

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 82**

**Topic: Economic Modelling of Unemployment/Employment - Consultation**

**Hansard Page: E59-E60**

**Senator Bushby asked:**

**Senator BUSHBY**—In respect of the economic modelling that you have done on the impact of these policies, when was it prepared and by which agency, or did you use external consultants?

**Mr Ray**—In terms of our forecasts?

**Senator BUSHBY**—You have answered that you have completed economic analysis or modelling in respect of unemployment and employment at least, and you are not sure about other areas that we mentioned. In respect to those ones that you are sure of, when was it undertaken and by whom?

**Mr Ray**—I think we might be talking slightly at cross-purposes and I apologise for that. What I said earlier was that when we construct economic forecasts we take into account everything that is going on in the economy. That is possibly not where you are heading here. You might be asking a slightly different set of questions, and therefore I apologise, as to whether or not we have modelled and singled out the impact of a particular policy on various macroeconomic variables. I think the answer to that is that that is not the way we do it, but I am happy to take it on notice and check for all the variables you have listed.

**Senator BUSHBY**—I thought my question was fairly clear. The government has fairly well outlined workplace relations policies which were to implement a number of changes in the regulation of workplace laws, and I asked whether you had conducted any economic analysis or modelling which you then provided to the government. We went through one after the other. In respect of the first ones you said that you had.

**Mr Ray**—Whether we provided economic analysis is I think a broader question than modelling—

**Senator BUSHBY**—So you have provided analysis?

**Mr Ray**—As Senator Coonan reminded me earlier—and which I now recall—some specific questions on modelling of various elements of these policies were asked at the last estimates, and I think that the evidence provided was that we had not done that specific modelling going from a policy to a macro variable. That is slightly different from the more generic answers we gave earlier about how we construct our forecasts where we are by definition doing economic modelling and all that sort of thing. That is one set of things. Economic analysis can be done with and without modelling, so it is a broader question. We will take it on notice and check.

**Senator BUSHBY**—You are not sure whether you have done any economic modelling on any of that?

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**Mr Ray**—I am quite sure that we have done some economic analysis, because that would have underpinned our advice.

**Senator BUSHBY**—You are not sure whether that included modelling?

**Mr Ray**—I am not sure whether it included specific modelling, no.

**Senator BUSHBY**—Modelling specific for the impacts of the government's workplace relations?

**Mr Ray**—That is right.

**Senator BUSHBY**—Could you take it on notice to find out whether you have provided analysis, including modelling. When you do, could you also provide us with information on when it was prepared, by which agency, or whether an external consultant was involved, and whether Treasury considers that the analysis is sufficiently rigorous, detailed and comprehensive to be definitive.

**Senator FISHER**—And to whom it was provided?

**Senator BUSHBY**—And to whom it was provided.

**Answer:**

Treasury routinely provides policy advice to government on the potential economic impacts of different policy options. When Treasury constructs its economic forecasts, it considers all the relevant information that is available at the time, which would include upcoming changes in policy. The forecasts are at the aggregate level. Treasury has not modelled, or commissioned modelling, that identifies economic effects specifically attributable to the Government's workplace relations changes.