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Centre for Future Work

Briefing Paper:

Commonwealth Budget 2024-25: Important Progress, Missed Opportunities

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Introduction and Summary

In his budget speech, Treasurer Jim Chalmers described this year's Commonwealth budget with this headline: "Cost of living help and a future made in Australia." The budget is framed in the context of inflation that is still above the Reserve Bank's 2.5% target, but falling rapidly, and weak household spending and an overall economic slowdown. Given loud pressures from business and conservative commentators, workers worried the Treasurer might yield to this pressure and deliver an "austere" budget: one that risks recession in an effort to drive inflation lower.

Thankfully the Treasurer resisted this urge: while delivering a surplus this year, his budget increased spending, and projects slightly larger deficits over the next three years. New spending will partially address cost-of-living pressures, and help to offset broader macroeconomic weakness. Given the government is forecasting GDP growth of just 2% next year, and household consumption growth at the same level – both well below long-term averages – the budget's extra spending is appropriate and sensible.

This briefing paper reviews the main features of the budget from the perspective of workers and labour markets. As was the case last year, we are glad that the budget steers well clear of the austerity of past "horror" budgets. Even with an election on the horizon, the government has shown it is no longer hostage to the belief that budget surpluses must be delivered at all costs. Some relief measures, such as a 10% increase for Commonwealth Rent Assistance and a $300 rebate of energy costs, will be greatly beneficial to households. Similarly, we applaud the $1.8 billion allocated over 3 years for additional frontline staff to help Services Australia deal with its claims backlog. Such funding will not only assist some of the most vulnerable in our society to receive the

payments and support they need and are entitled to, but also delivers a much overdue recognition that public servants in this area have been forced to work under extreme stress and with unsustainable workloads. Other commitments include new funding to address homelessness. However, the budget avoided making necessary repairs to Australia's income security system: in particular, JobSeeker payments are retained at their current poverty levels, among the lowest in the industrial world.

The budget delivers changes to the Stage 3 tax cuts that were announced in February. These reforms, which our colleagues at the Australia Institute championed, provide a significant tax cut to all workers earning less than $146,400. Whereas Scott Morrison's tax cuts would have delivered a $9,075 tax cut to those on $200,000 and nothing to anyone earning less than $45,000, the improved Stage 3 package delivers fairer cuts across the board. The new package provides much-needed support for low- and middle-income earners, who have most been affected by inflation and falling real wages over the past three years.

One big-ticket item in the Budget is the "Energy Bill Relief Fund": a $300 rebate on household energy bills, which will cost $2.6 billion in 2024-25 and is not means tested. Combined with the 10% increase in Commonwealth Rental Assistance, the government estimates these measures will reduce annual inflation (as measured by the CPI) reduced by 0.5 percentage points. That directly reduces inflation, and should hasten RBA rate cuts.

We are glad the government rejected the bizarre claims of orthodox economists that any help for households dealing with inflation, will only worsen inflation (by freeing up disposable income that households will then spend on other goods and services). This circular argument depends entirely on the false assumption that recent inflation was caused solely by average Australians having too much money to spend. In reality, post-pandemic inflation was caused by supply-side pressures, energy price shocks, and a big dose of profit-taking by powerful firms (from supermarkets to oil companies to property developers). ABS data confirms that last year's energy rebates significantly reduced CPI inflation; their continuation will further reduce inflation – and lead to lower interest rates from the RBA.

This approach highlights that governments can indeed reduce prices, and that the problem of tackling inflation cannot be left solely to the Reserve Bank to handle (with higher interest rates that can hurt more than they help). Other government initiatives to reduce prices of essential services – from housing to early child education and care to public transportation – would also reduce inflation. They should also be wielded as part of a broader anti-inflation toolkit.

Conservative economists and corporate lobbyists claim the budget will add to inflationary pressures, by helping Australians grapple with the same high prices that have simultaneously enriched the business sector. These criticisms are self-serving and hypocritical: money in the hands of working people is inherently considered

"inflationary", but money in the hands of corporations and high-income households is a just reward to their business success. The change in conservatives' language regarding the reformed Stage 3 tax cuts symbolises this bias: these inflation hawks never worried about inflation arising Scott Morrison's huge tax cuts concentrated among high-income earners. Yet suddenly providing a fairer package of tax cuts for all workers (summing to the same total amount of stimulus) has suddenly become an inflation worry. It's not inflation that riles these critics, it's fairness.

Far from worrying about inflation, a bigger concern should be the budget's forecasts for weak private demand growth in the economy (including household and business spending). In 2024-25, the Budget predicts private demand will grow at just 1.75% - well below historical averages. This confirms, as has been argued by the Centre for Future Work and the Australia Institute,[1] that inflation continues not to be driven by demand or wages but by supply side factors – and by companies using market power to increase prices and increase their profits.

Another major theme of the budget is its support for initial stages of the government's Future Made in Australia strategy – which aims to foster more investment in domestic manufacturing and infrastructure, and position Australia well for the global transition to renewable energy. The budget allocates $22.7 billion over the next decade to a range of measures – largely consisting of production tax credits for private projects in critical minerals processing and renewable hydrogen production. Other supports (including a $1.7 billion innovation fund) are provided for investments in sustainable manufacturing sectors, such as green metals manufacturing, solar energy equipment, and batteries. The government's recognition of the economic and industrial opportunities associated with the energy transition is important, and these first steps will help. The overall scale of support, however, is small compared to the proportional efforts being undertaken in other countries (especially the U.S.), and the strategy's impact on decarbonisation could be offset by other government measures which point to increased Australian fossil fuel production in the future.

