

# Tasmania's productivity profile

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# What is productivity?

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Productivity is about getting more bang for each hour we work.

- Joe Hockey, Treasurer, Ministerial Statement on the 2015 Intergenerational Report, 5 March 2015

Put simply, productivity is about working more efficiently or producing more or better quality goods and services with the same level of resources.

- 2015 Intergenerational Report, page x

Productivity is a measure of how much is produced, on average, for every hour that is worked.

- 2015 Intergenerational Report, page 2

# Two components of productivity

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## **Capital deepening**

Reflects the change in the ratio of capital to labour over time. Increased capital to labour in the form of such things as plant and equipment, machinery and technology generally enable more to be produced with each hour worked.

## **Multifactor productivity**

A range of factors which can effect productivity, particularly over the shorter term. These include, educational attainment, skill utilisation, the regulatory environment, the level of competition, economic cycles, economies of scale and climate.

# Why is productivity important?

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Three drivers of economic growth:

P – population

P – participation

P – productivity

*“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”*

- Economics Nobel Prize laureate Paul Krugman

# Measuring productivity

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Preferred measure is labour productivity

- consistent with the framework for long term projections of real GDP based on the 3Ps

Labour productivity is a measure of the relationship between inputs and outputs

Labour productivity =  $\text{GDP(GSP)}/\text{hours worked}$

Use ABS data

- Labour Force series
- Australian National Accounts: State Accounts

# Tasmania's productivity profile

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**“Tasmania is around 10 per cent less productive than the rest of the country”**

- Premier Will Hodgman, State of the State address, 3 March 2015

## FACT CHECK...

In Tasmania, for every hour of work undertaken during the 2013/14 financial year, \$724.09 was generated in Gross State Product

In Australia, for every hour of work undertaken during the 2013/14 financial year, \$853.43 was generated in Gross Domestic Product

In 2013/14 Tasmania was 15.2 per cent less productive than the rest of the country

**Did productivity improve on the previous year?**

Yes and No.

Tasmania's productivity improved by 0.3 per cent

Australia's productivity improved by 1.8 per cent over the same period so comparative productivity did not improve.

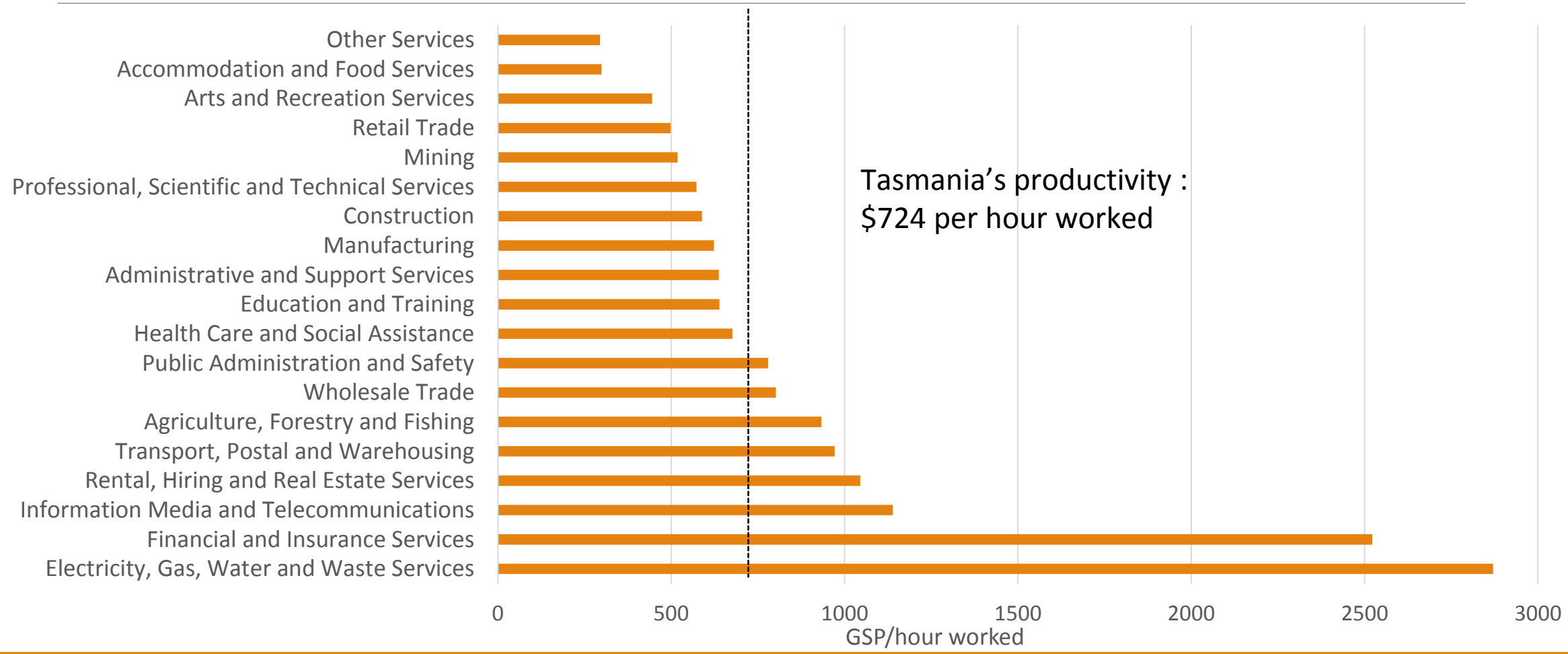
The difference in productivity performance increased from 13.9 per cent in 2012/13 to 15.2 per cent in 2013/14 because Tasmania's productivity did not improve at the same rate as Australia's

