



15 June 2016

Dr Cassandra Goldie  
Chief Executive Officer  
Australian Council of Social Service  
Locked Bag 4777  
Strawberry Hills NSW 2012

Dear Dr Goldie,

Thank you for your letter of 30 May 2016 in relation to Labor's policies to address poverty and inequality in Australia.

Labor has a strong track record in addressing poverty and inequality and has a clear plan to build a stronger, fairer economy for all Australians.

Labor looks forward to continuing to work with the Australian Council of Social Service (ACOSS) in promoting a fair, inclusive and sustainable Australia where individuals and communities can benefit and participate in social and economic life.

Please find our responses to your questions below.

### **Measuring social and economic progress**

Economic growth is integral to higher living standards, but evidence shows that growth on its own is not enough. Labor believes in inclusive growth. This requires a strong and fair economy which generates jobs with good pay and decent working conditions. It requires investing in human capital so Australians can succeed in these jobs. Inequality is a drag on the economy and bad for our society. We need to build an economy where everyone can contribute and share in the rewards.

Labor's overarching policy agenda for tackling inequality is outlined in *Growing Together*, developed under the leadership of the Hon Jenny Macklin MP, Shadow Minister for Families and Payments; and Disability Reform. One of the recommendations in *Growing Together* was to improve the way we measure progress. According to the report (at page 119):

*"Future Labor governments should examine ways of improving the collection of social statistics and, in considering international examples, develop a new index for measuring social progress as a complement to GDP and other more traditional measures. This could also be done by reinstating the ABS Measures of Australian Progress report."*

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Labor will continue to address the issues raised in this report and consider its recommendations.

### **A balanced approach to budget repair**

Only Labor is offering a fair and credible pathway to budget balance that does not smash family budgets or attack demand and confidence. We will reduce the deficit every year and return the Budget to balance in the financial year 2020-21, the same year as the Liberals. Our plan rejects vicious cuts to families, vulnerable Australians, health and education in the short term, but delivers stronger and more sustainable structural improvements to the Budget over the decade.

Labor has outlined our 10-year economic plan from opposition, announcing responsible and carefully calibrated budget repair measures to fund our investments and improve the budget position. We have made difficult decisions, including raising the tobacco excise, better targeting superannuation tax concessions and negative gearing, and ensuring big multinationals pay their fair share of tax.

Labor has been up front and honest with the public that budget repair will require both greater revenue measures and cuts to expenditure.

### **Improving the integrity and equity of the tax system**

Labor has announced a significant package of measures that improve the fairness of our tax system.

Labor will ensure big multinationals pay their fair share of tax. We will close loopholes that let huge companies send their profits offshore, including by implementing a worldwide gearing ratio for deductions and standardising our tax laws on hybrid instruments with other countries so companies can't double dip on deductions. This will improve the budget by \$1.6 billion over the forward estimates, and \$5.9 billion over the medium term.

Labor will reform negative gearing and the capital gains tax discount to ensure that our tax system is fair, sustainable and supports jobs. Labor will limit negative gearing to new housing from 1 July 2017. Labor will also halve the capital gains discount for all assets purchased after 1 July 2017. This will reduce the capital gains tax discount for assets that are held longer than 12 months from the current 50 per cent to 25 per cent. All investments made before this date will not be affected by this change and will be fully grandfathered. This will improve the budget by \$1.9 billion over the forward estimates, and \$37.3 billion over the medium term.

### **Towards a fair and sustainable retirement income system**

Labor has a clear plan to improve the sustainability of the retirement income system in a way that delivers fairness and enables Australians to maintain a comfortable standard of living in retirement.

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Labor will reduce the tax-free concession available to all individuals with annual superannuation incomes from earnings of more than \$75,000. From 1 July 2017, future earnings on assets supporting income streams above the \$75,000 threshold will attract the same concessional rate of 15 per cent that applies to earnings in the accumulation phase.

Labor will also reduce the Higher Income Superannuation Charge (HISC) threshold from \$300,000 to \$250,000. This would more closely align the concessions received by those on middle incomes with those on very high incomes, so that tax relief for superannuation contributions is distributed more fairly and sustainably.

We're pleased to see the Liberals have followed Labor's strong lead on the high income threshold and backed away from their plans to abolish the low income superannuation contribution, and of course we support those changes.

There are some substantial changes to superannuation that were announced for the first time in the 2016 Budget and Labor will take time to consult with relevant stakeholders on these.

## **Improving support for the unemployed**

### *Income support*

Labor believes a strong safety net is critically important and should never be undermined.

Labor acknowledges that Newstart is not the safety net it is supposed to be, particularly for families. Labor believes that the way forward is for an independent review to examine the adequacy of the Newstart Allowance. This should be done against two primary objectives – alleviating poverty and encouraging work. The review should also consider the adequacy of Newstart for people raising families – particularly single parents.

We understand that changes to the family payments system are complex and can have unintended consequences, which is why we believe the best approach is to commission a review.

