

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Macroeconomic Conditions Division

Question No: 238

Topic: Penalty Rates

Reference: Hansard page 43-44 (29 May 2017)

Senator: Ketter, Chris

Question:

Senator KETTER: Let us clear this up. Perhaps I could ask again, Mr Ray: has the potential penalty rates cut, or the fact of that decision of the Fair Work Commission, been taken into account in, particularly, that figure of 3.75 per cent in 2021?

Mr Ray: Adding the projections: that is not the way that they are put together. The wage price index prediction is built out of where the unemployment rate and conditions of the labour market are.

Senator KETTER: What about the forecast years?

Mr Ray: We do take more finer detail into account in the forecast years.

Senator KETTER: In which case, had there not been a decision of the Fair Work Commission, that would have an impact on those forecasts. Is that correct?

Mr Ray: The issue is—

Senator KETTER: My question has a yes or no answer.

Mr Ray: I do not think it is a yes or no answer. As I tried to explain earlier, and obviously I did not get it quite right, the detail of the transitional arrangements will matter and we have not got that yet.

Senator Cormann: You are trying to get an answer in relation to something where not all of the ingredients are available yet, and it is going to be a matter for the independent Fair Work Commission, which was, of course, set up independently by the former government with a formal ACT official in charge of it. We have to wait until they provide us with the relevant information.

Senator McALLISTER: Given that last answer, Minister Cormann, are we to understand, then, that the forecasts do not include information about the penalty rate cut because, as you explained, the transitional arrangements are yet to be finalised?

Senator Cormann: The forecasts are based on the best available information at this point in time, which is what we have consistently said all morning. It is the best possible forecast. It is the best available forecast based on the information available to us. It takes into account an assessment of labour market conditions. We went through this, in some detail, in the estimates period in February and March; we went around that same debate then.

Mr Ray: The way I would put it is that the forecasts are consistent with a full implementation of the Fair Work Commission's decision of a period.

Senator KETTER: Over which period?

Mr Ray: Over a period. I can take it on notice, but we do not normally go right into the bowels of details of how we put these things together.

Senator McALLISTER: Why not?

Mr Ray: We will take it on notice.

Senator Cormann: We will consider, on notice, what we can provide to you.

Senator McALLISTER: Could you take on notice what you consider an appropriate level of detail, in terms of making explicit the assumptions that inform Treasury's modelling?

Senator Cormann: We will provide on notice what we can sensibly provide, in relation to the assumptions that are going to the wage growth forecast.

Answer:

The data for wage forecasts comes from the National Accounts (ABS Cat. no. 5206.0), the Wage Price Index (ABS Cat. no. 6345.0), the Labour Force, Australia (ABS Cat no. 6202.0) and RBA statistics on inflation and inflation expectations.

The Government's macroeconomic forecasts are prepared using a range of modelling techniques including macroeconometric models, spreadsheet analysis and accounting frameworks. These are supplemented by survey data, business liaison, professional opinion and judgment.