



Australian **Unions**

**Australia's Economic Reconstruction
after COVID-19: A National Jobs Plan,
And Five Ways to Get Started**



A Message From the ACTU President

The fight against COVID-19 is one we are all in together.

The impacts of the pandemic are still emerging, and we are all trying to imagine what our country will look like in the future.

We have seen the immediate impact on jobs and industries, and know already that some sections of our community will be hit harder than others. Young people, women, casual and precarious workers, and our essential and frontline services are bearing the brunt of this terrible pandemic, and unless we act decisively, we risk generational social and economic harm.

The ACTU, with economist Dr Jim Stanford and the Center for Future Work have developed a National Economic Reconstruction Plan, with 5 concrete ideas to get started.

History tells us that left to its own devices – the economy is poised for years of depression post-COVID.

We **cannot** and **must not** accept a jobless recovery or a recovery that leaves the next generation with a social deficit from which they will never recover.

For the most part - this pandemic has bought out the best in our country – our incredible health system, our strong workplace health and safety regulations, our highly skilled public sector and the Australian people’s belief that our Governments **should** stand up and make big decisions for the benefit of the people they serve.

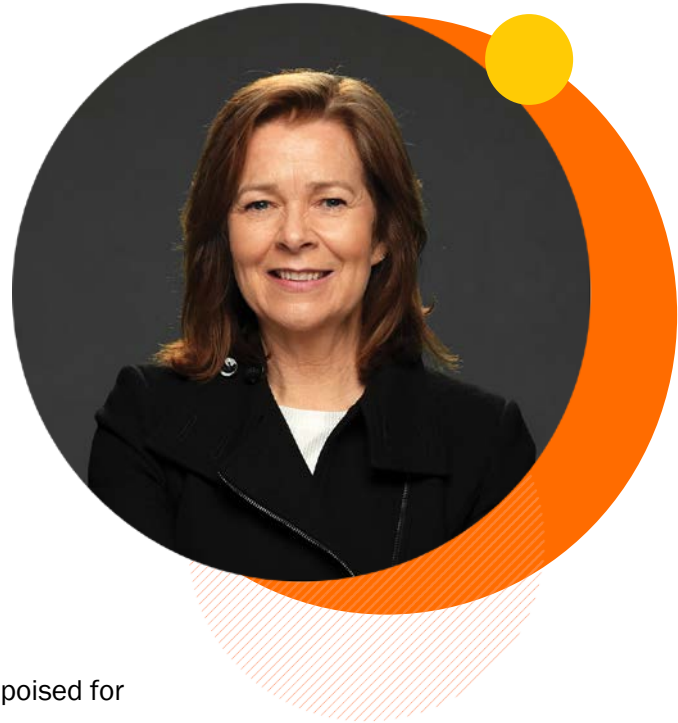
The Australian people know that the next steps – national economic reconstruction – can only be lead and delivered by Government.

Australian Governments have stepped up and done this national building recovery before, and we can do it again.

Australian Unions offer this plan with optimism, hope, and determination. We look forward to continuing to work with Governments and the Australian public to rebuild a stronger and fairer Australia. We are committed to making sure that working people’s voices are always heard.

— Michele O’Neil

ACTU President





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Introduction: An Historic Economic and Social Crisis

The deliberate shutdown of large sections of the economy to stop COVID-19 infection and protect public health has caused an unprecedented economic contraction. This is not a normal cyclical downturn: it happened much faster, and went deeper. The downturn was led by synchronised closures in the industries most vulnerable to infection: customer-facing service sectors like retail, hospitality, transportation and personal services. Over 660,000 jobs were lost between February and June – and it is not yet clear that the worst is past. The official unemployment rate (which reached 7.4% in June) is just the tip of the iceberg of an immense stockpile of unutilised labour. If we include people technically ‘employed’ (on their employers’ payrolls) but not working, or who want work but are not actively seeking it, or whose hours of work have declined precipitously, a more realistic measure of unemployment is closer to 20%. That’s equivalent to unemployment during the depths of the Great Depression of the 1930s. GDP may ultimately contract by 10% or more compared to pre-pandemic levels, also comparable to the 1930s.

This downturn is not only fast and painfully deep. It was deliberate. We *wanted* production and work to stop, to save lives. Hence the usual antidotes to an economic downturn (aimed at encouraging consumers and businesses to keep spending) are clearly not sufficient.

This downturn is also different to past crises because of its deeply disproportionate impact on the most insecure segments of the labour market: including women, young workers, and workers in precarious and insecure jobs. Every recession tends to increase inequality, but this one is having a dramatic disequalising effect because of the concentration of job losses and reduced hours among workers who were badly-paid and insecure at the start of the pandemic. The decline in women’s employment has been greater than for men: partly because women are over-represented in the consumer service industries that were shut down first, and partly because women are more likely to work in casual and other insecure jobs that employers were quick to eliminate. The same problems have affected young workers, workers from Indigenous and immigrant communities, and workers in precarious positions (such as labour hire jobs, sham contract arrangements, and gig workers). This recession will therefore require a pro-active and focused policy response to help the hardest-hit segments of the labour force, first. In particular, rebuilding women’s employment must be a top priority of reconstruction.

The nature, speed, and depth of this crisis demands a powerful and sustained policy response from our governments. The conventional tools of ‘stimulus’ – typically understood as short-term financial assistance to fire up an economic machine that is otherwise assumed to be in good working order – will have little traction in the post-pandemic economy. Normal private-sector mechanisms of growth are shocked and deeply damaged, and will be unable to lead a true national recovery. With collapsing private incomes and profits, shattered confidence, and profound uncertainty about what comes next, private sector activity cannot just ‘snap back’ (as some predict more on hope than evidence). Consumers have neither the income nor the confidence to foster a consumer-led rebound – especially coming after years of unprecedented wage stagnation and growing insecurity in work that preceded the pandemic. Companies will not commit capital to long-term investments when no-one knows whether future waves of infection may put parts or all of the economy back into lockdown (as we are already witnessing in real time). Disruptions in global supply chains, travel and trade patterns are causing additional damage to many other Australian industries.