Labor will oppose the Abbott-Turnbull Government's deep and unfair cuts, including its plans to force a four-week waiting period onto jobseekers aged under 25 who are applying for Newstart, Youth Allowance (Other) or Special Benefit. Labor will also oppose the Abbott-Turnbull Government's plans to increase the age of eligibility for Newstart and Sickness Allowance to 25 for new applicants.

Consistent with our approach in government to reasonable means testing of payments, Labor will not proceed with the new baby bonus and \$5 weekly increase to Family Tax Benefit Part A, will reduce the Family Tax Benefit Part A Supplement by 50 per cent for families with incomes greater than \$100,000; and will continue the existing threshold freezes to 2019-20.

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### *Creating jobs and reducing unemployment*

Labor understands that the best way to tackle poverty and reduce inequality is to ensure that every Australian who can work is able to get a decent job. That's why Labor will always put jobs first – job creation and participation, job security and decent working conditions.

Labor will work with business, unions and industry to create and secure decent jobs and reduce unemployment. We're investing in capital infrastructure through nation-building projects which will directly create more than 26,000 jobs and drive significant growth. We will build jobs and industry maximising job opportunities from clean energy and clean technology.

Training the workers of the future is a critical issue for our economy, for productivity and for communities. A Shorten Labor Government will boost apprenticeships across the country. We will help more unemployed young people into apprenticeships by creating 10,000 new *Apprentice Ready* places and see retrenched workers gain formal recognition of their skills through 5,000 accelerated apprenticeships so they can find their next job.

We will have more to say on our plans for creating jobs and reducing unemployment during the election campaign.

### **Reducing child poverty**

Labor believes that every child has a right to a safe, healthy and happy childhood. Labor will support families to give their children the best start in life, work to reduce child poverty and protect children at risk from disadvantage and abuse.

Labor's commitment to children and young people is reflected in the current Shadow Ministry. Labor currently has a Shadow Minister for Early Childhood, a Shadow Parliamentary Secretary for Child Safety and Prevention of Family Violence and a Shadow Parliamentary Secretary for School Education and Youth. There are no equivalent Ministerial portfolios in the Turnbull Government.

Social protection policies, such as family payments, pensions and unemployment support, help keep children and their families out of poverty. Social investment policies, such as improving maternal health, child care and education, give children and their families the support and skills they need to build better lives.

#### *Family payments*

The Liberals will dramatically reduce support for families on low and middle incomes through cuts to Family Tax Benefits. Under the Liberals, 1.9 million Australian families will lose their Family Tax Benefit end of year supplements. Single parents with teenage children would also have their income dramatically reduced through cuts to Family Tax Benefit Part B.

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If elected, Labor will oppose and not proceed with these harsh and unfair cuts. Australian families will be better off under Labor:

- A couple with a single income of \$85,000 and two children in primary school will be around \$1,300 better off each year under Labor.
- A sole parent with income of \$65,000 and two children in high school will be around \$3,000 better off each year under Labor.

Labor has always believed in targeting assistance to those who need it most, and we will introduce modest measures to better target family payments. Labor will reduce the Family Tax Benefit Part A end of year supplement by 50 per cent for families earning over \$100,000. These changes will ensure middle and working class families are protected from the Liberals' harsh and unfair cuts.

#### *Early education and child care*

Labor's early education and care policy will boost financial assistance for families and keep the existing arrangements with respect to access to two days of subsidised early education per week for all children. In contrast, the Liberals' unfair activity test will see many vulnerable and disadvantaged children have their access to early education cut in half and push others out of the system.

Labor will give parents the early education and care fee relief they need now – from 1 January 2017.

Under Labor's plan:

- Low and middle income families will benefit from an increase to the Child Care Benefit of 15 per cent.
- Every one of the 813,000 families that rely on the Child Care Benefit will be better off – an increase up to \$31 per child per week, or up to \$1,627 per year, will provide much needed relief for the family budget.
- The annual cap on the Child Care Rebate will be increased from \$7,500 to \$10,000 per child, leaving families up to \$2,500 per child per year better off.
- The 107,800 families who would otherwise reach the Child Care Rebate cap this financial year won't have to choose between paying double fees, or dropping out of the workforce.

#### **Access to basic services for all who need them**

##### *Access to health care and quality schooling*

Labor believes that your Medicare card, not your credit card, should determine the health care of all Australians, and that schools should be funded based on the individual needs of students to ensure every child gets the support they need in the classroom.

On health care, Labor created Medicare and only Labor will protect it. The Abbott-Turnbull Government has spent three years slashing funding to health and hospitals – and now wants to privatise the Medicare payments system.

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As a matter of principle, Labor believes that all Australians should have access to the highest quality health care regardless of their capacity to pay and regardless of where they live.

On education, Labor's Gonski reforms provide additional funding to rural and regional schools, students with disability, students from low socio-economic backgrounds, Indigenous students, and students with limited English. A Shorten Labor Government will deliver the Gonski reforms on-time and in-full, which will mean better trained teachers and more professional support in the classroom for every school.

