



BUILDING A BETTER FUTURE  
A STRONG ECONOMY FOR ALL

ACTU Response to the National  
Reform Summit 2015



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**BUILDING A BETTER FUTURE: A STRONG ECONOMY FOR ALL**  
**ACTU RESPONSE TO THE NATIONAL REFORM SUMMIT 2015**

**Foreword**

This booklet sets out the Australian Council of Trade Unions (ACTU) response to the National Reform Summit held on 26 August 2015.

The Summit aimed to bring together unions, business and community groups to agree, as far as possible, on a path of reform for strong, sustainable economic growth.

The coming together of these groups was borne out of a shared frustration with the lack of leadership from the government on a reform agenda to achieve a robust economy, strong employment growth and a labour market skilled for the jobs of the future.

Whilst the policy areas considered at the Summit were not intended to cover the field of economic and social reform, the following four priority areas were identified:

1. Lifting productivity Growth and Workforce Participation;
2. Governing for Growth: Fiscal Policy;
3. Tax Reform in a Modern Federation; and
4. Sustainable Retirement Incomes;

The union movement has a long history of working together with government, business and community representatives to achieve necessary reforms to ensure strong economic growth founded on decent living standards and shared prosperity.

The Reform Summit Communique reflects those areas of reform summit participants were able to reach agreement on.

The aim of this booklet is to set out more fully the ACTU's recommendations for each of the reform areas, irrespective of whether they were agreed to at the Summit.



**Dave Oliver**  
ACTU Secretary

## **BUILDING A BETTER FUTURE: A STRONG ECONOMY FOR ALL**

### **ACTU RESPONSE TO THE NATIONAL REFORM SUMMIT 2015**

#### **Introduction**

Australia is a prosperous country proudly founded on a 'fair go for all'.

As with other developed economies, Australia must adapt and respond to the challenges and opportunities brought about by technological change, global competition and demographic changes, including an ageing population.

The reform proposals in this document are built on the well-founded principle that a fairer, more prosperous Australia will deliver sustainable economic growth.

Decent jobs and high living standards generate local consumer demand and productivity and are critical to boosting the economic prosperity of nations.<sup>1</sup>

Reform efforts must focus on building our economy; in quality jobs, boosting our competitive advantage and investing in value-added industries, new technologies and export opportunities.

A sufficient tax revenue stream is required to enable government to support a productive community; including universal access to health, education and welfare and to promote growth in investment, productivity, quality jobs and a strong economy.

We cannot continue to be driven by the short-term politics of squabbling over budget and expenditure cuts and a spiral of under-investment in growth opportunities.

Overseas 'austerity measures' have created rising inequality, stagnating wages and hollowing out of decent, middle income jobs demonstrating the ineffectiveness of expenditure cuts as a strategy for long term sustainable growth.

Economic organisations including the World Bank, IMF and OECD, have all recently noted that the increase in inequality in many economies in the last three decades,<sup>2</sup> has had a negative effect on growth and prosperity.<sup>3</sup>

Australia's overall strong growth and employment record, matched with a strong social safety net, universal and high quality education and health care, an effective superannuation system, a decent minimum wage and employment standards has acted to slow the growth of income inequality experienced in countries such as the US and the UK.<sup>4</sup>

Under the current government, each of these policy settings have been under attack - with great implications for maintaining equality and decent living standards for all Australians.

Rising inequality is a key threat to economic growth and must be a central focus of the reform agenda. Economic inequality in Australia extends far beyond the exclusion of

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<sup>1</sup> "Inclusive Growth For Shared Prosperity", Swaroop, V. (2015), <http://blogs.worldbank.org/developmenttalk/inclusive-growth-shared-prosperity>

<sup>2</sup> "Inequality and Labour Market Institutions", IMF Staff Discussion Note (July 2015), p.5 and "In It Together – Why Less Inequality Benefits All", OECD (2015), p.23.

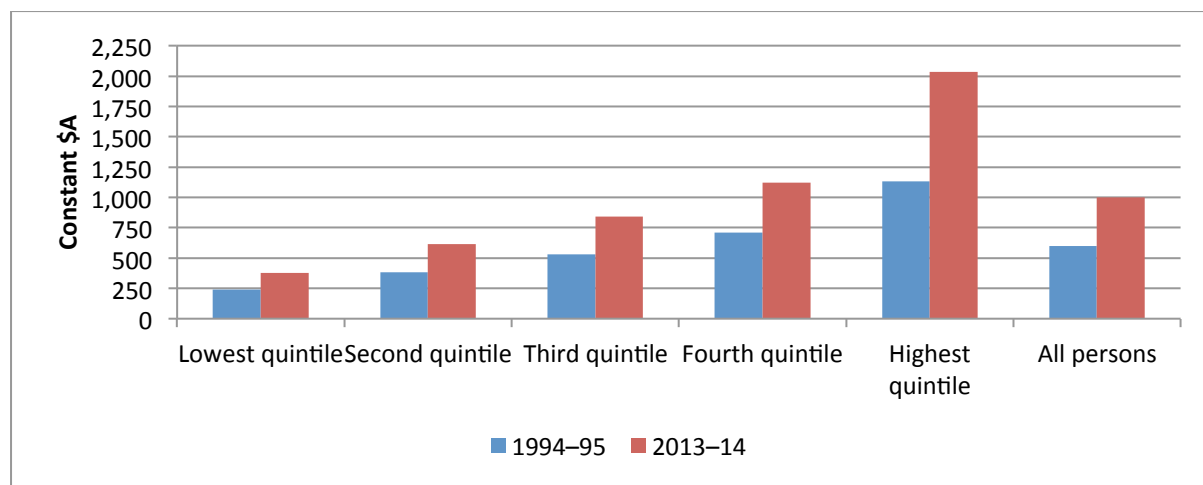
<sup>3</sup> "In It Together – Why Less Inequality Benefits All", OECD (2015), p.20.