Australia Needs a Plan for National Economic and Social Reconstruction

After the COVID-19 catastrophe, if left to its own devices, the private sector economy will likely sink into years of depression. Australia needs more than a cyclical 'recovery': and governments must do far more than 'prime the pump' with short-term fiscal incentives (like tax cuts or temporary make-work projects). Instead, we need an ambitious, sustained, multi-dimensional plan for full-fledged national economic reconstruction. We need a new vision for generating jobs, incomes, and growth in the aftermath of the pandemic. Reconstruction must address critical failures in the business-led economy that were painfully evident before COVID-19 hit: vast underutilisation of labour, the growing prevalence of insecure and precarious jobs, widening inequality, persistent wage stagnation, and the impact of climate change.

In other words, we cannot expect that the economy will naturally bounce back to 'normal' of its own volition. The crisis has shown that pre-pandemic 'normal' was neither acceptable nor sustainable. Instead, we must work collaboratively and ambitiously to build a new normal. (We mapped out eight desired features of a more hopeful, inclusive post-COVID economy in our May report, *Rebuilding jobs and our economy beyond the COVID-19 health crisis*.) To achieve that new normal will require years of government leadership, planning and resources.

There is a clear precedent for this idea of deliberate, planned national reconstruction. In late 1942, years before the Second World War ended, the Commonwealth government began developing an ambitious, nation-wide reconstruction plan. Policy-makers and economists worried that when massive military expenditures were withdrawn from the economy, Australia might slip back into depression, as prevailed for a decade before the outbreak of war. The Commonwealth government established a Department of National Reconstruction, headed by Nugget Coombs – one of Australia's most legendary public servants. The resulting post-war plan contained several complementary features: stimulating domestic manufacturing (through ambitious policies like a national car strategy); building national transportation and communications infrastructure; extending the conciliation and arbitration system; expanding public education and welfare programs; a coordinated vocational training system (including assistance for returning soldiers to transition to peacetime employment); and intensive labour market planning (featuring a new Commonwealth Employment Service, formed in 1945). Expansionary macroeconomic policies (marked by rising government spending, continued deficits, and accommodative interest rates) reinforced the focus on job-creation after the war. Indeed, the landmark *White Paper on Full Employment* (also published in 1945) explicitly committed the post-war government to creating productive work for every willing worker.

Australia will need an equally ambitious plan to reconstruct the economy after this more recent 'war' against COVID-19. Of course, the economy and the labour market have changed immensely since the post-war reconstruction of the 1940s and 1950s. The significant increase in the participation of women in paid work has changed the labour market, service industries are much more important now, and the urgent need to reduce carbon emissions must help shape all our economic policies. The core goal of that earlier post-war reconstruction – namely, ensuring that all willing Australians are able to work in a prosperous and inclusive post-war economy – is as valid and timely now, as it was then.

Australia's economy was already in big trouble before the coronavirus landed on our shores. Due to years of failed trickle-down economics, wage suppression, and austerity, we entered the COVID-19 pandemic with an economy that was hardly growing at all, and in which 14% of all workers (at that time, the highest ever) were underutilised (that is, either unemployed or underemployed). Australia had the

third highest rate of temporary work in the OECD, real wages had been stagnant for 7 years, the gender pay gap persisted, and wealth inequality was widening.

The crisis of insecure work was already visible to anyone who bothered to look, long before the pandemic. Insecure work occurs in many different forms, and the broad growth of this practice has been undermining job quality, wages, and economic security for years. Casual jobs are widespread, with roughly one in four workers employed on a casual basis. Casual employment has been widely abused by employers, who commonly use it even for positions with regular shifts and full-time hours. Employers have expanded other insecure employment strategies, as well. These include the use of labour hire services to avoid normal employment obligations and costs; sacking workers from standard employment positions and rehiring them to do the same work as 'independent contractors'; using repeated short-term contracts to avoid normal entitlements (like severance) associated with permanent positions; replacing standard full-time workers with part-time jobs, often with irregular hours; exploiting temporary visa workers and other groups of especially vulnerable workers; and the steady expansion of on-demand and gig work, again devoid of the normal protections and entitlements of traditional employment. These are all forms of insecure employment, and they all have the same end-goals: reducing effective labour costs for employers, shifting the risk and cost of business fluctuations onto workers, and creating an overwhelming sense of insecurity so workers are unable to demand better wages and conditions and thus reduce their capacity to organise and unionise. Given this long-standing problem of insecure work, and its painful economic and social consequences, a top priority of reconstruction must be to improve the quality of jobs – not just rebuild the quantity of jobs. True economic recovery requires the creation of decent, secure jobs with good wages, and much stronger limits on the spread and abuse of insecure employment practices.

A Jobs-Led Reconstruction

On top of all the problems the Australian economy already faced before the pandemic, we are experiencing the biggest declines in output, employment and incomes since the 1930s. Recovering from this social and economic catastrophe will require enormous investments by government: in health care, in income supports, in infrastructure, in broader public service delivery, in developing new high-value industries, and in direct public sector hiring. Private spending is crippled by shocked confidence, lost incomes, and deep uncertainty about what lies ahead. The private sector has neither the resources nor the capacity to act cohesively that are required to start and lead the long process of reconstruction. Only government possesses the economic and financial resources, the staying power, and the capacity and authority to plan at a national level, to get the macroeconomic ball rolling again. Without government leadership, and massive and sustained injections of resources and spending power, the economy will inevitably slip into prolonged stagnation – or worse.

Our vision for a post-COVID reconstruction plan contains several complementary elements – just like our post-war predecessors in the 1940s and 1950s. The central elements of a national jobs and reconstruction plan must include:

- **Permanent improvements and expansions in public services.** Direct provision of expanded public services drives economic growth and recovery, addresses community needs, improves public health, and strengthens our national social and economic resilience. Australia's public health infrastructure has responded courageously to the demands of COVID-19, but the crisis has nevertheless highlighted long-standing weaknesses in our health system. We need to invest billions of dollars in repairing and improving health facilities (including services like aged care

and community health), training and employing more healthcare workers — and being better prepared for the next pandemic. Other public services are also in need of investment and expansion: including aged care, public and social housing, early childhood education, domestic violence supports, disability services and vocational training. As the post-pandemic economy works off its enormous overhang of unemployed labour, expanded public services must be an engine of economic growth just as they were in the post-war period. The expansion of public services must include both front-line workers, as well as policy, program design, infrastructure and support roles. Expanding public services should be seen as an economic opportunity, not just a 'cost' on the government budget.