# Factors which influence the productivity profile

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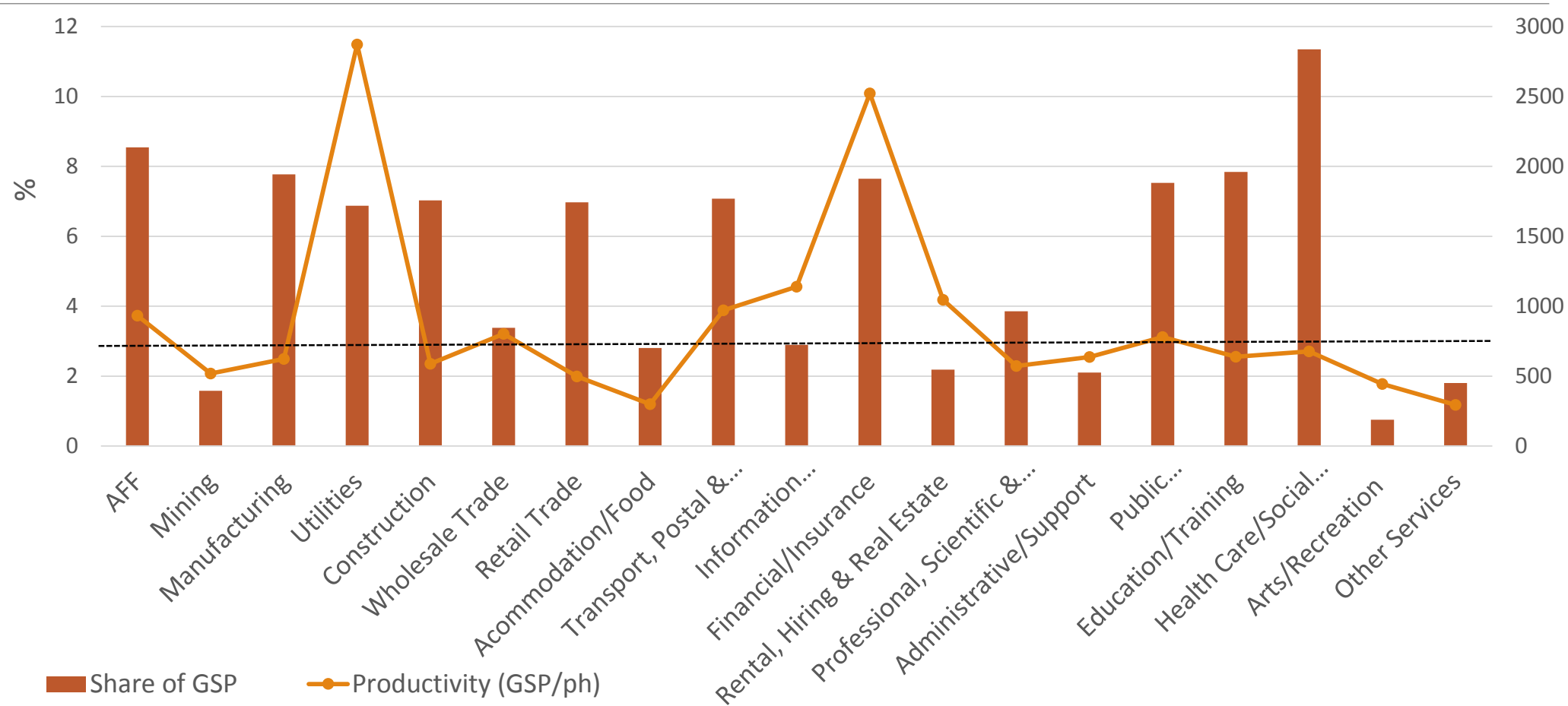
- 1) industry sector productivity
- 2) industry sector share of GSP
- 3) relative performance
  - Productivity by sector
  - Contribution to GDP/GSP

