Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 75

Topic: Productivity Growth

Hansard Page: Written

Senator EGGLESTON asked:

1. The Prime Minister has targeted a productivity growth target of 2%pa.
   a) What does that refer to, if it GDP per capita or labour productivity?
   b) How will that be achieved?
   c) If it requires industry reform, what industry assistance measures need to be wound back to ensure scarce capital resources move from less efficient to more efficient sectors of the economy so as to achieve his target for improved productivity?

Hansard reference page E22 (Wednesday 10 Feb)

Answer:

1. a) The 2010 Intergenerational Report provides an estimate of the potential increase in GDP per capita if productivity growth (i.e., growth in GDP per hour worked) of two per cent per annum could be achieved over the next 40 years.

1. b, c) The 2010 Intergenerational Report notes on page 22 that:

> There are a range of factors that influence productivity outcomes, including the flexibility and efficiency of the allocation of labour and capital, the level of capital intensity and technological change.
>
> Government is able to promote productivity growth through investing in infrastructure and skills, promoting macroeconomic stability, and providing appropriate microeconomic frameworks.

The 2010 Intergenerational Report also identifies a range of government policies that can support productivity growth including:

- policies that promote a stable macroeconomic environment;
- investment in social and economic infrastructure, including improved communications, transport, energy, education and health services;
- policies to support skills and education; and

- microeconomic frameworks that promote open and competitive markets, reduce the business costs of regulation, and provide greater flexibility for business to adjust to changing circumstances.