



# Quarterly productivity bulletin – June 2024

## Key points

- \* **Labour productivity did not change for the whole economy in the March 2024 quarter.**
  - An equal increase in hours worked (0.1%) and output (0.1%) meant that labour productivity growth was 0%.
- \* **The market sector outpaced the non-market sector.**
  - Labour productivity growth in the market sector (0.5%), which accounts for about 80% of output, was offset by a large decline in the smaller non-market sector (-1.3%) in the March 2024 quarter.
  - The same pattern was evident over the 12 months to March 2024, with productivity increasing in the market sector (0.8%) but decreasing in the non-market sector (-2.2%).
  - This divergence coincided with falling hours worked in the market sector (-0.5%), but strong growth in hours worked in the non-market sector (5.5%).
  - The health care and social assistance industry has been a major contributor to recent employment growth for the whole economy. Employment growth within this industry was driven by child care and other social assistance services in 2022-23, and has since been driven by large increases across all sub-industries.
- \* **Weak growth in hours worked (0.1%) and falling job vacancies are signs of slowing labour demand.**
  - Since historical highs in June 2023, total hours worked has fallen by 1%. The number of people employed increased by 1.7%, but workers now work 51 minutes (2.7%) less per week on average.

## Whole economy productivity

### Labour productivity did not change for the whole economy

Labour productivity growth was 0% for the whole economy in the March 2024 quarter (box 1). An equal increase in hours worked (0.1%) and output (0.1%) meant that labour productivity did not change. Labour productivity growth was also 0% over the 12 months to March 2024 (ABS 2024a), and currently sits just above the 2015–2019 average level. The COVID-19 pandemic productivity bubble has ended<sup>1</sup> (figure 1).

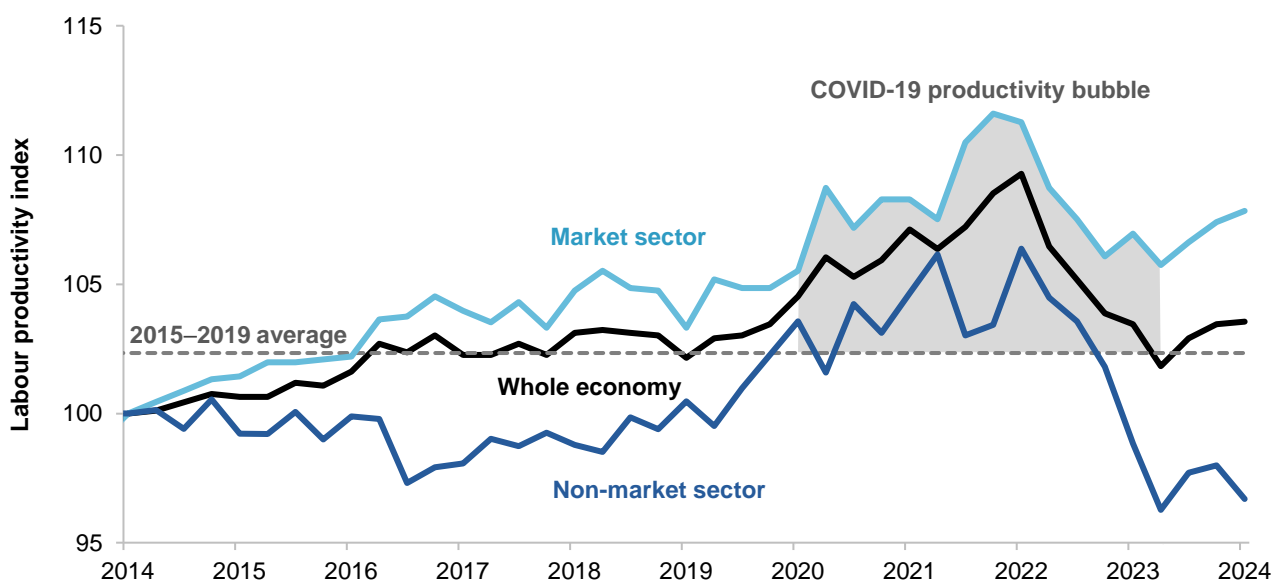
<sup>1</sup> The Australian productivity bubble describes the rapid rise and decline in productivity as a result of the COVID-19 pandemic. Labour productivity rose sharply as workers temporarily shifted away from relatively low productivity sectors towards high productivity sectors due to lockdown restrictions, before declining as restrictions eased (PC 2023b, p. 5).

