United Services Union Submission

Abbott Government Budget Cuts

Response from:

New South Wales Local Government, Clerical, Administrative, Energy, Airlines, and Utilities Union

22 August 2014

New South Wales Local Government, Clerical, Administrative, Energy, Airlines and Utilities Union Submission to Senate Select Committee on Abbott Government Budget Cuts

Introduction

The New South Wales Local Government, Clerical, Administrative, Energy, Airlines and Utilities Union (‘**the USU**’) is the largest branch of the Australian Services Union with over 30,000 members in New South Wales.

The Union’s largest membership groups are in Local Government and amongst Clerical and Administrative workers. Accordingly the USU represents a unique cross-section of Australians with membership from blue collar workplaces, low-income administrative roles and medium and high income managerial employees.

The USU sees responding to the 2014-2015 budget proposed by the Abbott Government as part of its core business, as the changes announced in the budget are likely to have a significant impact across our membership.

The Abbott budget has primarily been marketed to the Australian people as an attempt to reverse the Federal budget deficit and decrease Australia’s long term public debt. In reality however, the budget seems to represent a general shift of costs away from the Federal government and the corporate sector and towards individuals, states and local government.

In terms of the overall savings to the Federal Government, the Abbott budget is less successful than previous budgets under Wayne Swan.

Structurally, it is our view that the Abbott budget represents a number of concerning themes which can be summarised as follows:

(1) The central plank of the budget is a set of tax cuts for business by way of reducing corporate tax and repealing the *Clean Energy Act 2011.*

(2) A rejection of the economic policies of the Rudd and Gillard governments which succeeded in minimising the impact of the Global Financial Crisis and European Debt Crisis on Australian workers.

(3) A movement away from federalised responses to health and education and associated cost-shifting towards State Governments.

(4) A rejection of the core principal of universal healthcare with an in-built disincentive for low-income Australians to visit a doctor.

(5) Increased cost-shifting towards Local Government.

(6) Disincentives for large groups of people, particularly women, to access HECS in order to attend university.

This submission is not intended to be a complete response to the 2014-2015 budget or the proposed legislation associated with it. Rather we seek to focus on a few areas of primary concern to our membership.

Local Government Cuts

The cuts to Financial Assistance Grants ('**FAG**') are one of the most concerning elements of the Abbott Budget cuts for USU members.

By halting indexing to FAG for three years, the Federal Government will essentially take $925 million out of Local Government nationally.[1] The savings from this budget measure are loosely being apportioned to 'other budget priorities.' Essentially this means the Federal Government is taking money out of local communities to fund its new initiatives.

According to the peak industry body, Local Government NSW, the cuts will be the equivalent of $100 million per year by 2018.[2] This represents about 1% of the budget for Councils in NSW, but the weight of that cost will fall inequitably on regional Councils, many of which are already in financial hardship.[3]

Given that NSW has a 'rate-pegging' system which restricts the ability of Councils to raise revenue beyond a yearly index, it is likely that the cuts in NSW will cause detriment to regional infrastructure, further contributing to an estimated $10 billion infrastructure back-log in the sector.

Any resulting loss in local employment will have a flow on effect of damaging local economies.

In NSW, the grants are generally used for the maintenance of regional infrastructure, particularly roads. The grants are tied to a large number of Local Government jobs in regional areas where there already difficulties in securing employment.

Corporate Tax, Paid Parental Leave and the Medical Research Future Fund

The core objective of the Abbott budget does not, in reality, appear to be reducing government spending and public debt.

There are some increases in spending in various departments including school chaplaincy, the military and border protection. However the centrepiece of the budget is a set of three high net cost initiatives.

The decision to cut the company tax rate from 30% to 28.5% is not, of itself, an initiative that the USU rejects. It does however seem to contradict rhetoric that the Federal Government is in the midst of a financial crisis. The tax cut is coupled with the repeal of the *Clean Energy Act 2011* which will likely cut the Federal Government's revenue by about $7.2 billion per year into the future.[4]

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[1] *Budget Paper 2*, p178.

[2] Local Government NSW, 14 May 2014, *Media Release: Communities to feel sting of $288 million grant reduction for NSW councils*.