- **Sustained and massive investments in public infrastructure.** Australia desperately needs improvements in many forms of public social, physical, and digital infrastructure: to create direct jobs, enhance efficiency and productivity, strengthen communities, reduce inequality and address climate change. Despite a steady flow of ribbon-cuttings and photo-ops during election-year 2019, real Australian government capital spending actually declined in the first quarter of 2020. This perverse contraction in government investment, just when the economy needed much more of it, thus contributed to the downturn in GDP in the March quarter, rather than offsetting it. We need a large and more consistent flow of public capital projects to get the economy moving forward again. In short, we need much more public investment, for public good.
- **Sector development strategies.** The pandemic has disrupted traditional production and trade patterns, and highlighted the vulnerability of Australia's industrial structure. We have been precariously dependent on a handful of major export industries (mostly primary resource and agricultural products, and services exports like tourism and higher education). Many of those industries have been hammered by global economic and political turbulence resulting from the pandemic. Just as we did at the conclusion of the Second World War, Australia needs to nurture an ambitious and forward-looking portfolio of high-quality, innovation-intensive sectors that can underpin our future trade success, productivity growth, and economic diversification. Active industry policy played a vital role in post-war reconstruction from the 1940s through the 1970s. At the time, the focus was on developing domestic manufacturing capacities. The rationale for active sector-focused strategies is just as strong today – but now those policies must apply to a broader range of value-added sectors (including high-value services, technology, renewable energy, education, health, and others). It will take guidance and resources from government (including contributions through CSIRO and other public sector research and development agencies) to foster this new generation of innovation-intensive, high productivity industries to diversify Australia's export profile, strengthen national security and sovereignty, and create good jobs.
- **Rebuilding and expanding Australia's training and education systems.** The enormous employment disruptions resulting from the pandemic will force millions of workers to seek new occupations and careers. Young people entering this depressed labour market will be desperate to find concrete pathways into decent work. Even establishment voices (like the Productivity Commission) now acknowledge that Australia's vocational education system is in terrible shape after decades of neglect and misguided market experimentation. Universities are in deep crisis because of the collapse of international education revenues – not to mention the inexplicable failure of the Commonwealth government to provide fiscal supports (like JobKeeper) to the sector. It's time to reinvent and recapitalise a sensible, integrated post-secondary education system (including a revitalised public TAFE

system) that can more effectively meet the needs of workers and the unemployed and new and transitioning industries and sectors for skilled workers and professionals. There is an obvious parallel to the important role played by higher education and vocational training policy in the post-war reconstruction plan after the Second World War.

- **Energy and climate transitions.**

Many other nations are looking to rebuild their economies with a carbon transition in mind. For example, the EU's €750 billion recovery package highlights sustainability criteria for project funding, and commits one-quarter of the fund to climate-related investments. There are enormous employment and regional diversification opportunities associated with improving Australia's energy productivity, building new renewable energy systems, and upgrading our energy networks. Such an approach would increase international competitiveness, lower energy costs, drive job creation and establish Australia as a sustainable manufacturing superpower. This effort must be led by forceful, consistent government policy, including direct public participation in a properly planned energy transition, and the rapid deployment of renewables through expanded public ownership. Australia has unmatched potential to leverage our endowments of renewable energy resources to improve productivity, meet our international climate commitments, and create tens of thousands of new jobs.

- **Investment in social infrastructure.**

Public infrastructure means much more than roads, bridges, and utilities. It also involves investing in the services and supports necessary to help Australians get through the pandemic and regain their full economic and social capacity once the health emergency abates. Most urgently, the national jobs and reconstruction plan must include sustained income supports to offset lost wages and salaries, and prevent Australians being made destitute by the pandemic. The JobKeeper program must be extended to prevent a further rash of redundancies; and the expanded level of JobSeeker benefits must be maintained. Comprehensive paid pandemic leave, made available to all workers (regardless of their formal employment status) is essential to support workers in following public health advice, and preventing further outbreaks of contagion. Other public and community services, such as employment, home care, disability, domestic violence, and other emergency services, are also vital to ensure that people hardest hit by the recession (and the previous insecure and unequal economy) have full opportunity to share in the benefits of reconstruction.

- **Rebuilding a more equitable labour market.**

Women have experienced a disproportionate share of the job losses from the COVID-19 downturn because they were more likely to work in industries shut down by public health orders, and also more likely to be employed in casual roles that businesses cut first. Total employment fell by 5.8 per cent for women compared with 4.5 per cent for men between February and June. About 360,000 women have lost their jobs, and over 200,000 left the labour market all together. Women also saw an even greater decline in hours worked compared to men due to the prevalence of part time work. Rebuilding women's employment must be a top priority of reconstruction: both by supporting industries where women work (including public and community services), and by facilitating women's return to work with necessary supports, such as high-quality, accessible early child education and care. Other groups of excluded or insecure workers – including young people, Indigenous workers, workers from culturally and linguistically diverse backgrounds, immigrant and migrant workers, and workers with disability – also need focused services, supports, and income protection as the economy rebuilds.

These are the major necessary elements of a national plan to create decent, secure work after COVID-19, and initiate the sustained reconstruction required to get our economy and society back near full potential. The common thread linking all of these elements is a willingness to mobilise vast resources, under the active leadership of government, to undertake and finance needed work, and fill the economic void left by a shattered private sector. There is no shortage of work to do after the pandemic. With effective unemployment at 20%, there is clearly no shortage of willing Australians to do that work. The Prime Minister's recent 'anecdotal' musings about a shortage of willing labour and lack of work ethic among Australians, are a tired attempt to blame the unemployed for their plight, rather than fixing the problems that caused unemployment.

Trying to restore previous neoliberal macroeconomic and fiscal priorities (like balancing the budget, privatising public services and assets, and further eroding employment protections and entitlements) would be a disastrous mistake. More trickle-down medicine would only further undermine spending power and consumer confidence, and consign Australia to years of depression. Putting Australians back to work in decent, secure jobs, as we continue to protect public health, must now be the overarching priority of everything the government does. A national jobs and reconstruction plan – ambitious, comprehensive, and properly funded – can do exactly that.

