
E Supporting research and related activities

The Commission's supporting research program encompasses a range of activities. This appendix provides brief summaries of Staff Working Papers released in the year. It also lists the presentations given by the Chairman, Commissioners and staff to parliamentary committees, conferences and industry and community groups in 2011-12, as well as briefings to international visitors.

Staff working papers

Note: The views expressed in staff working papers are those of the authors and do not necessarily reflect the views of the Productivity Commission.

Multifactor Productivity Growth Cycles at the Industry Level

Paula Barnes, July 2011

This staff working paper examined multifactor productivity growth cycles at the industry level in Australia. There is considerable variation in industry-specific cycles across industries and the market sector. Moreover, the cycles chosen to examine industry MFP growth can have a considerable effect on the interpretation of industry productivity performance over time.

Key points of the paper included:

- Understanding productivity performance and its drivers at the aggregate market sector level requires a closer examination of the underlying productivity performance of individual industry sectors. But interpreting movements in both aggregate and industry productivity measures is not entirely straightforward.
- Year-to-year changes in measured multifactor productivity (MFP) reflect not only technological progress, but also many other temporary influences.
 - One important such influence is change in the utilisation rate of capital that, because of limited data, is not measured as a change in inputs but instead appears as a change in measured MFP.

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- A common approach when interpreting movements in MFP is to attempt to abstract from these temporary influences through longer-term averaging of measured growth. The Australian Bureau of Statistics (ABS) identifies periods over which to best examine market sector MFP. These are called ‘MFP growth cycles’ or ‘peak-to-peak periods’.
 - The ABS identifies these periods by reference to peak deviations from trend MFP and to general economic conditions at the time.
 - It is potentially misleading to use MFP cycles for the aggregate market sector for analysing industry MFP over time, as the influences affecting deviations from trend vary across industries.
 - Detailed industry studies would be able to provide information to aid in the identification of industry cycles. However, in the absence of such information, the ABS method for identifying MFP growth cycles for the market sector can be made more mechanical and generic so it can be applied to a range of industries. This modified approach includes:
 - a uniform set of rules for selecting which peak deviations are to be used in industry MFP growth cycles — including taking account of the robustness of peak deviations to alternative trend estimates
 - flagging where the selection of specific peak deviations may benefit from further investigation in industry-specific studies.
 - Applying this modified approach at the industry level suggests that there is considerable variation in industry-specific cycles.
 - Less than a quarter of the industry cycles coincide with market sector cycles. For example, industries including Agriculture, forestry & fishing, Mining, and Wholesale trade have no cycles in common with the market sector, while all cycles identified for Manufacturing coincide with those for the market sector.
 - For both Mining and Wholesale trade, a period of negative MFP growth over a market sector cycle is actually a period of positive MFP growth over the closest industry-specific cycle.
 - This approach provides a generic method for the identification of industry cycles, but the paper also notes the scope for further refinement in the identification of cycles where more detailed industry-specific information is available.

Influences on Indigenous Labour Market Outcomes

Annie Savvas, Clare Boulton and Ellie Jepsen, December 2011

This paper used data from the 2008 National Aboriginal and Torres Strait Islander Social Survey (NATSISS) to model the links between various personal characteristics and activities, and four Indigenous labour market outcomes. As causality may run in either direction, results are interpreted as associations.

Key points from the paper were:

- Results typically differ between men and women, in part because of different responsibilities in relation to child rearing, broader family responsibilities and other specialisation in unpaid work. Of these differences, the most notable were those for educational attainment. Results suggest that for women, attainment of year 10 or above is associated with a higher probability of employment and labour force participation, whereas this is less evident for men.
- Results confirm findings from previous research that other human capital factors, such as good health, are positively associated with Indigenous employment and labour force participation.
- Arrest and imprisonment were found to be negatively associated with Indigenous employment and labour force participation. A history of arrest was found to have a larger negative association with employment for women compared to men.
- Models that omit personal characteristics that might determine an individual's labour supply (such as ability, motivation and preferences) are likely to produce biased estimates of the effect of the human capital factors that are included in the model (such as education, health and disability).
 - One benefit of including variables in the model that represent cultural and social engagement is that they may act as proxies for unobserved personal characteristics, reducing the impact of this source of bias.
- The cultural and social engagement factors were found to have statistically significant associations with Indigenous labour market outcomes for women, but not for men.
 - For women there were positive associations between employment and labour force participation, and engagement in social cultural events and the provision of support outside the household.
- A greater understanding of the links between social capital and labour market outcomes could be explored using alternative econometric models. However, there are limits to the indicators that can be derived from the data.

