# Acknowledgement of traditional custodians

The Queensland Productivity Commission acknowledges Aboriginal peoples and Torres Strait Islander peoples as the Traditional Owners and custodians of the land.

We recognise their connection to land, sea and community, and pay our respects to Elders, past, present and emerging.

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# Productivity has returned to the policy spotlight

Poor productivity performance

Supply side constraints driving cost of living, housing affordability and fiscal pressures

Pro-productivity institutions
Evidence-based policy development
Intergovernmental cooperation

# The 'Productivity Commission' model



Productivity Commission of WA
To be est. 2026

SAPC
South Australian Productivity Commission
Est.2018

Australian Government
Productivity Commission
Est.1998

QPC
Est.2025
Former QPC: 2015-2021

NSW GOVERNMENT
Productivity and Equality Commission
Est.2018

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# About us

## Queensland Productivity Commission

- Independent advisor to Queensland Government

- Provide evidence-based policy advice on complex social, economic and regulatory policy issues

- Statutory body with a Board, chaired by Productivity Commissioner

- Established in April 2025, under *Queensland Productivity Commission Act 2025*

### Inquiries and Research

- ❑ inquiries into economic, social and regulatory issues (upon Direction from the Minister)
- ❑ research into economic, social and regulatory issues
- ❑ advice to the Minister as requested

### Office of Best Practice Regulation

- ❑ administer Better Regulation Policy - applies to development & review of regulation
- ❑ administer Regulator Performance Framework - applies to regulator practice
- ❑ administer, monitor or review stated regulatory matters (upon direction/request from Minister)
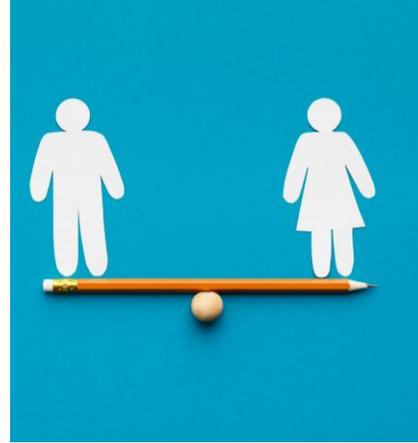
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**Outline**

- The role of economics in public policy

- What is evidence-based policy?

- The policy development cycle

- Key takeaways

# The role of economics in public policy

# Economists advise on a wide range of significant and complex policy issues

# What is policy?

# What is evidence-based policy?

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# Evidence-based policy

Evidence-based policy decisions are informed by *rigorously established objective evidence*.

Evidence-based policy making is:

- defining the problem and objectives
- using relevant and appropriate data and research
- employing appropriate quantitative and qualitative analysis
- drawing on the necessary expertise
- using transparent decision criteria.

# Why is it needed?

*Evidence aims to mitigate bias and risk in policy development, support more robust advice and deliver better policy outcomes.*

**Overconfidence** – false sense of skill, talent, or self belief

**Self-serving** – attribute positive outcomes to skill and negative outcomes to luck

**Herd mentality** – 'group think', influenced by emotion rather than independent analysis

**Loss aversion** – the more loss you experience the more loss averse you become

**Framing** – how information is presented can sway how decisions are made

**Narrative fallacy** – more relatable stories are more popular

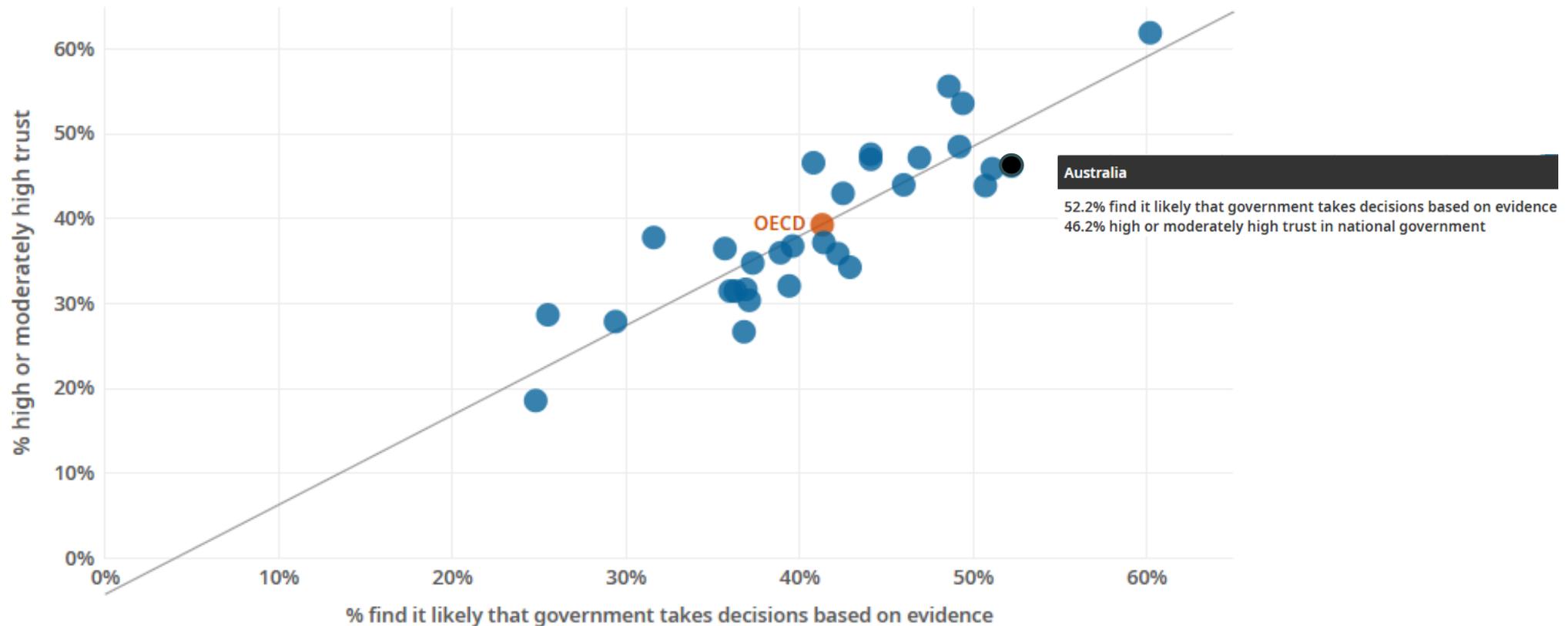**Anchoring** – reference point may skew perception

**Confirmation** – seek out data that confirms pre-existing ideas, ignore contradictory data

**Hindsight** – when people predict a correct outcome they wrongly believe they 'knew it all along'

**Representative heuristic** – people falsely believe that if two objects are similar they are also correlated.

# Use of evidence supports trust



% of population who trust national government and % who think government uses best available evidence, 2023

**Australia**
52.2% find it likely that government takes decisions based on evidence
46.2% high or moderately high trust in national government

*% high or moderately high trust* (y-axis)

