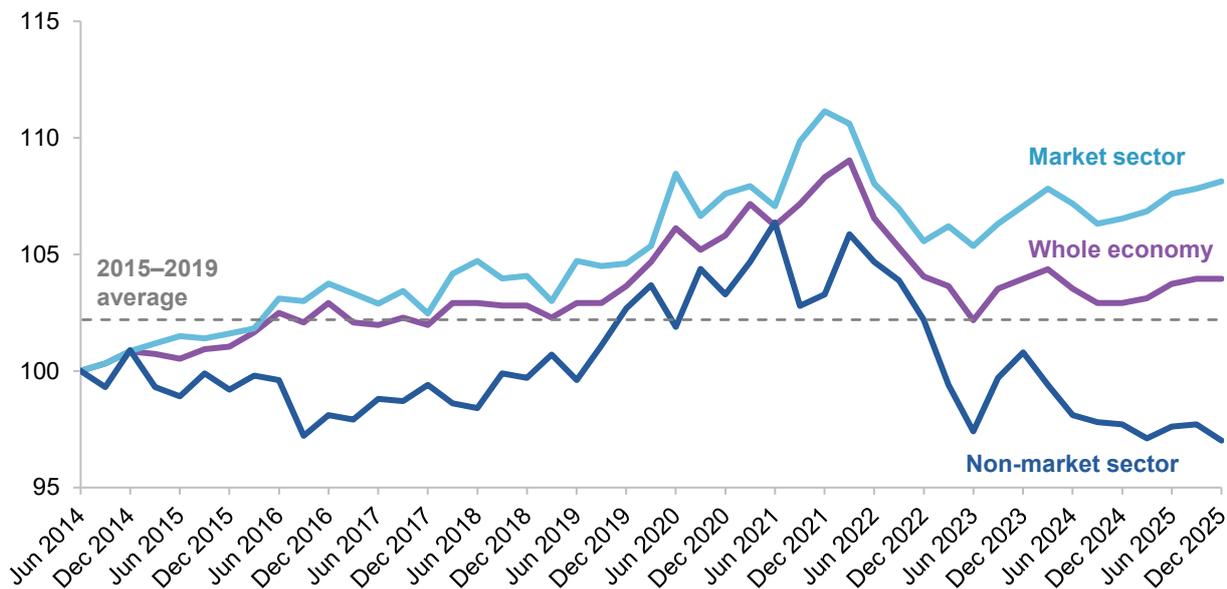


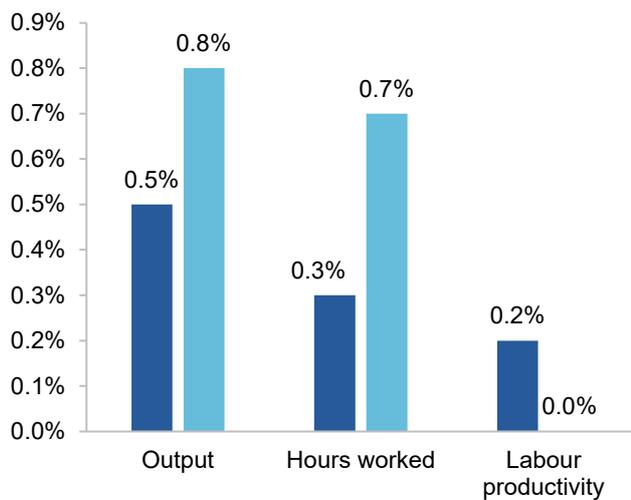


Quarterly productivity bulletin – March 2026

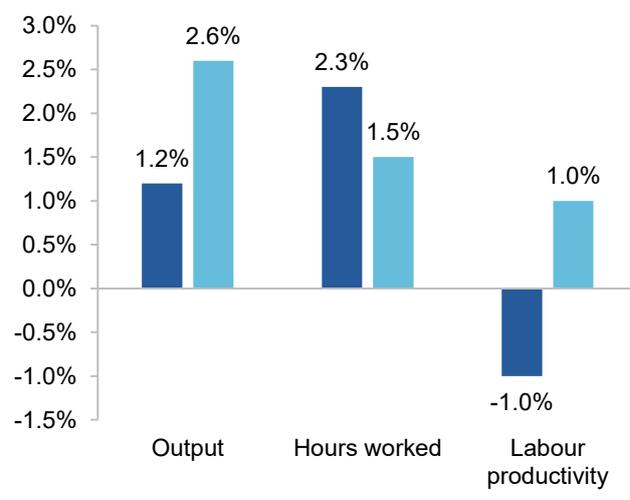
Labour productivity (index, June 2014 = 100)



Quarterly change in labour productivity



Annual change in labour productivity



■ September quarter ■ December quarter

■ To December 2024 ■ To December 2025

The 2015-2019 average is the productivity growth prior to the COVID-19 pandemic. Productivity rose at the start of the pandemic before declining sharply and returning to its pre-COVID-19 average in June 2023.

Source: ABS (2026) Australian National Accounts: National Income, Expenditure and Product, December 2025.



**Update from Alex Robson
Deputy Chair, Productivity Commission**

Australia's labour productivity growth continues to disappoint.

Labour productivity was flat in the December quarter and increased by 1.0% over the year to December 2025. While this is better news than this time last year, when labour productivity had decreased by 1.0% in the year to December 2024, this year's growth means we are back where we were two years ago.

The non-market sector is of particular concern, with labour productivity falling by 0.7% in the December quarter and – after jumping around throughout the year – 0.7% lower than in December 2024. Market sector productivity has been stronger, growing by 0.3% in the December quarter and 1.5% over the 12 months to December 2025.

All of this sits well below long-term average growth, and the particularly strong productivity growth Australia enjoyed through the 1990s and early 2000s.

In this bulletin's feature article, we take a walk down memory lane to remind ourselves of some of Australia's most successful reforms, and the role they played in improving productivity growth. It's a reminder for policymakers of the effect that good policy can have on productivity.

Australia needs a growth mindset, elevating economic growth and its benefits in policy decisions. In December 2025, the PC released five reports that show what that would look like. The reports highlight three reform principles to guide policymakers, and 47 specific recommendations to help governments take the first steps.

The PC's roadmap is by no means exhaustive, but it gives government a good place to start.

Restarting our growth engine: productivity and the policies that matter

By PC staff writers

Between 1990 and the COVID-19 pandemic, Australia enjoyed some of the strongest economic growth among developed economies. The mid-1990s to the early 2000s in particular was a golden age for labour productivity, which drove strong growth in GDP per capita and living standards.

A range of factors, like changes in global trade and technology and the decisions of Australia’s business leaders, contributed to this growth. But the significant pro-productivity reforms that governments made in the years before this period played a crucial role.