Productivity in Electricity, Gas and Water: Measurement and Interpretation

Vernon Topp and Tony Kulys, April 2012

This staff working paper examined productivity trends in the Australian utilities industry and highlighted some significant issues relating to the measurement and interpretation of changes in measured productivity over time.

Key points from the paper included:

- Multifactor productivity (MFP) growth in Australia's market sector has been considerably below average since 2003-04. Utilities (Electricity, Gas, Water and Waste services), have played a significant role in this, with MFP growth being strongly negative between 1997-98 and 2009-10 (MFP falling, on average, by 3.2 per cent per year).
- To better understand why, this study examined MFP at the subdivision level, with a particular focus on the two largest subdivisions — Electricity supply (ES), and Water supply, sewerage and drainage services (WSSD). MFP growth between 1997-98 and 2009-10 was negative for both ES (on average, -2.7 per cent per year) and WSSD (-4.3 per cent per year).
- Around half of the MFP decline in ES was due to an increase in the ratio of peak to average electricity demand, which lowered average rates of capacity utilisation. This was largely attributable to rapid growth in household use of airconditioners.
 - Three other contributors were: cyclical investment in lumpy capital assets, which temporarily increased inputs ahead of growth in output; a shift to greater undergrounding of electricity cabling, which raised costs and the quality of output, but not the volume of measured output; and policy induced shifts away from coal-fired power to higher-cost, but less polluting, sources of new supply.
- In WSSD, two developments contributed around 80 per cent of the decline in MFP after 1997-98. First, restrictions on water demand in response to widespread drought conditions led to lower measured output. Second, stricter sewage treatment standards increased industry costs, but there was no adjustment to measured output to account for the quality improvement.
 - Two other contributing factors were cyclical investment patterns, and a shift to higher-cost sources of new water supplies, particularly desalination plants, to improve water security.

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- The negative influence on utilities MFP growth of two of these influences — the cyclical surge in new investment and the 2000s drought — is expected to be largely temporary. However, the remaining factors are structural, permanently raising input requirements in the industry (though in some cases bringing an increase in the quality of outputs).
 - This study highlights some of the challenges involved in measuring and interpreting estimates of MFP growth in utilities.
 - A particular concern is the influence of changes in capacity utilisation arising from either cyclical investment patterns, or changes in the structure of electricity demand.
 - Also, government policies, regulatory settings and external shocks (especially the weather) can impact on the quantity or quality of measured output, and on the choice of production technology, thereby influencing estimates of MFP.

Table E.1 Speeches and presentations by the Chairman, Commissioners and staff, 2011-12

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
Gary Banks, Chairman:		
40th Australian Conference of Economists Business Symposium, Canberra	Does Public Policy get the Economics it deserves?	July 2011
Australian Institute of Administrative Law Conference, Canberra	Independence and the Commission	July 2011
Launch of CIPHER, Sydney	Evidence and Health Policy	July 2011
APEC Residential Workshop on Structural Reform, Singapore	Successful reform – past lessons, future challenges	Aug 2011
COAG Reform Council Workshop: 'The National Statistical System', Canberra	Priorities for Statistics in the future	Aug 2011
Sydney Business Chamber Corporate Affairs Forum, Sydney	Pursuing productive reform in 'Interesting Times'	Nov 2011
Australian Institute of Company Directors Economic Forum, Sydney	Why regulation is important to economic performance	Sept 2011
Swinburne University Chancellors Lecture, Melbourne	Independent policy advice and the Commission	Sept 2011
Tax Forum, Canberra	Comments of Taxation and behaviour	Oct 2011
The Treasury Seminar Series, Canberra	Tricks and Traps of the Inquiry Trade	Nov 2011
OECD Regulatory Policy Conference, Paris	Reforming the Regulatory 'Stock'	Nov 2011
OECD Global Forum on Trade, Paris	The relationship of trade to employment and growth	Nov 2011
ACCI Annual Dinner, Canberra	Industry assistance in a 'patchwork economy'	Nov 2011
International CEO Forum, Melbourne	Pursuing productive reform in 'Interesting Times'	Feb 2012
CEDA 2012 Economic and Political Overview, Melbourne	Productivity Perspectives	Feb 2012
Science & Technology Australia meets Policymakers Forum, Canberra	Successful policy and (scientific) evidence	Feb 2012
Centre for Corporate Public Affairs 2012 Politics & Public Review, Canberra	Public policy priorities and the Productivity Commission	March 2012
CEDA's Productivity Series: Improving Australia's Scorecard, Sydney	Productivity and regulatory reform: what is needed?	March 2012
Melbourne Institute, Public Economics Forum, Canberra	Introduction on challenges of the 'three speed economy'	April 2012

