

**The distribution of Australia's recent economic gains:
Some early observations**

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Summary

The presentation illustrates the changing nature of economic growth in the 2000s compared to the previous two decades and some of the implications of these changes for the distribution of income and employment. A focus is the labour share of income, which measures the proportion of value added that is received by workers in terms of wages, supplements and superannuation. In the very long-run, the labour income share would stay broadly constant if the effect of technological progress on capital accumulation were offset by its effect on real wages.

The sources of Australia's economic growth have changed over the past three decades and these changes have seen the labour share of income change. The 1980s saw rapid employment growth, but the labour share of income fell because of the stagnant or falling real wages that accompanied the Prices and Incomes Accords. Through the 1990s, rapid productivity growth was the main source of increase in Australia's prosperity as reforms to the supply side of the economy brought increased competition. During this period, the labour share of income was steady.

In the 2000s, the sources of economic growth can be more easily identified with changes on the demand side of the economy, including mining and construction booms and strong growth in demand for financial services. During this period, the labour income share has fallen because the average rate of return on capital has increased. This is most evident in mining, finance and construction and appears to have also raised the demand for labour and, particularly, capital.

The increase in the demand for labour has brought rising real wages but has also affected the distribution of employment. The growth of the construction and mining sectors has made it easier for some groups to find employment, particularly men with trade qualifications. Among other consequences, the improved employment prospects for men has seen the number of jobless households with dependent children fall by around one-quarter since 1998, while the increased demand for tradespeople has brought stronger growth in employment among occupations in the middle of the wage distribution than occurred during the 1990s.