Macroeconomic and Fiscal Outcomes

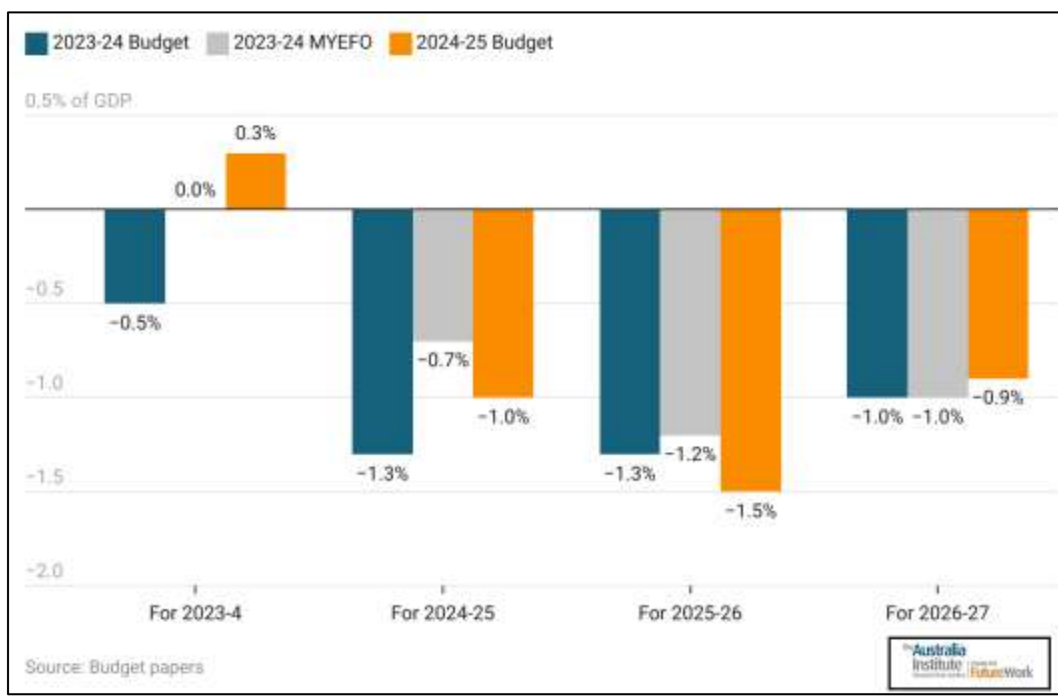
As has become common practice, the headline-grabbing news of another budget surplus (for 2023-24) was revealed before Budget Day. But while that $9.3 billion surplus is politically convenient, it means little in macroeconomic terms. The budget forecasts a return to deficits in future years, also macroeconomically trivial. Total spending in the current financial year is expected to increase to 26.4% of GDP – the highest since 2021-22. Spending over the next 4 years is expected to plateau and then decline slightly to 26% of GDP. This might seem high by historical standards, however it includes the ongoing cost of the NDIS – which by 2027-28 will cost nearly 2% of GDP. Total revenue is also expected to rise slightly to 25.8% of GDP from 25.3% in the current financial

[1] See a compilation of our research in Jim Stanford et al. *Profit-Price Inflation: Theory, International Evidence, and Policy Implications*, Centre for Future Work, September 2023, https://futurework.org.au/report/profit-price-inflation-theory-international-evidence-and-policy-implications/.

year. This would be the highest level of revenue raised since 2000-01. We reject conservative arguments that higher revenue and spending somehow reflects a "failure" of budget management. Australia remains a very low-taxing nation, with our level of revenue well below average among the entire OECD, and government spending is inadequate to address critical social and environmental needs.

While this budget did report more revenue than was expected in either last year's budget or in the December Mid-Year Economic and Fiscal Outlook, there is no great change in budget balances predicted for future years. Most of the increased revenue expected from higher iron ore, coal and gas prices has been offset by increased spending on the energy rebate and defence. Forecast deficits of around 1% of GDP are small relative both to other countries, and to the pace of nominal GDP growth. The accumulated debt will continue to decline as a share of GDP.

Figure 1. The evolution of predicted budget balances (%GDP)



The revenue figures highlight the lost opportunity from not implementing a windfall tax on the elevated profits of gas and mining companies (as has occurred in several other industrial countries). Indeed, the changes to the Petroleum Resource Rent Tax that were first announced in last year's budget have failed to deliver any greater returns. Those changes were mostly designed to merely shift tax collection from later years to an earlier period, rather than actually increase overall taxation. However, the latest figures show they fail to even achieve that aim. Over the three years from 2024-25 to 2026-27 the PRRT is now estimated to raise just $6.55 billion in total (compared to an estimated $8.05 billion projected in last year's budget). So poor is the PRRT currently structured that despite having experienced huge profits and production growth, the gas industry is expected this year to pay just $1.15 billion in PRRT – less, for example, than will be raised by the luxury car tax.

