

## Senate Standing Committee on Education and Employment

### QUESTIONS ON NOTICE Budget Estimates 2015 - 2016

#### Outcome 2 - Workplace Relations and Economic Strategy

Department of Employment Question No. EMSQ15-000140

Senator O'Neil asked on 01 June 2015 on proof Hansard page 125

#### Question

##### Productivity growth

Senator O'NEILL: Can I refer you once again to the document entitled Budget 2015-16—portfolio budget statements 2015-16—budget related paper No. 1.6—employment portfolio, page 40, table 2.2A. I am referring to the performance measure 'Productivity growth as measured by output per hour worked in the market sector (annual, trend terms)'. For the December quarter 2013, the number is 1.9 per cent and one year later, the December quarter 2014 is 0.3 per cent. That is a pretty alarming figure, isn't it?

Ms Parker: We have that in front of us, Senator.

Senator O'NEILL: In my view, that is a rather alarming figure. Do you have a different view? Could you explain it to me in a way that would cause me less alarm?

Mr Roddam: I would not say that it is an alarming figure, in the sense that productivity data are very volatile and they do move around a lot. In fact, the ABS recommends that, when you are looking at productivity data, to look at it over a cycle of around four to five years, for that reason. Just looking at annual movements in productivity can often obscure the full picture.

Senator O'NEILL: So in what year was it last 0.3 per cent?

Mr Roddam: I would need to take that on notice.

Senator O'NEILL: Can you recall a time when it was 0.3 per cent?

Mr Roddam: There would have been lower. I think there would have been times when it was negative.

Senator O'NEILL: How long ago would that have been?

Mr Roddam: I would need to take that on notice. But, as I say, given the volatility in the data, that annual figure from quarter to quarter would have been that low before.

#### Answer

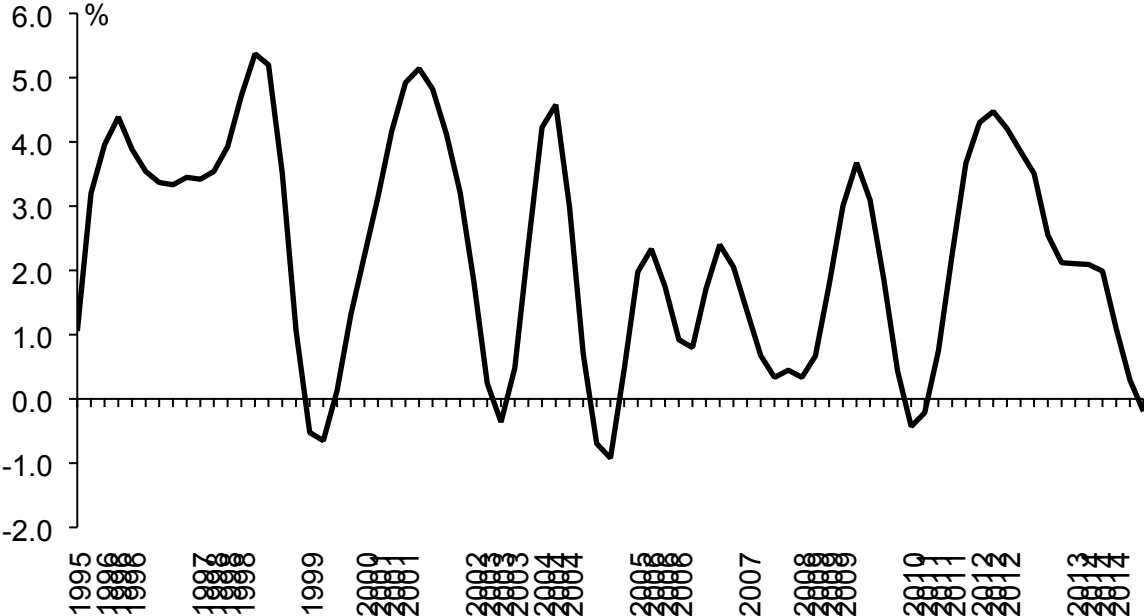
Productivity data are volatile, cyclical and subject to revision. Productivity data over short time periods, such as a year, should be interpreted with caution. The Australian Bureau of Statistics presents productivity data over growth cycles, which minimise some of the measurement issues that arise due to the business cycle.

Labour productivity in the market sector grew by 0.3 per cent through the year to the December quarter 2014. Over the year to the March quarter 2015, labour productivity fell by 0.2 per cent. Figure 1 shows annual labour productivity growth over the past 20 years.

Prior to the December quarter 2014, annual labour productivity last grew by 0.3 per cent in the June and December quarters of 2008.

Prior to the December quarter 2014, annual labour productivity last had a negative period of growth in the December quarter 2010 (-0.4 per cent through the year) and the March quarter 2011 (-0.1 per cent through the year).

**Figure 1: Annual labour productivity growth (%), 1995-2015**



Source: ABS, *Australian National Accounts: National Income, Expenditure, and Product*, March 2015, Cat. No. 5206.0.

Note: Trend data for labour productivity in the market sector. Trend data removes calendar related and irregular effects. Trend data therefore presents a clearer indication of the underlying movement in the series.