*% find it likely that government takes decisions based on evidence* (x-axis)
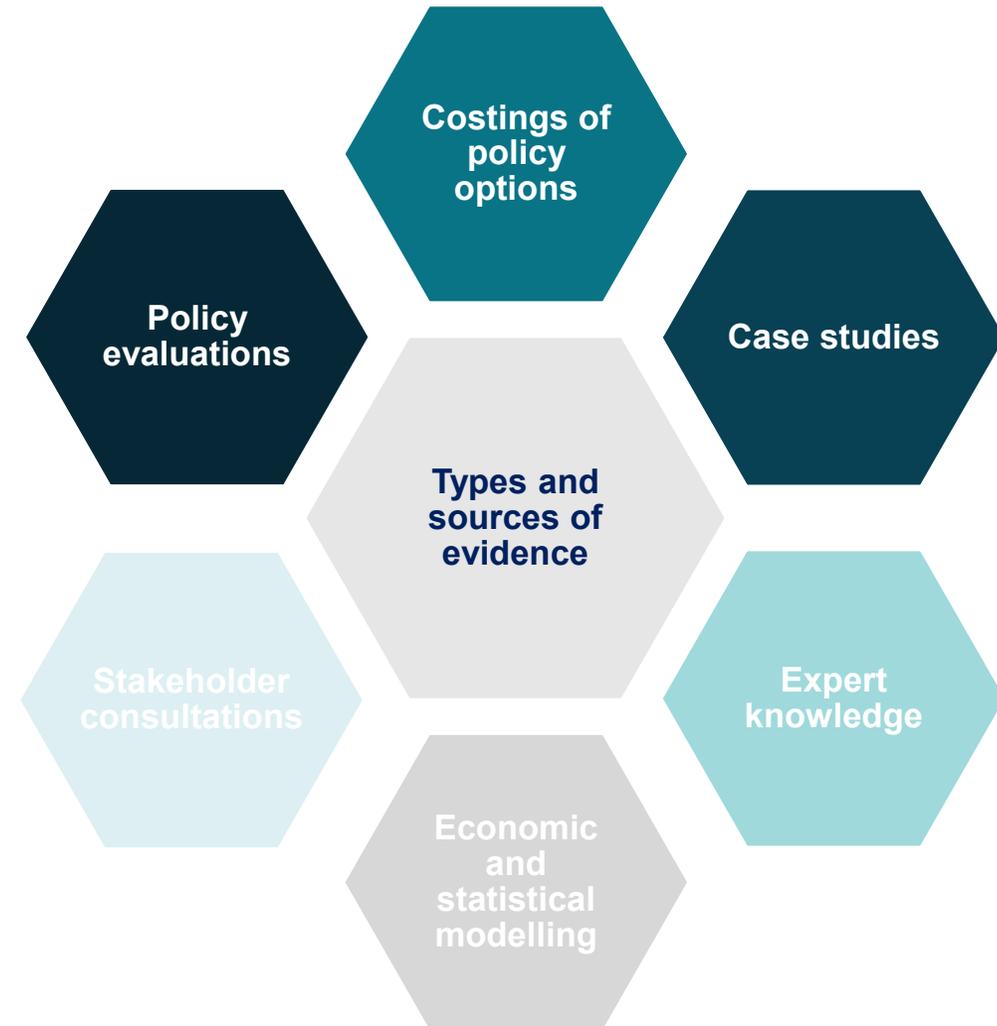
# What is evidence?

- *Qualitative evidence*

Explores underlying reasons, opinions and motivations providing insights into the problem

- e.g. case studies, expert knowledge, stakeholder consultations

- *Quantitative evidence*

Attempts to measure the scale and nature of a problem and the effectiveness of proposed solutions

- e.g. economic and statistical modelling, costings, cost-benefit analysis, evaluations.

Costings of policy options

Policy evaluations

Case studies

Types and sources of evidence

Stakeholder consultations

Expert knowledge

Economic and statistical modelling

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# Data collection and analysis

Data is an essential ingredient but it isn't always available.

There may be:

- lack of baseline data

- insufficient data collected

- different methods across various disciplines

- data or research taken out of context

- data on only outputs rather than outcomes.

Therefore uncertainties, or the limits of certainty, should be acknowledged.
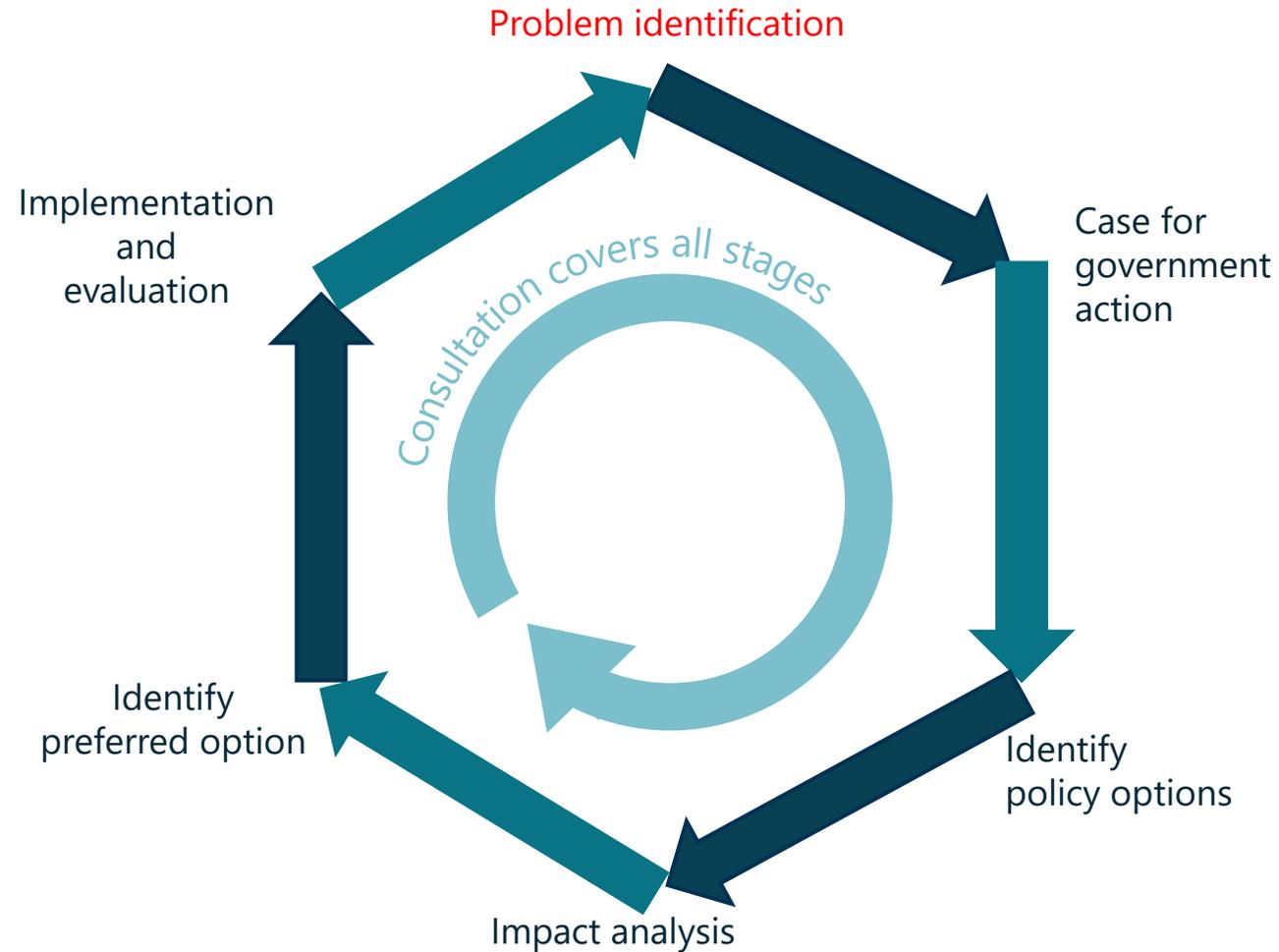
Scenarios and sensitivity analysis should be conducted.