<sup>4</sup> Inclusive Prosperity: Australia's record and the road ahead p.8

disadvantaged Australians from the workforce. It represents a squeeze on low to middle income households, who are a crucial driver of growth and rising living standards.<sup>5</sup>

Australia is now in the bottom half of the equality ladder of OECD countries with income and wealth distributions widening faster than many other OECD countries.<sup>6</sup> The chart below demonstrates that the share of total income of the top quintile of households has increased over the past decade, while the share of the lower quintiles has continued to fall. The gender pay gap has also been widening to a 20 year high - with women working full time hours still earning on average 17.9% less than their male counterparts.<sup>7</sup>

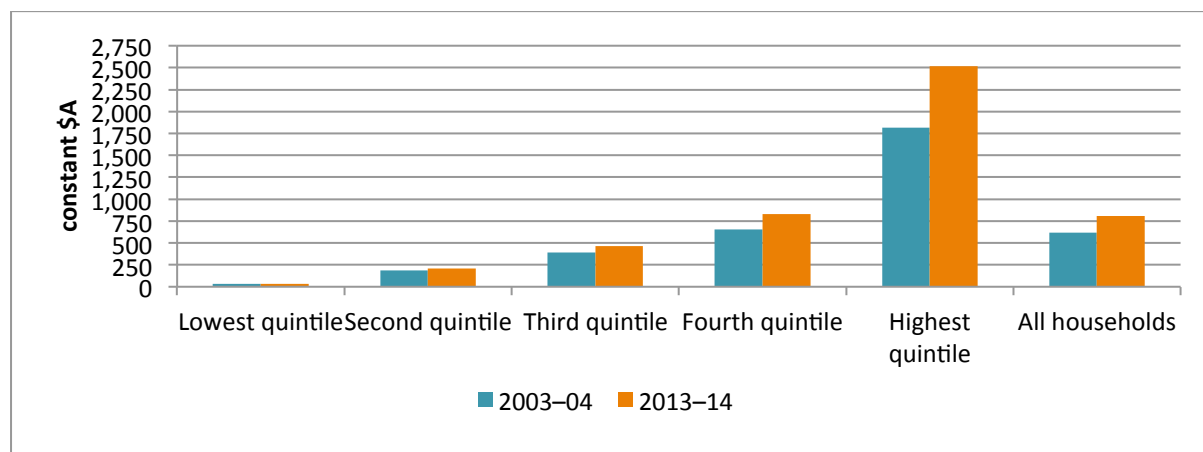
### Widening Income Inequality in Australia, 1994-95 to 2013-14



Source: ABS 6554

Wealth inequality, influenced by lack of affordable housing, has increased even more markedly. The net worth of the highest quintile has increased over the last decade, while it decreased in the three lower quintiles and remained close to one per cent in the lowest quintile.

### Widening Wealth Inequality in Australia, 2003-04 to 2013-14



Source: ABS Cat 6554

Inequality costs the economy through increased costs of government support services, social and labour market exclusion and dampened household consumption.

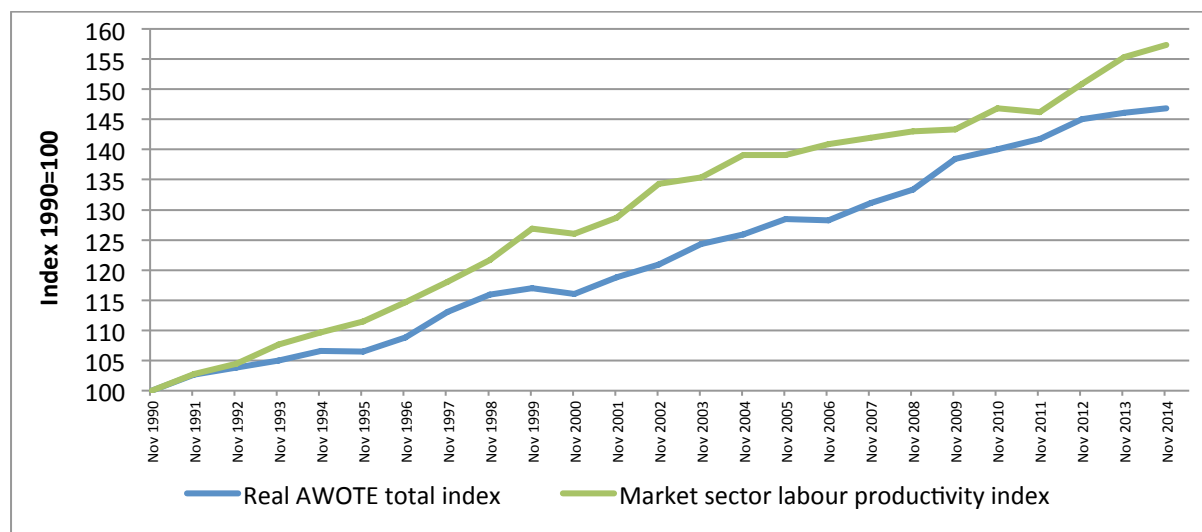
<sup>5</sup> Inclusive Prosperity Commission, Australia's Record and the Road Ahead, p.1,4.

