RAISE WAGES & END THE CUTS

A budget for a better, fairer Australia

Change THE RULES

ACTU

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In 2019 Australia desperately needs a Budget that will urgently reduce inequality and raise living standards not deliver cuts to essential services

Executive Summary

In the paper below we set out our broad proposals for the 2019 Budget and urge the Morrison Government to abandon its worn out ideology of trickledown economics and set a new direction, one that addresses rising inequality and delivers higher living standards for low and middle income Australians. We also discuss the following:

Firstly, how any improvement in disposable incomes which is derived from income tax cuts in next weeks budget will mean less funding for our schools, hospitals and other public services that most of us rely on. This means there is no improvement in living standards for workers because what they receive in the one hand (the tax cut) is taken away from the other hand through cuts to Medicare, education, infrastructure, social security and pensions.

Secondly, how the governments wage forecasts are based on fantasies not facts. The governments forecasts concerning future wage growth have consistently been too optimistic under the Coalition. Record low wage growth is obviously bad for workers but it also has wider economic consequences. For example, consistently and significantly overestimating wage growth distorts estimates of revenue collection (as the government receives less in personal income tax when wage growth is low) and demonstrates that the Governments' perception of what is happening in the labour market, and power relationships at the workplace, are badly mistaken.

Lastly, we argue that to deal with rising inequality and the wages crisis it is necessary to understand the structural problems behind them. These structural and institutional forces include wage suppression by governments, the erosion of collective bargaining, a persistent gender pay gap, the expansion of precarious forms of work and fragmented work places (including independent contracting, temporary work, franchising, labour hire and gig work) and wage theft.

Summary of proposals that the Budget should be addressing

The ACTU urges the Government to change course from its failed 'trickle down' approach and produce a Budget that builds, not undermines, the foundation blocks of equality and decent living standards. The Government must take a leading role in coordinating all the economic levers at its disposal to invest in the jobs, skills, innovation, infrastructure and services necessary to secure our future prosperity. Overleaf is a summary of our broad proposals for the 2019 Budget:

1. **Have, as a stated aim, reducing inequality and raising living standards as part of a long term plan for the economy**.

- Acknowledging the empirical evidence that greater equality and decent living standards increase economic growth as promoted by organisations such as the IMF, OECD and the World Bank.
- Recognising that consumer demand is a crucial driver of economic and job growth, and that raising the wages and living standards of low and middle income households increases the size of the economic pie for everyone.
- Acknowledging that corporate tax cuts, paid for by cuts to vital services such as health and education, are not only ineffective in creating jobs or improving economic growth, they squeeze low and middle income families and deplete revenue needed to invest in the skills, education, infrastructure and innovation we need for sustained economic growth.

2. **Provide a vision for the long run economic development of Australia's economy**. Relying on failed trickle down economics is not a substitute for proper economic management. Our Government needs to implement a comprehensive plan to boost investment in infrastructure, provide incentives for research and development, support industries to retain and grow jobs, improve the quality of jobs through better wages and conditions and make our health, education and community services world class.

3. **Acknowledge that inadequate fiscal revenue is a significant challenge that needs to be urgently addressed through meaningful tax reform.** This includes reforms to negative gearing, capital gains and family trusts. As well as ensuring corporations pay their way and contribute their fair share by reversing the proposed $80 billion in corporate tax cuts.

4. **Have a plan to increase wages and address record low wage growth**, which hurts the back pockets of workers and their families and blows a hole in the budget through low personal income tax receipts. The Budget should look to increase wage and job security, especially for low and middle income earners. Increasing the minimum wage to a new Living Wage and implementing industrial reforms to improve the rights and protections of working Australians will improve living standards as well as increase consumer demand and job creation.

5. **Address the alarming growth in insecure and precarious work**, which hurts workers and families and hampers domestic consumption and economic growth, by promoting the creation of full-time, secure jobs which promote consumer demand, employment productivity and economic growth.

6. **Australia needs a comprehensive industry and jobs plan which fosters industries and sectors**, including the domestic service sector, with strong innovation, export and employment potential that will succeed in global markets and create local jobs. We need greater investment

and collaboration between business, research and government to facilitate networking, clustering, commercialisation and export opportunities for identified advanced industries and sectors and effective use of Government procurement policy. The Government should halt and reverse cuts to public support for science, innovation and collaboration and provide an adequate and stable funding framework consistent with long-term research and development.

7. **Recognise the urgent need for public investment in infrastructure on a far greater scale than currently planned**, in major new investments such as housing, schools, hospitals, roads, rail transport, a modernised electricity distribution network, modern ports, a first rate National Broadband Network and renewable energy opportunities which will create jobs and provide a foundation for a competitive economy and a strong society.

8. **Develop and implement a plan to create well-paid, secure jobs** that lay the foundation for a successful transition to a modern economy. A comprehensive job creation plan supported by high quality higher and vocational education and underpinned by effective employment laws will ensure the jobs of the future are high skill, high quality jobs.