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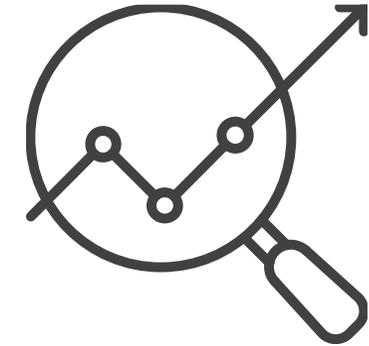
# The policy development cycle

# The policy development cycle

# Some questions we pose

- What evidence is there of the problem?

- What is its size and scope?

- How has it changed over time, and what factors may have driven changes in trend?

- Who is affected?
- What are the main causes? – identifying this correctly will help identify policy options that will be effective in addressing the problem

- What are the current legislative arrangements – is there evidence of regulatory failure?

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# Some examples

consumer protection – e.g. building defects

health and wellbeing – e.g. chronic disease

environmental – e.g. water pollution

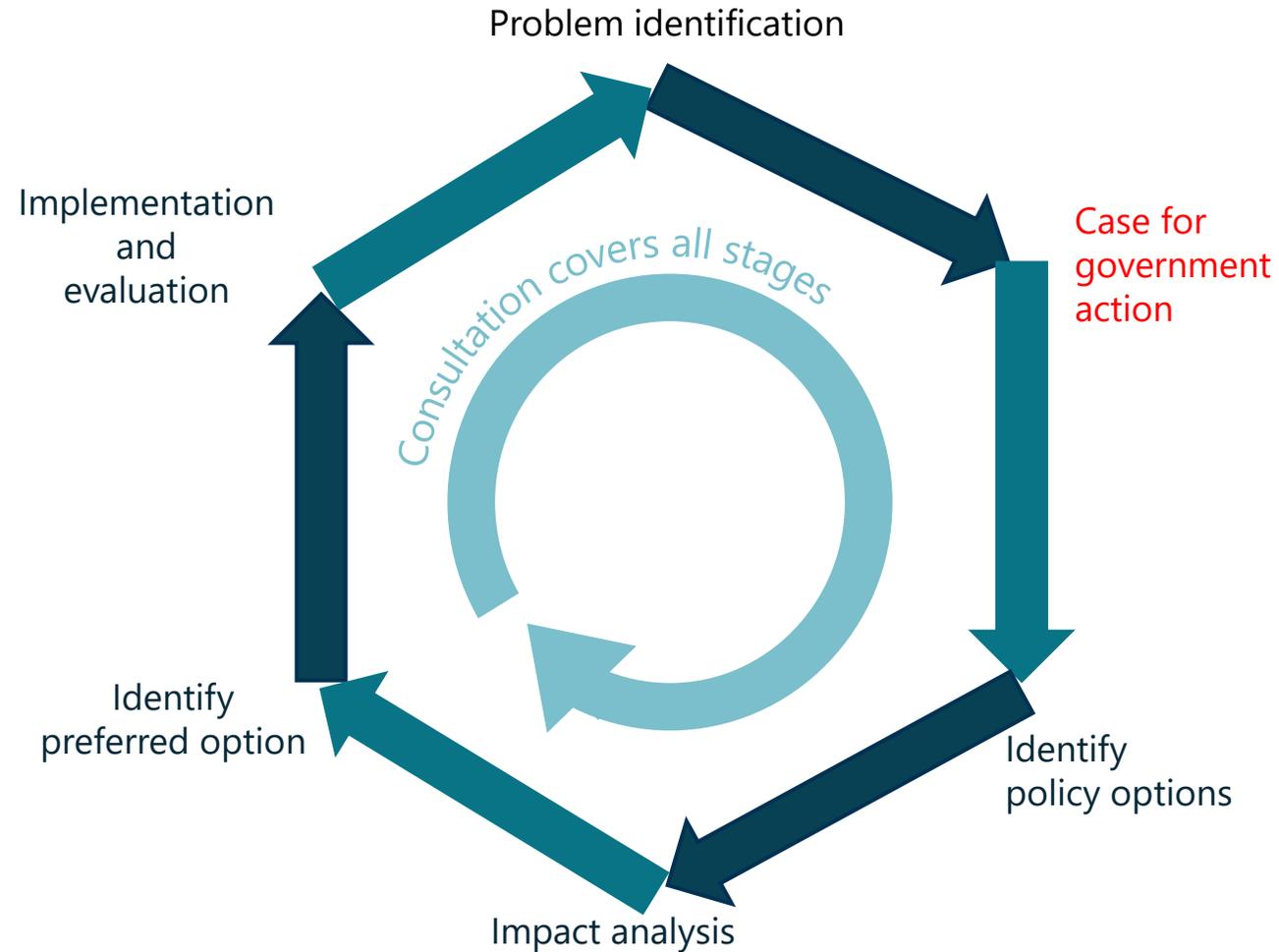ethical – e.g. animal maltreatment
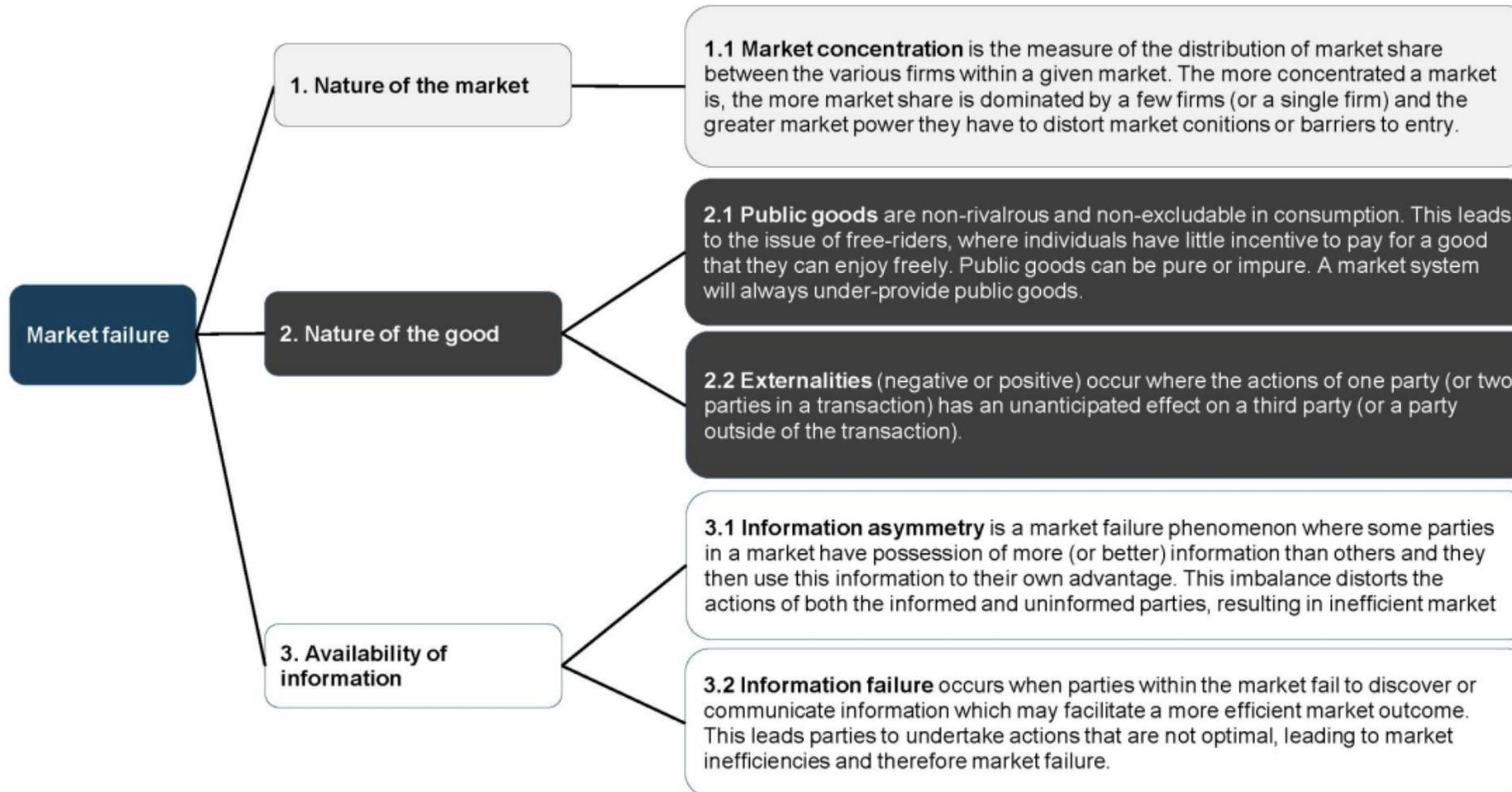
social – e.g. discrimination

