Turning away from failed trickledown economics

Australia needs a budget to address rising inequality and raise living standards

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Introduction

Australia is a prosperous country proudly founded on decent living standards and the fair go. However, these standards have been under threat in recent years, with inequality between Australians now the highest in 70 years. Unless we adapt and respond to the challenges and opportunities of our time - technological advances, heightened geopolitical uncertainty, climate change and an ageing population - our living standards will continue to fall.

Unfortunately, this Government has substituted sound bites and slogans about jobs and growth for sound policies. As a result, one in seven Australians are officially unemployed or underemployed. Wages have been flat-ling for several years and forty percent of working Australians are employed in precarious jobs and many with little or no financial security. 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 like now when the economy is operating well below full capacity, it reduces both current and potential economic growth levels.

The Abbott-Turnbull Government has cut $17 billion from schools, $715 million from our hospitals, pensions and penalty rates. No amount of spin from the Treasurer can hide this.

The Abbott-Turnbull austerity measures and lack of any substantive plan for long run economic development has been nothing more than a short-term political strategy to suit the election cycle. Cuts in expenditure in past Budgets were designed to make room for big promises and pork barrelling in the run up to the Federal election this year or next. This is no way to run an economy or a country. The people of Australia will see through this approach as political expediency at the expense of sound economic management. The key institutions and players in the global economy have already rejected this short-sighted approach.

It is not too late to put the country above narrow party political objectives and revert to a sound economic strategy. 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 and research and development that will enhance innovation, the use of new technologies, higher productivity and 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 is 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.

Inequality in Australia is a key threat to economic growth and prosperity. The ongoing withdrawal of services and support which are critical to the social wage further squeezes lower and middle income households.

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.

Summary of Proposals

The ACTU urges the Government to change course from its failed 'trickle down' approach and produce a Budget that builds, not undermines the key foundation blocks of equality and decent living standards. The Government must take a leading role in coordinating all the economic levers it has at its disposal to invest in the jobs, skills, innovation, infrastructure and services necessary to secure our future prosperity. Detailed recommendations are in the relevant chapters, but below is a summary of our broad proposals for the 2018 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, improve the quality of jobs through better wages and conditions and make our health, education and community services world class.

3. Acknowledge that inadequate revenue is a far more significant challenge to the long term sustainability of public finances than spending which must be addressed with 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 plan which fosters industries and sectors, including the 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. 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. With interest rates at record low levels, especially for government, now is the right time for the Government to invest in the future. It makes economic sense to borrow and lock in these favourable public investment conditions, especially at a time when investment is so sorely needed.

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 to transition to new employment opportunities and 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 increase higher education funding to the OECD average, 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.

A BUDGET FOR EQUALITY, DECENT LIVING STANDARDS AND INCLUSIVE ECONOMIC GROWTH

Corporate tax cuts are not a solution to a problem that demands practical measures to raise our growth potential and create a vision for the future of Australia’s economy.

As part of the long term plan for the economy, a stated aim of the Budget must be inclusive prosperity to raise living standards and reduce inequality. The empirical evidence on the link between greater equality and increased economic growth has been prolific in recent years. It is clear that redistribution towards the middle and the poor can increase the size of the economic pie for everyone.

There is no mention of inclusive prosperity or equality in the Australian Treasury’s mission statement or in past Budgets by this Government. The Government is behind the economic curve in its thinking and urgently needs to catch up. This Budget needs to recast the Government’s economic thinking, away from its narrow focus on corporate tax cuts towards a program of greater ambition to improve the lives of all Australians.

As a first step the Government should recognise income and wealth inequality as a serious economic and social problem facing Australia. We discuss this in more detail below;

Rising Inequality: An Australian Reality

Income inequalities in Australia are greater than at any time in the last 70 years. Small elites have amassed vast fortunes and massive political power. While for the vast majority of people, living standards have declined and job security has disappeared.
Inequality is the challenge of our time. If we don’t change course, Australia will be a fully Americanised society of high inequality and dead-end jobs, with long working hours, no holidays, zero job security and poverty pay levels. These are the economic conditions that breed high levels of crime, discrimination against minorities and a broad range of social problems.

Australia must not go any further down this path. Instead we must return to being a country in which families on a normal income can afford to buy a home, provide a good education for their kids and have a decent standard of living. Societies that pay their workers fairly and provide job security tend to have low crime levels, less social problems and are more inclusive.

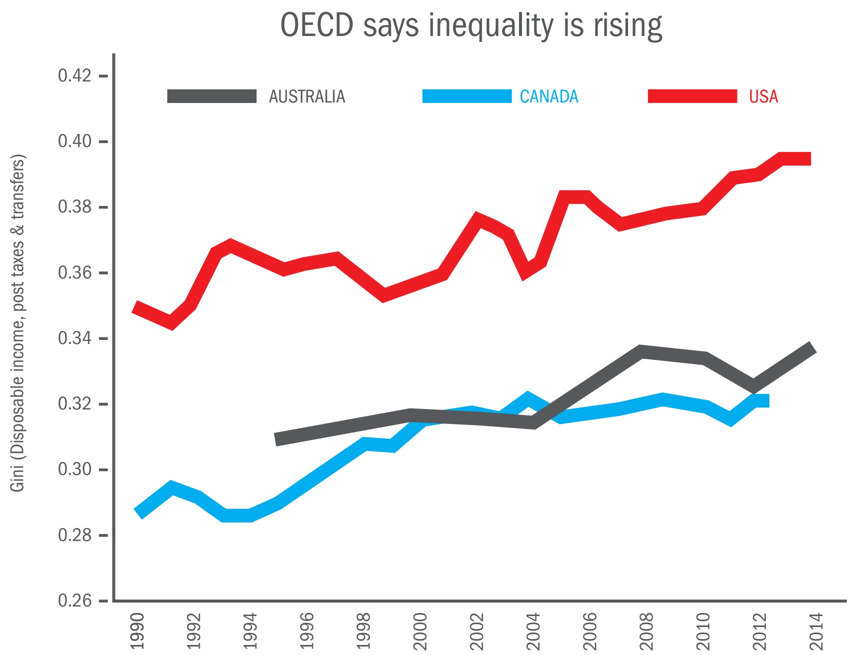
We need a Budget that addresses growing inequality and invests in our greatest resource – our people. More trickle down economics will simply exacerbate income inequality and make life harder for working people.

The most recent OECD Economic Survey of Australia, released in March 2017, had the following to say about income inequality in Australia:

“Inclusiveness has been eroded. The Gini coefficient has been drifting up and households in upper income brackets have benefited disproportionally from Australia’s long period of economic growth. Real incomes for the top quintile of households grew by more than 40% between 2004 and 2014 while those for the lowest quintile only grew by about 25%.”

The OECD also released the following graphs that show inequality is rising and the top incomes have benefited disproportionately.

OECD 2017 Economic Survey for Australia says inequality is rising



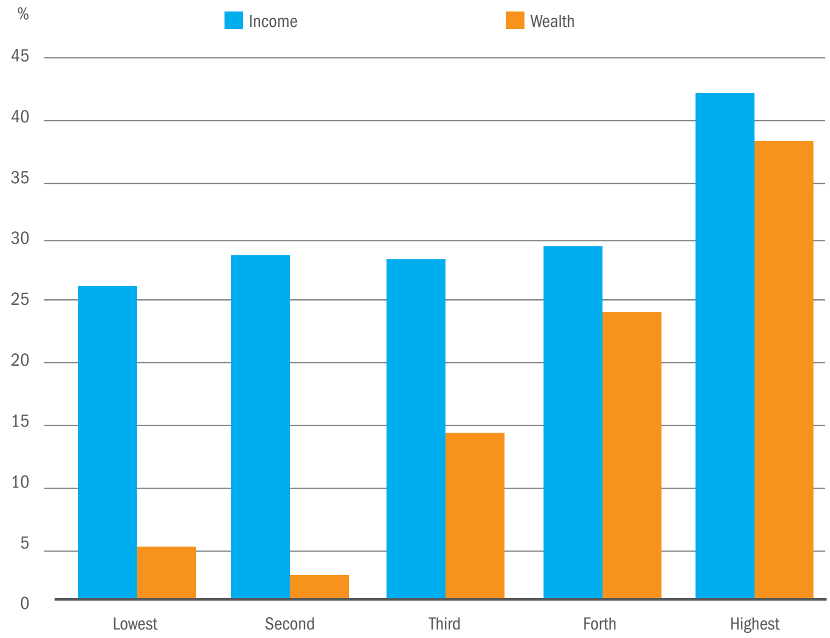
Source: OECD EConomic Survey 2017

The graphs above highlight that Australia has a lower level of inequality than the USA but the level has been rising over time.

