



COMMITTEE FOR **ADELAIDE**

Shaping the future of Adelaide, South Australia

5 Point Plan to Boost Productivity

QUARTER 1, 2024

ACCELERATING GROWTH:

Unlocking the economic complexity and investment potential of Adelaide, South Australia to foster innovation, improve productivity and drive long-term and sustainable economic growth.

INTRODUCTION

This report sets out 5 key areas that will boost productivity, foster innovation, and drive long-term and sustainable economic growth for South Australia.

The ideas and recommendations have been generated through a series of conversations, surveys, workshops and engagements with members, government departments, subject-matter experts, and key stakeholders.

It is the first in a series of '5 Point Plans' to be produced by the Committee for Adelaide and is intended to spark discussion, influence policy, catalyse action and drive positive outcomes for South Australia, now and into the future.



ABOUT THE COMMITTEE FOR ADELAIDE

The Committee for Adelaide is an independent, non-partisan and sector agnostic think tank.

We bring together businesses, industry bodies, the community and government to help shape the future of Adelaide, South Australia.

OUR VISION IS FOR ADELAIDE, SOUTH AUSTRALIA TO BE AN EXTRAORDINARY, BIG-THINKING, WELCOMING AND VIBRANT PLACE, WITH A GROWING ECONOMY AND POPULATION.

The Committee's work centres around people, business, and capital, and how the intersection of these areas and their relationship to one another impacts the economic and cultural health of South Australia.

Our work is guided by four strategic outcomes:

ACCELERATING GROWTH

Unlocking the economic complexity and investment potential of SA to foster innovation, improve productivity and drive long-term and sustainable economic growth.

THRIVING COMMUNITY

Creating a welcoming, inclusive, and diverse community that prioritises wellbeing and attracts and retains the talent and skills required for current and future workforce needs.

DYNAMIC VIBRANCY

Enhancing the amenity, infrastructure and liveability of Adelaide and the regions, to create an exciting and progressive city.

ENVIRONMENTAL LEADERSHIP

Leading climate action on the way to Net Zero and managing the state's water, waste, transport, energy, infrastructure, and environment in a sustainable way.

Aligning with our four strategic outcomes, the Committee for Adelaide brings together its members and key stakeholders through a series of thought leadership conversations, workshops, and roundtables throughout the year. In 2024, the ideas and recommendations discussed at each Committee for Adelaide event will feed into a '5 Point Plan' dedicated to each of the four strategic outcomes outlined above.

BACKGROUND

BENCHMARKING ADELAIDE REPORT 2023

In August 2023, the Committee for Adelaide, in partnership with JLL, the RAA, Deloitte and Hames Sharley, released its inaugural *Benchmarking Adelaide* report.

Adelaide's performance was assessed against 19 other global peer cities and across five strategic pillars: Opportunity, Future Economy, Place & Space, People & Planet and Reputation.

The report shows that Adelaide has much to be proud of. The city excels in lifestyle and affordability, lower cost of doing business, capacity to attract major corporates and has advantages in demographics, momentum to decarbonise and its standing in some creative and technology sectors. Adelaide ranks high for the strength of its contemporary arts scene, underlining the global impact and importance of events and festivals.

Expertise in high value industries such as space, defence, advanced manufacturing, and health position Adelaide as a city of opportunity. Our innovation ecosystem is also gathering pace with growth in start-ups and new businesses accelerating faster than our peers. Adelaide's progress in the green energy transition, the university merger, new technical colleges, and blossoming innovation districts provide advantages to build upon.

However, in some areas Adelaide is lagging. Labour productivity is nearly 20 per cent below peer cities and the city has a smaller share of jobs in high wage and knowledge rich sectors. While strong progress has been made to attract and foster globally innovative companies, venture capital funding and share of start-ups reaching late-stage growth is behind our peers. Rates of public and private innovation are behind and the risks to productivity are growing.

There is work to do to position Adelaide as a place for business, with an ongoing need to attract and retain talent, boost productivity, and embrace an urbanised economy that thrives on knowledge, diverse sectors, and high-paying jobs.

Taking learnings from other similar cities, Adelaide can also improve in areas such as overall amenity, vibrancy, and experience.

