

20 December 2019

Budget Policy Division  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600



**2020-2021 Pre-Budget Submission**

To whom it may concern,

GetUp welcomes the opportunity to make a submission to the consultation process for the 2020-21 budget.

As a movement of over one million Australians who care about environmental justice, economic fairness, human rights and press freedom, we're conscious of the important role fiscal policy plays in furthering inclusive, equitable and sustainable economic development.

Should you wish to discuss this submission, please get in touch at [ed@getup.org.au](mailto:ed@getup.org.au), or on 0404344965.

Sincerely,

A handwritten signature in black ink, appearing to read "E Miller", written in a cursive style.

Edward Miller  
**Campaigns Director, Economic Fairness**

# Summary of Recommendations

1. Reconsider the merit of pursuing a budget surplus in light of both troubling economic indicators, and contemporary economic thinking on actual fiscal constraints.
2. Protect vital public services such as health, housing, education, and emergency services.
3. Trial a Federal Job Guarantee, alongside investment in a vibrant and world class public service.
4. An immediate raise to the rate of Newstart and Youth Allowance payments by at least \$96 per week in line with the Minimum Income for Healthy Living.
5. Restoring the \$783.3 million in funding cut from the ABC's budget since 2013, and guaranteeing indexed increases in funding to protect programs and services.
6. Fast track Australia as a renewable energy superpower by extending the Australian Renewable Energy Agency's funding by \$2bn to 2025.
7. Close corporate tax loopholes so multinationals pay their fair share of tax.
8. Funding an independent corruption watchdog with teeth, to restore democratic integrity.

# Executive Summary

The Mid-Year Economic and Fiscal Outlook (MYEFO) had worrying implications for the Australian economy. As expected, the Morrison government's fixation on delivering a budget surplus has left everyday people - both working and unemployed - worse off. The government is celebrating a weakening economy, rising unemployment, and stagnant wage growth.

MYEFO asks the Coalition an important series of questions: what was the point of all the cuts and austerity, slashing of environmental regulations, handouts to the wealthy, punishment of the poor, privatisation of public services and industry, attacks on workers and unions, deepening inequality, and steadfast refusal to increase Newstart?

The 2020-2021 Budget is an opportunity for the Coalition to seize a different future. Although their surplus has put a hand brake on the economy, jeopardising jobs, wages, businesses, and consumer confidence - we know there is a better way.

It's a path that requires investment in vital public services such as health, housing, broadcasters, education and emergency services.

It would mean preparing our economy for the climate crisis by investing in agencies that can fast track Australia's renewable energy industry and create thousands of regional jobs.

It means cracking down on greed and corporate power, with adequate corporate tax and corruption laws.

It means creating a welfare system where unemployment is not punished as a personal failing, but seen as the reality of being locked out of paid work because there are not enough jobs.

It means remembering that we don't exist to serve the economy, it exists to serve us – and we need our leaders to do more to ensure that we are well served into the future.

# Fiscal policy and public investment

In his 2017 budget, Scott Morrison made a significant concession. He admitted there's such a thing as "good debt" and "bad debt". He argued that it's not the size of the deficit that matters, but what we get for it. His reasoning: taking on debt in a manner that generates growth, deploys underutilised resources and maximises our productive capacity is not only sensible — it should be standard operating practice.

This is a subtle but important admission, that highlights the oversimplification of public finance that has dominated our political discourse for decades. **If debt can be good, so can deficits.**

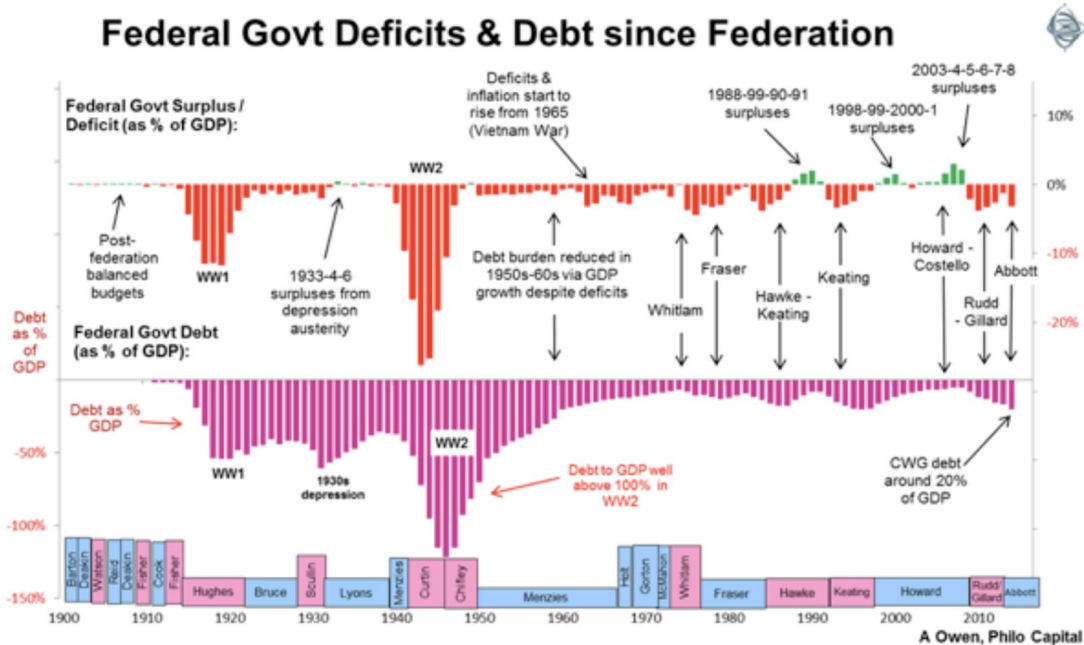
To some extent, this is an uncontroversial restatement of basic Keynesian economic principles. Most economists would agree on the need for deficit spending sometimes – particularly during periods of private sector downturn in which public expenditure plays an important role in shortening an economic contraction by bolstering demand for goods and services. The Rudd Government stimulus package in 2008 has been internationally regarded as one of the best structured responses to the Global Financial Crisis - working in tandem with a rapid easing of monetary policy settings to avoid the recession that seized most other developed economies at that time.

The error comes in the aftermath of these periods, when political leaders turn their collective attention to thinking about how to "pay for" the deficits we've run and "pay down" public debt we've accrued. It's an error born from thinking about the fiscal affairs of a currency issuer through the same lens that we view the fiscal affairs of a household or business who use that currency. It's an error we can't afford to continue making.

