

Budget 2021: ACOSS preliminary analysis

12/5/21

Australian Council of Social Service CEO Dr Cassandra Goldie said:

“After years of austerity, a pandemic and a recession, this budget provides much-needed funding to finally start fixing some of the gaping holes in our aged care, childcare, mental health, and domestic violence services.

“However, this budget misses the opportunity to deliver the change we need to reduce inequality and poverty, act on climate change and make the investments in crucial areas to support communities rebuild from crisis, like social housing.”

ACOSS’s preliminary analysis on budget measures is set out below under the following headings:

1. Investment in services will start to plug yawning gaps
2. Funding for equal pay must extend to all community services
3. People need much more help to get into paid employment
4. People on income support will continue to live in poverty
5. Nothing to improve access to secure housing for people on low incomes
6. No progress towards Closing the Gap
7. Budget fails to tackle climate crisis, create clean jobs and ensure no-one is left behind in the energy transition
8. Disaster Resilience funding must focus on communities and people at risk
9. Personal tax cuts will come at the expense of future services, and disproportionately benefit men on higher incomes
10. Business tax cuts are a costly and inefficient way to generate jobs
11. Super policies predominantly benefit the wealthy

At the end of this analysis, we have included a table of costs and jobs created by major budget policies.

Note: Please attribute quotes below to Dr Goldie.

1. Investment in services will start to plug yawning gaps

“ACOSS welcomes the increased investment in the services that we all rely on in this budget, which will start to plug the yawning gaps that have emerged in our aged care, childcare, dental, mental health and domestic and family violence services. Of course we need to see more investment in future budgets to ensure that everyone gets the services that they need, when they need them.”

- The \$17.7 billion investment in aged care is welcome, in particular the 80,000 new home care places over two years. While there is more investment needed to ensure that older people get the support they need as they age, this is a welcome first start.
- We also welcome the new investment in early childhood education, both via the certainty provided via the ongoing funding for preschool for four-year olds, but also the \$1.6 billion package to address costs for families with multiple children in child care. The next step for the Federal Government is to address a range of other childcare issues, including the activity test that restricts children’s access, particularly those from low income and sole parent families, to early childhood education and care.
- The almost \$1 billion in funding for women’s safety provides a much needed funding boost to family and domestic violence services, with further investment needed to address the demand for services. ACOSS particularly welcomes the \$5,000 packages that will support 12,000 women leaving violent relationships including \$1,500 in cash payments. ACOSS has been calling for increased financial support for women escaping domestic violence, and we would welcome no cap on packages - Crisis Payment for domestic violence was accessed 19,000 times in 2018/19.
- The \$2 billion investment in the National Mental Health and Suicide Prevention Plan is a welcome downpayment on services in this critical area.
- The \$108 million one-year extension to the National Partnership Agreement on Public Dental Services for Adults is welcome, but we note that we need a transition to a national, universal public dental scheme that will require significantly more investment.

2. Funding for equal pay must extend to all community services

“ACOSS welcomes the budget commitments to continue to fund equal pay for community service workers in housing, homelessness and alcohol and other drug services. This funding will continue to make a real difference to the capacity of the sector’s highly feminised workforce to deliver services to people who need them.

“We are however disappointed that this funding was not extended to all services and workers in community services, and that some agencies have refused to continue this critical funding, most notably organisations funded by Home Affairs delivering services to migrants.”

3. People need much more help to get into paid employment

“We welcome the Government’s commitment to reduce unemployment well below 5% and believe it should go further. The 700,000 people on unemployment payments long-term will need a lot more help to secure the limited jobs available. We welcome the extension of the JobTrainer program and the Local Jobs Program. However, the \$200 million annual cut to employment services, together with tighter job search requirements, mean that employment services will focus more on policing benefit requirements than positive help.”