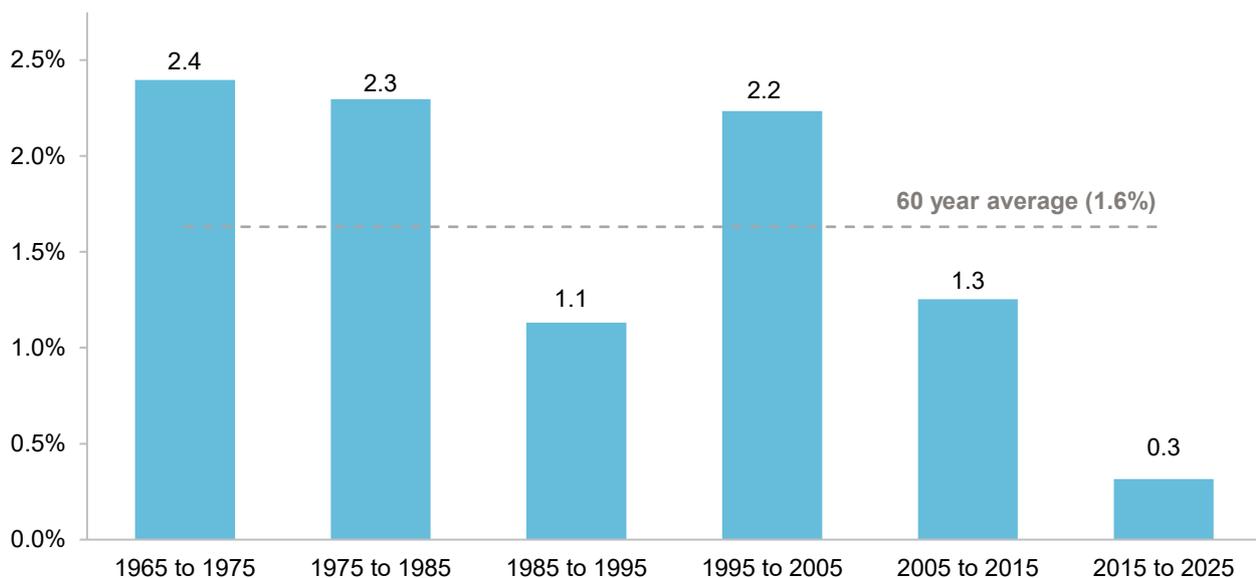
Today those reforms have run out of juice. Our reform appetite has slowed and governments have arguably placed less emphasis on economic growth in recent policy choices. Labour productivity growth is at its lowest in 60 years (figure 1), partly due to our approach to policy over a long period of time.

We face a challenge. No single lever will bring productivity growth back to its 60-year average – we need to pursue reforms across a broad range of fronts. To kick-start the reform agenda, the PC’s inquiries into the Australian Government’s five pillars of productivity provide 47 practical recommendations; if all were adopted, we would see sizeable net benefits for Australian productivity.

Our productivity heyday, and the policies that made a difference

From the 1960’s until the global financial crisis in 2008, Australians enjoyed relatively strong labour productivity growth (figure 1) and with it, rising living standards.

Figure 1 – Australia’s productivity growth is at its lowest rate in 60 years



Labour productivity calculated as GDP per hour worked. GDP data sourced from the ABS between 1964-65 and 2024-25. Hours worked data from Penn World Tables for between 1964-65 and 1973-74 and from the ABS between 1974-75 and 2024-25.

Source: PC estimates based upon ABS (2026) and Feenstra et al. (2015).

Our first golden era of labour productivity in the 1960s and early 1970s was fuelled by the global post-war recovery. But our second golden era – from the mid-1990s to the early 2000s – was in part driven by a series of major pro-productivity reforms.

Reforms to connect us with the global community

Consecutive governments opened Australia to global trade and overseas competition.

In 1973, Australia cut nearly all tariffs by 25%¹ and reduced most remaining tariffs throughout the 1980s. These reforms helped attach Australia to a growing globalised economy, allowing businesses to import cutting edge ideas, production techniques and technologies.

They also gave Australian consumers greater access to goods from overseas, increasing competitive pressure on Australian firms. Resources flowed to our most productive firms, and only Australia's more productive businesses survived. Prices fell and consumer choice and productivity rose.

There were some adjustment costs. Businesses that faced competition from overseas firms were more likely to go out of business, and their workers had to seek new jobs. The government provided structural adjustment assistance to individuals and firms who were negatively affected by the tariffs (PM&C 1974). But the long-run gains in productivity and income suggest that these tariff cuts were effective for improving living standards across Australia.

The decision to float the exchange rate in 1983 better allowed our economy to adjust to shocks. For example, when the Korean War wool boom occurred in the 1950s (under a fixed exchange rate system), increases in the price of wool led to economy-wide inflation of about 20%. A floating exchange rate would have absorbed this shock; the appreciating exchange rate would have reduced the effect on graziers' wealth and made imports cheaper, muting the inflationary pressures. The reform also gave us more control over monetary policy, and by extension, over domestic inflation.

Reforms to build our human capital

Policymakers identified higher education and human capital accumulation as priorities for our economy.

