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Centre for Future Work

Briefing Paper:

Budget Analysis 2022-23: A Budget to Get to the May Election – But No Further

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Introduction

The Commonwealth Government has tabled its budget for the 2022-23 financial year. As the nation emerges from two years of lockdowns and border closures, with less than two months until a federal election, the budget is targeted more towards votes than to economic activity, better jobs, and stronger wages.

In his speech the Treasurer declared that the budget delivers a "fiscal dividend from a strong economy". Yet while the budget does include modest and temporary tax offsets for some households, and also halves the petrol excise for six months, this "dividend" – such as it is – is very short lived and poorly targeted.

The budget avoids severe austerity – although overall spending does decline in the first year by $11 billion (mostly due to expected decline in pandemic disaster payments), and some areas (such as public schools and the arts) have been singled out for painful cuts. Yet it forgoes needed investments in human services such as aged care, education (including early childhood education), and disability services that would improve the quality of jobs and services, increase productivity, and bolster wages of some of the lowest paid Australians. And there is no effort to increase ongoing income support payments such as Jobseeker, ensuring that millions of Australians will remain in poverty.

The budget predicts an amazing $133 billion in extra tax revenue over five years, compared to what it expected just three months ago in the December mid-year economic and fiscal outlook. Yet, much as occurred during the mining boom years, it fails to use this bonus to address structural issues – focusing instead on what the government hopes will be popular measures in an election year.

On the surface the budget signals an end to austerity as an economic strategy, and yet underneath its one-off "sugar hits" to entice voters, the budget reveals a government still beholden to neoliberal principles of a business-dominated economy. Its overarching vision is of an economy where workers are expected to create growth, but receive little reward for it.

This briefing reviews the main features of the budget from the perspective of workers and labour markets. In particular, we highlight in detail one major flaw in its logic. The government is relying on an injection of stimulus via one-off payments and extensions of tax offsets to boost household spending, and in turn support economic growth. But it accepts an economy in which real wages have already fallen for two years, and are not predicted to return to their pre-pandemic level until 2025. How can consumers lead recovery from the pandemic, when their real incomes are shrinking?

The budget boasts of above-average economic growth in the initial years of its forecast (while this stimulus is being applied). But rather than acknowledge the inability of households to continue expanding consumption without higher real wages and income growth, the government instead intends to wind back public-sector demand and let the

private sector take over. This precipitates economic growth falling back to the mediocre pace of 2.5% that was common in the years before the pandemic.

These were years of stagnant real household incomes, limpid employment growth and increasing underemployment. Yet this is where the budget sees us returning. After a solid recovery from the pandemic, once the impact of these election sweeteners wears off, we will be left with the same economy we had in 2019: one not growing fast enough to sustain the wages growth the government predicts, and lacking a vision of a future that is sustainable in both social and environmental terms.

We present here analysis and commentary on several aspects of the budget, drawing on input from all of the Centre for Future Work's research staff.

Wages: Real Wages Decline, Future Rebound Based on Wishful Thinking

The budget forecasts the lowest level of unemployment since 1974: with the unemployment rate falling to 3.75% in the 2022-23 financial year. However, while this seems to suggest a healthy labour market, the budget yet again projects that stronger wages growth will not occur until later in its forecast, and acknowledges that real wages will struggle to regain past losses.

Table 1

Wages and Inflation Growth

	Wages	Inflation (CPI)	Real Wages
2018-19	2.41%	1.59%	0.82%
2019-20	1.75%	-0.35%	2.09%
2020-21	1.79%	3.85%	-2.06%
2021-22	2.75%	4.25%	-1.50%
2022-23	3.25%	3.00%	0.25%
2023-24	3.25%	2.75%	0.50%
2024-25	3.50%	2.75%	0.75%
2025-26	3.50%	2.50%	1.00%

Figures are year growth through to June

Table: Centre for Future Work • Source: ABS, 2022-23 Budget Papers • Created with Datawrapper

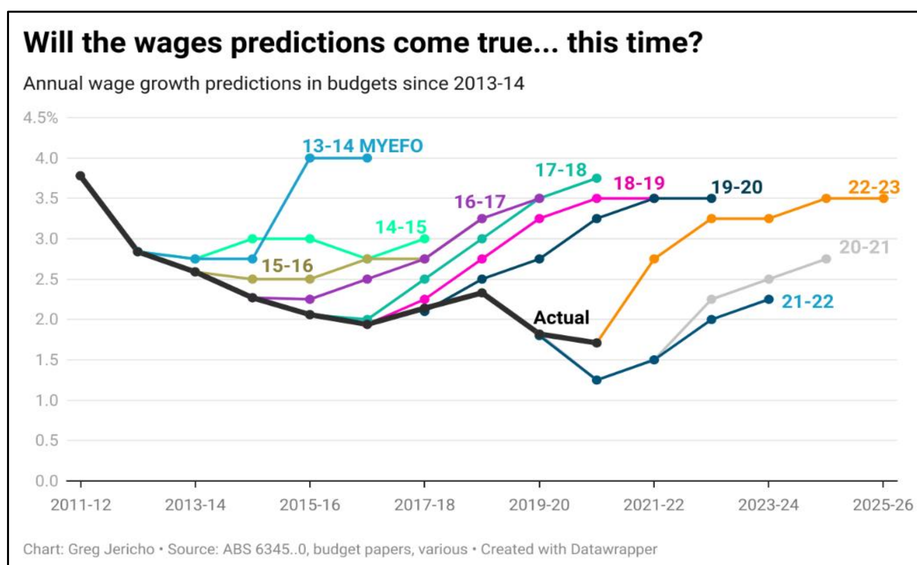
Over the next 4 years the budget predicts that inflation will rise sharply off the back of oil price rises and other ongoing supply issues, peaking at 4.25% year-over-year in the current financial year. If anything, this forecast is quite optimistic given recent measures of inflation expectations. For example, the latest consumer expectations data (released this week) showed an expected peak of 6.5%. The budget predicts inflation will then quickly fall back into the Reserve Bank's target range, comfortably reaching its long-term target of 2.5% by 2025-26 (see Table 1).

