



# Quaker Peace & Legislation Committee

## WATCHING BRIEF 21-4: THE FEDERAL BUDGET

*As Quakers we seek a world without war. We seek a sustainable and just community. We have a vision of an Australia that upholds human rights and builds peace internationally, with particular focus on our region. In our approach to government, we will promote the importance of dialogue, of listening and of seeking that of God in every person. We aim to work for justice and to take away the occasion for war.*

May 2021

*The Federal Government's latest Budget was presented to Parliament on 11 May 2021 by the Treasurer. This Brief outlines significant areas of expenditure included in the Budget, and responses to it.*

### DEFENCE

- Total funding is \$90b in 21-22, rising each year to \$106b in 24-25 (this represents a 4.3% real increase). Total spending now exceeds 2% of GDP. The workforce costs will decline from 33% to 28% in 24-25. Special funds have been allocated for the Royal Commission into defence and veteran suicides.

### IMMIGRATION

- The net inflow will fall by 21,600 in 21-22, then increase by 95,000 in 22-23 and 200,000 in 23-24.
- The number of refugees accepted will remain at 13,750 a year. Extra funds will enable the Administrative Appeals Tribunal to consider the backlog of refugee appeals. More funds will be expended on indefinite detention capacity.

### FOREIGN AFFAIRS

- A total allocation of \$6.4b to the Department of Foreign Affairs and Trade. This includes measures to strengthen trade, serve Australians overseas, support tourism, and keep global air links open.
- An amount of \$4b is allocated for Overseas Development Assistance or aid (same as previous year). This includes a focus on gender equality, health security and economic recovery. There is no provision for indexation, but there is an extra amount in the current year to support the aid program's COVID response.

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PO Box 6063, O'CONNOR, ACT 2602

**E: [cqplc@quakersaustralia.org.au](mailto:cqplc@quakersaustralia.org.au)**

**W: [www.quakersaustralia.info/cqplc](http://www.quakersaustralia.info/cqplc)**

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## EDUCATION

- At the pre-school level, there is an increased subsidy for families with more than 1 child under 6 attending child care. The cap on the subsidy to families with incomes above \$189,290 has been removed.
- For higher education, there has been a reduction of 8.3% in real terms caused by a return to 'usual funding levels' after extra funds were given for university research in October 2020.
- International education accounted for one-third of higher education enrolments in 2019 and 27% of funding. Plans to resume student arrivals are on hold.
- There is no new research funding, but there are 230 scholarships to boost the enrolment of women in STEM courses, 280 scholarships for nurses, psychologists and allied health workers in mental health, and extra funds for aged care workers.

## PUBLIC SECTOR

- The review of Parliamentary workplaces by the Sex Discrimination Commissioner (Kate Jenkins) will be allocated \$35m.
- An extra \$61.5m will go to the Auditor-General over 4 years to meet rising costs of auditing public spending. There is also \$3.9m for the Freedom of Information Commissioner, and more funds for the Ombudsman's oversight of surveillance, data access and interception.
- Staffing levels in the public sector will rise from 167,596 to 174,276 overall, but staffing caps will remain for many individual departments. There is no mention of the so-called Efficiency Dividend.
- There will be extra funds for digital capabilities such as My Gov and My Health websites and cyber security.

## WELFARE AND EMPLOYMENT

- The cashless welfare card will continue to the end of 2023 in East Kimberley, the WA Goldfields, Ceduna (SA), Bundaberg and Cape York (Qld), and the Northern Territory.
- New Employment Services Model created to help job seekers who have been unable to secure employment. Mutual obligation is part of this, and providers are paid to administer it. Funds will be given to enable community organisations to provide intensive pre-employment support to early school leavers.

## WOMEN

- A separate women's budget statement includes funds over four years for legal services and support, family law reform, and front-line services as part of an action plan on violence against women. That budget also allocates \$1.8m over five years to improve workforce participation and economic security for women.

Fuller details can be seen on the website for the Parliamentary Library – [www.aph.gov.au/library/budgetreview](http://www.aph.gov.au/library/budgetreview)

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## COMMENTARY

Amber Schultz (*Crikey*, 11 May 2021) says the Budget goes some way to addressing calls for greater consideration of women. Many of the changes are, however, limited in scope:

- Financial assistance for domestic violence prevention is welcome, but advocacy groups have said an extra \$1b annual investment is necessary to fill service gaps.
- The Office for Women has had its funding slashed, and was largely ignored in key meetings prior to the Budget.
- Superannuation rules have been changed to some extent to help close the gap between women and men, but super payments will not be paid on maternity leave.
- Extra funds will be available for cancer screening programs and eating disorders.
- A childcare package will give parents access to a rebate of 95% of childcare fees; but there is no attention to raising staff pay for centres to help recruitment.

