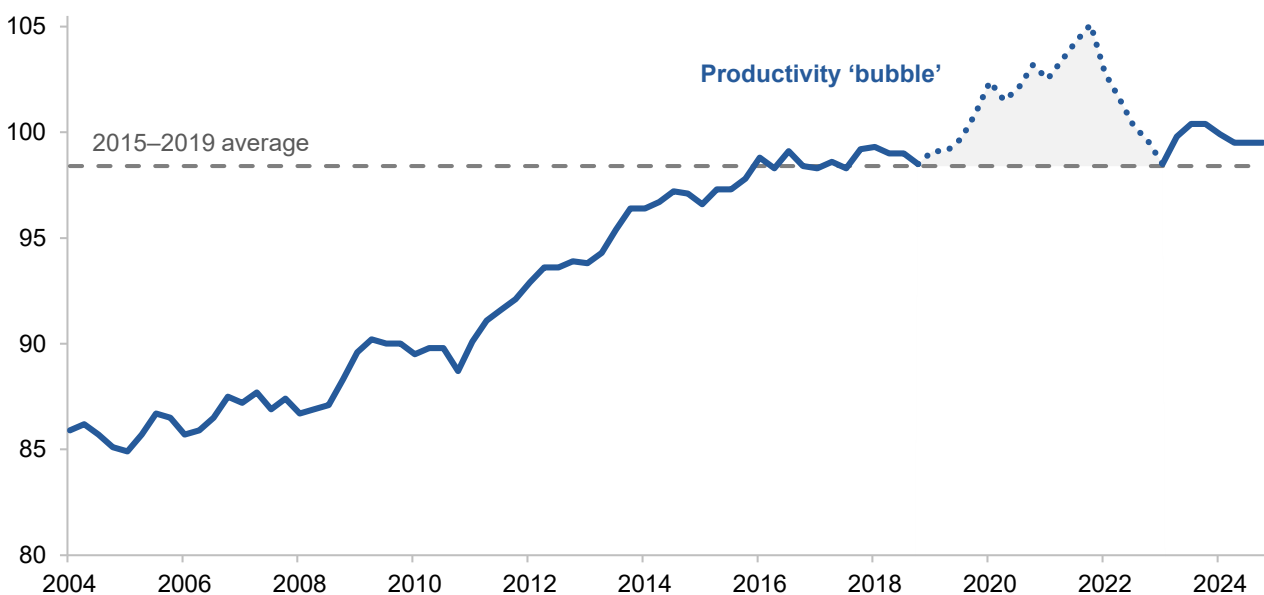
The shock of the COVID-19 pandemic is part of the reason why. The pandemic, and Australian governments' response to it, drove a sharp rise and then crash in measured productivity – a 'productivity bubble'. The strong labour market after the initial shock of COVID-19 – while a positive development overall – suppressed overall productivity in the short term because it meant that highly productive and less productive people alike re-entered or were retained in the workforce, and job mobility remained low (PC 2025, p. 1).

But sluggish productivity growth is not just due to COVID-19 and policy responses to the pandemic. Labour productivity growth was already slow in the five years before the pandemic and has yet to show signs of reviving in the years since then (figure 5), suggesting more systemic factors are at play.

Figure 4 – Our productivity growth is at its slowest in 60 years**Average annual labour productivity growth^a**

a. 2015 to 2024 average is calculated over a nine-year period. Labour productivity calculated as GDP per hour worked, GDP data sourced from the ABS between 1964-65 and 2022-23. Hours worked data from Penn World Tables for between 1964-65 and 1973-74 and from the ABS between 1974-75 and 2023-24.

Source: PC estimates using ABS (2024a); Feenstra et al. (2015).

