



QUEENSLAND  
FUTURES INSTITUTE



QLD POLICY LEADERS' FORUM

ACCELERATING STATE PRODUCTIVITY

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# QLD POLICY LEADERS' FORUM

# ACCELERATING STATE PRODUCTIVITY

## PANELISTS:



**MICHAEL ANTHONISZ**

Chief Economist  
Queensland Treasury  
Corporation



**MICHAEL BRENNAN**

Chief Executive Officer  
e61 Institute



**MARK GRAY**

Chair  
Data#3



**PROFESSOR  
DEBORAH TERRY AC**

Vice-Chancellor and President  
The University of Queensland



**MODERATOR  
DAVID EDWARDS**

Principal  
BGE Advisory

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# Snapshot

The 2025 Queensland Futures Institute's Accelerating State Productivity outlined the key challenges and opportunities around the state's economics and productivity growth. The Panel explored strategies to drive sustainable productivity improvements, which will require the alignment of many different factors across tax and regulatory reform, industry collaboration, technological advancements, and education and research to foster innovation. The discussion challenge lies in effectively integrating these advancements across key sectors both traditional and emerging sectors— including service-based industries - to support economic and productivity growth in Queensland.

## Summary of Panel Comments

- Australia's productivity has been weak over the past two decades, with Queensland closely following this trend. Population growth has paid a productivity dividend but the underlying efficiency gains have been poor.
- Queensland's tax system is overly complex, with excessive regulatory burdens, particularly for small innovative businesses. Government's focus tends to be about eliminating risk rather than mitigating or managing risk. This leads to a focus on compliance rather than growth and innovation.
- Governments must shift from excessive regulation aimed at eliminating all risk to a balanced approach that supports innovation and competitiveness while managing risks effectively.
- This should be a focus of the Queensland Productivity Commission, by focusing on opportunities for productivity improvements through regulatory reform, taxation simplification and business-friendly policies.
- With 90% of the workforce in services, increasing productivity in healthcare, education, and professional services is critical, yet these sectors lack the well-defined innovation pathways that traditional industries have.
- Technological advancements such as AI have the potential to drive major productivity gains, but their implementation needs to be strategically managed.
- Universities play a key role in driving productivity by equipping graduates with critical skills and fostering research, innovation, and commercialisation - particularly in emerging industries like quantum computing, biotech, and AI.
- Aiming for incremental productivity gains in traditional and service sectors which employ the majority of our workforce is just as important as driving productivity in emerging industries which can see massive gains.

# Panel Comments



**David Edwards**

- Australia's productivity performance over the past 20 years has been generally poor, masked somewhat by productive sectors like mining, agriculture, and parts of professional services.
- However, even though coal is seen by some as being in decline it still is a major driver of both regional and Brisbane economies. People forget that our traditional sectors such as resources and gas are the most productive sectors in the world.
- Despite its high productivity and strengths, we're seeing fewer new projects in the resources sector, primarily due to productivity issues, high construction costs, increased sovereign risk, compliance burdens and lengthy approval processes.
- Investors prefer jurisdictions with less burdensome processes, which has led some looking to other locations with fewer barriers.
- Industrial relations are often blamed as the primary problem in productivity debates, but this is an oversimplification; productivity is multifaceted and depends on multiple interconnected factors to come together to drive productive economic development and growth.

## **Drawing on your experience in both the private and public sectors, how have we performed as a State in terms of productivity?**



**Mark Gray**

- Over the past 20 years, Australia's productivity has been weak, and Queensland's experience closely mirrors this trend.
- Queensland's growth has largely relied on population increases, especially interstate migration, rather than true productivity improvements.
- Population-driven growth demands substantial investment in infrastructure - more roads, power, water, schools, and hospitals - placing significant strain on financing and delivery capabilities.
- Brisbane's current infrastructure struggles to cope with population growth, potentially even more so than Sydney, highlighting infrastructure challenges as a barrier to efficient growth.
- Meanwhile, productivity-driven growth does not require the same level of infrastructure investment and enables more sustainable economic advancement.