Wage Growth: Real Wages Have a Long Way to Go.

After a more than a decade of cruelly laughable budget predictions for wage growth, we are now finally seeing budget predictions of higher wages come to fruition. This budget, however, lowered its prediction of future wage growth compared to forecasts in the MYEFO. This matches lower forecasts for inflation, and so has little implications for the trajectory of real wages – which remain badly damaged after the inflation of the past three years.

The new budget predicts annual average wage growth to decelerate modestly from the current 4.2% to 4% by June, and then to keep slowing to 3.25% by June next year. While this would normally be concerning, given the simultaneous reduction in inflation, the government still predicts that real wages will grow over the next 4 years.

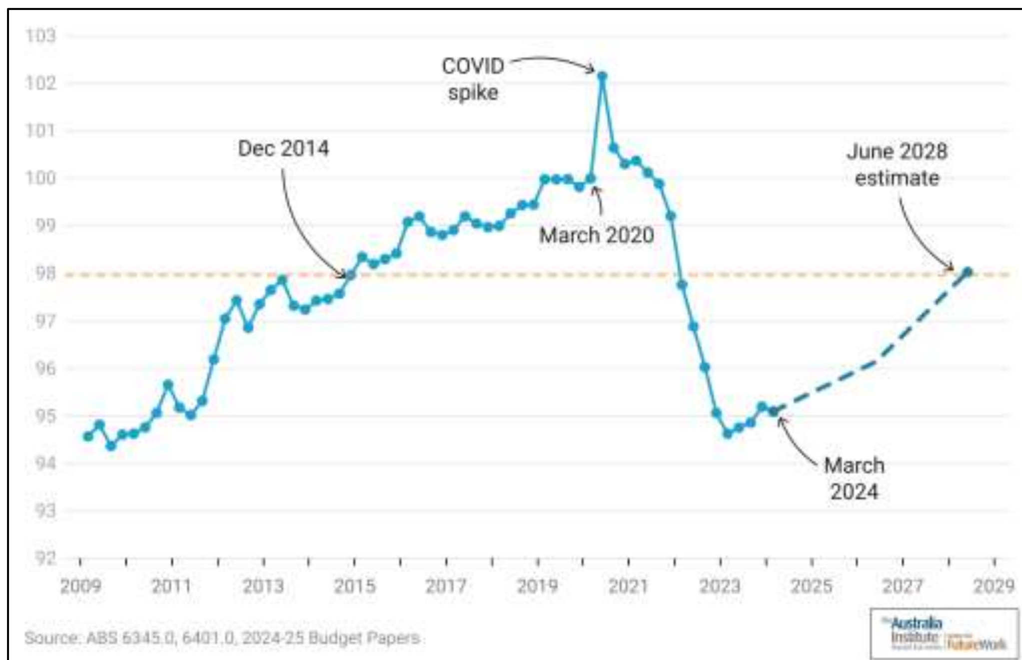
Table 1. Wage growth and Inflation

	Wage growth	Inflation	Real Wage growth	Cumulative Real Wage growth since June 2020
2020-21	1.79%	3.85%	-2.0%	-2.0%
2021-22	2.70%	6.14%	-3.2%	-5.2%
2022-23	3.70%	6.03%	-2.2%	-7.2%
2023-24	4.00%	3.50%	0.5%	-6.8%
2024-25	3.25%	2.75%	0.5%	-6.3%
2025-26	3.25%	2.75%	0.5%	-5.9%
2026-27	3.50%	2.50%	1.0%	-5.0%
2027-28	3.50%	2.50%	1.0%	-4.0%

Figures are year growth through to June
Source: ABS, 2024-25 Budget Papers

The bad news is that even with this steady run of real wage increases, the decline in real wages over the past three years has been so great that workers will still be some 4% worse off in real terms by 2027-28 than they were in the middle of 2020. So deep has been the fall of real wages, that even with these predicted increases in real wages the budget predicts that by 2028 average real wages will still be equivalent to those that prevailed at end-2014. In essence, workers will have experienced a 14-year stagnation of living standards.

