

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 20-21 February 2008

Question: aet 35

**Topic: Australia's Macroeconomic Performance –
Comparison to OECD Countries**

Hansard Page: E94

Senator BUSHBY asked:

Senator BUSHBY —.....I have a couple of things which I am quite happy to put on notice but if you have the answers here then we might deal with them now. What is Australia's macroeconomic performance over the last 10 years compared to OECD countries, specifically in relation to inflation, which we have already discussed, as well as GDP growth, productivity growth, unemployment and employment, per capita income, working hours and terms of trade? How important has labour market reform been to enhancing Australia's macroeconomic performance relative to other countries?

Dr Gruen—It sounds like a question we should probably take on notice.

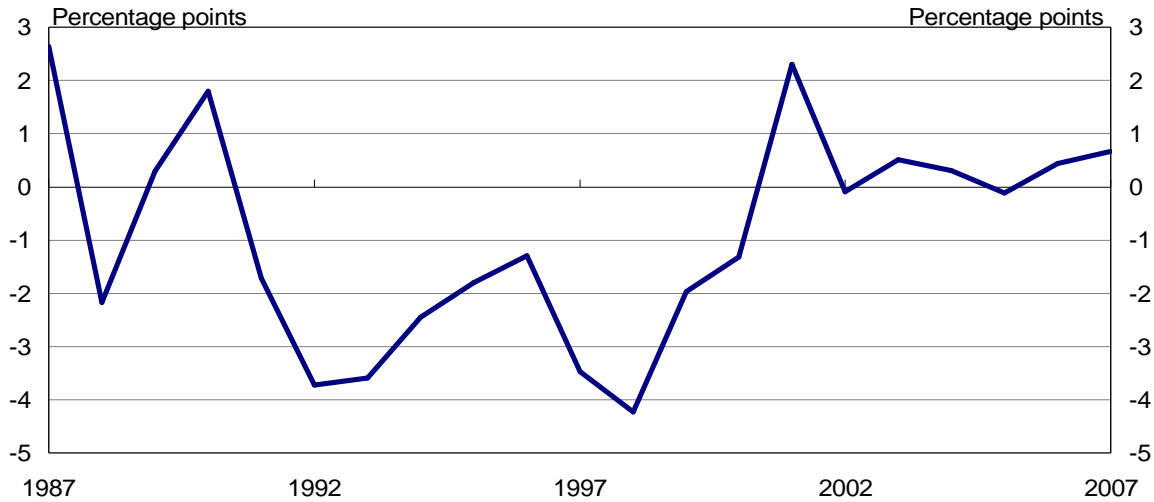
Senator BUSHBY—How does Australia's minimum wage compare to other countries and how regulated is Australia's labour market compared to other OECD countries? I am happy to put those questions on notice.

Dr Gruen—Yes, I think so.

Answer:

Inflation: Chart 1 shows Australia's headline rate of inflation relative to the OECD average. A positive number means Australia's inflation rate is above the OECD average.

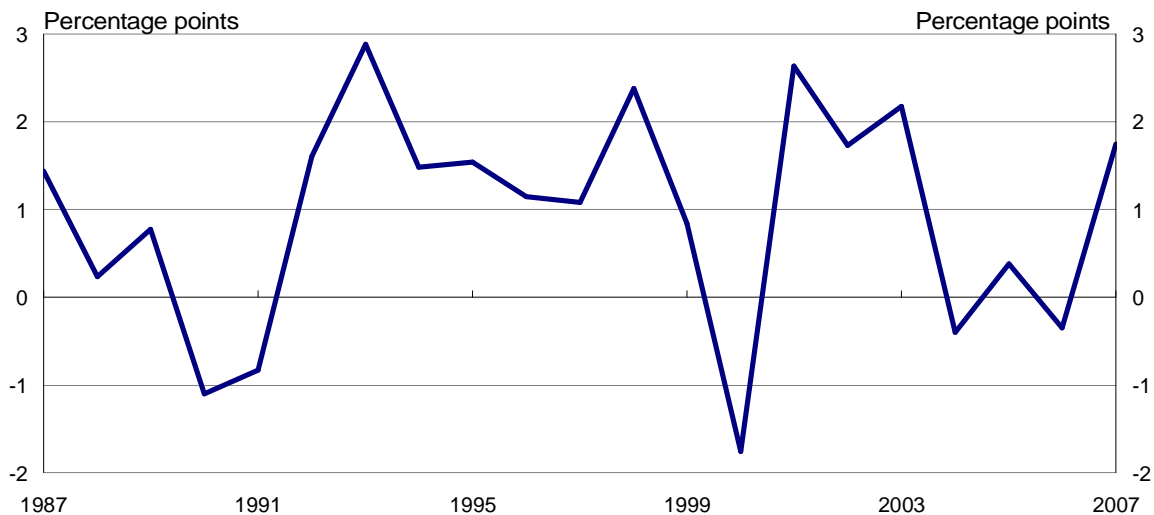
Chart 1: Australia's inflation rate relative to the OECD