The Dawkins reforms of the late 1980s and early 1990s expanded access to higher education by introducing the Higher Education Contribution Scheme (HECS) and income-contingent loans. They also made university subsidies more equitable, improving access for people from different socioeconomic backgrounds.

These reforms increased university places and enrolments, which created a larger and more skilled workforce that increased our labour productivity.

Reforms to ensure resources flow to their most efficient use

Barriers that stopped capital and labour from flowing to their most productive uses were removed.

Financial market reforms better connected savers and borrowers. The reforms, implemented throughout the 1980s, removed interest-rate caps (improving efficiency and removing distortions) and welcomed foreign banks, improving competition (Harper 1991).

Industrial relations reforms – enacted in 1993 – decentralised wage bargaining away from tribunals to an individual enterprise or business level (Borland 2003). Labour was able to move more freely between businesses and we saw productivity-driven real wage increases at the enterprise level.

¹ There were exclusions for revenue items and anti-stamping duties.

We also strengthened competition policy. The Hilmer reforms of the mid-1990s included allowing third parties access to infrastructure and requiring competitive neutrality between government and private business, plus structural reform of public monopolies (Leigh 2024). They also included a legislative review program, with state governments simplifying legislation and removing anti-competitive provisions (PC 2005).

Stronger competition lifted productivity in multiple sectors and supported higher GDP growth (PC 2005).

Meeting our productivity challenge

Today, Australia's productivity growth – a key input to our growth engine – is weak. Labour productivity growth has limped along at under 0.3% a year since 2015; just a fraction of the 60-year average of 1.6% (ABS 2026; Feenstra et al. 2015), and well below the 2.2% we achieved during our second golden era.

We know what some of the challenges are. The structure of our economy has shifted more towards non-market services. Technological improvements and innovation aren't diffusing as quickly or as widely as they once did. Investment has stalled. Economic dynamism has declined (PC 2025).

Australia is not alone among developed economies in our productivity struggles (PC 2025). But reduced government appetite for reform, and policy choices arguably less focused on growth, are factors in our poor productivity performance.

Productivity growth is not necessarily in the direct control of government, but it can be supported by deliberate policy choices.

If we're going to reverse our productivity fortunes, governments need to launch a new wave of reforms. As with the reforms of the late 1970s to early 1990s, these reforms need to occur across a broad range of policy areas.

The PC's five pillar inquiries are a good place to start. The reports – released in December 2025 – set out 47 recommendations to support productivity growth across the economy.

The reports draw out three key principles for productivity growth.

First, **new ideas – and the way we use them – are the foundation for growth**. We prioritise reforms that promote innovation and the diffusion of new ideas and technologies across the economy.

Our reforms will harness the benefits of AI by minimising the imposition of AI-specific regulations, and improve access to, and use of, data by creating a more outcomes-focussed Privacy Act. We propose supporting teachers by improving access to high quality resources, to increase the human capital embedded in our workforce.

Second, **investing in people and capital brings productivity dividends**. Government should create an environment that encourages investment to build peoples' skills and that provides the tools, equipment and technology to make workers as productive as possible. Government should also identify ways to support areas that markets fail to support.

We propose boosting investment through reduced corporate taxation of normal returns, as well as faster energy infrastructure approvals and a more consistent and comprehensive approach to emissions reduction. We also propose reforms to care and education, such as greater investment in prevention and early intervention and smoother pathways between education and the workforce.

Finally, **governments should regulate with growth in mind**. Poorly designed or implemented regulations can be a handbrake on growth. Regulatory policy needs to better balance the benefits and trade-offs of regulation.

We propose the Australian Government find \$10 billion in regulatory savings by 2030, and we have suggested several cost-saving measures to contribute to that goal. These include improvements to digital

financial reporting, more efficient regulation in the care economy and reducing the stringency of occupational entry regulations.

Our [five pillars inquiry reports](#) detail these reforms.

Ultimately, the reforms would strengthen the drivers of productivity growth in Australia. Increasing investment, spurring innovation, improving labour mobility and reducing unnecessary regulatory handbrakes are surefire ways to boost competition and productivity growth.

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