

Senate Committee

Select Committee on Productivity in Australia

2 March 2026

About us

Governance Institute of Australia is the only fully independent professional association dedicated to the advancement of governance and risk practice in Australia. Our internationally recognised qualifications equip a diverse professional network of business leaders to make good decisions for the benefit of Australia's economy and society. With a history dating over 100 years, Governance Institute is Australia's leading and trusted voice of governance. Our fully accredited education and training is tailored to the meet the needs of governance professionals across public listed, unlisted, and private companies, as well as the public sector and not-for-profit organisations.

Governance Institute is committed to independent, evidence-based advocacy that is focused on strengthening the governance capability of Australian organisations. We believe that good governance is the foundation of organisational resilience, productivity, and public trust.

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Introduction

Governance Institute supports national productivity growth through efficient capital markets, better regulatory design and inclusive technological adoption across the economy.

Low productivity growth has broad economic and social impacts. Poor productivity limits the economy's supply capacity, leading to stagnant national income and wages that constrain household spending.

The deterioration in productivity growth is the result of factors that have persisted for some time, including declining business dynamism and competition, slower and less effective technological uptake and lower growth in the amount of capital per worker.¹

Multiple studies suggest the productivity slowdown is consistent with experiences in other advanced economies, driven by reduced innovation adoption and a shift toward less productive sectors.²

The submission outlines the experience of members navigating costly and complex regulations, our concerns with the *Corporations Act 2001*, the experience of adopting and deploying new technologies, and capital markets.

The current state of productivity growth

Productivity continues its long-term decline impacting business revenues, household incomes and living standards

The benefits of higher productivity result in the economy creating more from a given set of resources, allowing people to produce and consume more of the goods and services they value or enjoy more leisure time.³ The RBA states that productivity growth remains weak. Slower productivity growth has meant that the supply capacity of the economy is smaller than it otherwise would have been if productivity growth had been faster.⁴ Slower productivity growth has directly weighed on growth in wages, incomes and so household spending.⁵ The RBA lowered its assumption for medium-term "trend" labour productivity growth to 0.7% per

¹ <https://www.rba.gov.au/publications/smp/2025/aug/in-depth-drivers-and-implications-of-lower-productivity-growth.html>

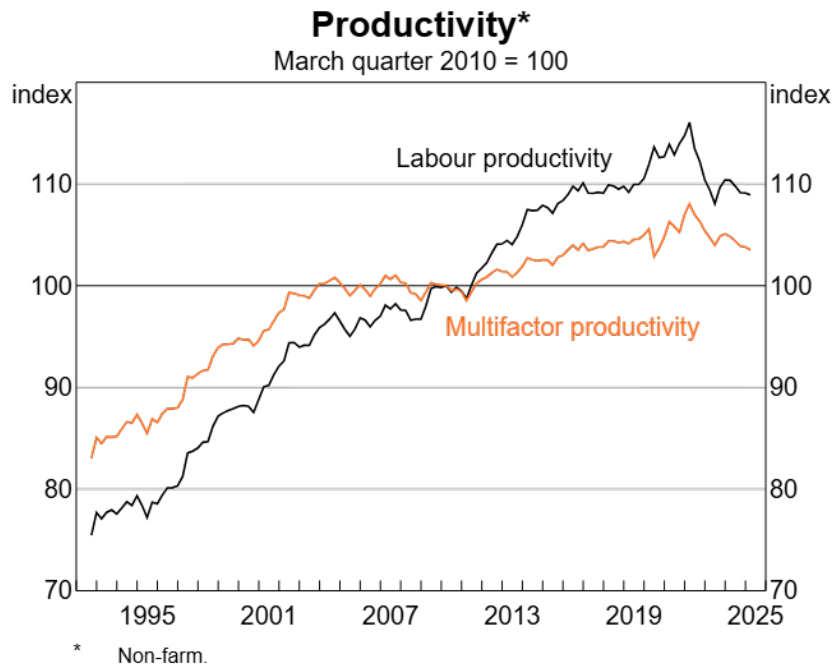
² <https://treasury.gov.au/sites/default/files/2022-10/p2022-325290-overview.pdf>

³ <https://www.rba.gov.au/publications/smp/2025/aug/in-depth-drivers-and-implications-of-lower-productivity-growth.html#:~:text=We%20have%20lowered%20our%20assumption,demand%2C%20and%20so%20inflationary%20pressure.>