Source: OECD main economic indicators

GDP Growth: Chart 2 shows Australia's rate of GDP growth relative to the OECD average. A positive number means Australia's GDP growth rate is above the OECD average.

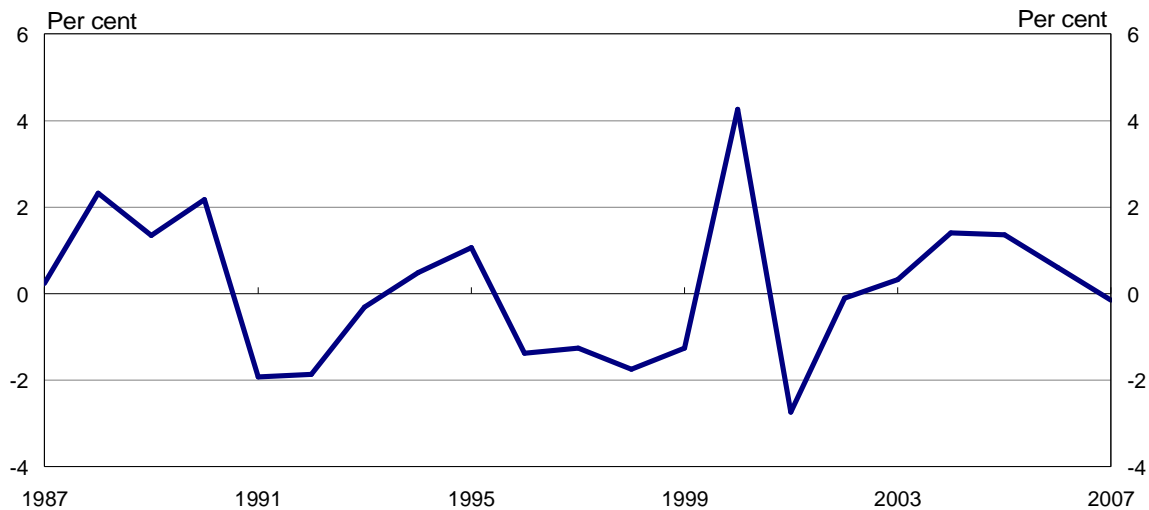
Chart 2: GDP growth rate – relative to the OECD average



Source: The Conference Board and Groningen Growth and Development Centre and the, Total Economy Database, January 2008

Productivity Growth: Chart 3 shows Australia’s rate of labour productivity growth for the whole economy relative to the OECD average. A positive number means that Australia’s productivity growth rate is above the OECD average.

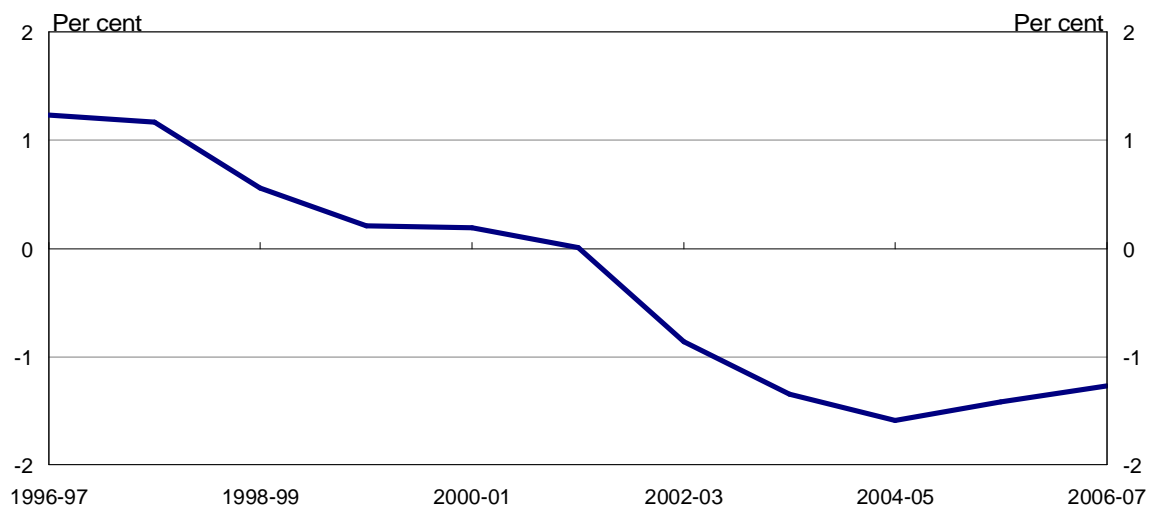
Chart 3: Productivity: GDP per hour worked for the whole economy