## Are surpluses necessary?

Since Federation, Australia has run budget deficits roughly 77% of the time and our deficits have always been larger than our surpluses. There is no meaningful sense in which we have "paid for" our deficits with corresponding surpluses over the business cycle. There is no meaningful sense in which we have "paid down" our national debt with national savings. This is just a historical fact.

The story of the Australian government's balance sheet over the last century is one of consistent, sustainable deficits. These are the deficits upon which modern Australia was built – providing consecutive generations with the expectation of full employment that gave them the confidence to make a life for themselves, and investing in the infrastructure we continue to rely on today. So successfully has government spending driven growth, that public debt shrank relative to GDP in the post war years, even as the government continued to run deficits to spur the economy along.



Surpluses, by contrast, have been the rare exception, rather than the norm – mostly arriving as a consequence of external economic conditions beyond government control. The mining boom during the Howard years is an example of a once in a generation windfall for corporate profitability and incomes, driven by surging demand for Australian resources, that drove the budget into surplus as tax receipts exploded. These surpluses were arguably necessary and good in the sense that they served as a handbrake on certain sectors of the economy that might otherwise have overheated prices.

Outside such exceptional circumstances, surpluses place a handbrake on the economy that can jeopardise jobs, wages, and business and consumer confidence. It is not a coincidence that the two most recent periods of sustained surplus were succeeded by economic turmoil. To push the budget into surplus deliberately outside of natural boom periods in the economic cycle requires you to raise taxes or cut spending – both policies that soften aggregate demand, output and prices. Outside of a boom period these are all undesirable outcomes

that you would only tolerate if there was some commensurate benefit to running a surplus. There is none.

## What are the limits on federal government spending?

The Australian government can never become insolvent with respect to financial obligations owing in the Australian dollar. As the only source of the Australian dollar, it does not need to tax in order to spend in the Australian dollar. Indeed, the government has to spend or issue currency in order for there to be Australian dollars to tax back.

When the federal government wants to spend, it authorises the Reserve Bank to credit a particular bank account. It can then later decide whether it wants to raise taxes to remove an equivalent amount of money from circulation, or issue bonds so that an equivalent sum of money is swapped out into only slightly less liquid government securities.

Again, as an observation about the way the payments system works this is relatively uncontroversial. Many prominent economists and central bankers have made similar observations. What *is* controversial are the implications.

Understanding that we are not constrained by tax revenue (ie. we don't have to raise every dollar we want to spend), or constrained by solvency (we will always be able to meet financial obligations denominated in the Australian dollar, no matter how big the number), doesn't mean we aren't constrained at all. The real constraint on government spending is the availability of real resources in the economy. The concern should be whether a particular size deficit mobilises underutilised resources and people, or bids up the price of already deployed resources and causes inflation. There are genuine complexities to making this assessment ex-ante, but it's the only assessment that matters. In the current economic environment there is no indication that we should be concerned with running a larger deficit – but good reason to be concerned with efforts to return the budget to surplus.

There is considerable slack in the labour force, with 726,100 unemployed people<sup>1</sup>, and 1.147 million underemployed<sup>2</sup> people competing for 213,300 private sector vacancies<sup>3</sup>. Broad

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<sup>1</sup> Australian Bureau of Statistics (ABS) 2019, *6202.0 - Labour Force, Australia, October 2019*, viewed 13 Dec 2019, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

<sup>2</sup> Australian Bureau of Statistics (ABS) 2018, *6202.0 - Labour Force, Australia, September 2018*, viewed 13 Dec 2019, <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6202.0main+features10September%202018>

<sup>3</sup> Australian Bureau of Statistics (ABS) 2019, *6354.0 - Job Vacancies, Australia, Aug 2019*, viewed 13 Dec 2019, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6354.0>

labour underutilisation is at roughly the same level as it was 10 years ago in the wake of the GFC. Wage growth is at a record low<sup>4</sup>. The headline inflation rate continues to fall below the target band of 2-3%<sup>5</sup>, and the RBA has cut the interest rate three times this year<sup>6</sup>, becoming further constrained in its ability to stimulate demand. There is a clear need for further public sector spending to bolster demand, job creation and stagnating incomes. This means investment in vital public services such as health, housing, education, and emergency services.

Competing over who will return the budget to surplus faster is negligent – and it'll be ordinary people who pay the price.

**Recommendation 1:** Reconsider the merit of pursuing a budget surplus in light of both troubling economic indicators, and contemporary economic thinking on actual fiscal constraints.

**Recommendation 2:** Protect vital public services such as health, housing, education, and emergency services

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<sup>4</sup> Letts, S 2019, 'Wage Growth Stagnates Despite A Jump In Public Service Pay', *ABC News*, viewed 14 August, viewed 13 December 2019,

<https://www.abc.net.au/news/2019-08-14/wage-growth-remains-stagnant-in-q2/11412228>

<sup>5</sup> Trading Economics 2019, *Australia Inflation Rate 2019*, viewed 13 Dec 2019, <https://tradingeconomics.com/australia/inflation-cpi>

<sup>6</sup> Reserve Bank of Australia 2019, *2019 Interest Rate Decisions*, viewed 13 Dec 2019, <https://www.rba.gov.au/monetary-policy/int-rate-decisions/2019/>

# Ensure genuine full time employment

## A path to genuine full employment:

Until the 1970s, providing every person with full-time, meaningful work was a core pursuit of the Australian government's economic management.<sup>7</sup> High levels of public investment drove industrial expansion, and a thriving public service prioritised equipping people with in-demand skills.<sup>8</sup> In the 1980s, however, following the disastrous model of Thatcher and Reagan, the government abandoned its commitment to people in favour of deregulation and privatisation - drastically cutting our public service. And successive governments have since deliberately reframed unemployment as a personal failing, rather than the reality of being locked out of paid work.<sup>9</sup>

But the data tells a different story. Private corporations consistently fail to provide enough demand for people's skills. Currently there are about 726,100 unemployed people competing for 213,300 private sector vacancies – and about 1.147 million underemployed who would benefit from long-term and secure employment. No matter how low we make people's income support payments, no matter how difficult to access, no matter how many humiliating drug tests we force them to go through, there is no pathway to employment for hundreds of thousands of Australians, because there are simply not enough jobs.

This is the challenge facing modern Australian governments, and it's a challenge that will only get harder as we face down the inexorable push towards automation and artificial intelligence chains and transition away from mining and fossil fuels.

