

**Senate Standing Committee on Education Employment and Workplace
Relations**

**QUESTIONS ON NOTICE
Additional Estimates 2011-2012**

Outcome 5 - Workplace Relations & Economic Strategy

DEEWR Question No. EW1159_12

Senator Abetz asked on 15 February 2012 , Hansard page 129

Question

Fair Work Act review background paper

Senator ABETZ: Can I ask about the Fair Work Act review background paper. On page 9, they finally talked about productivity. They have an approach to productivity that is there for all to see. Without going into too much detail, would you agree with me that on page 125 of the annual report, under the heading of 'Productivity', we are told the most common measure of productivity growth, GDP per hour worked in the market sector, is the measure—and then we are told how it has decreased by one per cent, but that is not the point here—so that here in the annual report, we are referring to a different measure to that to which the background paper refers? Is that correct? Mr Kovacic: I do not have the annual report in front of me. Senator ABETZ: On page 125 there is a subheading about 10 lines down the page headed 'Productivity'. We are told the most common measure of productivity growth is GDP per hour worked in the market sector. That is not the same measure that is being spoken of in this paper. Mr Kovacic: Can I just take that on notice, because I actually wonder whether the description of trend labour productivity in the market sector might be a different way of saying exactly the same thing. Ms Paul: Yes, I suspect it is the same. Mr Kovacic: I suspect it is. Ms Paul: But I think that given the hour we might need to take it on notice. Senator ABETZ: All right, take that on notice.

Answer

The measure of productivity used in the Annual Report and the Fair Work Act Review background paper are the same. That is, output per hour worked.

More specifically, in the Annual Report, trend labour productivity was measured by Gross Domestic Product per hour worked. In the September quarter 2011 the ABS replaced this series with Gross Value Added per hour worked. As a result, this measure was used in the Fair Work Act Review background paper. The two measures, nevertheless, are essentially the same. However, the Gross Value Added measure removes the distortion caused by variations in the incidence of commodity taxes and subsidies across the output of individual industries.

This data is sourced from the ABS *Australia National Accounts: National Income, Expenditure and Product* publication, (Cat. No. 5206.0), and is contained in Table 1 of that publication.