9. **Provide for targeted assistance to industries, workers and regions undergoing significant change** for a just transition to new employment opportunities to spread the benefits of economic growth to all areas of our economy. The Government should plan and coordinate support for hardest hit industries through targeted increased investment in infrastructure, renewable energy and industries of significant potential growth as well as assistance for workers and communities.

10. **Invest in skills, education and public services** by rebuilding the public sector and stopping funding cuts to services. Quality schools, TAFEs, universities, apprenticeships, traineeships and lifelong learning and training opportunities are critical to fostering innovation. The Budget should commit to a full and immediate reinstatement of the TAFE funding cuts and rebuild the apprenticeship and traineeship system. Health, aged, disability, child care and community services are critical to the well-being of our people and the foundation blocks of a productive society that are key projected growth areas for the next five years. If we support them now, hundreds of thousands of new jobs can be created, but we must ensure they are jobs with rights, not casualised or “gig” jobs.

Introduction

A 2019 Budget based on fiscal gimmicks and last minute give-aways, just weeks before the Federal election, will be the clearest signal yet that this Government has no coherent and consistent economic strategy. The inconsistency in policy applies across a large spectrum of micro-economic fields, from energy policy to education and training. On macroeconomic strategy the Government has preached about the virtues of fiscal prudence and its rhetoric has prioritised reducing public debt to the absolute maximum to provide space for private sector initiative. Despite this rhetoric the Coalition has increased public debt with little clear benefit from doing so.

Now the current Prime Minister, who as Treasurer applied austerity measures to our education, health and other essential services, is prepared to promise tax cuts and increased public spending wherever it is likely to buy votes. Given their past policy U-turns no one should have faith in these pledges.

Rational economic thought, careful analysis and sound policy development has been side-lined. Policy is now held hostage to destructive political intrigues and infighting within the conservative Coalition. A small but very powerful click of far right politicians and their media pundits are responsible for many of these policy upheavals.

A key ingredient for economic success is a high degree of certainty about the key parameters of economic and social policy. Nothing deters business investment or undermines consumer confidence like abrupt changes in strategy, particularly when it is obvious that the changes lack commitment and are designed to advance the narrow interests of select politicians. To reverse the malaise Australia now finds itself in will require a return to evidence based policy development and a firm commitment to putting the interests of the nation above the personal political ambitions of the Coalition government.

What Australia requires now is a consistent medium term economic strategy that is designed to maximise growth in a socially and environmentally sustainable manner while ensuring that all segments of the population benefit from the wealth that is generated.

Since federation Australia has been a country that takes pride in decent wages and working conditions, a “fair go” for all with only moderate levels of income and wealth inequality. The cross-party political commitment to shared prosperity, and using public policy to produce an inclusive society, has been demolished in recent years. We increasingly live in a society with a “winner take all” mentality. Consequently, we currently have income and wealth inequality levels that are equal to the highest they have been since the late 1940s when recovery from the devastation of world war was still taking hold.

The gulf between rich and poor is a fundamental factor explaining why our society is so divided, tensions between different ethnic and social groups are heightened and faith in our political and other key institutions are at all-time lows.

For those not so lucky to reside on the harbour or in mansions on manicured tree lined streets stagnant wages and record levels of income inequality mean that daily life is a constant struggle trying to find money for rent, utility bills and other essentials while doing multiple jobs and raising the kids. Recently prices of basic services and other key essential items families purchase have increased faster than wages, resulting in declining living standards for many.

The current Coalition Government has had two full terms to manage the economy. Their policies are responsible for this situation. During this time our three national Treasurers, Hockey, Morrison and now Frydenberg, promised that tax cuts for the rich and multinational companies would boost growth and higher incomes would trickle down to workers. These economic fairy tales have failed miserably. Instead of using productivity improvements to lift the incomes of all sections of society, these benefits have gone into record profits while real wages have stagnated. Moreover, it would appear that the Government is delighted that their promises of higher wages "trickling down" to workers has not come to fruition. In a rare moment of honesty the Finance Minister recently acknowledged that keeping wages low was a deliberate objective of the Governments' economic and political strategy. This strategy is fundamentally flawed.

Today we need urgent action to boost the wages of those in the middle and lower parts of the income distribution. This can be achieved while boosting economic growth and keeping inflation within the Reserve Bank target because there is ample scope for real wage increases without boosting real unit labour costs. This is because real wage growth has fallen well short of trends in national productivity improvements for a lengthy period. To better spread productivity improvements fairly between profits and wages will require proactive policy reforms from the Government to restore greater balance between workers and employers at the workplace. What we do not need at this time are further false promises based on "trickle-down" theories that have never delivered shared prosperity in Australia.

Action to boost real wages must be accompanied by thoughtful and comprehensive policies that respond to the challenges and opportunities of our time - technological advances, heightened geopolitical uncertainty, climate change and an ageing population. Dealing with these issues requires substantial public investments that will boost growth and more than pay for themselves in the medium to longer term. In the short term building the infrastructure to prosper from our expanding population, providing a reliable renewable energy supply, ensuring we have world class health and education systems and that our economy is on the cutting edge of technological advances requires an adequate tax base and wise public expenditure decisions. These decisions need to be based on hard evidence, clearly communicated and fully implemented. Consistency and coherence are required rather than on the run policy announcements today that are forgotten or reversed tomorrow.