Figure 2. Index of real wages, March 2020 = 100

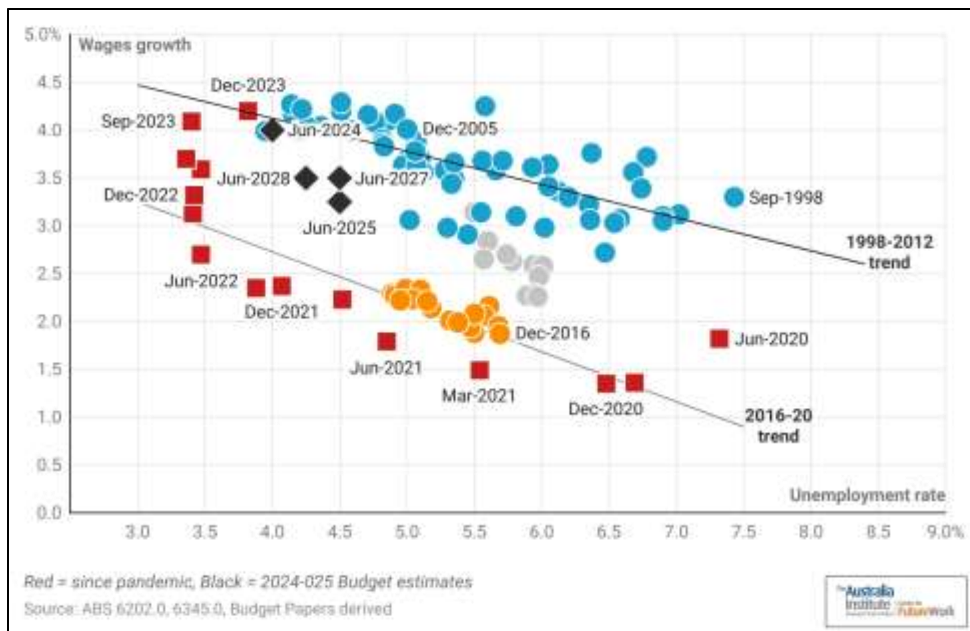


These figures highlight the absurdity of business groups expressing fear of a wage breakout fuelling continued inflation. The three years of profit-led inflation that followed the pandemic have deeply damaged workers' living standards. It is essential that the long road to recovery in real wages is both predicted and welcomed by this budget. Parallel changes in labour policies and industrial laws (such as higher national minimum wages, and successive reforms to the *Fair Work Act*) are also critical to support that recuperation of real wages.

One concerning point is that the budget predicts unemployment will rise to 4.5%. This would mean around 100,000 more people unemployed than at present, the result of a deliberate strategy by the RBA to increase unemployment in order to bring down inflation.[2] And given the failure to increase Jobseeker benefits (discussed below), this essentially sentences those workers to a period of poverty. The budget also suggests that while real wages will gradually recover, the rate of nominal wage growth still shows structural weakness relative to the unemployment rate. Wage growth falls from its current level (which is consistent with the observed long-term 'Phillips Curve' relationship) back towards the restrained pace of growth observed during 2016-2020, when wage growth was historically weak (see Figure 3). This further disproves business fears of an imminent wage-price spiral: in fact, wages remain structurally weak, all the more so in light of the depressed level of real wages.

[2] Perhaps it is just a painful coincidence that the budget's forecast of 4.5% unemployment matches RBA Governor Michelle Bullock's expressed view of how high she believes unemployment needs to rise; see Swati Pandey, "Australia's Jobless Rate Needs to Rise Toward 4.5%, Bullock Says," Bloomberg News, 19 June 2023, https://www.bnnbloomberg.ca/australia-s-jobless-rate-needs-to-rise-toward-4-5-bullock-says-1.1935287.

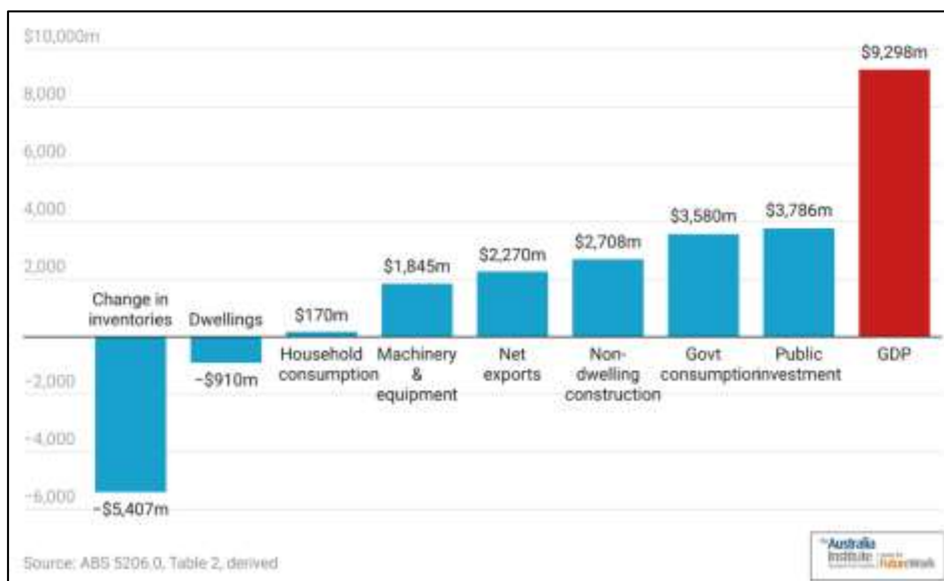
Figure 3. Unemployment and wage growth 1998-2028



Households Bearing the Brunt of the Economic Slowdown

In the immediate aftermath of the pandemic, the economy overwhelmingly relied on household spending to lead the recovery. This, however, was not sustainable while real wages were falling (mostly due to inflation resulting from corporate price hikes) and the Reserve Bank was raising interest rates. This past year has seen the full impact on households of falling real wages and rising interest rates. The government now forecasts household consumption growth of just 0.25% in the 12 months to June this year. This is in line with the paltry contribution of household consumption to GDP growth through 2023 (as illustrated in Figure 4).