## **What should the new State Government undertake to improve productivity?**



**Mark Gray**

- Productivity improvements are needed in three key areas: state taxes, regulatory reform and enterprise agreements.
- Our state tax system is overly complex, inefficient, narrowly focused and filled with numerous concessions and rebates - land tax and duties acts are prime examples.
- Australia's last significant economic reform was GST in 2000, which partially addressed the state's vertical fiscal imbalance. However, states still lack control over GST revenues, reflecting the ongoing mismatch between our taxing powers and expenditure responsibilities.
- Ideally, Queensland would move towards a broad-based growth tax with minimal concessions and exemptions, reducing reliance on inefficient taxes and simplifying property taxes by integrating state land tax with local government rates.



# Panel Comments

- The Australian Chamber of Commerce has recently found that regulatory complexity significantly hampers business efficiency, with small businesses spending about one day per week (around \$20,000 to \$50,000 annually) just managing compliance.
- However, previous government efforts on red tape reduction haven't been effective - a serious and focused regulatory reform effort is still required.
- Finally, enterprise agreements have become overly complicated, losing sight of their original intent to link wage increases to productivity improvements. Now they include an overly complex array of conditions, allowances, and penalty rates.
- For example, the Queensland Health payroll issue from over a decade ago highlights how complicated enterprise agreements have become - 85,000 workers faced over 23,000 permutations of awards and conditions. This issue is yet to be addressed, highlighting the urgent need for simplification and reform.

**The university sector has always played a strong role in innovation. How is the university sector currently contributing to productivity improvements in Queensland?**



## **Professor Deborah Terry AC**

- The university sector is fundamental to productivity, enabling the economy to do more with less by providing essential skills and knowledge to the labour market.
- Growth is also driven by new ideas and innovation, which comes through research that generates these ideas and translates them into tangible benefits.
- In terms of education, universities must equip graduates not only with discipline-specific expertise, but also uniquely human skills like critical thinking, empathy and leadership. These are vital given rapid technological advancements and AI.
- Our research also contributes significantly to productivity through technological transformation, translating research into real-world applications, such as clinical care improvements and industry innovations.
- Australian research excels globally, but we must become more effective in commercialisation, technology transfer and nurturing incubators to fully leverage our capabilities.
- UQ has been a successful player in commercialisation, but must continue to develop this, including through initiatives like the Boggo Road Innovation Precinct.
- While UQ has played a role in the resources and agriculture sectors, it is critical that emerging industries succeed to drive future productivity growth.
- Effective collaboration among universities, industry and government is essential for driving significant productivity improvements – “it takes three to tango”.

# Panel Comments

**Can you give us an insight around the emerging sectors you see as a priority for Queensland's economy?**



## **Professor Deborah Terry AC**

- While UQ has long-standing expertise in mining, resources and agriculture, we are also heavily focused on emerging industries.
- Queensland is particularly strong in quantum computing, with UQ hosting the first Centre of Excellence applying quantum technology to healthcare to boost efficiency and productivity in the sector.
- Biotechnology, vaccine development and drug development are also key focus areas, with major efforts being undertaken at the Boggo Road Innovation Precinct.
- Through collaboration with the Queensland Government and Griffith University, UQ has successfully attracted Sanofi - a major global pharmaceutical company - to establish its Southern Hemisphere base here.
- Productivity in emerging industries requires seamless partnerships across researchers, industry and government to drive real impact.
- Our new Translational Science Centre will be a hub for developing and manufacturing mRNA vaccines in Brisbane, ensuring Queensland is not only a research leader but also a production centre for critical medical advancements.

**The holy grail has always been for government, universities and the private sector to align their strengths in research and development to drive innovation and productivity, yet we still struggle to align the three sectors. What are the keys to success to harness each of the parties' unique strengths?**



## **Michael Brennan**

- The Australian and Queensland economies are dominated by services, with 90% of the workforce employed in this sector, while traditional goods sectors – such as resources, manufacturing and agriculture - comprise about 20% of the Australian economy.
- Productivity in traditional sectors is more intuitive. For example, farmers measure crop yields, miners optimise extraction.
- However, productivity is harder to define and measure in service sectors.
- The key challenge is figuring out how to drive innovation and productivity growth in a services-based economy.
- Historically, agriculture, manufacturing and resources had clear innovation systems involving public R&D, as well as partnerships with universities and the private sector. However, we lack a well-defined innovation framework for professional services, education and healthcare.
- Exemplifying this discrepancy, in healthcare, while the manufacturing side (such as devices, drugs and biotech) is highly innovative, the service delivery side lags. For example, clinics still rely on outdated faxes for referrals.
- We must consider the 'size of the prize' in driving productivity gains; the biggest productivity gains are likely to come from areas where most people are employed – including in healthcare, education and the care economy (e.g., NDIS). While productivity gains can be massive in emerging industries like quantum and biotech, these areas employ fewer people. Therefore, incremental gains in the larger areas of the economy are just as important.