financial – e.g. costs to consumers, business, or government
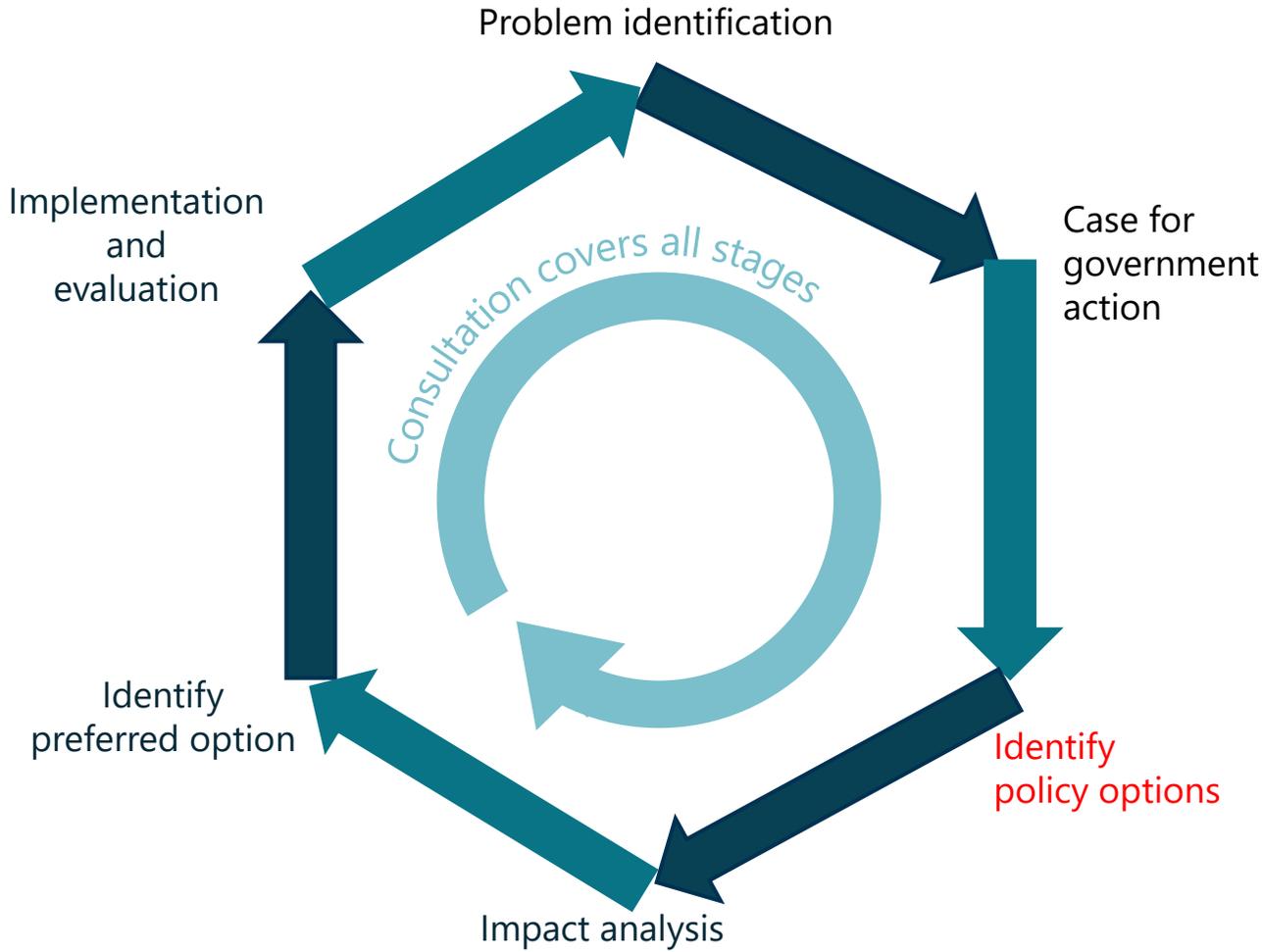
# The policy development cycle

# Market failure



**Market failure**

**1. Nature of the market**

**1.1 Market concentration** is the measure of the distribution of market share between the various firms within a given market. The more concentrated a market is, the more market share is dominated by a few firms (or a single firm) and the greater market power they have to distort market conitions or barriers to entry.

**2. Nature of the good**

**2.1 Public goods** are non-rivalrous and non-excludable in consumption. This leads to the issue of free-riders, where individuals have little incentive to pay for a good that they can enjoy freely. Public goods can be pure or impure. A market system will always under-provide public goods.

**2.2 Externalities** (negative or positive) occur where the actions of one party (or two parties in a transaction) has an unanticipated effect on a third party (or a party outside of the transaction).

**3. Availability of information**

**3.1 Information asymmetry** is a market failure phenomenon where some parties in a market have possession of more (or better) information than others and they then use this information to their own advantage. This imbalance distorts the actions of both the informed and uninformed parties, resulting in inefficient market

**3.2 Information failure** occurs when parties within the market fail to discover or communicate information which may facilitate a more efficient market outcome. This leads parties to undertake actions that are not optimal, leading to market inefficiencies and therefore market failure.

Source: NSW Market Failure Guide (2017)

# The policy development cycle

# Some policy instruments

Policy instruments

**Fiscal** – using spending, taxing and revenue-raising powers

**Monetary** – use of official interest rate

**Regulation** – an official rule, order, or law that influences behaviour

**Direct government action** – program and service delivery

**Behavioural techniques** – using incentives to influence behaviour

**Network** – using relationships to develop and implement goals and behaviours

Adapted from The Australian Policy Handbook (2023)

# Policy options: some considerations

**May we do it?**

For instance, is it constitutionally lawful?

**Can we do it?**

Are there resources and funding available?