The solution cannot be to simply cut corporate taxes and hope for the best. But neither will a commitment to increased funding for active labour market programs and a revitalised public service be sufficient. A new framework is needed to reach genuine full employment while stabilising price levels in the macroeconomy.

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<sup>7</sup> Carlson, E & Mitchell, W 2001, *Unemployment: the Tip of the Iceberg*, CAER/UNSW Press, Sydney.

<sup>8</sup> Coombs, HC 1994, *From Curtin to Keating: The 1945 and 1994 White Papers on Employment*, ANU Press, Canberra.

<sup>9</sup> Smith, W 2017, *Unemployment Policy in Australia: A Brief History*, 12 May, viewed 12 December 2019, [https://percapita.org.au/our\\_work/unemployment-policy-in-australia/](https://percapita.org.au/our_work/unemployment-policy-in-australia/)



## What is a federal job guarantee?

A Job Guarantee is a federally funded, locally operated program that provides anyone willing to work with the opportunity to do so in their own community. It seeks to match the untapped potential of people who are looking for work with the unmet needs of the communities in which they live. It's a framework that would end the threat of involuntary unemployment, strengthen workers' bargaining position, give local communities the power to redefine "work", and provide targeted financial relief to the individuals and communities suffering the greatest social deprivation.

A Job Guarantee is not a new idea. An individual right to work was the first proposal in FDR's second bill of rights,<sup>10</sup> and it was one of the primary demands in the Freedom Budget compiled by civil rights leaders like Martin Luther King and Bayard Rustin.<sup>11</sup> Since that time, decades of research have gone into the theoretical underpinnings and program design and we've seen a number of limited Job Guarantee-style policies implemented everywhere from India<sup>12</sup>, Argentina<sup>13</sup> and the United States.<sup>14</sup>

In order to be both successful and fair a Job Guarantee should have the following elements:

**1. Permanent & Federally Funded:** A Job Guarantee should be a permanent feature of the social safety net in a society. It is not limited by a specific budget, in the same way that income support is not limited by a specific budget. Rather the amount spent in any given year will reflect the economic cycle – more people will accept work in private enterprise during periods of boom, and more people will rely on the public option during economic contractions. Various models demonstrate that the gross cost of a Job Guarantee would be between 1-3% of GDP.<sup>15</sup> The net cost in our current economy would be roughly \$25 billion per year – only \$3 billion more than the annual cost of the full suite of income and tax cuts

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<sup>10</sup> Roosevelt, FD 1944, 'State of the Union Address', transcript, *FDR Library and Museum*, 11 January, viewed 17 December 2019, <http://www.fdrlibrary.marist.edu/archives/stateoftheunion.html>

<sup>11</sup> Randolph, AP & Rustin, B 2018, 'How the Civil-Rights Movement Aimed to End Poverty', *The Atlantic*, viewed 17 December 2019,

<https://www.theatlantic.com/magazine/archive/2018/02/a-freedom-budget-for-all-americans-annotated/557024/>

<sup>12</sup> Ghosh, J 2014, 'Can Employment Schemes Work? The Case of the Rural Employment Guarantee in India', in DB Papadimitriou (ed.), *Contributions to Economic Theory, Policy, Development and Finance*. Levy Institute Advanced Research in Economic Policy, Palgrave Macmillan, London.

<sup>13</sup> Tcherneva, PR 2012, 'Beyond Full Employment: What Argentina's Plan Jefes Can Teach us About the Employer of Last resort', *Employment Guarantee Schemes Job Creation and Policy in Developing Countries and Emerging Markets*, viewed 17 December 2019, [http://www.levyinstitute.org/pubs/wp\\_732.pdf](http://www.levyinstitute.org/pubs/wp_732.pdf)

<sup>14</sup> Taylor, N 2008, *American-Made: The Enduring Legacy of the WPA: When FDR Put the Nation to Work*, Bantam Books, New York.

<sup>15</sup> Wray, LR, Dantas, F, Fullwiler, S, Tcherneva, PR & Kelton, SA, *Public Service Employment: A Path to Full Employment*, *Levy Economics Institute*, viewed 17 December 2019, [http://www.levyinstitute.org/pubs/rpr\\_4\\_18.pdf](http://www.levyinstitute.org/pubs/rpr_4_18.pdf)

proposed by then treasurer Scott Morrison over the next 10 years.<sup>16</sup>

**2. Locally Administered:** The program is primarily administered by local governments, registered non-profits, social enterprises and cooperatives. It takes the contract to the worker, creating jobs where the unemployed live. As a result it is highly targeted, creating the greatest number of jobs and offering the greatest stimulus to communities with the greatest number of unemployed people. Being locally administered also means a broader definition of work can be adopted than we currently have. Care, cultural, environmental and charitable work can be fully remunerated, with local communities empowered to decide their own needs.

**3. Award conditions and wages:** Wages and benefits offered under a Job Guarantee reflect the minimum acceptable standards set forth in legislation. A Job Guarantee is not exploitative workfare. Job Guarantee workers are paid the full minimum wage, and have access to benefits such as sick leave and holiday leave calculated pro-rata based on the time worked. A Job Guarantee provides a floor on which all workers can expect to stand – removing the threat of unemployment during bargaining, and strengthening casual or contract workers' negotiating position.

**4. Voluntary, not workfare:** A Job Guarantee does not require people to work in order to receive existing benefits (such as Newstart, DSP, Youth Allowance, etc.) It doesn't displace these options either - providing people with a choice between the existing social safety net and enrolling in the Job Guarantee. If someone chooses to accept Newstart while continuing to seek a private sector job, they always retain the option to later enrol in the Job Guarantee program. Similarly, someone who joins the Job Guarantee program is free to opt out onto existing income support payments without penalty.

**5. Flexible and accessible:** It meets people where they are in terms of ability, providing suitable, useful work opportunities, designed to be appropriate for the education, skill level and experience of the applicant. It offers part-time and flexible work arrangements for students or the underemployed. It is sensitive to the particular needs of groups such as at-risk youth, people who have recently left prison, or people with disabilities.

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<sup>16</sup> Connolly, C 2017, 'Why a universal basic income is a poor substitute for a guaranteed job', *The Conversation*, 19 January, viewed 17 December 2019, <https://www.abc.net.au/news/2017-01-19/universal-basic-income-vs-job-guarantee/8187688>

**6. It invests in people and communities:** On-the-job training and apprenticeship opportunities are included under a Job Guarantee program to help people develop the skills and confidence to transition from public to private sector work should they want to. By allowing communities to democratically participate in deciding what work is socially useful, the offer of employment is separated from the profitability of employment. Projects are created to serve community needs, rather than prioritising “profitability” or “productivity” in a narrow sense.

