

MEDIA RELEASE

Monday 31 January 2011

8 Malvina Place
Carlton
Victoria 3053
Australia

T. +61 3 8344 3637
W. www.grattaninstitute.edu.au
E. info@grattaninstitute.edu.au

Poor productivity performance a grave concern for Australia

“Australian Governments need to focus their efforts on correcting the slide in Australia’s productivity performance before it is too late,” Saul Eslake, Program Director – Productivity Growth, said today.

“There has been a substantial deterioration in Australia’s productivity performance over the past decade, with the broadest measure of productivity growth starting to go backwards over the past five years. We need to lift our game,” he added. “Productivity growth is the only way to improve the material well-being of Australians, and their quality of life, in the long run.”

“Productivity growth can assist with the challenges of demographic change, reconcile potential conflicts between environmental constraints on economic growth and widely-held aspirations for further improvements in living standards, and help in coping with some of the side-effects of the current ‘resources boom’.

“It is dangerously complacent to assume that Australia’s productivity growth slowdown is largely attributable to developments in a couple of isolated sectors, namely mining and utilities, as has been the ‘conventional wisdom of recent years.’

“It is more likely due to the fading of the effects of previous initiatives, and the comparative lack of any new productivity-enhancing reforms post 2000. Since then we have seen an increase in productivity-stifling regulation and legislation; a loss of appetite for productivity-enhancing change among governments, businesses and voters; the effect of ‘capacity constraints’ as the economy has approached ‘full employment’; and slippage in Australia’s take-up of productivity-enhancing technologies.”

“Australia’s economic prospects beyond the end of the current ‘resources boom’ will deteriorate significantly if the decline in our productivity growth performance is not reversed. We need a re-invigorated economic reform effort, which includes improvements to education and training, improved governance of infrastructure investment, and a heightened innovation effort. We should not be lulled into a false sense of security about our capacity to continue to enjoy our economic prosperity. More work needs to be done,” he concluded.

Report link: http://www.grattan.edu.au/publications/069_productivity_challenge.pdf

For further enquiries:

Saul Eslake, Program Director – Productivity Growth

M. +61 (0)413 987 231 or +61 (0)3 8344 5931

E. saul.eslake@grattan.edu.au