# Panel Comments

- Research partnerships have traditionally worked in goods-based industries where academics develop ideas in isolation and then commercialise them. However, in services, innovation requires a different approach – with closer collaboration, secondments, and direct embedding of researchers within firms to better understand commercial realities and drive real-world improvements.

## We have talked a lot about productivity and innovation – how do these relate?



**Michael Brennan**

- Productivity and innovation are linked but not identical - productivity comes from ideas, but it's their market deployment that truly drives economic gains.
- Technological advancement alone does not guarantee productivity growth. For example, some economies such as the Soviet Union have been technologically advanced but lacked true innovation in a commercial sense.
- In Australia, only about 2% of firms engage in cutting-edge, world-leading innovation. However, this is not necessarily a problem for a small, open economy.
- Our real opportunity lies in being an efficient and rapid adopter of global innovations - rather than trying to lead in every area.
- The focus should be on the 98% of firms - helping them implement simple but impactful improvements like AI adoption, automation and business model innovation.
- Widespread incremental improvements across businesses will ultimately drive the most meaningful productivity gains.



**Professor Deborah Terry AC**

- We can certainly be an adopter of AI to drive process improvements as it is integrated across industries, particularly in a services-based economy.
- However, the ethical considerations around AI must be understood. Universities play a key role in educating students to navigate these challenges.
- While small efficiency gains from AI are valuable, the real challenge is implementing large-scale, systemic changes that drive significant productivity improvements.

## What are some of the productivity trends currently playing out globally and in Australia?



**Michael Anthonisz**

- Australia has seen average productivity growth over the last 20 years, but a more recent downward trajectory over the past decade.
- This slowdown is not unique to Australia - two-thirds of OECD economies have also experienced declining productivity growth since the pandemic.
- Australia ranks in the bottom quartile of this group, meaning we are underperforming relative to our peers.
- However, one-third of OECD economies are seeing accelerating productivity growth, with the US as a standout example.
- While we don't need to reach the global frontier, we are currently operating well below our potential within our own sectoral frontiers. This has been shown by the Productivity Commission in recent years.
- As such, there are clear inefficiencies which we must address to unlock productivity gains.

# Panel Comments

## What do you think the outlook for productivity is both globally and in Australia?



**Michael Anthonisz**

- Productivity is one of the hardest economic variables to forecast due to its volatility, data revisions and measurement challenges.
- Instead of predicting a single number, it's more useful to examine the key factors that will shape productivity growth.
- The two main drivers are the quality of physical and human capital and how efficiently they interact to produce output.
- Technology plays a critical role in this interaction. In particular, AI represents a potentially transformative general-purpose, foundational technology, with the potential to drive a significant uplift in productivity by enabling complementary innovations across various sectors.
- However, the timeline for AI is uncertain. Historically, foundational technologies take years or even decades to fully transform productivity.
- For this reason, estimates on the impact of AI vary widely – with some estimating negligible effects, and others predicting a doubling in labour productivity in the US labour productivity growth.
- This shows the range of possibilities that exist if we can leverage these opportunities to drive productivity now and in the near future.

## How critical is productivity in the construction sector to overall economic success? The sector underpins major projects, housing affordability, and infrastructure, yet its viability is in question as workers leave in large numbers. While industrial relations dominate the debate, they are only one factor - what other measures, such as construction methods, innovative materials, compliance costs, and different work practices, can improve productivity? Additionally, what role should the Queensland Productivity Commission play in addressing these challenges?



