



Fair Work
Commission

Information note— Labour productivity

6 May 2024

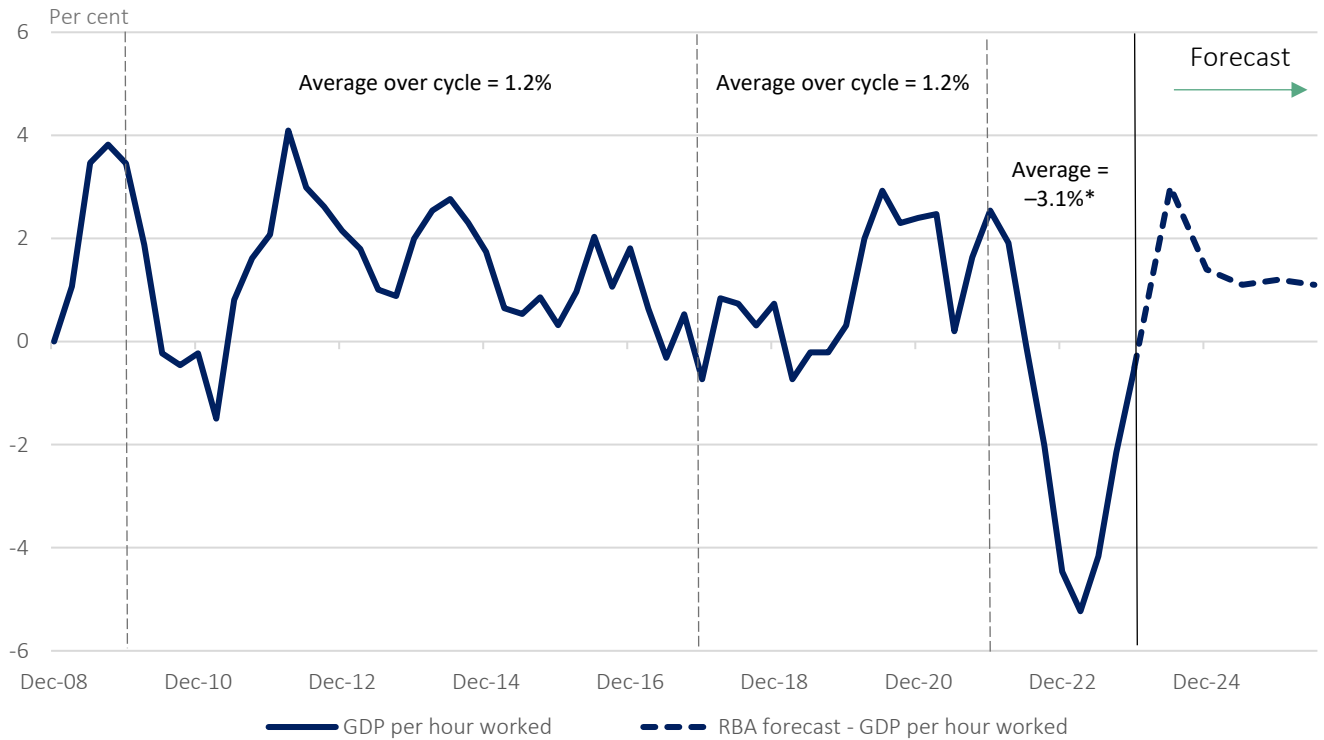
- Labour productivity rose sharply at the start of the pandemic as workers temporarily shifted away from relatively low productivity sectors towards high productivity sectors due to lockdown restrictions, however as restrictions eased labour productivity declined.¹
 - The Productivity Commission suggested that ‘the freefall in labour productivity since June 2022 has stopped, and the productivity bubble experienced during the COVID-19 pandemic has ended’.²
- Labour productivity increased in the December quarter 2023 (0.5 per cent) as GDP increased (0.2 per cent) and hours worked declined (0.3 per cent). This was the second consecutive quarter of labour productivity growth after declining for five consecutive quarters.
- The RBA has forecast annual growth for labour productivity to increase to 3.0 per cent by the June quarter 2024, before dropping to 1.1 per cent by the June quarter 2025 (Chart 1).
- Chart 1 includes the average growth for the productivity cycles based on these data, which are for the whole economy.
 - These differ to the average productivity growth rates in Chart 2.2 of the Statistical report as they are for the market sector.

