Streets People Love Hobart

Submission to the Productivity Commission - ***Pillar 1:*** *Creating a more dynamic and resilient economy*

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This submission includes contributions from professionals working in a volunteer capacity for Streets People Love Hobart. The views expressed are those of Streets People Love Hobart as an organisation and do not represent the positions of contributors' employers.

Thank you for the opportunity to contribute ideas for the interim report: **Pillar 1:** Creating a more dynamic and resilient economy.

Streets People Love Hobart is a community-led initiative organised by a passionate group of local advocates. Our mission is to engage people and advocate for streets that prioritise people, safety, and sustainability. We believe Hobart deserves vibrant, welcoming spaces where everyone can connect, move, and thrive. (We also believe that applies equally to all cities and towns across the nation!)

We understand the interim report has been created to help generate solutions to counter Australia's falling productivity, focusing broadly on two recommendations: a lower company tax rate to increase business investment as well as broader deregulation.

Whilst the Background section notes Australia's productivity growth in the decade to 2020 was the slowest in 60 years, we feel it worth noting that the Australian economy transitioned from a 'goods' economy to a 'services' economy over that period. Many technological and scientific breakthroughs contributed significantly to productivity gains in the goods economy, that are harder to replicate in a services economy.

We note that the interim report doesn't mention 'sustainability' in terms of the environment, and on multiple occasions refers to regulation as a burden. We recommend the final report should acknowledge that the economy cannot function effectively without a healthy environment, including a stable climate (as it does in Pillar 5 interim report).

Chapter 1: Company Taxes (*A long term vision***)**

Tax reform is a key change to ensure a resilient and dynamic economy. The basic idea behind a lower company tax rate being that companies can increase investment in capital (known as capital deepening) to increase the productivity of workers. However, there is evidence that a decrease in the company tax rates has not lead to capital deepening[i]. Furthermore, calculations of the private business investment in Australia over the past 54 years, show it ranges between 10-18% of GDP, despite the company tax rate declining from a peak of 49% to 30% within the time period[ii].

Draft recommendation 1.1 - a more efficient mix of taxes

Whilst company tax reform is not unwelcome, there is quite broad consensus that broader tax reform and targeted public investment is essential to boost productivity. Despite this paper trying to limit the focus on corporate taxation (page 11), we feel that it is essential for the Commission to be open to such ideas.

Other tax reforms could include, but are not limited to, a carbon price[iii] *(that could have positive second order effects on alternative transportation)*, Congestion pricing[iv] *(both decreasing car use & redistributing raised revenue towards public and active transport options)*, broad based Land taxes[v] that are widely considered some of the most efficient taxes, as well as recent research[vi] supporting the need for a broader wealth tax to address growing inequality.

These are all attractive alternative and/or complimentary tax reform options to the proposed change in company tax rates (even one offset by a cashflow tax). Any of these tax reforms alone (or preferably as a suite of policies) can help improve both productivity and decrease inequality, creating a more resilient and dynamic economy.

Further to these crucial outcomes, are impacts on urban planning policies. Increased revenue from a mix of these taxes can not only go towards being budget positive/neutral, but also towards an increase in funding for both public and active transportation alternatives.

The direct and indirect costs of cars are among the most significant transport costs impacting the public road users[vii]. Significant federal spending has been allocated for road and rail construction within this decade[viii]. International standards[ix] suggest approximately 10% of road and rail budgets being spent on active transport alternatives. Over the next four years, budgeted active transport funding represents approximately 1.2% of road funding.

As Street People Love Hobart have consistently advocated, if funding for active transportation funding was increased to between 10-20% of the allocated road and rail budget, the economic benefits are estimated to have a benefit to cost ratio of 5:1, which would result in a $8.5b – $15b value add to the national economy[x]. These benefits will also spread to those who most require alternative transportation options, such as those on lower income who can be forced to spend a disproportionate amount of their income on car ownership and maintenance[xi].