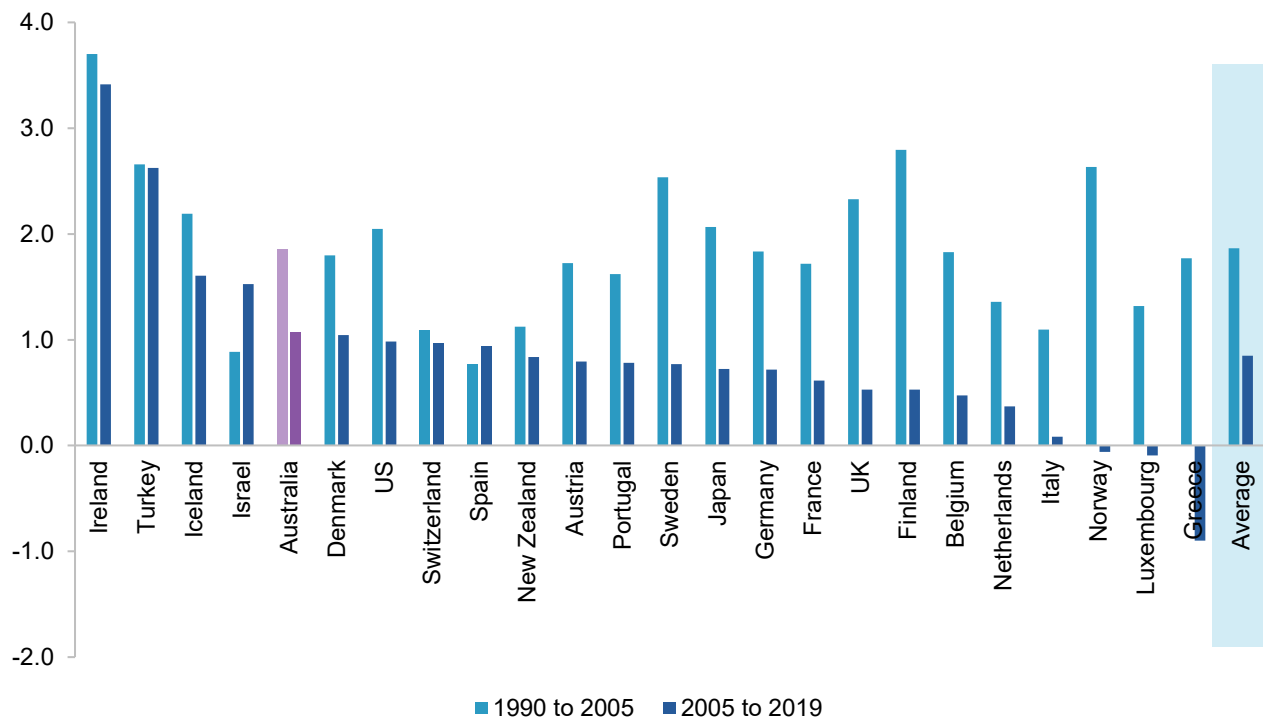
Figure 5 – The COVID-19 productivity ‘bubble’ has popped, returning to low trend**Labour productivity (index, 2024 = 100), between June 2004 and March 2025^a**

a. See PC (2025) for more information.

Source: PC estimates using ABS (2025).

The slowdown in productivity growth in the years before COVID-19 is not just an Australian phenomenon. While the timing differs, almost every OECD nation has experienced reduced rates of productivity growth between 2005 and 2019, compared with the previous 15 years. Indeed, average productivity growth halved across the OECD in that period (figure 6).

Figure 6 – The productivity slowdown is not just an Australian phenomenon
Average annual labour productivity growth in OECD countries^a



a. Includes only the 24 longest standing OECD countries. For some countries, the historical average annual growth rate is calculated between 1995 and 2005 due to data limitations. Data from the COVID-19 pandemic period (2020–2022) has been excluded.

Source: PC estimates based on OECD (2022).

The slowdown in productivity growth has material impacts for Australian households. If we could boost growth from its current level to the historic average, average adult full-time workers will be \$14,000 per year better off by 2035.⁴ Understanding what happened to productivity growth over the past decade is important for policymakers who wish to turn the trend around.

⁴ PC calculation based on average adult full-time wages across the economy growing in real terms at the long-term average rate of productivity growth (1.6% per annum) over the next decade, compared to the average of the last 10 years (0.4%). This assumes that productivity and real wages increase at the same rate. Wages growth and productivity growth may 'decouple', but historically they have closely followed: outside the mining and agriculture sectors, wages growth in Australia lags productivity growth by only 0.12% over the long term (PC 2023e). The calculation gives a similar result (\$14,000 per annum better off by 2035 for non-mining and agricultural average adult full-time workers) if this decoupling rate is factored in.

Why did productivity growth slow?

Some of the slowdown comes from structural factors, like the shift in the economy towards services, the ageing of the Australian population and the changing nature of technology. These are not things Australian governments can control easily – and they may not want to. But they do suggest ongoing headwinds for productivity growth, and they make finding productivity gains in harder-to-reach sectors (like the care economy) all the more important.

