



LETTER TO THE EDITOR

WE ARE INDEPENDENT

Letter submitted to *The Sydney Morning Herald* on Thursday, 30 August 2007.

By Chris Murphy, Director, Econtech

Dear Sir

Contrary to the impression given by Ross Gittins ("Consultants turn economic modelling into dark art" SMH, 27 August), Econtech's report for the Australian Chamber of Commerce and Industry on industrial relations reforms since 1993 is independent and robust. It is precisely because of this independent and robust approach that Econtech's work carries such weight, so that we have operated successfully since 1994 without being swayed by the short-term commercial motives highlighted by Mr Gittins.

Econtech primarily estimates the direct effects of IR reforms on productivity and unemployment using conservative interpretations of studies by the OECD. For example, we estimated a productivity loss of 1.4% from unfair dismissals regulation, whereas the Treasury Economic Roundup estimated a larger loss (2.4%) using the same OECD study.

Mr Gittins should appreciate that economy-wide modelling of these labour market impacts would show similar flow-on effects, irrespective of which reputable model were used.

Further, Econtech's modelling passes a simple reality check that our estimates of the impacts of re-regulating IR are small compared with the strong labour market performance since 1993.

Hence, as a minimum, labour market re-regulation is likely to increase structural unemployment (1.77 percentage points) and reduce productivity (1.4%). These are the best estimates available.

Chris Murphy
Director, Econtech