

Notes on the federal budget 2009

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Spending measures contained within the budget are anticipated to raise GDP by 0.75% over the coming year, which is a significant boon at a time of overall economic contraction. The government claims that this spending is expected to protect up to 210,000 jobs.

Indeed, this federal budget is surprisingly generous given the current economic environment and the headline items from the budget being promoted by the government. There are some gems contained within it for people on low incomes, though less of this generosity has been extended in the direction of young people. On the flip-side, it is broadly accepted that the government didn't cut as deeply as it might have into Howard government-initiated 'middle class welfare' as a means of redirecting government expenditure.

Significantly, the government announced a third 'nation-building project', spending \$22 billion largely on federal roads, ports development and the national broadband network. Millions are being spent on rail and bus track extensions in Adelaide. Whether these areas, particularly roads, are the best and only possible focus for this expenditure is up for debate; however this expenditure should achieve the government's objective of further protecting jobs and limiting further growth in unemployment.

\$4.5 billion will go to a new 'clean energy initiative', which includes the establishment of a new body called Renewables Australia to support the development and commercialisation of clean technologies. \$2 billion of the funds in this area have been committed to carbon sequestration, which many would view as a poor investment in the future of sustainability.

The First Home Owners Grant has been extended for a further six months, being three months at the full rate before reductions commence.

\$5.3 billion will go towards tertiary education, research and innovation over six years. Much of this money will be drawn from the previous government's Education Investment Fund, and will go towards infrastructure and projects. Much of this will go to the higher education sector, however the vocational education and training sector has come off a poor second-place in funding this year.

\$437 million will be spent on increasing opportunities for those from disadvantaged backgrounds to access a higher education, which remains out of reach to so many. \$1.5 billion will go to disadvantaged schools to promote innovative operation methods.

The announcement of a paid parental leave scheme is unambiguously good news, however 'eligible parents' for the 18 weeks' paid leave comprises a restrictive definition which will leave out many men and same sex parents.

Also unambiguously good news was the announcement to increase pensions (covering aged, disability, carers and widows' pensions) by \$32.49 per week for single pensioners and \$10.14 per week combined for couple pensioners. On the flip-side, by 2023 the aged pension will not be payable to those under 67 years. Such a change was almost inevitable and might be argued by some as overdue.

\$600 per annum has been announced for carers as a supplement to existing payments, however this does not constitute an ongoing increase to the baseline of carer payments which is a preferable option.

The unemployed and sole parents do not benefit at all from increases via this year's federal budget; Newstart Allowance and Youth Allowance rates do not change. Newstart Allowance recipients (single, no children) receive \$226.65 per week. Sole Parents payments remain at \$284.90 per week, while Youth Allowance Recipients (over 18 and living away from home) receive \$185.70 per week. Gone are the days when you couldn't feed a dog on Austudy – these days you can't even feed a goldfish on Youth Allowance!

Given the anticipated growth in unemployment over the next two years, the failure to change the level of these benefits is a serious oversight on the government's part and might be seen as a means of constraining budget costs over the next period. Given the increase in those remaining in the workforce rather than going to retirement, the government has cannily allowed its increase to what is currently a diminishing pool of people whilst denying an increase to a growing cohort.

The government has stated that two-thirds of the budget write-down is due to diminished tax receipts. It has been noted elsewhere and we note it here that governments should have been anticipating for some time that economic boom times would not last and that profligate but poorly-targeted expenditure in previous years constituted rash expenditure against more constrained times that were inevitably to come.

In bad news for young people making additional contributions to their superannuation in order to attract co-contributions, eligibility criteria for this has tightened and the value of co-contributions will be reduced "temporarily" to a maximum rate of 100%. Other spending cut-backs include a reduction in the private health insurance rebate for higher income earners and an increase in the Medicare Levy Surcharge for higher income earners. Income thresholds for some family payments will be increased and indexation to the Family Tax Benefit A will be linked to CPI, which will limit growth of this benefit.

\$277million has been committed towards the National Compact with Young Australians. Under the Compact, there is a guaranteed training place for every person under 25 and a requirement for all young people under 17 to be in school, working or studying ("learning or earning" in government parlance). This measure is designed to increase Year 12 attainment rates to 90% by 2015 and to improve training and employment outcomes for young Australians.

Whilst it is positive to see that the federal government is alive to the risk of through-the-roof youth unemployment rates as a result of the current recession, it is worth noting that this compact was forged without dialogue with young people and that it includes a threat of the withdrawal of benefits for young people not "learning or earning". There are some serious risks in here for some young people and their families and the federal government will need to work through these carefully to ensure that the strategy does not further disadvantage already vulnerable young Australians.

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