Is the option compatible with government objectives?
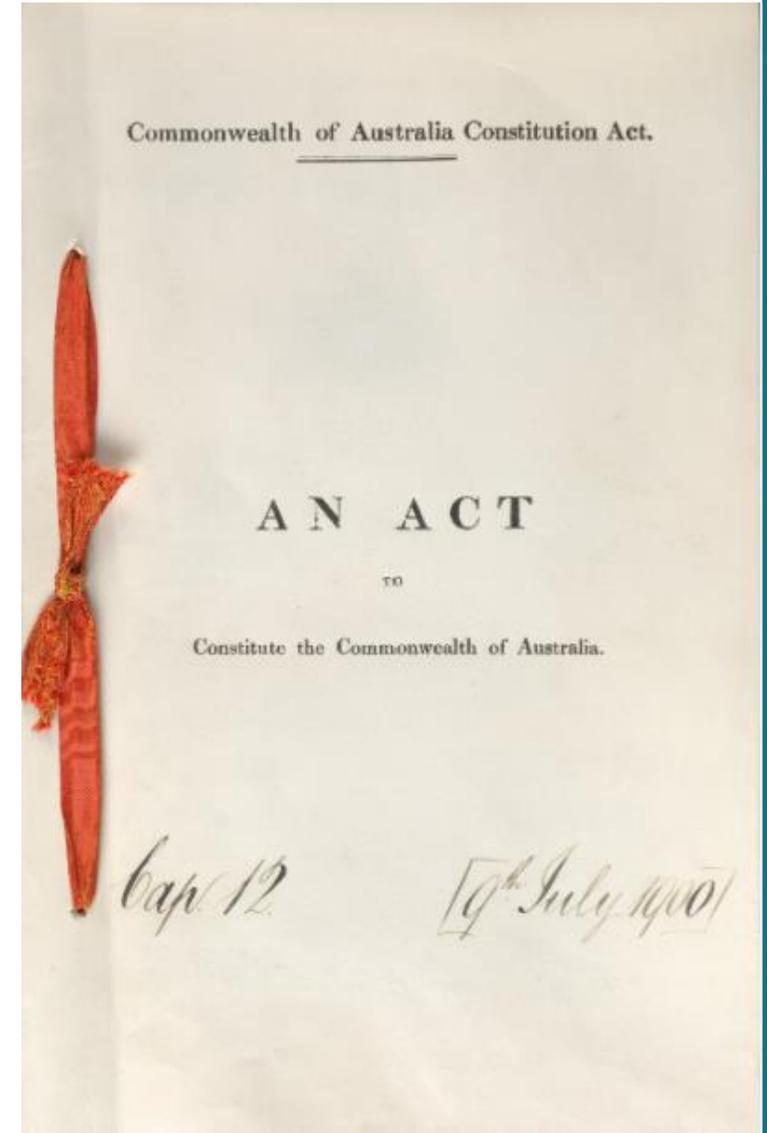
Is the option feasible and implementable?

**Should we do it?**

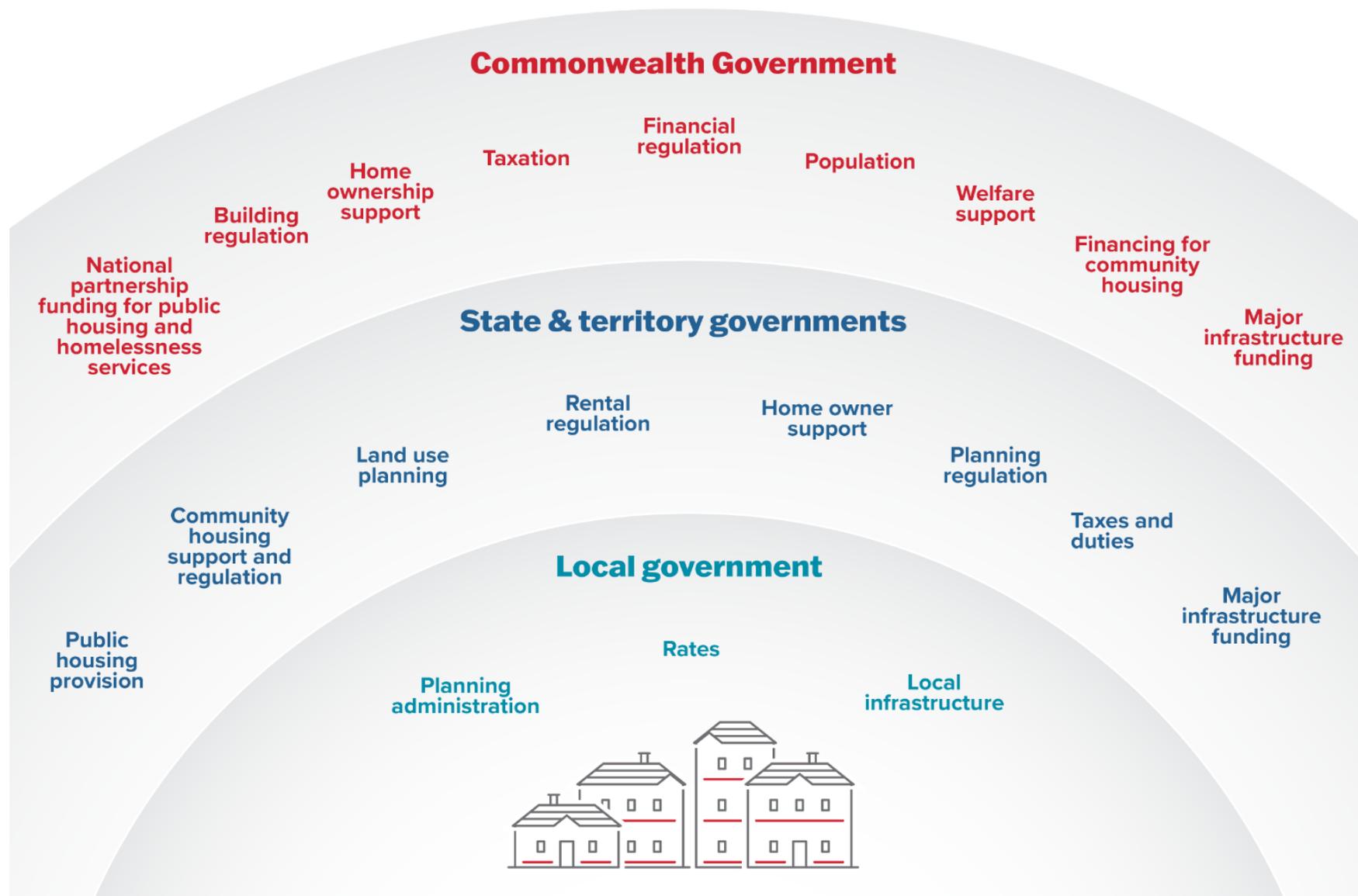Does the option address the problem?

Are risks acceptable?

Is the option efficient and effective?

Does it deliver the greatest net benefit?



Commonwealth of Australia Constitution Act.

A N  A C T

TO

Constitute the Commonwealth of Australia.

Example:

Housing policy levers by level of government



Source: AHURI (2023) Understanding the housing policy levers of Commonwealth, state and territory, and local government