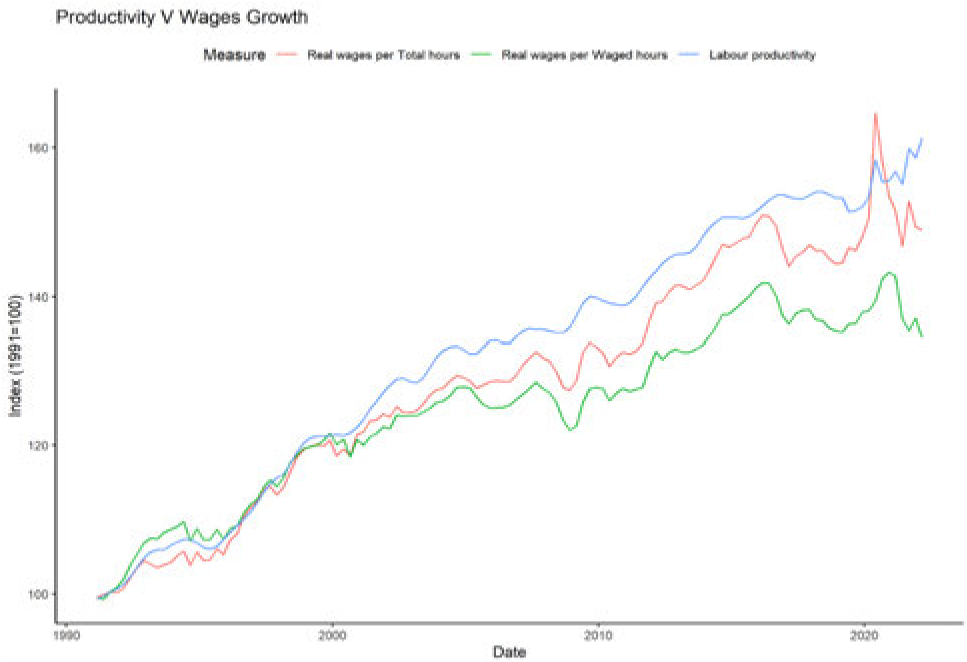
Chapter 2: Regulating to promote business dynamism

The report makes the case that Australia’s economy is over regulated, but we feel it overlooks the productivity losses from inadequate regulation. As a live example, decades of delay on climate action are now significantly impacting on primary industries, and the costs of insurance, and disaster response are now considerable. Within our urban environments, the expansion of cities has been aided by mega road projects, which have embedded motor-vehicle dependency.

Even with a rapid decarbonisation, there will be unavoidable impacts as the climate instability leads to more frequent natural disasters and reduced growing seasons. This will have an intergenerational impact that is likely to cancel out any short and medium-term productivity gains. Therefore, any Office of Impact Analysis would need to give due consideration to longer-term environmental and social considerations as part of any regulatory reform. For instance, the implementation of the National Urban Policy, backed by transport allocations that are tied to health and environmental outcomes, will lead to improve business dynamism. This is evidenced with worker access to employment centres being improved through having improved transport choice (public transit, cycling, walking), not being restricted to vehicles as is effectively the case for most of our major cities.

Furthermore, the 1980’s saw a wave of deregulation of finance in the Australian economy. Prior to this deregulation the share of the economic pie going to labour stood at around 52-62% of national income[xii]. Since then, the share of the national income going to labour has declined to a new mean value of approximately 51.5% since 2020.

This is despite productivity significantly increasing in the following decades[xiii].



Even with this significant increase in productivity, the change in the distribution of earnings was so pronounced that Jim Stanford[xiv] has noted that:

"the cumulative shortfall in real wages relative to productivity since 1975 is about 30 percentage points when wages are deflated by GDP prices."

All of this is to say, the deregulation of 1980's preceded the decoupling of wages from productivity in the following decades (not necessarily causal). This has resulted in an un-egalitarian distribution of the economic value created in the Australian economy. What would be different about this wave of deregulation that would create a more egalitarian distribution of income?

Recommendation 2.3 - Enhance regulatory practice to deliver growth, competition and innovation

More deregulation, whilst potentially warranted in specific circumstances *(i.e. an increase in mixed-use medium / high density zoning codes)*, is unlikely to be a silver bullet for "*a more dynamic and resilient economy*".

One *(often overlooked)* structural policy change that can create a more dynamic and resilient economy is a Workers Democracy. A variety of research shows that Workers Democracy *(where employees either outright own, have a share-based ownership, a profit-sharing arrangement, board representation or other forms of democratic management)* can result in increased productivity[xv], firm performance[xvi], firm survival[xvii], job security and overall satisfaction of employees:

Below is a small cross-section summarising some of the available research on worker democracy:

- Fakhfakh, F., et al., 2012[xviii]; an observational study using panel data in France to estimate the impacts of worker democracy on firm productivity. High level results show that worker owned firms are just as, if not more, productive than conventional firms. In fact, if conventional firms organised production like worker owned firms, the paper suggests they would be more productive.
- Harju, J., et al., 2025[xix]; a quasi-experimental study, using a 1991 legislation change in Finland that mandated workers representation on boards for firms with 150+ employees. The study employs multiple causal inference methods (DiD, IV and RDD) to derive robust estimates for each measure investigated. The results include increases in productivity and worker remuneration, as well as small but positive effects on different measures of job quality with a decrease in involuntary unemployment (i.e. more stable employment).

On top of all these benefits, at local levels all across Australia, a Workers democracy can revitalise community relationships between the people who use local goods/services i.e. the local community, and those producing the goods/services i.e. Workers. Workers Democracy empowers local communities to have a say in how the economic pie is both created and distributed, with the side effects being greater productivity and local entrepreneurship. This can remove the reliance and influence multinational chains can impart on a local community's fabric. Potentially improving a community's self-reliance, sustainability and dynamism.

Furthermore, along with the policies proposed in our section on company taxes, a Workers Democracy will have positive externalities on broader urban policy that can be underpinned by improved public and active transport developments in municipalities across Australia.