<sup>6</sup> Inclusive Prosperity: Australia's record and the road ahead p.9

<sup>7</sup> ABS Cats 6554, 6302

Since the mid-2000s, despite working longer, harder and more productively, workers' wages have not kept up with labour productivity improvements, as demonstrated in the following chart.

**Average Weekly Ordinary Time Earnings (AWOTE) and Labour Productivity 1990 to 2015**



Source: Source: ABS 5204, 6402

The goal for economic reform must be to continue to support a decent standard of living for all Australians by creating quality jobs with decent wages.

This is of critical importance given the predicted impact of technology and global competition on jobs.<sup>8</sup> A recent report published by CEDA indicates that there is a “high probability that as much as 40 per cent of jobs in Australia could be replaced by computers within a decade or two”.<sup>9</sup>

We must find and prepare for opportunities for the ‘jobs of the future’.

We must be a nation that can create things, that maintains those industries which build the skills and experience that ensure we can protect and advance our national interests - industries such as manufacturing, extraction, aviation, shipping, vital infrastructure and public services.

The projected employment growth areas –including education, health, aged, childcare and community and recreational services- must be supported and fostered as both key export and employment opportunities. Ensuring these are quality jobs is critical to not only to boosting economic growth but to supporting a productive community with quality services.

<sup>8</sup> *Australia's Future Workforce*, CEDA, June 2015 at page 8:

[http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce\\_June2015.pdf](http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce_June2015.pdf)

<sup>9</sup> *Australia's Future Workforce*, CEDA, June 2015 at page 8:

[http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce\\_June2015.pdf](http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce_June2015.pdf)

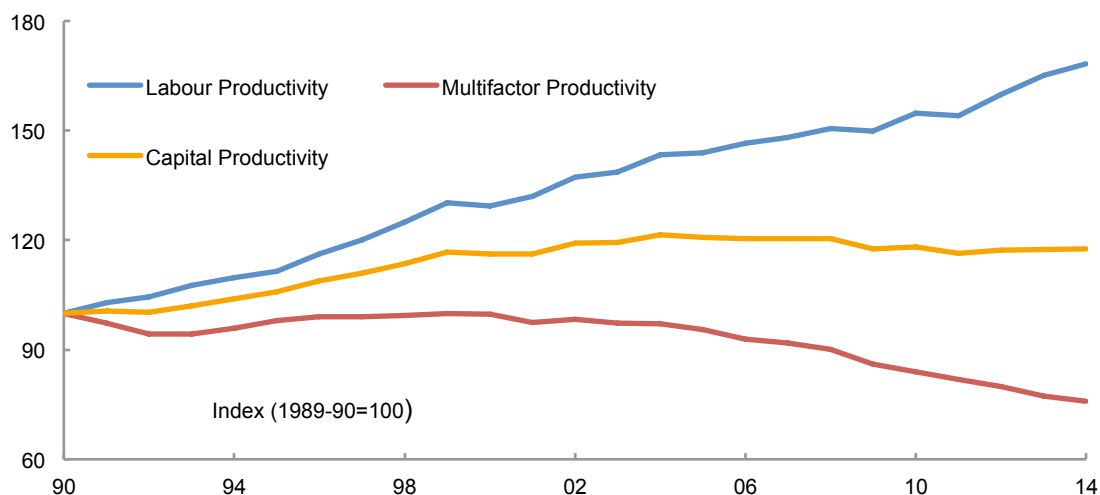
## 1. LIFTING PRODUCTIVITY GROWTH AND WORKFORCE PARTICIPATION

Unions welcome a debate about productivity as productivity growth leads to higher living standards.

The chart below demonstrates that in the twenty years from 1995 to 2014, while average annual labour productivity in Australia grew, multifactor productivity (innovation, skills, efficient management and processes) was stagnant and capital productivity (investment in research, development and technology) actually fell.

The figures clearly show labour productivity is not the problem and cutting wages and conditions is not the answer to increasing productivity. Instead, we need to focus on innovation, skills, efficient management and processes, investment in research, development and technology.

### Labour Productivity, Capital Productivity, Multifactor Productivity



Source: ABS 5260.0.55.002

### Investment in innovation, research and development

Australia has a serious lack of investment in innovation, capital, and utilisation of technology and ranks third lowest in research and development expenditure of the 34 OECD countries.

Recent cuts to support for research and development and industrial innovation further undermines our capacity to develop the skills and technologies for the future.

Greater resources for science and research via publicly funded institutions such as CSIRO is essential to fostering long term, high risk research with high potential gains. In particular, we need to focus on the opportunities renewable energy and green jobs can contribute to our economic growth.