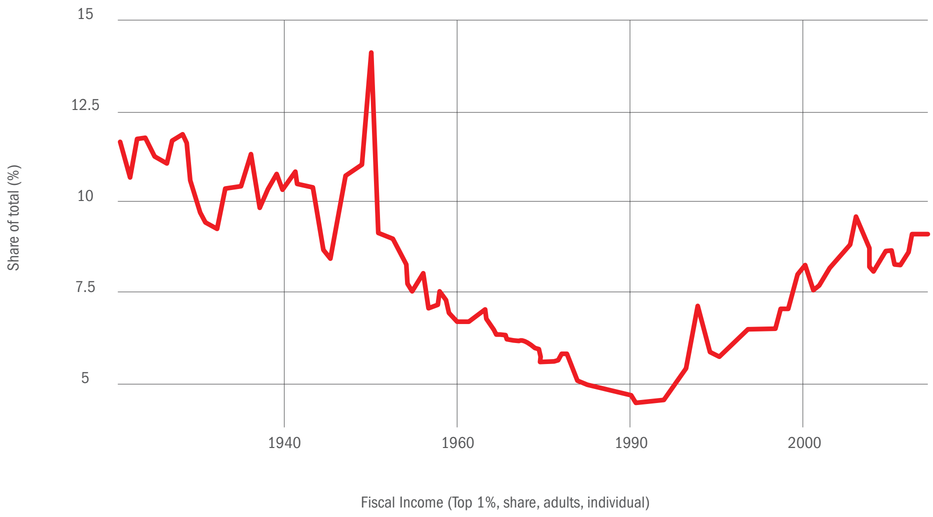
If we turn to the share of income held by the top 1% it is clear inequality is at a 70 year high.

Top income groups have benefites most from the economic boom

Real increase by household income quintile 2003/04 – 2013/14



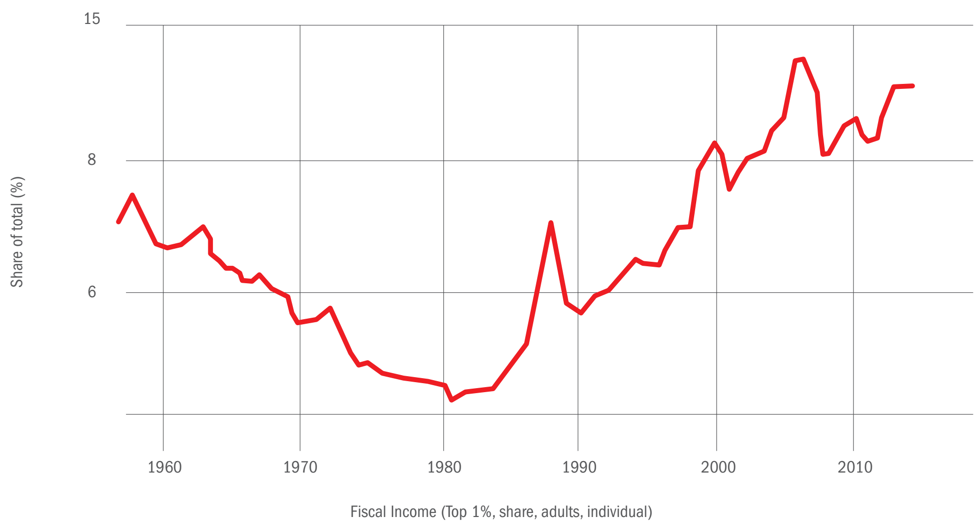
Top 1% fiscal income share in Australia (1921 – 2014)



Source: World Wealth and Income Database

And the share of income held by the richest 1% of the population has been steadily rising since neoliberal approaches began to dominate economic policy in the 1980's.

Top 1% fiscal income share in Australia (1958 – 2014)

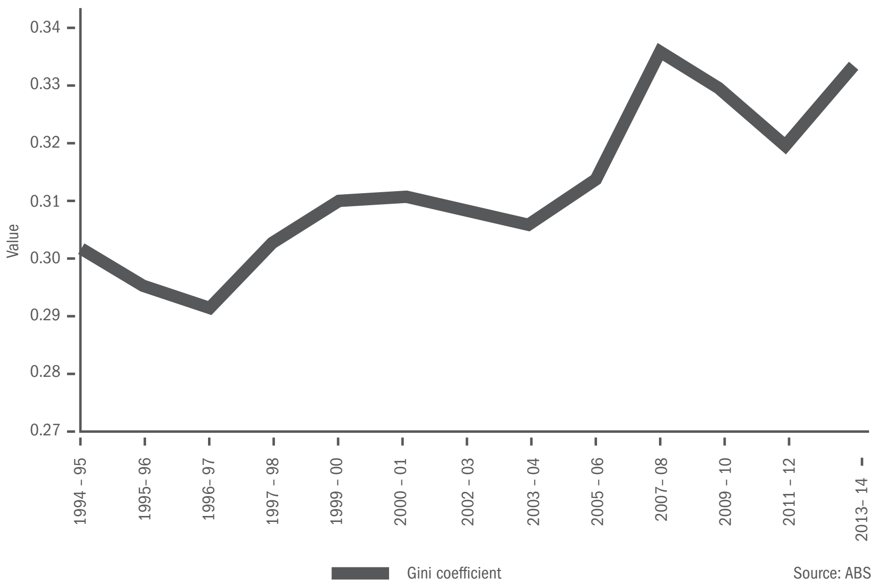


Source: World Wealth and Income Database

The Government has recently denied inequality is a problem. However the facts are clear. The distribution of income throughout society is becoming more unequal. The graph below shows that since the mid-1990s income inequality in Australia has been getting worse. Despite a blip just after the Global Financial Crisis, when share prices fell for a short period and those rich enough to make lots of income through their investments took a hit, it is clear that the general trend has been towards widening income inequality.

Gini coefficient has been rising over time

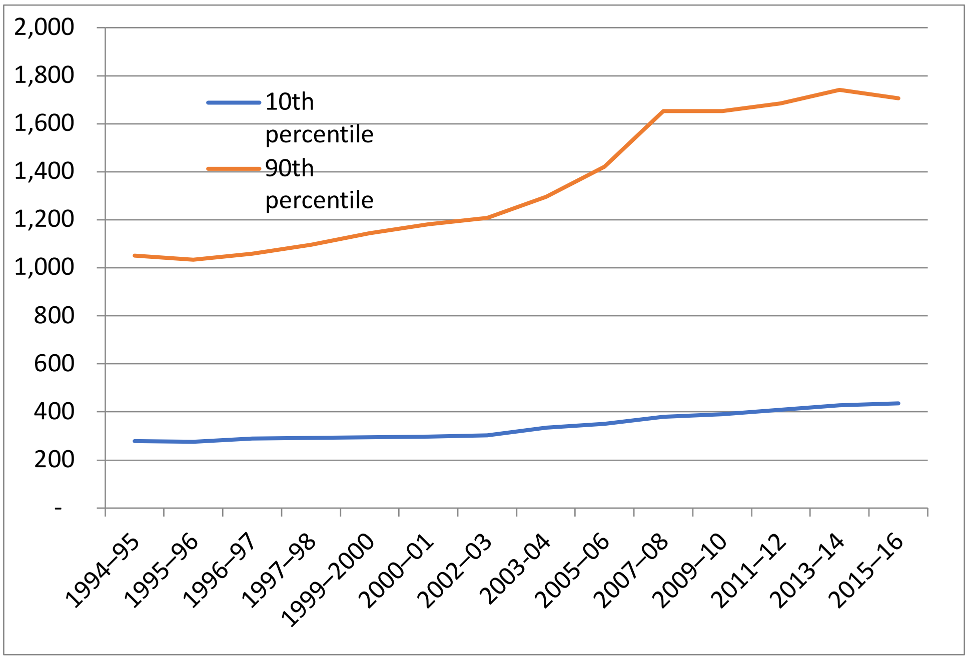
Inequality in Australia is a rising trend



Growing disparities in household disposable income between the top end of town and the bottom

Disposable income is an important variable for measuring living standards. We can see below that those at the top of the income distribution have fared considerably better than those in the bottom deciles over the decade to 2015-16.