[3] *Financial Sustainability of the NSW Local Government Sector*, April 2013, NSW Treasury Corporation.

[4] Budget Paper 1: Budget Strategy & Outlook, Statement 5.

The second major spending initiative is the Medical Research Future Fund. This was a surprising highlight of a budget for our members – many of whom undoubtedly voted for a liberal government – as it was not highlighted as a major initiative during the last Federal election.

Whilst medical research is an important investment, it comes at the cost of people visiting their GP. Our members are being asked to spend $7 on GP visit, not to support the Medicare system or to help balance the budget, but to fund a new bank account for future government expenditure in research.

It is difficult to comment on the Paid Parental Leave scheme ('**PPL**') as it has not been reviewed in anything like a final legislative form as yet.

The USU has campaigned strongly for the support of parents in all of the industries where it has coverage, including Local Government and Energy, and supports generally the concept of funding paid parental leave. The proposal however is far from developed enough to be supported at this stage.

Of more concern is that the budget cuts and corporate levy which underwrites the PPL scheme are significant and the approach to supporting working parents appears one-dimensional.

Consultation with our membership consistently demonstrates that access to affordable childcare is the biggest hurdle to primary care-giver parents returning to work.

In our view, there needs to be a wider discussion on the best ways to support parents which should include consideration of investment in childcare and early childhood education.

GP Co-payment

In the outdoor workforce of the Local Government Industry the proposed $7 co-payment will be particularly an issue. Members who work in physically taxing environments such as waste, sewerage, garbage, gardening and childcare or who interact with obnoxious materials in their role are more likely to be sick. The Local Government (State) Award 2014 responds to this by providing 15 days of sick leave for Local Government workers. Firstly, it's likely that some lower-paid outdoor workers will be discouraged from seeking medical attention because of the extra cost.

Considering that a skilled and experienced Waste Services Worker in the inner city of Sydney may earn a salary of $45,000 to $50,000 annually, potentially supporting a family, a $7 co-payment will foreseeably lead to members and their families choosing not to access healthcare when they need it.

The Local Government (State) Award 2014 provides that local government workers need to provide a medical certificate in some circumstances where they access sick leave. Where a worker would normally attend a bulk-billing doctor to get a certificate, Councils will likely have to cover the extra cost. Whilst this may seem a small administrative cost, it adds to the overall cost-burden which this budget places on Local Government.

Cost Shifting to State Governments

There have been conflicting reports from each side of government regarding exactly what money was saved or cut in the Abbott budget from Health and Education over the next 10 years.

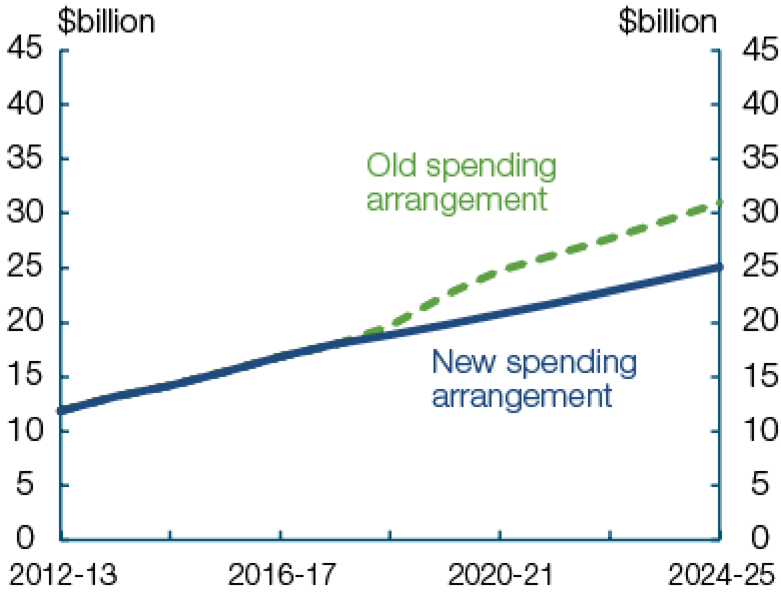
The budget papers suggest that the purpose of the changes in funding to Health and Education are to ensure that the sectors remain fully controlled by state governments. This has meant abandoning long term, nation-wide approaches to health and education.