**7. It invests in sustainability:** The program should provide options for addressing environmental concerns. An early example of a guaranteed employment program, the Citizens Conservation Corps, planted 3.5 billion trees in a ten-year period.<sup>17</sup> A Job Guarantee program may provide a framework by which we can harness people seeking work to make a contribution and coordinate them to address the greatest moral, social and economic challenge of our era.

There are far more substantive explorations of the ways a Job Guarantee would work in practice, along with the kinds of work local councils need performed.<sup>18</sup> These features, however, are what distinguish a Job Guarantee from other job programs.

There are of course, logistical challenges in delivering any right guaranteed by the state. Our healthcare and education systems are phenomenally complicated, expensive and imperfect - understandably so in a country as large, and regionally distributed, as Australia. But because we believe in a pre-logistical right to healthcare and education, we expect governments of all stripes to deploy the resources to figure it out, and improve over time.

## What are the benefits of a job guarantee?

### **1. Secure, guaranteed employment for the unwaged and underemployed.**

A Job Guarantee gives people seeking employment the very thing that they're asking for: a job. It doesn't provide them with a cheque in the mail, to address their immediate needs but then leave them to make their own way. It gives them access to, and a stake in the means of production, by creating a legally enforceable right to work. It puts the onus on government to

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<sup>17</sup> Salmond, JA 1967, *The Civilian Conservation Corps 1933–1942: a New Deal case study*, Duke University Press.

<sup>18</sup> Cook, B, Mitchell, W, Quirk, V & Watts, M 2008, 'Creating effective local labour markets: a new framework for regional employment policy', Center for Full Employment and Equity, viewed 17 December 2019, [http://www.fullemployment.net/publications/reports/2008/CofFEE\\_JA/CofFEE\\_JA\\_final\\_report\\_November\\_2008.pdf](http://www.fullemployment.net/publications/reports/2008/CofFEE_JA/CofFEE_JA_final_report_November_2008.pdf)

figure out how to include them in the labour market and provide on-the-job-training where necessary to give people the skills and competencies they need to make a difference in their communities. By targeting the unemployed, and offering them real wages and conditions rather than subsistence level income support we drastically reduce the social and economic stress placed upon many families especially during a period of economic transition and technological advance. It provides people with far more than an income, but with the significant improvements to health and wellbeing we know are attached to structured, secure employment.

## **2. More bargaining power for casual, low paid, and exploited workers.**

The Australian workforce has been undergoing a trend of casualisation for at least the last two decades. The rise of the gig economy, labour-hire companies and other contract work has provided flexibility for some, while depriving a great many others of access to the workplace protections and entitlements the union movement has fought to secure. In addition to further regulatory oversight and the bargaining arrangements for contract workers being advocated by Australian unions, a Job Guarantee would create a meaningful alternative for those in casual work. Job Guarantee jobs are paid at the minimum wage, and carry the same entitlements and benefits as full time work provided pro-rata for the amount of time worked. Removing the threat of unemployment during workplace bargaining provides workers with a stronger negotiating position. Private sector employers have to offer conditions that are competitive with the Job Guarantee alternatives or they simply won't have a workforce. This also means governments can readily enforce future changes to work requirements, shortening the working week or increasing wages and enforcing their adoption by guaranteeing access to a public alternative. This is a powerfully redistributive mechanism to reverse the downward trend in the wage-share of GDP.

## **3. Recognising and remunerating an expanded field of human activity as work.**

The current boundaries of what we consider productive labour were set by capitalists, colonialists and patriachs. Women perform significant quantities of labour that our communities would not function without, and yet which are neither remunerated nor recorded in measures of economic performance. Similarly, many regional Indigenous communities have seen young people forced to move off their land, or take work in local mines because governments have underfunded their communities and failed to provide long-term funding arrangements for successful initiatives like the ranger program.<sup>19</sup>

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<sup>19</sup> Boutkasaka, M & Dunlop, G 2018, "'Invest in success': Indigenous rangers eagerly await funding boost", *NITV News*, 11 July, viewed 17 December 2019, <https://www.sbs.com.au/nitv/nitv-news/article/2018/07/11/indigenous-rangers-australia-funding>

A Job Guarantee gives local councils, nonprofits and registered charities an unconditional pool of funding to create jobs, and to define the boundaries of work as they see fit. Communities have diverse communal needs - from urban maintenance, to aged care, or additional help in classrooms. A Job Guarantee seeks to socialise the delivery and resourcing of community needs that aren't sufficiently met by the market or volunteer labour. By separating the offer of employment, from the profitability of employment we are empowered to rethink what kinds of labour are socially and communally beneficial, and then pay people and train people to do it. An important feature of this model is that it breaks down the distinction between voluntary and paid labour. Rather than paying everyone the same lump sum, and maintaining the gendered distribution of unpaid work thereafter - it offers full compensation to the people performing what would have been unpaid work.

#### **4. Targeted investment in communities suffering the greatest deprivation.**

A Job Guarantee targets public funds towards areas of high unemployment and social deprivation. Many regional areas have unemployment rates that are four or five times higher than the national average, and need greater stimulus than populous major cities. As people enter the Job Guarantee program, they also become local consumers, with their higher wages going towards the stimulation of private businesses in areas that previously had no alternatives. For many people it will serve more as a transitional job in a revitalised community with the funds and income base to pursue its own development. It prevents the flight of young people from regional or rural areas, and addresses many of the flow-on anti-social consequences of widespread unemployment, by ensuring that if people want to stay in the places they and their families grew up there are options that make that financially viable.

#### **5. Additional resources to address unmet community needs.**

In addition to providing communities with a larger, higher income consumer base and solving many of the flow-on social problems that come from involuntary unemployment, a Job Guarantee also provides local communities with a ready supply of people to address unmet community needs. Whether it's urban maintenance and renewal, employing local artists and musicians to run classes and enrich the cultural options for residents, or just better staffing of public infrastructure and services, a Job Guarantee mobilises a pool of people toward socially desirable community outcomes. These needs will change region to region, and are best determined by local councils, and community organisations embedded within the area. A Job Guarantee also changes the marginal cost of formal public service jobs. If the

government has to offer employment to everyone who wants it, the cost of outsourcing public services becomes significantly higher than retaining and expanding local staff. Not only would governments need to pay the new contractors, but they'll also pick up the tab for any workers displaced by the new arrangement who take advantage of the Job Guarantee. A Job Guarantee offers a vision of a large, skilled public service rather than a shrivelled state run by contractors, and aligns the financial incentives of government accordingly.