- ACOSS welcomes the government’s commitment to use the Budget (along with low interest rates) to help reduce unemployment to well under 5%. That *should* mean no major spending cuts before 2023, when unemployment is expected to fall to 4.5%.
- ACOSS welcomes the extension of the Local Jobs Program is extended to all 51 Employment Regions around Australia until 30 June 2025 at a cost of \$213 million.
- An additional \$2.7 billion to expand the Boosting Apprenticeship Commencements wage subsidy is also welcome.
- ACOSS welcomes the \$1 billion expansion of the JobTrainer fund, which will deliver 163,000 additional free or low-fee training places in areas of need, including 33,800 places to support aged care skills and 10,000 places for digital skills. It is important to ensure that these courses are available to those who need them most and not used as ‘training for training’s’ sake.
- The Government must ensure that Enhanced Services provided under the New Employment Services Model follows the Expert Panel’s recommendations to improve the quality of services provided to people long-term unemployed and genuinely enables providers to reduce caseloads currently sitting at 140-200. Worryingly this budget shows there will be a saving of \$860m over four years from 2021-22.
- At the same time an extra \$197 million is spent to ensure compliance with tougher mutual obligations, including having to apply for 20 jobs a month and an ‘intensive activity’, roughly equal to the above cut to employment service funding, meaning more emphasis will be placed on ticking compliance boxes and less on positive help to secure employment.
- We welcome the extension of the Transition to Work program over four years from 2021-22 to provide specialist youth employment services, costing \$481 million.
- The increase in wage subsidies for employers employing unemployed people (to \$10,000, costing \$16 million) is welcome but many more people need help of this kind to get a foot on the jobs ladder.

4. People on income support will continue to live in poverty

“This budget failed to lift social security payments above the poverty line: JobSeeker Payment and related income support remain at \$44 a day, despite the 1.3 million people receiving unemployment payments struggling to keep a roof over their head and eat three meals a day. Brutal cuts to income support for migrant residents mean 45,000 families will be denied income support when they are in need, including single parents.”

- ACOSS strongly opposes the \$671 million cut to income support for migrant residents, extending waiting periods for income support to four years. 45,000 families will need to wait for four years to access Family Tax Benefit, and Paid Parental Leave, while a further 13,200 individuals, including carers will be forced to wait four years for support.
- ACOSS welcomes the abolition of the Third Party Verification that applies to single parents claiming JobSeeker or Parenting Payment. This requirement discriminates against single parents, framing them as untrustworthy, so we are glad to see it go.
- ACOSS is disappointed to see cashless debit and income management extended for another two years. Whilst investment in a Jobs Fund in cashless debit sites is welcome, it should not be contingent on being subjected to the discriminatory and ineffective cashless debit card.
- \$23.8 million is going toward continuing ‘Taskforce Integrity’ for another two years. ACOSS is concerned this will be used to demonise and scare people getting much needed income support, as we have seen in the past.
- The budget nastily removes backdating of JobSeeker Payment for 144,000 people using digital services to complete a job plan.

5. Nothing to improve access to secure housing for people on low incomes

“The Budget does nothing to improve access to secure and affordable housing for people on the lowest incomes, and instead adds fuel to the fire of out-of-control housing costs.”

- The extension of eligibility for the Homebuilder program by 12 months is poorly targeted and will inflate housing prices (Cost: around \$400 million a year).
- The increase in home savings that can benefit from superannuation tax breaks under the First Home Super Saver Scheme (from \$30,000 to \$50,000) is regressive and will inflate home prices.
- The extension of loan guarantees under the First Home Loan Deposit scheme (to 10,000 first home buyers) will help a small number of people but their first home but will also inflate home prices.
- The new Family Home Guarantee scheme will help a small number of single parents buy a first home, but again at the expense of lifting home prices.

6. No progress towards Closing the Gap

“While we welcome replacement of the discriminatory Community Development Programme, ACOSS echoes the disappointment expressed by First Nations leaders and organisations that this budget fails to fund the measures needed to ‘close the gap’.”

