October 2026 Snapshot

Australian Institute of Company Directors

The Stagnant Nation: Lifting Australia's Dynamism

Reducing federal regulatory burden could result in at least $20 billion per year in gains to Australia's economy.

Australia has entered a period of economic stagnation marked by declining real wages, low productivity and weak economic growth. This environment increasingly weighs on Australian boards and impacts decisions on organisational investment, innovation and expansion.

The Australian Institute of Company Directors (AICD) engaged economics consultancy Mandala Partners (Mandala) to investigate Australia's dynamism challenge in detail and explore pragmatic reform options to reverse this sobering trend.

The research finds strong evidence that increased regulation is associated with material decreases in dynamism, and that tackling the role of regulation will be central to recreating the conditions that support a more dynamic and productive Australian economy. The research's findings align with those of the Productivity Commission and contribute to the broader national discussion on how Australia can reverse its economic malaise.

Australia is becoming less dynamic and productive and trailing global peers

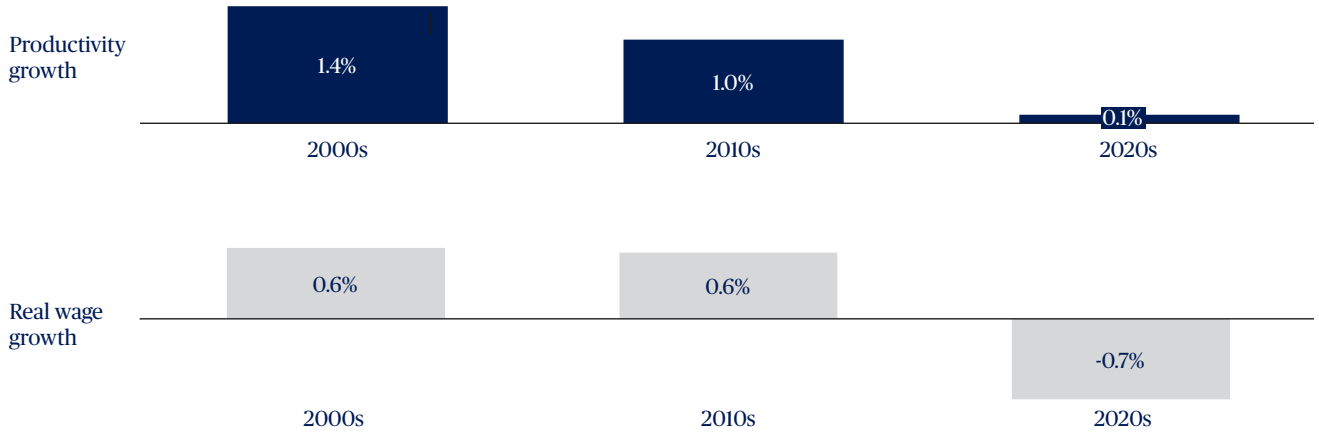
- The key elements of dynamism cover technology adoption and innovation, new business formation, industry concentration, investment and how often Australians switch jobs (i.e. labour mobility). Australia's performance has deteriorated in all five elements over the past two decades. Key findings include:
  - 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 12% in 2005 to 8% in 2025;
  - the contribution of new firms to the economy has declined by 6% a year since 2010; and
  - the job mobility rate has declined from 12% in 2000 to 8% in 2025. The decline in dynamism is directly

  contributing to poor productivity and weak economic growth. Australians are tangibly experiencing this trend through declines in real wages (Figure 1) and weak GDP per capita growth.
- 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 OECD average (Figure 2).

> "We sign a contract and then the rules change. A meaningful change in an environment policy in the middle of a large infrastructure project provided an uncertainty that was impossible to absorb. It impacts your forward appetite to invest when you are deploying capital for many years and require some certainty."
>
> **Chair, ASX-listed Infrastructure investor**

Figure 1: Changes in productivity and real wage growth in Australia

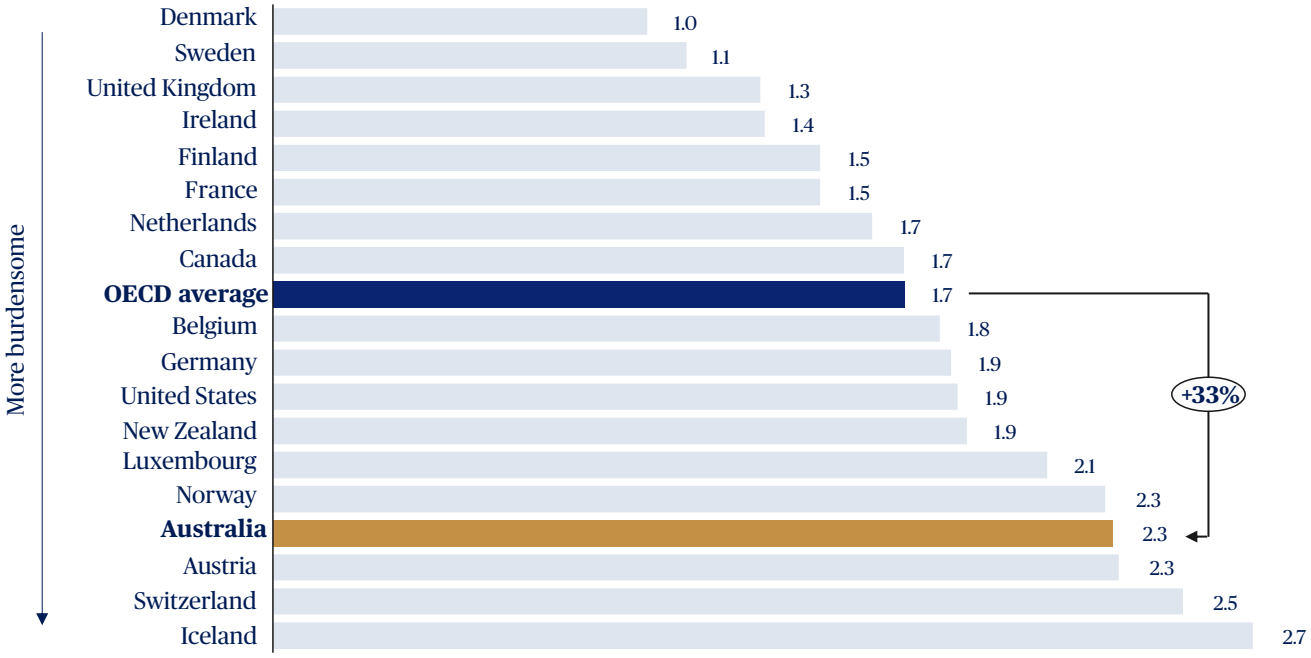
Average annual percentage increase, 2000-2026



