

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 74

Topic: Employment Modelling

Hansard Page: E76-77

Senator Abetz asked:

Senator ABETZ—The answer is, no, but it is being looked at some time in the future. Given the chair's ruling, all that I can do is ask one more question in relation to whether the Treasury has done any modelling of the impact of the Fair Work Bill, the Transition Bill and the change in the industrial relations situation in relation to its economic forecasts, be it in CPRS or the budget forecasts that we have just had put before us on 12 May. Has that been factored in? Most economic commentators seem to be suggesting that the cost of employment will increase as a result of these changes. If that is correct, then one might imagine that has a substantial flow through impact in every area of our economy.

Dr Henry—To my knowledge, we have not undertaken analysis of the sort that you are talking about, which would specifically identify the economic impact and macroeconomic impact of particular features of the industrial relations system. I would say that all of those developments that you have referred to have, implicitly, at least, been taken account of in our macroeconomic modelling, our forecasts and our projections.

Senator ABETZ—Can you take on notice for me what the term 'implicitly' means? It has been used a number of times today when clearly it has not explicitly been done and we then hear the word 'implicitly' slipped in. I just want to know the extent of what 'implicitly' actually means in these circumstances. You can take that on notice.

Answer:

Although the changes to the industrial relations framework were considered when preparing the forecasts, the effects of these changes were not separately identified. Forecasts for employment are based in particular on an econometric model incorporating the effects of economic activity and real wages. The effects of past changes in labour market institutional structures and other relevant policy decisions are broadly captured in the coefficients on the real wage terms. Policy changes are ultimately reflected in the evolution of these parameters over time as new data become available.