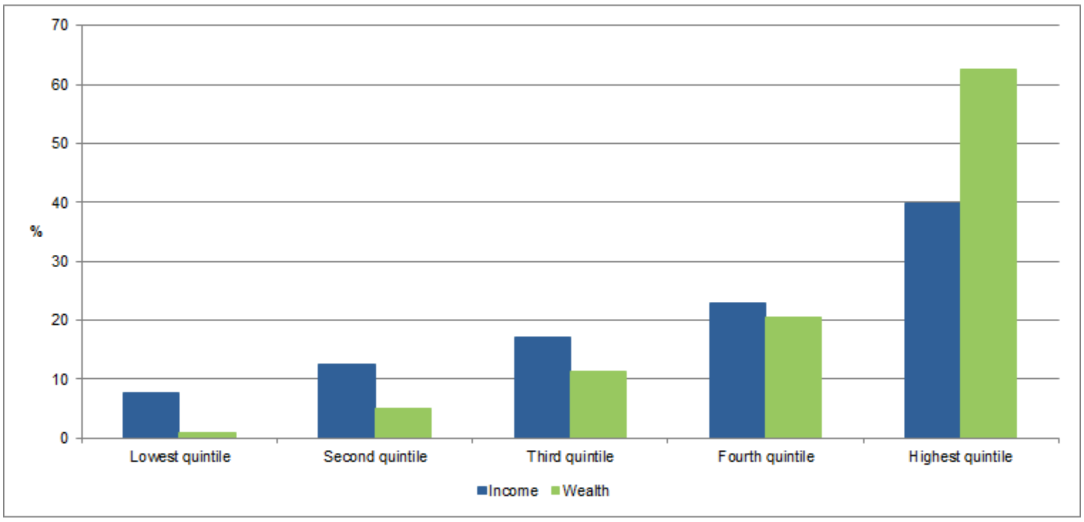
Household disposable income by income distribution



Source: ABS 6523.0, Household Income and Wealth, Australia 2015-16

The ABS produces the following graph on disposable household income and states ‘after taking account of the number and age of people in the household, households in the highest income quintile received 40% of total income in 2015–16. By comparison, households in the lowest income quintile received just 8% of total income’. It is apparent there is significant income inequality in Australia today.

Equalised disposable household income and wealth per quintile 2015-16



Source(s): ABS Survey of Income and Housing, 2015–16

We scan see in the graph above that the distribution of wealth (green columns) is more unequal than the distribution of income which we discuss further below.

Wealth inequality is rising even more sharply

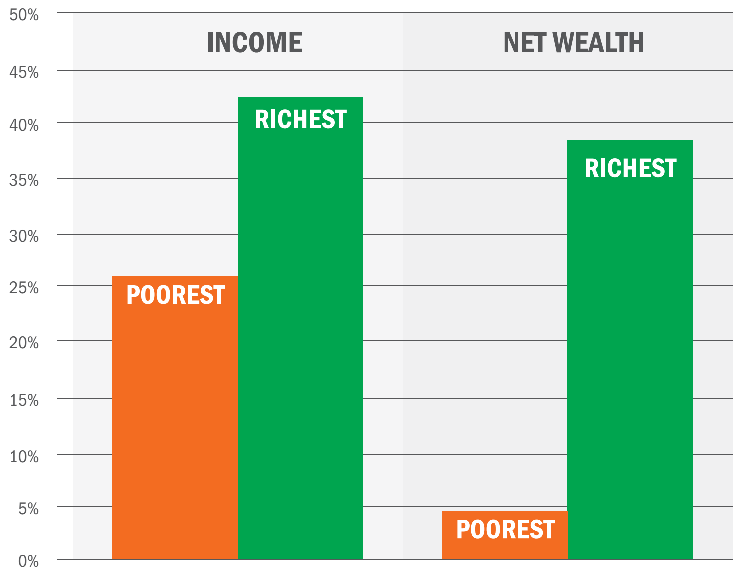
Due to very rapid increases in the value of homes, investment properties, shares and other assets held by the rich, wealth inequality has increased even more sharply than income inequality.

It is common among the wealthy elite in Australia to have a multi-million dollar home, several investment properties, and a large portfolio of shares, bonds and other assets. At the other end of the income spectrum many young Australians are struggling to pay rent and many have been forced to move back in with their parents. They have very little chance of getting into the housing market.

Wealth and income inequality are related. The distribution of income has implications for the distribution of wealth and vice versa. High incomes enable the accumulation of large wealth holdings on the one hand, while large wealth holdings generate high incomes[1]. The graph below shows how the inequality of wealth is much more dramatic.
For the richest and poorest 20% of the population between 2004 and 2014, both groups had an increase in their real incomes during the decade, but the incomes of the rich group rose by almost double that of the poorer group. The real net wealth of the rich group jumped by around 38% while that of the poorer group increased by only around 4%. The gap between the “haves” and “have-nots” has become a great chasm in this decade.

[1] The Australia Institute ‘Income and Wealth Inequality in Australia’ David Richardson and Richard Dennis

THE REAL INCREASE OF HOUSEHOLD INCOME AND WEALTH FOR 2004-2014



Source: OECD Economic Survey Australia 2017

The disparity in wealth is apparent when we see that the top ten richest Australians (according to the 2017 Financial Review Rich List) have over $77 billion between them.

The 2018 Oxfam Inequality Factsheet further highlighted some indicative facts on wealth inequality;

- The share of wealth concentrated in the hands of the top 1% of Australians in 2017 has grown to 23% – up from 22% in 2016[2].
- As was the case in 2016, the top 1% of Australians continue to own more wealth than the bottom 70% of Australians combined[3].
- Last year saw the largest annual increase in the number of Australian billionaires and billionaire wealth since the start of this century – with an extra eight Australian billionaires and an increase in total billionaire wealth in Australia of about $38 billion[4].

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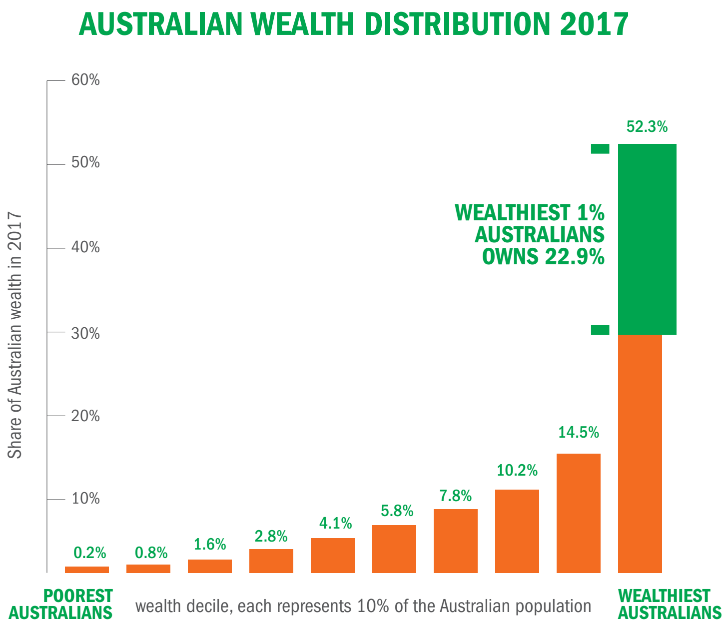
[2] Growing Gulf between Work and Wealth', Australian Factsheet, Oxfam, January 2018
[3] ibid
[4] ibid

- The number of billionaires has also more than doubled over the past decade in Australia, from 14 in 2008 to 33 in 2017, with a corresponding increase in total wealth of almost 140% to $115.4 billion[5].

Oxfam also produced the following graph using Credit Susie data for 2017 to highlight the wealth distribution in Australia. We can see that wealth is heavily concentrated amongst the top 1%.

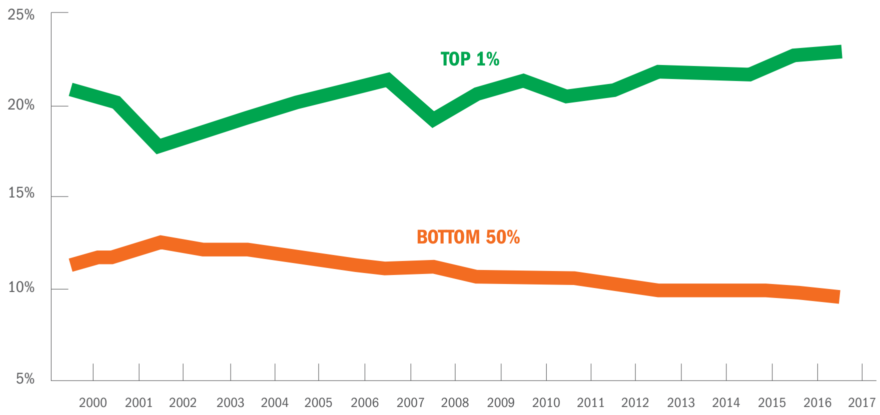


Source: Oxfam Australia Inequality factsheet 2018 using Credit Suisse data from their Global Wealth Report

The 2018 Oxfam report further explained that the wealth share has been falling for the bottom half of Australians almost continuously over the past two decades. Further, wealth inequality has been on the rise over the past two decades with the gap between the top 1% and the bottom 50% now at the greatest at any time over this period. Oxfam (2018) produced the following graph;

[5] ibid

WEALTH SHARE HELD BY THE TOP 1% VS BOTTOM 50% OVER TIME



Source: Oxfam Australia Inequality factsheet 2018 using Credit Suisse data from their Global Wealth Report

The table below details trends over time in various measures of wealth inequality. The P90 to P10 ratio compares the wealth of households at the 90th percentile with that of households at the tenth percentile. A larger ratio indicates greater levels of inequality.

