

The Hon. Daniel Mookhey, MLC
Chair, Select Committee on the impact of
technological and other change on
the future of work and workers in New South Wales
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Chair,

Answers to Select Committee's questions of 30 March 2021, taken on notice

We refer to the correspondence of Ms Hong of 8 April 2021, attaching a copy of the transcript of our appearance before the Select Committee on Tuesday, 30 March 2021, highlighting relevant questions taken on notice and requesting our response to them.

We are pleased to provide answers to the highlighted questions, as below.

Transcript Section	Answer
<p>The CHAIR: Mr Searle asked you about some macro or, I guess, other forms of analysis which are less dependent on perception methodology. In your submission you make the point that, if New South Wales remote workers worked remotely as much as they prefer after the pandemic, then the State's productivity could rise by 1.6 per cent compared to 2019. Do you know how that figure was sourced?</p>	<p>Results from the 2020 NSW Innovation and Productivity Council ('IPC') Remote Working Survey ('Survey') indicate that after the pandemic and associated lockdown restrictions end, if workers were allowed to work remotely as much as they preferred, the proportion of all work done remotely in New South Wales would be 12 percentage points higher than in 2019 (i.e. moving from 18 per cent of work being done remotely, to 30 per cent).</p>
<p>Mr STEVENS: It was basically an estimate based on people's perception of their increased productivity and also overlaid with some international experience. It has been—</p>	<p>The Survey also found workers reported being around 13 per cent more productive when working remotely, compared to when they worked at their employer's workplace.</p>
<p>The CHAIR: On notice do you mind providing some more explanatory detail about that figure?</p>	<p>This implies that NSW labour productivity could increase by 1.6 per cent compared to 2019, if workers worked remotely as much as they prefer. This is because a 13 per cent increase in labour productivity applied to 12 per cent of all work performed totals to an overall labour productivity improvement of 1.6 per cent.</p>
<p>Mr STEVENS: I am happy to take that on notice and let you have that.</p>	<p>The IPC's estimates on this matter are indicative. This is because the productivity</p>

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	<p>changes are self-assessed. The IPC's estimates do not consider other factors that may affect labour productivity, such as changes in technology, capital use, or the broader impacts of the pandemic on total factor productivity (which is a broader measure than labour productivity).</p>
<p>Mr DAVID SHOEBRIDGE: A lot of the kind of reviews that you do—for example, the November review you did was actually testing the response of people actually working. Surely, having a perspective from somebody from organised labour when you are designing those kinds of questionnaires and then when you are considering the views would be valuable.</p> <p>Mr STEVENS: Yes, it would be and I think it is probably worth explaining how we go about our projects because it is not just the council that does it; we actually have a subcommittee, which we set up and which does involve people who have expertise in the field. We recognise that all council members do not have expertise in this in remote working, so we do consult these groups in both setting it up and in the work of the committee.</p> <p>Mr DAVID SHOEBRIDGE: So, in the example of that, which unions did you consult?</p> <p>Mr STEVENS: I would have to take that on notice.</p> <p>Mr DAVID SHOEBRIDGE: But did you—I counted between special advisers and may be some other observers as well there were 15 persons who I identified in your members section on the website. Do you think it might be valuable to reflect upon the absence of any union representative or any worker's representative to ensure that you actually have that perspective on the innovation council?</p>	<p>In pursuing its objects under the <i>Innovation and Productivity Council Act 1996</i>, the IPC uses a range of mechanisms to obtain the perspectives of external stakeholders. The stakeholders selected and mechanisms for consultation are determined on a case by case basis. A communications plan is developed for each IPC project. When determining which stakeholders to consult and which mechanism to use, the IPC and/or its Secretariat within NSW Treasury ('Secretariat') typically considers the relative benefits and costs. Considerations may include relative administrative costs, the nature and requirements of the particular project, the in-house expertise of IPC members and NSW Treasury, the range of external stakeholders who could potentially be consulted, the focus of the project, and the relative allocation of resourcing across the IPC's work program.</p> <p>Where appropriate, the IPC may ask external stakeholders to enter into confidentiality agreements for the purposes of consultations.</p> <p>Establishing an official IPC Committee is the most formal external engagement method available to the IPC. Under Section 9 of the <i>Innovation and Productivity Council Act 1996</i>, the Council may, with the approval of the Minister, establish committees for the purpose of assisting the Council to exercise its functions. If established, such committees must be chaired by a member of the Council, and committee members can include external stakeholders. This formal committee mechanism is not in use at the present time.</p>

Transcript Section	Answer
<p>Mr STEVENS: I am very happy to reflect on it.</p>	<p>More commonly, the IPC convenes Expert Advisory Groups ('EAGs'), which involve contacting a small group of subject matter experts and seeking their agreement to be collectively consulted for advice on matters relevant to an IPC research project, for its duration. For example, the IPC has established an EAG for its <i>Place-Based Innovations</i> research series.</p> <p>In other cases, the IPC and/or the IPC Secretariat consults relevant internal or external stakeholders directly, for example, by contacting particular academics, industry organisations, or government agencies and seeking their views.</p> <p>In the case of the IPC's <i>NSW Remote Working Insights</i> series, which focuses on the economic and public policy implications of the shift to remote working, the IPC employed the in-house economic and public policy expertise of its NSW Treasury Secretariat and economics team. Advice was sought from the Data and Statistical Analysis Branch of the Department of Premier and Cabinet (DPC), which has expertise in survey design.</p> <p>In adopting this approach to survey design at the outset of the <i>NSW Remote Working Insights</i> series, the IPC considered the need to be able to design and field surveys quickly in a cost-effective way. This has allowed the IPC to:</p> <ul style="list-style-type: none"> • capture the experiences of NSW remote workers at the peak of the pandemic restrictions • be responsive to the data needs of NSW policymakers • quickly release results to the NSW public and NSW policymakers • be responsive to a rapidly emerging and changing pandemic situation.