Designing A Strong, Sustained Reconstruction

As we formulate and implement a national plan for economic and social reconstruction, lifting our economy back to its full potential over the coming years, several critical principles must be kept front and centre. These key 'design principles' will help ensure that the reconstruction effort is as effective, sustainable, and fair as possible:

- **Government support must be fast, powerful and sustained:** The pandemic's health and economic toll continues to grow, and as we have learned painfully in recent days they will not end soon. Government's economic response must be quick and big enough to make a difference. Announcements of symbolic or far-off measures will not be adequate. Government must be prepared to keep playing a powerful leadership role in rebuilding national employment and incomes for years to come.
- **Projects must prioritise local work and jobs:** The goal of the national jobs plan is to put Australians back to work. Public support must be channelled into projects and sectors with a direct impact on Australian jobs, with maximum Australian content. Purchasing expensive weaponry from U.S. arms-makers will create few if any Australian jobs. Providing tax cuts to big businesses may have no impact at all on their actual hiring. Investing directly to purchase or finance locally-produced goods and services will generate much stronger and direct employment effects. This is one reason, among many, why direct government program spending is more effective than tax cuts in an economic crisis: it directly supports Australian-produced goods and services, rather than stimulating savings or purchases of imported consumer goods. It also explains why strong 'Buy Australia' provisions in government procurement are essential to magnify the domestic employment effects of new spending.
- **The plan should accelerate projects with the strongest employment effects:** Investments in labour-intensive projects and public services will deliver larger and more immediate benefits for employment and incomes. Government can generate the largest employment gains by supporting projects and services with high direct labour inputs. The Commonwealth government's decision to end its free childcare program and eliminate JobKeeper subsidies to the childcare sector is especially perverse: it is among the most employment-intensive industries in the whole economy, and the resulting job losses will substantially outweigh the jobs created by any hypothetical redirection of those monies to less labour-intensive forms of production.
- **The plan must help those who need it most:** The COVID-19 recession is very unequal in its economic impacts. Women and young workers have suffered the worst job losses. Workers in part-time and insecure positions were the first let go as the pandemic hit. Other groups of hard-hit workers – including Indigenous, immigrant and migrant workers, and workers with disability – have suffered disproportionately from the crisis. Targeting job-creation and income supports at these hard-hit segments of the labour-force is not just a matter of basic fairness. It is also critical to prevent the concentrated poverty and exclusion which has been shown to contribute to contagion and can threaten overall public health.

With these key design principles in mind, we have developed an initial list of five specific policy proposals which constitute an effective and pragmatic 'down payment' on a broader national jobs plan. These five proposals were conceived and designed deliberately to meet those criteria for a successful national jobs plan: they move quickly and powerfully, they target domestic production and jobs, they support projects with maximum employment spin-offs, and they help those who have been hurt most

badly by the pandemic. They are also balanced in addressing the needs of workers in all segments of the labour market: women and men, services as well as goods production, private sector and public sector, and regional as well as urban. Our five specific suggestions are thus a fitting example of how specific program initiatives can be designed and assembled into a coherent national plan, reflecting a consistent focus on meeting overarching goals of job-creation, security, and fairness.

Five Ideas to Get Started

The preceding discussion has described the rationale for, and major features of, a national plan to rebuild decent employment and repair the economy after COVID-19. The reconstruction plan must address job-creation, income supports, sector strategies, public services, infrastructure, energy, training, and emergency income supports, including JobKeeper, JobSeeker and paid pandemic leave, for as long as required. In aggregate, this is an ambitious, multi-dimensional vision for getting our economy back to its potential – and building a society that is better, fairer, and more resilient.

Even the biggest plan must start with some initial steps. To that end, we propose the following five specific job-creation initiatives that are consistent with the broader vision of national reconstruction described above, and which start to move government policy in that direction. On their own, these five specific initiatives do not constitute a complete response to the unprecedented unemployment and uncertainty caused by the COVID-19 shutdowns; and these measures will need to be accompanied by broader policy actions by government to stimulate and sustain the rebuilding of Australia's economy, including immediate health protection measures, emergency income supports, and large-scale borrowing with the support of the RBA. These five initiatives provide a representative sample of the sorts of measures that are both necessary and possible, to put hundreds of thousands of Australians back to work, and begin to repair the economic and social damage caused by the pandemic. Moreover, successful design and implementation of these initial actions would pave the way for subsequent, more ambitious reconstruction initiatives. By building consensus among economic stakeholders, mobilising necessary resources (including fiscal support), and showing that we can start to repair the damage of the pandemic with ambitious and pragmatic projects and initiatives, these five measures would pave the way for the broader national reconstruction that will be required in coming years.

#1: Early Childhood Education and Care Strategy

For a brief time, the Commonwealth government recognised that childcare is an essential service, by committing \$1.6 billion to offsetting childcare fees for parents during the pandemic. The government accepted that quality and affordable childcare is a prerequisite for preserving jobs and eventually reopening the economy. Suddenly, as quickly as it was introduced, the government snapped back this important and visionary policy. It is no coincidence that the early childhood education and care sector – staffed 97% by women – will be the first to lose wage subsidies under the JobKeeper program, at the same time as burdensome childcare fees are reimposed on working parents. This is a ‘double whammy’ for women workers, who are already bearing a disproportionate share of the job losses resulting from the pandemic (due to their concentration in consumer service industries and more insecure jobs).

This recognition of the vital importance of early child education and care, and a national commitment to providing universal and free services, must be continued. Part of reconstructing our national economy after COVID-19, and in particular repairing the employment prospects for women workers, must be a broader strategy to roll-out high-quality, publicly-funded not-for-profit childcare services befitting a modern industrial nation.

Economic studies have confirmed that public investments in early childhood education and care literally pay for themselves, once the additional output (and taxes) resulting from women’s increased labour force participation are considered. Women’s labour force participation in Australia is far below rates in comparable industrial countries. If Australian women between 25 and 45 participated in the labour market as much as men do, the economy would benefit from 475,000 potential new workers – providing an enormous boost to economic growth, government revenues, and family incomes. If those women were working, Australia’s GDP would be \$70 billion per year higher, and family incomes would be boosted by \$30 billion per year. Early childhood education also provides children with significant educational benefits – helping to improve their employment, income and health outcomes later in life. Universal access to early childhood education and care is thus essential not just to increase women’s participation in the workforce, but also to better the lives of future generations of children.

The provision of appropriately funded, free childcare would boost the disposable income of households with young children and provide an effective form of stimulus to consumer spending and, in turn, overall demand in the economy. Constructing a quality, accessible, publicly-funded, not-for-profit early child education and care system holds outstanding potential to contribute to Australia’s post-COVID reconstruction. It is a highly effective job-creation stimulus in the short term; it has the capacity to boost long-term labour force participation and hence economic growth; it will enhance the well-being and capacities of the children who benefit from this education and care. It literally ‘pays for itself’, via the tax revenues paid from the increased employment and production of employed parents.

