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YMCA Australia

2020-21 Federal Budget Response

06th October 2020

Introduction

We acknowledge the significant challenges facing our nation as we collectively navigate the economic, social and health implications of the COVID-19 pandemic. We also acknowledge the critical role of this Federal Budget during a recession to not only enhance our economic future, but also contribute to greater social cohesion and equality.

There can be no doubt that young people have been among the most significantly impacted by COVID-19 with upheavals in their education, training and employment pathways and disruption to social connections at a time when they are establishing life-long foundations for successful economic, social and civic participation.

Unfortunately, many of the issues experienced by young people as a result of COVID-19 are not new. Disengagement from education, insecure employment or underemployment, unstable housing or homelessness and mental health issues are among the key concerns that have faced many young people in Australia for some time. We know the post COVID-19 environment will exacerbate these issues further. We also know that past recessions and economic downturns have left a lasting legacy for young people and we must collectively learn from the past.

While we understand the systemic inequality and exclusion faced by many young people, we also recognise the strength, resilience, creativity and innovation inherent in young people during this time.

Importantly, we also recognise the critical role that young people will play in our economic and social recovery and the Y strongly believes that young people must be at the centre of how we re-imagine our future as a nation, for the benefit of all Australians.

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Some of the high-level take outs from the Federal Budget FY21

Bringing forward Stage 2 tax cuts

While already legislated, the Federal Government have announced that income tax cuts for individuals which were scheduled to be introduced in 2022 have now been brought forward and will be back-dated to July 1 this year. Broadly speaking, the intent in delivering income tax cuts is to encourage greater individual and household spending, stimulating the economy and hopefully creating more jobs. Those on higher incomes will receive a greater tax cut than those on low and middle incomes, however the Grattan Institute have reported that higher income households characteristically save this additional money, thereby limiting the supposed 'trickle-down' impact of tax cuts.

The Y is concerned that bringing forward the Stage 2 tax cuts will largely benefit those who already have assets, have a reliable income and who have been able to retain employment during this period.

Young people who are likely to be on lower incomes or who have reduced or lost their employment during this period will see limited benefit. Importantly, the overall reduction in the long-term outlook of our tax revenue means less funding available for social and community services, potentially creating a further economic divide and increasing social inequity.

Introduction of the JobMaker Hiring Credit

As another form of stimulus in the labour market, the JobMaker Hiring Credit is a wage subsidy for businesses hiring young people aged 16 to 35 years who have already been receiving JobSeeker, Youth Allowance or Parenting Payment for one of the past three months. All businesses (other than the major banks) will be eligible to receive a subsidy of $200 per week for those aged 16 to 29 and $100 per week for those aged 30 to 35 years.

While wage subsidies are often viewed as a positive economic lever in a recession, success rests in whether they are designed well and their application is closely regulated. The real measure is in the number of new jobs created that can be sustained in the long term, beyond the 12 months of the subsidy, and the extent to which jobs are generated in high-need or growth sectors. In a period of great uncertainty for small to medium business, it remains to be seen whether the subsidy is set at a level which will truly incentivise business to take on more employees.

Wage subsidies and increased support for traineeships and apprenticeships are a positive step, but we also know that young people need additional support and scaffolding around them to achieve sustainable and positive outcomes. Young people are more likely to transition to full time employment when they are provided the opportunity to gain workplace experience, to develop enterprise and entrepreneurial skills, have access to jobs in growth and future focused sectors and be supported to build resilience and an optimistic mindset. Young people who are provided with an opportunity to build their career portfolio with a suite of transferable credentials and skills will be well positioned to navigate a complex and rapidly changing employment market in a COVID-normal world.

Businesses and organisations such as the Y who are already receiving JobKeeper will be ineligible to receive the JobMaker Hiring Credit.

Greater investment in apprenticeships

In the lead up to the release of the Budget, the Federal Government announced a significant investment in growing the number of trade-based apprenticeships and traineeships. While not solely directed at young people, the scheme plans to provide 50% of wages for a 12 month period in an effort to encourage more employers to take on new apprentices and trainees. In addition to offering opportunities for older workers to retrain and reskill, it is understood the scheme aims to benefit school leavers.