In 2003-04, households at the 90th percentile held 45 times as much wealth as households at the tenth percentile. In 2015-16, households at the 90th percentile of the distribution held 59 times as much wealth as households at the tenth percentile. This indicates that wealth inequality increased in the last decade.

Table One: Wealth inequality: Ratio of values at top of selected percentiles

Ratio of values at top of selected percentiles		2003–04	2005–06	2009–10	2011–12	2013–14	2015–16
P90/P10	ratio	45.06	47.34	49.16	53.84	52.25	59.17
P80/P20	ratio	10.44	10.62	10.93	11.61	12.07	12.32
P80/P50	ratio	2.23	2.20	2.23	2.36	2.42	2.44
P20/P50	ratio	0.21	0.21	0.20	0.20	0.20	0.20
P10/P50	ratio	0.07	0.07	0.07	0.07	0.07	0.06
Gini coefficient	no.	0.573	0.593	0.602	0.593	0.605	0.605

Source: ABS, Household Income and Wealth, Australia Summary of Results 2015-16

Even if we take broad brackets of wealth distribution as the ABS does[6] there have been growing disparities over time. The ABS reported the following as part of their Household Income and Wealth survey;

- Middle and high wealth households have experienced a real increase in average net worth over the twelve years. Middle wealth households had an average net worth of $528,400 in 2015–16 compared to $401,000 in 2003–04 (adjusted for inflation). High wealth households increased in real terms from an average net worth of $1.9 million in 2003–04 to $3.0 million in 2015–16[7].

- Low wealth households did not experience any real increase in net worth over this time period with the average net worth of $36,500 in 2015–16 similar to 2003-04 ($33,000)[8].

The ABS found that one factor driving the increase in net wealth of high income households is the value of owner-occupied and other property. They found for high wealth households, average total property value increased by $878,000 between 2003-04 and 2015-16 from $829,200 to $1.7 million. For middle wealth households, average property values increased by $211,200 (from $258,000 to $469,200). Low wealth households that owned property had much lower growth of $5,600 to $28,500 over the twelve years[9].

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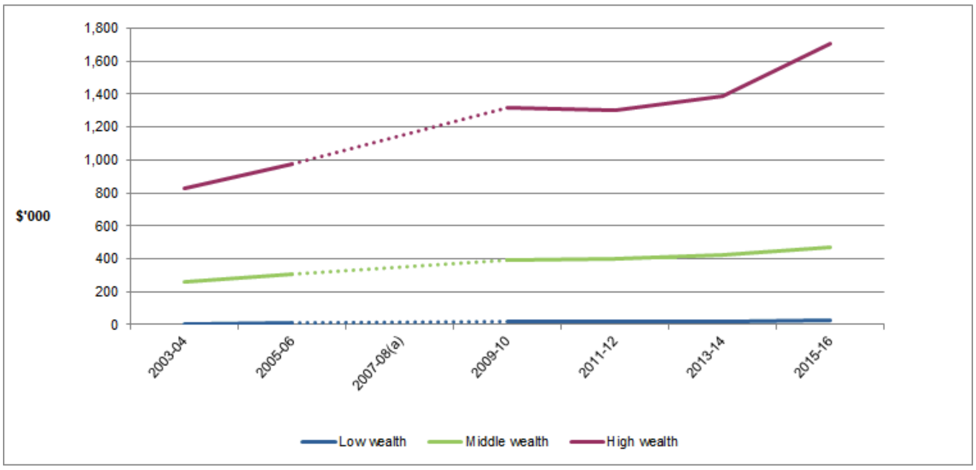
[6] High wealth households refers to the 20% of households in the highest net worth quintile; Middle wealth households refers to the 20% of households in the third net worth quintile; and Low wealth households refers to the 20% of households in the lowest net worth quintile.

[7] ABS 6523.0, Household Income and Wealth, Australia 2015-16
[8] Ibid
9 Ibid

Total average Property value by wealth group by wealth group, 2003-04 to 2015-16



Source: ABS 6523.0, Household Income and Wealth, Australia 2015-16

Wealth inequality is rising in Australia and a wide range of organisations from the OECD to Oxfam have recognised as much.

The increasing Americanisation of Australian society

In the last few years conservative international economic institutions such as the IMF and the OECD have recognised that higher levels of income inequality can hamper economic growth and employment. IMF Managing Director Christine Lagarde recently said: "reducing excessive income inequality is not just sound social policy, but sound economic policy as well." The OECD has declared that excessive income inequality "takes a toll on the social fabric of communities, places a heavy economic cost on future growth, and reduces trust in governments and institutions." The most respected academic economists have reached similar conclusions. For example, Nobel prize-winning economist Joseph Stiglitz argues: "We can no longer talk about rising inequality and sluggish economic recovery as separate phenomena… they are in fact intertwined – inequality stifles, restrains and holds back our growth."

As well as the negative relationship between inequality and growth there are far-reaching social consequences of high levels of income inequality. If trends in income inequality continue, and the link between wages and productivity is not restored, we will see the increasing Americanisation of Australian society - the expansion of dead-end jobs, characterised by long working hours, no holidays, zero security and poverty pay levels. The gap between the rich and the poor will become a vast chasm. These are the underlying trends that have given rise to far reaching social problems and crime levels in the USA. These are the trends that result in large sections of society deserting mainstream political parties and supporting extreme individuals or parties. These are the trends that allow elites to avoid paying their fair share of taxes while demanding increased corporate welfare. These are the trends that breed racist and xenophobic tendencies and a rejection of our historical commitment to international law and support for human rights in the search for someone to "blame". It is clear that Australia, both from an economic and social policy perspective, desperately needs a plan to address inequality.

The interesting debate now is about the causes of rising income inequality and the appropriate policy responses. The conservative explanation for rising income inequality is technological change and innovation that places a premium on high skilled jobs and this explains why executives of large corporations and those running banks and other financial institutions deserve their very high rewards. According to this perspective, the answer to excessive income inequality is increased investment in skills and training so that a wide section of society has access to these high paying jobs.

Technological change may indeed be one factor contributing to widening income inequality. This is why the ACTU is concerned about reductions in the Budget for training and apprenticeship schemes. It is bizarre that on one hand conservatives attribute rising income inequality to technological change and then on the other hand choose to cut the funding for TAFE.
But technological change and re-training are not the only cause and cure for income inequality. For a start it is not feasible to think that re-training workers leaving the resources sector, or those currently engaged in the hospitality industry, to be financial advisors and bankers is a realistic solution. That said, greater investment in free education and training to give every young person in Australia the opportunity to fulfill their potential is highly desirable from both an economic and social perspective.

The real causes of rising income inequality go beyond technological change. They included the weakening of labour institutions such as trade unions, the diminished role of the independent umpire in enforcing legal minimums and the rapid expansion of precarious forms of work. Globalisation is also a major factor underpinning widening income inequality. Financial market deregulation, “free trade” and rapid increases in foreign direct investment in developing countries may have had some desirable consequences. But it did nothing for blue collar workers in advanced economies trying to make a living by working in a factory or in a low skilled occupation that could be transferred to a country without trade unions, collective bargaining and labour rights.

When it comes to policy reforms to contain the expansion of income inequality, the options are narrower. The future of technological change and globalisation are largely beyond the control of Australia. On these issues we are merely one player among many. The policy variable that is within our national control is our national labour institutions and labour laws. We should not continue the trend of the last 30 years and weaken the protections provided by labour institutions and labour laws that were initially established recognising there is a massive power imbalance between the individual worker and the employer. The consequence of not strengthening labour law to protect working people will be a further increase in income inequality, as entitlements like penalty rates are whittled away, and the negative social and political consequences that we can see have been the experiences overseas.

Alternatively, we can say the trend of attacking the basic protections for workers has gone too far. We need policies that help move our workplaces towards a more even playing field. This means ensuring working people have the rights they need to be able to bargain for fair pay rises, minimum rights are easily enforceable, a living wage and new laws to reverse the number of insecure jobs.

Another essential part of the solution lies with the broad macroeconomic strategy and the future structure of our economy. As argued above, this strategy needs to carefully consider global conditions.