Source: The Conference Board and Groningen Growth and Development Centre and the, Total Economy Database, January 2008

Unemployment: Chart 4 shows Australia’s unemployment rate relative to the OECD. A negative number means that Australia’s unemployment rate is below the OECD average.

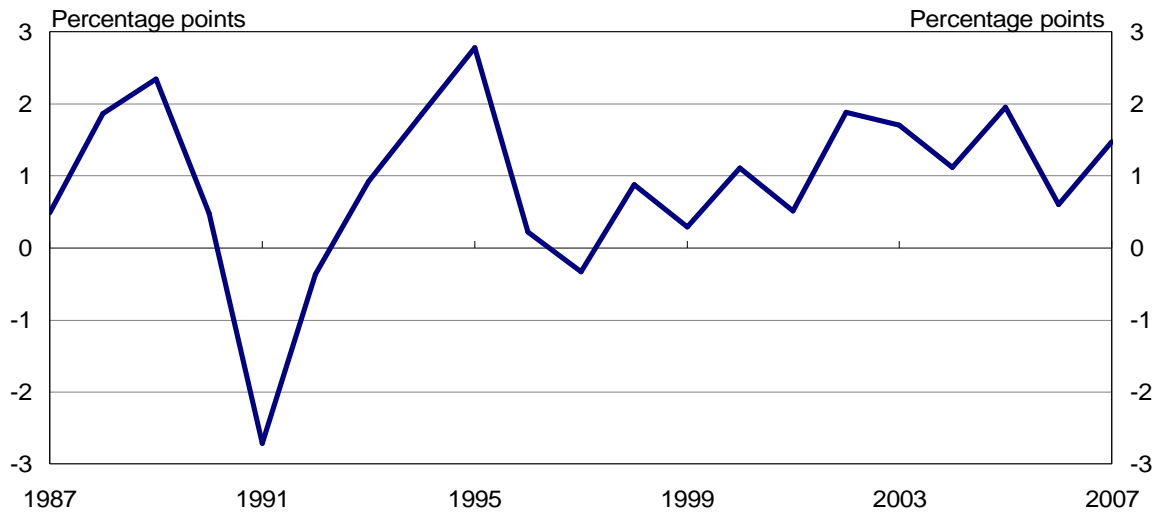
Chart 4: Unemployment rate



Source: ABS Labour Force Statistics, OECD main economic indicators

Employment: Chart 5 shows Australia's rate of employment growth relative to the OECD average. A positive number means that Australia's employment growth rate is above the OECD average.