### Key Recommendation

1. Addressing productivity growth in Australia calls for a comprehensive industry policy which:
  - a) Recognises the active role governments must play across all sectors of our economy to ensure we generate the jobs, skills and innovation we need to build a better and fairer Australia;

- b) Develops industry level plans which identify weaknesses in investment and skill formation that threaten the sustainability of industries and sectors;
- c) Supports a high skilled, high quality and secure public sector and community services workforce;
- d) Recognises employees and their unions have an essential role to play in helping to build better workplaces;
- e) Provides appropriate planning, regulation, tax incentives and research support to ensure corporations invest in high-risk innovation, build our skills-base and prioritise local suppliers and services;
- f) Halts and reverses cuts to public support for science and innovation and provides an adequate and stable funding framework consistent with long-term research and development for a mix of academic and commercial purposes;
- g) Recognises the vital role that infrastructure plays in facilitating growth and takes urgent action to close our massive national infrastructure deficit; and
- h) Restores structures to facilitate investment in new production technologies such as the Manufacturing Finance Corporation and access to major resource and government infrastructure projects such as the Australian Industry Participation Plans.

### **Effective management, systems and processes**

Improving management skills and business systems and processes can also improve workforce participation and productivity. Research shows that Australian management is relatively unqualified compared to other OECD countries, despite leadership and management capability being widely recognised as critical to productivity in the workplace.

#### ***Key Recommendation***

2. There is a role for government to take the lead in facilitating tri-partite programs focused on best practice management, effective skills utilisation, systems and processes and practices required for high performance practices to succeed.

Skills and workforce development challenges are not isolated to individual enterprises and there should be scope for industry and regional-based responses.

#### ***Key Recommendation***

3. Encourage industry-level collaboration and investment in skills and infrastructure.

### **Secure jobs and productive workplaces**

Access to permanent work, with decent wages and conditions, is an essential foundation for fairer, higher skilled and more productive workplaces. Employees are more likely to be engaged and productive when they have good pay and conditions, know their working hours, have access to training, have secure, ongoing employment, a genuine say in how work is organised and performed, and are consulted about change in their workplace.

It is not just unions that take this view. A recent report from Ernst and Young makes the point that job security goes hand in hand with productivity, as do skills development and training, family-friendly working conditions, and safety at work.<sup>10</sup>

Decent wages and conditions are fundamental to building consumption led economic growth. Removing penalty rates for example, would be a sudden pay cut for some of the lowest paid workers in Australia and the businesses they shop at. Modelling by the McKell Institute shows that a full removal of penalty rates from hospitality and retail workers alone would cost the economies of regional Australia nearly \$750 million.<sup>11</sup>

### **Key Recommendation**

4. A fair and prosperous society must be built on the foundation of decent jobs, where workers have:
  - a) Fair and predictable wages and conditions;
  - b) A say in work organisation and change and better work, life and family balance;
  - c) Access to important conditions like annual leave, carers and sick leave, long service leave, paid parental leave, penalty rates, overtime and redundancy pay;
  - d) Quality skills development, training and career opportunities; and
  - e) A healthy and safe working environment.

Today, the reality is that up to 40 per cent of Australians (2 million) are in some kind of insecure work, employed as casual, independent or fixed term contractors or on other precarious employment arrangements.

Many have no paid sick leave, no annual or long service leave and no right to ongoing work. They may have worked the same shifts for years but can still be sacked at short notice, with no entitlement to redundancy pay. Many have no recourse if they are injured at work –often having to pay their own workers' compensation premiums.

Insecure work means that a large section of the workforce does not share in our national economic prosperity. They have inferior rights, entitlements and job security to their counterparts in ongoing employment. It makes it tough for working families to plan for their future when they cannot rely on regular incomes, yet have rising household costs and are shouldering increasing household debt.

The rise of insecure work in Australia is the result of a business model that shifts the risks from the employer to the employee and consequently dampens consumer confidence and demand. A sustainable, prosperous economy should be built on quality jobs, respect for workers' rights and decent living standards.

### **Key Recommendation**

5. Improve the regulation of the labour market to provide all workers with a universal set of protections and entitlements and jobs that workers and their families can rely on and which can be enforced against their effective employer, their host and any supply chain participant by:
  - a) Ensuring legislation supports increased job security including rights for long term-

<sup>10</sup> The Ernst & Young Australian Productivity Pulse Wave 4: Reaching our \$305 billion productivity potential, May 2013, p. 6.

<sup>11</sup> The McKell Institute: Who Loses When penalty Rates Are Cut? The Economic Impact of Penalty rate Cuts in Australia's Retail and Hospitality Industries, [http://mckellinstitute.org.au/wp-content/uploads/pdf/McKell\\_Penalty\\_Rates.pdf](http://mckellinstitute.org.au/wp-content/uploads/pdf/McKell_Penalty_Rates.pdf)



- casual employees to convert to permanent employment;
- b) Improving conditions for workers in precarious employment, including portability of entitlements for employees;
- c) Licensing of labour hire agencies; and
- d) Legislating to prevent sham contracting arrangements.

### **Removing barriers to workforce participation**

All Australians should be given the opportunity to participate in the workforce through paid employment. Meaningful and decent work opportunities promote social inclusion, financial independence, and positive health outcomes. Social inclusion promotes greater economic activity and growth for all.

There are many barriers faced by sections of the community in accessing the labour market. Improving these participation rates, in particular for older Australians, young people, women, those with caring responsibilities, Aboriginal and Torres Strait Islander peoples, people with a disability and regional and rural Australians, will drive GDP growth. For example, increasing women's participation in the paid labour market by 6% would add as much as \$25 billion to Australia's GDP.