Other cities are also catching up to Adelaide in areas such as affordability, health and wellbeing, public transport, walkable neighbourhoods, and access to and protection of green space.

The report highlighted that Adelaide's future success will be shaped by:

- 1. Achieving critical mass** of jobs, capital, and institutional collaboration, in key innovation niches.
- 2. Amplifying its reputation** for quality of life among prospective talent, aided by better access to housing and transport.
- 3. Ensuring the whole city is resilient** to a changed climate and avoids getting locked into unsustainable and unproductive patterns of growth.

BACKGROUND

BENCHMARKING ADELAIDE WORKSHOP AND SURVEY

Following the release of the *Benchmarking Adelaide* report, the Committee for Adelaide commissioned McGregor Tan to survey members and key stakeholders to gather feedback and ascertain ranked priorities for future focus.

The results of the survey were grouped into nine key areas for Adelaide to focus on:

1. High Productivity Economy
2. Innovation Drivers, Collaboration & Incentives
3. Climate Resilience, Sustainability and Reduced Carbon
4. Global Business Location
5. Infrastructure and CBD Densification
6. Transport, Mobility, Travel and Aviation Links
7. Young People & Workforce Development
8. Brand Narrative and Awareness Building
9. Culture & Creativity

The survey findings informed a subsequent Benchmarking Adelaide Workshop with Committee for Adelaide members and key stakeholders in December 2023. The Workshop fostered diverse perspectives and explored specific and actionable steps for each area to ensure Adelaide, South Australia reaches its full potential.

The results of the survey, workshop and subsequent conversations hosted by the Committee for Adelaide in early 2024 have helped guide the findings of this report.



Comments from Benchmarking Adelaide Workshop Participants

"Productivity is not just a metric; it is the cornerstone of our living standards. As mobility in South Australia lags, enhancing productivity becomes pivotal for sustained growth."

"Skills development starts at the school level with a human-centred, people-based narrative. Collaboration between government and industry is essential to showcase diverse career paths and training opportunities beyond traditional university pathways."

"Immigration is integral to driving our economy forward. Recognising and utilising the skills of highly qualified immigrants is crucial for their swift integration into relevant industries."



BACKGROUND

Q1 2024 THOUGHT LEADERSHIP CONVERSATIONS



Comments from 'Growing Enterprise' Conversation - January 2024

"Following the acquisition of OZ Minerals in 2023, BHP is embarking on a substantial reimagining of its South Australian operations. This new copper province will unlock long-term value and create synergies across BHP's SA operations to boost productivity. It also has the potential to create new jobs, drive new skills, and generate enormous local, business and supply-chain opportunities for the State," Sam Dighton, CEO, Committee for Adelaide.

"By 2030, there could be more than 300 million electric vehicles globally, up from about 45 million today. The world is going to need a lot more copper to build electric vehicles, solar panels, wind turbines and electrical infrastructure to support the energy transition. South Australia has some of the best copper resources in the world, which is why BHP is looking to build a new copper province here that brings together our three existing mines and (we hope) the Oak Dam prospect through a central smelter. It's a very exciting opportunity," Edgar Basto, COO, BHP.



Comments from 'Economic Empowerment' Conversation - February 2024

"The gender pay gap continues to be a major problem across industries and communities, Workplace Gender Equality Agency data released [recently] is crucial in holding organisations accountable - with more than 60 per cent of gender pay gaps exceeding 5%, there is much more to be done," The Hon Katrine Hildyard, MP, Minister for Women and the Prevention of Domestic and Family Violence.



Comments from 'Boosting Productivity' Conversation - March 2024

"South Australia's structural productivity problem is heavily influenced by poor levels of technology investment and training in South Australian workplaces, private and public," Adrian Tembel, Chair, South Australian Productivity Commission.

"Deal-flow in South Australia is no better or worse than other states, there is just a lower quantum. There is a huge opportunity for Adelaide start-ups and SMEs to be capitalising on the Australian Business Growth Fund to enable greater access to funding and scale up local businesses," Professor Ryan Williams, Director of the Australian Centre for Business Growth.

