

# THE ECONOMY AND THE ROLE OF GOVERNMENT POLICY

*ACTU CONGRESS 2000*

## 1. Introduction

- 1.1 The ACTU believes Government has an active and essential role to play in the economic and social affairs of the nation.
- 1.2 The ACTU rejects the Howard government's attempts to abdicate this role and rely principally on market forces for solutions to the nation's problems and challenges.

## 2 A Social Audit

- 2.1 There is a pressing need to audit the impact on our civic and economic affairs of policy initiatives and changes made over the past two decades.
- 2.2 The ACTU supports such an audit, carried out by a broadly-constituted committee of experts with an independent fully-resourced research and support secretariat.
- 2.3 The audit should encompass the impact of financial deregulation, privatisation, contracting out, competition policy, compulsory competitive tendering and consider the merits of requiring private companies to meet Community Service Obligations.

## 3 Workers' Economic and Social Policy Checklist

- 3.1. The economic and social policies adopted and implemented by Government must be assessed in terms of their impact on the living standards of ordinary workers and their families.

3.2. Over the next three years, the ACTU will assess the economic and social policies and policy proposals of the major political parties against their likely impact on the following checklist:

- i) Jobs growth
- ii) Wages growth
- iii) Inflation and Interest rates
- iv) Industrial relations
- v) Education and health standards
- vi) Social Wage and the welfare of families
- vii) Investment levels
- viii) Income distribution
- ix) Tax avoidance, and taxes paid by workers
- x) Environmental impact
- xi) Balance of payments
- xii) Indigenous rights

3.3. The ACTU will distribute to affiliates, its assessment of the contending economic policies adopted by the three major federal political parties against this checklist, prior to the next federal election.

#### 4 Job Creation, National Development and Regional Australia

4.1 The top policy priority for the next three years must be to achieve an unemployment rate of 5% or less, on the way to full employment. Government cannot abdicate its critical role in national and regional development, and must never be allowed to renounce commitment to full employment.

4.2 The ACTU will promote to the public and political parties, a program for investment of additional public expenditure for Australia targeted at poverty and unemployment 'black spots' in our regions and neighbourhoods.

- 4.3 The program should encompass expenditures on physical infrastructure including public housing and public transport, social infrastructure including education, health and community care, and protection of the nation's natural and cultural heritage, with a view to job creation and improvement of social amenity in those regions and neighbourhoods.
- 4.4 Where a government activity or service; involves decisions on individual's rights or deals with their privacy or private information – the integrity of the service or activity must be retained through the requirement that it be delivered by an accountable public agency.

## 5 Taxation

- 5.1 The full distributional and revenue consequences of the Government's GST package and business tax package are unclear, but the changes raise grave concerns on a range of equity and efficiency matters, including tax avoidance, revenue adequacy for a fair social wage, and continuing public investment in infrastructure and research and development.
- 5.2 Spending and taxation policies should be a major instrument in redistributing income and wealth. The burden of taxation should be borne by the corporate sector and high-income earners and not low and middle-income salary earners. The 'social wage' – consisting of expenditure on health, education, public transport, childcare, labour market programs, infrastructure, environmental programs and the like – should be broadly based across the whole community. In order to achieve these goals and to ensure that government revenue grows in real terms, the ACTU supports real increases in tax revenue through minimising tax deductions, rebates and loopholes, and increasing the relative tax burden of corporate tax, reform to prevent tax avoidance and minimisation by higher income earners, a better balance between taxing income and expenditure, and preventing the artificial reclassification of employees as contractors.
- 5.3 The ACTU calls on the Government to establish a comprehensive, independent review of the combined effects of the new business tax arrangements and GST package (including sales tax increases, capital gains tax cuts and income tax cuts) on:
  - i) distributional equity with particular reference to the outcomes for low-paid workers and low-income working families;
  - ii) tax avoidance and evasion activity and the effectiveness of the new measures in repairing and safeguarding the integrity of the taxation system;

- iii) national economic performance including employment, inflation, investment and growth.
  - iv) the ability of state and federal governments to raise revenue to adequately provide public services and infrastructure.
- 5.4 The review should commence no later than by 1 July 2002 and deliver an initial report by 1 July 2003. The review will examine the possibility of a range of tax mix options such as changes to corporate tax, the progressiveness of the income tax schedules, capital gains tax structures, employer funded insurance and hypothecated levies. The review will also seek to draw on the strengths of tax regimes in other OECD countries.
- 5.5 The ACTU rejects the introduction of additional co-contributions as the solution to revenue raising to fund social services, preferring to examine a range of other tax mix options.
- 5.6 The ACTU will produce an options paper on possible future tax policies including expenditure targets to ensure government is able to fulfill the full range of social and economic functions, possible tax mix options and the relative size of tax revenue. The paper will be completed by the end of next financial year and inform discussions between the ACTU and major political parties prior to the next Federal election.