**Mark Gray**

- The Queensland Productivity Commission is a good idea, reflecting the national Productivity Commission.
- While these Commissions are intended to be independent, they ultimately remain accountable to governments, which must be willing to implement their recommendations.
- A key challenge is balancing 'first-best' solutions (which may be politically difficult) with more politically feasible 'second' or 'third-best' solutions.
- The commission should prioritise issues like the Best Practice Industry Conditions, construction costs, state taxation and regulatory reform.
- Regulatory burdens are excessive – with businesses spending too much time on compliance instead of growth strategies.
- Governments tend to overregulate, using 'belts and braces' approaches that attempt to eliminate all risk rather than manage it effectively.
- In contrast, the private sector focuses on risk mitigation rather than total risk elimination, recognising that some level of risk is acceptable.
- We need a shift in regulatory philosophy to ensure that the 99% of compliant businesses are not overly burdened, just to manage the 1% that may break the rules.



# Panel Comments



**Mark Gray**

- One key topic we haven't discussed enough is competition, which plays a fundamental role in driving productivity and innovation.
- From my experience at Data#3, an IT services provider, we compete daily against both small businesses and global tech giants.
- Competitive pressures force businesses to continuously improve, innovate and find efficiencies. This is one of the strongest motivators for productivity.
- Creating the right incentives for competition in markets is critical to ensuring long-term innovation and economic growth.
- However, there is no single silver bullet for improving productivity - it's the result of thousands of small decisions made by employees and businesses striving to outperform competitors.

## Would you like to comment on the productivity of the university sector?



**Professor Deborah Terry AC**

- The Australian university sector is relatively efficient compared to North America and the UK, particularly in how we manage support and professional services staff.
- UQ operates on a large scale, with 47,000 students and nearly \$600 million in direct research funding.
- While universities focus on offering solutions through research, we must also be receptive to applying process improvements within our own institutions.
- AI and machine learning present opportunities to enhance staff productivity and job fulfillment, but it is difficult to tangibly measure this impact in terms of productivity.
- As such, the challenge isn't a lack of solutions, but ensuring they are effectively implemented and can produce measurable productivity gains.

# Audience Questions

**Should we hold government policymaking more accountable, with greater independent scrutiny around how proposed policies are driving productivity? This could be undertaken by an entity such as the Productivity Commission, to provide another perspective on policies alongside other considerations such as unemployment and interest rate impacts.**



**Michael Brennan**

- The biggest issue in the productivity debate is that governments tend to look for a single solution rather than addressing the many small but necessary changes across policies.
- Productivity isn't driven by a single reform – as we've discussed, it requires many factors to align to achieve success.
- Workplace relations is one example – this is not the sole driver of productivity but certainly contributes.
- The issue with recent workplace regulations is that they tend to restrict new business models rather than enabling flexibility and innovation.
- Policies like “same job, same pay” or restrictions on labour hire and platform work reflect a broader trend - whenever a new approach which could drive potential innovation emerges, regulations are implemented to force it into a conventional, familiar framework.

**Given some level of risk is inevitable - how do we ensure regulations strike the right balance between risk aversion and mitigation without stifling productivity and innovation?**



**Mark Gray**

- Education is key - there needs to be a broader understanding that failure is a natural and necessary part of a functioning economy.
- Inefficiencies are worked out through competition and market forces; businesses that can't adapt won't survive.
- Despite extensive regulations, fraud, financial misconduct and failures still occur, proving that no system can eliminate risk entirely.
- As such, governments need to shift their mindset and accept that they can't solve every problem.
- Over the past 20-25 years, governments have been too timid in pursuing major economic reforms.
- The last significant economic reform was the introduction of GST in 2000. Since then, very little has been done to drive structural change.
- In contrast, the 1980s and 1990s saw major competition, banking and financial system reforms that had a lasting positive impact on productivity.
- We need leaders willing to make tough decisions and push for the next wave of meaningful economic reform to drive the next wave of major productivity and economic growth.

## QFI LEADING MEMBERS



## QFI INNOVATING MEMBERS





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## FOR FURTHER INFORMATION

Steve Greenwood | Chief Executive Officer  
[steve.greenwood@futuresinstitute.com.au](mailto:steve.greenwood@futuresinstitute.com.au)

[www.futuresinstitute.com.au](http://www.futuresinstitute.com.au)

Level 11, 111 Eagle Street Brisbane QLD 4000