Real world economics is about hard choices. Rogue politicians will promise the impossible: tax cuts for everyone, increased public expenditure in essential areas and a fiscal surplus. The notion that we can do more with less is a fallacy. The reality is that any government can only spend the revenue they raise or borrow to cover their deficit. Unfortunately, the current Government has substituted sound bites and slogans for sound policies and in so doing they have sacrificed their economic creditability.

The economic truth is that meaningful tax cuts for all Australians will probably mean drastic cuts in public expenditure in the future. This Government already has a track record for reducing resources available in critical social areas. The Morrison Government cut $14 billion from schools, millions from our hospitals as well as billions out of the pockets of Australian pensioners and TAFE. Sustained cuts to public services have had a devastating impact on all parts of society: it deprives the poor and disadvantaged of the basic help that Australian Governments have historically supplied; it worsens the quality of life and equal opportunities for middle Australia; it undermines the private sector and makes it more difficult for our companies to compete internationally; and in a period such as now when the economy is operating below full capacity, it reduces both current and potential economic growth levels.

The Government should deliver a Budget which serves the current and longer term needs of Australians by investing in quality private and public sector jobs; high quality education and research; transport, communications and renewable energy infrastructure as well as research and development that will enhance innovation, the use of new technologies, higher productivity and deliver new export opportunities.

However, public investments of the scale required are difficult within our current tax system. Australia continues to have shares of tax revenue and public spending as a proportion of GDP which are amongst the lowest in the OECD. This Government has lacked the political courage to tackle unproductive negative gearing, capital gains and family trust tax concessions which disproportionately benefit the wealthiest Australians. Rather than closing corporate tax loopholes, the Government has been proposing $80 billion worth of tax cuts to corporations. The failure to implement sensible tax reform is costing the Government billions of dollars in lost revenue. Revenue that is desperately required to fund the type of investments mentioned above.

The Government has tried to suggest that boosting wages and tackling inequality will lead to slower economic growth and job losses. These assertions further undermine the economic creditability of the Coalition government. No one is proposing an unsustainable increase in labour costs. What has been proposed is that real wage levels should increase in line with national productivity trends. When this happens real unit labour costs remain static and the share of national income going into profits remains constant. For some time now real wages have not grown in line with productivity, resulting in reduced labour costs and higher profits. Unfortunately the increase in profits has not been reinvested in the real economy to build new factories, purchase the latest technology or expand services. Instead it has financed share buy-back schemes and unproductive speculation in property and other assets that do not generate economic growth.

By contrast a fairer income distribution and decent living standards will generate higher domestic consumption and provide a boost to local business. Entrepreneurs will respond to higher demand for their products and services by investing in production and taking on more staff. The stimulus effect of a much needed real pay increase for Australian workers will far outweigh the impact of cutting corporate taxes. Given recent global geopolitical developments, and the heightened uncertainty about the future of the global trading system, it makes sense to support these highly geared sources of domestic economic growth. Decent and more secure jobs that pay a fair wage is a key ingredient of a sensible and balanced economic strategy in today's challenging global environment.

Tax cuts are not equivalent to pay rises

Living standards are determined by several factors, including: the wages people earn; other sources of income they may have such as rents, bank interest, dividends and capital gains from shares, property and other assets; direct transfers from the government that are paid to people on extremely low incomes such as the aged pension or other welfare benefits; the different taxes that are applied to these various forms of income; and, the value that different people derive from the public services they rely upon every day like hospitals, schools, emergency services, transport and infrastructure.

For the vast majority of people it is their real wages and the quality of public services they use that are the key determinants of living standards. For the very wealthy their non-wage incomes tend to be much more substantial and a major factor determining their living standards. The tax regime also has an important, but not homogenous, impact on the living standards of various groups in society. One key reason for this is that the tax rates that apply to different sources of income vary dramatically, with some sources of income being privileged and facing very low or no taxes compared to the taxes levied on wage income.

If one wanted to improve the living standards for the majority of people in Australia this can be achieved by ensuring that they receive a real wage increase or they have access to better quality public services. Tax cuts will also boost the disposable income of the groups they are targeted to but this also means that the government collects less revenue. Unless the government is prepared to pay the price of a fiscal deficit (or lower surplus) this will eventually mean cuts in public services. Any significant improvement in disposable incomes for the majority of Australians which is derived from income tax cuts will mean less funding for our schools, hospitals and other public services that most of us rely on. This means there is no improvement in living standards for workers because what they receive in the one hand (the tax cut) is taken away from the other hand through cuts to Medicare, education, infrastructure, social security and pensions.

