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Joint Committee of Public Accounts and Audit

Review of the Operations of the Parliamentary Budget Office 2019-20

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Authorisation

This submission has been authorised by the NFAW Board

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Review of the Operations of the Parliamentary Budget Office 2019-20

This submission is being made by The National Foundation for Australian Women (NFAW).

NFAW is dedicated to promoting and protecting the interests of Australian women, including intellectual, cultural, political, social, economic, legal, industrial and domestic spheres, and ensuring that the aims and ideals of the women's movement and its collective wisdom are handed on to new generations of women. NFAW is a feminist organisation, independent of party politics and working in partnership with other women's organisations.

The budget process affects women and men in different ways; it is not gender neutral. This submission responds to the terms of reference through a gender lens.

Terms of Reference

This inquiry has been initiated by the Joint Committee of Public Accounts and Audit pursuant to section 64T of the *Parliamentary Service Act 1999*, to review the operations of the Parliamentary Budget Office (PBO). The terms of reference specify:

- PBO implementation of the recommendations of the PBO Review 2016/17 *Report of the Independent Review Panel*;
- PBO implementation of the recommendations from 2014 Joint Committee on Public Accounts and Audit Report No. 446 *Review of the Operations of the Parliamentary Budget Office*;
- Stakeholder relationships and engagement; and
- Possible areas of reform to support the effective operation of the PBO.

NFAW recommends

1. that the PBO be authorised to issue full details of policy costings where a parliamentarian states that the policy has been costed by the PBO regardless of whether the parliamentarian releases full details of that costing.
2. that the PBO be given a mandate to prepare an annual Women's Budget Statement for Australia, and
3. that the Office for Women be tasked with partnering with the PBO on the internal analysis and building the capacity of the public service across the board to provide budget input.

Discussion:

ToR 1&2: Implementation of recommendations of previous reviews:

NFAW references the data released by the PBO as external stakeholders when reviewing policy proposals released by political parties, and our comments are made in this capacity.

We note that section 64T of the *Parliamentary Service Act 1999* enables the Joint Committee to commission a review to be undertaken after each general election. Following the 2016 Federal Election the report was undertaken by an Independent Review Panel; whereas the report following the 2014 Federal Election was undertaken by the Australian National Audit Office, and considered by the Joint Committee in its report No 446, No. 446 *Review of the Operations of the Parliamentary Budget Office*.

We note that both reports commented positively on the contribution that the PBO has made to the transparency of policy costings; and we have also found the costings released by the PBO to be very useful in our work.

A review of the recommendations made in those reports show that as the PBO has developed further capacity most of the recommendations have been adopted. In particular the publication of self-initiated Research Reports has provided a useful resource to external stakeholders who do not have direct access to the resources of the PBO.

We note that the 2019-Post-Election Report included a medium-term analysis of the election commitments made by the Coalition, ALP and the Australian Greens. The inclusion of a searchable database has also improved the ability for external stakeholders to access costings of these policies.

The 2016/17 Report highlighted the ability for Parliamentarians to claim that policies have been costed by the PBO without necessarily releasing the details of that costing. As external users of these costings, it is a matter of concern that the full parameters of the analysis may not be available.

We note that *Guidance 02/2017 - PBO publication of responses that have been publicly released by parliamentarians* sets out the circumstances under which the PBO will release details of costings requested by Parliamentarians. We acknowledge the confidentiality obligation imposed under s.64V(2) of the *Parliamentary Services Act 1999* that restricts the release of the full costing unless released in full by the Parliamentarian. The costing process forms a part of the deliberations in developing policy, particularly where there are a number of alternative options being considered, thus confidentiality is important.

However, where a policy commitment is made outside the election period, a lack of transparency remains. The full costing is only published where the Parliamentarian has

released the document (Guideline 02/2017); where confidentiality is waived under s.64H and 64V(2) or after an election has been called, where that policy forms part of an election commitment.