#### ***Key Recommendation***

6. Remove barriers to workforce participation, in particular for disadvantaged groups by:
  - (a) Maintaining and improving Paid Parental Leave entitlements, affordable and accessible childcare and legislating employees' rights to family friendly and flexible work arrangements for, in particular workers with caring responsibilities and older workers;
  - (b) Encouraging employers to value and employ workers with a disability, older and Aboriginal and Torres Strait Islander workers and supporting regional and rural job opportunities; and
  - (c) Supporting young people and workers transitioning careers in to decent and secure employment and adequate training opportunities.

Australians who are actively seeking employment should be supported in their efforts through the provision of affordable, quality community services and a decent social security safety net.

#### ***Key Recommendation***

7. Provide adequate support and a payment scheme that allows jobseekers who are actively seeking employment to meet basic living costs by:
  - a) Increasing the current rate of the Newstart Allowance and ensuring access to benefits in a timely manner for young unemployed;
  - b) Removing unpaid Work for the Dole schemes as a condition of job search activity;
  - c) Introducing employment brokers that match jobseekers' skills with employment and training opportunities and replacing the current contracting arrangement for employment services with a scheme which is more targeted to achieving long term employment outcomes; and

- d) Considering overseas models of unemployment insurance and lifelong learning accounts for supporting, retraining and up-skilling for adult jobseekers.

## **BUILDING A MODERN WORKFORCE: INVESTMENT IN SKILLS AND EDUCATION**

### **Schools Education**

Pivotal to the achievement of social inclusion and economic growth is education policy which aims to ameliorate social divides and build a knowledge nation. We need to increase public investment in education and distribute public funds based on need and national resource standards.

Recent research links the importance of investing in schools education with economic growth. Modelling by the OECD demonstrates that improving educational enrolment and attainment in Australia would result in gains to GDP in 2095 130% greater than current GDP, or over \$2 trillion.<sup>12</sup>

Improving basic skill levels to reap these gains means supporting students who have to overcome disadvantage with more and better trained teachers, new learning tools, and better-equipped schools.

The additional \$6 billion in annual funding (state and commonwealth) required to implement the Gonski 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.

### **Key Recommendation**

8. Governments must commit to fully implement the six years of the Gonski school funding model to ensure all schools operate at the Schooling Resource Standard recognised as the minimum requirement to give every child regardless of background the greatest opportunity to achieve their full potential.

### **Higher Education, TAFE, Vocational Education and Training (VET)**

The higher education, TAFE and VET sectors support skills and job development, underpin social cohesion by encouraging access and equity, and play a fundamental role in innovation and economic growth through investment in industry partnerships and research and development.

The Federal Coalition Government's higher education agenda of fee deregulation and funding cuts unfairly shifts the cost burden for university education onto the shoulders of students and their families.

Australia's public investment in higher education is still well below that of other industrialised economies and Australian students currently pay amongst the highest fees in the world to attend public universities.

As the third largest export industry in Australia, the tertiary education sector is integral to the economic wellbeing of the nation. Universities constitute the largest component of the sector generating nearly \$17 billion annually in export income.

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<sup>12</sup> OECD (2014) Trends in Income Inequality and its Impact on economic Growth European Expert Network on Economics of Education (2015) Reducing Inequality in Education and Skills: Implications for Economic Growth.

### **Key Recommendation**

9. Increased government investment and support for higher education, TAFE and VET including:
  - (a) Higher education funding must be increased to the equivalent of 1 per cent of GDP, from the current 0.7 per cent. Such an increase will put Australia on an even footing with other industrialised economies and assist in generating a more secure and sustainable economic future;
  - (b) There must be institutional linkages between university based research, development and innovation with industry and businesses must be encouraged to pick up discoveries and inventions and to innovate;
  - (c) Our public universities require a stable and sustainable funding model that gives both government and universities some certainty in planning, and that takes into account student, community, professional and industry demand and needs;
  - (d) Access to higher education must be equitable and merit based for Australia to become a strong, smart economy of the future; and
  - (e) Casualisation of university teaching adversely impacts upon the students, academics and the quality of education, including research capacity and must be addressed.

High quality, nationally consistent, equitable and affordable vocational education and training (VET) which includes properly-funded TAFEs is critical to transitioning to the jobs of the future. The skills, national qualifications and further education that TAFEs and the VET system deliver are vital for workers, for the future skill needs of industry and the nation and for a fair society that provides opportunities to all.

Despite the critical role it plays, the VET sector remains very much the 'poor cousin' of the education and training system in Australia, with VET as the only sector to experience an overall decline in funding from 1999 to 2011.

The reputation of the VET sector has been hit in recent years and confidence in the value of a VET qualification has suffered by the opening up of the publicly funded training system to thousands of poorly regulated private training providers.