"Regional Development Australia maintains a Regional Investment Pipeline for State Government which has grown steadily and in the December 2023 quarter, has risen to \$66.9B of potential private and public investment under contemplation in the next five years. This represents the largest capital value since its inception. Unless productivity is greatly increased, and particularly labour participation rates, we will not be able to fulfill this investment potential," Kelly-Anne Saffin, CEO, Regional Development Australia - Adelaide.



With South Australia currently facing significant workforce and skills shortages across many industry sectors, we must collectively implement inclusive and agile work environments that support and ensure everyone – regardless of gender, age, or background – can participate in the workforce and contribute to our state's growing economy.

WHAT IS PRODUCTIVITY AND WHY DOES IT MATTER?

Productivity refers to the rate at which the output of goods and services can be produced with a given set of inputs, such as labour, capital, and raw materials.

Productivity increases when there is a greater output from the same amount of input or when the same amount of output is produced with less inputs.ⁱⁱ Thus, productivity growth is the opportunity to create more from less.

There are three widely used productivity concepts:

1. **Labour productivity** is defined as output per worker or per hour worked. Factors that can affect labour productivity include workers' skills, technological change, management practices and changes in other inputs such as capital.ⁱⁱⁱ
2. **Multifactor productivity** is defined as output per unit of combined inputs. Combined inputs typically include labour and capital, but can be expanded to include energy, materials and services. Changes in MFP reflect changes in output that cannot be explained by changes in inputs.^{iv}
3. **Capital productivity** is defined as a ratio of some measure of output to capital input; that is, output per unit of capital. Changes in this ratio can also reflect technological changes, and changes in other inputs (such as labour).^v

Many factors can affect productivity growth including technological improvements, economies of scale and scope, workforce skills, management practices, internal efficiencies and process improvements, financial capital, competitive pressures, and the stage of the business cycle.

BENEFITS OF PRODUCTIVITY GROWTH:

Productivity is one of the main drivers of long-term improvements in living standards for South Australians.^{vi} The more goods and services South Australia can produce with a given set of inputs, the greater economic prosperity and improved welfare of all South Australians.

As pointed out in the *Benchmarking Adelaide* report, the more productive a city, the higher the wages, the better working environments and increased leisure time for all to enjoy (as labour productivity improves, workers can achieve the same standard of living by working less hours).

In response to an improvement in productivity, businesses become more profitable as it costs less to produce a given level of output. These profits can be distributed to owners, shareholders or reinvested back into the business. Productivity improvements can also lead to lower prices for consumers, without reducing profits or wages, and can make businesses more competitive in Australian markets.

Productivity leads to faster adoption of technology and drives new businesses, investment and talent. It can lower labour costs required to produce goods and services and also leads to additional public revenue which in turn improves public goods, services and infrastructure, such as schools, hospitals and transport.^{viii}



ADELAIDE'S CURRENT PRODUCTIVITY GAP

South Australia's gross state product (GSP) rose 3.8% in chain volume terms in 2022-23 and followed GSP growth of 5.6% the previous financial year [ix]. In fact, for the last 3 years the state's economy has grown at a faster rate than the national average.

This growth has driven a strong uplift in employment, with South Australia's unemployment rate sitting at 3.9% in March 2024, seasonally adjusted, compared to the national average of 3.8% (ABS).

