



LETTER TO THE EDITOR

ECONTECH MODELLING ON IR DEFENDED

Letter submitted to *The Age* on Saturday, 1 September 2007.

By Chris Murphy, Director, Econtech

Contrary to the impression given by Ross Gittins (*The Age*, 28/8), Econtech's report for the Australian Chamber of Commerce and Industry on industrial relations reforms since 1993 is independent and robust. 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 per cent from unfair dismissals regulation, whereas the Treasury Economic Roundup estimated a larger loss (2.4 per cent) using the same OECD study. 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 per cent).

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