Poor policy choices by successive governments, coupled with a lack of appetite for economic reform, have also weighed on productivity growth by adding unnecessary frictions to the Australian economy. While policy settings are not the sole determinant of productivity performance – technology and the performance of Australian business leaders clearly matter too – boosting Australia's productivity growth will require all levels of government to embark on pro-growth policy reform.

The causes of the productivity slowdown

The productivity slowdown comes from a mix of benign and less benign causes:⁵

The rise (and rise) of the non-market services sector – As countries get richer their consumption and production of services tends to grow as a share of GDP. In the last decade, non-market (government-funded) health, education and care services have grown particularly rapidly in Australia. Since these sectors have lower measured productivity, their expansion weighs on overall productivity growth. This is not always a problem – these sectors provide important supports to many Australians, and some of the lower productivity in non-market services likely reflects measurement issues (discussed below). But it also reflects the real challenge in achieving productivity gains in labour-intensive sectors.

Smaller gains from technology and its diffusion – In the last two decades, the contribution of technological change to measured productivity growth has been smaller than in previous decades. Some argue this is because innovative technologies in recent decades (like developments in information and communications technology) have been less transformative than previous 'revolutions' like electricity or the internal combustion engine. In addition, Australia has become less good at adopting and adapting technologies from elsewhere, and Australian firms have increasingly fallen behind the global productivity frontier. As a result of these trends, multi-factor productivity growth is well below the average for the late 1990s and early 2000s. More recent developments in areas like AI could well turn this around, if Australia is able to harness the benefits.

Stalling investment – Non-mining private sector investment has declined as a share of GDP since 2009. Similar declines are evident in much of the developed world. Likely contributing factors include higher levels of risk aversion or uncertainty among investors, slower depreciation of capital, more constrained access to finance, and policy settings that may have encouraged less productive forms of investment. Lower competitive pressures may have also played a role. The effect is to reduce 'capital deepening' – the amount of capital available per worker – which lowers productivity growth by reducing the rate at which firms take advantage of new tools or technologies to improve production.

⁵ For more information: Andrews et al. (2022, 2024, 2025); Duretto et al. (2022); e61 Institute (2023); Feldstein (2017); Goldin et al. (2024); Gordon (2018); Hambur and Andrews (2023); Hambur and Jenner (2019); King (2023); Nguyen and Hambur (2023); PC (2005, 2021, 2023a, 2023b, 2023d, 2024b, 2025); The Treasury (2023a, 2023b); van der Merwe et al. (2018); Vollrath (2019).

Declining economic dynamism could play a role – A number of measures suggest Australia's economy has become less dynamic over the past decade. Labour mobility has been in decline since the 1990s, and there is growing evidence that workers are less likely to move to higher productivity jobs and firms when they do switch jobs. New business formation also fell somewhat between 2005 and 2013, and has stagnated more recently.⁶ Slower adoption of new frontier technologies (discussed above) is also consistent with declining dynamism.⁷

Lack of appetite for economic policy reform – Government policies that promote competition and economic dynamism can have a large impact on productivity growth. The first tranche of National Competition Policy reforms, for example, led to higher levels of business investment, better choices for customers, and a permanent 2.5% increase in GDP by the end of the 1990s. But governments' appetite for reform has diminished since then, and this means we're leaving productivity-enhancing reforms on the table. The impacts could be large – OECD research suggests up to one-sixth of the global slowdown in productivity growth since 2005 could be attributable to fading effects of pro-competition reforms in the 1990s and early 2000s. At the same time, some choices Australian governments have made have created unnecessary frictions in the economy. Governments' commitment to a new National Competition Policy agreement is a positive sign for the next decade.

Other potential causes include a reduction in the rate of growth of global trade (which has been shown to be a factor in other advanced economies), and declining returns from education.

In addition to the causes above, **measurement issues** play a role. Productivity in some parts of the economy is hard to measure. In non-market care services, in particular, improvements in quality are difficult to capture. For example, while productivity estimates for Australian hospitals suggest weak growth, productivity in parts of the healthcare sector actually grew at an impressive 3% per annum between 2011 and 2018 when accounting for improvements in outcomes for the treatment of cardiovascular disease, cancer, and other serious health conditions. Measurement issues can also arise due to difficulties in estimating the impact of economic activity on the environment.

Where will future growth come from?

Productivity growth can come about through several channels:

- Investment that increases the amount of capital per worker (capital deepening)
- Improvements in education and worker skills (human capital)
- More efficient uses of capital and labour (resource allocation)
- New technologies.