Reconstructing the economy after COVID-19 must fix this long-standing barrier to women’s full economic activity and production. The new Early Childhood Education and Care Strategy would endeavor to do this, and includes several components:

- A capital cost investment fund, initially endowed with \$2.5 billion to be allocated over three years, to construct new high-quality publicly-funded not-for-profit childcare facilities. This program will create 6,500 person-years of employment in construction.
- Provision of permanently free childcare. Extend the free childcare crisis arrangements for 12 months while a full-fledged plan for permanently free childcare is developed with relevant stakeholders. The government’s emergency childcare program made childcare services fee-free

for families, costing around \$1.6 billion over three months. Instead of ending this program, it should be extended for an additional 12 months, with an increase to the minimum funding rate from 50% of fee income to 60%-65%. This would cost approximately \$7 billion for that 12-month period. In the intervening 12 months, the Government would consult with all relevant stakeholders in the sector and develop a fully-fledged plan for permanently free childcare.

- Permanent ongoing funding of Universal Access (UA) of 15 hours of preschool education per week for all 3- and 4-year-old children, delivered by fully qualified ECE teachers. The expansion of UA to include 3-year-olds would support the creation of about 30,000 jobs for ECE teachers and support workers.
- An extension of the current 25% 'transitional payment' (wage subsidy) to support the ongoing employment of staff, with the level of support increased to 30-35% of fee revenue.

The long standing underpayment of the (mostly female) workforce in the early childhood education and care system must be addressed through increased funding targeted at delivering wages at a level consistent with the attainment of pay equity for early childhood education and care workers relative to the market value of equivalently skilled workers in mostly male industries. The overall expansion of UA and early years childcare through this strategy would support the creation of an estimated 50,000 new positions in early child education and care, and help to secure the jobs of the over 160,000 Australians (mostly women) who already work in the sector. Greater access to childcare would also facilitate faster return to work for hundreds of thousands of working parents (especially women), and would underpin improved educational and health outcomes for children that would deliver additional economic and social benefits for decades to come.

#2: Training for Reconstruction

The importance of training has been accentuated by the COVID-19 pandemic. Many industries and occupations have been deeply affected by the crisis, and high-quality education and training can play a vital role in helping workers adjust to the coming changes in employment patterns. Investing in good quality education and training creates jobs directly within the education and training system, building and operating institutions, and education and training students. Young workers have been hardest hit by unemployment and underemployment arising from the shutdowns. Making education and training more accessible to them gives them an alternative vocation in the short-term and enhances their employability in future years as the labour market recovers.

A coordinated national education and training strategy was a central element of the national reconstruction plan that was launched after the Second World War. We need a comparable strategy now: reflecting, of course, the important changes that have occurred in the labour market over the last generation. Government can play a critical direct role in this process by shaping the labour market through its own actions – reversing job cuts and hiring more skilled staff, reforming employment services to encourage skills acquisition, and investing in skills-intensive internal projects such as ICT. Vocational education and training opportunities must be provided across the spectrum of industries and occupations (including service-producing sectors), and be accessible to interested workers regardless of gender, cultural and racial background, region, and economic status. Due to the deep damage that has been done to Australia's VET system by a decade of misplaced market experimentation and privatisation, a national education and training strategy must begin with a concerted effort to rebuild the VET system – so it can play its proper role in reconstructing the national economy.

All essential public and community services – including health and disability care, education, supported housing and other vital services – should be accessible to every Australian, no matter their economic circumstances nor where they live. This includes access to quality vocational and higher education opportunities, which must also be accessible in all regions and communities, and to members of all socio-economic, ethnic, and linguistic communities.

We propose a national Training for Reconstruction (TFR) program, to fundamentally strengthen the ability of Australia's deeply troubled VET sector to respond to the urgent needs for training and retraining that will ensue because of the pandemic. The TFR program would include several components:

- The Commonwealth government would sponsor a new nation-wide *Free TAFE* program, similar to initiatives already in place in Victoria and Queensland, to provide free TAFE courses in priority areas for any students who wish to take them. (The program would include Commonwealth support for the existing programs in those two states.) The program would cost \$1 billion per year, and would support an estimated 150,000 free TAFE spots per year. It would also underpin the maintenance or creation of 10,000 ongoing jobs in the TAFE system.
- Together, the Commonwealth and state governments would commit that a minimum of 70% of all government vocational education funding is directed to TAFE, as the core anchor of vocational training in Australia.
- The TFR program would also include a \$3 billion fund, to be allocated over three years, to support capital improvements in the TAFE system, including updating and modernising existing facilities, and expanding TAFE facilities (with a particular focus in regional areas). This work

would support 7,500 person-years of construction work over the 3 years, and facilitate more hiring by TAFEs once those facilities are complete.

- Through this strategy, the Commonwealth government would commit to a target of 70% of all public VET spending and subsidies being received by public providers (particularly the TAFEs).
- To support the uptake of apprentices and trainees in employment, the Commonwealth government would offer a 50% subsidy of the ordinary time wages of apprentices and trainees in either direct employment or engaged through group training programs, paid for the life of the apprenticeship/traineeship. This program would support up to 100,000 subsidised apprenticeships at a cost of about \$2.5 billion per year. Subsidies would be paid through a combination of an initial grant, rolling monthly payments and a completion grant. The completion grant would be paid to an employer that engages a completed apprentice / trainee for at least 12 months continuous employment post training in the occupation associated with their training. The program would operate under transparent implementation rules with clear employer obligations. This component of the TFR program would help to address the catastrophic decline in apprenticeship positions which has only been accelerated by the pandemic.
- The Commonwealth government would also leverage its investments in public infrastructure and expanded public services to support more apprentices, establishing minimum apprentice/trainee/cadet ratios in construction, operation, and public service functions (and remove any instruments which restrict ratios such as the building Code). Complementary requirements will be established (backed by necessary changes to industrial laws) to hire apprentices and trainees from targeted sectors of the workforce (including targets for women, workers from Indigenous and immigrant communities, and workers with disability).