For those on lower incomes who rely most heavily on public services and welfare payments this approach represents an unambiguous decline in their living standards because they will face cuts in pensions and less public services. For the very wealthy who can afford private health care, send their children to private schools and do not use public transport the notion of income tax cuts is an attractive proposition. The combination of these various factors strongly suggests that tax cuts will widen the gap between the rich elite and vast majority unless there is an iron clad guarantee that the tax cuts are targeted to low income groups and any fall in tax revenue will not lead to cuts in key social services. There is also a danger that tax cuts, in lieu of a living wage, provides unscrupulous employers with another "free kick". It allows employers who rely on wage theft, precarious work contracts and infringements of labour laws the ability to continue such practices instead of meeting their social obligations.

A more efficient and equitable approach is to boost living standards through sensible wage increases, which would entail ensuring that real wages improve in line with national productivity improvements, while ensuring that all forms of income are subject to a fair tax regime. This has the double benefit of raising additional revenue to spend on our medical services, education and training and infrastructure.

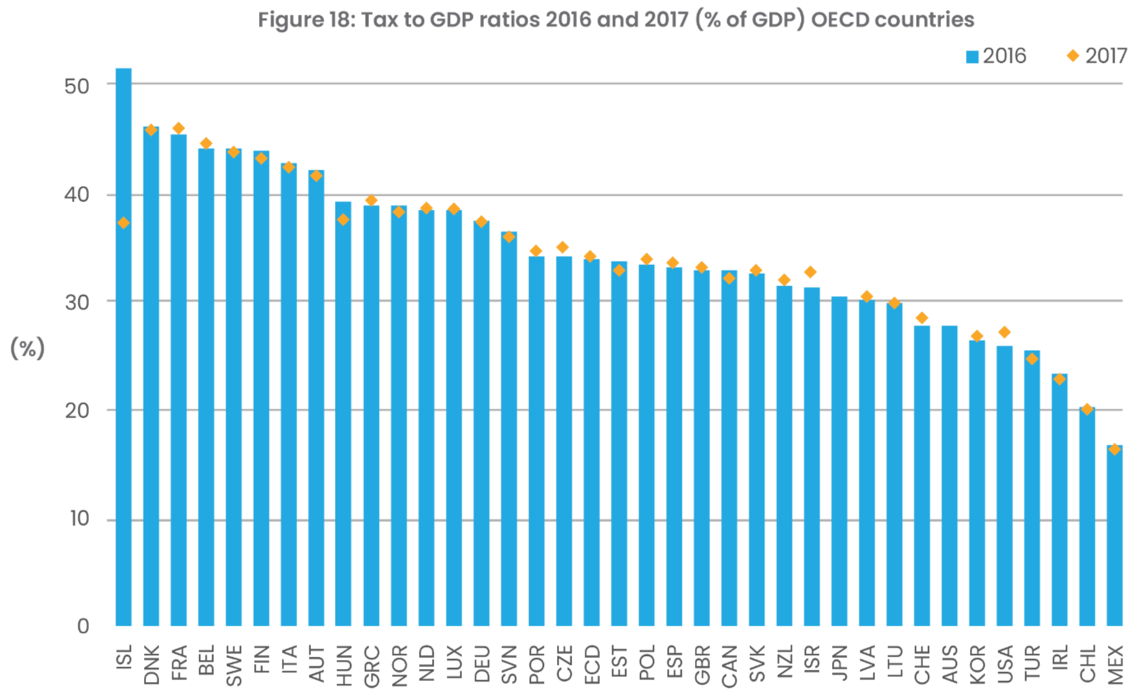
While tax cuts may provide a short-term sugar hit this will not address the fundamental structural problems behind the wages crisis and widening inequality. Reliance on tax cuts to boost the disposable income of the low paid will require more than a one-off adjustment: it will be necessary for the government to forgo additional tax revenue each and every year. The deceleration of wage growth is in large part due to the impact of deep structural and institutional changes and cannot be explained as a normal outcome of market forces. These structural and institutional forces include wage suppression by governments, the erosion of collective bargaining, a persistent gender pay gap, the expansion of precarious forms of work and fragmented work places (including independent contracting, temporary work, franchising, labour hire and gig work) and so-called wage theft. This has recently been recognised by no less than 124 Australian labour market researchers.[1]

Tackling these fundamental structural issues and ensuring that the primary distribution of incomes is fair will prove economically more efficient then a marginal one-off tax break to try and compensate for the imbalances between capital and labour that have progressively distorted our workplaces and the share of national income going to profits and labour.

This does not mean that the current tax system is efficient or equitable. Australia urgently needs genuine and comprehensive tax reform to make the overall system more progressive, improve transparency and provide the revenue base required to tackle the market failures that prevent our nation from fulfilling its economic and social potential. Australia continues to have ratios of tax revenue to GDP, and public expenditure to GDP, that are amongst the lowest in the OECD (see Figure 1).