## 6 Education

- 6.1 The ACTU re-affirms education policy as endorsed at the 1997 Congress. Expenditure on our public schools, TAFE colleges and universities has been savaged under the Howard government, with serious adverse implications for the nation's long-term economic prospects.
- 6.2 The ACTU supports a comprehensive program with significant increased investment in education to ensure that Australia becomes a high skill, high value added nation, including:
- i) Raising public expenditure on education over time from the current level of 4.3% of GDP to the OECD average of 5.2%, increasing the education budget by around \$6 billion, with a target to achieve 6% of GDP as recommended by UNESCO;
  - ii) A partnership between the states and territories and the Commonwealth Government to ensure that all Australian children have access to a high quality free public pre-school education before entering school;

- iii) A return to fully funded public schools system;
- iv) Completion of secondary schooling by all as a national target;
- v) Guaranteeing access to post compulsory education for all workers and their families by developing a National Plan for TAFE and restoring federal growth funding to at least \$100 million per year;
- vi) Ensuring the quality of our universities through increased public funding and the creation of mechanisms which ensure that grants are adequately indexed for movements in costs such as wages and recurrent expenditure on libraries etc;
- vii) Ensuring the accessibility of tertiary education through increasing the number of fully funded places within universities and lowering the burden to students and their families through lower fees and higher income thresholds for repayment;
- viii) Ensuring that those most disadvantaged in our society, such as young people from low socio-economic backgrounds, older workers seeking to re-skill and Aboriginal and Torres Strait Islander people are provided with the necessary support from both universities and government to lift their educational achievements and thereby provide increased opportunities for employment
- ix) A commitment to fund the ongoing education and training of all Australians throughout their lives to meet the changing social and economic circumstances they will encounter in a knowledge society.

6.3 That for the purposes of the GST, all public education institutions be given the same status that is available to private schools, that is that they be treated as charities in regard to matters such as fundraising and the Fringe Benefits Tax.

6.4 The ACTU is committed to boosting the number of traineeships and apprenticeships. Accordingly, we support:

- i. Provision of higher levels of public funding from the Federal and State governments to the VET area;
- ii. The introduction of a properly policed training levy on those employers who do not make an effort to train their industry;
- iii. New marketing arrangements which explain practical industry and enterprise benefits of embracing structured training;

- iv. Additional government assistance to provide for capital costs for group training companies in the areas of establishment expenses, plus assistance with wage payment cash flow problems and market penetration costs;
- v. Industry skill centres for the upgrading of skills of current industry employees to higher levels;
- vi. Ensuring that government procurement and infrastructure project contracts require that suppliers or contractors by obligation carry their training responsibility.

6.5 The ACTU will also support action to:

- i) Improve the profile and depth of the auditing of training providers so as to maintain and improve the quality of training provisions;
- ii) Introduce practical Recognition of Prior Learning opportunities for existing workers;
- iii) Ensure that existing workers without vocational qualifications have access to government funding to assist with structured training leading to a recognised qualification;
- iv) Work to better integrate VET in schools with the mainstream vocational training system.

6.6 The ACTU calls for a commitment from all political parties to develop Australia as a high skill, high value added nation. The future of employment levels, living standards and national development will depend on the skills and ability of workers to participate in high value added competitive enterprises.

## 7 Research and Development

7.1 The Federal Government must provide additional funding for public sector research and development, and ensure that R & D infrastructure in universities and government research agencies is strengthened.

7.2 The Federal Government must also provide improved incentives for industry-funded research and development equivalent to those provided by the 150% research and development tax concession. These incentives must remain in place until at least 2010.

## 8 Industry and Trade Policy

- 8.1 A broad and comprehensive Trade and Industry Development program should be implemented to attract wealth-creating investment in high value added industries and to create more jobs.
- 8.2 Strategic planning, policy initiatives and funding should aim to create an additional 300,000 jobs over the next decade.
- 8.3 The ACTU supports campaigns in Australia to encourage consumers, companies and major project developers to buy “Australian made” and keep jobs in Australia. At present there is a substantial trade deficit confronting the Australian economy which, overall, is too dependent on agricultural and mineral exports which in turn are often subject to downward pressure on prices. Australia needs a viable manufacturing sector competing on the domestic and export markets to provide jobs and have a stable economy into the future.
- 8.4 Anti-dumping laws and measures should be maintained and improved to maximise job security for workers.

## 9 Community Service Obligations (CSOs)

- 9.1 The ACTU supports government regulation to ensure that comprehensive CSOs are required in all public/private partnerships and from all companies profiting from provision of community infrastructure and/or services.
- 9.2 ACTU Congress notes the role played by Governments as purchasers of goods and services. Congress notes the policy of the Federal ALP is to abolish Australian Workplace Agreements and re-establish a free and fair industrial relations system in Australia. We call on all current and future Labor Governments at Federal, State and Local levels to give effect to this policy by ensuring that government contracts or financial assistance are not provided to companies or organisations whose industrial relations policies and practices are inconsistent with the industrial policies of the Labor Party. Congress calls on all Labor Governments to ensure that no companies working on government contracts or receiving State government assistance require that their employees work under an AWA or in any way impede their employee’s rights to join and be involved in a union.
- 9.3 Where State Governments give corporate welfare to companies, they should seek to ensure that those companies do not undermine unionisation and union wages and working conditions.

## 10 Environment

10.1 The ACTU considers it imperative that Government embrace its role and responsibility to develop a comprehensive long-term plan to preserve and protect Australia's natural and cultural heritage. The plan should include detailed programs to address:

- i) Dry land salinity;
- ii) Murray-Darling system;
- iii) Noxious weeds;
- iv) Feral animals;
- v) Endangered native species;
- vi) Land and marine national parks;
- vii) Erosion;
- viii) Greenhouse compliance;
- ix) Sustainable ecological forest management and active protection of areas reserved;
- x) Sustainable fisheries management;
- xi) Mining development and regulation;
- xii) Historical sites;
- xiii) Indigenous sacred sites including cultural and heritage areas;
- xiv) Industrial pollution and hazardous wastes;
- xv) Land use management;
- xvi) Exotic disease control;
- xvii) Water use;
- xviii) Urban planning;
- xix) Fire protection; and
- xx) Waste water and land fill control.



11 Health and Child Care

11.1 [See separate Congress policy resolutions – “Health” and “Women and Unions”]