It is important to note that this expected deceleration in inflation occurs in the context of the Reserve Bank's announced intention to increase interest rates substantially over the next year to cool off the domestic economy. This provides a puzzling and contradictory backdrop to the budget's decision to serve up a range of stimulative, pre-election goodies. In macroeconomic terms, fiscal policy is trying to accelerate growth (albeit not in an effective way) even as monetary policy is trying to slow it down. Our colleague Richard Denniss, Chief Economist at the Australia Institute, likens this to driving a car with one foot on the accelerator and the other on the brake. It is another sign of the lack of coherent economic strategy underpinning the whole document.

Meanwhile, the budget papers predict that nominal wage growth will pick up to 3.5% by June 2024. That would mark the fastest wage growth since 2012. But no explicit justification is given for this assumption, other than the hopeful assumption that lower unemployment will automatically translate into faster wage growth. As Australian workers have learned, however, lower unemployment alone is no guarantee of adequate wage gains: indeed, real wages in Australia just experienced their biggest one-year decline in decades, despite the official unemployment rate falling to fifty-year lows. There is no discussion in the budget of the wage-boosting policies (such as higher minimum wages, a revitalisation of collective bargaining, and lifting public sector pay caps) that would be required to make this forecast a reality. Clearly, low unemployment is not a sufficient condition for stronger wage growth.

An acceleration of wage growth to 3.5% would be welcome, though not adequate to offset past real wage losses and the long-run decline in labour's share of overall national income. Yet this prediction, alas, seems to be a return of the "Ghosts of Budgets Past". Ever since the 2013-14 mid-year economic and fiscal review delivered by Joe Hockey (in which he promised better government forecasts!), and right through to the 2020-21 budget, the government has almost always over-estimated true wages growth.

Figure 1



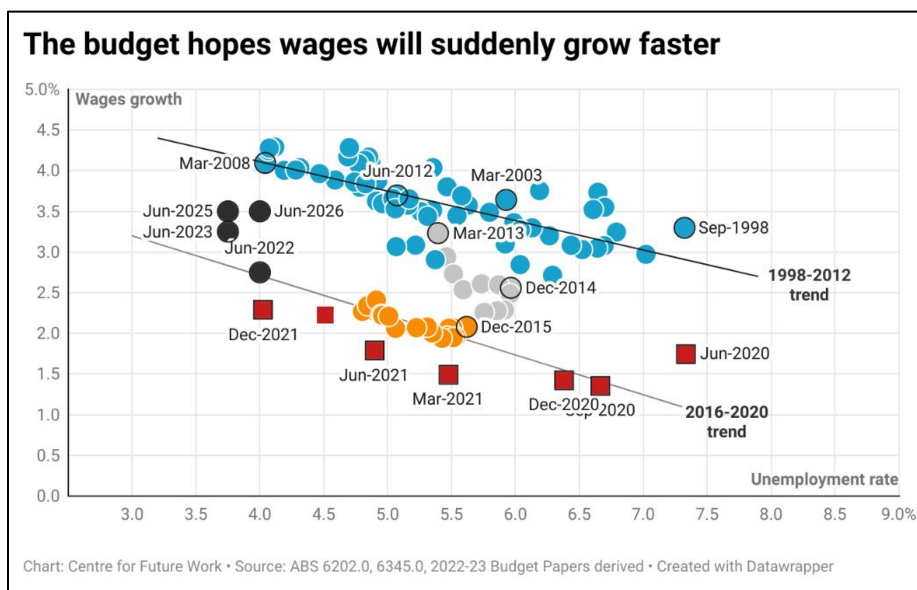
These consistently overoptimistic forecasts help the budget's bottom line. But they erode people's confidence that the government's figures can be trusted. During the pandemic the government was forced to admit that wages growth would be subdued. Yet now the worst seems behind us (although contagion continues), once again the government has resorted to predicting strong wages growth… eventually… but without any convincing narrative about how that will be achieved.

Behind this optimistic but unreliable prediction of accelerating wage growth is the government's misreading of the relationship between wages and unemployment. Since 2013 the level of unemployment that previously was associated with various levels of wages growth (the so-called "Phillips Curve") has shifted significantly. This reflects structural changes in the balance of power in Australia's labour market, which have eroded the ability of workers to win higher wages at *any* level of unemployment.

In the past 9 years Australia has experienced an increase in insecure labour, part-time work, labour hire, contracting out, and the gig economy. There has been a shift away from full-time employment to part-time work, where the desire for more hours has often trumped the push for better wages. Unionisation and collective bargaining coverage have plunged. All of these changes have undermined the power of workers to demand and win higher wages.

As a result, any given unemployment rate is now associated with wages growth nearly 2 percentage points lower than would have been the case in the past (see Figure 2). In the December quarter of last year, for example, when unemployment reached 4.0%, wages grew just 2.3%. By contrast in 2008 when unemployment was also 4.0%, wages grew at an annual rate of 4.1%.

