

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

**QUESTIONS ON NOTICE
Supplementary Budget Estimates 2011-2012**

Outcome 5 - Workplace Relations & Economic Strategy

DEEWR Question No. EW0788_12

Senator Abetz asked on 19 October 2011, Hansard page 120

Question

Annual Report productivity figures

Mr Kovacic: At the end of June 2010, it was 1.8 per cent; at the end of the June quarter 2011, productivity had declined by one per cent.

Senator ABETZ: 'Had declined'—or is that an absolute figure? Is the variation a one per cent reduction in productivity over the 12 months, or do you read that as minus 2.8 per cent?

Mr Kovacic: I am looking at the footnotes, and they do not really help me, so would you mind if I take that on notice? Senator ABETZ: Yes. These are thick documents—voluminous, I should say, not thick. Mr Kovacic: Perhaps this might assist. If you go to page 125, under the heading 'Productivity', the second line says: ... productivity growth ... decreased by 1.0 per cent (trend terms) over the year to the June quarter 2011, down from an increase of 1.4 per cent over the year to the June quarter 2010— which does not necessarily align with the figures in the table. Senator ABETZ: No. If you can take that on notice and provide, possibly, a footnote for me, that would be good

Answer

DEEWR Annual Report productivity figures clarification

The productivity growth figures referred to in the DEEWR Annual Report measure the percentage change in productivity from one year to the next. The 1.0 per cent decrease in productivity over the year to the June quarter 2011 is the annual percentage change in productivity from the June quarter 2010 to the June quarter 2011.

There are many probable explanations for this decline in productivity, including:

- the effects of droughts, floods and cyclones on Mining and Agriculture, Forestry and Fishing industries;
- specific factors affecting the Mining Industry, including substantial investment in new projects, which have not begun to produce output, resulting in a decline in measured productivity until those projects come online;
- specific factors affecting the Electricity, Gas, Water and Waste Industry, such as the replacement of ageing transmission infrastructure;
- labour hoarding in the context of a tight labour market for skilled workers; and

- capacity constraints.

Table 51 of the Annual Report (page 124) has a typographical error for the value of 'Productivity—GDP per hour worked in the market sector (trend terms)' for the year to the June quarter 2010. The figure, reported as 1.8 per cent in the table should read 1.4 per cent. The 2nd paragraph on page 125 of the Report, which interprets the table, uses the correct figure of 1.4 per cent.