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	<p>For the second report in the <i>NSW Remote Working Insights</i> series, which is currently being developed, the IPC is focusing on additional areas of research not considered in depth in the first report—for example, the drivers of employer decision making about remote working, and the challenges of hybrid remote working.</p> <p>For its second report, the IPC is conducting a second round of its Survey. At the time of writing, the second round of the Survey was in the field, with fieldwork expected to conclude in late April 2021.</p> <p>The IPC is also consulting stakeholders to ensure their viewpoints and experiences inform the second <i>NSW Remote Working Insights</i> report. Consultations were underway at the time of writing.</p> <p>These consultations include case studies of NSW businesses, focused on identifying innovative approaches to remote working, and the key drivers of employer decision making regarding remote working.</p> <p>Further, the IPC is undertaking consultations with up to five peak bodies, including Unions NSW.</p> <p>Appointments to the IPC are made by the Governor in accordance with the objects and provisions of the <i>Innovation and Productivity Council Act 1996</i> and NSW Government guidelines on appointments.</p>
<p>The CHAIR: It is within our remit in our terms of reference to look at the adequacy of competition laws in preventing the emergence of monopolies, particularly in the platform economy. You may not have noticed that as part of our terms of reference but it is, and it does strike me that both the Innovation Council and the Productivity Commission might have some insight to whether or not there is risk of monopolies emerging in the platform economy, whether that is going to inhibit or</p>	<p>Characteristics of the platform economy, such as strong network effects, can increase barriers to entry for new platforms and may allow existing platforms to charge large mark-ups to service providers and/or consumers. The role for government intervention in these circumstances should be evaluated on a case by case basis.</p> <p>Market concentration, however, does not necessarily translate to lower competition or productivity, as small numbers of large</p>

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<p>otherwise disrupt and bring competition or otherwise stop competition and, therefore, stop innovation and/or productivity. On notice, is it possible that you could substantiate your submission by addressing that specific aspect of our terms of reference?</p> <p>Mr DAVID SHOEBRIDGE: You can take it notice and then work out how to respond to it.</p> <p>The Hon. WES FANG: I think he needs a translation first.</p> <p>Mr ACHTERSTRAAT: Yes. I am a fan of competition and I think that drives efficiencies.</p> <p>The CHAIR: On notice, would you mind supplementing your submission with your specific views on our terms of reference that require us to look into the competition laws?</p> <p>Mr ACHTERSTRAAT: I would be happy to do that.</p>	<p>competitors or competition from potential entrants can generate strong competition.</p> <p>Platforms can contribute to competition in some ways, for example: by making it easier for consumers to compare across competing sellers or service providers (such as flights or accommodation providers); by meeting consumers' needs more effectively by providing access to high-quality services (such as online music streaming); and by providing a convenient mechanism for individual service providers or sellers to access a large pool of customers, making it easier for individual providers to enter the market (for example, vehicle owners wishing to provide rideshare services).</p> <p>To date, the Commission has confined its assessment of current market structures on productivity to specific instances where regulation may be impeding competition (for example, the single desk rice marketing export arrangement, regulation of pharmacy ownership and location) or where regulation could support competition (for instance, mandating interoperability in the e-conveyancing market).</p> <p>The Commission will be pleased to consider the findings of the Select Committee and views of its members when developing and prioritising its future work program.</p>
<p>The CHAIR: On that specifically, would you mind looking at the work of the Federal Trade Commission in the United States? They are the ones who are responding the most with respect to a lot of the rethinking about monopoly and competition law in the United States, particularly to do with the emergence of bigger platforms in a bigger economy as well. There is a lot of rethinking of this stuff. I would be interested to hear your views on it as well.</p>	<p>The Commission and IPC note that the Federal Trade Commission has flagged the ability of digital platforms to monopolise related industries once they achieve market share, preventing the emergence of potential competitors. This cross-industry monopolisation is made easier owing to the nature of digital platforms.</p> <p>For example, Amazon began as an online bookstore but, after rapidly expanding its customer base, transitioned into a more general goods marketplace. The Federal Trade Commission also notes the</p>

Transcript Section	Answer
	<p>imbalance in power between large digital platforms and the parties that use them.</p> <p>The Commission and IPC will consider the matters the Federal Trade Commission has raised and how they may relate to New South Wales when determining priorities for future work.</p>

We happily consent to the answers to questions on notice above being published.

Yours sincerely,

Neville Stevens AO
Chair, Innovation and Productivity Council

Peter Achterstraat AM
NSW Productivity Commissioner

21 April 2021