LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2022-2023
Mr James Milligan MLA (Chair), Mr Andrew Braddock MLA (Deputy Chair),
Dr Marisa Paterson MLA

ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS

Asked by Elizabeth Lee MLA on Monday 29 August 2022: Andrew Barr MLA took on notice the following question(s):

In relation to: Modelling from a shift of employment back into the Public Sector

MS LEE: Thank you, Chair. Treasurer, I think it was in response to Mr Milligan's first question that you talked about how you were confident in forecasting at 7.6 per cent, because you factored in wage growth and the fact that there will be more people in jobs.

Mr Barr: The payroll tax line?

MS LEE: Yes—the first question. Have you done any modelling on that? And what is the wage growth that you have factored in?

Mr Barr: Yes. The Treasury forecasting group undertake that modelling in assessing the payroll tax revenue in the forward estimates and that will include an expectation of an expected WPI, which is published in the budget papers—that is the rate of wage growth that is factored into that model—together with the employment growth forecast that is also in the budget papers. So, those two are the two sets of data that you are looking for.

MS LEE: Do you have that exact reference there in terms of the budget outlook?

Mr Hocking: I have read the privileges statement and acknowledge that. Table 2.2.1 on page 17 of the budget outlook has all our economic forecasts, including for employment in the WPI.

MS LEE: Thank you. I have another supplementary on this payroll tax. If there were a rush in contractors employed in the commonwealth government, what impact, if any, would it have on payroll tax and the projections?

Mr Barr: It could potentially have some, depending on whether that employment was lost to the territory or not, but it would not be significant, in the context of the total payroll tax collection. There is that sensitivity, and I think there was a public statement from the new federal government in relation to a shift of some employment back into the public sector, and that was taken into account in the forecast.

THE CHAIR: A last supplementary before we move on, if you have one.

MS LEE: Has that been factored in to the modelling that we spoke about?

Mr Barr: Yes, it has. We were aware of that, but, across the workforce that we currently have, the movement is not significant.

MS LEE: Have you got exact figures? If so, could you take that on notice?

Mr Barr: No, there would not be exact figures, but we certainly can provide some further information in relation to the assumptions.

MS LEE: That is taken on notice?

Mr Barr: That is taken on notice—yes.

Andrew Barr MLA: The answer to the Member's question is as follows: –

The revenue chapter in the *2022-23 Budget Outlook* notes (p. 239, final paragraph) "*The Commonwealth Government's commitment to expand the Australian Public Service by substituting contractors from consulting and labour hire firms with government employees could pose downside risks to the Territory's payroll tax base, given wages paid by the Australian Public Service are exempt from payroll tax*".

In its Commonwealth government pre-election campaign, the Labor Party announced a policy to reduce public funds on contractors, consultants and labour hire companies, and to reinvest in rebuilding the capability of the public service. This includes an immediate investment in 1,080 frontline service delivery jobs in key agencies.

The impact on ACT payroll collections is currently not quantifiable given the lack of any further publicly available information from the Commonwealth and uncertainty about which workforces in which locations would be impacted, as well as the timing of such changes.

ACT Treasury will continue to monitor this policy, as one of the many assumptions that underpin revenue forecasts.

Approved for circulation to the Select Committee on Estimates 2022-2023

Signature: *Andrew Barr*   Date: 6.9.22

By the Treasurer, Andrew Barr MLA