A complementary government action must be to address the fiscal emergency gripping Australia's universities, resulting from the government's decision to prohibit travel to Australia by international students. In particular, the Commonwealth government must extend JobKeeper wage subsidies to universities (which are currently excluded from the program) through the 2020 academic year, thus helping to protect another 20,000 higher education jobs at risk from the current crisis in international education.

In July the Commonwealth government announced its own skills policy initiative, called JobTrainer. This program acknowledges the importance of improving Australia's vocational skills and training effort in the wake of the pandemic, but its provisions fall short of the economy's needs. The support for apprentices will only last until March 2021; it only supports apprenticeships which were already in place before the program was announced; and it makes no commitments to public provision of training (hence opening the door to delivering more public subsidies to low-quality private training firms). The government has confirmed the importance of VET to Australia's economic reconstruction, but a more ambitious, lasting, and accountable policy response is needed.

#3: Rediscover Australia

Consumer-facing hospitality, retail, tourism and arts industries were the first and hardest-hit by the health-required shutdowns in the economy. Workers in those sectors have been devastated by job loss, reduced hours, and pay cuts – on top of the elevated risks of COVID-19 infection they already faced by virtue of the public-oriented nature of their work. Millions of migrant and short-tenure casual workers (very common in the hospitality, tourism and retail sectors) were unfairly excluded from JobKeeper – and most migrant visa workers cannot qualify for any other form of income support, either. Many other

arts and entertainment workers were effectively excluded by virtue of their unique and insecure employment relationships. Cuts to government-funded cultural institutions (which often commission or host artistic endeavors) and the ABC have exacerbated the crisis in the arts and entertainment sectors.

These hard-hit industries must be a primary focus of government back-to-work policies. An integrated *Rediscover Australia* sponsorship and internal tourism program will facilitate internal travel, restore consumer and tourist confidence, and help sustain the broader tourism and hospitality sectors until the time comes when normal international tourism flows can be restored. Since international tourists will not be able to visit Australia for some time to come, and Australian outgoing tourism will also be restricted, this is a time for Australians to 'rediscover Australia': visiting domestic cities, towns and attractions, even those within their own states.

Elements of the plan include:

- \$500 million over 12 months in Commonwealth sponsorship of artistic, community, agricultural, and entertainment events, productions, and exhibitions in all states. Special emphasis will be placed on innovative public events which can be organised with respect for physical distancing and other health requirements. Applications will be invited from sponsors of cultural, music, artistic and other events with potential to promote internal tourism; funds will be provided up to 20% of total operating expenses, paid to not-for-profit event sponsors and organisations. Applications will be adjudicated and approved by an independent board with no political involvement.
- \$50 million in additional grant support for the Australia Council, to support grant recipients with emergency financial requirements arising from the COVID-19 shutdowns.
- Expansion of JobKeeper wage subsidy provisions to include arts and entertainment workers whose contractual arrangements excluded them from the initial roll-out of the program (including freelance and short-tenure casual arts workers, and employees of public-sector arts bodies). This will support the viability of thousands of artistic and entertainment ventures, allowing them to survive until the restoration of more stable conditions. JobKeeper benefits would be paid for at least six months, or as long as the overall national JobKeeper program is maintained.
- Reform Centrelink's income averaging arrangements (in line with existing ATO practices), so that more arts and entertainment sector workers (who routinely experience large fluctuations in income due to the irregular nature of their work) can qualify for JobSeeker benefits during low-income periods, thus maintaining their overall livelihoods.
- For a 12-month period, beginning 1 October 2020, the Commonwealth government will undertake to pay all regular state payroll taxes (up to 5% of qualifying incomes) for paid employees in two industries critical to the recovery of domestic travel and tourism: commercial inter-regional and inter-state passenger transportation (including commercial airlines, inter-regional coach and rail transport services, and other specialty services such as inshore passenger vessels) and overnight accommodation (including commercial hotels, motels, lodges, inns, commercial campgrounds, and other licensed accommodation). Where current state payroll taxes are lower than the 5% threshold, employers can retain the excess amount to incrementally offset payroll costs; this ensures equitable treatment across all states. The support will be administered primarily through adjustments in payments through the Single Touch Payroll system. This measure will further assist these labour-intensive service industries in retaining staff and rebuilding business after the pandemic, while preserving fiscal capacity of

the states (which are facing their own significant budgetary challenges). Indeed, this federal contribution reflects the nation-building benefits of rebuilding domestic travel as state borders gradually re-open. Accelerating the reopening of vital tourist infrastructure will reinforce the appeal of 'rediscovering Australia'. This program would cost the Commonwealth government approximately \$400 million for the 12 months.

Total cost of the program would equal an estimated \$3 billion over 12 months, and would support the preservation of an estimated 350,000 jobs in accommodation, inter-regional domestic transportation, tourism and creative industries.

#4: National Reconstruction Investment Plan

Australian governments and public agencies reduced their combined investment in public capital projects by 3% in the March quarter of 2020. This retrenchment in capital projects actually contributed to the decline in GDP recorded in that quarter (which heralded the beginning of Australia's first recession in almost 30 years). Despite all the announcements of grand new projects made by political leaders over the past year, these have not translated into actual increases in public capital spending. The reality of infrastructure spending has not matched the rhetoric, or the public need.

In the 1960s and 1970s, public capital spending averaged 8% of GDP; in recent years, it has averaged just 4-5% of GDP. The National Reconstruction Investment Plan will aim to recover up to half of that lost ground: boosting public capital spending back to 6.5% of GDP, and maintaining it there for the rest of the decade.

This implies an additional \$30 billion of new capital spending per year on the full range of qualifying public capital projects. Those would include transportation, community and public housing, other urban infrastructure, cultural and public service facilities, forest and fire management investments to better prepare for future fire seasons, and renewable energy assets and efficiency upgrades. In the early stages of such a program, emphasis should be placed on short lead-time projects such as the construction of public and social housing. This ensures that momentum is not lost while larger or more complex projects are brought online.

Funding for state-led projects would be provided on a 50-50 cost-shared basis (reflecting the Commonwealth government's much greater capacity to mobilise low-cost financial resources).

Infrastructure Australia will receive a broader mandate to identify, negotiate and manage qualifying projects including specific effort on reducing the costs and fees of transactions and prioritising a role of Australian superannuation funds as principal investors.