#### **6. Macroeconomic stabilisation: sustainable, non-inflationary full employment.**

Recent analysis suggests that prices won't increase significantly even at very low levels of unemployment.<sup>20</sup> The limit of what a sovereign, currency issuing government can afford is defined by the available real resources of the economy they manage. The Australian government can afford anything that people are willing to sell to it in exchange for the Australian dollar, but if it runs deficits so large that it pushes beyond our productive limits, it will drive up prices. The economic stimulus created by a Job Guarantee by definition focuses government spending on currently unemployed resources and operates countercyclically, creating a full employment economy without inflation. During an economic contraction, the number of people accessing the Job Guarantee will grow, increasing the stimulus provided and keeping the economy at full employment without pushing it beyond. As the private sector recovers and grows, it will hire people out of the Job Guarantee program, leading to less government investment when it's not needed. Additionally, under a Job Guarantee government injections are linked to a concrete unit of real resources: an hour of socially useful work. It anchors the value of the currency for the people earning it, preventing a host of unpredictable and potentially undesirable financial behaviours.

**Recommendation 3:** Trial a Federal Job Guarantee framework, alongside investment in a vibrant and world class public service.

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<sup>20</sup> Hail, S 2018, *Economics for Sustainable Prosperity*, Binzagr Institute for Sustainable Prosperity, Palgrave Macmillan.

# Raise Newstart

Australians are proud to support people in their communities in times of need, no matter where they live, their age, or the colour of their skin. And yet, more than a three-quarters of a million Australians – often the old, the young, and single parents – are locked out of work and reliant on Newstart or Youth Allowance payments so low as to force the recipient into poverty.

The single rate of Newstart for jobseekers is just \$279.50 per week, or less than \$40 per day, while the cost of healthy living for a single, unemployed person in Australia is \$434 per week, or \$62 per day.<sup>21</sup>

The consequences of such a low payment are severe, and their impacts are likely intergenerational.<sup>22</sup> There is a strong causal link between poverty and several profound, negative social outcomes – most notably:

- Mental health issues, where a number of papers identify unemployment affecting the whole spectrum of mental health issues, from depression to schizophrenia; and
- Cardiac/heart diseases, where the stress from unemployment causes increased incidence of Cardiac/heart disease.<sup>23</sup>

Australia's low Newstart rate produces a poetic pair of statistics.

- We have the second lowest social security payments for the unemployed in the OECD<sup>24</sup> – lowest if you include housing assistance<sup>25</sup>
- We have the second highest poverty rate among the unemployed of any OECD

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<sup>21</sup> Saunders, P & Bedford, M 2017, 'New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians', *SPRC Report 11/17*, UNSW Social Policy Research Centre, viewed 17 December 2019,

<http://unsworks.unsw.edu.au/fapi/datastream/unsworks:46140/binc76de784-a739-416b-9361-6ebb285882ea?view=true>

<sup>22</sup> Ibid.

<sup>23</sup> Deloitte Access Economics 2018, *Analysis of the impact of raising benefit rates*, The Australia Institute, viewed 17 December 2019,

<https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>

<sup>24</sup> Bennet, O, Dawson, E, Lewis, A, O'Halloran, D & Smith, W 2018, *Working it out: Employment services in Australia*, Per Capita, viewed 17 December 2019,

[https://percapita.org.au/our\\_work/working-it-out-employment-services-in-australia/](https://percapita.org.au/our_work/working-it-out-employment-services-in-australia/)

<sup>25</sup> Whiteford, P 2019, 'Is Newstart really the pacesetter Scott Morrison says it is?', *Inside Story*, 10 July, viewed 17 December 2019, <https://insidestory.org.au/is-newstart-the-pace-setter-scott-morrison-says-it-is/>

nation<sup>26</sup>

The Business Council of Australia has suggested that the rate of unemployment payments in Australia is so low it is acting as a barrier to work. For about seven years, BCA CEO Jennifer Westacott has asserted “entrenching [unemployed people] into poverty is not a pathway back into employment.”<sup>27</sup>

Increasing Newstart and Youth Allowance would restore dignity to individuals and households reliant on unemployment payments. It would mean parents around the country no longer have to choose between putting food on the table or replacing their children's school shoes. It would begin to dismantle the cruel stigma attached to social security.

More broadly, increasing Newstart by even \$75 per week would result in a \$4 billion “prosperity dividend” for the wider economy – a targeted fairness impact that would result in a 1.6% increase in the income of the lowest-earning quintile of Australians, versus 0.06% for the highest quintile, and disproportionately supporting regional communities.<sup>28</sup> The Reserve Bank has also stated that increasing Newstart is an option for stimulating the current sluggish economy,<sup>29</sup> and this will be important with a potential recession in the economic forecast.

Australia's meagre Newstart payment and punitive “mutual obligations” system humiliate people looking for work that does not exist. While policies to achieve full employment are a long-term solution to structural problems in the labour market, in the interim there is an urgent need to increase the rate of Australia's unemployment payments. If only to resolve the disconnect between the pride we take in supporting one another through hardship and the indignity of our social security system.

An increase to the rate of Newstart and Youth Allowance of at least \$96, in line with the

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<sup>26</sup> Bennet, O, Dawson, E, Lewis, A, O'Halloran, D & Smith, W 2018, *Working it out: Employment services in Australia*, Per Capita, viewed 17 December 2019,

[https://percapita.org.au/our\\_work/working-it-out-employment-services-in-australia/](https://percapita.org.au/our_work/working-it-out-employment-services-in-australia/)

<sup>27</sup> Ibid

<sup>28</sup> Deloitte Access Economics 2018, *Analysis of the impact of raising benefit rates*, The Australia Institute, viewed 17 December 2019,

<https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>

<sup>29</sup> Bolger, R 2019 'RBA boss says raising Newstart more effective than tax cuts for the wealthy', *SBS News*, 9 August, viewed 17 December 2019,

<https://www.sbs.com.au/news/rba-boss-says-raising-newstart-more-effective-than-tax-cuts-for-the-wealthy>



Minimum Income for Healthy Living would help the people doing it toughest to afford food and housing, reduce homelessness, destitution and the need for charity. These reforms would improve people's wellbeing, security and health and, yes, stimulate the economy.