Figure 4. Sources of real economic growth in 2023



This weakness only confirms our views of last year's budget, when we argued that the massive stimulus measures that kept the economy afloat during the pandemic temporarily hid the underlying disaster of falling real wages. With the end of the stimulus, the true economic stresses facing households are revealed. With household purchasing power having fallen to levels not seen for a decade, it is little wonder that consumers have largely shut their wallets. The latest retail figures show this weakness has continued into this year, with real spending in the shops falling in the March quarter. This fall, and ongoing weakness in the overall economy, should serve as a warning to the Reserve Bank not to raise interest rates, and to start cutting them quickly. It also confirms that Australia's macroeconomy needs the new spending announced in this budget.

Future Made in Australia

The Future Made in Australia strategy was a major theme of this budget, and will be a centrepiece of the government's pitch for the next federal election. The government hopes to seize the opportunities of the global transition to renewable energy to revitalise Australian manufacturing.

The budget commits to legislating a *Future Made in Australia Act*, directed at enacting and coordinating measures to support new clean manufacturing industries. The act will be underpinned by a 'National Interest Framework' which will prioritise industries for investment under two streams:

1. Sectors where Australia has an opportunity to make significant contribution to achieving net zero emissions globally and in Australia, and
2. Sectors that are critical to retain onshore for national security and supply chain resilience.

The Framework will also apply 'Community Benefit Principles' to significant investments in priority industries, focused on boosting investment in local communities, supply chains, and skills, and in promoting a diverse workforce with secure jobs. It is important that any substantial industrial support provided to private firms has clear strings attached to promote the public interest, including the maintenance of strong labour standards and fair pay in these industries.

The budget announced $22.7 billion to be spent over ten years on supporting Future Made in Australia "priority industries." Initially this includes renewable hydrogen, green metals, renewable energy technology componentry, critical minerals refining and processing, solar energy and battery equipment making, and low carbon liquid fuels. The most expensive measures are two new production tax credits for critical minerals processing and renewable hydrogen projects, to incentivise investment in these areas, both available from 2027. The budget estimates these measures will amount to $13.7 billion by 2034-35 (though both appear uncapped), and the credits become operational in 2027. This production tax credit structure mimics the approach taken in the U.S. and

other countries to stimulate rapid growth in targeted sectors – although the scale of funding in Australia's version (relative to GDP) is smaller than in other leading countries.

Additionally, the budget announces new funding for the Australian Renewable Energy Agency (ARENA) through several initiatives, namely:

- $1.7 billion over ten years for a Future Made in Australia Innovation Fund, to drive commercialisation and deployment of technologies in priority industries.
- $835.6 million over ten years for the Solar Sunshot program to expand Australian solar manufacturing.
- $549.0 million over eight years for a Battery Breakthrough initiative to promote the development of battery manufacturing capabilities.
- $1.5 billion over seven years to support ARENA's ongoing investment in renewable energy technology.

The budget also announces many other measures that fall under the Future Made in Australia umbrella, including an additional $1.3 billion over ten years for the Hydrogen Headstart program, $32.3m to expand the Guarantee of Origin Scheme to measure and certify emissions intensity of products in green metals and low-carbon liquid fuels, and $18.1 million over six years to support the emergence of an Australian green metals industry.

Critically, the budget earmarks $91.1 million for supporting expansion of the clean energy workforce, including $30 million for VET teachers, $50 million for facility upgrades to enable clean energy training, and expanded eligibility for the New Energy Apprentices Program. These measures will be very important in ensuring a supply of well-trained workers to staff the renewable energy and manufacturing projects envisioned by the strategy.

Overall, these initiatives are promising, but lack the scale that would be required to truly put Australia in the running to become a "renewable energy superpower". The strategy is touted as Australia's response to the dramatic turn towards active state promotion of domestic manufacturing in other jurisdictions – particularly in China, the United States, the European Union, Japan, and Korea. But these commitments are small in both real and proportional terms, when compared with similar international initiatives.

Our past research has indicated that a proportionate Australian response to the US *Inflation Reduction Act* would entail between $83 and $127 billion in spending over the next decade on renewable manufacturing initiatives: substantially more than the $22.7 billion announced in this budget.[3] The Future Made in Australia plan will not succeed in

[3] See Charlie Joyce and Jim Stanford, *Manufacturing the Energy Revolution*, Centre for Future Work, August 2023, https://futurework.org.au/report/manufacturing-the-energy-revolution/.

seizing the full opportunities available to Australia in the global energy transition if it is not expanded in both scale and scope. Other key industries beyond those highlighted in the budget also need to receive targeted support and incentives – including wind energy manufacturing, electric vehicles production, and modern transmission and distribution equipment (required as the electricity system expands to include both dispersed renewable generation sources and new demand from electrification). Other features required for a full-fledged domestic manufacturing strategy would include more support for Australian research (including through regionally focused research and industry clusters), expanded training and skills investments (focused on TAFEs), and active strategies to use public procurement to leverage demand for Australian-made products and services. Attaching strong conditions to projects benefiting from public support (including labour standards and prevailing wages, respect for Indigenous title, and environmental standards) will also enhance the strategy's overall benefits. Finally, the integrity and effectiveness of the whole plan as a means of accelerating decarbonisation, and positioning Australia to prosper in a net-zero global economy, demands a consistent commitment to phasing out fossil fuel use at home and abroad, across all areas of government policy.

