

Redefining productivity: Embedding long-term value creation in Australia's economic measurement framework

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Key insights

- Australia's long-term prosperity depends directly and indirectly on the contributions made in health, education, care, and other human services, yet these sectors remain undervalued in conventional metrics.
- Current productivity measures centred on output per hour worked fail to capture the intergenerational, non-market, and preventative value delivered by the care economy and social infrastructure.
- Without reform, Australia risks under-investing in services critical to workforce participation, social wellbeing, and fiscal sustainability amid an ageing population.
- New metrics such as longitudinal value indicators, wellbeing-adjusted service KPIs, and social return on investment (SROI) can more accurately reflect the full value of human services over the life course.
- Integrating the government's PLIDA and BLADE data assets enables robust, linked data analysis that can track how investments in care, education, and health affect productivity and earnings trajectories over time.
- Institutionalising wellbeing-based and lifecycle-focused evaluations within budget processes ensures alignment with Treasury's *Measuring What Matters* framework and Intergenerational Report goals.
- Embedding these reforms into Australia's productivity narrative will promote more efficient and better targeted policy, better value for public investment, and stronger intergenerational equity.

Background

Australia's economic performance benefits substantially from the contributions of its services sector, particularly in relation to health, aged care, education, childcare and social support services. Yet traditional productivity measures fail to capture the long-term and intergenerational value of human services and unpaid care work.

As the Intergenerational Report (2023) and the Budget Strategy 2025–26 both acknowledge, improving human capital, workforce participation and population health are vital to sustaining economic prosperity in the face of demographic changes and fiscal pressures.

This submission outlines some practical, forward-looking approaches to ensure our productivity framework reflects the true value of service-sector investments and supports better policy decisions in a time of transformation.

The policy challenge

Australia's productivity narrative remains tied to output per hour worked, with a default approach that is optimised for goods-producing sectors and market-priced outputs. This approach:

- undervalues social infrastructure and care economy contributions with long-lag, non-market benefits.
- constrains strategic investment in prevention, care and capacity building.
- obscures productivity gains that extend across generations, families, or life courses.

As population ageing, technological disruption and care needs rise, we risk the misallocation of resources and under-rewarding work that is essential to Australia's longer-term prosperity.

Options for better productivity measurement

New approaches are needed to confront this policy challenge, in order that we can better represent the real productivity of service roles whose impacts are non-market, relational, and realised over decades. To this end, the following metrics are offered for consideration as ideas to insert wellbeing, lifecycle value, and social returns into productivity thinking:

1. **Longitudinal value metrics** Capture returns to early childhood, schooling, and health prevention via lifetime outcomes. Leverage PLIDA to track individual trajectories across services, income, and wellbeing.
2. **Wellbeing-Adjusted Service KPIs** Embed wellbeing measures (e.g. QALYs, school engagement, social connectedness) into productivity outcomes. Aligns with Treasury's *Measuring What Matters* framework.
3. **Social Return on Investment (SROI)** Quantify broad public returns (e.g. higher lifetime earnings, labour market efficiencies, reduced hospitalisations). Institutionalise SROI in guidance for budget and program evaluation.
4. **Sector-Specific Public Value Indices** Develop productivity indicators reflecting equity, access, quality, and prevention. Commission ABS/Productivity Commission to design care and education-specific indices.
5. **Participatory Valuation of Outcomes** Involve service users in defining meaningful outcomes. Embed co-produced outcome measures in major reform pilots and evaluations.

Policy levers and implementation approaches

Options such as these for enhanced productivity measurement would provide more authentic and comprehensive metrics, but to embed such approaches within the economic reform agenda

requires practical, sustainable implementation pathways based on secure, consistent data infrastructure.

The Australian Bureau of Statistics (ABS) has curated highly relevant data assets that can operationalise these measurement concept, in the form of the **Person Level Integrated Data Asset (PLIDA)** and the **Business Longitudinal Analysis Data Environment (BLADE)**.

PLIDA combines multiple individual-level administrative data sources across economic, social and health domains, while BLADE links administrative and survey data for nearly all Australian businesses over time, providing an integrated view of firm characteristics, financials, workforce composition, R&D activity, and performance outcomes.

For the ideas put forward in this submission note, the following implementation solutions are recommended for consideration:

1. **Integrate PLIDA–BLADE for productivity analytics** Use PLIDA (tracking individuals across services and time) linked with BLADE (firm-level dynamics) to understand how care, health and education improve lifetime earnings, labour mobility, and participation.
2. **Long-term data infrastructure funding** Ensure secure, privacy-protected access to longitudinal data assets via stable, cross-agency governance arrangements.
3. **Embed wellbeing in budget evaluation** Mandate high value proposals in education, care and health to report long-term wellbeing-adjusted returns in CBAs/Budget Statements.
4. **Develop public value metrics** Task ABS and Productivity Commission with the co-design of public service productivity dashboards aligned to IGR indicators.

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5. **Pilot SROI and lifecycle modelling in key portfolios** Apply SROI and longitudinal cost benefit analysis (CBA) to selected reforms (e.g. early learning, aged care workforce), with Treasury and DSS oversight.

Strategic alignment with reform mandate

These recommendations support the government's objectives under the 2025 Intergenerational Report and Budget Strategy. Refining the institutional approach to productivity measurement offers significant potential to recalibrate policy interventions, through:

- a longer-term approach to productivity enhancement
- more efficient utilisation of existing skills
- lifting labour force participation via better childcare, health and care sector investment
- improvements in fiscal sustainability through early intervention and long-term value creation
- strengthened wellbeing-based evaluation, as per the *Measuring What Matters* framework
- better support for intergenerational equity by measuring benefits over the life course and across generations.

The approach also leverages existing information assets – notably PLIDA, BLADE and HILDA - for the robust, scalable and nationally consistent measurement of productivity in human services.

Summary

Moving to a more authentic and comprehensive measure of productivity means recognising that not all value is immediate, monetised, or measurable in output per hour terms. By rethinking how we define and quantify productivity, especially in human services, governments can better invest in the foundations of a flourishing society.

Selected references

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