⁴ <https://www.rba.gov.au/publications/smp/2025/aug/in-depth-drivers-and-implications-of-lower-productivity-growth.html#:~:text=We%20have%20lowered%20our%20assumption,demand%2C%20and%20so%20inflationary%20pressure.>

⁵ <https://www.rba.gov.au/publications/smp/2025/aug/in-depth-drivers-and-implications-of-lower-productivity-growth.html#:~:text=We%20have%20lowered%20our%20assumption,demand%2C%20and%20so%20inflationary%20pressure.>

annum, down from the previous 1.0% assumption.⁶ Graph 1 demonstrates that labour productivity has stalled as has multifactor productivity growth.



Graph 1. Source: RBA, "In-depth drivers and implications of lower productivity growth", August 2025.

Labour productivity growth has been weak in recent years so that unit labour costs (ULC) growth – the most comprehensive measure of overall labour cost pressures – has been well above its average rate.⁷ ULCs increased by 5.0% over the year to the June quarter (Graph 2.23), a little stronger than expected.⁸ Output per hour worked has trended below historical averages whilst labour costs per hour have increased to above average rates.⁹ Graph 2 reflects the stagnant labour productivity growth has had an impact on real net national disposable income per hour.

Graph 3 illustrates market sector productivity growth on a worked basis. It shows a decline in labour productivity from 3% to 1% over 20 years, and multifactor productivity has now reduced to 0.1% growth continuing a long-term decline.

⁶ <https://www.rba.gov.au/publications/smp/2025/aug/in-depth-drivers-and-implications-of-lower-productivity-growth.html#:~:text=We%20have%20lowered%20our%20assumption,demand%2C%20and%20so%20inflationary%20pressure.>

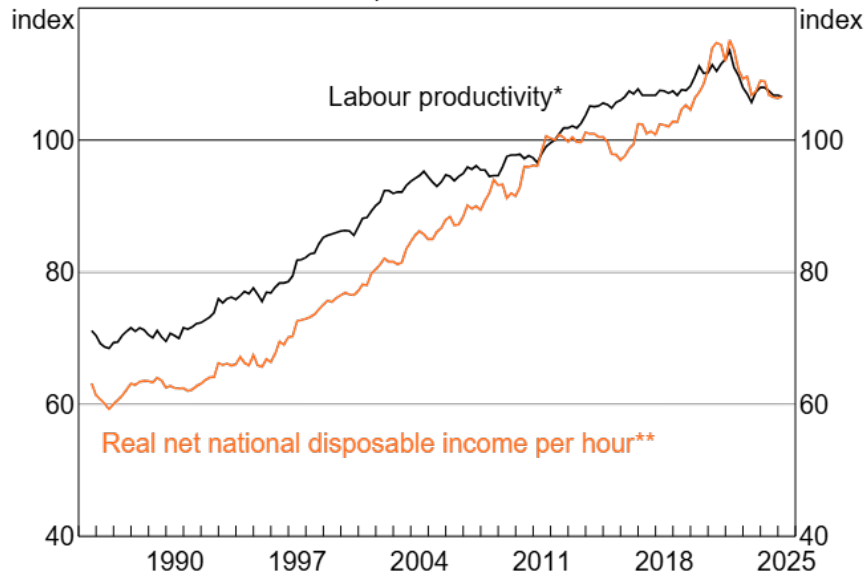
⁷ <https://www.rba.gov.au/publications/smp/2025/nov/pdf/statement-on-monetary-policy-2025-11.pdf>

⁸ <https://www.rba.gov.au/publications/smp/2025/nov/pdf/statement-on-monetary-policy-2025-11.pdf>

⁹ <https://www.rba.gov.au/publications/smp/2025/nov/pdf/statement-on-monetary-policy-2025-11.pdf>