### **Key Recommendation**

10. Governments at all levels need to refocus their efforts on the importance and value of skills, including:
  - a) Implementing a national inquiry into funding for the VET sector, including the use of VET fee help, to establish an adequate funding rate to ensure quality delivery, including support for disadvantaged learners and training delivery in rural and remote areas;
  - b) Conducting a full review of the consequences of market-driven policies of contestability, including the impact on educational quality of VET, levels of student support and teaching infrastructure and the rapid expansion of VET fee help. In the interim, governments should introduce a 30% cap on the amount of public funding that is contestable;
  - c) Federal and state governments committing to maintain TAFE funding in real terms, with a full and immediate reinstatement of TAFE funding cuts;

- d) Providing jobseekers with access to training within the VET system and expanding the use of Recognition of Prior Learning to capture the existing skills profiles of the unemployed and workers facing redundancies; and
- e) Ongoing support for a co-contribution funding mechanism between government and industry that supports the up-skilling of new and existing workers.

### **Apprenticeships and traineeships**

To meet our future skills needs and provide employment opportunities, a sustained increase in apprenticeship and traineeship completion rates is required across Australian workplaces.

Apprenticeship completion rates continue to fall around the 50% mark, meaning one in every two apprentices do not finish. Commencement rates for both apprenticeships and traineeships have been flat or in decline for several years.

#### ***Key Recommendation***

11. Improve the apprenticeship system by:
  - a) Establishing a National Custodian for the apprenticeship system;
  - b) Introducing training levies and stronger training requirements for 457 visa sponsors;
  - c) Specific action to increase the participation of women;
  - d) Greater emphasis on up-front support services for apprentices and employers;
  - e) Strengthening the integrity of the trades; and
  - f) Improving apprenticeship and traineeship wages.

### **Co-operative, tripartite approaches that include a voice for workers**

The current government's practice of dismantling long-standing, successful, tripartite structures for addressing skills and productivity has left the decision-making and advisory structures for the national training system almost entirely devoid of any dedicated voice for workers through their union representatives.

#### ***Key Recommendation***

12. Governments at all levels should facilitate collaborative tri-partite structures which enhance the linkages between government, business and employees required for effective skills development and vocational education.

### **Trade and Skilled Migration**

Increased exports and freer access to overseas markets for Australian businesses present opportunities for workers participating in a 21<sup>st</sup> century global economy.

However, free trade agreements must not jeopardise Australian jobs or allow the exploitation of vulnerable overseas workers.

### **Key Recommendation**

13. The Australian Government should not be entering into any free trade agreements that trade away the right of the Australian Government – and the Australian community - to require that rigorous labour market testing occurs, or has investor state dispute settlement provisions that undermine the national interest.

There are currently more than 1.2 million temporary visa holders in Australia with work rights. This equates to around 10 per cent of the Australian labour force of over 12.4 million.

As shown in recent high profile examples, workers on temporary visas are vulnerable to exploitation must be treated with dignity and respect and afforded equal rights and protections.

The Australian community needs to have confidence that such a large and growing temporary work visa program is not having adverse impacts on employment and training opportunities for Australians, particularly young people. Yet of the 1.2 million temporary visa workers in Australia, employers had an obligation to demonstrate local recruitment efforts in just 1.5 per cent of cases.<sup>13</sup>

### **Key Recommendation**

14. Support Australian jobs by:
  - a) Establishing a cap on the working holiday visa program, taking into account labour market conditions, especially for young Australians;
  - b) Strengthening and expanding labour market testing to cover all 457 visa positions; and
  - c) Extending labour market testing to the temporary graduate program to ensure Australian graduates have the first right to jobs for which they are qualified.

There also needs to be greater attention on training up the next generation; making sure there is in fact a 'training dividend' from the use of temporary overseas workers.

### **Key Recommendation**

15. Require companies to train and employ Australian apprentices, trainees or graduates in the same occupations where they are using 457 visa workers, including:
  - a) An employer sponsoring tradespersons on 457 visas should be training Australian apprentices on a ratio of at least 1 apprentice to every 4 tradespersons.
  - b) An employer sponsoring professional or managerial workers on 457 visa should be required to ensure 15 per cent of their managerial and professional workforce are Australian university graduates with less than 12 months' paid work experience; and
  - c) A requirement on sponsors of 457 visa workers to make payments into a dedicated training fund that is linked to broader training objectives.<sup>14</sup>

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<sup>13</sup> Temporary entrants and New Zealand Citizens in Australia as at 31 December 2014, Australian Government, Department of Immigration and Border Protection.

<sup>14</sup> A contribution of \$4000, which is based on the standard incentive payment an employer would have received if they had employed an apprentice through to completion, is a recommended benchmark contribution amount.

## 2. GOVERNING FOR GROWTH: FISCAL POLICY

Fiscal policy should be intended to manage the budget, in order to maintain full employment and a stable, growing economy.

The previous Labor government's stimulus package in response to the Global Financial Crisis in 2008/09 is an example of fiscal policy focussed on growth and is a key reason the Australian economy managed to maintain steady GDP growth unlike other advanced economies that entered in to recession.

A short-term and narrow preoccupation with budget surpluses and expenditure cuts is inconsistent with building sustainable growth.

Australia's rate of public debt is one of the lowest in the OECD and the Australian government is the fifth lowest spender in the OECD.

Unemployment, insecure and low paid work, and idle capacity are far greater costs to the economy and wellbeing of people and to growth drivers than any aspect of a Budget deficit. Austerity is not the answer.

### **Provision of infrastructure and public services**

Government investment in accessible, accountable and adequately funded public services and infrastructure plays a vital role in supporting productive communities.

A decent social safety net, affordable housing and quality public services promote higher living standards, increased consumer confidence and economic growth for all.