The announcement has been broadly welcomed by both employment organisations and industry and is open all sectors including construction, mining, the arts, manufacturing, IT and business administration. The scheme also builds on the JobTrainer scheme announced in July which provides 50% wage subsidy to existing apprentices.

Some concerns have been raised about the scheme in that it will only be in place for 12 months and will be capped at 100,000 places.

Unfortunately, the Budget has made no additional commitment to investment in the arts or entertainment sectors which employ significant numbers of young people.

In addition to this, to encourage support for the agricultural sector, from December 2020 young people who earn up to $15,000 from activities such as fruit-picking will be assessed as being ‘independent’ for the purpose of receiving youth Allowance and ABSTUDY.

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Further investment in mental health and suicide prevention

The impact of the COVID-19 pandemic on the mental health and wellbeing of Australians continues to be a focus for investment with the Federal Government announcing that Medicare subsidised psychology visits will be doubled from 10 to 20 sessions for all Australians, a measure which was introduced in Victoria during the second phase of restrictions.

The Federal Budget also contains a commitment to an additional investment of $5.7 billion in mental health front line services and suicide prevention in the next year. This includes additional funding for headspace, BeyondBlue and Kids Helpline.

Already a significant issue for Australia's young people, mental health concerns have sharply escalated and are becoming more prevalent than ever before. Disruption to schooling, missing social connection with friends, cancellation of sporting and cultural activities, loss of employment and worrying about the health of family members are just some of the many concerns resulting in young people feeling anxious, sad and lonely during this time. This also follows the devastation of our recent bushfire season and the impact this has on young people's mental health and resilience.

Received by the Federal Government on August 31st, the Productivity Commission's report into mental health will be responded to in coming weeks with further announcements to be provided.

Income support for young people

The immediate impacts of COVID-19 on the labour market resulted in deep fissures in the already unstable and uncertain employment landscape for young people. Young people already marginalised in the employment market such as those in regional, rural and remote communities, young LGBTQIA+ people, those living with disability, culturally and linguistically diverse young people and young Indigenous Australians are facing even greater challenges as we collectively navigate the impacts of COVID-19 on our economy and society.

We acknowledge the positive impact of the implementation of the JobKeeper program and also the expansion of JobSeeker payments during this critical period. We also note however, that access to this support is limited for many young people who have not met the eligibility requirements. While various economic stimulus measures such as the JobKeeper program are having a positive effect in the short-term, Australia requires a commitment to longer term solutions and a reframing of our economy and social support sector to ensure young people are equipped for the future.

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The increase to the JobSeeker payment rate at the start of the COVID-19 pandemic was welcomed by the community sector and business sector alike and there remains broad support in the community for income support for those who are unemployed to remain at higher than pre-COVID levels.

The JobSeeker payment was reduced in September and will be reduced again in December 2020 with eligibility tightened and mutual obligation requirements also reinstated. While the payments have been extended, concerns remain for those who are unemployed or become unemployed in the coming months, particularly with concurrent reductions in the JobKeeper scheme.

Once disengagement from the labour market has occurred for a young person, it is a far greater challenge for this to be reversed.

Education

In addition to the Budget commitments to support new apprenticeships and traineeships, there a number of targeted measures to support educational outcomes and higher education pathways for young people. The Budget includes a commitment to increasing by 12,000 the Commonwealth Supported university places in sectors of national priority and an additional 50,000 subsidised places in short courses during 2021. Additional funding has also been announced to support access to education in regional areas.

The higher education sector has suffered significantly during the pandemic primarily as a result of loss of international students and to support the sector an additional announcement to double the research budget for universities has been welcomed.

Challenges remain however, with the long-term business model of many universities with a heavy reliance on income from international students and the impact of recent changes to tertiary fees for certain courses is yet to be realised.

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Some big opportunities missed…

Building a care-led recovery

While COVID-19 has demonstrated the critically important and essential role of our care sectors, a spotlight has been shone on the systemic fractures in regulation, quality standards, wages and conditions, training and skills and funding models. This has been particularly evident in the aged care sector, but also in the essential nature of early childhood education and care, disability services, mental health services, youth and community services, domestic and family violence services and drug and alcohol services.