- ACOSS welcomes the announcement to reform the Community Development Program and replace it with a program to be co-designed with First Nations people.
- ACOSS welcomes as a first step funding to address domestic and family violence, but it is less than a quarter needed to support Aboriginal and Torres Strait Islander legal and family violence prevention services.
- The Budget includes important new measures for children and families, including increased investment in early education and care, but it’s not enough to meet ambitious targets for Aboriginal and Torres Strait Islander children. The Government must invest more in quality early education and care, scrap the ‘activity test’ and remove barriers to ensure access to 30 hours of free or heavily subsidised care for our children each week. In line with the National Agreement, funding must go to Aboriginal and Torres Strait Islander community-controlled early childhood and family support services.
- ACOSS welcomes the creation of a new National Justice Policy Partnership, but the budget failed to invest in real measures to address the crisis of Black deaths in custody, including no additional funding for Aboriginal and Torres Strait Islander Legal Services, and funding to support states and territories to Raise the Age to keep primary school aged children out of police and prison cells.
- ACOSS is disappointed that the Budget fails to deliver on any measures to address the crises of Aboriginal and Torres Strait Islander deaths in custody.

7. Budget fails to tackle climate crisis, create clean jobs and ensure no-one is left behind in the energy transition

“The budget continues to pander to vested interests in the fossil fuels industry, pouring billions of dollars into subsidising polluting fossil fuels instead of investing in a rapid and fair transition to a clean economy. There was nothing in the budget for workers and communities impacted by the energy transition, and the millions of people who are currently struggling to afford their energy bills and are at risk of being left behind.”

- The budget included \$35.5 billion over 4 year in fossil fuel tax credit subsidy, \$58.6m for the gas industry (including \$38.7m directly to gas infrastructure), \$539.2m for five hydrogen hubs and carbon capture and storage projects that aim to prolong the life of the fossil fuel industry.

- There was no funding to help people in significant energy debt. The number of people in energy debt has increased and is likely to get worse over the coming months. We are calling on the government to provide urgent financial support of up to \$1,000 per customer experiencing payment difficulties.
- Instead of propping up fossil fuels that are causing the climate crisis, the Government should invest to support 1.8 million low-income households to access rooftop solar and energy efficiency measures that will create permanent energy bill savings, 23,800 jobs and reduce carbon emissions.

8. Disaster Resilience funding must focus on communities and people at risk

“ACOSS welcomes the establishment of the new National Recovery and Resilience agency and the allocation of \$1.2 billion over 5 years to improve Australia's capability to better prepare for, respond to, and recover from natural disasters. It will be important the Agency and funding also invests in community leaders to build resilience, especially people experiencing financial and social disadvantage. Without appropriate support for people experiencing financial and social disadvantage, and the community service organisations and leaders that support them, natural disasters will continue to entrench and drive disadvantage.”

- ACOSS urges government to allocate a portion of the \$1.2 billion to empower communities to build their resilience and lead disaster recovery efforts, including establishing Community Resilience Hubs, and strengthen the resilience of community sector organisations.
- ACOSS calls for an increase in the Disaster Recovery Payment from \$1000 per adult, and \$400 per child to \$3,000 per adult and \$1000 per child (the payments have not be increased by a single dollar since 2006); and lift the the Disaster Recovery Allowance to \$475 per week.
- ACOSS is sceptical that the Northern Australia cyclone and related flooding reinsurance pool will address insurance affordability for people on low-incomes and does nothing for people in other areas facing increased disaster events, and calls for a national review of insurance affordability.
- ACOSS welcomes the establishment of the new Australian Climate Service. It will be important that it also collects social vulnerability data to help identify where communities may need additional support to build resilience, prepare, respond to and recover from disasters.

9. Personal tax cuts will come at the expense of future services, and disproportionately benefit men on higher incomes

“The government simply cannot guarantee essential services, including its new investments in care services, as long as \$35 billion in annual tax cuts is baked into future budgets. While people languish on \$44 a day income support payments, people on \$200,000 or more can look forward to a tax cut of \$180 a week unless legislated tax cuts are reversed. This budget also spends \$345 million a year on tax breaks for executive share schemes.”

