

## OPENING OF PRODUCTIVITY CONFERENCE - SPEAKING NOTES

- Good morning. Welcome to what should be an interesting few days. A special welcome to our international speakers (Erwin Diewert, Eric Bartelsman).
- Productivity is a very important topic
  - Australia's strong economic performance in recent years has been driven to a large extent by relatively high growth in productivity.

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- As has become clear through a series of debates in recent years, in the future Australia's productivity performance will be one of the important influences on Australia's economic performance with the ageing of population.
- Comment on most recent productivity numbers (impact of drought/recovery of draft).

- Understanding what is driving productivity is very important
  - why we are pleased to work with PC in their efforts to analyse productivity determinants
  - continually trying to improve measures of output, labour inputs and capital services used in productivity measurement
  - working on industry dissections of MFP.
- It is also an area where international comparisons can be insightful. The OECD has done work to produce harmonised productivity numbers across OECD countries.

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- Before addressing the numbers, I should mention a few important caveats.
  - OECD numbers are different to national numbers, because they have made certain assumptions to achieve harmonisation

- in particular, they cover the full economy rather than market economy as is done in Australia. They also use a different method for measuring capital input
- they may be less reliable than national numbers - in Australia's case they agree the ABS estimates are the more reliable.
- Clearly Australia's productivity performance has been good compared with other countries in this table. It is of value to understand why.
- A Canadian study comparing Australian/Canadian productivity performance provides some interesting insights
  - lower labour productivity in Canada perhaps influenced by the more rapid growth in "hours worked" in Canada
  - higher capital deeping in Australia

- at the industry level, significantly higher productivity performance in Australia for utilities, mining and communication services.
- The productivity of the non-market sector is also important of course. These subject to considerable measurement difficulties (Preliminary report of the Atkinson Review in UK shows difficulty of annual movements). I will mention some work we have done in Australia.
- We have undertaken measures of health output using a range of qualitative indicators on hospital and medical procedures, allied health professionals, etc. This is quite innovative work which suggests health output has grown by 4.0% per annum in recent years compared with 1.6% using input indicators. Discussions with experts indicate the higher figure is more realistic.
- This implies productivity of about 2.4% per annum without taking account of changes in the quality of health services.

- Whilst we believe such measures are sufficiently robust to be incorporated into GDP estimates, and to give a broad indication of productivity improvements over the medium term, they are not sufficiently robust to look at changes in productivity on a year by year basis (as has been done in the UK).
- A similar approach has been used in Education using student numbers. Not surprisingly, the implied productivity numbers are much lower.
- Quantitative indicators are also being used to obtain output measures for courts, taxation office, etc.
- There has been other ABS work to support productivity measurement. I will not provide any detail now as you will hear more during the Conference
  - Carl Obst (Human Capital)
  - Mark Zheng (Industry MFP)

- Geoff Heffernan (Business Longitudinal Data Base)
- Enjoy the Conference.