

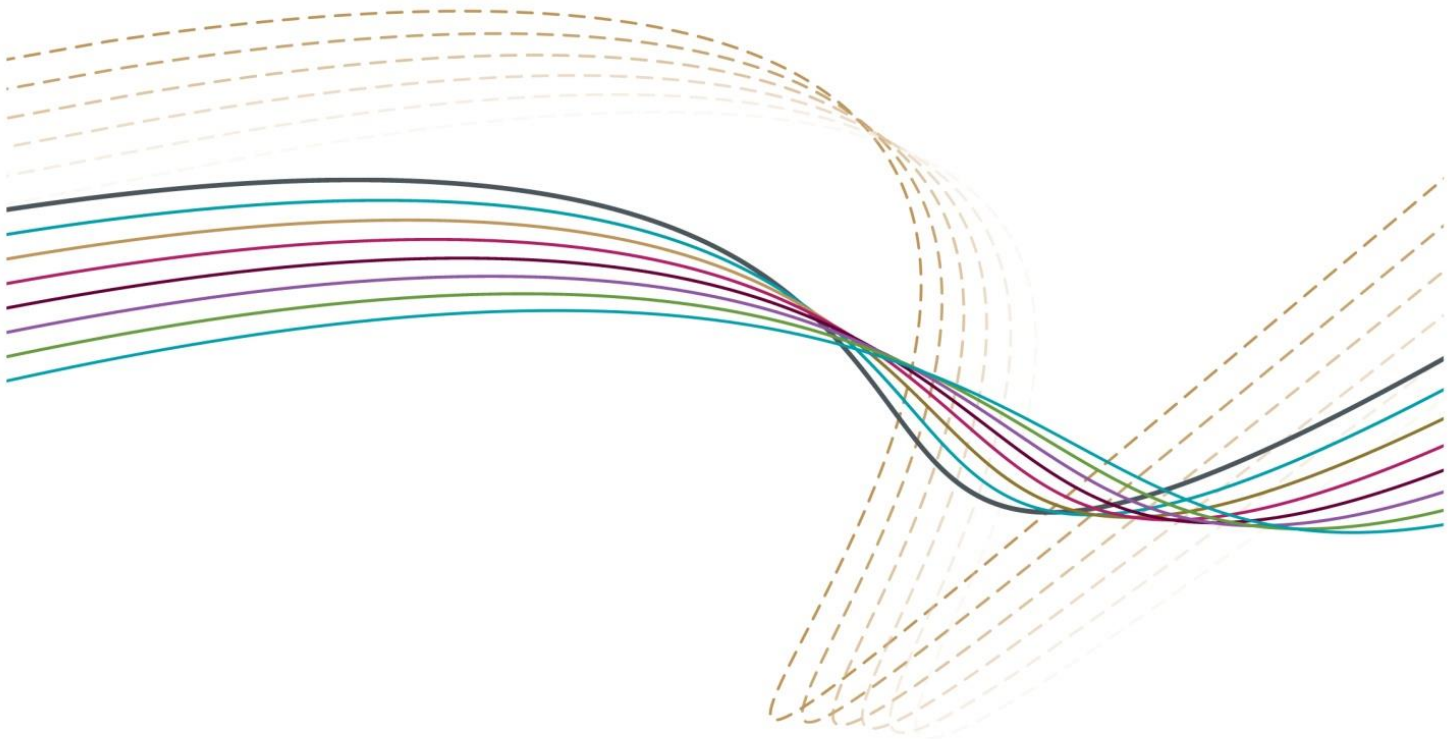
QUEENSLAND TREASURY

# New Issues for the 2017 Update

The wage costs assessment

Response to Commonwealth Grants Commission –  
Staff Discussion Paper CGC 2016-18-S

November 2016





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## Queensland's position

- Queensland Treasury continues to express concern over aspects of the wage costs assessment.
  - The wage costs assessment is based on the assumption that private sector wages alone can describe differences between state wage policy, and ignores other factors that are at least as conceptually valid.
  - Use of Characteristics of Employment (CoE) survey data for the wage cost assessment should improve the quality of the assessment over time. However, very limited access to these data will inhibit States' ability to comment on the appropriateness of the data, resulting in a less transparent CGC process.
- Queensland Treasury has no objections to the CGC staff's proposed treatment of variables which were previously missing from the 2014 CoE data, based on the assessment of their materiality.

## The wage costs assessment

Queensland Treasury reiterates its concerns regarding the wage costs assessment, especially regarding:

- the weak conceptual case;
- the continued use of 2009 Survey of Education and Training (SET) data; and
- CoE data being not readily available to State Treasuries.

Queensland and other jurisdictions have long held the conceptual case for the wage costs assessment is weak in that there are many other factors that affect State differences in public sector wages. State fiscal circumstances, national labour market pressures and States' ability to be a dominant employer are all factors at least as conceptually significant as private sector wages, but are not included in the wage costs assessment.

The 2017 Update on GST relativities will continue to use one year's data from the 2009 SET. The statistical relationship between public and private sector wages as described by these data is very poor. Queensland Treasury acknowledges improvement in this relationship in the CoE data, but it cannot endorse the data as fit-for-purpose without access to them.

The CoE data are not readily available to State Treasuries, which inhibits States' ability to comment on the appropriateness of the data. At present, States would have to out-post an officer in the ABS in order to access this data, which takes at least three weeks to organise. This is not a viable option given the tight timeframes States face to provide comments to the Commission.

In previous years, the Commission was able to procure a Confidentialised Unit Record File (CURF) from the ABS which allowed States to analyse SET data instantaneously. Queensland Treasury recommends that the Commission take a similar approach with CoE data and make arrangements for a CURF to be accessed remotely through the ABS DataLab in order to maintain transparency.

## Proposed treatment of previously missing CoE variables

Queensland Treasury welcomes the inclusion of previously missing education and trade union membership variables in the CoE data. CGC staff calculations show that the education variables attain the level of materiality required to be included in the assessment, whilst the trade union membership variable does not. Queensland Treasury notes the CGC staff's findings and has no objection to the proposed treatment of these variables for the purposes of the wage costs assessment.