Productivity and Income

March quarter 2012 = 100

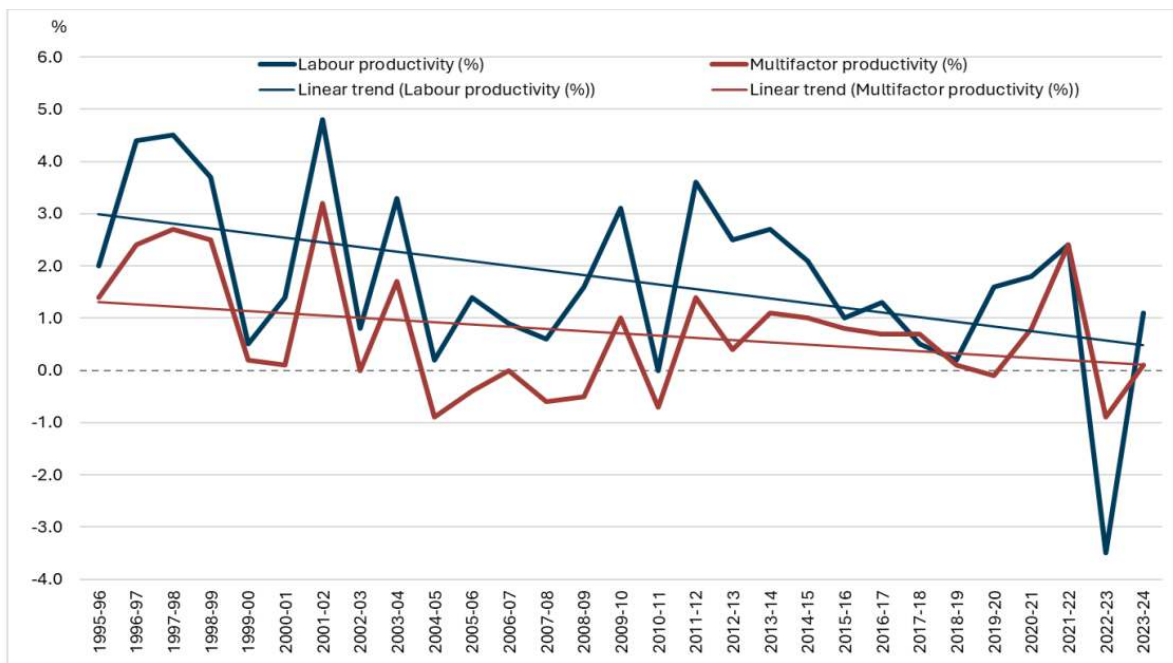


* Non-farm GDP per hour worked.

** Real GDP per hour adjusted for the purchasing power effects of changes to the terms of trade, depreciation of the capital stock and net income transfers to the rest of the world.

Graph 2. Source: RBA, "In-depth drivers and implications of lower productivity growth", August 2025

Market sector, productivity growth (hours worked basis)



Graph 3. Source: ABS "Estimates of Industry Multifactor Productivity, 2023-24 (Released 22 January 2025)

*Note: Non-market sectors provide government-funded outputs to consumers free of charge or at non-market prices and are not measured by the ABS. Ownership of dwellings is also excluded because no employment is associated with it.

The impact and opportunity of technology

Charting a pathway to higher productivity growth through a framework of inclusive technology adoption across the economy

The uneven adoption of technology is creating a growing divide between “frontier” firms with large capital expenditure and high returns on investment of new technologies and “laggard” firms that are increasingly falling behind.¹⁰

The rapid development of new technologies, particularly AI, has emerged as a once in a generation opportunity to drive a productivity up-tick across organisations of all sizes, in all industries. Broad-scale uptake of AI technologies is not about replacing existing jobs. Instead it’s about transforming jobs and ways of working.¹¹ Governance Institute studies have shown that the uptake of AI technologies reflects a patchwork of adoption and success.¹²

Organisations are finding it difficult to measure a return on investment in AI technologies, and recent experimentation with AI technologies have led to investments stalling or failing to progress past the initial pilot stage.¹³ Multiple factors are driving this trend including regulatory uncertainty, difficulty accessing suitable labour and gaps in essential technology governance education and training, particularly across senior leaders and the director community.

Organisations require greater confidence in their ability to adopt and deploy new technologies, particularly where productivity benefits are likely to be significant across the economy. The National AI Centre (NAIC), a strategic partner of Governance Institute, has worked closely with industry partners to support research and raise awareness of what successful technology governance, risk management and compliance looks like. However, more is required to support an uplift of knowledge and capabilities in technology governance through existing strategic partnerships that NAIC have established. We see value in NAIC expanding its focus beyond small and medium sized businesses to incorporate charities, the not-for-profit sector and digitally nascent firms of all sizes.