## The market sector outpaced the non-market sector

While overall labour productivity growth did not change in the March 2024 quarter, the difference between the market and non-market<sup>2</sup> sector growth rates was large (figure 1). Market sector labour productivity increased by 0.5% as a 0.3% decline in gross value added (GVA) was more than offset by a 0.7% fall in hours worked. In contrast, the non-market sector registered a 1.3% fall in labour productivity as a 1% increase in GVA was outpaced by a 2.4% increase in hours worked.

Over the 12 months to March 2024, productivity decreased in the non-market sector (-2.2%), but increased in the market sector (0.8%) (figure 1). This coincided with strong growth in hours worked (5.5%) in the non-market sector compared to the market sector (-0.5%) (ABS 2024b).

**Figure 1 – Whole economy productivity did not change in the March 2024 quarter**  
**Labour productivity (index, March 2014=100) between March 2014 and March 2024**



Source: Commission estimates using ABS (2024, Australian National Accounts: National Income, Expenditure and Product, March 2024, Cat. No. 5206.0., tables 1 and 6; 2024, Labour Account Australia, March 2024, Cat. No. 6150.0.55.003, industry summary table).

The Productivity Commission hypothesised in the March 2024 bulletin (PC 2024b, p. 3) that the historically large increases in labour market growth in 2022-23 could have placed short-term downward pressure on productivity, as new entrants into the workforce require more time to learn and upskill. A recent study (Bruno et al. 2024, p. 7) supports the notion that this may have made a small contribution to the weakness in labour productivity. During 2022-23, the increase in hours worked also led to a historical decline in the capital-labour ratio as increases in the capital stock did not keep pace (PC 2024a, pp. 2–3). This, in turn, put downward pressure on labour productivity as workers had access to less capital.

<sup>2</sup> When combined these sectors make up the whole economy. The market sector refers to industries where prices are set in markets. The non-market sector includes industries that provide goods or services free of charge, or sold at highly subsidised prices. The three non-market sector industries include education and training, health care and social assistance, and public administration and safety. The most accurate estimates of productivity are for the market sector where it is easier to measure output based on prices. The non-market sector also has lower average productivity relative to the market sector.

Since June 2023, growth in the number of employed persons has continued to be strong in the non-market sector (5.7%), but weaker in the market sector (0.5%). This might suggest that new entrants are still placing some short-term downward pressure on non-market sector labour productivity.

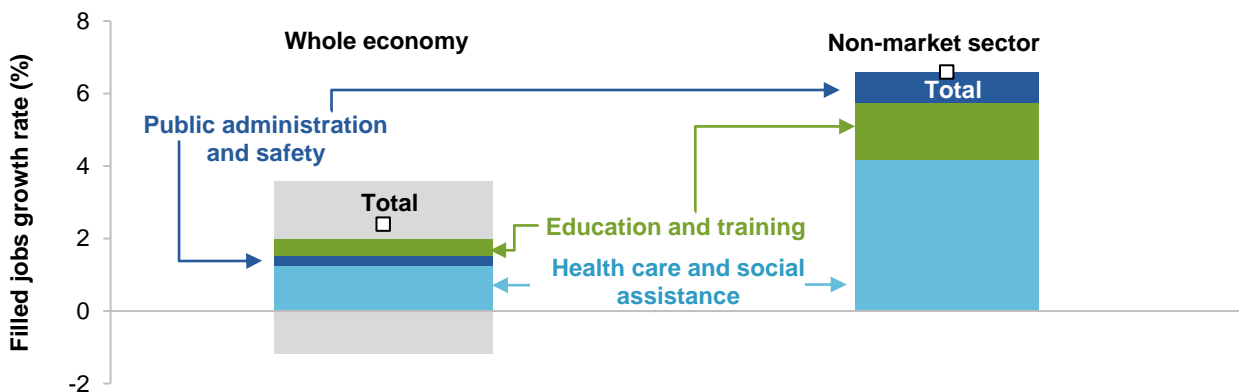
**Box 1 – About the quarterly productivity bulletin**

This quarterly productivity bulletin provides a brief update of the most recent trends in productivity from the March 2024 quarter National Accounts, published in June 2024. Quarterly data can be volatile and may deviate from the long-term trend. Data is also subject to revisions in subsequent ABS publications, which warrants caution in interpreting the meaning behind the numbers in any particular quarter. For this reason, medium- and long-term trends are also explored. A primer on productivity, as well as productivity data and their revisions, are included in the appendix.