The publication of Information Papers setting out the approaches and costing conventions used in preparing policy costings, as required under s.64G of the *Parliamentary Service Act 1999* enables users to rely on external economic parameters, however a request for a costing may include variables specific to that costing which are not available to the public. The parliamentarian can announce that the policy has been costed, without releasing the full costing, with the result that members of the public cannot readily verify the parameters of the policy that has been costed unless or until it is formally published as an election commitment.

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ToR 3 & 4: Stakeholder engagement and possible reforms:

We will combine our response to ToR 3 and 4 --stakeholder relationships and possible areas of reform -- drawing on some of the commentary and recommendations of the Independent Panel which undertook the 2016-17 Parliamentary Budget Office Review (the 2017 report).

The 2017 report took a broad view of possible areas of reform to the PBO. It referred what it called ‘the evolution of the PBO’s activities’ noting that the directions pursued by the PBO

“will depend on a variety of factors as it builds a reputation for objective independent analysis. There is no one, ideal path for the PBO to follow (a point emphasised by the different evolutionary paths followed by the more mature IFIs [international financial institutions]), and much of the evolution will be shaped by factors external to the PBO.” (at p 36)

In our view, one of the external factors which should influence the role of the PBO into the future is the ongoing lack of transparency and public understanding of budget and fiscal policy settings as they apply to women. This view is consistent with recommendation 8 (c)(ii) of the 2017 report, which urged the PBO to consider ‘building its capacity to analyse underlying drivers of the budget over the longer term, including, but not limited to, demographic analysis.’ That recommendation had age-based demographic change in its

immediate sight, but the logic applies equally to sex-based demographic change, since both directly involve what the report called 'the key drivers of economic growth – population, participation and productivity' (at p 37).

The 2017 report further recommended that following the necessary capacity-building, consideration should be given to transferring to the PBO responsibility for the next Intergenerational Report (IGR), scheduled for 2020 (recommendation 8 (c)(iii)). It made the case for this transfer on two grounds: first, that analysis of long-term fiscal sustainability is a key function of most comparable international institutions, and second, that transferring responsibility to the independent PBO would help to ensure that the IGR is perceived to be a non-partisan report (37).

NFAW believes that both these arguments apply to giving the PBO responsibility for preparing an annual Women's Budget Statement. Demographic changes associated with women's paid and unpaid work are underlying economic drivers which have been poorly analysed and articulated in successive annual budgets. What is more, early efforts to build the analytical skills and practice to deliver an annual women's budget in Australia have foundered on rocks of partisan politics.

- **Background: the Australian experience of politicisation of the Women's Budget Statement process**

The first WBS was launched by the then Prime Minister Hawke on budget night 1984, which means that we have had 35 years to observe the intersection of party politics and gender budgeting.

According to the Prime Minister's 1984 announcement, the function of the WBS was to 'ensure that within the overall economic objectives of the Government the important decisions we make this year on the Budget are made with the full knowledge of their impact on Australian women.' Initially this function was taken seriously: early WBSs were detailed and factual in relation to budget inputs across agency programs, though they remained weak in presenting meaningful pre-budget analysis and post-budget evaluation (Alessandrini 2005; Sawyer 2007).

The great strength of the early WBS was its high level political support, which was replicated at the administrative level by a Task Force of Departmental Secretaries established soon after the Government came to power. That Secretaries' Task Force played a crucial role in ensuring that resources were made available within portfolio agencies to prepare a substantive and well documented analysis of the gender implications of their budget policies.

Secretaries' oversight was supported in turn by the Office for Women (then the Office for the Status of Women or OSW) from within the Department of Prime Minister and Cabinet.

While early WBSs provided a comprehensive statement from each portfolio agency, over time momentum faltered: the WBS was removed from the formal budget papers, radically shortened (from over 300 pages in the mid-1980s to 34 pages in 2011), and progressively transformed into a public relations document for the government of the day. Negative impacts did not appear or were recast to appear positive.