Strong benchmarks for minimum Australian-made content in all funded projects will be mandated, including:

- 75% Australian content in structural primary metals
- 75% Australian content in other manufactured inputs
- 90% Australian content in engineering and design services

Supported projects would establish ambitious community benefit targets, including hiring of workers and apprentices, trainees and cadets from disadvantaged groups of the labour market (including women, Indigenous workers, racial and ethnic minorities, and young workers), and engagement with local communities on design and planning matters.

The National Reconstruction Investment Plan would support the creation of 75,000 direct jobs in construction, and over 100,000 additional indirect jobs in supply and consumer industries.

#5: Sustainable Manufacturing Strategy

The COVID-19 pandemic has disrupted existing supply chains and trade patterns. This disruption reminded Australians of the critical need to preserve a well-rounded domestic manufacturing capability. We were very vulnerable to disruptions in supplies of critical medical equipment, masks, and medicines – and now policy-makers of all stripes acknowledge that strengthening our domestic manufacturing base must be a critical part of the broader plan for economic reconstruction. This is an opportune moment to work towards the broader revitalisation of Australian manufacturing, for several reasons: diversifying our international trade, spurring more research and innovation, enhancing our sovereignty and national security, and creating tens of thousands of decent manufacturing jobs.

Australia's manufacturing sector is poised to take maximum advantage of new competitive savings from breakthroughs in renewable energy technology, and improvements in energy efficiency and productivity. The manufacturing sector has been badly served by inconsistent and short-sighted swings in energy policy in recent years: privatisation, unregulated energy exports, and inadequate investments in infrastructure have produced skyrocketing energy bills and great insecurity in supply for Australian manufacturers. Energy could become a huge competitive advantage for domestic industry, rather than a barrier. Accelerating the shift to low-cost and sustainable renewable energy sources has potential to reduce energy costs for Australian manufacturers by \$1.6 billion per year, and support the continued operation and expansion in Australia of many energy-intensive industries. As eminent policy leader Professor Ross Garnaut has suggested, these developments hold the potential to make Australia a sustainable manufacturing 'superpower'.

We propose a multi-faceted Sustainable Manufacturing Strategy (SMS) to accelerate and maximise those potential industrial gains, and make a major contribution to the national jobs and reconstruction plan. It would support all manufacturing businesses in Australia, no matter what they make, in the transition to low-carbon technologies, and to seize the opportunities presented by renewable energy systems, and manufactured inputs used in those systems.

The components of the SMS would include:

- Reforming government procurement rules and the Australian Industry Participating Plans to maximise use of Australian-made manufactured products in all infrastructure and public sector procurement. Government procurement can be a powerful tool to stimulate made-in-Australia manufacturing, but this requires strong conditions on government fiscal support to increase and diversify domestic production. Government purchases can also be used to leverage onshoring of supply chains, and direct new business to domestic suppliers (especially SMEs).
- Zero-interest long-run loans to facilitate investments in new renewable energy developments with a direct link to manufacturing. These could include loans to renewable projects at manufacturing sites, or for renewable energy projects party to a purchase power agreement (PPA) with a manufacturer. The funds will be provided through the Clean Energy Finance Corporation, on the strength of an initial \$1.5 billion addition to its capital base. Government-owned electricity generators would be encouraged to bid for this finance.
- An accelerated depreciation bonus (at 150% of qualifying capital costs) for large gas and electricity users to upgrade equipment as part of energy conservation plans which offer audited energy cost paybacks within three years or less. Such a program would reduce energy bills, increase the competitiveness of Australian manufacturers, create jobs in both equipment manufacturing and installation and refurbishments, and enhance energy security.

- Expanded Commonwealth investments in rapid decarbonisation of the energy sector by modernizing and strengthening national electricity grid infrastructure, to facilitate more reliable and efficient interregional electricity flows, enhance the system's ability to pool variable renewable energy flows from various parts of the country, and facilitate feed-in power flows from new renewable developments. Investments would be consistent with priorities identified by the Australian Energy Market Operator in its Integrated System Plans. The existing Grid Reliability Fund (managed by the Clean Energy Finance Corporation) would be supplemented with an additional \$2 billion to support these infrastructure investments, to be allocated in negotiation with state governments and utilities; allocated funds must be reflected in public equity shares in supported transmission assets.
- Technology grants to support commercialised research and development activities in technologies related to sustainable manufacturing, including: new industrial uses of renewable energy; new value-added products and processes which can be supported by renewable energy assets; and the made-in-Australia manufacture of machinery and other value-added inputs to renewable energy systems and energy efficiency upgrades. These grants will be delivered through new Cooperative Research Centres (focusing on new industrial uses of renewable energy; value-added inputs to renewable energy systems; and sustainable production and uses of hydrogen) located within the Department of Industry, with an initial endowment of \$500 million over the first three years. Additional funding will be provided to retain and expand the Australian Renewable Energy Agency (ARENA), and expand its support for commercial applications of research in this field.
- Five new Sustainable Manufacturing Clusters will be established to strengthen information sharing, supply chain development, and product mandates in key opportunity areas related to the overall SMS strategy, including: lithium battery and value-added manufacturing; renewable hydrogen production; green (ie. carbon-neutral) primary metal manufacturing; electric vehicle manufacturing and servicing; and renewable energy machinery (solar, wind, and geothermal equipment). The Clusters will be supported through infrastructure services provided within the Department of Industry, and will receive start-up funding for administration, research, and project development of \$60 million over 3 years.
- A Superpower Investment Fund will be established, endowed with \$1 billion in initial capital, to undertake co-investments (including public equity shares) in new manufacturing activities falling within the SMS mandate (including manufacturing-tied renewable energy projects, new industrial uses of renewable energy, application of digital and 'Industry 4.0' systems in carbon-neutral manufacturing, and value-added manufactured inputs to renewable energy and transportation systems).

A priority in allocating research, cluster, and investment funds under the SMS will be to support new investment and employment opportunities in regions of Australia with current high concentrations of fossil fuel extraction-activity. This will assist fair employment adjustments as the transition toward sustainable energy sources continues to gather momentum. And all supported projects in renewable energy or energy efficiency receiving public funding or assistance will need to demonstrate that they are paying fair wages, creating ongoing and permanent jobs, avoiding labour hire and casual hiring arrangements, and investing in training and apprenticeships and local and inclusive hiring practices.

