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Industry Insights: The Productivity Outlook in Australia

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A featured essay for Australian's Department of Industry, Innovation and Science discusses what nations can to do spur productivity growth and encourage the development of new technologies.

Productivity growth rates have fallen for most nations over the past decade. In this sense Australia is not unique. What does appear to separate Australia from at least some nations, including the United States (US), is that Australian policymakers are having a conversation about the problem and potential solutions. In a feature article for the Australian government's Department of Industry, Innovation and Science, Rob Atkinson writes that this conversation is critical because productivity growth is the main determinant of long-term improvements in living standards.

Fundamentally, productivity slowdowns occur in organisations (firms, non-profits and governments), and it is there that solutions must be found. As such, nations need to understand and craft sectoral productivity policies that reflect the unique differences between industries.

Nations have two tasks when it comes to technology. The first is to ensure that most organisations are adopting and effectively using best-in-class technologies. This means keeping capital input prices low (e.g. eliminating tariffs on ICT goods and services and expanding tax incentives for businesses to invest in machines) while also raising the price of labour (e.g. setting a higher minimum wage). The second is to help accelerate the innovation and adoption of new, risky next-wave technologies, in part by having government be a lead adopter, encouraging organisations to coordinate where there are 'chicken-oregg' adoption challenges, and spurring more research and development (R&D) through tools like R&D tax incentives.