Higher Education: Initial Progress, but More Needed

The long-awaited Australian Universities Accord report was released in February 2024, and this budget implements several of its key recommendations. As announced in the leadup to the budget, the HECS debts of approximately 3 million university and TAFE graduates will be reduced by a new inflation indexing formula. The government will replace the current indexing model, tied to the Consumer Price Index (CPI), with a new formula based on the lower of the CPI and the Wage Price Index (WPI). The existing indexation of HECS debts produced a 7.1% increase in all debts in July 2023, even while wages only increased by an average of 3.5%. This meant the debts of most employed graduates are rising faster than they are being paid off.[4]

This change to the indexation of HECS is touted as a form of 'cost of living relief' by the government, to help remove financial barriers to education and training. However, this reform does not adequately address the financial burdens of students and graduates. Current students are negatively impacted by cost-of-living pressures including the price of housing, reduced real wages, and the ongoing low levels of Youth Allowance. This causes drop-out rates to rise significantly, and the HECS reform will not alter that. A bigger rethink in the higher education system, ultimately including the removal of tuition fees, is required to fully restore the public service function of universities.[5]

[4] Greg Jericho, 'HECS/HELP indexation is sending those earning less than $65,000 backwards', The Australia Institute, 23 April 2024, https://australiainstitute.org.au/post/hecs-help-indexation-is-sending-those-earning-less-than-65000-backwards/.

[5] See our previous research by Eliza Littleton, *At the Crossroads: What is the post-COVID future of Australia's Public Universities?*, The Australia Institute, April 2022, https://australiainstitute.org.au/report/at-the-crossroads/.

The budget also announced a new system of paid placements in some fields of study, tackling the problem of 'placement poverty'. There are several female-dominated occupations (including teaching, nursing, and social work) that require students to undertake extensive unpaid practical placements as a condition of study. The number of placement hours required can be as high as 1,000 hours across a course of study. This new initiative will provide eligible student teachers, nurses, midwives and social workers with a payment of $319.50 per week whilst on compulsory practical placements. The payments will start in July 2025. It is benchmarked to the single Austudy weekly rate, and will not affect other support payments a student receives. The program is, however, means tested.

A previous taskforce recommended students be paid for their mandatory placements. A similar payment was also recommended in the Universities Accord. The new program only partially addresses these recommendations. It is set at a rate (equivalent to as little as $8 per hour) that fails to address the costs incurred by placement students (such as travel and parking fees, equipment and uniform costs, and lost income associated with taking time away from part-time paid work). Furthermore, the new program does not cover other areas of study where practical placements are compulsory – such as allied health professions. So while this measure is a welcome step toward recognition of the real work contributed by placement students, and their legitimate right to compensation, the issue of 'placement poverty' has not been solved.

Tertiary education is no longer a privilege, but essential to the employment prospects of most Australians. Today, 69 per cent of Australians aged 15-74 hold a tertiary qualification or are studying towards one (including vocational qualifications), up from 62 per cent of all Australians in 2013. The importance and necessity of tertiary education in Australia is set to grow. The Australian government's employment white paper *Working Future* projects that nine out of ten new jobs created over the next decade will require tertiary education. During the budget speech, the Treasurer announced the Australian government's commitment to a goal of 80 per cent tertiary education attainment for all working age Australians by 2050. Towards this end, the budget announced $350.3 million over four years to expand access to university-enabling and preparation programs through a new Fee-Free Uni Ready Courses program.

In sum, the measures in this budget are a welcome initial instalment on the reforms needed to repair Australia's higher education system, and allow more students to attain the higher education vital to their subsequent employment. Much remains to be done, however, in ensuring the tertiary education system is accessible and fair for students and graduates, and the goals of the Universities Accord are fully attained.

Wage Fairness in Care Work

The budget announced a commitment to improving wages for workers (mostly women) in two important care sectors of the economy: early child education and care (ECEC)

and aged care. These fiscal supports will complement other actions being taken through the industrial relations system to improve wages and job quality in these growing essential services.

A recent taskforce called on the federal government to support applications before the Fair Work Commission to raise wages and improve the job quality for ECEC workers. In the budget, the government has now committed to provide "funding towards" a wage increase for this sector. This language is positive but vague, and falls short of a commitment to fully fund the wage increases for ECEC workers that are the likely outcome of the FWC's process.

The situation in relation to attraction and retention of ECEC workers has been described as a crisis. There are many structural issues that contribute to a shortage of staff in ECEC. Evidence demonstrates that a major factor contributing to these shortages is the relatively low pay and unattractive working conditions offered.

The current Productivity Commission inquiry into ECEC (scheduled to issue its final report next month) is likely to recommend substantial reform in this sector, including related to wages and recognition of these workers and their work. There are also several opportunities for review of wages in ECEC ongoing within the FWC. These include:

- recent legislative reforms facilitating multi-employer bargaining
- the FWC's review of occupations and industries with severe gender pay inequality and potential undervaluation of work
- changes to the FWA regarding equal remuneration orders.

An application to the FWC by the United Workers Union, the Australian Education Union and the Independent Education Union, under the new supported bargaining provisions of the *Fair Work Act*, calls for wage increases of up to 25%. The application covers 64 employers and 12,000 ECEC workers. The FWC has authorised this supported bargaining citing several reasons – including the sector's low rates of pay (at or close to the award minima). The federal government (as a key funder of ECEC services) is participating in these negotiations. While indicating it is prepared to support higher wages for ECEC workers, the government should more clearly commit that it will fully fund the wage increases that arise from these processes at the FWC.