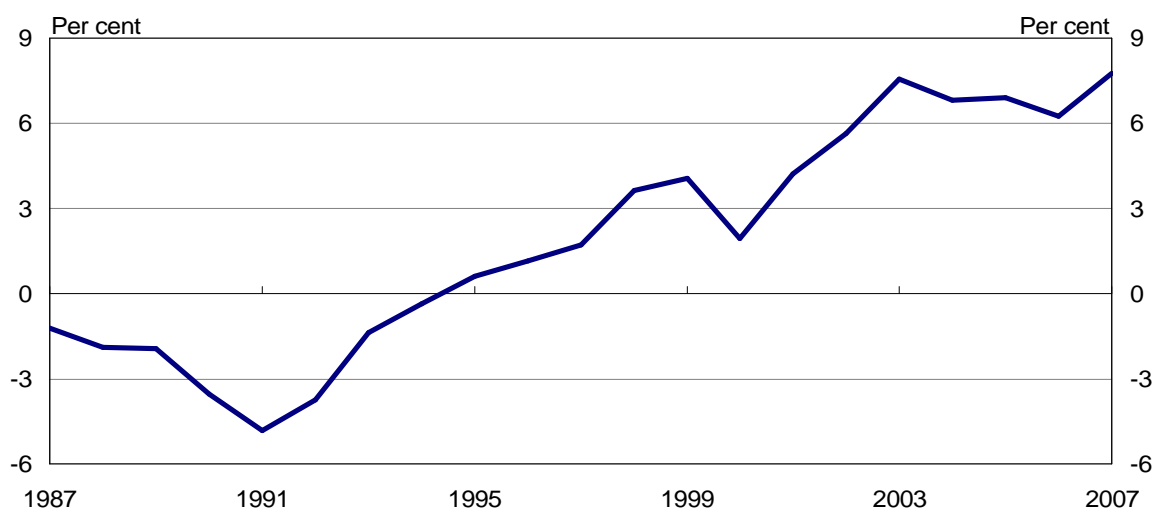
Chart 5: Employment growth rate



Source: The Conference Board and Groningen Growth and Development Centre and the, Total Economy Database, January 2008

Real GDP Per Capita: Chart 6 shows Australia's real GDP per capita relative to the OECD. A positive number means that Australia's Real GDP per capita is above the OECD average.

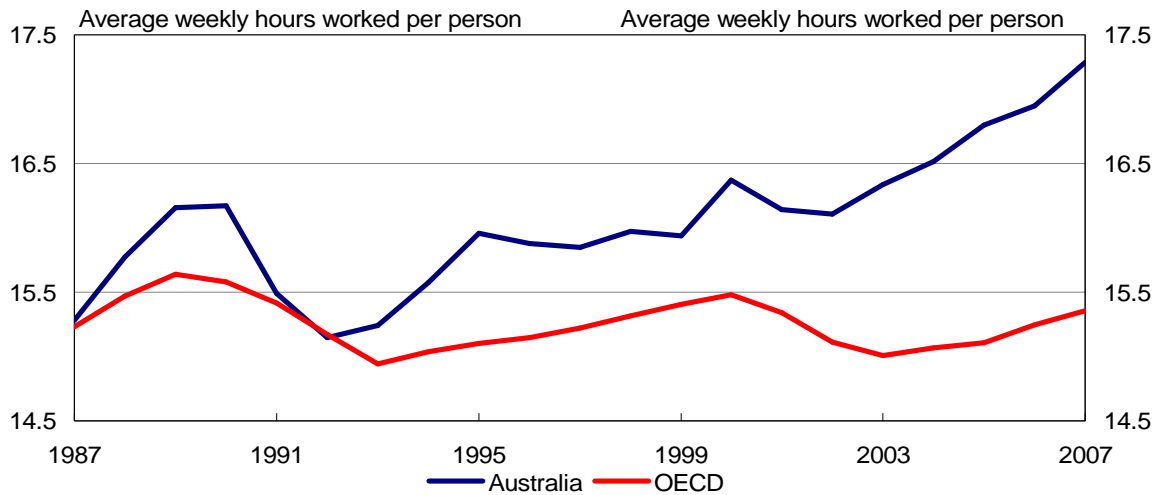
Chart 6: Real GDP per capita



Source: The Conference Board and Groningen Growth and Development Centre and the, Total Economy Database, January 2008

Working Hours: Chart 7 shows the average weekly hours worked per person in Australia and in the OECD.

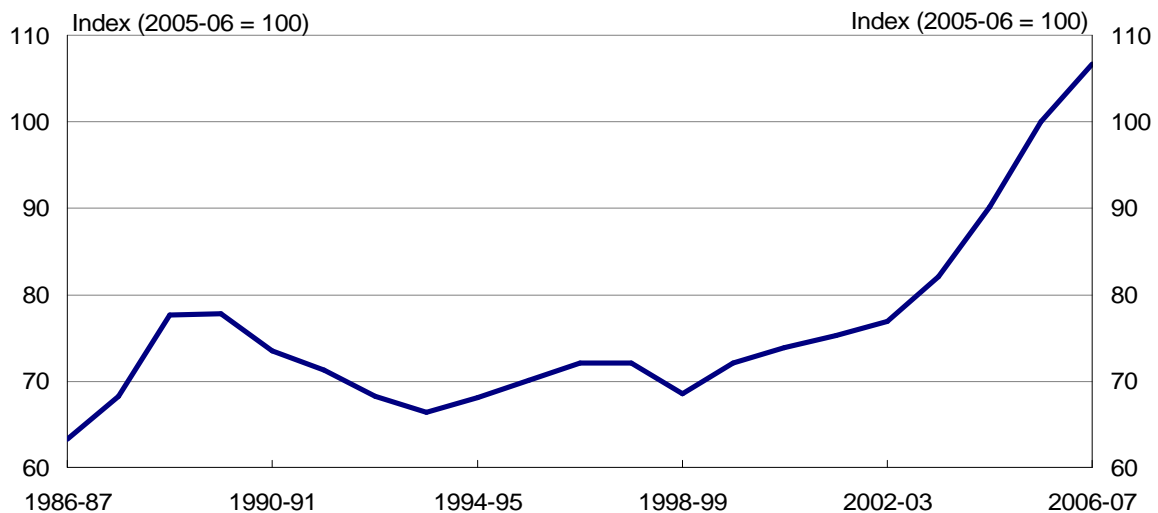
Chart 7: Average weekly hours worked per person (labour utilisation)



