

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet 95

Topic: Productivity and Compositional Changes

Hansard Page: E29-30

Senator SHERRY asked:

Again, we have touched on this to some extent, but what about the estimated productivity in the aggregate market sector excluding mining?

Mr Davis—I do not have the precise numbers with me.

Dr Kennedy—If you look at the detail of labour productivity in the market sector, excluding mining in 2005-06, it is about 2.7 per cent

Senator SHERRY—What about long term, long run?

Dr Kennedy—The long-run averages for the market sector are about 2.2 per cent.

Senator SHERRY—What about the trend average since the late 1990s, the last seven years—I am forgetting it is 2007.

Dr Kennedy—Now you have stumped me. I do not have that number to hand, but we could certainly calculate it for you.

Senator SHERRY—Thank you. Just coming back to those compositional changes, can you outline with greater precision the decline in productivity in the mining sector being offset by the shift away from lower productivity sectors in the economy, and we touched on agriculture earlier. Are you able to do that with any greater precision?

Mr Parker—We could do the analysis for you and take that on notice.

Senator SHERRY—Earlier, Dr Kennedy, when we discussed this compositional change, you referred to it not fully offsetting. I am just wondering to what extent it has offset.

Dr Kennedy—The compositional effect is a substantial effect. I believe the Reserve Bank, in their November monetary policy statement, published the composition effects around productivity when they were looking at this issue of slow output and employment. I do not have the numbers to hand, but my understanding of our own preliminary analysis was that, as I said before, the fall in productivity within the mining sector more than offset the positive effect that labour going to mining makes to productivity. I do not have a number to hand; I can take the question on notice.

Senator SHERRY—Thank you.

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Answer:

- Quarterly estimates of labour productivity (hours worked) are published by the ABS in the Australian National Accounts: National Income, Expenditure and Product (ABS Cat. No. 5206.0). Estimates of multifactor productivity, labour productivity and productivity growth cycles are available in the annual publication, Australian System of National Accounts (ABS. Cat. No. 5204.0).
- In 2005-06, the fall in mining productivity subtracted around 1.3 percentage points from aggregate productivity growth. However, this decline was offset by the movement of labour into mining from lower productivity industries, such that in total the mining industry subtracted 0.5 of a percentage point from aggregate productivity growth.
- The November 2006 Statement of Monetary Policy (p. 30-32) provides an analysis of the recent change in the composition of aggregate productivity.