Submission to the Australian Productivity Commission

Re: Creating a more dynamic and resilient economy

To: The Chair, Australian Productivity Commission

Introduction

This submission seeks to clarify the legislated role of the Productivity Commission, distinguish between the concepts of productivity and economic growth, and demonstrate the importance of evaluating productivity within broader ecological and social contexts. It is written in response to the common assumption that economic productivity and economic growth are inherently valuable in and of themselves. Rather, this submission argues that both must be evaluated in relation to their capacity to improve wellbeing, social equity, and ecological sustainability.

Importantly, there is growing recognition, both domestically and internationally, that economies do not need to grow in order to deliver positive wellbeing outcomes. In fact, continued economic expansion can undermine the ecological foundations upon which long-term prosperity depends. This submission also outlines recent Australian case studies where narrowly framed productivity initiatives have undermined public wellbeing.

Legislated Function of the Productivity Commission

According to the Productivity Commission Act 1998 (Cth), the Commission is tasked with providing advice to The Government on improving productivity and economic performance. The Act does not mandate the pursuit of economic growth as an end in itself. As such, I urge the Commission to adopt a more nuanced framing in its publications—one that does not presuppose economic growth as the default or necessary path to prosperity.

2. Distinguishing Productivity from Growth Productivity is fundamentally about achieving greater output or outcomes per unit of input. Growth, in contrast, refers to the expansion of economic activity, greater throughput and increasing gross domestic product (GDP). While the two may overlap, they are not synonymous and should not be conflated.

Financial productivity, measured in terms of cost-efficiency or profit, is only one metric among many. True productivity should also consider social outcomes such as the quality of care, inclusivity, worker wellbeing, and environmental sustainability. These alternative metrics are crucial to avoid misleading assumptions that economic or financial gains automatically equate to improved productivity or societal benefit.

Productivity can be improved without increasing total output, especially when viewed through the lens of resource efficiency, care quality, or ecological sustainability. This distinction is particularly important in an era of planetary boundaries, where growth in material throughput may undermine long-term productivity and wellbeing.

4. Examples: Systemic Failures in Australia

Recent Australian experiences show how a narrow focus on cost-efficiency and economic output, without adequate regard for social outcomes, can produce systemic failures:

- **Aged Care Sector**: Repeated inquiries, including the 2021 Royal Commission into Aged Care Quality and Safety, have highlighted how efficiency-driven outsourcing and workforce casualisation have led to poor care outcomes, staff burnout, and reputational damage, undermining real productivity.

- **Child Care Sector**: Marketised models have prioritised profit over quality. Despite increased government spending, families face high fees and staff shortages, indicating declining service productivity and access. Moreover, recent instances of child abuse in some childcare centres have exposed serious regulatory and oversight failures, highlighting the risks of prioritising financial efficiency over child safety and wellbeing.
- **Supermarket Sector and Price Gouging**: While Australian supermarket chains have posted significant profits, often framed as signs of productive efficiency, this has coincided with accelerating food price inflation, food insecurity and supplier exploitation. These market dynamics have concentrated power and reduced system resilience, contrary to the public interest.

These examples reveal that treating productivity solely in economic terms, without incorporating ecological sustainability and distributive justice, can exacerbate inequality, degrade care infrastructure, and erode public trust.

5. Recommendations

- That the Commission reaffirm its focus on productivity as a pathway to wellbeing, not as a proxy for economic growth.
- That future inquiries and recommendations to The Government explicitly evaluate productivity policies through social and ecological lenses.
- That the Commission explore frameworks such as Doughnut Economics, Wellbeing Budgets, and True Cost Accounting to inform a broader understanding of productivity.

Conclusion

The Australian Productivity Commission holds a critical role in shaping long-term national wellbeing. In fulfilling its legislated mandate, it must resist equating productivity with economic growth and instead promote systemic approaches that enhance care, ecological integrity, and social equity. Only then can productivity truly serve the Australian public now and for future generations.

Respectfully submitted,

George Ellis

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