

Senate Select Committee on COVID-19
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2019 - 2020

Division: JobKeeper Division
Topic: Analysis of the announced package for child care
Reference: Committee Hansard page 14 – 9 June 2020, IQ20-000121

Question:

CHAIR: You have taken that on notice. Can I then ask, Treasury, if you can provide the committee with your analysis on the government's announced package for child care? Could we have access to that information?

Senator Cormann: Sure. I will see what we can provide on notice.

CHAIR: Dr Kennedy?

Senator Cormann: The minister has answered the question.

Answer:

Treasury provides advice to the Treasurer on a range of policy scenarios. Advice to the Treasurer that informs Cabinet deliberations is Cabinet in confidence.

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Inquiry into the Australian Government's response to the COVID-19 pandemic

2019 - 2020

Division: Macroeconomic Conditions Division
Topic: Modelling for 800,000 jobs being restored through stage 3
Reference: Committee Hansard page 22 – 9 June, IQ20-000122

Question:

Senator PATRICK: Going into COVID-19, you obviously had modelling that, potentially, had some significantly worse numbers, and I appreciate that there would have been variations on how flat the curve was. Have you looked back on that modelling to do a bit of a self-analysis as to accuracy? What can that do to inform us about the accuracy of the statements that the Prime Minister and you have just reinforced?

Ms Quinn: That's right, we've done quite a few different scenarios as the state of the economy and health outcomes have evolved over time. As Dr Kennedy mentioned, at the time of the JobKeeper program, we were looking at different scenarios: one around 24 per cent impact and one around the 10 per cent range. We've looked at what's been happening in terms of government announcements, what's been happening in terms of consumer behaviour through that time, and, more recently, we've had additional data come through from the ABS Single Touch Payroll System release, where they're providing information on what's happening to businesses very close to real-time analysis, which is a new dataset. That has also provided additional information on how the economy is transpiring. In addition to that, we've got other real-time indicators through the banking system, through the labour market and through survey measures as well.

So we've got quite a lot of information, relative to what we normally have, on what's happening in real time in the economy. That has allowed us to update scenarios as we go forward, but there is still a fair bit of hypothesis testing and hypotheses that we have to make, particularly around the demand side of the economy. That goes to business confidence and consumer confidence—how they're feeling. There's a wide range of uncertainty around those estimates.

Senator PATRICK: Do you put a percentage of uncertainty around that 800,000 number?

Ms Quinn: We didn't explicitly, but there would be a range of uncertainty around that number.

Senator PATRICK: Can you find out what that is and provide that to the committee, please?

Ms Quinn: I'm happy to take it on notice.

Answer:

There are a range of uncertainties around Treasury's estimate that around 850,000 persons could return to work across the three steps of easing restrictions.

The estimate reflects both supply-side and demand-side effects. These effects include the direct impacts of the health restrictions imposed to suppress the virus, changes in domestic demand – including behavioural changes associated with falls in consumer and business confidence, demand flow-on effects from directly-affected industries and a reduction in global export goods demand.

There is a great deal of uncertainty about how domestic demand will recover. Even as health restrictions are eased, individual business decisions to recommence operations will depend on a range of other factors such as expectations about demand, critical mass of business required to sustain reopening and working capital constraints. As a result, there is considerable uncertainty about how the economy will respond.

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2019 - 2020

Division: Social Policy Division
Topic: HomeBuilder eligibility
Reference: Committee Hansard page 30 – 9 June, IQ20-000123

Question:

Senator WHISH-WILSON: Sorry—on that point: do you accept the criticism that it's mostly going to be used by people who were already planning to renovate or to build a new home?

Ms Wilkinson: I guess this is where I was going. Certainly this grant is available to anyone who meets all of the various eligibility conditions of the program, and if there were somebody who was already intending to undertake the renovation during this period and was going to have the contract signed and be able to commence in that time, then they would be eligible for it. Some of the feedback that we were receiving was that there were lots of people who may have been planning to undertake a renovation or undertake a new build but, given the economic circumstances, were actually feeling pretty unsure about doing that. It's very hard to quantify that precisely, but I guess our sense is that—

Senator WHISH-WILSON: I'll bet it is hard to quantify precisely. Can you take on notice any qualitative or quantitative information you've got in respect of that feedback and who you got that feedback from?