Not all channels are created equal, though. In the case of physical and human capital, more of the same capital and more years of the same type of education will eventually see gains diminish. On their own, these are exhaustible sources of productivity growth.

⁶ Measures of business churn are complicated by the arrival of the platform age and the increased number of platform workers. Exit rates for employing businesses fell in the decade before the COVID-19 pandemic, and entry rates possibly declined.

⁷ The extent to which slower dynamism is a cause or a consequence of declining competition is not clear cut, as measures of economic dynamism are imperfect and there may be some two-way feedback between dynamism and competition (King 2023).

But what makes both hugely important in the long run is their correlation with new ideas, which are the feedstock of growth.⁸ New ideas get embedded in investments in physical and human capital: firms invest in new technologies, and education improves as new ideas are embedded into the cumulative knowledge of the way the world works.

Over the past century, some of the most important ideas were new technologies – like antibiotics and statins, electrification, telecommunications, personal computers and the internet – that changed how we live and work. New business models such as mass production and platform work, and institutional innovations such as accounting standards and global integration of supply chains, also played big roles in boosting growth.

Australia has benefited substantially from a combination of its own innovations and from using and building on others' inventiveness. The same is likely true in the future – ultimately Australia's growth will depend on how quickly we can move towards the productivity frontier.⁹

Government decisions matter to economic growth

The future trajectory of Australia's productivity and growth is influenced by many things that are outside, or largely outside, the control of Australian governments. These include the pace of ideas generation around the globe, and global trade and security policy settings, as well as local factors like demographics, the structure of the economy, and the decisions and performance of Australian business leaders.

But even if they don't control everything, the policy choices governments make can shape Australia's future productivity and economic growth.

Over the last four years, governments' expenditure has accounted on average for 26% of the Australian economy (ABS 2025).¹⁰ Much of this expenditure reflects their collective responsibility for funding, and in some cases delivering, goods and services, meaning the productivity of government delivered services has a direct impact on Australia's overall productivity levels.

Governments also steward future improvements in our living standards by supporting 'enablers' of productivity growth like education, skills and training, research, and health and care services. Tax and transfer policies, regulatory and competition policy settings influence incentives to work and invest, and the movement of workers and resources around the economy.

In other words, almost all government activities – be they regulation, tax or service delivery – affect economic growth through their impacts on productivity. But over the past two decades, governments have arguably ignored or minimised economic growth when making some policy choices.

Poor policy decisions arise when policymakers don't weigh trade-offs effectively, are overly risk averse, or overly influenced by vocal stakeholder groups. The cumulative effect of such decisions has made it harder than it should be to start and operate a business, or build key infrastructure like housing or renewable energy infrastructure. In many cases, these poor choices have both weighed on productivity growth *and* failed to achieve important social or environmental objectives.

⁸ For more information: Mokyr (2018); Romer (1990); Rosenberg (1982); Solow (1956).

⁹ Previous PC work has shown that the accumulation of existing knowledge across the economy – diffusion – is an important source of productivity and has the scope to lift the performance of millions of businesses. See PC (2023c, vol. 5) for more information.

¹⁰ This figure excludes transfer payments.

Having a growth mindset means elevating economic growth and its benefits in policy decisions. This does not mean policymakers should ignore other objectives. In many cases, good policy design will support social and environmental goals with minimal (or even positive) effects on measured economic growth. And sometimes these objectives are worth pursuing even if they do negatively impact growth.

But it does mean being clear-eyed about trade-offs. Governments need to balance competing objectives, acknowledge where decisions may negatively impact average incomes or other goals, and choose policy approaches that will improve Australians' overall wellbeing. The benefits of growth should not be traded away quietly or lightly.

These reports show how to make the right choices

Improving our growth trajectory will require a series of good decisions across a broad range of policy areas and levels of government.

The PC's recent engagement on these five inquiries identified numerous options for policy reform, including more than 500 policy ideas submitted through Australia's Productivity Pitch.

But governments' time and resources are limited. They must select the most beneficial ideas and make tough choices on what to prioritise.

That is why these inquiries have focused on proposing a small number of reforms that provide bang for buck. They build on existing policy reform efforts, such as the National Competition Policy reforms, to show how governments can emphasise growth in their choices. They also provide a stepping stone for more comprehensive productivity enhancing reforms, including those previously recommended by the PC in our *Advancing Prosperity* report (PC 2023c).