1 https://assets.nationbuilder.com/theausinstitute/pages/2972/attachments/original/1553100722/Open_Letter_on_Wages_Full_List.pdf?1553100722

Figure One: Australia continues to have one of the lowest Tax to GDP ratios in the OECD



Source; "Revenue Statistics 2018: Tax revenue trends in the OECD" OECD 2018

Imposing an arbitrary limit on total tax revenue as a share of GDP, as the Coalition Government is doing, has no sound policy basis. Population ageing and the increasing availability of new life-saving, life enhancing medical technologies will continue to cause health costs to rise faster than GDP, even with reforms that address any remaining waste and inefficiencies. Meeting these and other pressing needs, school funding, investment in infrastructure, innovation and job creation, will require improvements to our overall budget revenue position.

In contrast to these growing needs, around a third of Australia's largest companies paid no tax in the last financial year. [2] Corporate tax avoidance is endemic in Australia – and we all pay the price. Fewer public services, roads, bridges, nurses and teachers are just some of the costs of corporate tax dodging. It is working people and the vulnerable that have to carry the burden of this corporate behaviour.

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[2] https://www.abc.net.au/news/2018-12-13/one-third-of-australian-companies-paid-no-tax-ato/10614916

Government wage forecasts are based on fantasies not facts

The Budget forecasts concerning future wage growth have consistently been too optimistic under the Coalition. Even the Australian Chamber of Commerce and Industry have recognised this, which is reflected in their Budget submission this year. In every Budget the Government has projected that wage growth would either plateau or accelerate. The last three Budgets, projected a very rapid acceleration in wage growth from the low point reached around 2016/17.

For example, in last year's Budget, the Government were forecasting 3.25% nominal wage growth for 2019/20 followed by growth of 3.5 % in both 2020/21 and 2021/22. Unfortunately for workers actual wage growth has fallen dramatically short of these forecasts, with the most recent annual data (WPI) suggesting annual growth of just 2.3%. The consistent failure of the Government to accurately forecast this key economic variable calls into question the credibility of any forecasts that are presented in the Budget next week.

Figure 2: Actual Wage Growth vs Treasury forecasts

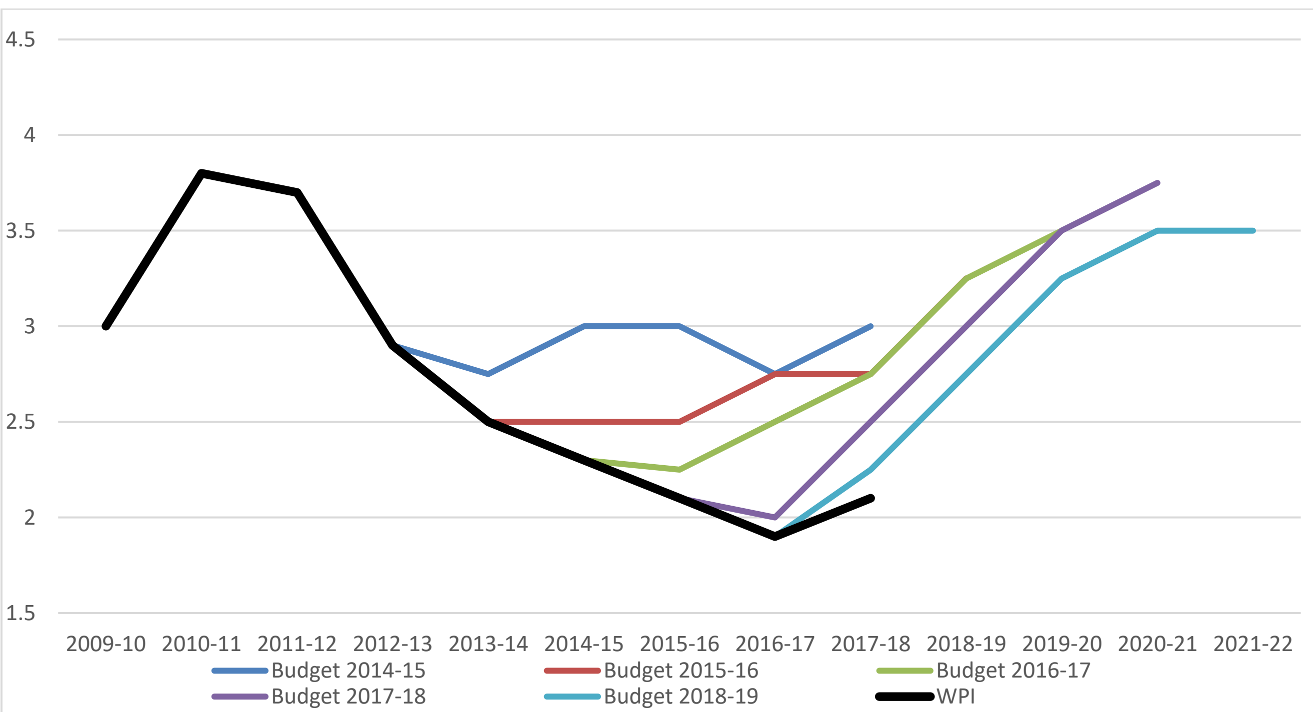
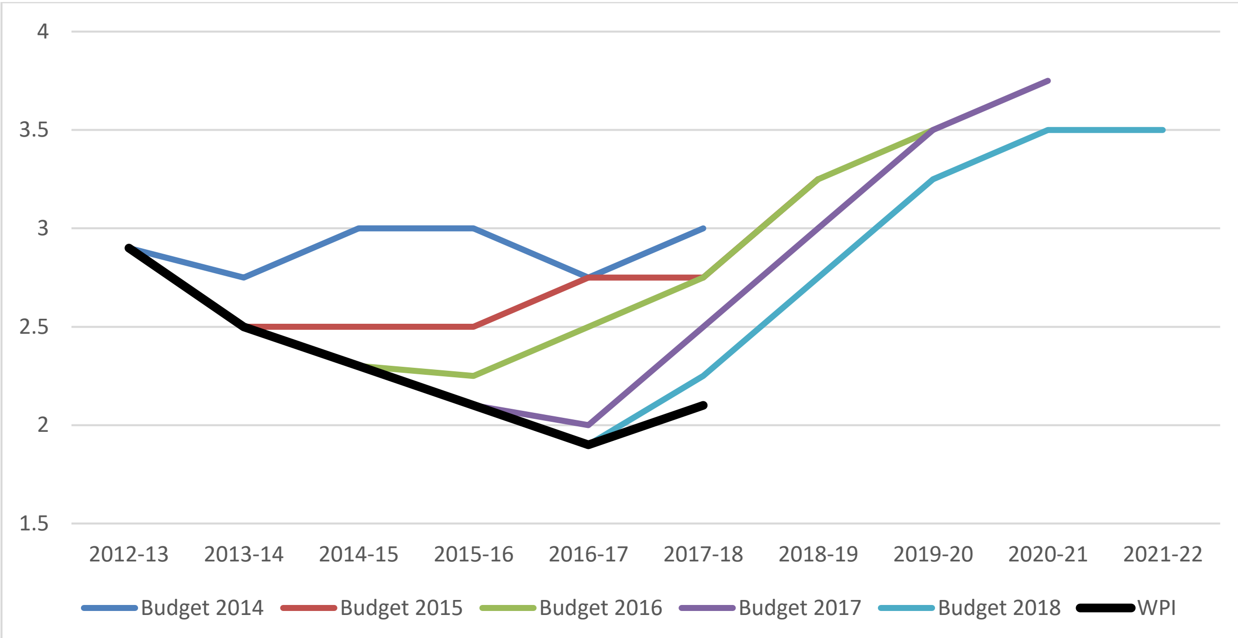