Investment in the care economy not only acknowledges the essential and critical role of these services, but represents a long-term vision and investment in growth and high-need sectors. In addition to the creation of immediate, essential and sustainable jobs, investment in the care economy produces a significant multiplier effect in terms of economic stimulus and growth. A strong and high quality care sector results in more women entering or re-entering the workforce, improving household incomes and reducing the gender pay gap.

Aged Care

While additional funding for aged care is welcomed, including the 23,000 new home care packages, waiting times to receive these packages remain excessively long and frequently forcing older people into residential care prematurely. There are currently 103,000 people on the waiting list to receive packages. There have been some welcomed commitments to continuing to improve the residential aged care environment, however substantial reforms have yet to be announced, particularly in term of large scale improvements to wages, conditions and training of workers.

While there has been some response to the interim findings of the Royal Commission, the Federal Government has signalled it will wait for the final report before making any announcement about the significant structural and systemic reforms required.

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Social Housing

Another aspect of the care economy is investment in social infrastructure such as social and community housing where Australia currently has a significant shortfall. Investment of this kind not only has a strong multiplier effect through the direct creation of jobs, but also through economic stimulus within the supply chain. Significant investment in social and community housing would also have the benefit of taking the pressure off the lower end of the private rental market easing housing stress more broadly. While investment of this kind is long term, the return on that investment in terms of the social economy will be sustained for decades.

Unfortunately, this budget makes no new commitments to investment in social and community housing.

Early Childhood Education and Care

Some of the targeted funding support for the early childhood sector during the pandemic will continue, in Victoria in particular, to support families to receive the same level of child care hours they accessed prior to COVID-19. While this is welcomed, there is no additional commitment to significantly reforming the sector broadly and in the longer term to elevate the wages and conditions of workers, improve workforce retention and development strategies or a restructuring of sector funding to ensure greater affordability for families and achieving good-quality universal early childhood education and care. Investments such as these grow our social economy in a sustainable way by providing the best possible foundation for children and young people, increasing women's workforce participation, reducing the gender pay gap and increasing household budgets and assets for the long-term benefit of the economy.

Disability Services

While announcements in the budget to continue support for the National Disability Insurance Scheme are positive, including additional funding to support a further 400,000 people living with disability, there also lacks a commitment to long-term investment in the sector more broadly. As with many aspects of the care economy, the impact of COVID-19 has shown deep cracks in the support systems for people living with disability, their carers and families. People living with disability who require personal care and support have been particularly vulnerable during the pandemic and workforce shortages, lack of training and support have exacerbated the already precarious daily lived experience for many children, individuals and their families. Children and young people who require targeted and specialist support in educational environments have also been significantly disadvantaged during this period.

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First Nations Peoples

Earlier in 2020, the Federal Government, in partnership with local government peaks and the Coalition of Aboriginal and Torres Strait Islander peak organisations set out ambitious reform targets within the Closing the Gap agreement. The doubling to 16 new targets to address systemic inequality and disadvantage in health, education and justice for First Nations Peoples received no new commitments of funding in the Federal Budget. Funding announced in August towards Closing the Gap will be sourced from existing funds in the budget that was to be directed at capacity building for Aboriginal and Torres Strait Islander community-controlled organisations.

Welcomed however are announcements to expand the Indigenous Ranger Program in the Murray-Darling Basin and elsewhere, funding for the Clontarf Foundation to support 2,000 student placements and funding for National Partnerships with the States and Territories to support specific health and wellbeing programs.

The Budget made no commitment to funding for a possible referendum on Indigenous recognition in the Constitution.

Care for the environment

The care economy also extends to our care for the environment, including long-term investment in renewable industries and technologies to create stability in the market to enable manufacturers and businesses to take on more employees. Investment of this kind not only creates a direct and immediate economic benefit but also drives social and environmental gains in a sustained way.

Disappointingly, the Federal Budget contains little to no commitment towards investment in green technologies or manufacturing in the renewable sector. While there were welcome announcement regarding the protection of marine ecosystems and measures to address waste and recycling issues, the expansion of gas exploration and upgrading coal-fired power received the focus of the Budget commitments in this portfolio.