**Recommendation 4:** An immediate raise the rate of Newstart and Youth Allowance payments by at least \$96 per week in line with the Minimum Income for Healthy Living.

# Protect the ABC

Trust is earned. More than 80% of Australians believe that the ABC is trustworthy and valuable – making it the *most* trusted broadcaster in the country.<sup>30</sup> It's why an estimated 10 million of us tuned into the ABC's federal election coverage this year.<sup>31</sup>

It's one of the best-resourced news outlets in the country for deep, sustainable investigative reporting, which has ensured its continued holding of powerful institutions to account. We saw it this year: you can set your watch to the rhythm of a Four Corners investigation as it gives rise to a Royal Commission (into aged care and the misconduct of the major banks in the last 12 months).

It's no surprise. The ABC employs more than 1270 journalists and content makers, and more than 90% of its funding goes directly into journalism and content creation.<sup>32</sup>

More than merely keeping us abreast of news and current affairs, the ABC keeps us safe. In 2018/19, they covered more than 370 emergency events.<sup>33</sup> Their emergency alert system has been instrumental in supporting Australians through this season's unprecedented bushfires. Their provision of local content through nearly 50 regional bureaux ensures quality coverage for Australians who live in parts of the country where it is simply not profitable for private media ventures to do so.<sup>34</sup>

Despite the unrivaled size of the corporation and breadth of services it provides, the ABC makes the most of its funding. The 2014 Efficiency review lead by Peter Lewis found “[the ABC and SBS] achieve very substantial outputs with [their] resources, as evidenced by the level of respect and trust the Australian community holds in them.”<sup>35</sup> Likewise, the Inquiry into the ABC's competitive neutrality found, “given their market shares, and other factors...

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<sup>30</sup> Australian Broadcasting Corporation (ABC) 2019, *ABC Annual Report 2019*, ABC, viewed 17 December 2019, <https://about.abc.net.au/wp-content/uploads/2019/10/ABC-Annual-Report-201819v2.pdf>

<sup>31</sup> Ibid

<sup>32</sup> Ibid

<sup>33</sup> Ibid

<sup>34</sup> Ibid

<sup>35</sup> Department of Communications 2014, *ABC and SBS efficiency study*, viewed 17 December 2019, [https://www.communications.gov.au/sites/default/files/ABC\\_and\\_SBS\\_efficiency\\_report\\_Redacted.pdf?acsf\\_files\\_redirect](https://www.communications.gov.au/sites/default/files/ABC_and_SBS_efficiency_report_Redacted.pdf?acsf_files_redirect)

the National Broadcasters are not causing significant competitive distortions beyond the public interest”.<sup>36</sup>

Further, in a period where the media landscape continues to struggle with digital disruption, our national broadcaster has consistently demonstrated a commitment to digital innovation that has kept it ahead of the curve. This includes hugely popular initiatives such as video-on-demand streaming (programs like *Bluey* have now been streamed over 100 million times<sup>37</sup>) and experiments in digital engagement like the Australia Talks program.

But the most trusted broadcaster in the country is under threat.

In the 2017/18 budget, the then Turnbull government announced a freeze to the indexation of the ABC’s funding. As costs grow predictably it has left the broadcaster in a bind. In the latest annual report, ABC Managing Director David Anderson explains:

“The Corporation’s ability to invest in refreshing its capabilities is constrained by the matching need to maintain scheduled broadcast media services, which are expected to continue for the foreseeable future, and to replace end-of-life technology assets that have been ‘sweated’ in the pursuit of past efficiencies. At the same time, the cost of creating and acquiring quality content continues to rise.”<sup>38</sup>

The pressure on the ABC since the Abbott government’s 2013 cuts has been unrelenting. There is no fat left to cut - we can’t afford to lose these emergency services. We can’t afford to lose world class programming. We can’t afford to lose regional news and current affairs

More importantly, as outlined earlier in this submission, we don’t need to.

The ABC exemplifies the kind of significant investment that governments should be making in socially productive ventures. Its contribution to the cultivation of our national identity is self-evident, its broadcasts, services and publications are world class, and its efficiency has been repeatedly audited and confirmed.

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<sup>36</sup> Department of Communications and the Arts 2018, *Inquiry into the Competitive Neutrality of the National Broadcasters*, viewed 17 December 2019, <https://www.communications.gov.au/documents/inquiry-competitive-neutrality-national-broadcasters-report-expert-panel>

<sup>37</sup> Australian Broadcasting Corporation (ABC) 2019, *ABC Annual Report 2019*, ABC, viewed 17 December 2019, <https://about.abc.net.au/wp-content/uploads/2019/10/ABC-Annual-Report-201819v2.pdf>

<sup>38</sup> Ibid

As a beginning, the most trusted broadcaster in the country should have restored the \$783.3 million in funding cut from its budget since 2013, and the indexation of that base funding should be assured indefinitely. The Government should also be considering new funding to enable to ABC to do more to benefit people across Australia.

**Recommendation 5:** Restoring the \$783.3 million in funding cut from their budget since 2013, and guaranteeing ongoing, indexed increases in funding to protect programs and services.

# Invest in renewable energy industries

The most recent Quarterly Update of Australia's National Greenhouse Gas Inventory<sup>39</sup> reported a decrease of 0.1%. But these figures do not represent Australia's climate ambition. What they do represent is the impact of a prolonged drought on our agriculture sector which is now producing less emissions.<sup>40</sup> Australia is the third largest fossil fuel exporter,<sup>41</sup> and under the current government coal exports have doubled since 2000.<sup>42</sup> The only reason we are in line to meet our Paris commitments is due to our government's dodgy emissions accounting which attempts to use carry-over credits from Kyoto and ignores emissions from exports - a stance which has dismantled global climate action.<sup>43</sup>

But it doesn't have to be this way. The transition away from coal is inevitable, and already well underway. Australia has huge potential for green hydrogen built alongside solar and wind energies. All that is needed is political support and investment. That's why the Australian Renewable Energy Agency (ARENA) was established – to improve the competitiveness of Australia's renewable energy technologies and increase the supply of renewable energy.