Productivity growth has fallen by 0.9 percentage points and real wages have fallen by 1.3 percentage points from the 2010s to the 2020s – the slowest rates since the recession of the 1990s

Figure 2: Administrative and regulatory burden by OECD country

OECD PMR score, scale 0 to 6 where a lower score denotes a more competition-friendly regulatory set-up, 2023



Australia was ranked as being 33% more burdensome than the OECD average on the OECD Product Market Regulation (PMR) index

> "We had already built the capacity, and the pipeline could already carry the gas. All we needed was a change to the conditions of a licence. No works, no new infrastructure. It took 22 separate approvals and several months."
>
> **Executive Director, Australian Energy company**

The role of regulation and the $20 billion opportunity

- While other factors, such as management practices, also play a role, one of the most significant changes over the past 20 years has been the growth in federal regulation. Mandala's 2025 research for the AICD found that the cost of complying with federal regulation has grown from $65 billion (4.2% of GDP) in 2013 to almost $160 billion (5.8% of GDP) in 2024, driven by an explosion in legislation and compliance roles.
- The research demonstrates that federal regulation is a significant element of the story of Australia's declining dynamism – Mandala estimates that federal regulatory burden has contributed 20% to Australia's declining dynamism over the past 20 years.

The opportunity:

Reducing regulatory burden to late-2000s levels could see GDP uplift of at least $20 billion per year over the next decade, or the equivalent of 0.7% GDP per year.

The AICD has identified reforms that would deliver a more productive and dynamic economy

The AICD proposes a practical set of reforms to promote a more dynamic economy and take measured steps to reduce regulatory burden. These recommendations are supported by Mandala analysis and modelling, which are set out in the research report, The Stagnant Nation: Lifting Australia's Dynamism.

Summary of AICD policy recommendations

Theme	Recommendation	Detail
Fix the regulatory foundation	Establish a taskforce to review regulation	Establish a joint industry public sector taskforce responsible for making regulatory-specific reforms to boost economic dynamism across the economy. This taskforce would be led by an independent chair and work with industry to identify regulations that are most troublesome and recommend targeted reforms.
	Adopt the PC's recommendations to improve the quality of federal regulation in the future	The Productivity Commission in 2025 made a number of recommendations that would improve how federal regulation is made in the future under its 'Creating a more dynamic and resilient economy' pillar inquiry. Recommendations 2.1 to 2.4, which would improve the quality of regulation making and impact analysis, should be adopted by the Government.
Move the needle now	Expansion of NCP and NPF	The National Competition Policy (NCP) and National Productivity Fund (NPF) should be expanded to the levels reached in the 1990s to encourage genuine and meaningful state reforms.
	Remove Group 3 from climate reporting obligations	Remove Group 3 entities from the climate reporting regime. This would benefit approximately 3,000 organisation and result in further savings of $2 billion across four years over the already announced changes to Group 3 threshholds. It would also limit the regime to the largest companies and emitters.
	Extend the Automatic Mutual Recognition (AMR) to all occupations	Extend AMR to all occupations with potential savings of up to $142 million per year.
	Add real consequences to approval shot clocks in the Environment Protection and Biodiversity Conservation (EPBC) regime	Attach a consequence to every statutory clock in the EPBC regime, either a deemed approval or an automatic fee refund if the regulator does not decide in time. Returning to average approval timeframes in 2000 would save the economy $4.3 billion per year, with savings ranging from $0.5 billion for shorter timeframes to $7.1 billion for eliminating all procedural delays.

Case studies

The Stagnant Nation: Lifting Australia's Dynamism includes case studies and director perspectives that provide practical examples of how regulatory requirements affect organisations across different sectors, including:

- Compliance burden in allied health and education that impacts productivity;
- Regulatory requirements impeding the expansion of critical energy infrastructure;
- Regulatory requirements that are an expensive and impenetrable hurdle for young fintech firms trying to establish themselves; and
- A national market for engineering labour failing to materialise as automatic mutual recognition remains incomplete across states.

> "Growing reporting and compliance requirements leave less capacity to actually deliver educational outcomes. A serious number of experienced practitioners are leaving the industry because of wellbeing and burnout due to this."
>
> **Chair, education sector board**

For the full analysis, see The Stagnant Nation: Lifting Australia's Dynamism research report.

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