Ms Wilkinson: I'd be very happy to.

Answer:

Economic data releases in the early phase of the COVID-19 pandemic suggested that both consumer sentiment and new dwelling sales were experiencing weakness. For instance, the Westpac-Melbourne Institute Consumer Sentiment index fell from 95.5 in February 2020 to 75.6 in April 2020. The Housing Industry Association's New Home Sales report indicated that new detached house sales fell 23.2 per cent in March 2020. The same report indicated that the cancellation rate of new house builds reached 30 per cent in April 2020 (its average is around 5 to 7 per cent).

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Division: JobKeeper Division
Topic: Interim Report
Reference: Committee Hansard page 31 – 9 June, IQ20-000124

Question:

Senator WHISH-WILSON: Treasury could perhaps take this on notice. From the last hearing we heard that the interim report that is going to be provided to the Department of the Prime Minister and Cabinet from the COVID commission and especially the task force isn't going to be accepted in its final form. Can Treasury advise on when we expect to see a finished or final report. It may be just an initial report—there may be others—but are you aware of when we're expecting to receive that?

Dr Kennedy: No. I'm happy to take it on notice, but no. I'm not quite sure which report it is, but I'll take it on notice and find out.

Answer:

Questions about reports being prepared by or for the National COVID-19 Coordination Commission should be referred to the Commission.

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2019 - 2020

Division: Social Policy Division
Topic: Timing of work on the HomeBuilder package
Reference: Committee Hansard page 31 – 9 June, IQ20-000125

Senator WATT: I've also got a few questions about the HomeBuilder scheme. Exactly when did work commence on that package?

Ms Wilkinson: I'll have to take the precise answer on notice, but my recollection is that it was probably six to eight weeks ago. Sorry; when you say 'work on that package', I mean advice has been provided to the Minister for Housing over the whole period of the pandemic. There have been a range of pieces of advice which have been provided over that period, but probably around six weeks ago was when we started talking about the specific details—

Answer:

Treasury commenced working on advice on options to stimulate residential construction activity in mid-April.

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Inquiry into the Australian Government's response to the COVID-19 pandemic

2019 - 2020

Division: Social Policy Division
Topic: HomeBuilder – basis for estimates of 140,000 jobs and modelling
Reference: Committee Hansard page 32 – 9 June, IQ20-000126

Question:

Senator WATT: What is the basis for estimating that about 140,000 direct jobs will be supported through the scheme?

Ms Wilkinson: I'll have to take that on notice. I have advised that around 140,000 jobs are likely to be directly supported, but I don't have any other information I can add to that. I presume it comes from employment data we have about employees in the residential construction sector, but I'll have to take the precise details on notice.

Senator WATT: I'd be interested in receiving the full modelling that came up with the 27,000 grants estimate as well as the jobs estimate. Could you also take on notice?

Ms Wilkinson: I'm very happy to take that on notice.

Answer:

There are around 140,000 persons employed in the residential building construction industry, under the Australian and New Zealand Standard Industrial Classification (ANZSIC). This estimate is a four-quarter average using the Detailed Quarterly Labour Force, February 2020 release (ABS cat.no. 6291.0.55.003).

Treasury has undertaken analysis to estimate the possible number of grants under the HomeBuilder scheme. This analysis took into account available building activity data as well as economic forecasts for activity in the sector, adjusted to account for the eligibility requirements of the scheme. The 27,000 figure includes grants for new home builds and substantial renovations. Like any set of forecasts for schemes that are demand driven, there is a level of uncertainty around these estimates especially given we are in the middle of a pandemic which is causing significant social and economic challenges which are difficult to predict.