Set up in 2012, ARENA has invested in hundreds of renewable energy projects with a total value of \$5.55 billion.<sup>44</sup> Their large-scale solar fund has powered homes and jobs around the country<sup>45</sup>. They are converting waste into solar farms<sup>46</sup>, and waves into electricity off King

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<sup>39</sup> Department of Environment and Energy 2019, *Quarterly Update of Australia's National Greenhouse Gas Inventory: June 2019*, viewed 17 December 2019, <https://www.environment.gov.au/system/files/resources/6686d48f-3f9c-448d-a1b7-7e410fe4f376/files/nggi-quarterly-update-mar-2019.pdf>

<sup>40</sup> Cox, L, Morton, A & Evershed, N 2019, "Not Something to Celebrate": Drought and Flood Cause Drop in Emissions', *The Guardian*, 29 Nov, viewed 17 December 2019, <https://www.theguardian.com/environment/2019/nov/29/not-something-to-celebrate-drought-and-flood-cause-drop-in-emissions>

<sup>41</sup> Swann, T 2019, *High Carbon from a Land Down Under Quantifying CO2 from Australia's fossil fuel mining and exports*, The Australia Institute, viewed 17 December 2019, <https://www.tai.org.au/content/high-carbon-land-down-under-quantifying-co2-australia-s-fossil-fuel-mining-and-exports>

<sup>42</sup> Gordon, J 2019, "The "moral Argument" behind Counting a Country's Fossil Fuel Exports in Its Emissions', *ABC News*, 9 December, viewed 17 December 2019, <https://www.abc.net.au/news/2019-12-09/analysis-exported-emissions-from-fossil-fuels/11752012>

<sup>43</sup> Ibid

<sup>44</sup> ARENA 2019, *ARENA at a glance*, viewed 12 December 2019, <https://arena.gov.au/assets/2019/07/arena-at-a-glance.pdf>

<sup>45</sup> ARENA 2019, *Parkes Solar Farm*, viewed 12 December 2019, <https://arena.gov.au/projects/parkes-solar-farm/>

<sup>46</sup> ARENA 2019, *Pilot Landfill Solar Project*, viewed 12 December 2019, <https://arena.gov.au/projects/pilot-landfill-solar-project/>

Island<sup>47</sup>. They are securing our energy grid with reliable energy by supporting the construction of some of Australia's biggest batteries<sup>48</sup>. And they are creating thousands of jobs in the process - the Climate Institute reports that Australia has the potential to create 32,000 new renewable energy jobs in regional communities across the country.<sup>49</sup> ARENA proves that jobs and economic growth can be achieved in tandem with climate action.

This is not just a moral issue. It's an electoral issue. Climate change is consistently rated as a top concern for Australians:

- Guardian's Essential poll in November showed 60% of Australians want to see more climate action (compared with 51% in March)<sup>50</sup>
- The Australia Institute's Climate of the Nation 2019 report found that not only were Australians concerned about climate impacts such as droughts and flooding, but that 64% think we should have a national target for net zero emissions by 2050<sup>51</sup>
- The Lowy Institute's poll showed that Australians view climate change as the leading threat to Australia's interests<sup>52</sup>
- The Ipsos Public Affairs Issues Monitor in November found 32.1% of Australians rate the state of the environment among their biggest worries – up from 14%<sup>53</sup>

ARENA funding provides solutions to these concerns. For example, their new focus on green hydrogen has the potential to develop an export industry that rivals liquefied natural gas. However, ARENA funding is likely to run out by the end of 2020. The government should support ARENA and extend their funding so that this important work can continue.

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<sup>47</sup> ARENA 2019, *King Island Wave Power*, viewed 12 December 2019, <https://arena.gov.au/blog/king-island-wave-power/>

<sup>48</sup> ARENA 2019, *Victoria's first big batteries charge up for summer*, viewed 12 December 2019, <https://arena.gov.au/blog/victorias-first-big-batteries-charge-up-for-summer/>

<sup>49</sup> The Climate Institute 2011, *Clean Energy Jobs in Regional Australia: Nationwide Snapshot*, The Climate Institute, viewed 17 December 2019, [http://www.climateinstitute.org.au/verve/\\_resources/cleanenergyjobssnapshot\\_national.pdf](http://www.climateinstitute.org.au/verve/_resources/cleanenergyjobssnapshot_national.pdf)

<sup>50</sup> Murphy, K 2019, 'More Voters Think Australia Not Doing Enough on Climate, Guardian Essential Poll Shows', *The Guardian*, 26 November, viewed 17 December 2019, <https://www.theguardian.com/australia-news/2019/nov/26/more-voters-think-australia-not-doing-enough-on-climate-guardian-essential-poll-shows>

<sup>51</sup> Merzian, R, Quicke, A, Bennett, E, Campbell, S & Swann, T 2019, *Climate of the Nation 2019*, The Australia Institute, viewed 17 December 2019, <https://www.tai.org.au/content/climate-nation-2019>

<sup>52</sup> Lowy Institute 2019, *Media Release: 2019 Lowy Institute Poll - Australian attitudes to climate change*, viewed 17 December 2019, <https://www.lowyinstitute.org/publications/media-release-2019-lowy-institute-poll-australian-attitudes-climate-change>

<sup>53</sup> Evans, D & Curran, J 2019, *Ipsos Issues Monitor September 2019*, Ipsos, viewed 17 December 2019, [https://www.ipsos.com/sites/default/files/ct/news/documents/2019-10/im\\_all\\_sept19\\_qtr3\\_0.pdf](https://www.ipsos.com/sites/default/files/ct/news/documents/2019-10/im_all_sept19_qtr3_0.pdf)

In 2016, when the Turnbull government tried to cut \$1.3 billion from ARENA's funding, thousands of GetUp members called, emailed, and met with their representatives to urge them otherwise. And it worked. It worked because Australians want renewable energy to power their homes. It worked because Australians want more resilient and diverse regional industries.

By refusing to extend ARENA funding, this government would slam the brakes on Australia's transition to 100% renewable energy. It will keep us burning coal and gas for longer and make the climate crisis that is driving these intense bushfires even worse. ARENA is key to making Australia as a renewable energy superpower, and importantly, the regional jobs that come with it.

**Recommendation 6:** Fast track Australia as a renewable energy superpower by extending the Australian Renewable Energy Agency's funding by \$2bn to 2025.

# Supporting democratic integrity

Australians are an egalitarian people, sharing a firm belief that no success is purely individual. We understand that our ability to get ahead depends in large part on our starting point in life, the opportunities we're given to succeed, and the community support available to us. And yet, here in Australia, the richest 1% now own more wealth than the bottom 70%.<sup>54</sup> And it's only getting worse.