Victorian Public Service Executive Leadership Program, Melbourne	Role of the public service – providing independent policy advice	May 2012
Deakin University Policy Forum, Melbourne	Challenges for the new Victorian Gambling and Alcohol Regulator: Setting the scene	May 2012
Minerals Council of Australia Annual Minerals Week Seminar, Canberra	Who's afraid of the Mining Boom?	May 2012
CEDA's State of the Nation 2012: Australia Unbound, Canberra	Whither Trans Tasman economic relations?	June 2012
Alfred Deakin Research Institute Policy Forum, Canberra	Australia's Productivity Performance and the Resources Sector	June 2012
Commissioners:		
Australian Social Policy Conference 2011, Sydney (Alison McClelland)	Opening remarks	July 2011
40 th Australian Conference of Economists, Canberra (Patricia Scott)	Commission's inquiry into Bilateral and regional trade agreements	Aug 2011
QCOSS Conference (Robert Fitzgerald)	Human services reform and not for profit	Aug 2011
Parliamentary Library Staff Seminar, Canberra (Mike Woods)	Commission's inquiry into Caring for Older Australians	Aug 2011
Catholic Health Australia Conference, Canberra (Robert Fitzgerald)	Reforms in the human services sector; impacts and opportunities for Catholic Providers.	Sept 2011
Philanthropy Australia Conference, Melbourne (Robert Fitzgerald)	Commission's study into the Contribution of the Not for Profit Sector	Sept 2011
National Catholic Education Conference, Canberra (Robert Fitzgerald)	In whose interests are we acting? Ethical, moral and pragmatic challenges for non profit school boards and leaders	Sept 2011
Korea Development Institute International Forum on the Service Sector Advancement, Korea (Mike Woods)	Service delivery to Australia's ageing society	Sept 2011
Community Services & Health Industry Skills Council National Conference, Brisbane (Robert Fitzgerald)	Commission's inquiry into Caring for Older Australians	Oct 2011
Local Government Professionals Aged and Disability Services Seminar, Melbourne (Robert Fitzgerald)	Commission's inquiry into Caring for Older Australians	Oct 2011

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Table E.1 (continued)