# Identifying policy options

## Available sources:

Productivity Commission research and inquiry reports

Parliamentary committee inquiry submissions and reports

OECD reports and country reviews

International Monetary Fund reports and Article IV consultations

Stakeholder submissions

Think tank reports

Academic research

Current policies in other comparable jurisdictions

International findings on best practice

Recent reviews and reports
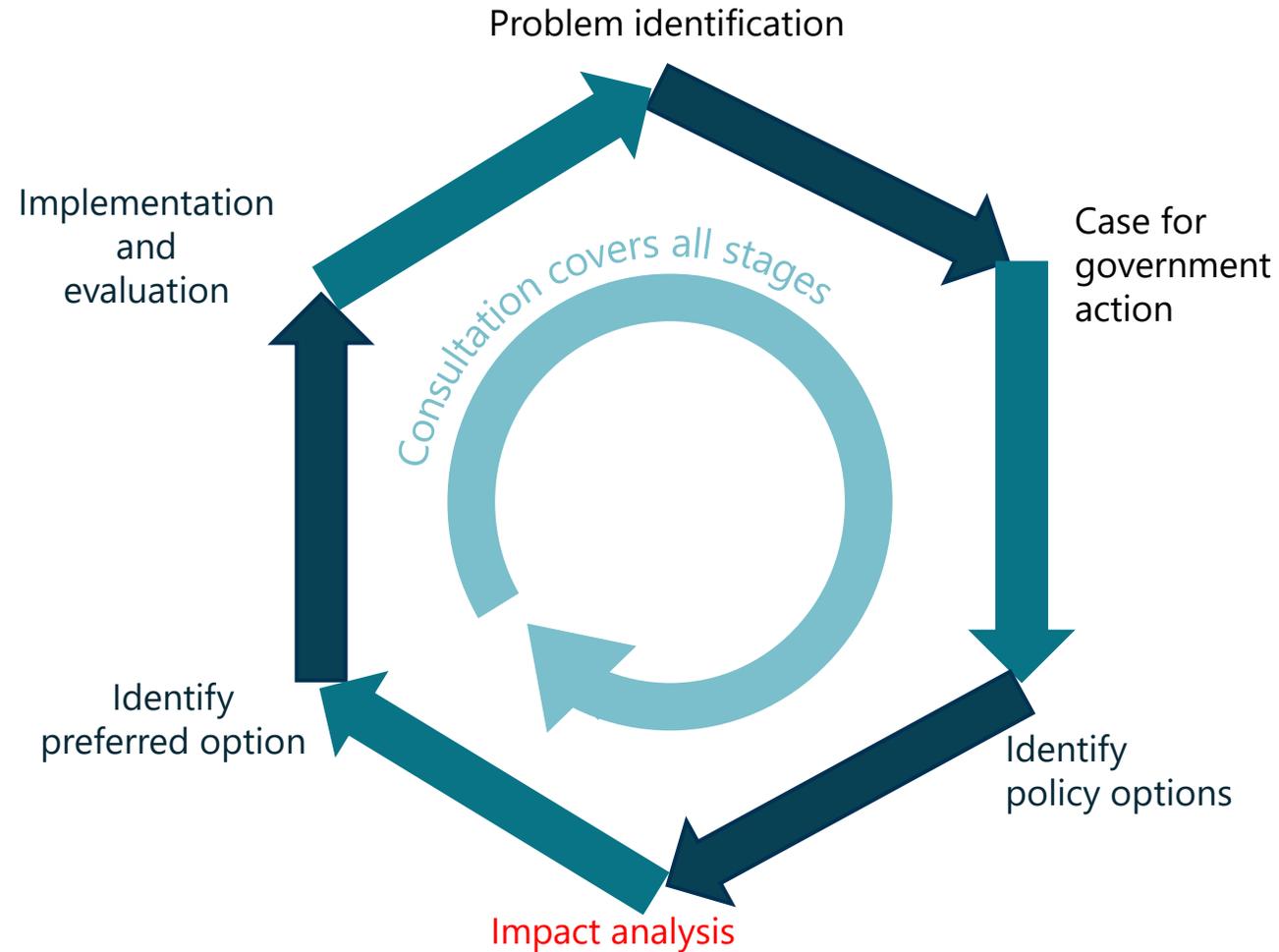
Academic journals

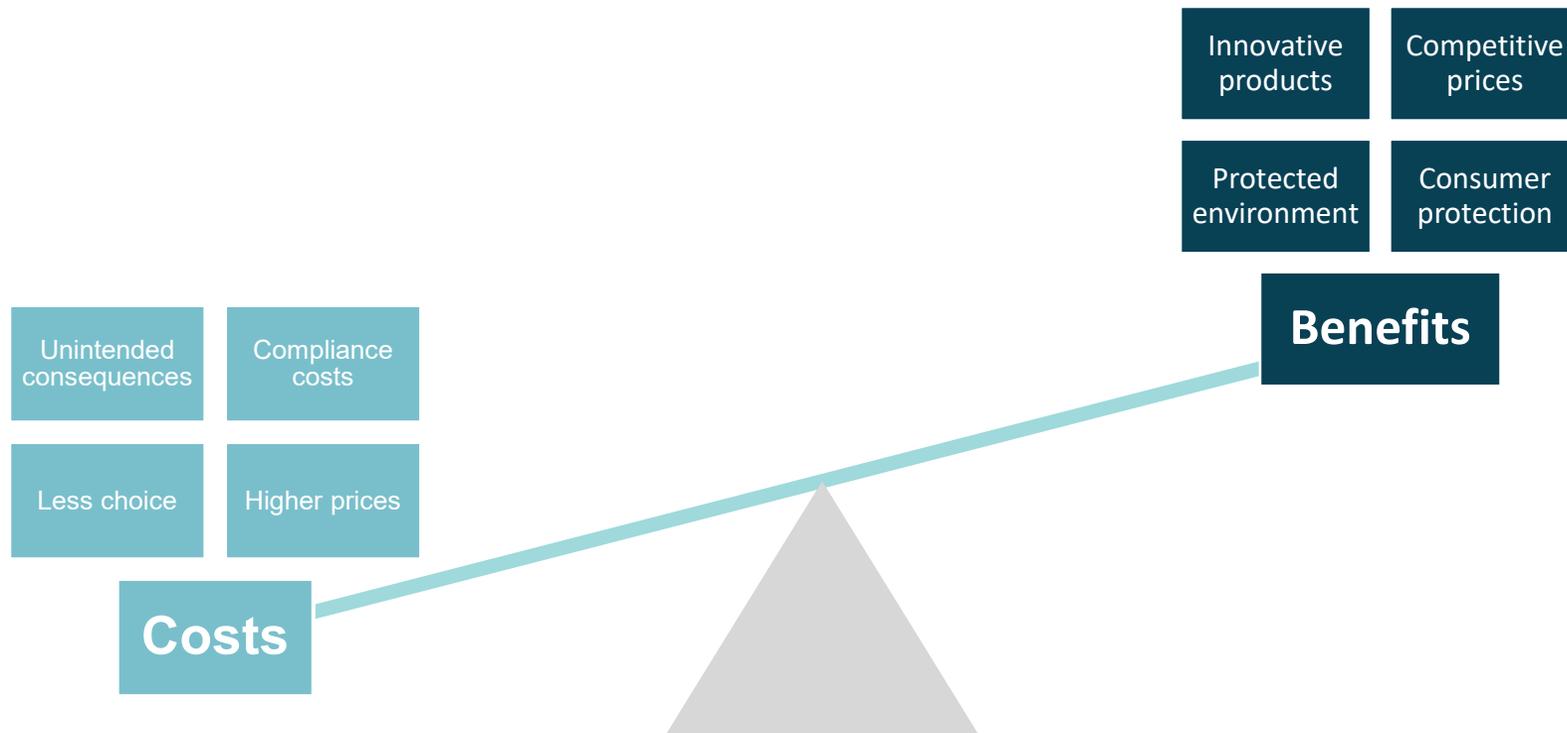Data sets

Stakeholder submissions

Consultation

# The policy development cycle



Problem identification

Case for government action

Identify policy options

Impact analysis

Identify preferred option

Implementation and evaluation

Consultation covers all stages

# Regulatory Impact Analysis (RIA)

An evidence-based approach is needed to ensure that regulation is:

- **Necessary** – there is a convincing problem and a case for government action
- **Effective** – the regulation will achieve its objective
- **Efficient** – maximising the net benefit to the community

| Innovative products | Competitive prices |
| Protected environment | Consumer protection |

**Benefits**

| Unintended consequences | Compliance costs |
| Less choice | Higher prices |

**Costs**

# Case study: US sesame allergy law

**Identified policy problem:** *Information failure*

Around 0.23% of US residents are allergic to sesame. Risk of accidental exposure due to lack of information on food labels.

