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Budget does little to help workers and the economy

Treasurer Scott Morrison's 2017 budget is another chapter in the Federal Government's continual attack on workers, unions and the unemployed.

Jobs and wages

Public service jobs will continue to be cut, and the Government has endorsed the cut in penalty rates announced earlier this year by the Fair Work Commission.

It's no coincidence wage growth has stalled in Australia. In fact, real wages have fallen in the private sector.

The Government has announced another effort to police and punish welfare recipients, with a 'three strikes' sanctions system to push them into any low-paying job. Although the Government thinks this will save millions of dollars, its modelling is unreliable.

Taxes and GDP

The Government suggests it will be able to balance the budget with major increases in tax revenue in the future. There is no obvious indication of where these enormous revenues come from – particularly given the continuing effect of company tax cuts, the removal of the deficit repair levy for high-income earners, and other tax reductions.

The budget contains only very modest revenue measures: the 0.5 per cent Medicare levy increase after 2019, a levy on banks, and a new levy on employers who hire migrant labour. But this will only make up a scant 6.5 per cent of all new revenues supposed to be collected over the next four years. It is very likely the budget will be $45 billion in the red in upcoming years.

No plan for future growth

The housing construction boom is about to end and the budget prediction is housing investment (which grew more than 10 per cent last year) will start contracting from 2018. This situation is made worse by the fact the Federal Government will be cutting spending overall. Exports were improved momentarily by a sharp, but brief, spike in resource prices – however, those prices are now fast falling.

The housing bubble that kept the economy afloat looks more and more unstable. Growth elsewhere in the economy will have to replace it, but it is unknown where such growth will come from.

Although the budget assumed there will be better times ahead, this is far from reality, as workers are struggling with stagnant wages, record debts, and precarious jobs. The Government's position is very unrealistic.

Education

There will be a net decrease in education spending. Although the government is set to spend $9 billion over four years, it will cut a range of programs (including higher education, welfare, and civil servants), taking out $10 billion from the system for the same period. Cutting education will only make employment options for workers worse and hurt the economy.

Infrastructure spending

The Government boasts it will spend $75 billion on infrastructure over the coming 10 years. However, this may not represent new funds. It is also unknown when the funds would be spent. Currently the government already spends more than $18 billion per year on capital (or $200 billion over the next decade) on new projects or to maintain present assets. So, in reality, the budget does not reveal an enormous increase in capital expenditure. Rather, net capital spending is projected to fall in 2017-18 (to just $0.5 billion, the smallest since 2002-03).

Banks

The government's 'levy' on bank liabilities (outstanding loans) will raise $6.2 billion in four years. Nonetheless the tax will be simply passed on to borrowers, making credit more expensive. In fact, this tax is smaller than the recent increases in interest rates banks already passed on to borrowers.

This information is based on a paper by Jim Stanford, Economist and Director of the Centre for Future Work.

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