We estimate all this financial and research support for investments in renewable energy developments and related manufacturing activities would leverage an additional \$12 billion in new capital spending

over three years, representing a 30% increase in annual investment in Australian manufacturing. That would support some 15,000 person-years of construction work, and underpin the creation of an estimated 100,000 new manufacturing jobs moving forward.

A Democratic, Participatory Process

In addition to the specific *content* of a national jobs and reconstruction plan, there is another important principle to be considered regarding the *process* by which such a plan is developed and implemented. In particular, it is critical that all economic stakeholders be engaged collaboratively in a participatory process to identify pressing needs, design effective policies and programs, and then implement the eventual plan.

Australians have rightly applauded the constructive and task-oriented attitude which most stakeholders and peak bodies demonstrated, as we came together quickly to address the pandemic. Notably, this included a welcome spirit of dialogue and cooperation between government, unions (including the ACTU), and employer organisations. We showed that we can work quickly and pragmatically to establish JobKeeper make urgent time limited changes to awards and agreements to save jobs and help workplaces and the overall labour market respond to the pandemic. This same spirit of collaboration and common purpose must infuse the process of developing an overall national jobs and reconstruction plan. That process must engage all relevant stakeholders: including government at all levels; employer bodies; trade unions; community organisations and relevant subject experts. Only through a process that engages representatives of all elements of Australian society, can our national jobs plan be sure to address everyone's needs – and hence win their full participation and support.

We Can't Afford to Not Act

An obvious question that will be confronted in developing a national jobs plan is how these various initiatives will be financed. There is no doubt that the pandemic and resulting recession have done great damage to the fiscal position of Australian governments at all levels. In any recession, of course, tax revenues automatically decline, and government spending grows (both via existing income support programs, and for discretionary or emergency spending projects). In this regard, deficits are a normal consequence of any recession: they help to support incomes and spending power through the downturn, and accelerate the eventual recovery. In contrast, narrow-minded calls to reduce deficits, balance budgets, and even pay off debts during a recession are destructive and self-defeating: cutting spending (or increasing taxes) during a recession, only makes the downturn worse.

Those well-known lessons are all the more important in the present, dangerous economic moment. The dramatic economic and fiscal impacts of the COVID-19 recession require an equally dramatic and powerful response from government. Economists and international agencies around the world are near-unanimous that governments must respond to the crisis with unprecedented speed and resources. Yes, that will imply large and continuing deficits, and substantial increases in government debt. With the assistance of complementary monetary and financial policies (including the purchases of large amounts of government debt by central banks, including the RBA), those inevitable debts are manageable, and need not lead to future austerity.

Some of the costs associated with the national jobs and reconstruction plan can be covered by strengthening the revenue base of government (including by closing loopholes which allow many profitable global companies to avoid tax obligations in Australia, and other fair tax measures). But for the foreseeable future, most of the additional costs associated with economic reconstruction will necessarily involve government deficit-financing, and this is appropriate. The experience of other countries (in North America, Europe and Japan) confirms that ongoing increases in public debt are not just feasible, they are desirable – when that debt is undertaken to protect health and well-being, and

support reconstruction and job-creation. Ultimately, the best way to pay for the costs of the pandemic, and the ambitious national jobs and reconstruction plan we propose, is to put Australians back to work in decent, well-paying jobs: boosting output, generating incomes, and paying taxes. If we work toward full employment, in decent jobs with good wages, the resulting economic growth and rising government revenues will steadily reduce the importance of public debt. That's how the large debt which Australia carried at the end of the Second World War was dealt with; a similar strategy, based on full employment and vibrant growth, must be adopted this time, too. In contrast, simple-minded calls for austerity, belt-tightening and deficit reduction would increase the costs of this pandemic, not reduce them.

Conclusion

The COVID-19 pandemic has posed a frightening threat to the health and economic well-being of Australians. Almost a million have lost their jobs, and many more have lost most or all of their hours of work. In total, 20% or more of Australian workers are now without most or all of their work. It will take years of sustained effort and leadership by government to help reconstruct an economy where Australians can work to the best of their capacity to rebuild our health system, our economy, and our society. This over-arching effort will require the full engagement and energy of all stakeholders.

There is a danger that the goodwill and consensus that was achieved during the immediate fight against COVID-19 will now be squandered, if government now moves to enhance the profits and power of some of its favoured constituencies (large corporations and wealthy investors) as the economy begins to gradually re-open, instead of prioritising the well-being of the vast majority of society. We have seen abundant evidence already of the government's tendency to divert needed attention and resources into 'side hustles' that have little relevance to the genuine macroeconomic and structural challenges now facing Australia's economy – but which would enrich and reward some of the government's most enthusiastic supporters. An example is the government's far-fetched \$688 million scheme to subsidise expensive home renovations undertaken by a narrow and affluent group of homeowners. Politically-motivated measures like this one fail all of the tests for effective fiscal policy that we defined above: this program is small, ineffective in creating new jobs, and fails to deliver support to those Australians who need it most. Instead of these narrow and highly politicised actions, Australia needs a commitment to an over-arching process of economic and social reconstruction – with top priority placed on helping the people who have been most harmed by the pandemic and its economic fallout.

The five specific proposals described here represent an initial agenda of immediate, pragmatic actions that the Commonwealth government could take to get the ball rolling. On their own they do not constitute the national jobs and reconstruction plan that Australia needs. But they are a big step in the right direction. Together they would support the creation of 350,000 new jobs, help to sustain over 500,000 existing jobs at risk, and open training and apprenticeship opportunities for 250,000 more young Australians. These five policies alone would provide an immediate boost to employment, incomes, confidence, and investment in several of Australia's hardest-hit sectors. They focus on supporting work and production in the domestic economy, especially in sectors with very strong employment effects. By showing the required leadership from government to mobilise resources (including, first and foremost, our capacity to work) and invest them to address our most pressing health, economic and social needs, these five initial policies would show that a national reconstruction plan is both necessary and feasible.

In the end we need something even bigger. We need a holistic commitment by government, with its unmatched resources and authority, to lead a long-lasting campaign of national economic and social reconstruction. By engaging all stakeholders, focusing on the core goal of creating decent work, and injecting unprecedented financial resources in the real economy, government can lead a historic effort to rebuild our economy and our communities. The five visionary but practical measures we propose here are just the beginning. They show what can be done, if we approach the economic task before us with the same ambition and determination we are showing to defeat the coronavirus. We absolutely can and must rebuild an Australia that's better than the one we had before.