Meanwhile, the FWC has already awarded historic wage gains for workers in the aged care system,[6] and the budget also indicated fiscal support for those costs. The timeline for the implementation of the wage increases has not yet been set by the FWC. However, the government made a submission to the FWC arguing for staged implementation of increases. In the budget the Government has indicated it strongly supports the decision of the FWC to further increase the award wages for aged care workers, and has

[6] For a summary, see Fiona Macdonald, "Aged care wage rise decision crucial for elderly Australians," Centre for Future Work, 15 March 2024, https://futurework.org.au/post/aged-care-wage-rise-decision-crucial-for-elderly-australians/.

committed to funding this increase once the final decision on timing is delivered. No further details are included in the budget. The commitment to fund the aged care wage increases appears stronger than that given to ECEC workers. The budget also committed to spend $88.4 million on attraction and retention initiatives for the aged care workforce, including better staffing solutions.

There will likely be more applications in coming years to increase wages for workers in undervalued female-dominated areas of work, particularly in the care economy. The federal government's *Draft National Strategy for the Care and Support Economy* acknowledged the need for these changes, stating:

> *'The undervaluation and underpayment of care and support workforces is a pervasive issue influenced by the historical context of care and support begin provided, unpaid, by women from within the home'*.[7]

Funding wage increases to address the historical undervaluation of work in the care economy, and improve the quality of both care and the jobs that deliver care, must be a central priority for federal fiscal and social policy.

Other Measures to Promote Gender Equality

The preceding measures to support higher wages and better jobs for workers in care sectors will have an important impact on reducing gender inequality, given their female-dominated workforce and the historic undervaluation of their work. The 2024-25 budget contains some other initiatives designed to attend to gender-based structural inequality for women. However, several important initiatives have been overlooked, and some of the initiatives that have been introduced are underfunded.

The budget continues to implement policies recommended by the Women's Economic Equality Taskforce, established in September 2022. The Taskforce's 10-year plan included six priority areas for action to 'unleash the full capacity and contribution of women to the Australian economy'.[8] In last year's budget the government implemented some of those recommendations, including: the extension of the Parenting Payment for single parents until their youngest child turns 14, axing the ParentsNext mutual obligations system, a commitment to fund the initial work-value wage increase for aged care workers (recently awarded by the Fair Work Commission), an increase in Commonwealth Rent Assistance, and extending paid parental leave.[9]

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[7] https://www.pmc.gov.au/resources/draft-national-strategy-care-and-support-economy/goal-2-decent-jobs/value-of-care-support-work.

[8] Women's Economic Equality Taskforce (2023) *Final Report: A 10-Year Plan to Unleash the Full Capacity and Contribution of Women to the Australian Economy 2023 -2033* https://www.pmc.gov.au/sites/default/files/resource/download/womens-economic-equality-taskforce-final-report.pdf

[9] See Greg Jericho. et al, *Commonwealth Budget 2023-24: Significant Progress for Workers, Much More to Do*, May 2023, https://futurework.org.au/wp-content/uploads/sites/2/2023/05/Budget-2023-CFW-Briefing-1.pdf.

This year's budget continues to implement further recommendations from the Taskforce's plan, including supporting wage improvements in care work sectors (discussed above). Other initiatives include:

- Payment of superannuation on paid parental leave (PPL) and extension of PPL.

In March 2024 the government announced it would begin paying 12% superannuation contributions on government-funded PPL benefits. Although details are still to be legislated, this contribution to super will apply to babies born or adopted on or after 1 July 2025. The Government has also extended the number of weeks of PPL. From 1 July 2024, an extra two weeks of leave will be paid (22 weeks total). This will increase again to 24 weeks from July 2025 and 26 weeks from July 2026.

- Increasing women's participation in male-dominated occupations and industries.

As part of its Future Made in Australia initiative (discussed above), the budget commits $55.6 million over four years to a Building Women's Careers program. The program aims to boost women's participation in construction, clean energy and advanced manufacturing, and technology and digital sectors. The government is also investing $38.2 million over eight years to support women in STEM initiatives. Funding for initiatives such as this are welcome. However, allocated funds are unlikely to be sufficient to address the scale of women's underrepresentation in these jobs.