As early as 2002, several researchers began to comment on the shift in the WBS from a critical, analytical, planning document, to a document rehearsing 'good news' stories about selected government initiatives. These commentaries pointed to decreased accountability and transparency resulting from the reduced length and level of budget analysis. They also pointed to the loss of:

- any systematic review of the previous year's budget, specifically the lack of gender impact analysis (Sharp and Broomhill 2002),
- cross-portfolio analyses to identify overall government gender impact of the budget (Alessandrini 2005; Sawer 2002),
- sufficient evidence to demonstrate the need for action in specific priority areas of the budget (Alessandrini 2005; Women's Electoral Lobby 2011),
- budget tables which once allowed careful analysis of historical trends, and of the impacts of measures on individuals and family types (NFAW, 4), and
- analysis of mainstream budget initiatives to determine whether the outcome has a gendered effect, whether intentional or not. This applies to both the revenue and the expenditure side of the budget: for example, the effect of consumption taxes will be felt more by women; whereas changes in income taxes are more likely to affect men (Sadiq and Hodgson, 2017).

While there is still government promotional material setting out the 'highlights' of the budget for women, Australian budget documentation is characterised by a lack of transparency concerning budget and fiscal policy settings as they apply to women. These are deficiencies of the type and magnitude that the PBO was instituted to address.

- **The current situation**

There is no alternative non-partisan Australian source for a WBS.

NFAW has taken responsibility for producing an external WBS since the federal government decided to cease producing a document called a women's budget statement in 2013-14. Our Gender Lens on the Budget is prepared by a team of volunteer feminist economists,

researchers, policy experts and campaigners. NFAW coordinates the process, which has grown over the past six years but continues to be limited, in particular by its inability to access data held by agencies, the lack of funds to commission impact modelling, and the lack of expert advice in some fields. NFAW has not, for example, always been able to systematically cover all areas including women with disabilities, and CALD and Indigenous women.

The closest equivalent to the NFAW Budget Lens that we are aware of is the UK Women's Budget group, which is also made up of feminist economists, researchers, policy experts and campaigners. That group (<https://wbg.org.uk/>) is much larger than NFAW's team, and produces research and analysis throughout the year in addition to annual assessments of the UK Spring Budget and Autumn Financial Assessment. It is run by a Management Committee and supported by funding from a range of foundations and NGOs (<https://wbg.org.uk/about-us/funders/>).

In Australia there is no Women's Budget Group along UK lines, and a civil society group like NFAW could not be resourced by government without losing its political independence.

- **A Role for the PBO**

The PBO has been established to improve the transparency of Australia's fiscal and budgetary frameworks. It has legislated access to much budget-related information held by departments and agencies¹; is resourced to conduct costing and other analytical services that, in the absence of the PBO, would normally be exclusively available to the Government; and has entry to technical discussions with some Government Departments and Agencies (such as the Interdepartmental Household Modelling Group).

It also has a reputation for non-partisan analysis. The ANAO found that since commencing operation in July 2012, the PBO had effectively undertaken its statutory role and was already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis (18). The 2017 independent review panel confirmed that view, reporting that 'our consultations with stakeholders confirmed that the PBO is widely regarded as independent and non-partisan, with a reputation for professional and rigorous analysis and that its analytical work added to the public policy debate' (33).

¹ The PBO's access to information from Government Departments and Agencies is covered by a non-legally binding MOU with Departments and Agencies. The MOU has a pro-disclosure bias, and sets as a minimum benchmark the information that Departments and Agencies would be required to release under Freedom of Information (FOI) laws. The MOU also allows for confidential information to be provided to the PBO subject to caveats preventing its release to a third party. (2017 Report, 26)

The preparation of a WBS could be a matter referred to the PBO on an on-request basis. Its legislation specifies that it will, inter alia, provide independent and non-partisan analysis of the Budget cycle in response to requests made to it by Senators or Members of the House of Representatives. It is also available to provide broader analysis of the Budget. It could notionally perform a WBS-type function so long as a parliamentarian was willing to make the necessary request.

However, the PBO could also have the preparation of an annual WBS as a mandated component of its research program, consistent with its overall aim of 'enhanc[ing] the public understanding of the budget and fiscal policy settings' (PBO website). In our view a mandated role for the PBO in preparing an annual WBS is most consistent with efficient forward planning for resource allocation and data analysis. It is also consistent with the proposal that the PBO have a similar ongoing role in preparing the Intergenerational Report.

