



PRODUCTIVITY STATISTICS: 1978-2008

Introduction

Statistics New Zealand released official productivity figures for New Zealand on 13 March 2009 for the March years from 1978 to 2008. All figures cover the measured sector, which comprises around 73% of the economy and excludes those service industries in which productivity is hard to measure (ie, property, government administration & defence, education, and health & community).

Labour productivity grows by 2.0% in the year to March 2008

The economy experienced an upturn in the year to March 2008 as economic output in the measured sector rose by 3.6%, driven by factors such as strong domestic demand, high commodity prices, and an expansion in mining production. This upturn preceded the recession seen over the past year and followed modest growth in economic output of 1.5% in the year to March 2007 and a rise of 2.8% the year before.

The main source of output growth over the year to March 2008 was a rise in labour productivity of 2.0%, while labour input also made a solid contribution by rising 1.6% (*Figure 1*). Labour productivity growth in the year to March 2008 compares favourably with no growth in the year to March 2007, growth of 1.0% the year before and average growth of 1.3% per annum since 2000.

Fig 1: Output and labour productivity

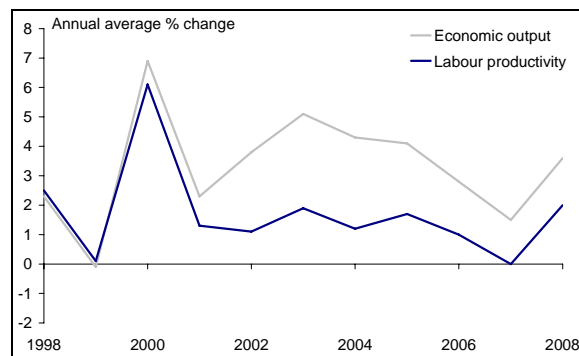
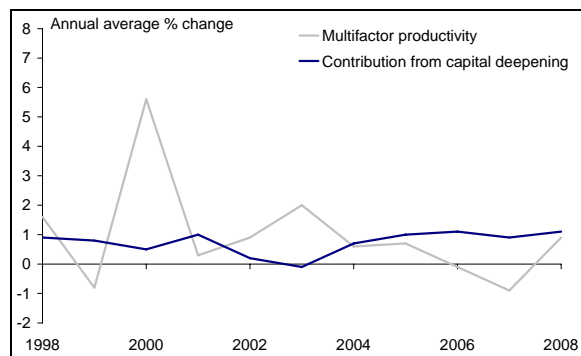


Fig 2: Drivers of labour productivity



Source: Productivity Statistics: 1978-2008, Statistics New Zealand.

Labour productivity growth of 2.0% over the year to March 2008 was driven by a contribution from capital deepening of 1.1 percentage points and by growth in multifactor productivity of 0.9% (*Figure 2*). Multifactor productivity had fallen in the previous two years and averaged growth of just 0.6% per annum since 2000. The main driver of labour productivity growth in recent years has been a large rise in the amount of capital available per unit of labour.

Another way of looking at labour productivity growth was provided in the latest release. Of the increase in labour productivity of 2.0% in the year to March 2008, 0.5% was due to a rise in the average skill level of the workforce. This rise was large compared with a fall of 0.1% in the previous year and an average rise of 0.2% per annum since 2000. A large increase in the number of lower-skilled workers appears to have dampened the rise in average skill levels – and hence labour productivity – in recent years.



Labour productivity growth in Australia's market sector of 1.1% in the year to June 2008 was lower than that seen in New Zealand over the year to March 2008. Similarly, multifactor productivity fell by 0.4% in Australia and rose in New Zealand over the same periods. Since 2000, annual labour productivity growth has averaged 1.9% in Australia and 1.3% in New Zealand. Both countries have seen a slowdown in labour productivity growth from an average over the 1990s of more than 2.5% per annum.

Labour productivity growth expected to ease in the short term

The current downturn in the New Zealand economy is likely to dampen productivity growth, at least in the short-term. Indeed, crude measures of economy-wide labour productivity growth do point to a slowing over the middle quarters of 2008.

Strong productivity growth is not likely until the economy recovers from the current downturn. However, one factor that has dampened productivity growth in recent years – a large rise in lower-skilled workers – is likely to reverse and could raise observed productivity growth in the downturn. Furthermore, productivity growth could be rapid in the next upturn as capital and labour are more fully utilised and there is a recovery in the export sector, which tends to have higher productivity.

Productivity statistics for the year to March 2009 are due for release in March 2010. Statistics NZ are making ongoing improvements to the dataset, including productivity figures by industry and expanding the definition of the measured sector.