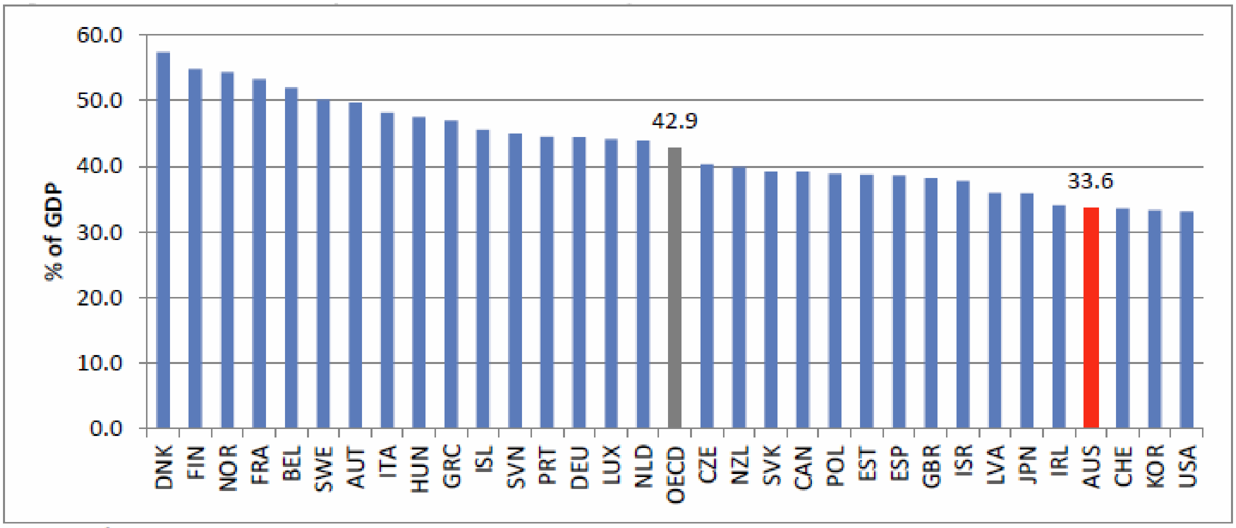
In an environment of global stagnation we must rely more on domestic sources of growth. Unfortunately since mid-2012 domestic demand has been expanding well below long term trends. In this situation domestic consumption and public investment need to be driven as the keys to growth and jobs.

This does not imply a rejection of the open economy model. What is being advocated is a pragmatic rebalancing of policies to reflect real world realities. Australia should remain a strong advocate of fair trade and expanding our export industries in international forums while simultaneously boosting domestic sources of growth. This means providing more support for industry policy and wages policy and using the fiscal space we have wisely. We need to use our policy tools to support private sector growth. In present circumstances active public policy is more likely to encourage private sector investment rather than the reverse. We need to use this support to create secure jobs that pay a decent wage.

THE NEED FOR TAX REFORM

Rather than the often pronounced spending problem, the long term challenges to sustainability of public finances are clearly the result of a revenue problem. Government revenue as a share of GDP has been steadily declining over the past decades.

Graph: International comparison of total tax as a per cent of GDP, OECD countries



Source: OECD, http://stats.oecd.org/, tax revenue statistics, 2014

Australia's total tax revenue as a percentage of GDP at 33.6% is well below the OECD average of 42.9% and is the fourth lowest share of total tax in GDP of all the OECD countries.

The tax system is regressive

Not only do we collect proportionately less tax than the majority of other OECD countries, our system is increasingly inequitable, with those with high incomes paying a smaller and smaller share of taxes over time while receiving a bigger and bigger share of income. The top marginal income tax rate has decreased from 67% fifty years ago to 45%.

The lack of progressivity in the tax system is demonstrated by the decline in the share of middle and lower income households in disposable household income over the last ten years and the increase in the share of the top fifth.

Australia has tax concessions which are not available to the same extent in most other high income countries. Measures specific to Australia include those pertaining to capital gains, negative gearing, superannuation and trusts. These are used disproportionately by high income earners to further reduce their taxable income.

Rather than cut vital services, the Government should act to close these loopholes to ensure a sustainable revenue base for a Budget that supports a strong community and economic growth

Negative gearing

Negative gearing concessions cost government revenue more than $3.7 billion each year. Negative gearing is highly regressive, with 50% of negative gearing tax breaks going to the top 20% of households and only 6% to the lowest fifth. Negative gearing has contributed to higher housing prices and put house ownership increasingly out of reach for large sections of the population. It has also served to skew investment towards property and away from other productive activities.

Capital gains

Capital Gains Tax (CGT) discounts which apply in Australia are much more generous than in most other high income countries and are estimated to cost government revenue between $4.0 - $5.7 billion per annum. CGT tax breaks are extremely regressive, benefiting mostly high income earners with almost three quarters of CGT breaks going to the top 10% of high income households.

Family Trusts

Family trusts are another vehicle for the rich avoiding paying their fair share of tax. Billions of dollars in tax revenue is being lost due to wealthy Australians using family trusts. Estimates range from $2 billion to $3.5 billion in lost tax revenue. A staggering 21.6% of our national income runs through trusts, with assets of $3.1 trillion and income of $349.2 billion.

To address rising inequality and build a decent society it is essential that corporations pay their fair share of tax

The purpose of the tax system is to generate sufficient revenue to provide the services the community expects and deserves of governments and to support a fair society with decent living standards for all. Australia has a progressive tax system but its progressivity is in decline and inequality is widening. The ACTU's position is that the tax system should support the role of government to provide quality services and investment in high-skilled, high-wage job creation. For this to be reality, it is essential that corporations pay their fair share of tax.

Widening inequality in advanced countries has been detrimental to economic growth. As the real wages of lower income earners have stagnated or even gone backwards, as employment has become increasingly insecure and as the middle has hollowed out, consumer demand has weakened and growth has slowed. The world's most respected international economic organisations including the World Bank, the IMF and the OECD have all found that the increase in inequality in many advanced economies in the last three decades has had a negative effect on growth and prosperity.

The IMF has concluded that increasing the income share of the poor and the middle class actually increases growth while a rising income share of the top 20% results in lower growth – "that is, when the rich get richer, benefits do not trickle down."

Australia is a low-taxing, low-spending country by OECD standards. Imposing an arbitrary limit on total tax revenue as a share of GDP, as the federal government is insisting on 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, 36% of Australia's largest companies paid no tax in the last financial year. The 732 corporations paid nothing on a combined revenue of over $900 billion[10]. 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.

Corporate tax cuts will hurt workers and their families

Despite the Government's spin, corporate tax cuts will not benefit working people or the economy. They are simply taxpayer handouts to big business. Cutting company tax rates will actually hurt workers by lowering their social wage. The corporate tax cuts will be paid for by cuts to essential services such as schools, hospitals and community services that working people rely. Increased corporate welfare is not used to build new factories, update technology and create more jobs. Rather a tax funded jump in corporate profits will end up in the pockets of the corporate executives and predominantly offshore shareholders. For domestic shareholders the unique dividend imputation system means that the cuts would make little difference. This analysis is even supported by conservative organisations such as Goldman Sachs[11].
We set out the key reasons why corporate tax rates will not benefit working people or the economy below;

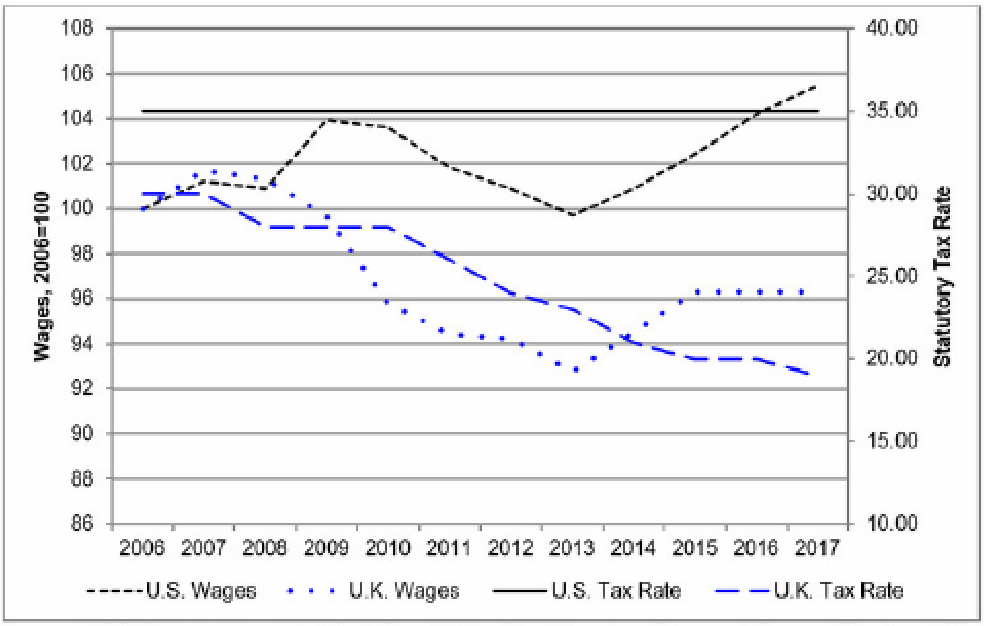
1. Recent studies by the Australia Institute and the Grattan Institute as well as overseas experience has shown that corporate tax cuts do not alter the investment or employment decisions of the top 15 ASX companies[12]. A Goldman Sachs analysis of US corporate tax cuts found that 60% of corporate tax benefits flow on to offshore investors. Even the Government's own Treasury modelling found that in the short term, the greatest benefits would go to the profits of companies themselves, and in the longer term the improvement in GDP and jobs growth would be modest.

