

Productivity – labour, education and skills

NatStats 2010

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Key messages

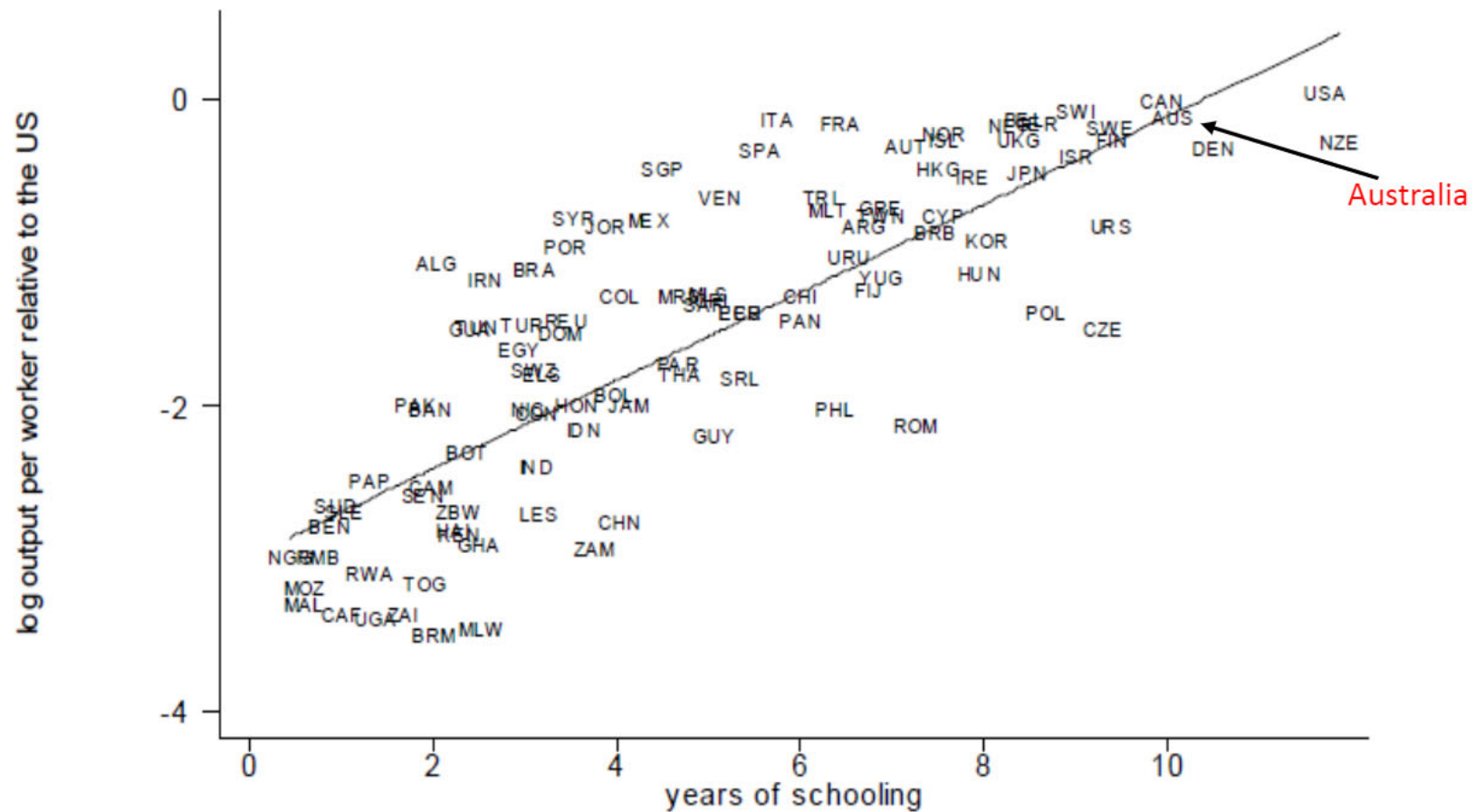
- Productivity remains the most important of the three Ps
- Australia's recent productivity performance has been patchy
- Investment in 'human capital' is critical to enhance productivity
- Need to address existing workforce skills gaps and skills shortages
- Policy priorities also include better targeted funding
- Better statistical information can help assess progress and inform policy decisions