Source: The Conference Board and Groningen Growth and Development Centre and the, Total Economy Database, January 2008

Terms of Trade: Chart 8 shows Australia's terms of trade over the past ten years.

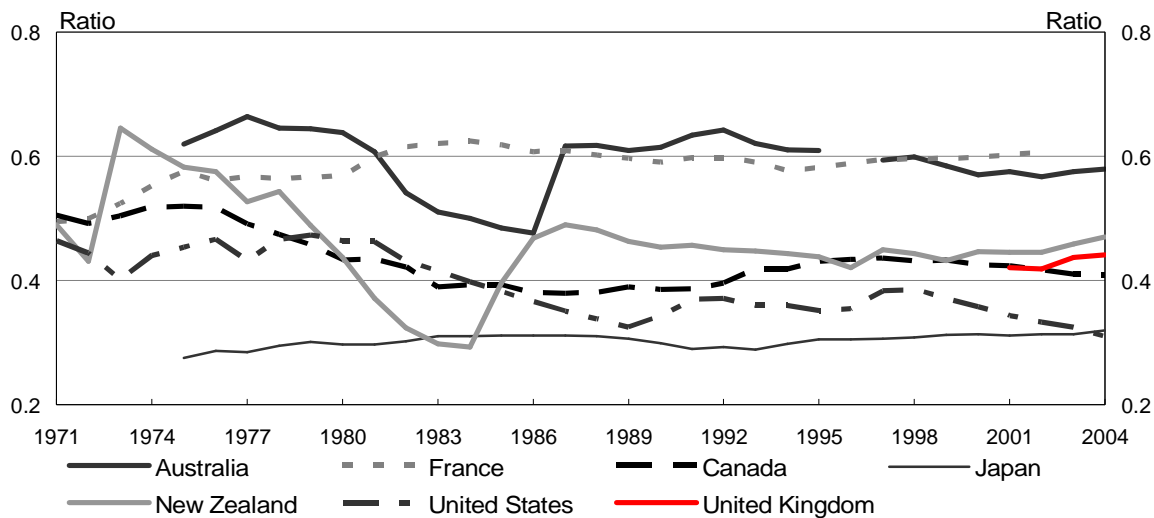
Chart 8: Terms of Trade (2005-06 = 100)



Source: ABS 5206.0 Australian National Accounts

Australia's minimum wage comparison: Chart 9 shows the ratio of minimum wages to median wages for Australia and some other OECD countries.

Chart 9: Ratio of minimum wages to median wages



Source: OECD Employment outlook 2006

Australia's labour market regulation compared to other OECD countries: Table 1 shows a comparison of OECD measures of the strictness of Employment Protection Legislation (EPL) in 2003 and is the most recent date for which data are available.

Table 1: Employment Protection Legislation

Overall EPL (Version 1)	
2003	
Australia	1.2
United States	0.2
New Zealand	1.5
Japan	1.8
United Kingdom	0.7
France	3.0
Canada	0.8

Source: OECD Employment Outlook 2004

How important has labour market reform been to enhancing Australia's macroeconomic performance relative to other countries? An answer to this question was provided to the committee (page E97¹) where it was stated: [Labour market reform]... "has been an extremely important reform that has occurred over an extended period of time and has been partly responsible for the much improved performance of the economy in response to this terms of trade boom compared to previous ones".

¹ Proof committee Hansard - Senate; standing committee on economics estimates (additional budget estimates), 20 February 2008