2. The United Kingdom reduced its corporate tax rate, in several steps, from 30% down to 19%. At the same time, the United States has kept its corporate tax rate constant at 35 percent. As UK corporate tax rates fell, so did real wages. In short, the cuts had the opposite effect to what those who were lobbying for them said they would.

3. Reduction in the company tax rate will not cause a surge in investment e.g. after several rounds of tax cuts, the Canadian economy saw no increase in corporate investment [13]. Despite the planned reductions in corporate taxes, the Government's own figures show that business investment is predicted to fall by 5% this year and remain flat for several years. Having a high skilled workforce, quality public services, quality infrastructure and workers having money in their back pocket to buy the goods and services that companies produce are more important factors for encouraging investment

[11] https://www.theguardian.com/australia-news/2016/jun/01/goldman-sachs-analysis-of-company-tax-cut-finds-benefits-would-go-offshore
[12] The Australia institute, Cutting the Company Tax Rate: Why Would You? , Dave Richardson, 30 November 2015
[13] Jim Stanford https://newmatilda.com/2016/03/03/a-warning-from-canada-how-cutting-corporate-tax-did-more-harm-than-good/

Corporate Tax Rates and Median Wage Growth for Workers
In the United States and the United Kingdom, 2006 to Present



Sources: OECD (statutory tax rates); UK. Office of National Statistics, Annual Survey of Hours and Earnings (UK wage data); US Federal Reserve (US wage data).

1. Most foreign investment into Australia comes from countries that already have higher corporate tax rates. Companies do business in Australia because they want to do business in Australia. Foreign investment is not dependent on the company tax rate. Foreign Investment Review Board figures confirm that a lot of Australia's investment comes from countries with lower company tax rates. By value, 71% of foreign investment applications come from countries with company tax rates lower than Australia's rate and by a large number, 97%, come from countries with company tax rates lower than Australia.

2. Because of our double taxation agreements with other nations such as America, any reduction in the company tax rate will simply flow to those other countries, depleting our revenue and providing no boost to jobs or economic growth. Executive Director of The Australia Institute, Ben Oquist said 'A key beneficiary of the proposed company tax cuts is the American tax office. Various American companies operating here will not benefit - they will simply pay the difference in the United States. American firms operating in Australia will not invest more, employ more or be any more competitive after Australia cuts the company tax - they will simply pay less tax here and more tax in the US."

3. The banks will benefit the most. The Australia Institute has estimated that there would be $7.4 billion benefit to the ANZ, NAB, CBA and Westpac through the implementation of the Coalition's company tax cuts policy. The benefit to the banks would then be expected to grow in perpetuity.

THE URGENT NEED FOR GREATER LEVELS OF PUBLIC INVESTMENT

Sustained and shared economic growth requires investment in our country's greatest resource – our people. Australia urgently requires increased investment in schools, TAFE, and universities. We also need major new investments in public infrastructure – including roads, rail transport, a modernised electricity distribution network, modern ports, and a first rate National Broadband Network.
Our past failure to fairly tax the resource sector and reinvest in infrastructure and innovation to develop long term industry, a better skilled workforce and quality public services means that we face enormous challenges today.

Infrastructure Australia has warned that we face a growing infrastructure deficit, which if allowed to continue, will cost the economy $53 billion per year by 2031. On the other hand, investment in these areas will generate a trifecta of benefits: it will provide a badly needed immediate boost to domestic economic demand and growth; it will enhance the productive potential of the private sector in the future; and, it will expand opportunities for all Australians to share in our economic success.

Conservative economic institutions like the IMF have become outspoken supporters of fiscal stimulus in countries where governments have relatively low levels of deficit and debt. They are urging governments like ours to invest in infrastructure and skills.

The ACTU supports sensible and fair economic policy, not one that will rush to surplus, hurting workers, communities and our long term prosperity on the way. Of course the Government needs to ensure a sound and manageable level of debt, but any sensible government would understand that long term public investment in infrastructure is a smart investment in our nation's future.

Despite the hyperbole so prevalent in our national economic debate, Australia has a relatively low fiscal deficit and, compared to other countries, a low level of public debt. With interest rates at record low levels, especially for government, now is the right time for the Government to invest in the future. It makes economic sense to borrow and lock in these favourable public investment conditions, especially at a time when investment is so sorely needed.

It makes sound economic sense to borrow now and take full advantage of these favorable public investment conditions. Indeed there is wide consensus among conservative and progressive economic thinkers that this approach is highly desirable. Investment in public infrastructure is strongly supported by the ex-Governor of the RBA Glenn Stevens, as well as IMF Managing Director Christine Lagarde, who recently said: 'where there is fiscal space (like in Australia), record-low interest rates make for an excellent time to boost public investment and upgrade infrastructure'. And it is supported by leading progressive economists, such as Nobel winners Joseph Stiglitz and Paul Krugman.

Increased public investment now in clean energy technologies, public transport, and better communication infrastructure will create jobs in the short run and expand our potential long term growth. This will encourage rather than discourage higher levels of private investment. This strategy will help create more secure and better paid jobs and reduce our reliance on insecure work.

THE BUDGET MUST ADDRESS THE KEY PROBLEMS FACING THE AUSTRALIAN ECONOMY: LOW WAGE GROWTH AND INSECURE WORK

Low Wage Growth

The problem of record low wage growth is undeniable[14]. The wage price index and other measures of wage growth have been decelerating for years[15]. There are also signals that the relationship between unemployment and wage growth is breaking down. Even when unemployment is falling there are now signs that it is now taking longer for wage increases to materialise and the increases are smaller[16]. Longer waits for wage growth cause hardship for workers and their families.

We can see below flatling growth in both public and private sector wages. Furthermore wage growth is below the decade average in every industry. This points to a national wage crisis.

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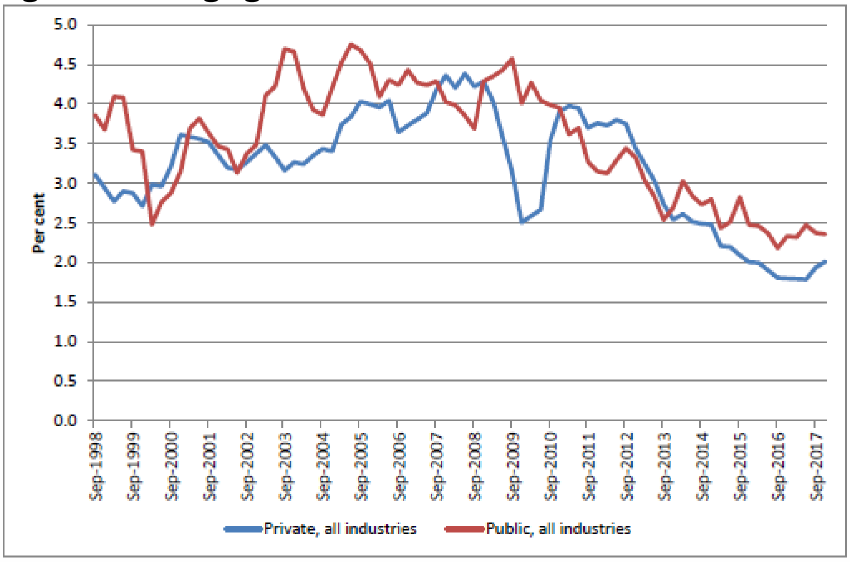
14 *Analysis of Wage Growth*', The Treasury, November 2017

15 The data shows a clear structural break since around 2013.

16 https://www.theguardian.com/business/grogonomics/2017/nov/16/it-seems-wages-cant-grow-any-slower-and-no-rebound-is-in-sight Jericho replicated the Phillips curve and showed in last few years something strange has been going on. A direct quote is the following *'The "Phillips curve", which normally sees wages growth increase as the unemployment rate falls has become utterly broken in the past three years. Despite improving unemployment we have seen falling wages growth – something that is not meant to occur' 16 November 2017*

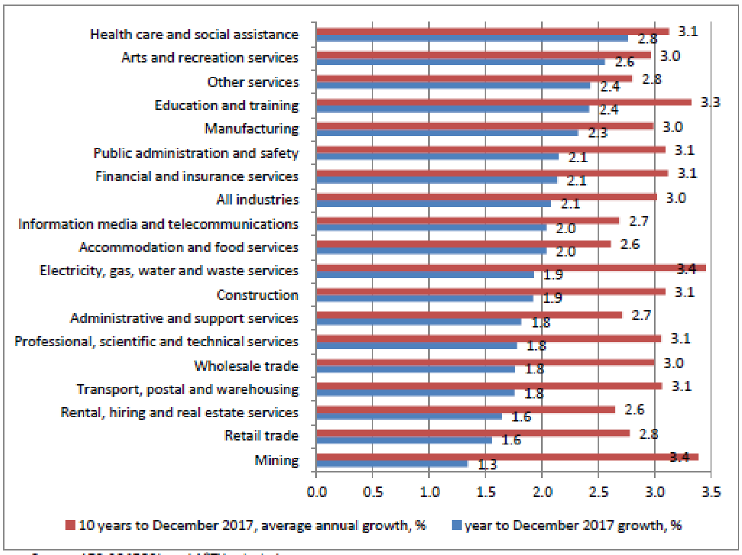
Figure: Low Wage growth[17]



Source: ABS 634509b and ACTU calculations.