**Policy response:** *Regulation*

FASTER Act (2021) recognised sesame as the 9th major food allergen effective 1 Jan, 2023, requiring disclosure in food labels.

**Policy outcome:** *Reduced risk but lowered choice*
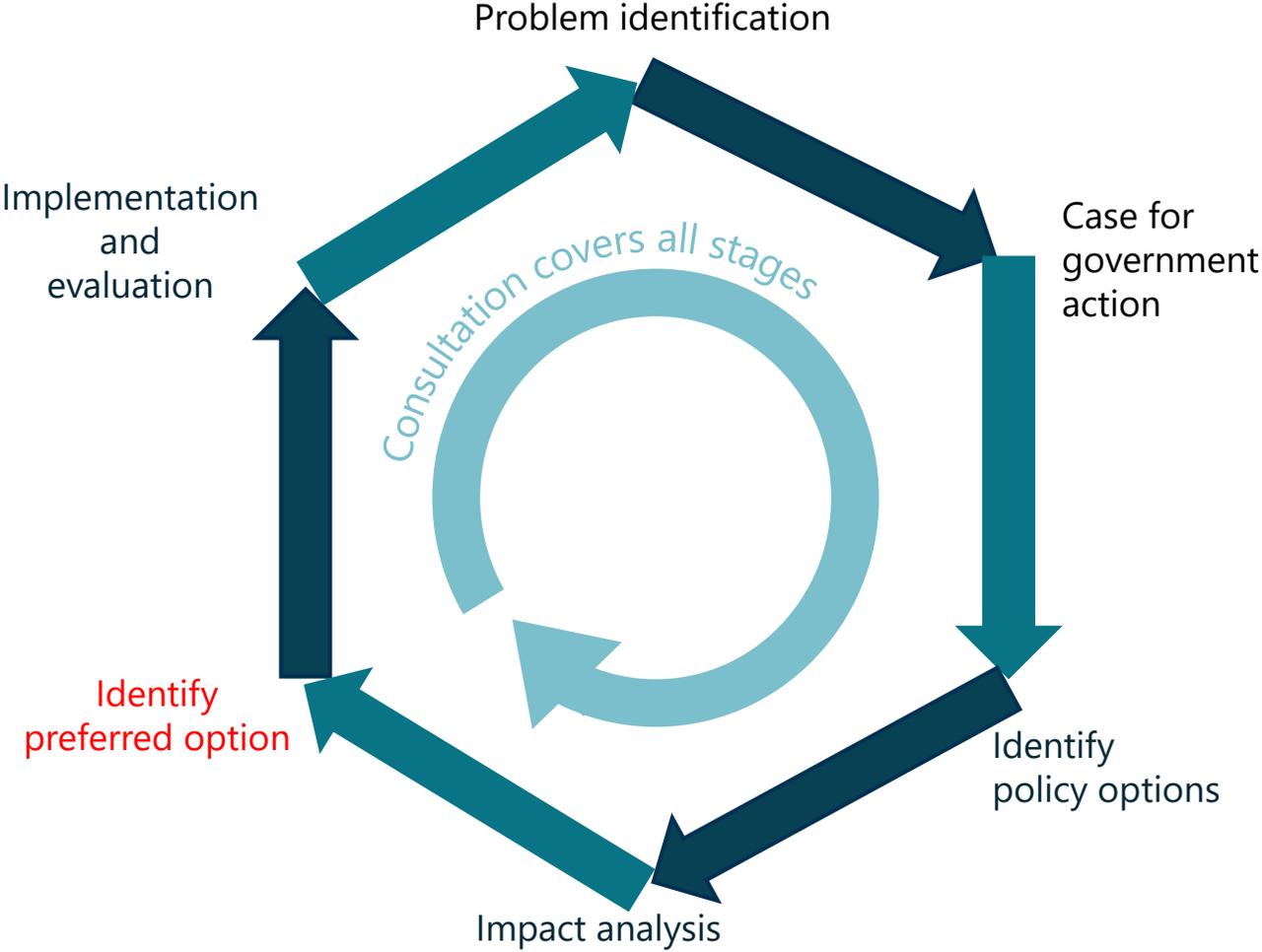
New labelling law made it <u>more difficult</u> to avoid sesame and reduced consumer choice.



Figure 1: Changes in sesame as an ingredient during period of regulatory change (2017–2024)
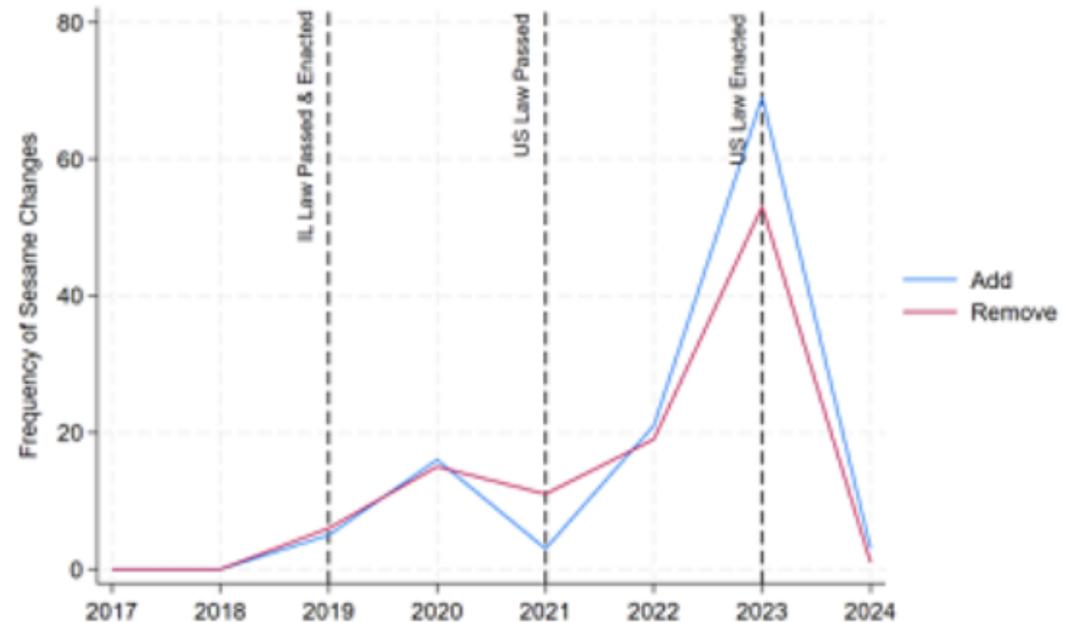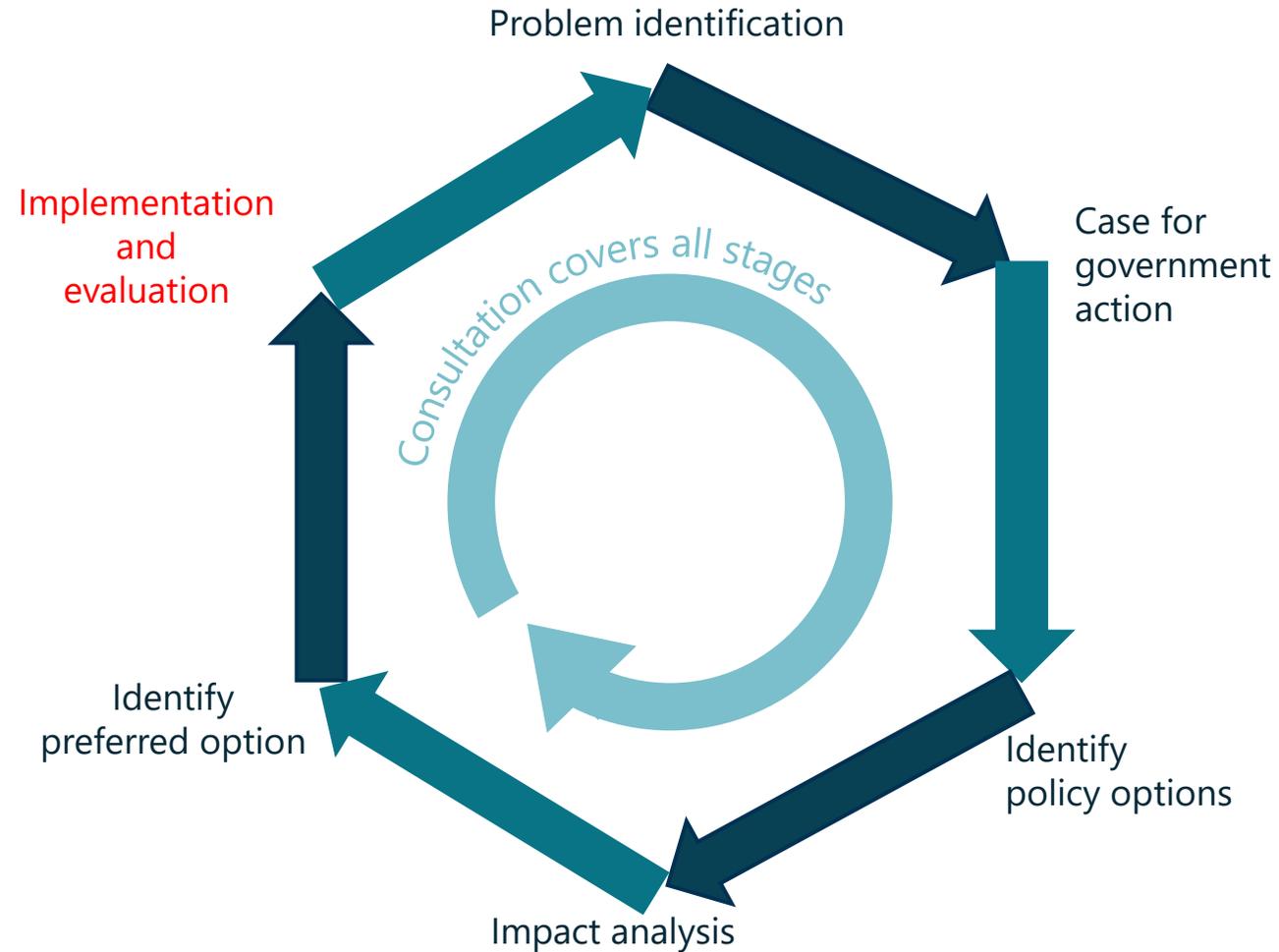
Kalaitzandonakes M., Ridley W., Endres A. 2025. "Unintended Consequences of Allergen Food Labeling".