- In 2021-22 alone, \$25 billion in public revenue will be foregone in personal income tax cuts (including Stages 1 and 2 and the extended \$20pw LMITO costing \$7 billion).
- These tax cuts are regressive. Overall, the lowest one third of households don't benefit at all (as their incomes are too low to pay income tax), people on less than \$40,000 save up to \$10 a week, those on \$50-90,000 save \$43-44 per week, those on over \$120,000 save \$45-54 per week, and those on \$120,000 or more will save \$51 per week (compared with tax paid in 2017).
- The \$17 billion “Stage 3” tax cuts scheduled for 2024-25 are even more concentrated on men on high incomes. The top 5% of taxpayers on \$200,000 and above save \$180pw. Men save five times as much in tax as women.
- Overall, by 2024-25, the Government has committed to tax cuts that leave a \$35 billion hole in Budget revenues (assuming the \$7 billion LMITO is eventually abolished).
- Tax breaks for executive share schemes are increased at a cost of \$345 million in 2023-24, mainly benefiting an exclusive group of highly paid men.
- Unlike salaries, shares and options in the employing company received by executives are not taxed annually and tax on these perks can be deferred for up to 15 years.
- The budget defers the tax they would currently pay on shares and options at the time they leave employment, delaying tax on these perks for up to 15 years.

10. Business tax cuts are a costly and inefficient way to generate jobs

“The Budget extends investment tax breaks introduced to speed recovery from the recession out to 2023, at a cost of \$14 billion in 2022, \$345,000 per job created. They may well increase investment but not the investment Australia needs to grow jobs and incomes while pivoting the economy to the environmentally sustainable jobs and industries of the future.”

- Faster business deductions for new investment (full expensing) will extend from 2022 to 2023, three years after the recession, at a cost \$10.9 billion in 2023-24

- Businesses making losses will be able to offset those against profits made between 2018 to 2022 (extending this an extra year to 2022-23, two years after the recession), at a cost of \$3.2 billion in 2023-24.

11. Super policies predominantly benefit the wealthy

“Changes to tax breaks for superannuation increase the \$38 billion cost to the budget, with the benefits mainly going to men on higher incomes. Instead of making it easier for wealthy people to shift savings into tax-free super accounts, the government should introduce a levy on untaxed super fund investment income to raise \$8 billion a year to guarantee universal, quality aged care services for the future.”

- People aged 67-74 years will be able to contribute more to tax-free super accounts whether or not they are still employed. This will mainly benefit men with substantial savings and investments to transfer into super.
- People aged 60-65 will be able to contribute up to an extra \$300,000 (\$600,000 for couples) into their tax free super accounts after selling their homes (currently limited to people over 65)
- These changes aid tax avoidance rather than long-term saving for retirement.
- The \$450 a month wage threshold below which employers don't have to make compulsory super contributions will be removed, mainly benefiting low-paid women workers. This measure is welcome provided these contributions aren't eaten up in fees and charges. Men have average super balances around 20% more than women at age 60-64: \$279,000 for women and \$345,000 for men.

Table: Costs and jobs created by major budget policies

Major Budget policies	Average cost per year, once implemented	Cost per job created
Aged care:	\$4.4B (\$17.7B over 4 years)	\$70,000
Child care and preschool:	\$800m (\$3.3B over 4 years)	\$50,000
Mental health:	\$500m (\$2B over 4 years)	\$100,000
Women's economic security: including domestic violence supports and health services	\$600m (\$1.8B over 3 years)	
Employment & training programs for people who are unemployed: (Jobtrainer extension, Apprenticeships, Local Jobs program)	\$1.7B (on average over 4 years)	
\$25pw increase to permanent rate of jobseeker and related payments As experienced by the recipients, overall income support was cut by \$50pw from 30 March due to the end of the Coronavirus supplement, a saving of \$4.6B pa.	\$2.3B (\$9.1B over 4 years)	
Infrastructure: Roads and rail	\$2.3B (\$7B over 3 years)	\$507,000
Personal tax cuts: First 2 stages *	\$25B (in 2021-22)	\$390,000*
Business tax cuts: Expensing and loss carry back	\$5.2B (\$20.6B over 4 years)	\$345,000
Extended tax break for executive share schemes	\$300m (\$550m over 2 years)	

Source: Budget papers, Grudnoff M (2020), Tax cuts or spending: What is the most effective stimulus? Australia Institute.

* Cost of Stage 1 and 2 tax cuts in 2021-21, including extension of the LMITO. Cost per job generated by extension of the LMITO only, which costs \$7B in 2021-22. Other tax cuts will be more costly per job created as they mainly go to people on higher incomes, who are more likely to save them.