Figure 2



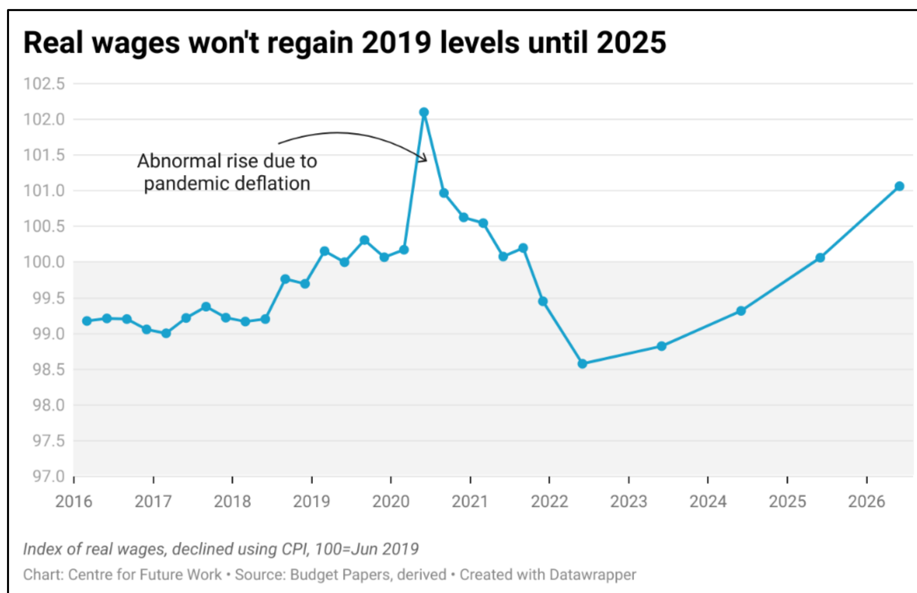
This changed relationship has been barely mentioned in the budget papers over the past six years, even as wages remained stuck in the doldrums. Even now, the government

magically hopes things will return to normal without any actual intervention. It anticipates unemployment falling this year to 3.75%, and remaining there for three years. Yet with that stable level of unemployment, wages are expected during this time to accelerate (from 2.3% in the most recent real-world data, to 3.5% by 2024-25). Even more bizarre, in 2025-26 unemployment is expected to rise (to 4%) and yet somehow wages growth remains strong and steady (at 3.5%). As indicated in Figure 2, the budget forecast (illustrated with the black circles) expects the Phillips Curve to suddenly lift vertically, breaking free from the subdued relationship with unemployment that has prevailed in recent years.

Finally, after so many years, the secret to wages growth has been revealed: the government simply needs to wish it, for it to happen!

But while this optimistic outlook would see real wages grow slowly after next year, the level of damage inflicted on workers by these past two years is such that real wages are not expected to regain their pre-pandemic level (as of mid-2019) until 2025. As shown in Figure 3, real wages have already fallen well below pre-pandemic levels, and the government expects that decline to continue through the remainder of this fiscal year (as inflation accelerates). It will then take three more years, even under the government's forecast, to get back to pre-pandemic real wages.

Figure 3



By then workers would have experienced a decade without any real wage increase. In the middle of 2026, the budget, in effect, predicts that workers' waged incomes would be hardly improved over 10 years prior (as of mid-2016). And yet nowhere in the budget is this long-term stagnation in wages recognised as a crisis demanding urgent action.

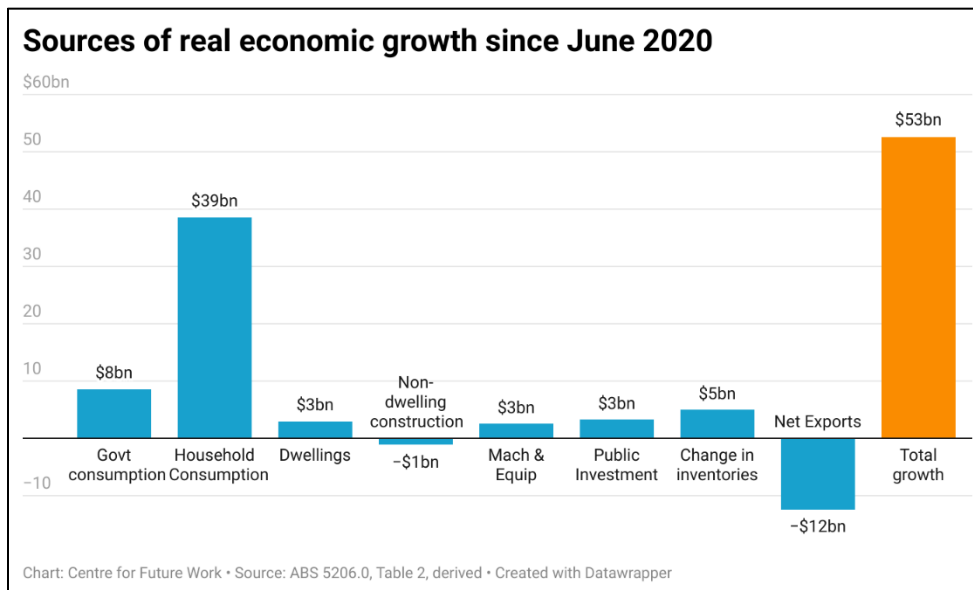
To the contrary, the government has actively worked to suppress wage growth with counter-productive measures like its public-sector wage policy (which restrains wage

growth in the federal public service to match private sector growth, setting up a race-to-the-bottom in wages between the government and non-government sectors) and its changes to the Fair Work Act (which locked in the right of employers to use lower-wage casual labour in virtually any position they deem desirable). Its failure to implement wage-supporting policies in industrial relations (including a higher minimum wage, and stronger collective bargaining) further undermines wages.

Households Continue to Do the Heavy Lifting

Since the depths of the pandemic in 2020 the economy has overwhelmingly relied on households to boost their spending and lead the recovery. Household consumption has provided three-quarters of the growth since the trough of the recession in June 2020 (as illustrated in Figure 4).