Conclusion

Our economy doesn't need another technocratic tax change and an ambiguous deregulation agenda. Structural and broad tax reform coupled with a proposal surrounding some version of Workers Democracy can result in a more egalitarian distribution of the value created in the economy.

Our recommendations for the Productivity Commission to improve both taxes and the transport system will help create "*a more dynamic and resilient economy"* – with the ultimate goal being to improve the quality of life for all Australians:

1. Expand scope to consider carbon prices, congestion price, and a broader wealth-based tax.

2. Improve regulation and productivity through implementing the National Urban Policy

3. Allocate 10-20% of the road and rail budget for active transport improvements. The economic benefits are estimated to add $8.5b – $15b value to the national economy.

We trust this is considered carefully by the Productivity Commission in drafting their final report.

Yours sincerely,

[redacted]

Mark Donnellon

President,
Streets People Love Hobart

[i] Three papers exploring the relationship between company tax rates and capital deepening (in whole or in part); https://crawford.anu.edu.au/sites/default/files/2025-08/2025-07-29%20Tax%20reform%20options%20-%20Saul%20Eslake.pdf; https://www.oecd.org/en/publications/how-does-corporate-taxation-affect-business-investment_04e682d7-en.html; https://www.rba.gov.au/publications/rdp/2025/2025-01/full.html;

[ii] Richardson, D. 2025, The Australia Institute, Figure 1, page 16 https://australiainstitute.org.au/wp-content/uploads/2025/06/P1851-Company-tax-and-the-productivity-agenda-WEB.pdf

[iii] Andersson, J.J., 2019. Carbon taxes and CO2 emissions: Sweden as a case study. American Economic Journal: Economic Policy, 11(4), pp.1-30.

[iv] Yang, Jun and Purevjav, Avralt-Od and Li, Shanjun, The Marginal Cost of Traffic Congestion and Road Pricing: Evidence from a Natural Experiment in Beijing (April 2019). Available at SSRN: https://ssrn.com/abstract=2948619 or http://dx.doi.org/10.2139/ssrn.2948619

[v] Nassios, J. and Giesecke, J., 2022. Property tax reform: implications for housing prices and economic productivity. Centre of Policy Studies Working Paper No. G-330, Victoria University, p.3.

[vi] https://cdn.theconversation.com/static_files/files/3885/Housing_and_the_Measurement_of_Economic_Inequality_12_August_2025.pdf?1754954916;

[vii] Infrastructure Australia, Urban Transport Crowding and Congestion The Australian Infrastructure Audit 2019 Supplementary report, section 2.2, page 6 - https://www.infrastructureaustralia.gov.au/sites/default/files/2019-08/Urban%20Transport%20Crowding%20and%20Congestion%20%28Lower%20Resolution%29.pdf

[viii] Commonwealth Government, 2025-26FY Budget, Budget Paper No. 1, Statement 1: Budget Overview, page 29 - https://budget.gov.au/content/bp1/download/bp1_bs-1.pdf

[ix] The Australia Institute, Proactive investment: Policies to increase rates of active transportation (2024), page 2-3, 27 - https://australiainstitute.org.au/wp-content/uploads/2024/10/Policies-to-increase-rates-of-active-transportation.pdf

[x] Queensland Department of Transport and Main Roads (2023); Queensland Cycling Infrastructure Investment Strategy and Business Case 2016–2026 - https://www.tmr.qld.gov.au/travel-and-transport/cycling/cycling-investment-in-queensland

[xi] Currie, G., Delbosc, A. and Pavkova, K., 2018, October. Alarming trends in the growth of forced car ownership in Melbourne. In Australasian Transport Research Forum.

[xii] Australian Bureau of Statistics 2023, Australian National Accounts: National Income, Expenditure and Product, ABS, https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release.

[xiii] Source: Australia Institute, Real wages have not kept up with productivity

[xiv] Stanford, J., 2018. The declining labour share in Australia: Definition, measurement, and international comparisons. Journal of Australian Political Economy, The, (81), pp.11–32.

[xv] Mellizo, P., Carpenter, J. and Matthews, P.H., 2011. Workplace Democracy in the Lab.

[xvi] O'Boyle, E.H., Patel, P.C. and Gonzalez-Mulé, E., 2016. Employee ownership and firm performance: a meta-analysis. Human Resource Management Journal, 26(4), pp.425-448.

[xvii] Burdín, G., 2014. Are worker-managed firms more likely to fail than conventional enterprises? Evidence from Uruguay. ILR Review, 67(1), pp.202–238.

[xviii] Fakhfakh, F., Pérotin, V. and Gago, M., 2012. Productivity, capital, and labor in labor-managed and conventional firms: An investigation on French data. ILR Review, 65(4), pp.847–879.

[xix] Harju, J., Jäger, S. and Schoefer, B., 2025. Voice at work. American Economic Journal: Applied Economics, 17(3), pp.271–309.