In prioritising these choices, the PC has preferred options that:

- **have a sizeable net benefit** – a high expected economic dividend or significant benefit to community or individual wellbeing, relative to costs, and
- **are practical** – relatively straightforward to implement, less complex to roll out, produce higher levels of community understanding and support, and are backed up by high-quality evidence (figure 7).

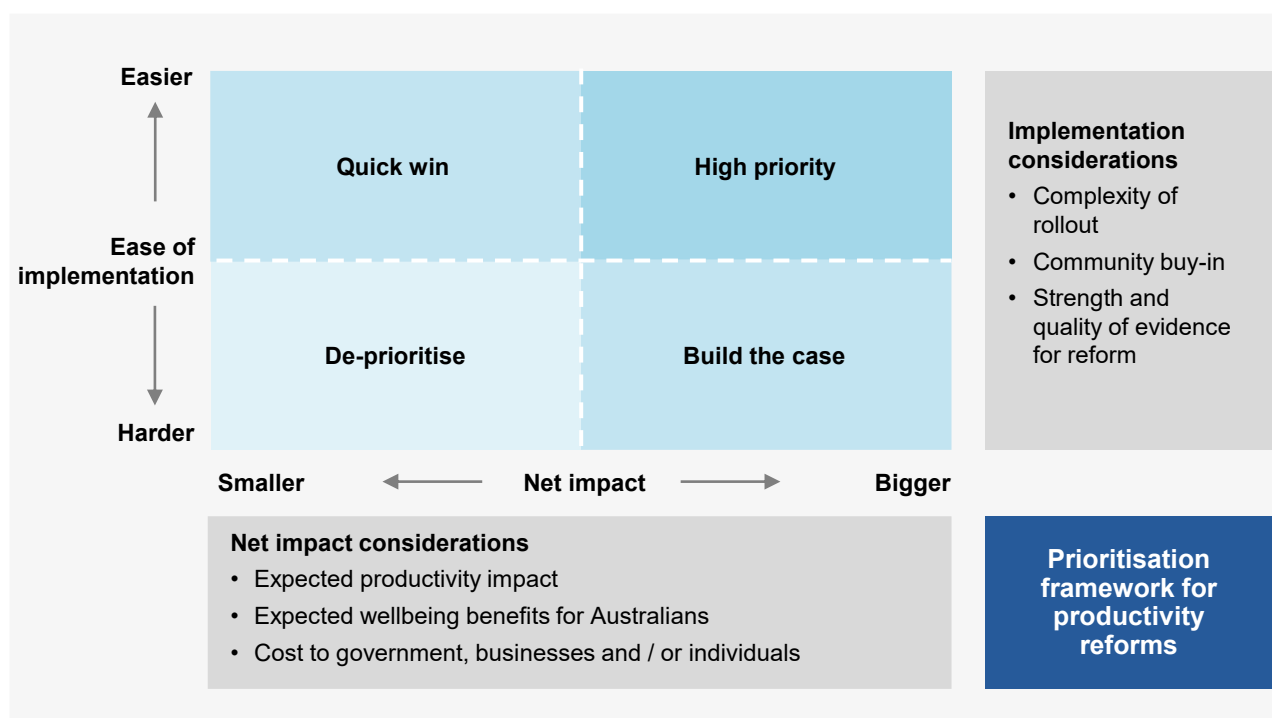
For the most part, we have recommended reforms that meet both criteria and therefore sit in the 'high priority' quadrant in our decision-making framework (figure 7). In some cases, we have proposed 'quick wins' that can help build momentum. We have also chosen a few harder reforms where governments might have to do some leg work, but we think the size of the benefit makes it worthwhile.

In choosing reforms, we have excluded consideration of specific areas where major policy reviews are underway or have been recently completed. These include the research and development system, and market design issues in care sectors like the National Disability Insurance Scheme, aged care and early childhood education and care.¹¹ The same is true of some areas, such as residential planning, industrial relations, skilled migration and digital ID, where major changes in policy have been implemented or recently announced.¹²

The PC has taken care to consider who does or does not benefit from reforms. We have examined specific impacts on Aboriginal and Torres Strait Islander people and communities, and potential gendered impacts arising from the proposed reforms. Where relevant, we note these impacts throughout the inquiry reports.

¹¹ DHDA (2024); Husic and Clare (2024); NDIS Review (2023); PC (2024a).

¹² Australian Government (2023, 2024); DEWR (2024); The Treasury (2025).

Figure 7 – The PC's prioritisation framework

What should governments do?

The five interim reports set out here outline priority reforms we have identified under each pillar.