Figure 4



And yet that spending growth occurred at a time of real wages declining. For a while, consumer spending could be financed by pent-up demand and the extra savings which some households accumulated during the pandemic. Eventually, however, real household incomes need to rise if consumer spending is to continue to lead recovery. And despite its silence on how to boost wages, the budget still expects households to continue to do the heavy lifting.

In 2022-23, the budget expects households to increase consumption by 5.75% – the biggest increase since 1974-75 – at the same time as real wages (even in the government's optimistic view) are expected to grow by just 0.5%.

Rather than budget for strong household consumption off the back of strong employment and wages growth, in reality the government expects that new spending will be financed by Australians reducing their savings. Due to the inability to spend money during the lockdowns, the household saving ratio increased. Now the government hopes to take advantage of a reduction in personal savings.

Labour Market is Slowing

Another contradiction in the budget's forecast of stronger consumer spending is the fact that the budget actually predicts employment growth to slow. Despite predictions of lower unemployment and stronger wages growth, the rate of growth of employment is expected to decelerate.

In the current financial year employment is predicted to grow 2.75% despite a mere 41,000 in net overseas migration. In 2022-23 with a rebound in net migration to 180,000, the budget anticipates employment growth of just 1.5%. That extra 139,000 of net migration would itself be equivalent to a 1% increase in employment. And while not all migrants will be of working age, it does suggest a marked slowdown in employment. This is further highlighted in the following year, when net migration is expected to increase again (by a further 33,000 to 213,000), and yet employment growth remains at 1.5%.

A return of inward migration is to be expected given the end of border closures. However, the government anticipates *slower* employment growth despite this increase in the labour force. This only serves to further underline that this is a budget without a real understanding of the problems of slow wages growth and underemployment that have been so painful since 2013.

The problem is not that migration itself is causing weak employment growth – quite the contrary. Rather, the problem is that that those bullish migration forecasts are serving to disguise underlying weakness in the economy. The re-opening of migration should be a spur for growth. Instead, the budget papers reveal it is being used to prop up an economy that within two years will no longer barely growing fast enough to sustain its existing level of unemployment.

One-Off Trinkets No Replacement For Wages

The most significant new spending announcements in the budget (financed courtesy of that $133 billion revenue windfall) are an extension and expansion of existing temporary tax offsets, and a 6-month reduction in the petrol fuel excise tax. But these pre-election sweeteners cannot address the deeper crisis in real incomes and living standards facing Australian workers. The expanded LMITO will reduce taxes this year by $420 for many Australians – but just once. It is scheduled to disappear in the next financial year, along with the previous $1080 offset. That was extended because it would have been politically troublesome to eliminate it in an election year (as originally planned).

So next year, under the government's plan, taxes for qualifying Australians will *increase* by $1500. In reality, the extra $420 offset is a transparent election bribe. It was politically necessary, because if the government had kept in place the original LMITO while pretending it was still a $1080 "tax cut" (as they tried last year), voters would

quickly realise they were in fact no better off.[1] And so another $420 was added as *another* one-off offset. Should the offset not be extended next year (and every year thereafter), median income earners on $50,000 a year will eventually be hit with a 3% tax increase!

Meanwhile, the reduction in petrol excise might save a typical driver $200 during the few months it is in effect. It will do nothing for those without cars, or who have invested in an electric vehicle. And nothing to accelerate the energy transition that is necessary to wean Australia's economy off insecure, unpredictable global petroleum supplies.

Compare these token and temporary savings to the ongoing economic losses resulting from the failure of wage growth in Australia over the last decade. Since 2013, wages in Australia have lagged well behind the combination of consumer price inflation and ongoing labour productivity growth. If wages had kept normal pace with those fundamental determinants, average weekly wages would be some 6% higher than they are. That would give the average Australian worker $3,375 more income this year alone. And unlike one-off tax offsets (which are here today but gone next year), these wage gains get bigger with each passing year.

It is arithmetically impossible for tax cuts to compensate workers for the ongoing, widening losses they experience from the wages crisis. Taxes can only be cut so far – and those tax cuts inevitably result in parallel reductions in public programs and services that also damage living standards. In contrast, wage gains cumulate over time, and set a higher foundation for subsequent wage gains in later years.

The cost of living crisis in Australia did not begin with this year's escalation in the cost of imported petroleum. It began almost a decade ago, with a sustained (and planned) slowdown in wages. And the solution to the cost of living crisis in Australia is not temporary pre-election handouts. It is repairing our wages system.

A much more expensive commitment in this budget is its plan to proceed with Stage 3 tax cuts, which will deliver over $15 billion per year in tax savings to high-income Australians beginning in 2024. Unlike the temporary LMITO offsets, these tax cuts do not require a tax return to be completed at the end of the financial year: they are delivered up front in the form of lower tax deductions. More importantly, they are *permanent*. Australia Institute analysis confirms that most of the resulting savings are received by those with incomes over $200,000 per year; Australians with incomes below $45,000 per year receive nothing.[2]

No Improvements in Income Support

Despite the expected $133 billion boom in new revenues, the government has not improved the ongoing level of funding for JobSeeker and other income support

[1] Greg Jericho, "What to expect in Australia's next budget? A tax cut that's not a tax cut", *Guardian Australia* 24 March 2022.