The health care and social assistance industry has been the major driver of employment growth in the non-market sector and the whole economy. Since March 2023, health and social assistance contributed to 64% of the increase in non-market sector hours worked. Over the same period, the health care and social assistance industry contributed to 63% and 52% of the net increase in filled jobs for the non-market sector and the whole economy (figure 2).

**Figure 2 – The health care and social assistance industry has been the major driver of employment growth since March 2023**

**Growth in filled jobs for the whole economy (left) and non-market sector (right), decomposed by industry (March 2023 to March 2024)**



Source: Commission estimates using ABS (2024, Labour Account Australia, March 2024, Cat. No. 6150.0.55.003, industry summary table).

The health care and social assistance sector (ANZSIC Q) is divided into four sub-industries.<sup>3</sup> About 80% of the net employment growth in 2022-23 came from one sub-industry: social assistance services, which

<sup>3</sup> The four sub-industries include: hospitals; social assistance services; medical and other health care services; and residential care services (ABS 2024c).

includes ‘child care services’ (where about a third of the employment growth was observed)<sup>4</sup> and ‘other social assistance services’.<sup>5</sup> Since June 2023, all four sub-industries contributed roughly equally to the total increase in employed persons in the health care and social assistance industry.

### The labour market showed signs of softening, but remains tight

Hours worked across the whole economy rose by 0.1% in the March 2024 quarter. The slow growth in hours worked reflected a larger than usual number of people taking leave or waiting to start work in January, as well as weakness in industries that rely on discretionary consumer spending (ABS 2024b).

Weak growth in hours worked and falling job vacancies are signs of slowing labour demand from historical heights in June 2023. The easing of labour demand has occurred through a softening of hours worked rather than a fall in total employment. Since June 2023, hours per worker has decreased by 2.7% (or 51 minutes less per week)<sup>6</sup> – alongside growing part-time employment (RBA 2024, p. 28). Over the same period the number of employed persons increased by 1.7% (figure 3). Despite slowing labour demand, job vacancies remain over 60% above pre-COVID-19 levels suggesting the labour market remains relatively tight (ABS 2024b).

**Figure 3 – Softening labour demand is seen through less hours worked per worker<sup>a</sup>**  
**Hours worked growth and the contributions from employed persons and hours per employed person (March 2022 to March 2024)**



a. Hours worked = employed persons\*hours per employed person. Data are seasonally adjusted. During June 2022 to June 2023, there was a historical increase in hours worked due to tight labour market conditions (PC 2024a, p. 2).

Source: Commission estimates using ABS (2024, Labour Account Australia, March 2024, Cat. No. 6150.0.55.003, table 1).

<sup>4</sup> Employed persons increased by 24% (or by about 129,000 people) in the social assistance services sub-industry in 2022-23. It is difficult to disaggregate this further as publicly available data is only released for different time periods. The data also comes from the *Labour Force Survey* and not the *National Labour Account*, meaning there are discrepancies. The best available data suggests that of the increase in employed persons in the social assistance services industry from May 2022 to May 2023, about a third came from the ‘child care services’ sector and about two-thirds from the ‘other social assistance services’ sector. Growth in child care employment likely reflected jobs being filled following large increases in job vacancies after the COVID-19 pandemic (PC 2023a, pp. 21–22). Employment growth in other social assistance services might reflect increased activities in disability or aged care assistance services, but it is difficult to be precise given the large number of primary activities within the ‘other social assistance services’ category.

<sup>5</sup> Other social assistance services include primary activities such as disability assistance services, aged care assistance services, youth welfare services and many others (ABS 2024c).

<sup>6</sup> The large fall in hours per worker offset large increases from June 2022 to June 2023. Hours per worker is now back on a similar growth path to before the COVID-19 pandemic.