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
Brotherhood of St Laurence and Melbourne University Roundtable on Inclusive Growth in Australia, Melbourne (Alison McClelland)	How to have economic growth that benefits all Australians	Oct 2011
Consumers Health Forum of Australia 2011 Lecture in Honour of Dr Christopher Newell AM, Canberra (Robert Fitzgerald)	Aged Care Reform	Oct 2011
Australian Institute of Health and Welfare Conference, Canberra (Robert Fitzgerald)	Commission's inquiry into Caring for Older Australians	Nov 2011
Bridge Housing Ltd Annual General Meeting, Sydney (Robert Fitzgerald)	Guest speaker: Human services reforms	Nov 2011
Job Futures Chairs & CEOs' Forum, Sydney (Robert Fitzgerald)	Reforms to human services and not for profits	Nov 2011
AIHW conference: Welfare in a growing economy, Canberra (Robert Fitzgerald)	Reforming Australia human services: challenges & opportunities	Nov 2011
Australian Sustainability Awards, Melbourne (Robert Fitzgerald)	Keynote speaker: Commission's study into the Contribution of the Not for Profit Sector	Dec 2011
Victorian Water Industry Association Managing Directors Forum, Melbourne (Wendy Craik)	Commission's inquiries into Australian Urban Water Sector and the Barriers to Effective Climate Change adaptation	Feb 2012
Health Workforce Australia Reform, Adelaide (Mike Woods)	Caring for older people reform — tackling workforce challenges: how will we provide safe, quality care?	Feb 2012
ACCC Retreat, Melbourne (Angela MacRae)	Work and life balance	Feb 2012
Retail Leaders Forum, Sydney (Philip Weickhardt)	Commission's inquiry into Economic Economic Structure and Performance of the Australian Retail Industry	March 2012
Australian Coastal Council Conference and Research Forum, Hobart (Wendy Craik)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	March 2012
AHPA National Conference, Canberra (Robert Fitzgerald)	Keynote address on reforming human services, community wellbeing and wellness.	April 2012
IPANZ Rethinking Local Government Conference, New Zealand (Warren Mundy)	Local Government as a regulator: the Australia experience	April 2012
CEDA Trustee Luncheon, Melbourne (Mike Woods)	Commission's inquiry into Caring for Older Australians	April 2012

Australian New Zealand Leadership Forum, Sydney (Jonathan Coppel)	Australian and New Zealand: together in the Indo-Pacific Century	April 2012
Energy Networks Association CEO Forum, Brisbane (Philip Weickhardt)	Commission's inquiry into Electricity Network Regulation	April 2012
NCCARF/DCCEE/ANU Workshop, Canberra (Wendy Craik)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	May 2012
Practical Responses to Climate Change National Conference, Canberra (Wendy Craik)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	May 2012
Annual General Meeting for Early Childhood Management Services, Melbourne (Angela MacRae)	Commission's study into Early Childhood Development Workforce`	May 2012
Policy Forum on Adaption in OECD Countries, Paris (Jonathan Coppel)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	May 2012
The Homelessness NSW 2012 Conference, Newcastle (Robert Fitzgerald)	Getting results in Newcastle: the next era for the not for profit sector	May 2012
University of South Australia Chancellors' Council meeting, Adelaide (Mike Woods)	Productivity in Universities	May 2012
Australian National Institute for Public Policy course, Canberra (Wendy Craik)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	May 2012
OECD Policy Seminar, Mexico (Mike Woods)	Peer review of the OECD review of regulatory policies in Mexico	July 2012
LGMA NSW Forum: tackling the issues, Sydney (Warren Mundy)	Commission's study into Performance Benchmarking of Australian Business Regulation: Role of Local Government as Regulator	June 2012
ALGA National General Assembly of Local Government, Canberra (Warren Mundy)	Commission's study into Performance Benchmarking of Australian Business Regulation: Role of Local Government as Regulator	June 2012
NCCARF Climate Adaptation in Action 2012: sharing knowledge to adapt, Melbourne (Wendy Craik)	Commission's inquiry in Barriers to Effective Climate Change Adaptation	June 2012

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Table E.1 (continued)

<i>Organisation/event</i>	<i>Topic</i>	<i>Date</i>
Staff:		
Parliamentary Library Staff Seminar, Canberra (Rosalie McLachlan & Anthony Housego)	Commission's inquiry into Caring for Older Australians	Aug 2011
Victorian Taxi Industry Inquiry, Melbourne (Alan Johnston)	Reform of the Victorian Taxi Industry	Sept 2011
Australian Economic Forum, Sydney (Dean Parham & Leo Soames)	Productivity Masterclass	Sept 2011
National Housing Supply Council, Melbourne (Sue Holmes & Rosalyn Bell)	Commission's study into Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments	Sept 2011
COAG Reform Council Conference on Objective for Cities – how are we faring, Melbourne (Sue Holmes)	What is evidence-based policy making? How do we get it?	Oct 2011
OECD international collaborative initiative for trade and employment conference, Paris (Patrick Jomini)	Interactions between trade and employment: Australia case study	Nov 2011
Reserve Bank of Bank, Sydney (Dean Parham & Leo Soames)	Productivity Masterclass	Nov 2011
The Treasury, Canberra (Dean Parham & Leo Soames)	Productivity Masterclass	Nov 2011
Forum of Federations public service benchmarking under localism and federalism, London (Lawrence McDonald)	Some Australian experiences in performance assessment	Feb 2012
Annual Economics Teachers' Conference, Melbourne (Clinton Pobke)	Overview of Commission's work on microeconomic reform	March 2012
Inaugural Homelessness Research Conference, Melbourne (Sophie Vassilios)	Report of Government Services	April 2012
Melbourne Institute's Intergen+10, Canberra (Ralph Lattimore)	The economic effects of ageing with an emphasis on the implications of productivity	May 2012