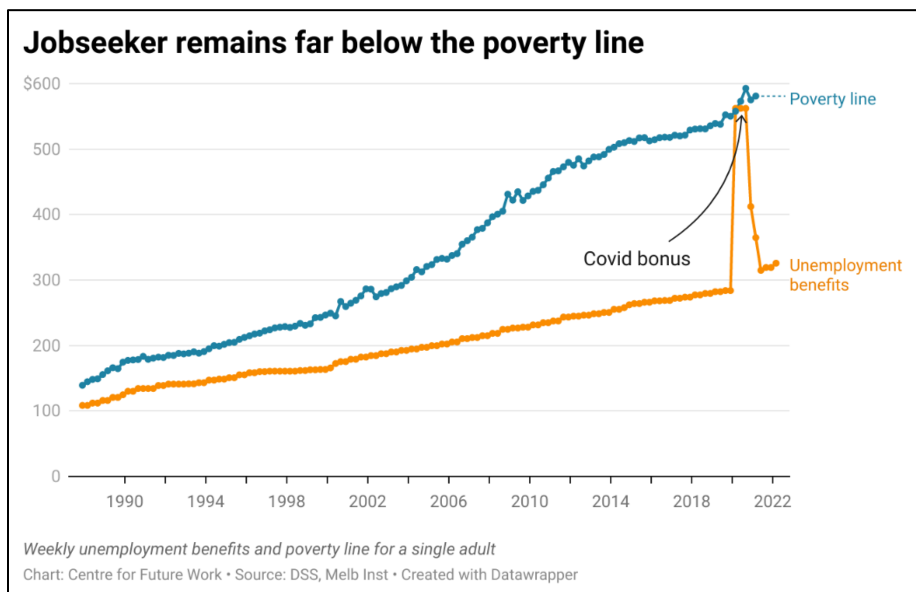
[2] See Matt Grudnoff, "Fair Go Gone: Stage 3 tax cuts and LMITO by occupation," Australia Institute, 22 March 2022.

programs. Instead, it has boasted of "$11 billion in savings" from the reduced welfare bill.[3] A one-time $250 supplement for some income support recipients is simply a second-rate version of the larger one-off tax offsets being scattered to other voters: it won't change the long-run poverty experienced by so many Australians on income support.

A better priority for government spending in this budget would have been ongoing fiscal assistance to low income earners, starting with a permanent increase in JobSeeker benefits to lift recipients to the poverty line. The budget's choice to ignore this problem, while finding the money for one-time election gimmicks, makes clear that its true focus is on retaining power – not alleviating the hardship of millions of low-income Australians, whether they are employed, unemployed, or unable to work.

During the pandemic, millions of Australians turned to income supports (such as JobSeeker, the Coronovirus Supplement, or the JobKeeper wage subsidies) to get through the worst of the lockdowns. Those benefits were more generous than regular poverty-level JobSeeker benefits, because even this government could recognise how politically unpalatable Jobseeker was when millions of voters were forced to rely on it. The previous benefit level was an economic failure, not just a moral one, because it was clearly inadequate to meet the macroeconomic requirements of automatic stabilisation during that downturn.

Figure 5



So the government effectively doubled the benefit rate, which for the first time reached the poverty line. This led to a surprising *decline* in poverty during the steepest recession in Australia's postwar history. But once lockdowns eased and the numbers of

[3] S. Benson & G Chambers, "$11bn saving on welfare bill", *The Australian*, 29 March 2022.

unemployed began to return to pre-pandemic level, the government progressively reduced the level of Jobseeker back well below the poverty line (see Figure 5).

For the unemployed, the tyranny and futility of mutual obligation has also returned, along with the cruelty of poverty. Amidst the government's booming tax revenue, they are given a one-off $250 payment that will quickly be devoured by rising costs-of-living – but with no ongoing improvement that could lift them out of poverty while they seek work.

The Crisis in Caring Labour

The short-sighted nature of the budget is also evident for care workforces. Despite lofty rhetoric in the budget speech about the importance of the NDIS, the budget fails to deliver the resources required to allow that program, and other vital human services, to deliver better services and improve caring jobs.

Decent wages for low-paid workers in aged and disability care and in early childhood education are at the heart of economic security for women, and underpin the quality and sustainability of these essential services. But the budget failed to address the urgent need for better pay and conditions for care workers at the frontline of our essential services, with no real investment in the care workforce.

The government has promised aged care workers a one-off $800 bonus (continuing its pattern of papering over deep structural problems with temporary cash handouts), and some workers may not even receive these.[4] In early childhood education and care, government subsidies mainly benefit private sector providers – while workers' pay and conditions remain poor.

Wage increases in essential care industries are still seen by this government as a cost,[5] not an investment, despite multiple national inquiries recommending greater investment in the human service workforce.[6] The minimal new investments in the care industries contained in this budget do next to nothing to support sector sustainability.

Low wages in the female-dominated childcare, aged and disability care sectors make a big contribution to Australia's gender pay gap. Workers are unable even to meet their basic living costs.[7] The government has declined to fund claims for wage increases for low paid aged care workers – despite a recommendation from the Aged Care Royal Commission only a year ago.[8] The budget's silence on all these aspects of the crisis in

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[4] C. Knaus, "'Lot of show and not a lot of go': aged care workers struggling to get Morrison government's $800 bonus," *The Guardian*, 17 March 2021.
[5] E. Bennett, "Australia's aged care crisis is nothing new. It's just worse than before," *The Canberra Times*, 5 February 2022.
[6] Royal Commission into Aged Care Quality and Safety, Full Report Vol 1, 2021; Productivity Commission, Disability Care and Support Inquiry Report, 2021.
[7] AAAC, 2022.
[8] Ibid.

caring labour, as it splashes tens of billions of dollars in tax cuts to high-income households, speaks volumes about its priorities.

A Shaky Commitment to Labour Standards

The weak state of wage growth and job quality in Australia is exacerbated by the government's inadequate commitment to strengthening and enforcing basic labour standards. This sorry state of affairs will continue under this budget. The Fair Work Commission will receive $5.6 million over four years to establish a unit to assist small businesses to respond to unfair dismissal and general protections claims. We can only imagine what sort of "assistance" will be on offer to these employers. Meanwhile, the Fair Work Ombudsman, the core enforcement body for workers in Australia, will have its budget cut by 12 per cent and shed 35 jobs. This reflects an ongoing focus of our industrial system on mitigating harm for wrong-doing employers, rather than assisting exploited employees.

