

# Minister also wrong on NZ's labour productivity growth after the ECA 1991

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## Introduction

Our 5 July policy point, *Minister hopelessly ill-informed on labour market statistics*, corrected some statistical errors in the Minister of Workplace Relations and Safety's remarks to Parliament's Education and Workforce Committee in support of the Government's Fair Pay Agreement Bill.

It did not comment in detail on one of his assertions: that since 1991, New Zealand's growth rate for labour productivity had been 46% below that of Australia. That was because we were baffled as to the source of this figure.

MBIE has since provided us with some statistics that likely throw some light on the source. This paper addresses those statistics.

## MBIE's statistics - OECD Total Economy, GDP per hour

MBIE's statistics were annual percentage changes of GDP per hour from 1991 to 2020 inclusive. They were from the OECD's data base.

The average annual percentage increases during this period were 1.51% pa for Australia and 1.05% pa for New Zealand. The difference is 0.46. That difference represents 30% of the average Australian growth rate and 44% of New Zealand's average.

Expressed differently, on these statistics, New Zealand's average growth rate was 30% below Australia's, and Australia's average growth rate was 44% above New Zealand's.

## Commentary

So, if the Minister had MBIE's 44% statistic in mind, he might have simply forgotten when on his feet whether it was 44% or 46%. That would be both immaterial and understandable.

A bigger error was to tell the select committee that New Zealand's rate was 46% below Australia's rather than 30%. Again, this is an easily understandable error for a lay person.

The seriously misleading aspect was the Minister maintained this was a clear implication that New Zealand's poor relative performance was a black mark for the Employment Contracts Act 1991 (ECA).

To make his anti-ECA case, the Minister would, at the very least need to show that New Zealand's productivity performance was better *before* the ECA, both absolutely and relatively to Australia. He did neither.

Our 5 July policy point included some charts using the OECD's real GDP per hour measure that showed New Zealand's post-1991 labour productivity performance was better than before, both absolutely and relative to Australia.

The remainder of this paper reports on a marginally more formal statistical comparison. The OECD's GDP per hour index numbers for Australia only commence in 1964.

The following table reports the results of fitting exponential trend lines to each country for each of the periods 1964-1990 and 1991-2020.

Summary of exponential growth rates from regressions				% NZ below Australia	% Australia above NZ
	Australia	NZ	Difference		
<b>1964-1990</b>	1.5%	0.7%	<b>0.8%</b>	54%	117%
<b>1991-2020</b>	1.2%	0.9%	<b>0.3%</b>	23%	30%
<b>Difference</b>	<b>-0.3%</b>	<b>0.2%</b>	<b>0.5%</b>		

Source: OECD database in June 2022.

These calculations also show higher growth rate for labour productivity in New Zealand in the second period, both absolutely and relative to Australia.

### Conclusion

The Minister's evident disregard for statistical evidence is an affront to submitters, the select committee and the public.

Even worse, the sort statistical evidence the Minister is appealing to is far too superficial to constitute a case for the government's Bill.

Many factors other than the Employment Contracts Act, will be affecting the path for labour productivity growth between 1964 and 2020, and their relative significance will have been changing.

If the government's interest was in the wellbeing of New Zealanders It would look be looking seriously at al the things it is doing to reduce productivity in New Zealand.

By insinuating that the Employment Contracts Act had made New Zealand's productivity development fall behind Australia – when it had in fact made New Zealand catch up with Australia – the Minister has made a serious statistical mistake.

But in doing so, he has also undermined his case for the re-collectivisation of the labour market.

**Appendix: OECD Index Numbers for Labour Productivity in New Zealand and Australia**

As downloaded on 18 July 2022

	Australia: Total economy: Labour productivity 2015=100	New Zealand: Total economy: Labour productivity 2015=100		Australia: Total economy: Labour productivity 2015=100	New Zealand: Total economy: Labour productivity 2015=100
Years	Annual	Annual	Years	Annual	Annual
1960-1990	08-Jun-2022	08-Jun-2022	1991-2020	08-Jun-2022	08-Jun-2022
1960	#N/A	59.0	1991	69.9	75.6
1961	#N/A	60.2	1992	72.4	78.5
1962	#N/A	60.6	1993	75.1	81.5
1963	#N/A	62.0	1994	76.2	82.7
1964	47.6	62.7	1995	75.9	82.9
1965	47.3	64.5	1996	77.8	83.1
1966	47.9	67.3	1997	80.4	85.5
1967	50.1	63.5	1998	82.9	84.1
1968	51.5	62.7	1999	84.7	85.3
1969	53.2	65.5	2000	85.4	88.9
1970	54.8	65.6	2001	86.6	88.7
1971	55.6	66.6	2002	88.4	90.5
1972	56.1	67.0	2003	89.1	92.0
1973	57.0	70.6	2004	91.1	93.1
1974	56.7	75.3	2005	90.8	91.5
1975	58.4	70.2	2006	91.0	91.9
1976	59.8	71.2	2007	92.1	94.5
1977	60.1	69.2	2008	91.7	91.9
1978	61.0	65.2	2009	92.9	94.1
1979	63.0	65.3	2010	93.3	95.5
1980	63.0	65.6	2011	94.2	95.8
1981	64.2	68.1	2012	96.7	98.6
1982	64.0	69.8	2013	97.9	98.9
1983	65.1	71.3	2014	99.7	98.4
1984	67.3	75.3	2015	100.0	100.0
1985	68.5	74.0	2016	100.9	100.2
1986	67.0	74.7	2017	101.0	99.4
1987	69.0	75.0	2018	101.1	101.3
1988	69.5	79.5	2019	100.8	103.6
1989	69.4	75.7	2020	100.1	100.8
1990	69.2	78.2			