The wage crisis is not isolated to one particular industry. Indeed we can see below that wage growth is below the decade average in every industry across Australia.

Figure: Wage growth is below the decade average in every industry[18]



Source: ABS 634509b and ACTU calculations

[17] Wage Price Index 1998-2017
[18] Wage Price Index

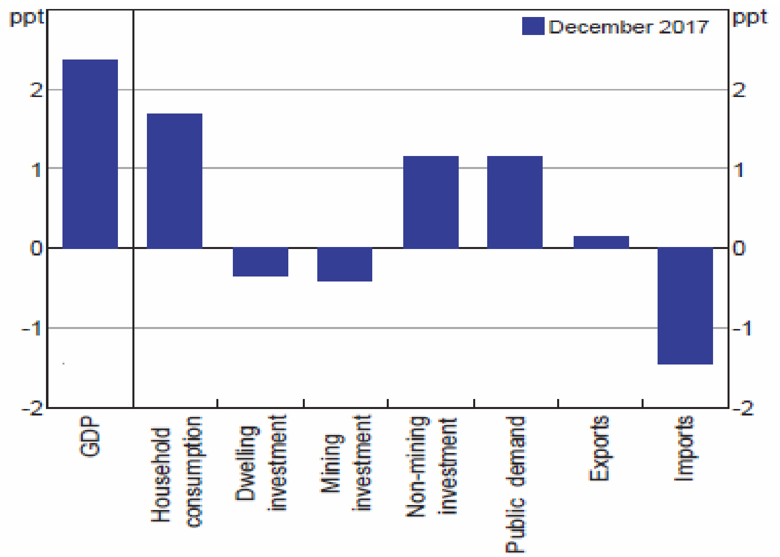
We can see below as a consequence of flatling wage growth household disposable income is at extremely low levels. In fact in 2017 growth in net household disposable income was 0% over the year.

Figure: Falling household disposable income

Source: ABS 5206 and ACTU calculations. Household net disposable income is calculated as household gross disposable income less consumption of fixed capital.

The chart below from the Reserve Bank of Australia (RBA) shows the significant contribution that household consumption makes to GDP growth. Record low growth ultimately is a potential threat to the macro economy and Australia GDP figures.

Figure: Household consumption is a significant contributor to GDP growth



Sources: ABS; RBA

We discuss briefly the key reason for low wage growth and how to tackle it below.

Low wage growth: The trend of attacking the basic protections for workers has gone too far

Decades of neoliberal policies centred on attacking workers have been central to record low wage growth. The trend of attacking the basic protections for workers has gone too far. We need policies that help move our workplaces towards a more even playing field. We should reverse the cuts to penalty rates, raise the minimum wage, rebalance our bargaining system, introduce protections to reverse the current levels of job insecurity, empower the industrial umpire to ensure fairness and look at ways we can help support trade unions. Corporations have become too powerful and working people are missing out. So instead of moving further down the path that the USA has travelled we need to turn around and move in the direction of countries which combine rising living standards, fair wages, strong labour market institutions and decent societies.
Australia needs a comprehensive and national plan for tackling record low wage growth;

1) A Living Wage

Australians need a living wage. No full-time worker should live in poverty. A living wage would immediately benefit all workers currently on the minimum wage, and will flow through the award system, benefiting around 2.3 million workers who are award reliant.

2) Awards should improve over time

There are currently 2.3 million workers covered under the 122 awards, the number of people depending on awards is increasing. Yet awards have not moved with community standards or with market rates. This has created a widening gap between wages in collective agreements and award wages. This gap has meant employers utilising awards can unreasonably undercut employers with collective agreements. Ensuring the gap is reasonable and does not widen is essential to maintaining fair wage growth.

3) Free and fair bargaining

Our bargaining rules are out of balance. They give too much power to employers making it far too hard for working people to negotiate their share of profits and productivity gains. Our laws should ensure there is balance in the system so working people can negotiate fair pay rises by ensuring workers can withdraw their labour as a last resort and can have access to an independent umpire who can resolve issues. Enterprise-only bargaining is failing to deliver for the new economy, working people need more options, such as sector wide bargaining to make bargaining fair and efficient.

4) Restoring penalty rates

Penalty rates must be restored to pre-July 2017 levels, and the law should be changed to stop business imposing any further cuts to workers' pay.

5) Securing equal pay for women

Our workplace laws have been unable to move the gender pay gap. We need to establish a Pay Equity Panel that is dedicated to achieving equal pay for women. Women earn 15.3% less than men over their working lives and this has barely changed over the last 20 years. The gap persists through all stages of work and into retirement, when women can expect 47% less retirement savings. Many will retire in poverty.

6) End wage theft

Wage theft is a drag on wages. Too many employers have to compete with businesses who are not even abiding by legal minima. Our workplace laws need to change so working people can quickly and easily recover wages and superannuation that is stolen and there are strong disincentives for employers to break the law and powers for workplace representatives to ensure vulnerable workers aren't being ripped off.

ADDRESSING THE ALARMING GROWTH IN INSECURE WORK

Australia is a global leader in nonstandard forms of work

Australia is increasingly a divided nation. On one side of our vast chasm sits a small elite that enjoy a Hollywood lifestyle; opulence bankrolled by exorbitant executive salaries and untaxed capital gains derived from soaring stock prices and multiple investment properties in the prestige suburbs of our capital cities.

On the other side of this great divide resides the vast majority of our population. Despite headlines announcing robust growth, steady productivity improvements and declining unemployment the reality of daily life for workers has been steadily deteriorating for the last decade. This is because the vast majority of the workforce, outside the small elite, has not had an increase in their real take-home pay for years.

In a country that brags about having the world record for the longest run without a recession, this is simply not fair. But the injustice in our society is multiplied by other fundamental changes in the nature of work. The damage to families and society caused by low pay is exacerbated greatly by the increasing precarious nature of work.

Unfortunately Australia is a global pacesetter when it comes to reliance on non-standard working arrangements. In fact, according to the OECD, Australia has secured a podium finish. The OECD, the highly respected economic think-tank for rich and powerful nations has compiled data on what they define as "non-standard workers". Australia has finishing in the top three OECD countries when it comes to the proportion of "non-standard workers" in total employment.[19]

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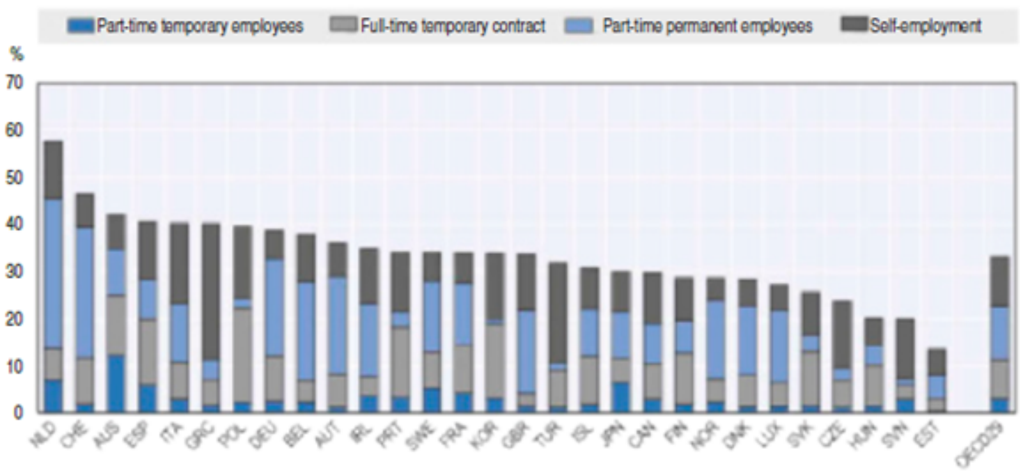
[19] OECD, "In it together. Why lower inequality benefits all" 2015, Figure 4.1, Page 140. In this publication the OECD defines non-standard workers as the proportion of own-account, self-employed, temporary workers and part-time workers in total employment. There is some discussion about whether part-time employment should be counted as non-standard work but both the OECD and the ILO have included part-time workers in their definition and assessment

Graph: Australia is third in the OECD for non-standard employment as a share of total employment

Figure 4.1. Share of non-standard employment by type, 2013

Panel A. Non-standard forms of employment as a percentage of total employment



Source: OECD

The terms non-standard work, precarious work and insecure work have been used interchangeably in the academic and policy literature in recent years. It may be inappropriate to lump all non-standard work together. Wages, employment conditions and labour rights are not identical for all workers without a regular full-time time work. But that is also the case even within subcategories of non-standard work. For example, not all casual work is homogenous, nor is all part-time work identical.