To its credit, the Fair Work Ombudsman has taken on a more active role in enforcement over the past few years, lifting its litigation rate by 41 per cent since 2019.[9] This was prompted by several key public disclosures of corporate wage theft and exploitation by large businesses in Australia. However, the Ombudsman's resources have been stretched by this expanded enforcement effort – with average assistance time increasing from 21 days to 29.[10] Work to address underpayment in private businesses is especially resource-intensive, contributing to a 77 per cent increase in investigations by the Ombudsman into complex employment disputes. In 2020-21 the Fair Work Ombudsman recovered almost $150 million for 69,700 workers, a 20% increase from 2019-20.[11]

Given the extent of wage theft and other forms of exploitation in Australia, and the Ombudsman's proven record in investigating complaints and recovering withheld compensation, the activities of this office should be expanded. Instead, the core budget was reduced. The Ombudsman also received a small increment ($2.7 million) for providing ongoing advice and assistance to employers and workers regarding Covid-19 protocols.

As long as Australia's industrial system remains hostile to worker organisation, compliance with labour standards must be achieved through an ambitious and well-resourced Ombudsman capable of protecting employee conditions in the face of unrestrained employer greed. This budget provides more support for wrong-doing employers, when it should be providing more resources to hold them to account.

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[9] Fair Work Ombudsman, *Fair Work Ombudsman and Registered Organisations Commission Entity,* 2021, p. 22.
[10] Fair Work Ombudsman, *Fair Work Ombudsman and Registered Organisations Commission Entity,* 2021, p. 10.
[11] Fair Work Ombudsman, *Fair Work Ombudsman and Registered Organisations Commission Entity,* 2021, p. 10.

Skills Crisis Continues

This budget continues the government's strategy since the pandemic of making high-profile announcements about skills and training opportunities, but without genuinely addressing the chaos and crisis that marks Australia's vocational education system. As our recent report by Alison Pennington documents, new funding announced since the pandemic has not reversed the decline of VET and apprenticeship completions, nor improved the severe shortages of qualified workers affecting many industries – including feminised human service sectors (like aged care, early child education, and disability services).[12] This budget carries on that tradition: announcing new funding in some areas, but targeted in areas that will reinforce the chaotic, privatised, and fragmented state of skills training in Australia today.

The budget pledged $3.7 billion over 5 years from 2022-23 (and $284.6 million per year ongoing from 2027-28) to work with states and territories through a new National Skills Agreement. Another $1.3 billion is pledged over 5 years from 2021-22 to support employers to engage and retain new apprentices, and reform the Australian Apprenticeships system to sustain a skilled and responsive workforce. The government's Boosting Apprenticeship Commencements Scheme (which pays a generous subsidy to employers who take on new apprentices – but without guarantees of ongoing work at the end) is extended until end-June 2022, at a cost of $365 million. That is said to create another 35,000 places, in which wages are subsidised up to 50% for the first year (capped at $15,000). Small businesses (with turnover of less than $50 million) will be allowed to deduct an additional 20 per cent of expenditure on external training courses provided to their employees.

These programs provide ample incentives to employers, but do not allocate direct funding for real training activities. In particular, there is no incremental funding for the TAFE institutes, which are the anchor institutions of Australia's VET system: providing the highest-quality, accredited programs.

The crisis in Australia's skills pipeline will continue under this budget. Despite a partial rebound in apprenticeships in 2021, there are 173,000 fewer apprentices and trainees in training today than in 2012. The number of apprentices and trainees completing their training has declined by almost two-thirds since 2013.[13] Without requirements for high quality training (especially through the TAFEs), and without conditions that subsidised apprentices have access to permanent work, these no-strings-attached business subsidies will encourage ongoing "churn" in workplaces: with employers accessing a rotating cycle of short-term, subsidised staff instead of undertaking permanent, genuine training programs.

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[12] Alison Pennington, *Fragmentation & Photo-Ops: The Failures of Australian Skills Policy Through COVID*, Centre for Future Work, March 2022.
[13] Ibid.

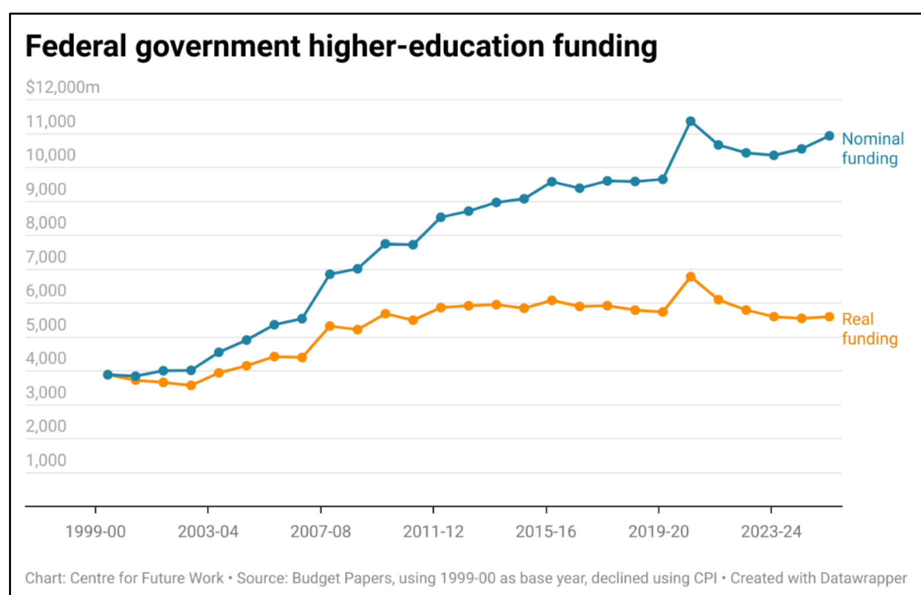
For Higher Education, the Hits Keep Coming

Higher education has been one of the hardest-hit sectors in Australia's economy during the pandemic. With international students prevented from coming to the country, universities suffered their first decline in revenue for over 8 years. This budget now adds insult to injury, committing to cut real funding to universities by 3.4% over the forward estimates (see Figure 6).[14] This decline in funding is mostly due to legislated cuts to the Commonwealth Grant Scheme (which subsidises the cost of teaching students) under the Job Ready Graduate reform package, which came into effect January 2021.