# Productivity by industry sector – 2013/14





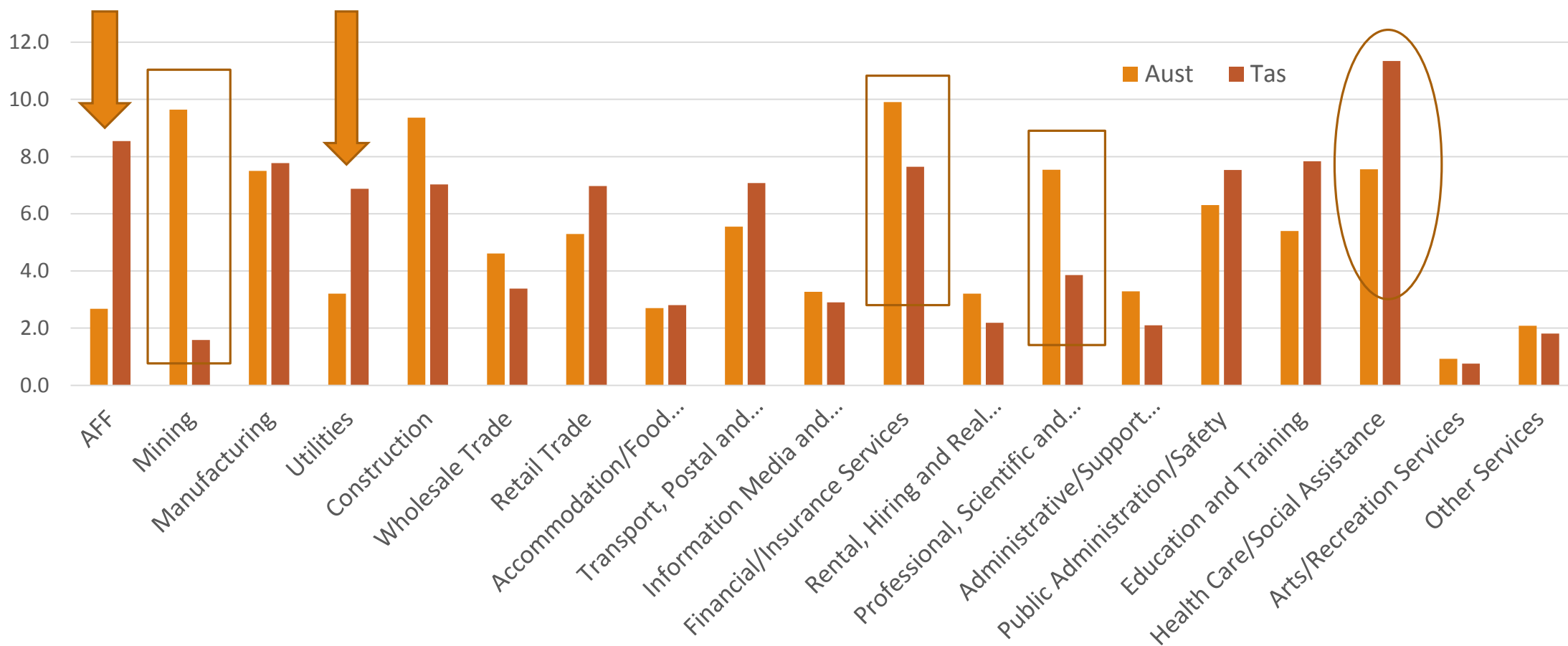
# Industry contribution to GSP



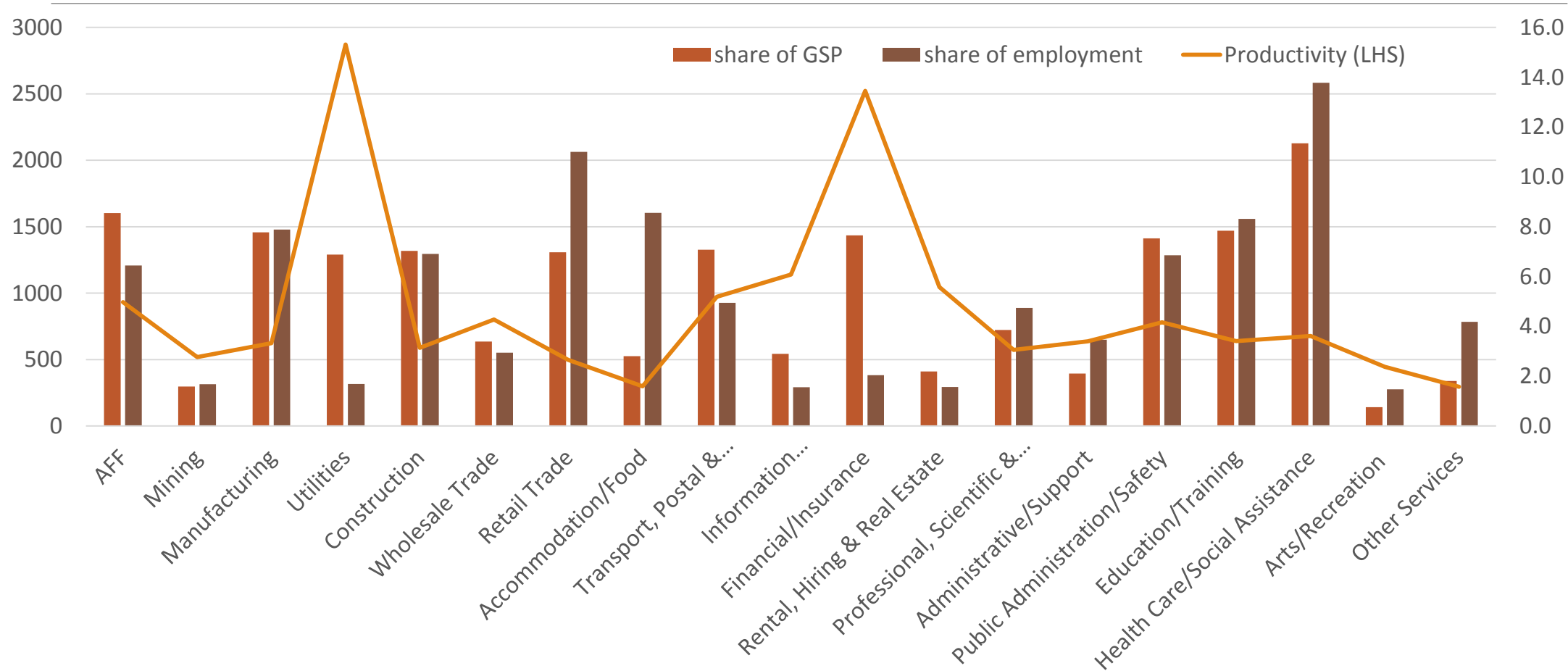
# Relative performance – GSP per hour worked

	Tasmania (\$)	Australia (\$)	Difference (%)
Electricity, Gas, Water and Waste Services	2,871	1,864	54.0
Financial and Insurance Services	2,522	2,176	15.9
Information Media and Telecommunications	1,139	1,547	-26.4
Rental, Hiring and Real Estate Services	1,046	1,437	-27.2
Transport, Postal and Warehousing	971	839	15.7
Agriculture, Forestry and Fishing	933	680	37.3
Wholesale Trade	802	1,037	-22.7
Public Administration and Safety	779	829	-6.0
Health Care and Social Assistance	676	607	11.5
Education and Training	639	624	2.5
Administrative and Support Services	638	934	-31.7
Manufacturing	623	728	-14.4
Construction	589	782	-24.6
Professional, Scientific and Technical Services	573	753	-23.9
Mining	518	2,692	-80.8
Retail Trade	498	506	-1.6
Arts and Recreation Services	445	532	-16.4
Accommodation and Food Services	299	428	-30.1
Other Services	295	419	-29.6