By contrast with international peers, Australian businesses have been slow to adopt AI technologies. A recent study by the RBA about how technology investments have been affecting the way businesses run has found that enterprise-wide AI transformation was the exception rather than the norm.¹⁴ A lack of broad scale experimentation and usage of AI systems will place Australian businesses behind as other advanced economies move ahead.

¹⁰ <https://www.oecd.org/content/dam/oecd/en/about/programmes/global-forum-on-productivity/events/london-2025/GFP@10-highlights.pdf>

¹¹ <https://www.rmit.edu.au/online/blog/2025/you-wont-lose-your-job-to-ai>

¹² <https://www.governanceinstitute.com.au/thought-leadership/2025-ai-deployment-and-governance-survey-report/>

¹³ <https://www.governanceinstitute.com.au/thought-leadership/2025-ai-deployment-and-governance-survey-report/>

¹⁴ <https://theconversation.com/australian-businesses-have-actually-been-slow-to-adopt-ai-survey-finds-269812>

There is also a core business opportunity through the creation of innovative new business ideas and start-ups that come from transformative technologies.

The AI revolution will transform the way consumers, businesses and governments engage, transact, and do business with each other. However, there is a growing trust deficit and there are emerging ethical concerns in the community about how successfully AI is being deployed across organisations. It is crucial that Australia keeps pace with global innovations that act to successfully transform labour markets.

The newly established Australian AI Safety Institute (AISI) should be adequately funded and resourced over the long term to provide it with the means to identify and mitigate AI related harms. It could also work alongside organisations by establishing incentives to assist with the adoption and testing of new AI technologies in workplaces. AISI should act to inform policy makers and regulators on emerging issues related to AI adoption in workplaces in line with international commitments.

Australian businesses are adopters of broadscale technologies designed and developed across international jurisdictions with fewer design barriers and regulations. Shadow AI is leading to the potential use of free consumer products rather than enterprise-level products. Free AI tools may trigger privacy or safety risks, affecting its effective deployment in Australian workplaces.

Governance Institute research suggests some Australian businesses are waiting for first movers or whole industries to move ahead.¹⁵ Some governance professionals have considered pulling away from legacy systems as a result of AI creep in software products. If smaller sized businesses are to adopt AI, they cannot expect the same level of governance assurances as large corporations because the technology becomes too difficult, risky or expensive to incorporate commercially. Government may be able to assist with laws that regulate the inherent design features of AI products and services offered in Australia that are developed in jurisdictions elsewhere. AI products should be designed and developed with Australian technical and regulatory standards in mind.

AISI should also be provided with merit-based grant funding for organisations advancing and demonstrating safe, secure and ethical AI deployment practices. Similar initiatives exist elsewhere, for example, the UK AI Security Institute's Alignment project supports research to prevent AI systems from behaving dangerously, enabling new theoretical and empirical work on developing robust alignment, oversight and monitoring techniques.¹⁶

¹⁵ <https://www.governanceinstitute.com.au/thought-leadership/2025-ai-deployment-and-governance-survey-report/download-report/>

¹⁶ <https://www.aisi.gov.uk/grants>

Recommendation 1 – Boost funding to the National AI Centre (NAIC) to expand its industry initiatives to drive best practice AI governance with small and medium sized enterprises, as well as charity organisations and not-for-profits.

Recommendation 2 – The Australian AI Safety Institute (AISI) to engage with organisations developing and deploying new AI technologies to assist in the identification, minimisation and mitigation of harms through an Enhanced Regulatory Sandbox (ERS).

Recommendation 3 – New AI technologies should be certified as compliant-by-design to minimise harms to Australian deployers and consumers.

Recommendation 4 – Design an AI Voluntary Reporting Register to support transparency and community trust in the use and deployment of AI tools and technologies in workplaces, to demonstrate effective human-centred and ethical deployment practices.

Recommendation 5 – Establish a Framework of Inclusive Technology Adoption (FITA), prioritising the needs of digitally nascent firms, smaller-sized entities, charities and not-for-profits.

Corporate law reform

Set up an Administrative and regulatory complexity taskforce

Government efficiency in the provision of services will become increasingly critical as cost pressures mount and community expectations expand, particularly as the population continues to age. Government must also prioritise limiting and reversing escalating business administration costs, such as when maintaining, starting or winding down a business. Administrative complexity raises costs and acts as a burden on the economy, resulting in working hours being diverted to unproductive activities with less time for innovation. It is critical to introduce systematic post-implementation reviews to assess the effectiveness and costs/benefits of new regulations

Recommendation 6 - Establish a Regulatory Efficiency Taskforce to reduce administrative and regulatory complexity in a timely manner.