Figure 3: Actual Wage Growth vs Treasury forecasts



Record low wage growth is obviously bad for workers but it also has wider economic consequences. For example, consistently and significantly overestimating wage growth distorts estimates of revenue collection (as the government receives less in personal income tax when wage growth is low) and demonstrates that the Governments' perception of what is happening in the labour market, and power relationships at the workplace, are badly mistaken. An alternative explanation is that the Government has deliberately set out to deceive the Australian people. Given the recent remarks by the Finance Minister that maintaining low wages is a deliberate and central objective of the Government strategy, the latter explanation is plausible. We expect the Government to will make the same "mistake", or apply the same strategy again this year. They will forecast a spontaneous acceleration in wage growth while at the same time continuing their attacking unions, stifling collective bargaining, trying to cut penalty rates and keeping workers earning minimum wages in poverty.

Workers share of national income falls close to a 60 year low

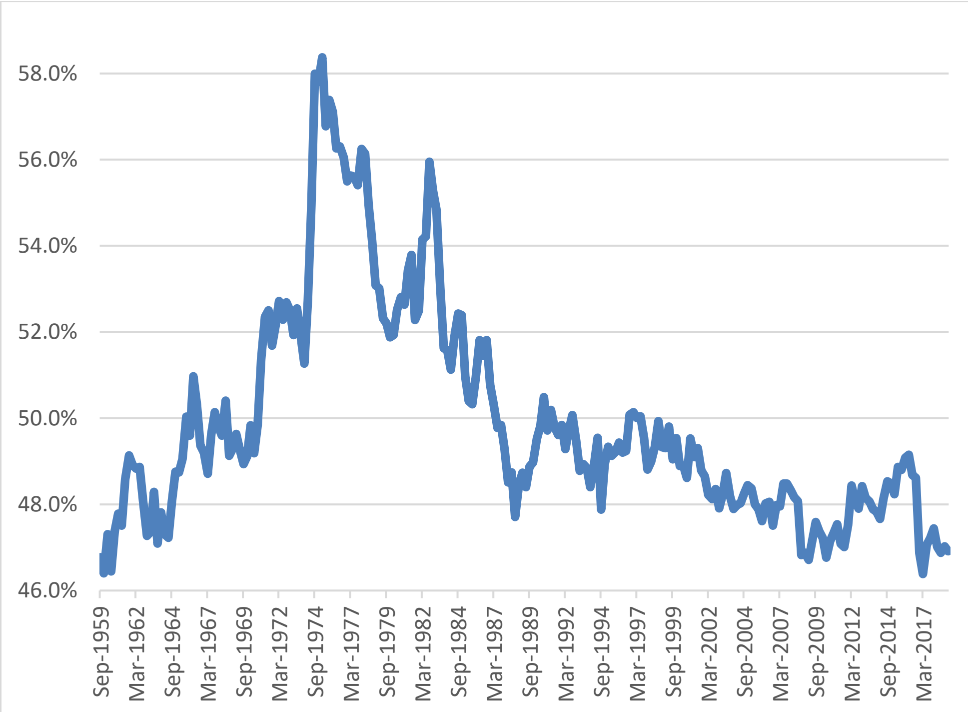
Australia's recent wage crisis is part of a longer trend which has seen the share of national income going to workers fall to levels not seen since the late 1950s /early 1960s. Figure 4 shows long run trends in the so-called labour share. The share of national income going to profits would show the inverse of the labour share. From the late 1950s to the mid-1970s the wage share increased rapidly, albeit with some pronounced gyrations, to reach a peak around the time of the first global oil crises in the 1970s. The subsequent advance of neo-liberal economic policies, globalisation and extensive labour market reforms reversed these trends and the wage share has been on a steady downward trajectory, again with some noticeable fluctuations, since the early 1980s. By the end of 2018 the wage share was back at similar levels to those that prevailed sixty years ago.