Such an annual WBS, tabled within a reasonable timeframe following the release of the budget papers, would increase transparency and public understanding of budget and fiscal policy settings as they affect women, and would also provide the basis for NGOs representing women's interests to engage in subsequent budget consultations.

The PBO WBS, as well as taking stock after the release of budget papers, could incorporate macro and micro economic and fiscal data and analysis to support an equitable and efficient budget supporting gender equality in the next budget round. The WBS could in this way become integrated into the overall budget, analytical and reporting cycle that involves Treasury, the Government of the day, and the PBO.

Applying a gender lens to budget analysis involves re-thinking assumptions and definitions. We recognise that as part of its evolutionary development the PBO would have to build its capacity to undertake feminist economic analysis, as has been the case with age-based demographic analysis. The Office for Women could be tasked with partnering with the PBO on the internal analysis and building the capacity of the public service across the board to provide budget input. Women's policy and co-ordination units like the Office for Women notoriously lack power in Australian governments, so ensuring that the PBO operates as the gatekeeper and the Office for Women acts as the technical adviser and capacity support would position it more effectively in government.

- **A national WBS supporting and leading federal and state gender equality budgeting and planning processes**

A WBS produced by the PBO would support the Office for Women in the Department of Prime Minister and Cabinet in engaging in the holistic gender equality strategies and projects that they lead across the federal government. Moreover, it has potential to provide rigour and economic support for gender equality and budget planning across the nation.

We note that at the State government level, there is increasing work being done to build a regular system of gender impact analysis, whole of government gender equality strategies (or gender mainstreaming) and gender budgeting into State government processes.²

In Australia's cooperative federal framework, it is important that there is an independent, national gender impact analysis of taxing and expenditures in a national WBS, that can provide a reference point and framework to link State-based initiatives. For example, ensuring gender analysis of the major federal-State intergovernmental agreements on health, education and housing is essential. The State and Territory initiatives are linked to the welcome programs of the Office for Women in the federal government, but all would benefit from regular, independent gender impact analysis and a gender or women's budget statement prepared by the PBO.

Conclusion and recommendations

In our view the preparation of an independent WBS is necessary and falls most closely within the remit of the PBO. Its mandated involvement would signal a serious bi-partisan commitment to examining and improving the impact of the budget on women. It would also ensure ongoing political commitment to, and interest in, the women's budget process. Because the PBO has enhanced access to agency data, there would be fewer data gaps, and because the PBO is independent of government, there would be no 'whitewash' stigma.

Our recommendation would mean that, rather than preparing objective post budget analyses, civil society groups would be able to contribute much more effectively to the gender budgeting process by investing their time in substantive submissions to the government respecting budget priorities. If these groups had to hand a robust report from the PBO on the positive outcomes and negative impacts of the May budget on gender equality, they would be in a strong position to make substantive budget submissions to government at an earlier, and much more productive, stage of the budget process before ministers take their budget priorities to government in October.

² See Parliament of Victoria, Inquiry into Gender Responsive Budgeting, <https://www.parliament.vic.gov.au/paec/function/980-paec/inquiry-into-gender-responsive-budgeting>; NSW Government, whole of government women's strategy, <https://www.women.nsw.gov.au/strategies-and-resources/nsw-womens-strategy>; Government of South Australia, *The Status of Women in South Australia*, biennial reporting process, <https://dhs.sa.gov.au/latest-news/media-releases-2018/the-status-of-women-in-south-australia>; Government of Western Australia, *Women's Plan* and reporting process, <https://www.communities.wa.gov.au/projects/women/>; Queensland Women's Strategy and reporting, <https://www.csyw.qld.gov.au/campaign/womens-strategy>; ACT Women's Plan 2016-2026, https://www.communityservices.act.gov.au/_data/assets/pdf_file/0019/1108306/ACT-Womens-Plan_Report_2016_2026.pdf.

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