# The policy development cycle



Problem identification

Case for government action

Identify policy options

Impact analysis

Identify preferred option

Implementation and evaluation

Consultation covers all stages

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# The policy development cycle

# Importance of consultation

**Best practice consultation principles**

- **Building trust and a shared understanding is critical**
  - adds credibility to policy recommendations
  - helps build consensus.
- **Transparency**
  - allows evidence to be tested and challenged
  - enables policy responses to be refined
  - develops a sense of shared ownership
  - reduces likelihood of unintended consequences.

*If it hasn't been tested, or contested, we can't really call it 'evidence' (Banks 2009)*

Consultation processes should be effectively targeted and easily accessible.

Stakeholders should be given adequate opportunity to participate in regulatory development, implementation and review.

Stakeholders should be adequately notified of proposed consultation.

Adequate time should be given for stakeholders to participate in consultation.

Outcomes of consultation should be reported back to stakeholders.

Consultation processes should be evaluated.

# Case study: Construction Productivity Inquiry

**86** stakeholder meetings

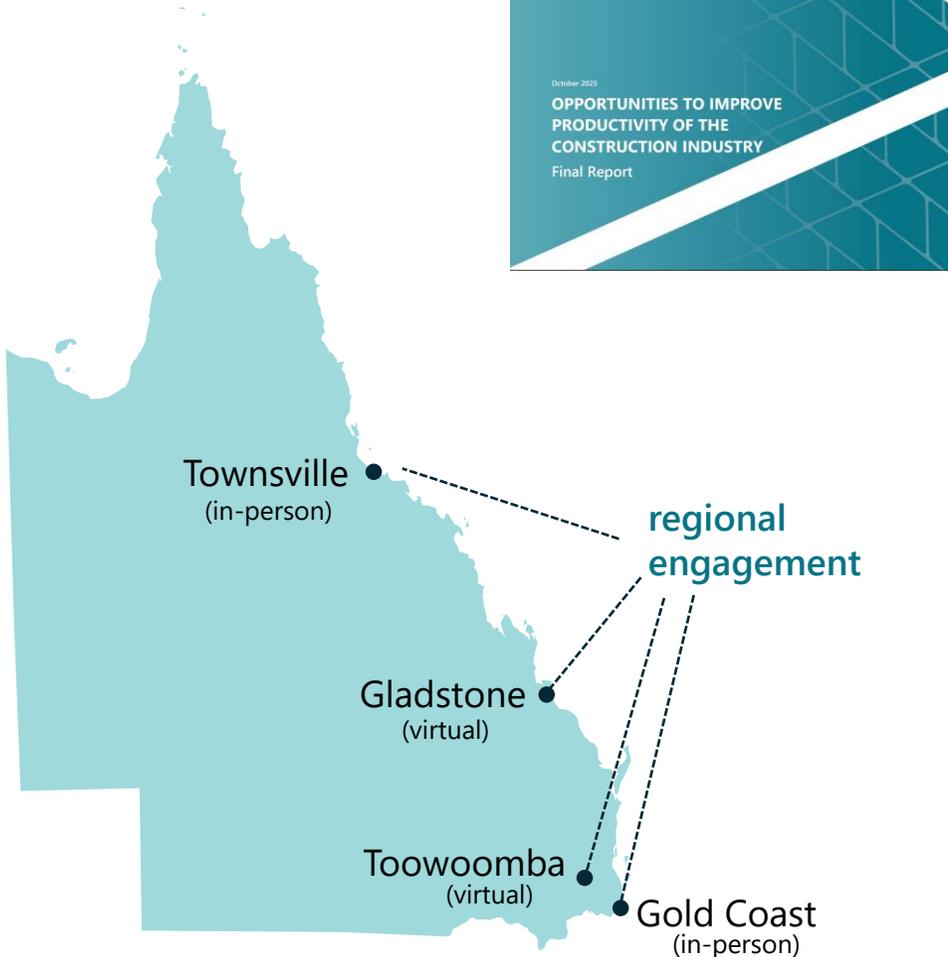**Stakeholders** included:
- industry bodies
- trade unions
- businesses
- local governments
- state government agencies
- community advocates

**250+**
public submissions and comments

**6** roundtables

LGAQ Webinar

**Presentations** to:
- Government Advisory Committees
- Industry events

October 2025
**OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION INDUSTRY**
Final Report

Townsville
(in-person)

Gladstone
(virtual)

Toowoomba
(virtual)

Gold Coast
(in-person)

regional engagement

# Key takeaways

- Economists play an important role in providing objective policy advice

- Evidence-based policy development is designed to support informed decisions and reduce risks of policy failure

- Policy development cycle provides a robust process to support good policy and positive policy outcomes

- Good communication is a critical part of the policy toolkit.

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