

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE**

**2006-2007 BUDGET SENATE ESTIMATES HEARING
29TH AND 30TH MAY 2006
EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO**

QUESTIONS ON NOTICE

Outcome 2: Higher productivity, higher pay workplace

Output Group 2.1: Workplace relations policy and analysis

Output 2.1.1: Workplace relations policy advice

Question Number: W135-07

Question:

Senator Wong asked in writing:

In response to W714-06, also about methodology used for real wage growth, you referred us to the Treasury website: The methodology is the same as that used by the Department of the Treasury (the Treasury). The Treasury derives real non-farm average earnings by deflating nominal non-farm average earnings by the implicit price deflator for private final consumption expenditure as explained on its website at <http://www.treasury.gov.au/documents/562/HTML/docshell.asp?URL=default.asp>

a) Page does not provide the promised information and explanation. Please table the document referred to rather than providing a hyperlink.

Answer:

(a) The webpage information referred to in W714-06 is reproduced below:

Unit Labour Costs

The following spreadsheet (Microsoft Excel Version 7.0) contains the most recent annual and quarterly data on nominal and real unit labour cost estimates, as well as components that are used in their calculation (namely, hourly labour costs for non-farm wage and salary earners and hourly productivity for all non-farm employees). Some technical information concerning the data follows.

- Nominal non-farm unit labour costs are the ratio of nominal hourly labour costs (non-farm compensation of employees plus payroll tax and fringe benefits tax less employment subsidies, per hour worked by non-farm wage and salary earners) to average hourly productivity (real gross non-farm product per hour worked by all employed persons). (Base for index: 1986-87 = 100.)
- Real non-farm unit labour costs are derived by deflating nominal non-farm unit labour costs by the derived implicit price deflator for gross non-farm product. (Base for index: 1986-87 = 100.)

- Real non-farm average earnings are deflated by the implicit price deflator for private final consumption expenditure.
- All data are seasonally adjusted except for annual data after 1977-78 which are in original terms.

FEEDBACK BUTTON

If you have any queries regarding the unit labour cost data provided or any other comments, please contact Treasury at the following internet address: labour_costs@treasury.gov.au

The above mentioned Treasury spreadsheet contains data on non-farm average earnings (nominal) from the March quarter 2006 National Accounts. Treasury have converted the nominal values to real values using the methodology outlined above. Treasury's spreadsheet containing the nominal and real non-farm average earnings data for the March quarter 1996 to the March quarter 2006 is reproduced in the attached table.

Table: Treasury spreadsheet containing data on nominal and real non-farm average earnings as at the March quarter 2006.

	DATA FROM THE MARCH QUARTER 2006 NATIONAL ACCOUNTS							
	CALCULATED DATA: QUARTERLY DATA LEVELS							
	Labour Cost/Earnings Measures							
	Average Earnings		Unit Labour Costs		Components of Unit Labour Costs			
	(Non-farm)		(Non-farm)		Hourly Labour Costs		Average Labour Productivity	
DATE	Nominal	Real	Nominal	Real	Nominal	Real	Per person per hour	Per person
Mar-96	\$700.61	\$821.01	135.1	97.5	152.1	109.7	112.6	113.7
Jun-96	\$708.59	\$828.48	135.7	97.2	154.2	110.4	113.6	114.1
Sep-96	\$717.03	\$835.57	135.8	97.1	156.5	111.9	115.2	115.4
Dec-96	\$724.16	\$838.20	137.3	97.4	158.2	112.3	115.2	115.6
Mar-97	\$728.69	\$839.26	137.1	97.6	158.7	112.9	115.8	116.4
Jun-97	\$747.95	\$860.52	137.8	97.5	163.4	115.7	118.6	119.1
Sep-97	\$744.95	\$853.31	138.2	97.0	163.1	114.5	118.1	118.7
Dec-97	\$747.25	\$851.08	137.0	96.4	164.2	115.5	119.9	120.1
Mar-98	\$747.18	\$846.73	136.3	95.9	163.9	115.3	120.2	120.8
Jun-98	\$756.00	\$854.52	137.8	95.7	166.4	115.6	120.8	120.9
Sep-98	\$765.05	\$865.11	137.2	95.8	168.0	117.3	122.5	122.1
Dec-98	\$770.96	\$869.10	138.0	96.3	168.7	117.8	122.3	122.7
Mar-99	\$775.18	\$873.55	136.6	95.5	169.6	118.6	124.2	124.3
Jun-99	\$788.45	\$886.19	137.9	96.9	172.6	121.3	125.1	125.4
Sep-99	\$789.75	\$884.92	139.8	97.7	173.1	121.0	123.8	124.6
Dec-99	\$801.41	\$894.65	138.5	96.2	174.5	121.2	125.9	126.7
Mar-00	\$812.46	\$903.05	140.6	95.0	178.7	120.8	127.1	126.8
Jun-00	\$808.01	\$891.33	139.6	94.2	177.1	119.4	126.8	127.0
Sep-00	\$817.22	\$881.51	141.9	93.8	177.5	117.3	125.0	126.1
Dec-00	\$828.03	\$887.08	145.0	96.8	181.3	121.1	125.0	124.8
Mar-01	\$840.46	\$892.92	145.8	96.2	184.4	121.7	126.5	126.1
Jun-01	\$850.59	\$895.09	147.0	97.3	186.7	123.6	127.0	126.5
Sep-01	\$855.73	\$898.54	145.9	95.3	189.1	123.5	129.6	128.0
Dec-01	\$863.32	\$897.09	145.7	94.3	191.8	124.2	131.6	129.5
Mar-02	\$868.38	\$898.28	146.8	94.3	192.9	123.9	131.4	129.3
Jun-02	\$881.35	\$906.64	147.7	94.5	195.5	125.1	132.4	130.6
Sep-02	\$888.10	\$906.45	147.7	93.9	197.6	125.6	133.8	131.4
Dec-02	\$884.11	\$895.74	148.4	94.0	196.9	124.8	132.7	130.4
Mar-03	\$890.17	\$895.81	149.0	93.3	198.5	124.2	133.2	130.4
Jun-03	\$904.59	\$910.38	151.1	93.8	202.1	125.5	133.7	130.7
Sep-03	\$912.72	\$917.85	150.0	92.9	203.6	126.0	135.7	132.6
Dec-03	\$915.87	\$917.55	151.8	92.3	204.2	124.2	134.6	132.0
Mar-04	\$925.76	\$924.29	152.2	92.3	205.4	124.5	135.0	132.5
Jun-04	\$930.06	\$924.31	153.9	91.9	208.3	124.4	135.3	132.4
Sep-04	\$946.02	\$936.52	156.5	92.9	210.6	125.0	134.6	132.1
Dec-04	\$948.47	\$933.20	157.1	91.9	211.1	123.4	134.3	131.3
Mar-05	\$956.45	\$940.09	158.8	91.8	212.7	123.0	134.0	131.3
Jun-05	\$962.66	\$940.60	159.5	90.9	214.2	122.1	134.3	131.4
Sep-05	\$978.54	\$949.51	162.3	91.3	217.4	122.4	134.0	131.5
Dec-05	\$993.73	\$958.37	163.2	90.4	222.8	123.4	136.5	132.1
Mar-06	\$1,000.71	\$959.33	163.5	90.3	223.9	123.7	136.9	132.7

Source: Department of the Treasury. Available from http://www.treasury.gov.au/documents/562/XLS/www_Mar06.xls
 Accessed 22 June 2006.