The financial costs of inequality and disadvantage, including poor health, crime and social exclusion are ameliorated by the provision of decent public services and infrastructure.

Investment in physical infrastructure is critical to supporting business competitiveness and economic growth. We need to continue to maintain our transport, logistics, shipping, water, energy supply and waste disposal infrastructure and think to build new infrastructure such as broad-band and renewable energy initiatives to support the jobs of the future.

### **Key Recommendation**

16. Government needs to invest in public services to support a productive community and in public assets to build economic growth. In particular, there is an urgent need to increase investment in areas such as:
  - a) Social and public housing;
  - b) Health facilities;
  - c) Services to the aged;
  - d) Services to people with disabilities (including the The National Disability Insurance Scheme);
  - e) Public transport; and
  - f) Education and child care.

### ***Key Recommendation***

17. Government must strategically invest in infrastructure through:

- a) Developing a long-term program of critical infrastructure priorities guided by an independent infrastructure body that ensures effective long term urban and rural planning.

### **Climate change and renewable energy opportunities**

Climate change is a serious threat to humanity and there is overwhelming scientific consensus that human economic activity is the main contributor to global warming. In the long run, the cost of not reducing emissions is far higher than the cost of taking decisive action now.

If Australia is to continue to grow its economy over the coming decades, we need to take action to reduce carbon emissions, improve energy efficiency and expand our renewable energy sector. Such action should not be viewed as merely a cost to the economy but also as an opportunity to create new jobs and investment opportunities in the local economy.

If we are quick to act now on these opportunities, Australia can place itself at the forefront of the new clean energy industry, which conveys significant economic and environmental advantages. However, failure to act will mean that Australia risks being left behind.

### ***Key Recommendation***

18. Address climate change and build on clean energy opportunities including:

- a) Increasing Australia's current emission reduction target and setting a goal to reduce emissions consistent with other developed nations;
- b) Promoting clean energy job opportunities through investment in low carbon strategies and technologies;
- c) Providing formal retraining for employees working in non-renewable sectors through a structured industry policy that assists businesses and workers in their transition;
- d) Investing in infrastructure, building energy efficiency, and large-scale renewable energy projects to shift to a low carbon economy; and
- e) Increasing financing and investment, including through research and development, in start-up ventures and existing businesses to source clean energy, including retaining the Clean Energy Finance Corporation.



### 3. A FAIR SHARE: TAX AND REVENUE

A long term, sufficient tax revenue stream enables governments to fund the type of society that Australians want, need and deserve; including universal access to health, education and welfare. Tax policies can promote growth in investment, productivity, quality jobs and a strong economy.

Australia has a relatively low tax revenue base of 27.3% of GDP, well below the OECD average of 34.3%.

Further, this tax revenue base faces additional pressure from projected increases in spending on pensions, health and aged care and the decline of the resources sector boom and a labour market facing challenges from global competition and disruptive technologies.

These demands cannot be met through employment growth and / or expenditure cuts alone and the tax system is in need of a comprehensive reform aimed at growing the revenue base efficiently and equitably.<sup>15</sup> The system's manifest weaknesses, including inadequate revenue collection, inequitable contributions, unfair distribution of concessions and tax avoidance loopholes have been exacerbated by piecemeal and ad hoc changes based on short term rather than comprehensive, long term reform.

Australia's personal income tax system has become less progressive over the years, with significant reductions in top marginal tax rates combined with heavy reliance on bracket creep reducing the after-tax incomes of ordinary wage and salary earners.

In addition, capital gains, negative gearing, superannuation and other tax concessions are used by high income earners to reduce their taxable income. Tax avoidance loopholes for wealthy individuals cost the Australian economy \$2.5 billion in lost revenue every year.<sup>16</sup>

In fact, Australian Tax Office statistics show that 75 individuals earned more than \$1 million in 2011-12, but paid no income tax at all. They did this by finding tax deductions that reduced their taxable incomes to levels below the income tax threshold. In total, these 75 people had pre-tax income of \$195 million, but reduced their taxable income to a mere \$82. Each of these individuals earned more than a million dollars for the year but had an average taxable income of just \$1.09.<sup>17</sup>

Superannuation tax concessions disproportionately benefit high income retirees, with the top 10% of income earners receiving 32% of the value of Super tax concessions and the bottom 60% receiving just 27%. Over the years, while superannuation has grown in importance as a retirement system, it has also grown as a tax avoidance mechanism.

Despite consistent calls from business groups to cut the corporate tax rate, many corporations don't pay the tax they should pay now. Overall, the effective tax rate of ASX 200 companies over the last decade is only 23%.