There are two fundamental issues we can point to for the escalating growth of wealth – and power – in the hands of elites. One is that vast tax loopholes and weak enforcement powers have allowed massive corporations and the wealthiest people in society to maintain an inequitable sum of wealth compared to ordinary people. This gives them an outsized influence in political and economic life, an influence that – in a democracy – should belong to citizens.

The second issue is the lack of a federal corruption watchdog. Without stringent checks on state power, there is a risk of the powerful using their wealth to gain further access to the political process. This will allow an uneven ability to grow their wealth, affecting the majority of Australians who currently struggle to have their voice heard in Canberra.

## Progressive taxation prevents the consolidation of wealth and power in the hands of the few

Just because we don't need to fund every dollar of spending with a commensurate dollar in tax, doesn't mean there is no role for taxation. The central purposes of taxation are:

1. To help stabilize the purchasing power of the dollar;
2. To express public policy in the distribution of wealth and of income;
3. To express public policy in subsidising or in penalising of various industries and economic groups;
4. To isolate, internalise or otherwise assess the costs of certain national benefits, such

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<sup>54</sup> Hutchens, G 2018, 'Top 1% of Australians own more wealth than bottom 70% combined', *The Guardian*, 22 January, viewed 17 December, <https://www.theguardian.com/australia-news/2018/jan/22/top-1-per-cent-of-australians-own-more-wealth-than-bottom-70-per-cent-combined>



as highways and social security.

In other words, tax has the power to shape our economy – and our society. We want a society that lets people get on with their lives, while making sure corporations and wealthy individuals pay their fair share. A society that stops millionaires squirrelling their wealth away through loopholes while the rest of us do the right thing. And a society that penalises socially harmful behaviour and encourages decisions which are good for the community as a whole. The overwhelming majority of Australians want a tax code that reflects our values.

We live in one of the richest countries in the world, at the richest time in human history. But the vast majority of our wealth is controlled by a tiny handful of individuals. Australia needs a taxation system that distributes wealth more fairly towards those who need it, to ensure this country's prosperity is shared by all.

To achieve this, we should close income tax loopholes exploited by millionaires, tax \$2 million inheritances as income, and introduce a “Buffet Rule”.

#### **Close income tax loopholes exploited by millionaires.**

Ending negative gearing on new investments, halving the capital gains discount, taxing trust income effectively and capping the deductions on accountancy fees to make sure individuals are paying their fair share.

#### **Tax \$2 million inheritances as income.**

Large inheritances perpetuate generational cycles of inequality. The largest estates should be subject to appropriate taxation to stop the accumulation of society's wealth into ever fewer hands.

#### **Introduce a “Buffett Rule”.**

Kerry Packer famously reduced the effective tax rate on his multi-million dollar income so that it was less than his own personal gardener's. A Buffett Rule would be a catch-all fail safe, legislating a minimum effective tax rate to be paid on all individual incomes over \$300,000.

### Dismantling the two-class tax system

Rule of law is an essential feature of our democracy. Laws should always apply fairly, and

equally across all people, regardless of their status in society. And yet, in 2018, 1/3 of large Australian companies paid \$0 in tax. In 2015, 48 of Australia's highest-paid millionaires paid \$0 in tax. This is not the way our tax code is intended to work. To tackle this, we should reduce the influence of money in politics and close corporate tax loopholes.

### **Reduce the influence of money in politics.**

Corporations and wealthy individuals currently buy access to the halls of power, wielding a disproportionate influence over public policy, and securing policy outcomes and tax settings which further entrench their wealth and power. We should cap both political donations, and political expenditure by parties to undercut the influence that corporate money has over our political class. This may require additional public funding to be made available for election campaigns.

### **Close corporate tax loopholes.**

Legislation such as the *Multinational Anti-Avoidance Legislation* has had a positive impact on returning corporate profits back to the Australian people, and amendments such as the Diverted Profits Tax are expected to do the same. We should further these policies by having:

- Instituting public country by country reporting for companies with over \$1 billion in global revenue.
- Creating a publicly accessible registry of beneficial ownership of Australian listed companies
- Increased penalties for individuals and entities promoting tax evasion and avoidance
- Tightening debt-deduction loopholes used by multinational companies
- Mandatory shareholder reporting of tax haven exposure as a "Material Tax Risk"
- Return the threshold of public reporting of tax data to \$100 million in revenue

### **Establish an independent, federal corruption watchdog**

Ensuring the integrity of our political processes is essential to maintain public trust in our democracy. An independent, federal corruption watchdog – such as a Federal Independent Commission Against Corruption (ICAC) – is a key pillar of this integrity. Tackling corruption in our political system can also certify that public money is being spent in the best interests of Australian people, and not funnelled to the friends, benefactors, or allies of decision-makers.

But a subpar corruption watchdog could be worse than none at all. That's why any "Federal ICAC" should have the following qualities:

1. The ability to hold public hearings
2. The ability to make public findings
3. Accepts reports of corruption from members of the public
4. Properly funded so it can achieve all its aims

Without a strong check on corruption and illegitimate political influence, the Australian people risk losing its sovereign wealth to illegitimate government deals. Political corruption can allow certain corporations, particularly large corporations, to have outsized influence in financial dealings with government and sidelines workers and small businesses.

Funding a corruption watchdog in the Budget is also important to maintain the integrity of national democratic ideals and sustain citizens' and business faith in government. Failing to do so could have grave ramifications for Australian society and the economy. Business will be less likely to invest or establish activities in Australia if market forces are determined by proximity to political figures, and a failure to give citizens a fair voice in our political process is a failure of the government to uphold democracy.

Finally, a "Federal ICAC" should be adequately resourced and have stable funding. Cuts to the NSW ICAC have been viewed as a political maneuver to diminish the effectiveness of anti-corruption finding.<sup>55</sup> In order to maintain faith in governance systems and to have genuine scrutiny of political and economic activities, any federal corruption watchdog should be funded to its needs – not malleable to short-term budgetary concerns.

**Recommendation 7:** Close corporate tax loopholes so multinationals pay their fair share of tax

**Recommendation 8:** Fund an independent corruption watchdog with teeth, to restore democratic integrity

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<sup>55</sup> Aulby, H 2019, *The case for a federal corruption watchdog*, The Australia Institute, viewed 17 December 2019, <https://www.tai.org.au/sites/default/files/P380%20Case%20for%20a%20federal%20ICAC%20%281%29.pdf>