## Industry-level productivity

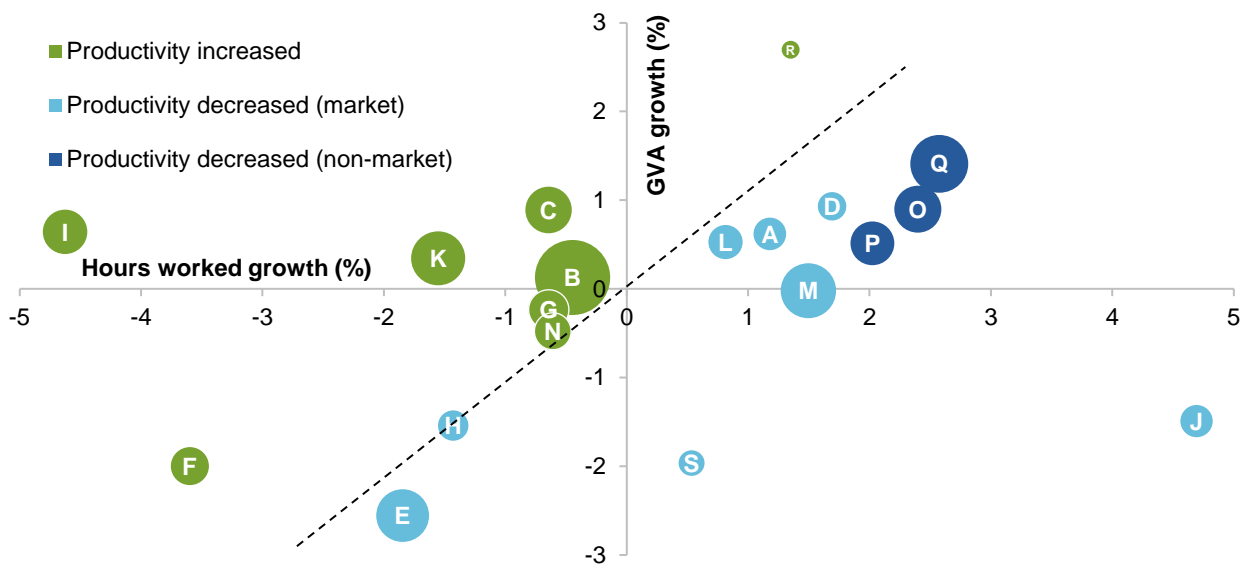
### Half of the market sector had positive productivity growth

Half of the 16 market sector industries had positive labour productivity growth. Productivity growth in relatively larger industries led to a 0.5% increase in total market sector productivity. Productivity grew the most in transport, postal and warehousing (5.5%) and financial and insurance services (1.9%). In contrast, the largest falls were in information, media and telecommunications (-5.9%) and other services (-2.5%).

Across the whole economy, 16 out of 19 industries had a negative relationship between hours worked and labour productivity growth (figure 4). This correlation is consistent with trends from the previous decade (PC 2024b, p. 3).

#### Figure 4 – Most industries had a negative relationship between hours worked and productivity growth

Growth in gross value added (chain volume) and hours worked<sup>a</sup> by industry (January to March 2024)



a. Hours worked by industry uses the hours actually worked by industries in the quarterly labour account. Bubble sizes indicate relative GVA weights of the industry in the March 2024 quarter. Industries are represented by their Australian and New Zealand Standard Industrial Classification (ANZSIC) letter code. A=Agriculture, forestry and fishing, B= Mining, C= Manufacturing, D=Electricity, gas, water and waste services, E=Construction, F= Wholesale trade, G=Retail trade, H=Accommodation and food services, I=Transport, postal and warehousing, J=Information, media and telecommunications, K=Financial and insurance services, L= Rental, hiring and real estate services, M=Professional, scientific and technical services, N=Administrative and support services, O=Public administration and safety, P=Education and training, Q=Health care and social assistance, R=Arts and recreation services, S=Other services.

Source: Commission estimates based on ABS (2024, Australian National Accounts: National Income, Expenditure and Product, March 2024, Cat. no. 5206.0, table 6) and ABS (2024, Labour Account Australia, March 2024, industry summary table).

## References

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