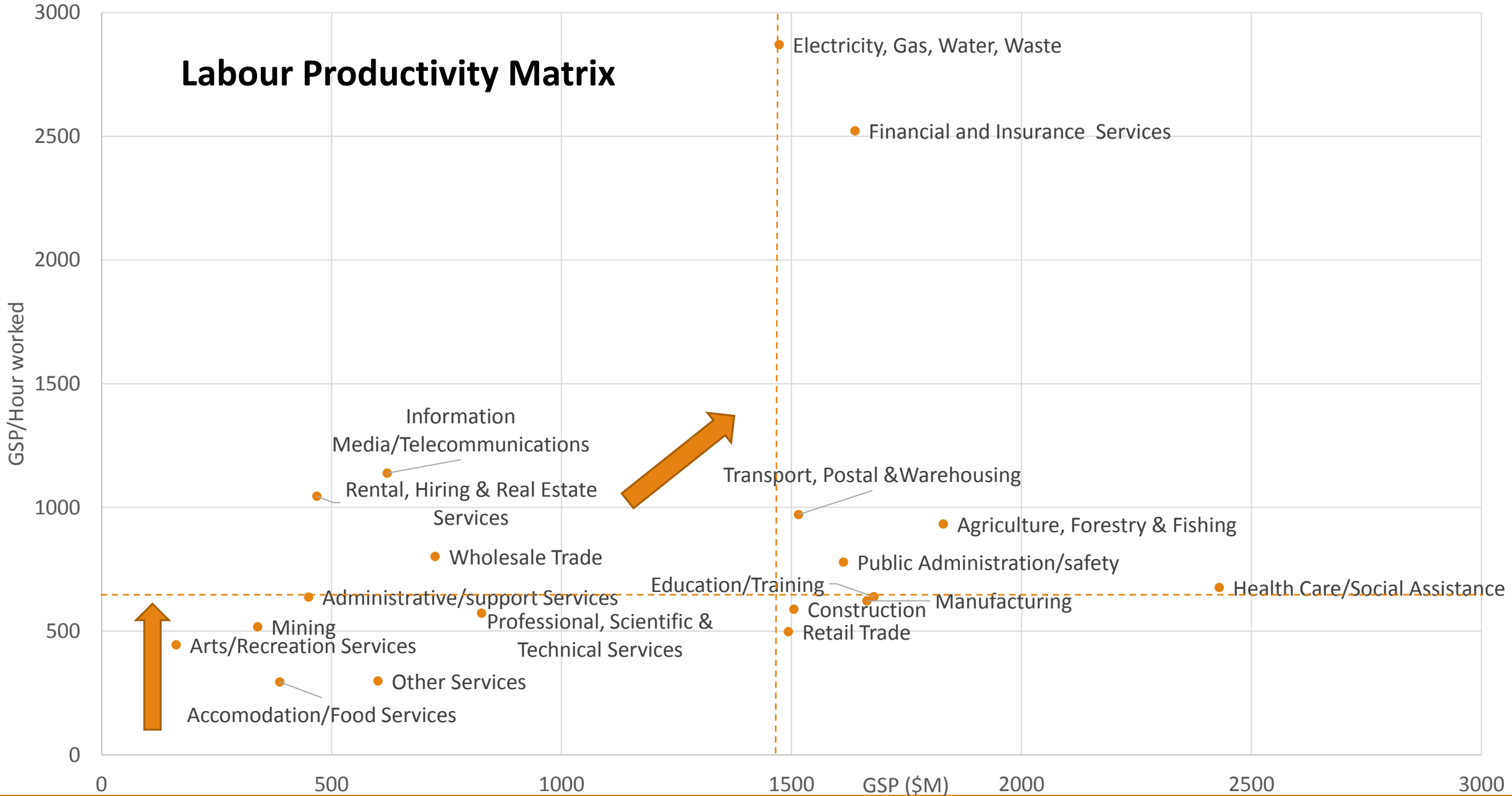
# Comparative sectoral contribution to GSP



# Wealth creation V job creation



# Labour Productivity Matrix



# How to improve productivity?

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2 ways:

- 1) improve the comparative performance of individual sectors with the national average
- 2) disproportionately grow the sectors which have higher levels of productivity
  - Particularly those with a higher share of GSP

## **Improve the 3Cs**

- Competitiveness
- Capability
- Capacity