But there are many common characteristics across the vast majority of non-standard employment. For example, it often involves working hours that are excessive to earn a very low wage and can sometimes involving working hours that are incompatible with stable family life. The remuneration for non-standard, precarious or insecure work is usually insufficient to provide a family with a living wage and for many the weekly family income can fall to zero merely because the boss decides that you are not needed for the next few days. Employment conditions that were considered standard for much of the last century, like paid holidays and sick leave, are often not available to those in non-standard employment. Importantly, most non-standard workers have no or very limited employment protection and they normally find it very difficult to enforce their fundamental rights to freedom of association and collective bargaining.

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of non-standard work. For the ILO perspective on this see their publication “Non-standard employment around the World”, 2016 pp 75 to 86.

It is important to recognise that not all non-standard workers are being exploited. Some are very highly paid but we should not design public policy to suit a small elite. It has never been considered appropriate to design labour laws and labour market institutions based on the conditions that prevail for a small elite. The basic premise of labour law is that a power imbalance exists between the individual worker and the employer. That imbalance is particularly pronounced for the vast majority of non-standard workers. Our labour laws and labour market institutions should be reformed to assist this vast majority of precarious workers who face a very dramatic power deficit in their employment relationship. Our policy recommendations to tackle insecure work are the following;

1) Casual employment should be limited and properly defined

Workers in Australia can get trapped in casual employment. The average tenure is over three years. We have to change the rules so big business can no longer deny people basic rights by refusing them permanent positions. Our laws need to properly define casual employment. Working people should have the choice to convert to permanent if they are in long-term regular work. Casual employees who have worked on a regular basis for six months, deserve the right to choose to convert to permanent work.

2) Equal rights for all workers, including those in the gig-economy

Classing workers as individual contractors has seen people paid below minimum wage, denied access to workers' compensation, denied sick leave, superannuation, access to unfair dismissal, and denied the benefits of collective bargaining. Everyone deserves these rights. We need to change the rules so everyone has basic rights, including the right to collectively bargain.

3) Complete overhaul of labour hire

Labour hire companies simply rent out workers for lower pay and less job security. It's got to stop. We need to completely overhaul labour hire companies by creating a national labour hire licensing system to ensure they are not cutting wages and conditions. Workers need protection from unfair dismissal by the host employer, and the ability to bargain with the company so they can win fair pay rises and gain secure work.

4) End the uncapped temporary working visa system

The government is shipping in exploitation and taking job opportunities for locals through its temporary visa system, and it needs to end. The system should favour permanent migration and local employment. Temporary visas should only be used for genuine shortages, with strong protections against abuse.

5) Skills for the future

Privatising vocational education and training has been a disaster. We must rebuild the funding for schools, TAFE and universities

6) More secure jobs from free trade

The government is negotiating trade agreements that sell out Australian jobs. We must only enter into agreements which defend and improve wages and job security. They should not be able to bypass our laws regarding the movement of people, just for the benefit of corporations.

7) Secure jobs from government's buying power

The government is currently using its spending power on what's cheap, not quality. Rewrite the Commonwealth Procurement Rules to ensure that the government hires directly and locally, and prefers local businesses which pay fairly and provide secure jobs.

8) Time to care

The majority of working people have a responsibility to care for children, sick relatives, or an elderly parent. We need to change the rules so people have the right to a part time or reduced hours. And the right to return, when their caring responsibilities have reduced or ended.

The need for more secure jobs: spare capacity in the labour market

Not only do we need to make jobs more secure in Australia we need more of them. The ABS has released a special measure of spare capacity in the labour market they refer to as the 'extended underutilization rate' [20]. This includes:

1. The unemployed;
2. The underemployed – those who are looking for more hours but cannot get it
3. People who are actively looking for work and who could start within four weeks, but are not available to start in the reference week of the ABS survey and;
4. Discouraged job seekers.

In February 2017, the extended labour force underutilisation rate was 15.4%. This rate was higher for females than males (17.8% and 13.3% respectively) due to a higher rate of underemployment amongst females than males and a larger number of females than males being marginally attached to the labour force.

[20] http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6226.0Main%20Features5February%202017?opendocument&tabname=Summary&prodno=6226.0&issue=February%202017&num=&view=

A true picture of spare capacity in the labour market emerges using this measure and despite the Government claims there is still much to do in generating additional jobs in Australia's labour market. Unemployment remains above pre Global Financial Crisis (GFC) levels, underemployment is close to record highs and there are a large number of people the ABS counts as 'marginally attached to the labour market'. When we put the jigsaw pieces together we can see that a picture of significant spare capacity in Australia's labour market emerges.

A plan to create good jobs and transition to the jobs of the future

This Government urgently needs to develop and implement a comprehensive jobs plan to create well-paid, secure jobs that lay the foundation for a successful transition to a modern economy.

Such a jobs plan should include:

1. Committing to a solid policy platform for scientific research, renewable energies and new technologies. This is where millions of the jobs of the future will be. We must urgently build up these areas- or we will trail behind the rest of the world.

2. Investing in good quality schools, TAFEs, universities, apprenticeships, traineeships and lifelong learning and training opportunities. We can only foster 'innovation' if we make sure that people have good opportunities to develop their skills.

3. Fostering industries and sectors 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 exports for identified advanced industries and sectors.

4. Investing, with strategic partners, in critical infrastructure including housing, schools, hospitals, transport, communications technology and renewable energy which creates jobs and provides a foundation for a competitive economy and a strong society.

5. Supporting the growing services sector (including tourism, retail, hospitality, logistics, information technology, finance, caring and community services) where many jobs of the future will be created. We need government policies to encourage investment in best practice technology, systems and service provision, underpinned by effective employment laws to ensure these jobs of the future are high skill, high quality jobs.

6. Rebuilding the public sector and stopping funding cuts to education, health, aged, child care and community services. These services are critical to the well-being of our people, the foundation blocks of a productive society and are the top projected growth areas for the next five years. If we support them now, hundreds of thousands of new jobs can be created.

7. Improving wages and decent, secure jobs. Increases in wage and job security, especially for low and middle income earners, will improve living standards as well as increase consumer demand and job creation.

8. Targeted assistance to regional areas and industries to spread the benefits of economic growth to hardest hit areas. This would include assistance to our car and manufacturing industries, as well as increased investment in clean energy and industries of significant potential growth.

Lack of government planning which coordinates these initiatives strategically to support those industries, workers and communities particularly affected by technological advances, a changing labour market and climate policies has exacerbated the loss of well-paid, secure jobs and frustrated opportunities to transition to high quality jobs of the future.

This Budget should include a plan for targeting the support measures outlined above to those industries, workers and communities and regions. The ACTU recommends the establishment of a federal body tasked with identifying those industries, workers and communities and regions in need of targeted support and coordinating and implementing strong and effective growth strategies to facilitate a fair and just transition to a changing economy and labour market.

THE IMPORTANCE OF SKILLS AND EDUCATION

Pivotal to the achievement of social inclusion and economic growth is education policy which ameliorates social divides, ensures the best opportunities for all Australians and builds a prosperous economy based on the capability and skills of citizens.

A focus on quality education for all, regardless of background, is crucial if Australia is to reach its growth potential. That is why reforms like the needs based education funding model are crucial and must be fully implemented. The additional $6 billion in annual funding (state and commonwealth) required to implement the needs based school funding model amounts to about 0.4% of Australia's GDP. Investing to achieve universal basic skills could increase GDP by 2.8% per year over the long term.

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

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 as we look forward.
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 zero-carbon economy in particular. 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 be able to provide pathways to employment opportunities for thousands of skilled workers to future growth industries such as healthcare, education and disability and community care, as more and more workers will be moving into these fields or upskilling 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 upskilling 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.

Skills matter for workers and workplaces

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.

The VET and TAFE system allows students and workers to get the critical skills they need to move in to higher skilled, higher paying, more secure jobs; access higher education; deal with the shocks associated with returning to the workforce after absences or transition to a new field of work.

The vocational education provided by the VET system also ensures workers have the skills they need to safely and competently enter the workplace and perform their work. This is clearly good for workers, business and the economy.

CONCLUSION

In 2018 global economic and political uncertainty will most likely intensify – in particular the international trading system is a concern. 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 Abbott-Turnbull Government talked about growth and jobs, but have done absolutely nothing to protect our economy and our people.

The ACTU and its affiliates urge the Turnbull Government to reject the 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.

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