### *Commonwealth funding*

A Shorten Labor Government will reduce waiting times for elective surgery and emergency departments, invest in hospitals and protect Medicare so Australia has the strong health system we need for the future.

Labor will restore the National Health Reform Agreement for four years, at the originally agreed funding formula of 50 per cent of growth in costs based on the National Efficient Price, and provide additional support to the States and Territories to reduce waiting times for elective surgery and in public hospital emergency departments.

This will boost hospital funding by \$2 billion more than the Liberals over the next four years, and drive efficiency by funding the States and Territories on the basis of the actual services performed.

This will mean reduced hospital waiting times, more beds, more doctors and nurses. Hospitals that perform services more efficiently are able to use additional funding to invest in service improvement.

### *Access to community services*

A Shorten Labor Government will provide funding certainty to range of organisations that provide critical community services to the most vulnerable and disadvantaged in our society.

Labor will deliver around \$200 million in targeted funding to ensure those suffering from family violence can access critical services when they need them. This includes investments in front-line legal services, including Aboriginal and Torres Strait Islander Legal Services, a new Safe Housing program to increase transitional housing options for women and children escaping domestic and family violence, and funding for organisations delivering the National Plan to Reduce Violence against Women and their Children.

A Shorten Labor Government will provide Community Legal Centres across the country with the funding they need to keep their doors open, after three years of devastating cuts under the Abbott-Turnbull Government. A Shorten Labor Government will invest almost \$43 million in front-line legal services over three years from 1 July 2017 so they can keep doing their vital work.

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PO BOX 6222, KINGSTON ACT 2604 ABN 38 318 251 221  
T 03 8625 5000, Twitter: @AustralianLabor, facebook.com/LaborConnect, [www.alp.org.au](http://www.alp.org.au)

Authorised by G. Wright, Australian Labor Party, 5/9 Sydney Avenue, Barton, ACT, 2600



## Ending the housing crisis

Labor believes that housing affordability is a critical issue, and that the Australian dream of owning a home should be within the reach of middle and working class families. But Australia has the most generous tax concessions for housing in the advanced world. Negative gearing and existing capital gains tax concessions are making housing affordability worse by providing a large tax subsidy to investors, giving them an unfair advantage over first home buyers.

From 1 July 2017, Labor will limit negative gearing to new property, providing a strong incentive for new construction and adding thousands of jobs to the building industry. Negative gearing losses for new investments in shares and existing properties can still be used to offset investment income tax liabilities, and losses can continue to be carried forward to offset the final capital gain on the investment.

Our policy is fully grandfathered and will not have any impact on existing property owners or people that use negative gearing for business purposes. These people will still be able to deduct net rental losses from their income at any time, either before or after 1 July 2017.

## A strong, independent and diverse civil society

Labor is committed to supporting a strong, independent and diverse civil society. Labor has a proud history of supporting the right of peak representative bodies and charities to advocate on behalf of their cause – including, but not limited to, criticising government policy and arguing for legislative reform.

The Liberals have treated the community and not-for-profit sector with contempt, by ripping more than \$270 million worth of funding from front-line services. A Shorten Labor Government will reset the Federal Government's relationship with the sector.

Labor has established a Federal Labor Community Sector Partnership – a regular forum for debating policy ideas and direction. This will become a permanent interface between Government and the community sector if Labor is elected. Labor will also:

- Reinvigorate the *National Compact between the Australian Government and the Third Sector* to outline the terms of engagement and agree a joint agenda for working together.
- Scrap the Liberals' shambolic community grants program. Whilst Labor will honour all existing contracts, over time we will move towards a fairer approach to funding community organisations, including longer term contracts.
- Continue to work through the Australian Charities and Not-for-profits Commission to streamline reporting mechanisms and cut red tape for community and not-for-profit organisations.

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## **Effective action to address climate change and its impacts on people on low incomes**

Labor has taken a sector based approach to developing our Climate Action Plan. This provides an overarching framework to drive our progress towards our long term international obligations, while ensuring individual policies are appropriately calibrated and responsive to the economic circumstances of the key sectors of our economy. This approach has been developed to minimise impacts on households and industry.

As part of Labor's plan, energy generation will be covered by a separate and closed emissions trading scheme (ETS) from 2018. This will ensure that reducing carbon pollution from generation can be internalised and managed in a manner that strengthens energy security and protects consumers. The Australian Energy Market Commission advises that such a system would operate "without a significant effect on absolute price levels faced by consumers".

Labor will invest \$98.7 million to establish a Community Power Network and Regional Hubs. We will develop a Community Power Network to deal with the challenges of implementing renewable energy solutions in social and community housing, rental properties and apartment-style living. The Network will oversee the development of Community Power Hubs that will work in communities to support the development of local projects to address local needs and assist them in applying for grants through the Community Power Network fund.

Thank you for the opportunity to outline Labor's position on these important issues.

Sincerely,

**ALP Information Services Unit**

Australian Labor Campaign Headquarters

[www.alp.org.au](http://www.alp.org.au)



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