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Inquiry into the Australian Government's response to the COVID-19 pandemic
2019 - 2020

Division: Social Policy Division
Topic: HomeBuilder – basis for one million related jobs in the residential construction sector
Reference: Committee Hansard page 33 – 9 June, IQ20-000127

Question:

Senator WATT: Ms Wilkinson, could you take one more thing on notice for me. I'm interested to know the basis for the claim that another one million related jobs in the residential construction sector will be created from this scheme.
Ms Wilkinson: I'm happy to.

Answer:

The Housing Industry Association (HIA National Outlook, Autumn edition 2020) estimates that over 1 million people were engaged to commence construction of new dwellings in 2018/19.

According to the Australian Bureau of Statistics (ABS), there are about 140,000 direct jobs in the residential construction sector. In addition, while it is hard to capture all the interlinkages between sectors, ABS data suggests that in addition to the 140,000 persons employed directly in the residential building construction industry, there are around a further 770,000 persons employed in construction services. These include land developers, bricklayers, earthmovers, roof tilers, house painters and electricians. (These estimates are based on the Detailed Quarterly Labour Force, February 2020 release, ABS cat.no. 6291.0.55.003).

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2019 - 2020

Division: Macroeconomic Conditions Division
Topic: HomeBuilder – dip in construction activity
Reference: Committee Hansard page 33 – 9 June, IQ20-000128

Question:

Senator DAVEY: So, when people were talking about the construction industry sort of coming up to a cliff face, is it those smaller enterprises that face a larger risk of coming to the conclusion of their existing projects than, say, the large developers that have the capacity to build large-scale housing developments?

Ms Wilkinson: You probably want to be a little bit careful here. The level of construction investment over the last couple of years has been at very high levels, and firms of all sizes have been involved in that. Treasury had always, even pre-COVID, anticipated there would be a dip in activity this year. Again, I don't have the specific details with me and I am happy to take it on notice, but my working assumption would be that that dip in activity was expected to have been across the board rather than focused on the small end of the market. But certainly small and medium-size businesses are very well represented in construction and many of them work with developers as tradies and things.

Answer:

Treasury forecasts activity to slow across both the commercial and residential construction sectors as a result of the Coronavirus. Many existing construction projects are continuing, but reduced demand is expected to result in fewer approvals and commencements, diminishing the pipeline of work. While it is expected that firms of all sizes will be impacted, impacts on individual firm size categories are not separately forecast. Generally speaking, smaller firms are likely to have less capital buffers available to withstand significant downturns.

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2019 - 2020

Division: Social Policy Division
Topic: Consultation for the decision regarding the childcare sector
Reference: Committee Hansard page 12 – 9 June, IQ20-000130

Question:

Senator SIEWERT: I realise you probably won't know, but could you take on notice who was consulted in the making of this decision from the childcare sector? Also was there any consultation and consideration of the impact it will have on women's ability to find work?

Senator Cormann: Yes, I'm happy to take it on notice. It's a matter that was led by the education portfolio, obviously, not the Treasury portfolio. I will endeavour to get that answer—

Senator SIEWERT: It's JobKeeper in this portfolio that's impacted.

Senator Cormann: I will endeavour to get you that answer out of the education portfolio.

Answer:

The Department of Education, Skills and Employment (the Department) actively engaged with a range of childcare workers and their representatives to better understand their view about transitioning out of the Early Childhood Education and Care Relief Package and back to the Child Care Subsidy arrangements.

The Department engages regularly with the Early Childhood Education and Care Reference Group, and over the period of the Relief Package met with this Group on at least a fortnightly basis.

The Department also undertook targeted consultation with over 100 individual stakeholders representing the following groups:

- Family Day Care / In Home Care;
- Outside School Hours / Vacation Care;
- Local Government run early education and child care services;
- Large Centre Based Day Care providers (for profit and not-for-profit);
- Services supporting Aboriginal and Torres Strait Island children and families;
- Workforce related stakeholders, including the United Workers Union;
- Services with vulnerable children or facing disadvantage;
- Small Centre Based Day Care providers (for profit and not-for-profit).