The budget overview says:

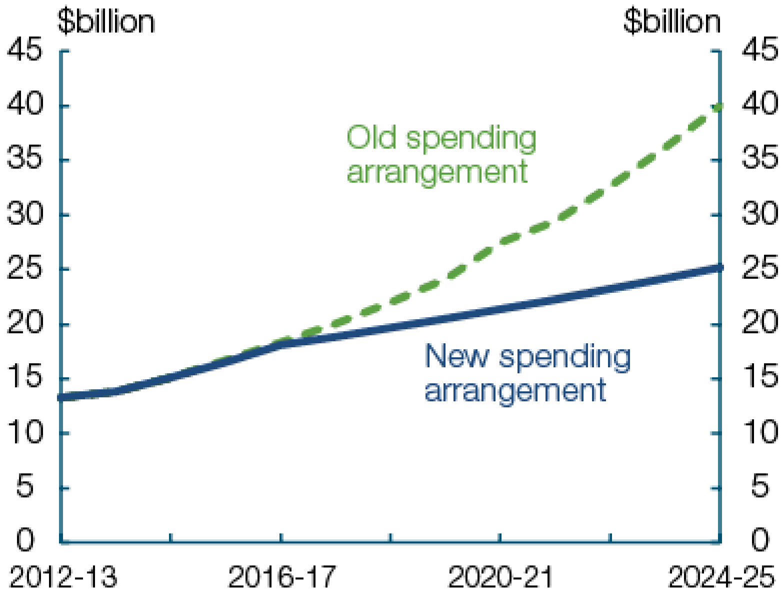
> *The changes in this Budget provide a platform to consider longer-term arrangements in the context of the White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System.*

This is the key concern for the USU in terms of cost-shifting in Health and Education. In abandoning national funding models, without sharing greater revenue with state governments; the Federal Government has created a largely unfunded mandate to the states.

Education



Health

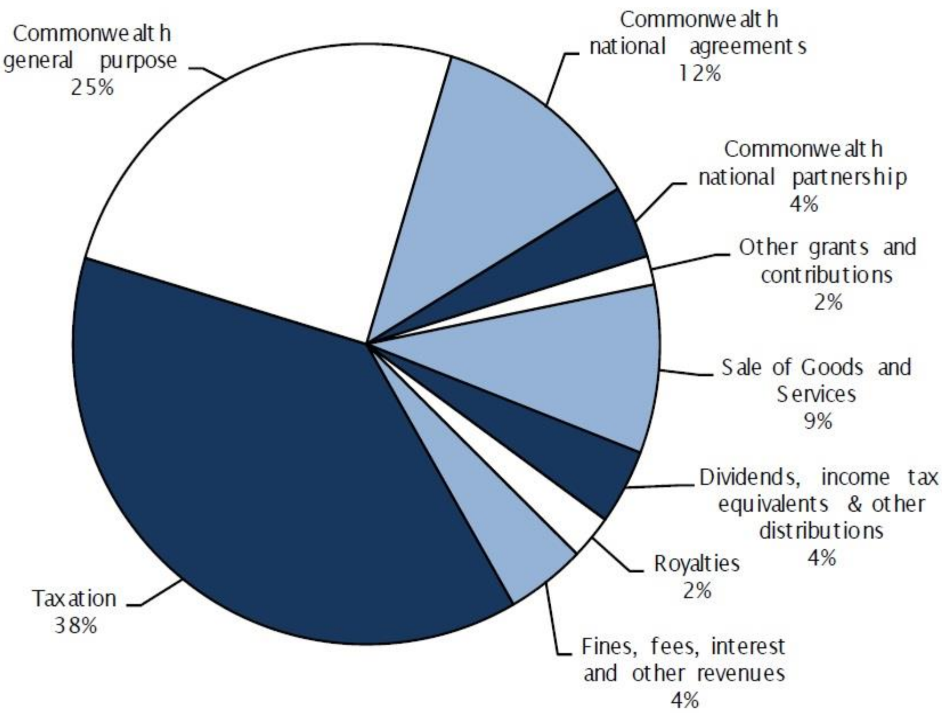


Source: 2014-2015 Budget Overview

The NSW Government operates on annual revenue of around $65 billion. 25% of that revenue comes through GST apportionment as General Purpose Funds.