Investment in sophisticated regulatory architecture and regulatory reform

Frameworks that govern innovation and business activities are becoming just as important as the innovations themselves¹⁷. A recent report by the AICD and Mandala Partners finds that the

¹⁷ https://apo.org.au/node/333400?utm_campaign=Policy-Pulse-02-February-2026&utm_content=apo.org.au%2Fnode%2F333400&utm_medium=email&utm_source=comms.apo.org.au

total cost of meeting Commonwealth regulation has grown from \$65 billion (4.2% of GDP) in 2013 to \$160 billion (5.8% of GDP) today.¹⁸ Australia's economic potential cannot be realised without investment in sophisticated regulatory architecture that eliminates wasteful administrative burdens on the business community and ordinary citizens. Improved regulatory architecture would reform the way in which corporations' law and frameworks are designed. Service NSW adopts 'design thinking' to make regulatory processes easier, treating businesses and citizens as customers rather than just regulated entities acting as an exemplar of 'the tell us once' regulatory design approach.

The adoption of the Regulatory Reform Omnibus Bill 2025 at the end of last year is a useful step in the right direction of cutting red tape and reducing regulatory friction whilst adopting the 'tell us once approach' across government services. Government should continue this process as an ongoing opportunity to reduce wasteful administration and regulatory burden by Australia's business community. Testing whether existing regulations are fit-for-purpose and lead to the intended outcomes should be undertaken on a continuous basis.

Recommendation 7 - Invest in modern regulatory architecture to reduce the wasteful administrative and regulatory burden being borne by the business community and citizens and test whether existing regulations are fit-for-purpose and drive intended outcomes through a continuous cycle of post-implementation reviews.

Reduce administrative burden and business compliance and reporting complexity

We consider that productivity reform will play an important role in reducing business and transaction costs across the economy. Inefficient, time-consuming, and costly business transactions, including the ever-increasing regulatory burden contribute to increased costs of doing business that is subsequently passed through to consumers. Government can play a key role in reducing business costs and associated inflationary pressures via the adoption of modern regulatory architecture and structural economic reforms that drive productivity enhancing investment.

Recommendation 8 – Partner with the State and territory governments to initiate processes to identify and mitigate the escalating costs of doing business by removing regulatory ambiguity, duplication and overlap.

Initiate efforts for corporate law reform and fit for purpose regulations

The task of corporate law reform is difficult, costly and complex requiring a dedicated independent corporate law reform body with the skills and expertise to make recommendations to the government for implementation. Without a comprehensive program of structural reform, the economy will continue to suffer from high regulatory incidence and

¹⁸ <https://www.aicd.com.au/content/dam/aicd/pdf/news-media/research/2025/economic-cost-of-regulatory-complexity-report.pdf>

costs that impacts consumers and their living standards. The Australian Law Reform Commission's latest assessment of Australia's corporations law describes the *Corporations Act* as unnecessarily complex, shrouded in obfuscation and obscurity and a legislative maze.¹⁹

Comprehensive corporate law reform is required to kickstart the productivity reform process. The latest review of Australia's corporations and financial services legislation by the ALRC, shows that the *Corporations Act* is no longer fit-for-purpose. This has a flow on effect that impacts all Australians that interact with corporations and financial services regulation, from the largest company to the smallest business. Productivity enhancing reforms would trigger widespread benefits through lower prices, higher wages, higher profits leading to greater levels of investment and shareholder returns.

Recommendation 9 - Reform the way in which corporations' laws and frameworks are designed to limit further complexity and improve the methods in which civil society, consumers, regulators, the judiciary and business community engage with the *Corporations Act 2001*.

Recommendation 10 – Reinststate a dedicated Corporate Law Reform Body, modelled on the Corporations and Markets Advisory Committee (CAMAC), with the skills and expertise to support government with long-term, evidence-based reform proposals.

If you have any questions in connection with this submission, please contact me or Daniel Popovski, Senior Policy and Advocacy Adviser.

Yours faithfully,

Katrina Horrobin

CEO Governance Institute of Australia

¹⁹ <https://www.alrc.gov.au/wp-content/uploads/2024/01/ALRC-FSL-Final-Report-Summary-Report-141.pdf>