Unfortunately, funding cuts are nothing new for higher education. Real funding for the sector has already declined since the Coalition government was elected nine years ago.[15] The sector has responded by becoming increasingly reliant on international student fees, casual employment, and the underpayment of staff – dysfunctions which were all exacerbated by the pandemic.

In the 12 months to May 2021, Australian universities cut an estimated 35,000 staff, many of which were permanent.[16] The loss of highly skilled and qualified educators, researchers, and professional staff, combined with the rising workloads for remaining workers, undermines the capacity of universities to provide this critical public service.

Figure 6



Even the new funding announced in the budget for higher education is in fact a double-edged sword. For example, the government is providing $988.2 million over 5 years to increase ties between universities and the private sector through incentives for research commercialisation. This includes an Economic Accelerator grant program to

[14] Calculation based on ABS CPI figures and budget forecasts.
[15] Calculation based on ABS CPI figures and budget forecasts.
[16] Eliza Littleton and Jim Stanford, *An Avoidable Catastrophe*, Centre for Future Work, September 2021.

support projects in targeted areas: such as defence, space, resources, technology, food and beverages, clean energy and medical products. More funds will support PhD students deemed to be pursuing commercially-attractive topics of study. While increasing collaboration between universities and business can be helpful, tying university funding so closely to commercial interests raises troubling questions about the independence and integrity of university research.

Australia needs a higher education system that is ready and able to meet our future research and workforce needs. Instead, the government has used the budget as another opportunity to remove real resources from public higher education, and tighten corporate influence over the activities of our universities.

Women, Work, and Inequality

A similar pattern of making largely symbolic announcements without addressing the root cause of the problem is visible in the budget's scant provisions regarding women and the labour market. For example, the budget allocates $346.1 million over the forward estimates for a paid parental leave scheme – which will combine Dad and Partner Pay (2 weeks) into Parental Leave Pay (18 weeks), creating a single scheme of up to 20 weeks. There are no restrictions regarding how the 20 weeks are shared between parents; single parents can receive the full 20 weeks.

This new scheme does *not* expand the amount of leave available to parents; it merely folds the existing Dad & Partner leave (2 weeks) into the existing 18-week scheme. And there is no incentive for fathers to take leave under this scheme (as is the case with policies in many other industrial countries). Women earn less than male partners (on average); and the benefit's low payment (based on minimum wage) will restrict uptake of the scheme amongst most men. Packaged as empowering "family choice", it will in fact remove any incentive for fathers to take leave. Women will continue to be pushed into primary caring roles – hardly out of "choice". This policy thus represents a missed opportunity to address structural inequities in the way child care is shared. Furthermore, the absence of superannuation on the scheme will compound the gender gap in retirement incomes.

High-cost childcare is another structural barrier to women's full participation in work, on which the budget was also mostly silent. Some 180,000 women wanted to work in 2021, but couldn't due to the demands of caring for family members (mostly children). Australia desperately needs a universal, high-quality early child education and care system. Instead, the budget allocated all of $19.4 million over five years for a Community Child Care Fund, to fund up to 20 new services in regional areas where child-care access is currently restricted. If anything, this measure is an admission of failure in the for-profit childcare delivery model, which has created "childcare deserts" in markets where private providers do not see profitable opportunity. This is just the tip of a much bigger iceberg which the government is still refusing to acknowledge.

Gaslighting the Manufacturing Sector

The budget allocated an additional $1 billion to manufacturing programs. Perversely, this includes support for fossil fuel industries dressed up as a strategy for "manufacturing". The government's misleading rhetoric about manufacturing has taken economic gaslighting to a new level.

The budget includes an additional $328 million for the government's Modern Manufacturing Strategy (MMS), which already targets six priority areas (including resources technology and critical minerals, food and beverages, medical products, recycling and clean energy, defence, and space). A further $250 million is now targeted at addressing supply chain vulnerabilities, particularly critical minerals industry development, and $446 million for "more investment in affordable and reliable power."[17] However, this latter pledge contains no specifics besides allocations to hydrogen and gas infrastructure projects.

The government has struggled to even get out the door the existing $1.5 billion allocated to the MMS since it was established in October 2020. As of February 2022, just $292 million in grants had been awarded to manufacturing grantees, with just $85 million of these reaching recipients so far.[18]

The budget has allocated another $50.3 million in new funding for gas and carbon capture and storage projects. How this amounts to a strategy for manufacturing – especially when an entire sector employing nearly a million people is all but ignored – is anyone's guess.

The budget did contain some commitment to addressing major issues in Australia's sovereign capabilities exposed during the pandemic. A federal-Victorian partnership with Moderna to develop mRNA vaccine manufacturing is designed to ensure that the nation is ready for the next pandemic. Commercial-in-confidence issues prevent publication of how many taxpayer dollars have been allocated to this critical project.

However, this commitment is the exception that proves the rule. Overall, the budget lacks targeted support for manufacturing capabilities that could help Australia absorb further shocks – whether the pandemic, climate crisis or other emergencies. The budget's silence highlights the absence of a viable industry plan for manufacturing – an approach that the federal government has outright rejected[19] – despite manufacturing industry policy featuring as a central pillar for post-pandemic economic reconstruction in most other industrial nations.