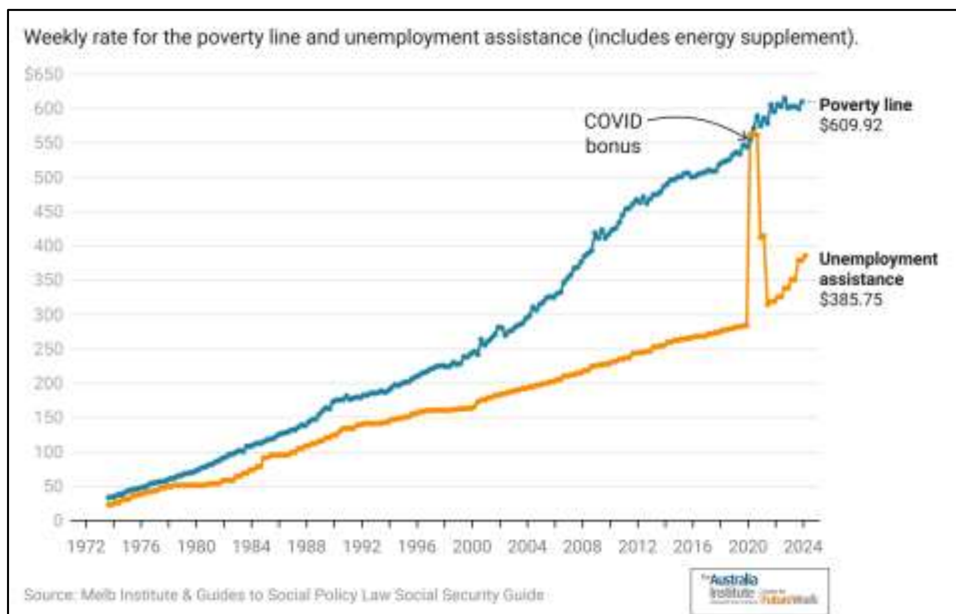
In contrast to these positive steps forward, the budget missed an opportunity to implement another of the Taskforce's recommendations: abolition of the parental activity test for childcare support. This activity test links the level of childcare subsidy to the level of a parent's participation in approved activities – particularly work. The more 'activity', the greater the subsidy. But the policy has a perverse and opposite effect on parents who have fewer work hours, or whose employment fluctuates (such as casual workers). These parents may forego work for fear that they will receive higher benefits, and then be required to pay back 'overpayments'. Moreover, the activity test excludes children from families who could benefit most from ECEC, and acts as a disincentive to women's increased employment participation.

The removal of the activity test was a key recommendation of the Women's Economic Equality Taskforce. Moreover, the Economic Inclusion Advisory Committee (EIAC), established in 2022 to provide independent advice to government on economic inclusion and tackling disadvantage, also recommended the abolition of the test. The Productivity Commission's interim report on early childhood education (ECEC), released in December 2023, also recommended the activity test should be relaxed. There is ample evidence that the activity test has perverse and unfair impacts, disproportionately experienced by low-income parents. Removing it should now be at the top of the government's gender equality agenda.

Income Security and Anti-Poverty Measures

The government also missed an opportunity to take overdue action to improve living standards for unemployed Australians through an increase in woefully inadequate JobSeeker benefits. The government's own Economic Inclusion Advisory Committee recommended Jobseeker be raised to 90% of the Age Pension (an increase of around $116 a week). Instead, the government provided only a targeted increase for those unemployed Australians unable to work more than 14 hours a week. The overall Jobseeker rate remains 37% below the poverty line (Figure 5). The experience of the pandemic (when poverty was deeply reduced, thanks to emergency Covid benefit payments) proved that poverty could be eliminated, if government made it a policy priority. Incremental improvements in Jobseeker implemented by the current government are not sufficient to address the hardship faced by people without work. The RBA is deliberately creating higher unemployment as part of its one-sided strategy for controlling inflation, in essence holding hundreds of thousands of Australians as macroeconomic hostages. The least they can expect is to be treated decently while they suffer from unemployment that the RBA has engineered.

Figure 5. Jobseeker remains more than $220 below the poverty line



In a more welcome move, the budget has significantly increased funding for frontline homelessness services (and the workers that support these critical services). This includes a new 5-year national housing and homelessness services agreement with the states, accompanied by additional fiscal support for equal pay for workers in community services. The budget also commits $1 billion toward crisis and transitional accommodation for women and children leaving domestic violence. A broader package of supports for social housing initiatives aims to increase the stock of social housing by 55,000 units by 2029. This is a step in the right direction, but a small one.

Conclusion

Treasurer Jim Chalmers has clearly been influenced by concerns in the financial and business communities that his budget would fuel inflation with extra spending, and thus prolong high interest rates. His budget provides significant new spending support for an economy battered by those high rates, and some of its measures will directly reduce inflation (such as the energy rebate and expanded rent assistance). Other measures, including the reworked Stage 3 tax cuts and support for higher wages in care sectors, will help working Australians deal with higher prices.

After all, there are two sides to any cost-of-living challenge: how much things cost, and how much money you have to spend on them. Conservatives want to focus only on reducing prices (and the budget does some of this). But we also must support workers' incomes to keep up with prices. The measures to that end in this budget are welcome, but partial – and the budget's own forecasts confirm there are many years ahead before workers' real incomes will regain their pre-pandemic levels. In this regard, the budget could have done more.

As the Albanese government heads towards the next election, it will no doubt boast of having kept the budget in good shape, delivering two consecutive surpluses. But delivering surpluses, of course, should not be the aim of a progressive government. The government's reforms to the Stage 3 tax cuts have been widely praised – and will be even more popular when they come into effect in July. Threats from conservative commentators that electors would not forgive the "broken promise" on these tax cuts have proven hollow. The experience demonstrates that the government has both fiscal and political space to make better choices – and budgets are all about choices.

In the time left before the next election, this government has time to demonstrate more ambition, beyond the initial progress in this budget. It needs to do more to tackle the major structural issues facing Australians: including low wages, falling living standards, poverty and inequality, gender income gaps, and achieving net-zero emissions.