The transition to Child Care Subsidy was informed by the Four Week Review, including two online surveys. The surveys were sent to over 13,000 childcare services.

These consultations included feedback regarding the impact of COVID on families', including women's, ability to find work.

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2019 - 2020

Division: Social Policy Division
Topic: Modelling around the government's decision on child care
Reference: Committee Hansard page 14 – 9 June, IQ20-000131

Question:

CHAIR: Thank you. Could the committee be provided with the modelling that's been done around the government's decision on child care—as it's announced, not—

Senator Cormann: I'll take that on notice. It's not in this portfolio. It's in the Education portfolio, but I'm happy to assist the committee.

CHAIR: But wouldn't Treasury have been involved in some of the modelling of the impacts of—

Senator Cormann: No. The costing of expenditure measures is done through Finance, which is also not appearing here with me today. But I'm—

CHAIR: We can fix that.

Senator Cormann: Sure. By all means. I know Finance would love to appear.

Answer:

The Department of Education, Skills and Employment provides advice to the Government on a range of policy scenarios. Advice to the Government that informs Cabinet deliberations is Cabinet in confidence. Further questions should be directed to the Department of Education, Skills and Employment.

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2019 - 2020

Division: Social Policy Division
Topic: Representations from childcare workers
Reference: Committee Hansard page 18 – 9 June, IQ20-000132

Question:

Senator Cormann: Hang on. We are providing additional payments of \$708 million across the sector on top of the childcare subsidy and the payments by parents—

Senator WATT: But you're not prepared to say that they won't be worse off.

Senator Cormann: and any childcare service that accesses these transitional support payments will need to provide a guarantee around employment levels remaining the same, to protect staff who will move off the JobKeeper payments. I think that we have gone out of our way to ensure that the appropriate safeguards are in place while also ensuring that support payments can be provided to these childcare services in a fairer and more equitable way.

Senator WATT: You said there were representations from the industry. Were there any representations from childcare workers or their representatives?

Senator Cormann: I'll have to take that on notice. You're getting well and truly into the education portfolio.

Senator WATT: No, JobKeeper is administered by Treasury. I don't know if someone from Treasury might know whether workers or their representatives were consulted about losing JobKeeper.

Answer:

Please refer to IQ20-000130 for stakeholder engagement. These consultations included feedback regarding the impact of COVID on families' ability to find work, including women.

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2019 - 2020

Division: Social Policy Division
Topic: Jobseeker numbers
Reference: Committee Hansard page 26 – 9 June, IQ20-000133

Question:

Senator Cormann: On that point, if that's what DSS said, they were very naughty, because jobseeker is an expenditure measure; it's not actually run out of the Treasury portfolio.

CHAIR: They said Treasury is responsible for the forecast.

Senator Cormann: The costings for expenditure measures like this are tracked by Finance, but I'm very happy to provide—

CHAIR: I wasn't asking about costings.

Senator Cormann: No, the numbers go into the costings information. I'm happy to get you the answer.

CHAIR: They told us that the numbers were being done by Treasury—that Treasury do the numbers for jobseeker, not the costing. So who does it?

Senator Cormann: Treasury estimates the unemployment forecasts. In terms of numbers of people in the jobseeker program, that goes into the Finance-DSS costing. I think you'll find the information that you're asking for and how that is tracking—the reason I know is that I review the information on how the actuals are running against estimates—comes out of Finance, working with DSS. I'm happy to provide you an answer to that question on notice.

Dr Kennedy: To be very clear, we do economic parameters, so we provide the economic forecasts, which underpin the finance costing in that case. So, when the jobseeker costing was done, it would have—Finance agreed with DSS—reflected what our forecasts were at that period for the evolution of the unemployment rate.

CHAIR: So Treasury doesn't have the information that would tell me the numbers of Australians that you'd now expect to be on jobseeker and youth allowance at the end of September.

Senator Cormann: The actuals versus estimates for this jobseeker program are tracked by Finance.

Answer:

The Government will provide an update to the economic outlook in the economic and fiscal update on 23 July 2020.