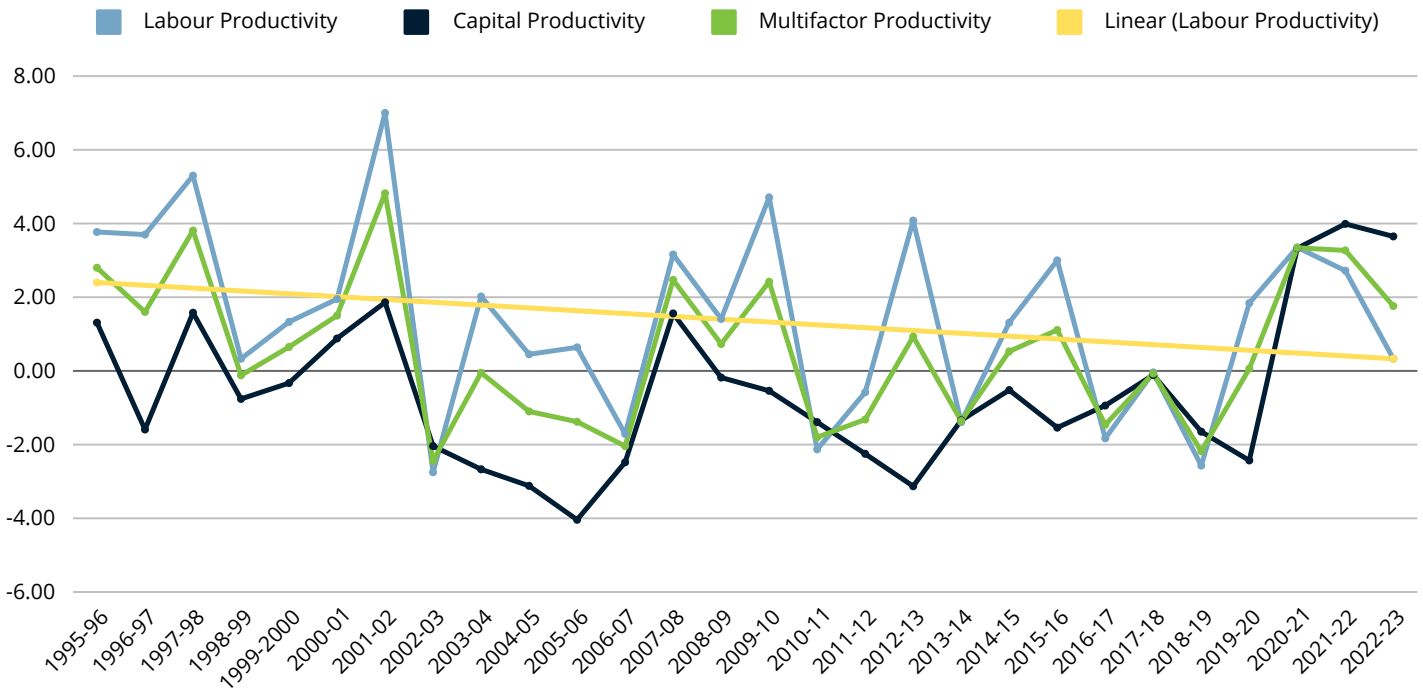
However, while South Australia is enjoying some broad economic momentum, largely driven by cyclical industries and growth in key sectors including agriculture and healthcare, not all South Australians are benefiting.

Local average wages have suffered an unprecedented real cut of around 7.6% and as of December 2023, South Australia's real wages performance was among the worst in the country [x].

The Benchmarking Adelaide report found that Adelaide's labour productivity is nearly 20 per cent below its peer cities (OECD) [xi].

The share of jobs in recognised high-paid sectors is also about 15 per cent smaller in inner Adelaide than leading peer cities [xii].

Figure 1: Australian Bureau of Statistics estimated labour productivity, multifactor productivity, and capital productivity for South Australia from 1995-96 to 2022-23.



Internationally, Adelaide is nearly 25% behind its peer average for Gross Domestic Product (GDP) per capita, ranking 9th out of 14 peer global cities. GDP is widely used as a ready indicator of living standards [xiii]. Adelaide is 146th in the world for its overall global firms [xiv] and productivity and currently ranks bottom among eight peers for labour force participation.

The overall trend line for labour productivity is declining and will need a concerted effort from across industry, government, and the community to improve. Adelaide needs to continue to create demand for high skills and high-paying jobs in both its established and emerging industries if it wants to become a high-productivity economy by international standards.

5 POINT PLAN TO BOOST PRODUCTIVITY

- 1** Increase investment in technology, innovation, training and research and development (R&D) across government, academia and industry.
- 2** Position Adelaide to be a world-leader in digital technologies and artificial intelligence (AI).
- 3** Ensure South Australia leads the way in gender equity, inclusive workplaces and economic empowerment.
- 4** Support businesses to access talent, capital, and local supply-chain opportunities.
- 5** Reduce red-tape, speed up decision-making and modernise workplaces and systems.



5 POINT PLAN TO BOOST PRODUCTIVITY

1



Increase investment in technology, innovation, training and R&D across government, academia, and industry.