Deloitte Economics has done a review of the Budget from an economic perspective and commented that

- Relative to the official forecasts released six months ago, the faster-than-predicted economic recovery has tipped \$104b back into Treasury's pockets between now and 2024-25. Most of that windfall has been spent, with new policies – including an extra year of the Low- and Middle-Income Earners Tax offset (LMITO), but dominated by new spending on aged care and other social programs – handing \$96b back to families and businesses.
- These new policies reflect political realities, including the potential for an election to be held before next year's Budget is brought down. Yet they also reflect the consensus view of economists that the economy can run hotter than it has been allowed to do in times past, with an unemployment rate sustainably below 5%.
- There's better news on expected tax collections, notably including corporate and personal taxes. And there's savings on spending too. The upshot is that the underlying cash deficit is forecast at \$161b in 2020-21, \$37b better than forecast in the December 2020 Mid-Year Economic and Fiscal Outlook (MYEFO).
- Although debt is much higher than it was pre-COVID, it is what that debt costs that's much more important. Treasury forecasts net interest payments in every year through to 2024-25 at 0.7% of national income. Strikingly, that's less than the 0.8% of national income that we paid in 2018-19. That says the defence of Australian lives and livelihoods has been much cheaper than most realise. At some stage, that lingering deficit should be addressed. A healthier budget is an asset we should aim for. But we may not hear much about that until after the next election.

Cassandra Goldie (CEO of the Australian Council of Social Service) said that the Budget provides much-needed funding to finally start fixing some of the gaping holes in aged care, childcare, mental health, and domestic violence services. However, it misses the opportunity to reduce inequality and poverty, act on climate change and make the investments in areas like social housing.

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Challenges remain for extending equal pay, raising people on income support out of poverty, closing the gap, and creating jobs for energy transition. Business tax cuts are an inefficient way to create jobs. Super policies benefit mainly the wealthy.

Eva Cox, feminist and social commentator, (*Pearls and Irritations* blog, 15 May 2021) says that the Budget is aimed squarely at the private sector, with little for the non-for-profit groups. There is no acceptance of the value of care, paid or unpaid. The focus is on funding service providers, rather than fixing the problems identified in aged care, child care, and disability services. The Budget doubles funds for helping victims of domestic violence and other health needs. However, there is no money to change the socialising of damaged men and young boys into less anger and desire to control. The cashless debit card is continued despite no evidence of its benefits, and the ongoing controls on the unemployed will cause many to lose part of their benefits.

Stephen Howes, professor of economics at ANU (*The Canberra Times*, 13 May 2021) analyses the overseas aid aspects of the Budget. He regrets the poor level of information given, and says there will be no change in total aid next year, no increases in aid beyond this year and next, and no estimate of the actual assistance to be given. No new initiatives are in place, and no indexation. Australia has contributed 0.6% to the Global COVID fund (the UK has given 70 times as much). The government seems to prefer making special contributions outside the budgeted amount on an ad hoc basis, then removing them the following year.

Michael Keating, former senior public servant (*Pearls and Irritations*, 15 May 2021) says that the Budget gives priority to reducing unemployment rather than debt. There is no strategy for raising real wages and productivity, and the wage freeze for public servants exacerbates this. The positive steps to inject funds into apprenticeships and child care are too little, too late, and will not make up for shortfalls in earlier years. Universities continue to receive little support despite their importance in developing skills and research. Governments cannot adequately fund all essential services while they are limited by a revenue cap equivalent to 23.9% of GDP. If the Coalition continues to maintain that it is the Party of low taxes, it must also be seen as the Party of low and poor services.

Ben Oquist, CEO of The Australia Institute (11 May 2021), said the Budget did not deliver meaningful tax reform. A fairer and simpler tax system would wind back tax concessions, tackle inequities, ensure public goods are supported, discourage polluting, and collect more revenue fairly. Also, by failing to fund any extra staffing, the government is showing no hurry to achieve a commonwealth integrity commission.

Frank Larkins and Ian Marsham from Melbourne University (*The Conversation*, 13 May 2021), say that the Budget largely ignores the plight of universities and even points to a decline in real terms by 1923-24. Despite it being called a 'recovery budget', the government sees higher education as having a limited role in innovation skills development, job creation, research, and national productivity. There is no vision for long term sustainable funding, and universities will have to rely on State governments for help in enabling the return of overseas student.

John Shine, president of the Australian Academy of Science (*The Conversation*, 13 May 2021) says that the response to COVID has relied on scientists and researchers in the higher

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education sector. The Budget's lack of recognition for science is perplexing. Short-term funding (e.g., for telescopes) is welcome, but must be supported by funding for basic science.

## **Quaker Perspectives**

The Budget reflects a decision to abandon the austerity approach of previous years and embrace the priority of meeting human need in our country. The gender impact of the Budget has been much more carefully considered, and some of the caps on public sector employment have been relaxed. The funds allocated in many areas will help individuals and groups achieve a more viable livelihood. At the same time, there is an unfortunate lack of longer-term vision to create innovation and transition to a new world.

There remains a considerable range of issues on which active concern will be needed – from releasing refugees from detention, to Indigenous justice, to greater investment in universities, to reducing the emphasis on military defence and increasing the priority of diplomacy, trade and aid. The tax and superannuation systems need urgent reform to remove the bias towards the wealthy.

Finally, it is worth noting that the current emphasis on the private sector at the expense of the public sector in government funding decisions creates an environment where many services will be outsourced and not subject to appropriate scrutiny. It will further de-skill the public service, and goes against the experience of the pandemic when the public servants were the primary driver of responses.

Canberra, May 2021