Table E.2 International delegations and visitors, 2011-12

<i>Organisation/delegation</i>	<i>Briefing/discussion purpose of visit</i>	<i>Date/location</i>
Professor Stephen Littlechild, University of Cambridge	Seminar to the Commission on the nature of competition and the evolving regulatory process	July 2011 (M)
Pascal Lamy	Discussion of Commission's role and trade policy developments	Aug 2011 (C)
Japanese Delegation	Study tour of carbon pricing scheme	Sept 2011 (C)
Chilean Delegation	Ministerial visit	Sept 2011 (C)
Indonesian Delegation	The Commission's role and activities and measuring productivity	Oct 2011 (C)
Dr Roberto Newell Garcia, President, Mexican Institute for Competitiveness	Richard Snape Lecture: Political economy of reform in Mexico	Oct 2011 (M)
Dr Suprijo De, Indian Ministry of Finance	The Commission's role and activities	Oct 2011 (C)
Professor Josef Konvitz	The Commission's role and activities	Oct 2011 (C)
Chinese Taiwan Delegation	The Commission's role and activities	Oct 2011 (C)
China State Council	The Commission's role and activities	Oct 2011 (C)
Jeroen Nijland	Regulatory reform and links with OECD	Oct 2011 (C)
China Ministry of Finance Delegation	The Commission's role and activities	Nov 2012 (C)
OECD Mission	Productivity (trends, details); Structural Change (incl. land use, zoning, housing); Reform Agenda (including health and productivity, infrastructure regulation).	Dec 2011 (C)
Greg Bounds and Nikolai Malyshev, OECD officials	The role of OECD Regulatory Policy Committee	Feb 2012 (M)
New Zealand Productivity Commission	Inaugural Meeting of the Australian and New Zealand Productivity Commissions	Feb 2012 (C)
Professor John Micklewright, University of London	Seminar to the Commission on the Great Recession and the distribution of household income	Mar 2012 (M)
Philippines National Economic and Development Authority (NEDA) Delegation	Discuss public private partnerships along with other aspects of economic planning in Australia	Mar 2012 (C)

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Table E.2 (continued)

<i>Organisation/delegation</i>	<i>Briefing/discussion purpose of visit</i>	<i>Date/location</i>
Singapore Delegation	Discuss carbon pricing mechanisms and policies to reduce emissions	Mar 2012 (M)
Professor Michael Enright, University of Hong Kong (CPA Australia)	Discuss CPA Australia and Australia's competitiveness research project	April 2012 (C)
New Zealand Minister for Health The Hon Tony Ryall,	Discuss Health sector, in particular hospital and primary health care productivity; Australian experiences and lessons that can be learnt	April 2012 (C)
Professor Mark Roberts, Pennsylvania State University	Seminar to the Commission on R&D, Innovation and Productivity in German Manufacturing Industries	May 2012 (C)
ANAO/NZ Audit Office	Discuss Productivity Commission work program	May 2012 (C)
Council of the Dutch Scientific Council for Government Policy, Professor Peter van Lieshout and Mr N Schermers,	Discuss long term (growth) strategy of Australia for his research on the best strategy for the future of the Netherlands.	June 2012 (C)
New Zealand Treasury officials	Economic growth and structural reform policy priorities	June 2012 (C)
Chinese National Development and Reform Commission	Briefing on the Carbon Pricing Study	June 2012 (M)

(C) Canberra (M) Melbourne