¹ Productivity Commission (2024), [Quarterly productivity bulletin – March 2024](#), PC productivity insights, 27 March.

² Ibid, p. 1.



Chart 1: Labour productivity, annual growth



Note: The productivity cycles referenced in the chart (by vertical dashed lines) run from 2009–10 to 2017–18 and 2017–18 to 2021–22 and are based on the market sector. *The current productivity cycle from 2021–22 is incomplete, and therefore the average growth rate is not strictly comparable with that of previous cycles.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, December 2023; ABS, *Estimates of Industry Multifactor Productivity*, 2022–23 financial year; RBA (2024), *Statement on Monetary Policy*, February, Table 3.1, p. 45.

- Among the award-reliant industries, labour productivity growth was highest in Accommodation and food services (6.0 per cent) in the December quarter 2023 as hours worked fell relatively strongly.³
 - This industry also provided the largest contribution to total labour productivity growth in the quarter, as well as the largest decline in hours worked.
- Annualised over the 5 years to 2022–23, labour productivity increased only marginally (0.2 per cent). This was lower than the longer-term rate since 1994-95 (1.3 per cent).⁴

³ Productivity Commission (2024), *Quarterly productivity bulletin – March 2024*, PC productivity insights, 27 March, p. 4.

⁴ Productivity Commission (2024), *Annual productivity bulletin 2024*, PC productivity insights, 29 February, p. 2.



- Both Arts and recreation services and Accommodation and food services exhibited a similar 'productivity bubble' pattern to the whole economy, recording strong increases in 2021–22 followed by decreases in 2022–23 (Table 1).
- Three of the four most award-reliant market sector industries had stronger labour productivity growth than the overall market sector over the last five years. However, all four of the most award-reliant market sector industries had slower or equal labour productivity growth relative to the overall market sector over a 15-year period (Table 1).

Table 1: Labour productivity by award-reliant industries

	Annual change	Annual change	5-year annualised	15-year annualised
	(%)	(%)	(%)	(%)
	2022–23	2021–22	2022–23	2022–23
Accommodation and food services	–2.3	11.4	2.6	0.7
Administrative and support services	0.2	3.6	2.6	0.9
Arts and recreation services	–10.2	11.2	–0.2	1.1
Retail trade	–1.4	0.6	1.2	1.4
16 market sector industries	–2.9	2.5	0.5	1.4

Source: ABS, *Estimates of Industry Multifactor Productivity*, 2022–23 financial year.

International comparison of productivity growth

- Over the last 15 years, productivity growth in Australia was the second highest among comparable countries (1.1 per cent) (Table 2).
- However, productivity growth in Australia was the lowest for 2022 (–2.0 per cent).
- Experimental estimates indicate an average labour productivity growth of about 1.4 per cent across OECD countries in 2023 (excluding Turkey). This is close to the average over 2001–2019; however, these estimates are highly uncertain.⁵

⁵ OECD (2024), [OECD Compendium of Productivity Indicators 2024](#), OECD Publishing, Paris, 29 February.



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Table 2: Labour productivity growth in Australia, New Zealand, G7 countries and the OECD, 2022

	Annual	15-year annualised
	(%)	(%)
Australia	-2.0	1.1
United States	-1.6	1.2
United Kingdom	1.0	0.4
France	-1.9	0.3
Germany	0.5	0.7
Italy	-0.3	0.2
Canada	-0.8	0.8
Japan	0.9	0.8
New Zealand	0.1	0.8
OECD average	-0.7	0.9

Source: OECD (2024), *Level of GDP per capita and productivity*, viewed 9 April 2024.