Economic benefits: Australian estimates

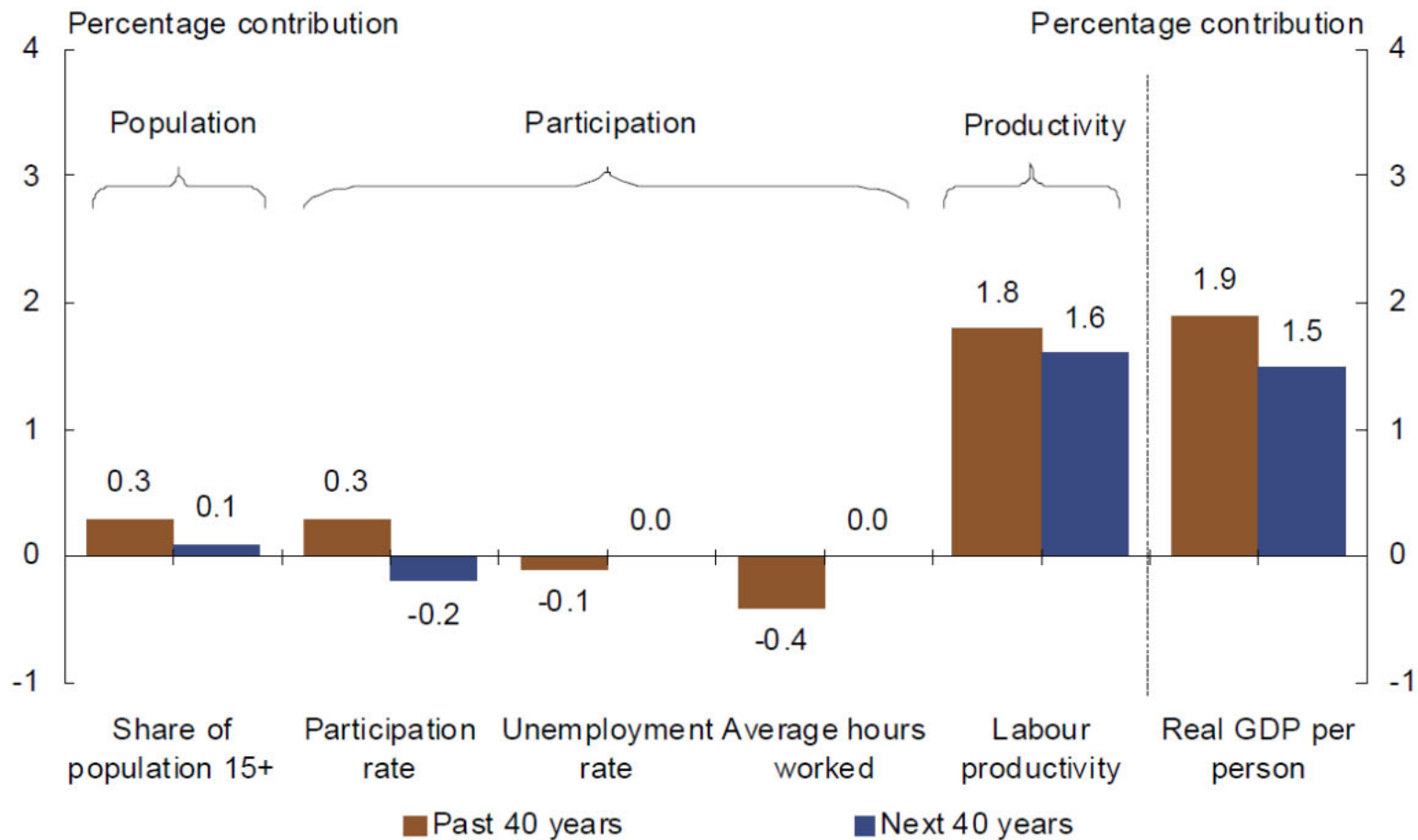
- Private returns (earnings)
 - Approx 15% average return to investment in bachelor degrees
 - Significant returns to high school education
- Economy-wide returns (growth, productivity)
 - Lab productivity elasticity: 0.10 w.r.t. tertiary education
 - 1.1% higher annual GDP in long-run
- Consensus view: returns are significant even though estimates vary significantly