If the largest Australian listed companies paid taxes at the statutory corporate tax rate of 30%, it would produce an additional \$8.4 billion in annual revenues.<sup>18</sup>

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<sup>15</sup> To return a budget surplus the economy would need to expand by 5.25 per cent a year to return to surplus within five years. The Reserve Bank has said that it expects growth to be 2.5 to 3.5 per cent in the year to June 2016. Jacob Greber, Lift the GST,-cut-income tax says Martin Parkinson, Australian Financial Review, 2 April 2014, [http://www.afr.com/p/national/lift\\_the\\_gst\\_cut\\_income\\_tax\\_says\\_jAfGS2ajCx9jSGnxqeYtQM](http://www.afr.com/p/national/lift_the_gst_cut_income_tax_says_jAfGS2ajCx9jSGnxqeYtQM)

<sup>16</sup> The Australia Institute, Closing the Tax Loopholes, : A BUFFETT Rule for Australia, April 2015

<sup>17</sup> ATO (2014a) *Individual tax: Selected items, by total income and taxable income, 2011–12 income year*

Source: ATO (2014a)

<sup>18</sup> Tax Justice Network Australia, Who Pays for Our Common Wealth? Tax Practices of the ASX 200, October 2014



Of the ASX 200 companies nearly one third have an average effective tax rate of 10% or less and 57% disclose subsidiaries in secrecy jurisdictions (tax havens).<sup>19</sup>

Business groups' calls for a higher rate and broader GST are usually accompanied by calls for lower rates of company tax. This is not surprising. A broad GST is paid by consumers, whereas company tax is paid by businesses. Businesses are keen for the tax burden to be placed on other parts of the economy rather than on themselves.

Increases to GST are likely to damage the living standards of low and middle -income people and further worsen the distribution of income. Lowest income households pay almost 2.5 times as much of their income on GST than higher income households as demonstrated in this chart:<sup>20</sup>

Quintiles	Q1	Q2	Q3	Q4	Q5
GST burden as % of after tax incomes	4.46	2.79	2.46	2.13	1.83

The government's own tax white paper recognises the GST is not as efficient as other taxes and is regressive. Adequate compensation measures vastly reduce revenue gains from GST and tend to have a temporary effect and then disappear.

Rather than focussing on a GST, the priorities for a fair and equitable tax reform should be ensuring fair personal income tax rates, closing wealthy individual and company tax avoidance loopholes, reviewing generous tax concessions which benefit high income earners and considering other measures such as resource rent taxes to fund public revenue.

### **Key Recommendation**

19. Comprehensive reform of the tax system is required which:

- a) Ensures an adequate revenue stream to enable governments to meet the needs of the community;
- b) Is progressive and based on capacity to pay;
- c) Reviews the personal income tax base, including consideration of additional, fairer tax brackets and addressing unfair marginal tax rates;
- d) Ensures wealthy individuals pay their fair share of tax by closing tax minimisation loopholes and introducing a Buffett rule requiring a minimum tax contribution;
- e) Ensures individuals and companies pay their fair share of tax and regulate international companies engaging in profit shifting. This should be part of an internationally coordinated effort, but must also include immediate measures to close avoidance loopholes;
- f) Comprehensively reviews the governments' expenditure on current tax concessions on super contributions and earnings which disproportionately advantages high income earners;
- g) Consideration should be given to resources and rent (super profits) taxation and other measures to fund public infrastructures;
- h) Abolishes inefficient state taxes with revenue recouped through more efficient taxes; and
- i) Sufficiently resources public revenue collection and tax administration.

<sup>19</sup> Tax Justice Network Australia, Who Pays for Our Common Wealth? Tax Practices of the ASX 200, October 2014

<sup>20</sup> The Australia Institute, How to expand the GST without hurting the poor, Dec 2014 (Based on Fed parliamentary library estimates of extent of GST regressive impacts in lead up to introduction of GST in 2000)

## 5. FAIR AND SUSTAINABLE RETIREMENT INCOMES

### Objective of the Retirement Incomes System

Working Australians should be able to enjoy a similar standard of living in retirement as they enjoyed during their working life. To ensure this standard of retirement is achievable, our retirement system should be built on a three pillared approach: adequate superannuation contributions, a decent age pension and encouraging personal savings.

The retirement income system must adapt to the increased longevity of Australians by ensuring adequate contributions to the retirement system, not by increasing the age of retirement.

The retirement system must be equitable and not unduly advantage high income earners nor penalise low income earners or those with broken service or periods of unpaid (caring) work.

### **Key Recommendation**

20. All workers should have an adequate retirement income which allows a standard of living consistent with community standards, which:
  - a) Recognises that not all Australians can or want to work beyond the existing retirement age, with access to the age pension set at age 67 and preservation age set at age 60;
  - b) Maximises workers' superannuation savings by immediately implementing the Superannuation Guarantee target rate of 15% of earnings, to be reviewed over time as the adequacy measured by this target is assessed;
  - c) Taxing superannuation contributions and earnings on a progressive basis, rather than a flat 15% tax rate which disproportionately disadvantages low income earners and unfairly advantages high income earners, by:
    - i. Setting superannuation tax concessions to the applicable marginal tax rates minus a rebate;
    - ii. Providing supplements for low income earners, women and workers in insecure employment who are disadvantaged by the current tax treatment;
  - d) Further capping maximum superannuation contributions;
  - e) Acknowledging the benefits to workers of 'all profits to members' industry based funds;
  - f) Ensuring a decent age pension remains as the safety net to be accessed by those without superannuation or with relatively low amounts of superannuation; and
  - g) Indexing the pension based on increases in average earnings.

This booklet is an outline of the Australian Council of Trade Unions' key recommendations for economic reform.

For more detailed policy recommendations, please see the ACTU 2015 Congress Policies and Resolutions at <http://www.actu.org.au/our-work/actu-congress/actu-congress-2015/congress-policy-resolutions>



# BUILDING A BETTER FUTURE A STRONG ECONOMY FOR ALL

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