Previous research by the Centre for Future Work demonstrated that the manufacturing sector could add 400,000 jobs and $50 billion of GDP, if it were rebuilt to a scale

[17] Budget Paper No. 2, p.125.
[18] See Joseph Brookes, "Modern Manufacturing program struggles to get money out the door", *InnovationAus.com*, 19 February, 2022.
[19] See Joseph Brookes, "PM won't 'build back better' but wants to shift supply chains", *InnovationAus.com*, 8 March, 2022.

proportionate to our national needs for manufactured goods.[20] Recently, the Carmichael Centre also reported on the enormous opportunities Australia could grasp if the federal government were to develop an industrial policy for manufacturing to drive the growth of an Electric Vehicle industry by coordinating advantages in resources, infrastructure, skills, and consumer sentiment.[21]

The 2022-23 budget indicates the federal government has no appetite for a vision for manufacturing that stretches beyond the next election. It contains no mention of electric vehicles or lithium battery processing exploration. There is, plain and simple, no evidence of a strategic commitment to manufacturing industry policy. Its existing suite of funding produces a scatter-gun approach which at best supports "marginal under-scaled programs that meet public relations imperatives ahead of economic impact".[22]

In short, the budget fails to elaborate a convincing and viable industry plan for manufacturing that could achieve the scale and investment essential to Australia remaining an advanced industrial nation.

Climate, Energy, and Jobs

As with so much else in the 2022-23 budget, climate and energy issues constitute another case of "what might have been." Despite being buoyed with enormous unanticipated revenues, the government has largely squandered an opportunity to invest in renewables and accelerate future jobs in a potentially burgeoning sector.

The government's own numbers indicate that spending on selected climate-related measures will decline by 35% over the forward estimates. Table 6.11 of Budget Paper No.1 reports expenditure on the Clean Energy Finance Corporation (CEFC), Australian Renewable Energy Agency (ARENA), and the Clean Energy Regulator. Combined spending falls to $1.3 billion in 2025-26, from $2.0 billion in the current financial year.

The budget makes no mention of the government's once-vaunted "gas-fired recovery": originally announced in 2020, and which featured heavily in the 2020-21 budget. This confirms that the gas-fired recovery rhetoric was mostly a smokescreen for increasing gas exports, rather than increasing supply or reducing prices for Australian customers.

From a political perspective, the gas-fired recovery was dead on arrival. And the government's most recent attempt to broaden the remit of the Australian Renewable Energy Agency (ARENA) to compel it to fund carbon capture and storage (CCS) and fossil hydrogen projects has also failed. Nonetheless, this budget still allocated $50.3 million over two years to accelerate the development of gas infrastructure projects and support investment in ineffective, expensive CCS technology.

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[20] See Jim Stanford, *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy* (Canberra: Centre for Future Work), July 2020.
[21] See Mark Dean, *Rebuilding Vehicle Manufacturing in Australia: Industrial Opportunities in an Electrified Future*, (Canberra: Carmichael Centre at the Centre for Future Work), February 2022.
[22] See Lance Worrall, "Labor's National Reconstruction Fund: A Path to Reindustrialisation?", *@AuManufacturing*, 17 February, 2022.

The budget also provides part of a $247.1 million funding envelope over five years (starting from last year) to support private investment in 'low emissions' technologies including hydrogen. This does not describe what the source of the hydrogen will be – fossil or renewable – but given the commercial maturity of the competing technologies, the money will likely be directed to fossil hydrogen projects.

The Budget also provides $83.1 million over five years from 2022-23 towards a so-called 'circular waste economy', in which waste is recycled into new products. While the Treasurer claimed in his speech that this industry would generate 10,000 jobs, it is not clear how this estimate was generated, or the extent to which it is accounted for by government versus private investment.

The Budget provides some resources for the development of community microgrid projects in regional and rural Australia. While the overall funding envelope for this measure is $148.6 million over five years, again there is a lack of clarity.

In sum, the budget missed the opportunity to co-invest in several priorities for advancing Australian activity and employment in renewable energy systems and equipment, including:

- using our formidable renewable endowment (solar, wind and geothermal) to reduce the energy input costs of manufacturing and increase competitiveness;
- manufacturing components for renewable power sources, to further buttress our energy advantage and develop new manufacturing capabilities;
- homegrown advanced manufacturing which builds on the energy transition, such as battery manufacturing and an electric vehicle industry.

All of these possibilities would be not just environmentally responsible, but generate new industries and thousands of new, quality jobs.

Conclusion

With seemingly the worst of the pandemic behind us, but risks around the world still present, this was a chance to put forward a budget with an eye on the future. Unexpected revenue should have been targeted prudently to address the daunting economic, environmental, health, and geopolitical challenges facing Australia.

Instead, this budget has set its focus myopically just two months into the future. It is a budget primarily designed to help the government get re-elected. On critical issues like insecure work, stagnant real wages, a struggling manufacturing sector, essential human services, and more, the budget does worse than kick the can down the road. It all but ignores these deep structural challenges that are holding back Australia from fulfilling its potential.

Yet again, as it has throughout the pandemic, the government is hoping households will open their wallets and spend. This is utterly contradictory to the crisis in real wages that is undermining the financial stability, and the spending, of millions of Australian households. One-off extensions to boutique tax offsets cannot repair the damage done

by years of wage suppression. And workers are left wondering when their taxes will rise, should a future government decide that these “temporary” measures will indeed lapse.

High income earners have no such worries: Stage 3 tax cuts will flatten the whole tax regime and exacerbate inequality, while delivering tens of billions of dollars to high-income households. Those resources would be far better spent addressing the crises in our human caring services, poverty, and environmental protection.