The direct taxation revenue for NSW makes up approximately 38% of the state budget and is mostly drawn from Transfer Duties, Payroll Tax and Land Tax. These taxes have an important role. However raising them will have a regressive impact on the NSW economy given that significant increases would likely discourage land sale, employment and capital investment respectively.

NSW Revenue Sources



Source: NSW Budget Statement 2014-201, Chapter 6: General Government Revenue

One does not have to be terribly cynical to understand that a cost shift of billions of dollars of funding for health and education towards NSW will require new sources of state revenue. In the current state of federalism, the only real avenue for that sort of revenue growth is through extension of GST.

A broader or higher GST will increase cost of living pressures, and inequitably disadvantage low and middle income families.

Historically costs have tended to flow to smaller government entities as governments attempt to remove responsibilities from their budgetary portfolio. Inevitably, vastly increased pressure on state governments will impact the already over-stretched NSW Local Government sector through cost-shifting.

Apart from the debt levy, the PPL levy, and increases to the fuel excise, this budget implies two new tax burdens on the Australian people in the form of higher state taxes or GST, and rate increases as Local Government and states attempt to cover services cut by the Federal Government.

Retirement and Superannuation

The budget cuts to superannuation increases which were scheduled by the Rudd/Gillard government have not received much attention during national debate over the budget.

However strengthening and supporting appropriate compulsory employer superannuation contributions is the most important element of planning for future challenges associated with Australia's aging population.

In the NSW Energy industry, where the USU has a large number of members, industrial parties have secured superannuation of 15% or higher for employees of the main energy distributors.

The Abbott government's decision not to keep increasing superannuation to a sustainable level puts pressure on employers and unions to complicate Enterprise Bargaining with superannuation claims and generally disadvantages workers in industries where there is low union density.

There needs to be greater discussion about employer superannuation contributions which are adequate and sustainable.

Higher Education

Australia has benefitted tremendously in terms of economic growth and social mobility because of a relatively egalitarian approach to access to higher education in the past.

One of the most disturbing aspects of the budget for our members is the decision to deregulate university fees and the proposal to allow the interest rates on HECS so as to increase debt in real terms over time.

Increases in university fees through deregulation function as a disincentive to students. Particularly those from lower income backgrounds without familial sources of financial security, or those planning to pursue less well-paying careers that still require a degree. The concept of HECS interest being attached to the bond rate, rather than CPI, compounds the threat that such students will encounter.

The proposed changes to higher education are announced at a time when many professions are beginning to require post-graduate qualifications. Deregulated fees on higher-cost degrees over periods of study spanning 5-7 years may well lead to HECS debts of over $100,000 per student.[5]

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[5] *How Much Will Uni Degree Cost?* 2 July 2014, National Tertiary Education Union.

Historically Australians have not needed to be concerned that a university education will potentially cripple their finances later in life. However if a graduate goes through a period of unemployment whilst the bond rate is set at 5% or higher, there is a potential that debts will rise through to a debilitating sum.

Further, changes to the interest rate directly disadvantage people who take time away from the workforce, or people who choose to take on voluntary or lower paid roles.

To be blunt, a lawyer might choose to work in community law rather than a corporate firm. A bond-linked interest rate would mean that the community lawyer's degree ultimately costs more in real terms because he has chosen a career that is likely to provide less remuneration.

Philosophically the Abbott budget challenges approaches to higher education in Australia which have traditionally focused on encouraging opportunity, social mobility and their best sense of civic responsibility. It is difficult to see how there is a long term benefit for Australia in discouraging people from pursuing higher education or placing increased debt burdens on Australian graduates.

Conclusion

The 2014-2015 budget needs to be seriously rethought and restructured. The USU thanks the Senate Select Committee for the opportunity to make this submission and supports a balanced and consultative approach to government reform which seeks to protect Australia's values of fairness, equity, access to opportunity, and a strong social safety net.

Graeme Kelly, General Secretary

22 August 2014