MEDIA RELEASE
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Genuine regulatory reform could deliver $20 billion annual boost to Australia's economy

New research commissioned by the Australian Institute of Company Directors (AICD) has found that declining economic dynamism is holding back productivity, investment and Australian wages, and identified that targeted regulatory reform could lift GDP by at least $20 billion a year over the next decade.

The report ***The Stagnant Nation: Lifting Australia's Dynamism*** prepared by Mandala Partners, shows how high levels of regulation are eroding economic dynamism, effectively dragging Australia's economy backwards:

- Productivity growth has fallen to just 0.1% a year, down from 2.2% in the 1990s, to its lowest rate in more than 60 years.
- Australia's measured regulatory burden is 33% higher than the OECD average, while our productivity growth has been 85% slower than the OECD average over the past decade.
- Australia also continues to lag behind its OECD peers on the measures of investment, R&D expenditure and industry concentration.

Reducing the federal regulatory burden to late-2000s levels could deliver at least $20 billion in annual GDP.

The latest research builds on the AICD–Mandala 2025 report ***$160 billion and counting: The cost of Commonwealth regulatory complexity*** which revealed the cost of complying with federal regulation is $160 billion a year, or nearly 6% of GDP, up from $65 billion, or 4.2% of GDP in 2013.

AICD Managing Director and CEO Mark Rigotti said the new research finds strong evidence that increased regulation is associated with material decreases in economic dynamism.

"The decline in economic dynamism is directly contributing to poor productivity and weak economic growth, and Australian businesses and households are paying the price through lower real wages, higher relative costs and falling living standards.

"We need to take immediate action to turn our sluggish economy around. We need to create a more dynamic, resilient and productive economy and remove the 'regulatory hairballs' that the Productivity Commission chair has called out."

Dr Adam Triggs, Partner at Mandala, said the last decade's real income growth was the worst we've seen in more than half a century, and the 2020s are looking worse.

"Weak productivity growth underpins this, driven by a pervasive decline in economic dynamism, with fewer business entries and exits, less job-switching, lower investment, less innovation, and rising industry concentration.

"Addressing Australia's historically high level of regulatory burden will be critical to reversing this decline in dynamism. It is Australia's best bet for lifting living standards, easing cost of living pressures, and supporting fiscal sustainability."

The AICD is calling for a series of reforms, including a dedicated joint government-industry taskforce to address regulatory logjams.

Key AICD policy recommendations:

- Establish a joint industry-public sector taskforce led by an independent chair responsible for making regulatory-specific reforms to boost economic dynamism across the economy.
- Adopt the PC's recommendations to improve the quality of federal regulation in the future.
- Expand National Competition Policy (NCP) and the National Productivity Fund (NPF) to reflect 1990s levels.
- Remove Group 3 entities from the climate reporting regime – benefitting an estimated 3,000 organisations and resulting in additional savings of $2 billion across four years while continuing to target the obligations at Australia's largest emitters.
- Extend the AMR (Automatic Mutual Recognition) regime to all occupations, encouraging greater cross-border transfer of skills and expertise between states, with potential savings of up to $142 million a year.

Key report findings:

- Australia's performance has deteriorated in all five elements of economic dynamism over the past two decades.
- Reducing regulatory burden to late-2000s levels could see a GDP uplift of at least $20 billion a year over the next decade, or 0.7% of GDP annually. This accounts for around one-fifth of the total $101 billion annual economic opportunity the report identifies from restoring economic dynamism.
- Business research and development (R&D) expenditure as a share of GDP has declined from 1.3% in 2010 to 0.9% in 2022.
- Non-mining investment as a share of GDP has declined from 11% in 1996 to 8% in 2025, with no industry to fill the gap left by the mining boom of mid-2000s.
- Contribution of new firms to the economy has declined by 6% a year since 2010.
- Job mobility rate has declined from 12% in 2000 to 8% in 2025.
- Australia is lagging its developed-country peers across key areas of dynamism, including investment and R&D expenditure.
- Australia's productivity growth has been 85% slower than the OECD average while Australia's regulatory burden is 33% higher than the OECD average.

Access full report here

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