Objective: Position SA as an innovation state by investing in technology and encouraging greater levels of research, innovation, business dynamism and collaboration across all industries and sectors.

- Encourage adoption of digital technologies and smart systems that enhance productivity, supported by training and upskilling in digital skills and application.
- As part of the University merger, embed new and accelerated collaboration and co-investment models between industry, government and academia, including simplified and easy-to-access Intellectual Property (IP) models, effective 'Cooperative Research Centres' and incentives for university researchers and staff to work with industry to enhance research utilisation, commercialisation and technology transfer.
- Encourage Government funded IP to be used to generate public value, knowledge transfer and innovation where possible.
- Support the establishment of 'Regional Innovation hubs' that bring together university partners with academia, harnessing the talent of university researchers, staff, and students to create new jobs and drive economic and social innovation.

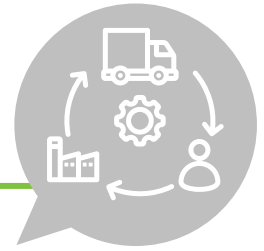
2

Position Adelaide to be a world-leader in digital technologies & AI

Objective: Leverage existing research advantages to ensure SA is at the forefront of developing, trialling, and adopting innovative technologies to boost productivity, ensure sovereign capability and provide local businesses and the public sector with a globally competitive edge.



- Establish a South Australian Digital Technologies and AI Action Plan and Taskforce, to be led by the Australian Institute of Machine Learning, to guide investment, governance, skills, education, promotion, sovereign capability, and adoption of responsible use of AI and other digital technologies across key sectors such as defence, health, space, cyber, education and manufacturing.
- Grow Adelaide's existing strengths and capabilities in specialised areas of AI, such as computer vision research and development.
- Introduce a Growth Accelerator program, including specialised grants, to support researchers, businesses and start-ups to trial, adopt and embed change-management processes to support the use of digital and AI technologies and applications across industry to speed-up benefit realisation.
- Place an emphasis on digital technologies and AI education and training, including fast-tracking the development of the Digital Technologies Academy at Lot 14 to position South Australia as a national leader for AI and digital skills training and expertise, linking talent to jobs and attracting the world's best and brightest to study and work in SA.
- Accelerate the creation of the flagship Entrepreneur & Innovation Centre and Hub at Lot 14 to enable innovation, research collaboration and commercialisation of IP across the universities, defence, space, cyber and critical technology sectors.



5 POINT PLAN TO BOOST PRODUCTIVITY

3

Ensure South Australia is a leader in gender equity, inclusive workplaces and economic empowerment.

Objective: Create a welcoming, inclusive and flexible workforce, prioritising gender equity and empowering people of all ages, backgrounds and abilities to generate their own wealth and contribute to the economy.



- Encourage industry to take action to address the gender pay gap including conducting a gender pay gap analysis, developing a gender pay gap strategy and action plan, increasing the number of women in leadership positions and on boards, and ensuring inclusive workplace policies and environments.
- Advocate for bipartisan commitment for paid superannuation on Commonwealth Paid Parental Leave and encourage local businesses to take the lead by paying superannuation entitlements during employer paid parental leave arrangements.
- Provide government incentives or grants that support inclusive and agile workplaces, accommodate different ages, abilities and circumstances to boost labour productivity, and enhance Adelaide's reputation as a welcoming, vibrant and desirable place to live, work and do business.

4

Support businesses to access capital, talent*, and local supply-chain opportunities.

Objective: Ensure South Australian start-ups and businesses are equipped and ready to benefit from the state's major infrastructure projects and growing economic sectors.

- Accelerate the development of the South Australian Freight & Supply Chain Strategy being led by Department for Infrastructure & Transport to identify and enhance upstream and downstream supply-chain opportunities for South Australian businesses to capitalise from key infrastructure projects and sectors. This should include implementing efficiencies, improvements and utilisation of various freight routes and channels to deliver South Australian products and services to customers.
- Establish a local 'deal scout' to support South Australian start-ups and SMEs to access the Australian Business Growth Fund as well as other potential sources of capital, where relevant, to assist in deal-flow and accelerate business dynamism and growth.
- Establish a State Government 'innovation procurement program' that provides government agencies with a funding stream to go to market and incentivises local firms to deliver innovative solutions to business needs.