Human capital and productivity



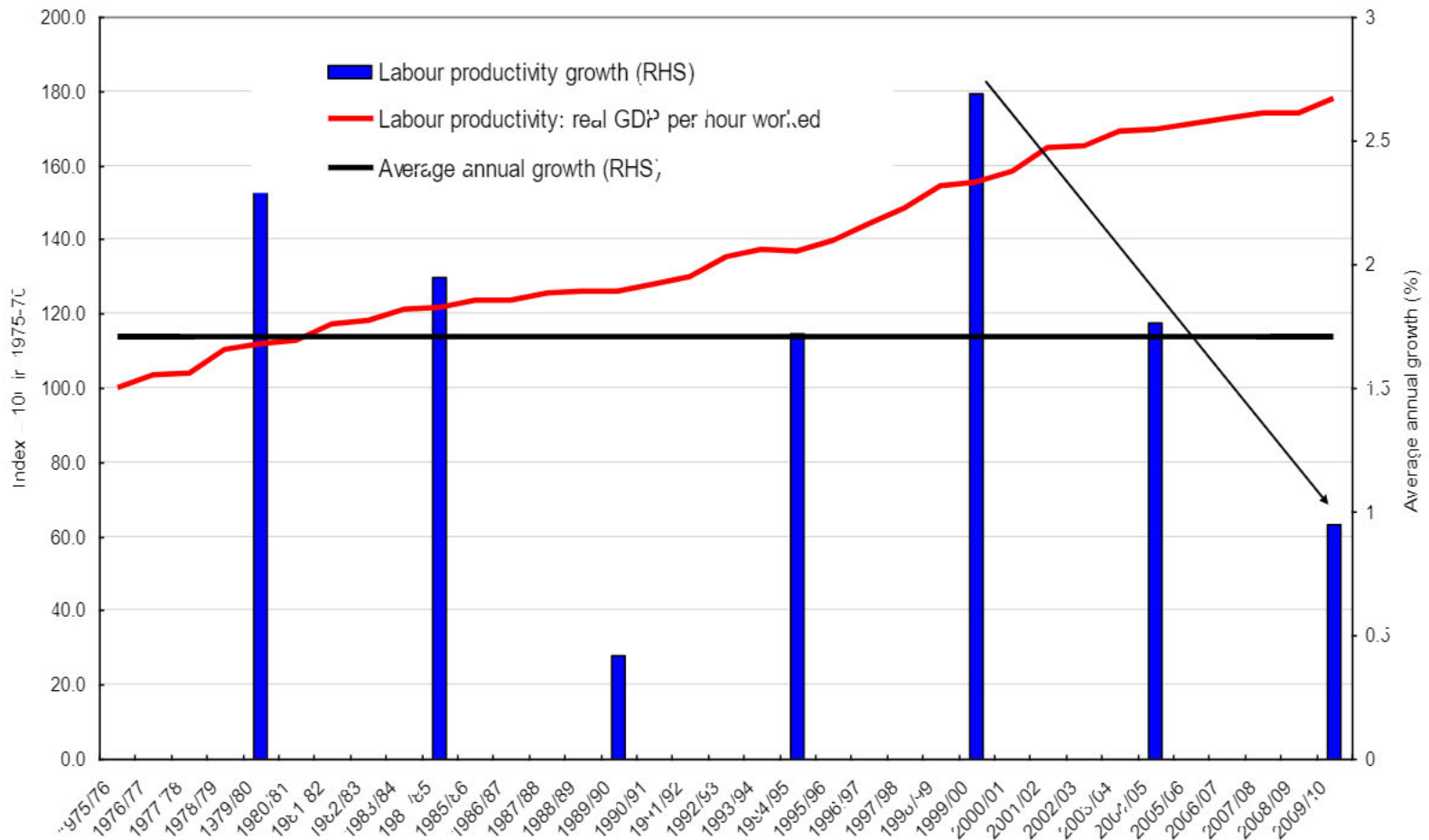
Source: Daron Acemoglu, MIT

First among equals: productivity in the 3Ps



Source: IGR 2010,
Commonwealth Treasury

Australia's patchy labour productivity



Source: ABS data

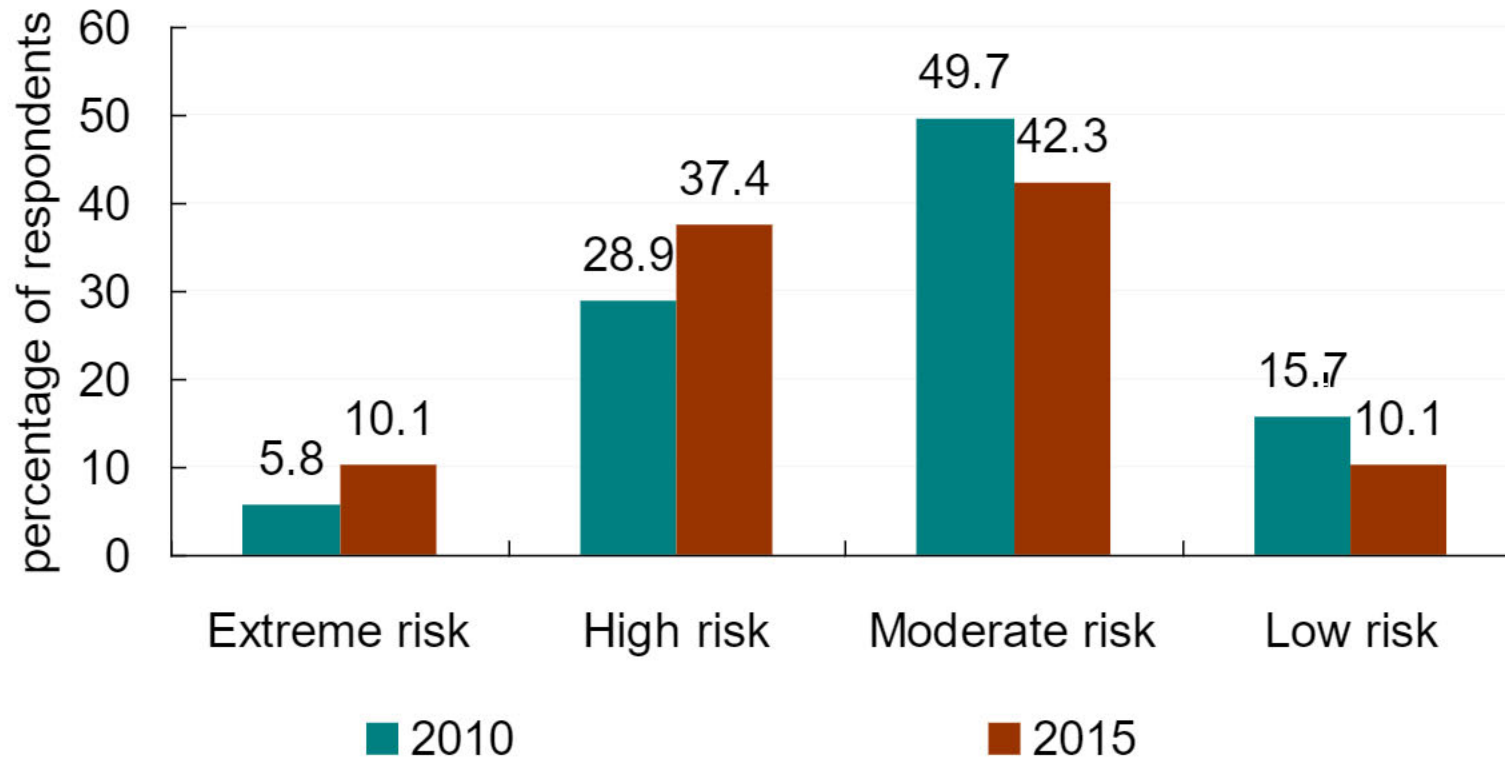


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Existing workforce skills need attention

- National Workforce Literacy Project
- Key findings:
 - Low levels of literacy and numeracy negatively impacting on workplace productivity
 - Capacity to address literacy and numeracy most difficult for small businesses
 - Many different measures can help address workforce skills needs
 - Bottom line: productivity growth will stagnate further if this is not addressed

Skills shortages also risk growth



Source: Australian Industry Group

Policy priorities for education and skills

- Increasing real levels of funding in VET
- Additional funding for demand-driven models
- Linking eligibility for public funds to quality performance
- Developing, funding and implementing a National Adult Language, Literacy & Numeracy (LLN) strategy
- Ongoing funding for the Apprenticeship Kickstart bonus for apprentices in traditional trades
- More and better statistical information on education and skills

Statistical information priorities

- Further ABS work on measure of ‘human capital’ stock
 - Ideally time series allowing growth accounting decompositions
- Further ABS work on quality adjusted labour inputs to productivity estimates
- Need for annual survey examining employers’ training and recruitment practices and skills needs
 - Include employer expenditure on skills training
- Detail on course and module completion rates in the VET sector by individual providers
 - Important for accountability, quality and transparency

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