

Submission to the Productivity Commission Inquiry into Australia's Productivity Performance

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Danielle Wood, Brendan Coates, Stephen Duckett, Jordana Hunter, Marion Terrill and Tony Wood

Summary

We welcome the opportunity to make a submission to the Productivity Commission Inquiry into Australia's productivity performance. The Australian economy has proved remarkably resilient through the pandemic, helped by significant monetary and fiscal supports. However, over time, stronger growth in Australia's living standards requires increased productivity growth. A program of bold and well-designed policies is more important than ever.

The Grattan Institute has published a large amount of work on what policies can improve Australia's productivity performance and living standards. Recommendations related to federal government policy are summarised in our 2022 Orange Book. The key themes explored are summarised below and the Orange Book is attached.

The federal government should make Australia's tax system more efficient. Increasing and/or broadening the GST to fund lower income taxes, and supporting state governments to swap stamp duties for land taxes, are some of the best efficiency enhancing reforms. Improving the composition of our permanent skilled migrant intake also offers big long-term payoffs. Reducing out-of-pocket childcare costs would free up families' choices and boost workforce participation, particularly for women.

Improving people's health and education would also boost productivity and quality of life.

Improving access to early childhood education and boosting the quality of school education, including making teaching a more attractive career option for high achievers, would lift student performance, which has been in decline for more than a decade.

The health system functions well overall, but improving the delivery of primary care, addressing aged care workforce needs, and reducing

out-of-pocket costs for medical specialists and dentists would ensure more people could get care when they need it.

The federal government should also boost the bang for buck from transport spending by funding only nationally significant infrastructure projects, avoiding projects that are poor value for money.

The federal government must fix the climate-policy gridlock. Australia needs sharper incentives for carbon-emission reductions now, if we are to avoid a very disruptive and costly transition later.

Australia also needs to do more to tackle the scourge of poverty and homelessness. Increasing JobSeeker and other working-age welfare payments, increasing rent assistance, and building more social housing would 'ease the squeeze' on the vulnerable. The federal government should sharpen incentives to state governments to boost housing supply, and it should introduce a national shared equity scheme to help poorer Australians to own a home.

Finally, the federal government should bolster the checks and balances on political decision-making. The government should reduce the influence of vested interests by tightening rules on political donations and lobbying. And it should set up a federal integrity commission with wide-ranging powers to prevent corruption and misuse of public money.

This is an ambitious agenda. But decades of policy gridlock mean there are many opportunities to improve Australians' living standards through better policy.

We would welcome an opportunity to appear before the Inquiry. For further information please contact Danielle Wood, CEO, Grattan Institute: admin@grattaninstitute.edu.au.