

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 80

Topic: CPRS Modelling – Effect of Employment

Hansard Page: E93

Senator Boswell asked:

Senator BOSWELL—For model No. 1 what result did you get for unemployment? Was it going to increase or decrease? What was the result in the first one? I will also ask about the second and third.

Ms Quinn—In the short term the aggregate level of employment is lower than it otherwise was for between seven and 10 years.

Senator BOSWELL—How much lower?

Ms Quinn—I do not have those numbers with me.

Senator BOSWELL—You must have known that we were going to ask these questions. I find it hard to believe you would not have those figures with you. Is it 10 per cent or 20 per cent?

Ms Quinn—It is certainly not of those orders of magnitude. There is a relationship between GDP and employment. GDP is about 0.1 on average slower over that period. Employment is likely to be slightly higher than that in the near term, but it is of that sort of order of magnitude for employment as well.

Senator BOSWELL—What is the unemployment going to be in the short term?

Ms Quinn—I cannot tell you the exact number. I do not have that before me. The employment growth would be slightly more than 0.1. I can take it on notice.

Answer:

The Government has undertaken the largest and most detailed modelling project in Australia in order to assess the economic implications of climate change mitigation policy. The Government's Australia's Low Pollution Future: The Economics of Climate Change Mitigation (ALPF) report places substantial information in the public domain to inform the public of the likely economic implications of introducing emission pricing.

The analysis included in the report draws on three computable general equilibrium (CGE) models and a further five sector-specific models. It presents integrated economic modelling of climate change policy across global, national, sectoral and household scales.

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The ALPF report found that Australia's aggregate economic costs of mitigation are small, although the costs to sectors and regions vary. Growth in emission-intensive sectors slows and growth in low- and negative-emission sectors accelerates.

The distribution of future employment growth will reflect the structural shift necessary for the economy to transition to a low emission future. In general, employment shifts between industries will broadly reflect movements in industrial output.

In all scenarios modelled, in all models, output continues to grow over the years to 2020, delivering substantial increases in real wages and employment from today's level.

- Australia's real GNP per capita would be one tenth of one percentage point slower than it would be without emission reductions from 2010 to 2020.
- Consistent with the output estimates, employment growth across the CPRS scenarios and the suite of models is between zero and one tenth of one per cent slower over the period to 2010 to 2020.