Similar trends can be found in many advanced economies but not all. Countries with the most pronounced falls in the wage share, and increases in the profit share, are those that combined strong support for free trade, financial market deregulation, participation in global supply chains and what economists would call "labour market flexibility". The latter includes attacks on trade unions, erosion of collective bargaining, stagnating minimum wages and other attacks on worker rights. This combination of policies, plus the impact of technological change, has proven to be excessive and is an important factor behind increasing inequality, the rejection of open economies and the rise of populist politicians.

The OECD has recognised that these trends threaten many of the economic and democratic advances that have been achieved.[3] The OECD, essentially a conservative economic think tank, has called for a more balanced policy mix to restore faith in the capitalist system and preserve open economies. They have strongly advocated a move back to labour market institutions that better balance the interests of capital and labour, including support for trade unions, industry level collective bargaining and ensuring that non-standard forms of work are covered by labour legislation, social security and worker rights rather than being treated as independent contractors.[4] The Australian Government would be wise to heed this sound advice.

[3] OECD, "The Framework for Policy Action on Inclusive Growth", Paris 2018.
[4] OECD, Employment Outlook, recent editions.

Figure 4: Labour share of national income is at close to a 60-year low



Source: ACTU calculations, ABS Cat 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Table Seven

But even the data presented in Figure 4 under states the real imbalance that currently exists between capital and labour. Professor David Peetz has noted that estimates of the share of national income accruing to labour includes the pay of corporate executives and other "fat cats" in the business world. He has stated:

> *"The second major problem is that the labour share includes the pay (even many bonuses) of chief executive officers (CEOs) and other senior executives of organisations. Indeed, owner-managers of incorporated enterprises are considered as employees by the Australian Bureau of Statistics (ABS) and their 'salaries' (paid to themselves by their businesses) categorised accordingly. While, technically, CEOs are wage and salary earners, they have nothing in common with workers, they are more likely to be rewarded for firing them than for raising their wages"*[5]

Professor Peetz highlights that this gives a misleading impression of movements in the labour share:

> *"….to include top executives' incomes within the labour share, while correct in national accounts conventions, gives a misleading impression of movements in the labour share. As increases in the incomes of CEOs and other top income earners have, over the long term, exceeded any upwards movements in the incomes of more conventionally described wage and salary earners, the decline in the labour share will understate the decline in the relative position of what we conventionally understand to be wage and salary earners (that is, wage earners who are not senior executives."*[6]

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[5] Peetz, D. (2018) 'The Labour Share, Power and Financialisation' *Journal of Australian Political Economy* No. 81, pp. 33-51.

[6] Ibid

An effort to disaggregate the labour income paid to senior executives from that paid to other workers was undertaken by the economist Matt Cowgill. Cowgill estimates that the labour share of national income, after excluding the salaries of senior executives, is 3 to 4 percentage points below that suggest by the National Accounts data that is used in Figure 4 above.[7]

This recent research by international institutions like the OECD and our highly respected national labour market experts should be at the forefront of policy discussions around the forthcoming Budget. Unfortunately those currently making economic policy in Canberra continue to ignore both the latest international and domestic economic evidence while consistently making fundamental errors about wage forecasts.

Weakness in the domestic and global economies

Since becoming Treasurer in August 2018 Josh Frydenberg has presided over one of the weakest periods of economic growth Australia in the last 27 years. Real GDP expanded in the December quarter of 2018 by just 0.2 % (seasonally adjusted) after increasing by a mere 0.3% the previous quarter. The December quarter result marked the third consecutive quarter in which economic growth has slowed substantially. Growth was so slow in the last six months of 2018 that after taking into account the impact of an expanding population, the size of our "economic cake" diminished: creating a so-called "per capita recession". Some of the factors underpinning the poor performance in late 2018 were declines in dwelling investment and very modest growth in private consumption expenditure. Both the Finance Minister and the Treasurer should be aware that one of the legacies of deliberately keeping wages low is that people cannot afford to buy homes or other consumer items.