1. Promote economic dynamism and resilience through investment

A dynamic economy enables firms and individuals to invest, learn, innovate and thrive. Government can clear and widen the path to a more dynamic and resilient economy through an efficient corporate tax system that encourages investment, and simpler regulations so that more people and businesses participate.

The report, ***Creating a more dynamic and resilient economy***, sets out draft recommendations for an economy that has the right settings and rewards to encourage businesses to invest and grow. It recommends changes to the corporate tax system to improve investment incentives, and changing the way government approaches regulation, to spur investment and productivity growth.

2. Find the lowest cost ways to meet the climate challenge

Climate change poses many direct and indirect threats to Australia's wellbeing and productivity growth. Economic growth is inextricably linked to the environment with many industries directly affected by climatic conditions. And increasing extreme weather events and natural disasters due to climate change will have an immense human and financial cost. The decarbonisation of the economy represents both a challenge to productivity growth and an opportunity. The way businesses and governments innovate and adapt to a changing climate could either drag on future productivity growth or open up new industries and business opportunities.

The report, ***Investing in cheaper, cleaner energy and the net zero transformation***, demonstrates how governments can reduce the costs of achieving net zero by making policies to incentivise more consistent and comprehensive emissions reduction.

The report also recommends ways to speed up the planning and approvals process for new energy infrastructure, while building community trust and improving environmental standards.

The changing climate itself poses a risk to future productivity growth. Accordingly, the report explores how governments can help drive investment in climate adaptation, particularly in resilient housing.

3. Realise the gains from the next digital revolution

Adopting the latest digital technologies and making better use of data can improve the way we work, increase the quality of goods and services, and help spread innovative ideas through the economy.

The draft recommendations in the ***Harnessing data and digital technology*** report will help Australia seize the data and digital technology dividend. They aim to give people and businesses the confidence and certainty they need to safely adopt powerful new AI tools and make the most of data. And they will enable us to do existing activities, like financial reporting, more effectively and efficiently.

The report shows how governments can help consumers and businesses share in the benefits of data that relates to them. It also focuses on ensuring privacy obligations provide genuine protections for individuals without creating unnecessary regulatory burden for businesses.

4. Build human capital and make the most of skilled labour

Our modern economy relies on highly skilled workers with strong foundational skills who can readily upskill and reskill to move to the highest value roles. As our services economy expands and manufacturing becomes increasingly advanced, Australians will need more extensive skills and training.

The draft recommendations in our ***Building a skilled and adaptable workforce*** report aim to support better outcomes for school students, regardless of their background or circumstances. They will help ensure teachers have access to high-quality teaching and learning resources and can use them effectively.

Australian governments also need to enable workers to train in areas the workforce needs. The report focuses on improving structured, non-formal work-related training to enable lifelong skill development, and improving credit transfer and recognition of prior learning to enable more flexible educational pathways.

Australian governments need to make the most of our existing skills base and make it easier for people to enter new occupations. The report proposes ways to reduce overly restrictive and inconsistent occupational entry regulations that constrain the flexibility of the labour market.

5. Improve the efficiency and quality of care services

All Australians use care services at some point in their lives. Demand for care services will continue to grow as the community's needs change, including from population ageing and the move from informal to formal care arrangements. The care system is coming under increasing pressure to deliver high quality services at a sustainable cost.

The draft recommendations in our ***Delivering quality care more efficiently*** report will improve the quality and efficiency of our care and support services. They will help governments align safety and quality regulatory systems to improve care outcomes, support care user choice and improve worker and provider mobility across sectors. They will also support commissioning organisations to work together more effectively to reduce service gaps and provide more integrated place-based care. The report also proposes an approach to support government investment in preventive interventions that improve long-term outcomes for the community and reduce future demand for care services.

Australia needs to be match fit

Australia faces a more uncertain world. The best response to a new wave of global uncertainty is to embrace reforms that improve growth and resilience.

A match-fit economy provides a buffer for global shocks. It also provides a very real domestic dividend.

Strong productivity growth supports higher incomes and better lives for Australians. And it supports the generation-on-generation progress in living standards we have come to expect.

There is no single 'productivity lever' that will guarantee future success. But governments can make a difference with a clear policy agenda that prioritises growth and looks to make progress across a range of reform areas. Our interim inquiry reports set out a broad and meaningful set of reform options. In the PC's view, they should be the first point of call for any economic reformer looking to improve the lives and livelihoods of this generation and generations to come.

We invite interested parties to test our ideas, give us feedback, and inform the final reports.

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