5

Reduce red-tape, speed up decision making and modernise workplaces, processes and systems.

Objective: Reduce red-tape, speed-up government decision making and modernise workplaces, processes and systems to encourage greater levels of investment and improve delivery of resources and services across private and public sectors.

- Conduct a full-scale review of the South Australian Public Sector to identify and implement resource efficiencies across government departments, harmonise and streamline services, improve service standards, speed-up regulatory approval processes, and embed a greater culture of innovation, accountability and productivity.
- Position the South Australian Government to be an exemplar at adopting productivity enhancing investments and skills.
- Encourage industry to embrace, upgrade and invest in technology, modernise workplaces, streamline processes, and embed a greater culture of innovation, continuous improvement, and modernisation.




*TALENT & SKILLS

The Committee for Adelaide recognises that attracting and retaining talent and skills is critical to meeting current and future workforce needs, diversifying the economy, boosting productivity, and accelerating long-term and sustainable growth. Growing South Australia's skills and workforce will be further addressed under our 'Thriving Community' pillar in the second quarter of 2024, which will focus on how we can create and maintain a welcoming, inclusive, and diverse community, that prioritises wellbeing and attracts and retains the talent and skills required for current and future workforce needs.

This will include recommendations to identify workforce requirements and capacity across sectors, facilitating opportunities to transition workers across projects and industries to meet workforce requirements, continuing to attract and retain skilled migrants and encouraging local and international university graduates to stay and work in South Australia, including new and expanded internship programs and establishing improved pathways to employment with industry.



REFERENCES

- i <https://www.pc.gov.au/what-is-productivity>
 - ii <https://www.rba.gov.au/education/resources/explainers/productivity.html>
 - iii <https://www.rba.gov.au/education/resources/explainers/productivity.html>
 - iv <https://www.rba.gov.au/education/resources/explainers/productivity.html>
 - v [https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/australian-system-national-accounts-concepts-sources-and-methods/2020-21/chapter-19-productivity-measures/concepts#:~:text=19.14%20Capital%20productivity%20is%20defined,inputs%20\(such%20as%20labour\).](https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/australian-system-national-accounts-concepts-sources-and-methods/2020-21/chapter-19-productivity-measures/concepts#:~:text=19.14%20Capital%20productivity%20is%20defined,inputs%20(such%20as%20labour).)
 - vi <https://www.pc.gov.au/what-is-productivity>
 - vii <https://www.pc.gov.au/what-is-productivity>
 - viii https://committeeforadelaide.org.au/wp-content/uploads/2023/08/CFA-Benchmarking-Report_FINAL-DIGITAL_compressed-1.pdf
<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release>
 - x <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release#state-and-territory-wage-growth>
 - xi OECD – GDP per capita: <https://stats.oecd.org/Index.aspx?DataSetCode=CITIES>
 - xii Metroverse City Profiles – Adelaide: <https://metroverse.cid.harvard.edu/city/12977/industry-position>. Aggregates share of employees working in the following sectors, all of which command an average hourly salary of >30 USD: Finance; legal and administrative business services; publishing & IT services; commercial real estate services; technical services; TV, film & related services; miscellaneous business services; air transport; energy and waste management; rail, water and pipeline transportation; insurance; oil and gas; chemicals; electronics manufacturing; medical supplies & pharma; machinery manufacturing; aeronautics and weapons; optical goods. Does not include peers with low data quality as per Metroverse platform, or peers with high informal quotient to their economy. Leading peer city = Antwerp (39%).
 - xiii OECD – GDP per capita: <https://stats.oecd.org/Index.aspx?DataSetCode=CITIES>
 - xiv Resonance World's Best Cities 2023 – Prosperity: www.worldsbestcities.com/best-cities-report/?r=dXJlYVltb29ZKzBhQ0x6SXZCNFN2QT09
 - xv <https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release#data-downloads>
- 



COMMITTEE FOR
ADELAIDE



COMMITTEE FOR ADELAIDE
committeeforadelaide.org.au
info@committeeforadelaide.org.au