Global economic activity also slowed significantly in the second half of last year due to a range of factors including measures taken by the Chinese authorities to reduce shadow banking and trade tensions with the USA. In Europe consumer and business confidence has ebbed sharply while armed conflicts and natural disasters are detracting from growth across a wide range of emerging and developing nations. All respected international institutions are currently downgrading their global economic growth forecasts for 2019.

Against this background it would be prudent for the forthcoming Budget to place greater reliance on domestic demand then would otherwise be the case. The outlook for exports and capital inflows are subdued due to slowing international demand and geopolitical tensions. Measures that will help boost domestic consumption are highly desirable in these circumstances. The best way of achieving this objective is through an increase in the wages of those who need to spend all their weekly income to provide the basic necessities for their families. Having more customers able and willing to buy your goods and services is the surest way to encourage entrepreneurs to invest and expand their business. In addition, a sound and

7 Matt Cowgill 'A Shrinking slice of the Pie' The Working Australia Paper No 1, Australian Council of Trade Unions, 2013,

sensible economic strategy would focus additional public expenditure on investments that will boost the long term growth potential. For example, investments in education and training enhance our human capital, adding to productivity and future property. Much stronger public support for renewable energy sources will provide the private sector with a reliable and affordable long term energy supply while investment in public transportation that cuts congestion will boost productivity and economic efficiency in the private sector.

Skills and training are more vital than ever in our changing economy

The Morrison government have cut $3 billion from TAFE and apprenticeships. Under the Liberals/Nationals Australia has lost 150,000 apprenticeship places nationwide. If the Government was serious about sound economic management and future job creation it wouldn't cut funding from TAFE.

We need a VET sector that can rebuild and reskill today's workforce to face the challenges and opportunities of the future with purpose and resourcefulness. TAFE must lead this resurgence of vocational education, skills and capability building. A high skilled workforce capable of identifying, capturing and exploiting opportunity is a non-negotiable precondition of Australia reaching its potential as a world leader in innovation. We must aspire to be competitive and exploit opportunities as they arise. With a properly-functioning skills and vocational education and training system that has well-resourced TAFE colleges at its core, there is little that Australia cannot achieve. New industries and technologies can be created, new workforces developed and new jobs created. VET must provide the re-skilling, up-skilling and skills recognition necessary to secure a just transition for workers in industries affected by technological change and the transition to a low carbon economy. We need an effective training system to ensure these workers and communities have the support they need to make this transition.

The system will also need to provide pathways to employment opportunities for thousands of skilled workers in growth industries such as healthcare, education and disability and community care, as more and more workers will be moving into these fields or up-skilling within them. The higher education model of training where a person undertakes one intensive course of training when beginning a career (such as a university degree) and then only undertakes minor on job up-skilling may no longer be sufficient in a world of rapid technological change. A skills training sector that can deliver lifelong learning, particularly up-skilling for workers in a fast-changing world of work, will be crucial to economic growth and worker empowerment.

The skills, national qualifications and further education that TAFEs and the VET system deliver are key building blocks for a fair society that provides opportunities for all to participate in further education and the workforce.

We need a world class education system for all Australians

The Morrison governments funding cut to public schools in 2018 and 2019 will leave 87% of public schools below the minimum level of funding required to meet the educational needs of children. Needs-based funding would ensure all schools can meet the agreed school resource standard[8].

Conclusions

Global economic and political uncertainty will most likely intensify in the period ahead. As the Government delivers its 2019 Budget key international economic institutions, like the IMF, are reviewing and revising their global economic forecasts. The forthcoming World Economic Outlook will most likely revise down global economic growth forecasts for 2019 in light of the synchronised slowdown that become evident across advanced and key emerging economies in late 2018. Recent partial economic indicators in Europe, the USA and large emerging economies like China all point towards more subdued growth. Recent gyrations in equity and bond markets underline these economic fragilities.

In these tense and turbulent times Australia needs to rely more on our own communities, businesses and diverse population to provide economic security and good quality jobs. Our Government needs to support local endeavour with action not just empty words. This means a real plan. A plan which boosts investment in infrastructure, provides incentives for research and development, fosters growth sectors, supports export opportunities, improves the quality of jobs through better wages and conditions and makes our health, education and community services world class.

Public investments in these areas should have been implemented much earlier when it was evident the resources boom was not going to last forever, and new domestic engines of economic growth were required. The Morrison Government talks about growth and jobs but have done absolutely nothing to protect our economy and our people.

The ACTU and its affiliates urge the Morrison Government to abandon its worn out ideology of trickledown economics and set a new direction, one that addresses rising inequality and delivers higher living standards for low and middle income Australians.

[8] School finance data compiled by ABC News shows that rather than closing the equity gap, the income divide is wider for many schools than at any point in the past decade. Please see ‘Counting the cost of the education revolution’ by Inga Ting, Ri Liu and Nathanael Scott, 22 Nov 2018.