

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 146

Topic: Modern Awards Impact on Markets

Hansard Page: Written

Senator Bushby asked:

1. Has Treasury conducted any modelling on or analysis of the impact of the modern award system under the new IR regime?
2. If so, what were the findings?
3. Does Treasury expect the impact of these legislative changes to include significant increases in labour costs and losses to jobs?
4. If not, how does Treasury reconcile their assessment of the impacts of the changes with claims within industry that thousands of jobs will be lost (with young people being the worst affected), grocery, retail and hospitality prices will rise, and retail hours will be cut – for example – the retail sector claims its wages bill will rise by well over \$100 million, pharmacists have warned their payroll will rise by 22% and Woolworths and Coles warn that as many as 5000 jobs are on the line
5. What impact has trade liberalisation had on the financial well-being of Australians and working families?
6. In particular, have the free trade agreements entered into between Australia and a number of other nations in recent years, been beneficial or detrimental to Australians' prospects of obtaining jobs and achieving higher real incomes?

Answer (Questions 1-4):

Treasury has not modelled, or commissioned modelling, that identifies economic effects specifically attributable to the Government's workplace relations changes, including the award modernisation process.

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.

Answer (Question 5):

On 1 June 2009, Trade Minister Simon Crean released a comprehensive study which showed that trade liberalisation had added 2.5 to 3.5 per cent to the Australia economy over the past two decades, benefitting the average working family by up to

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\$3,900 per annum, reducing the exposure of workers to unemployment and creating more opportunities for their children.

The study also found that one in five Australian jobs depends on international trade.

These results on the impact of trade liberalisation in Australia are in line with the positive results found internationally.

Answer (Question 6):

Australia has signed five free trade agreements (FTAs). Australia's FTA with Singapore entered into force in 2003 and Australia's FTAs with Thailand and with the US both entered into force in 2005. The Australia-Chile FTA entered into force on 6 March 2009. The ASEAN-Australia-New Zealand FTA was signed in February this year but has not yet entered into force.

Due to the relatively short period that has elapsed since Australia's FTAs were signed or entered into force, and given that some tariffs will be phased out over some years, there is insufficient data available at this time to be certain about the overall impact of these FTAs on trade and investment flows, let alone on employment and income.

However, the initial empirical data suggests that bilateral merchandise trade has expanded more strongly with our FTA partners than would otherwise have been the case. There has also been a modest increase, above historic trends, in services trade possibly reflecting liberalisation elements contained in these agreements. No discernible trend in investment flows appears to have resulted from the free trade agreements already concluded.

Should trade flows continue to improve long term, I consider that this will create employment opportunities and help to achieve higher real incomes for Australians.