



Australian Government

**Post-Budget
Supplementary Submission
to the
Australian Fair Pay
Commission
Minimum Wage Review
2008**

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Overview

1. This post-Budget supplementary submission builds upon the material presented in the Australian Government's first submission of 14 March 2008 to the Australian Fair Pay Commission's (the Commission's) 2008 Minimum Wage Review.
2. The Commission should consider this submission in conjunction with the information contained in the Government's first submission.
3. There have been a number of information releases relating to inflation, wages and the labour market since the Government's first submission. This submission provides the latest economic and labour market information and forecasts presented in the Australian Government Budget which was tabled on 13 May 2008.
4. The submission includes the latest Australian Bureau of Statistics (ABS) wages data, the latest information on housing and an outline of the impact of relevant 2008-09 Budget measures on low-income earners.
5. Powerful countervailing forces are confronting the Australian economy. Slower growth in advanced economies and greater global financial market turbulence could slow growth in the Australian economy. Counteracting this, robust growth in emerging economies is expected to lead to further large rises in Australia's terms of trade, which will boost income and increase upward pressure on prices. There has already been a significant build up in underlying inflationary pressures in recent years as a result of strong growth in demand that has not been met by increases in the supply capacity of the economy.
6. The 2008-09 Budget addresses these concerns while meeting the Government's commitment to working families. The Government is avoiding wasteful spending that would put unnecessary pressure on the economy and makes the Reserve Bank's job of controlling inflation harder. This Budget implements election commitments to ease pressure on working families by cutting income tax, reducing the costs of educating and looking after children, and making housing more affordable. The 2008-09 Budget also invests in the supply capacity of the economy, implementing initiatives to strengthen education and

skills, infrastructure, health, environmental sustainability and innovation.

7. The Government, as noted in the first submission of 14 March 2008, remains of the view that low-income earners should receive an appropriate increase in minimum wages.

Budget Economic and Labour Market Information

8. The Budget honours the Government's commitment to responsible economic management. The Government is budgeting for a surplus in 2008-09 of 1.8 per cent of GDP, with all tax receipt windfalls since the election banked, rather than spent. Global financial market turbulence has limited the extent of upward revisions to taxation receipts from commodity price rises. Real spending growth has been reined in to 1.1 per cent in 2008-09, the lowest growth rate in nine years.

Latest inflation information

9. Inflationary pressures again intensified in the March quarter 2008, with headline inflation rising by 1.3 per cent in the quarter to be 4.2 per cent higher over the year. The March outcome was largely a result of increases in the prices of food, housing (from a strong rise in both house purchase prices and rents), automotive fuel and financial services.
10. Measures of underlying inflation, which remove the influence of more volatile movements, have also strengthened. The Reserve Bank's measures of underlying inflation - the trimmed mean and weighted median - were 1.2 per cent and 1.3 per cent higher in the March quarter to be 4.1 per cent and 4.4 per cent higher through the year, respectively.
11. Inflation is forecast to be 4 per cent through the year to the June quarter 2008 and is forecast to reduce to 3¼ per cent through the year to the June quarter 2009, above the target band of 2-3 per cent.

Latest labour market information

12. Australia has experienced historically strong employment growth over recent years, resulting in the unemployment rate falling to 4.2 per cent in April 2008 - around the lowest level in 33 years - and the participation rate rising to a record high of 65.4 per cent. The terms of trade has been

an important driver, through strong growth in the mining and construction industries, and flow on effects to other industries through higher incomes from the terms of trade rises flowing back through the economy.

13. The expected slowing in non-farm GDP growth from slower global growth, tighter credit conditions and higher interest rates is expected to see employment growth ease to 1¼ per cent in 2008-09.
14. Over the five years to April 2008, full-time employment has risen by 13.9 per cent to 7,658,000 persons and part-time employment has increased by 12.2 per cent to 3,054,900 persons. Full-time employment accounted for 73.8 per cent of the total employment growth over this period, compared with only 47.3 per cent of the jobs created over the previous 10 years. There is some evidence that the rate of full-time growth is slowing somewhat, with full-time jobs accounting for 65 per cent of total jobs growth over the past year and the growth rate in part-time employment exceeding the growth rate in full-time employment over the past year.
15. Over the five years to April 2008, employment growth has been fairly evenly split between male employment (up by 659,600 persons or 12.7 per cent) and female employment (up by 605,600 persons or 14.3 per cent).
16. Over the five years to the March quarter 2008 (latest available data), all of the 17 industry groups except Agriculture, Forestry and Fishing, Manufacturing and Communication services experienced an increase in employment. Employment growth (in percentage terms) was particularly strong in Mining (up by 45.0 per cent), Construction (up by 28.9 per cent) and Health and community services (up by 21.3 per cent).
17. The large percentage increase in employment in Mining as a result of the commodities boom has been from a very small base. Indeed, the industry only accounted for 1.3 per cent of total employment in the March quarter 2008, although the resources boom has generated strong employment growth in other industries.
18. In line with the strong increase in total employment over the last five years, the level of unemployment has also fallen considerably, by

136,900 persons (down 22.6 per cent) to stand at 469,800 persons in April 2008. Male unemployment accounted for nearly three-quarters (73.9 per cent) of the total fall in unemployment. Extra jobs were also taken up by people who were previously not in the labour force, such as women with child caring responsibilities, migrants, students, and people who have been lured out of retirement.

19. Over the past five years, the aggregate participation rate increased significantly from 63.6 per cent in April 2003 to 65.4 per cent in April 2008. The female participation rate increased by 2.6 percentage points to 58.6 per cent while the male participation rate rose by 1.0 percentage point to 72.4 per cent.

Latest ABS information on wages

20. Growth in the Wage Price Index (WPI)¹ has been relatively strong over the past year. The WPI increased by 0.9 per cent in the March quarter 2008, to be 4.1 per cent higher through the year, a slight decline on the 4.2 per cent recorded through the year to the December 2007 quarter.
21. Wages growth has been highly heterogeneous, by state and by industry. In through the year terms, industries such as Accommodation, cafés and restaurants (2.4 per cent) and Wholesale trade (2.9 per cent) recorded relatively subdued growth. In contrast, wages in Mining (5.8 per cent) and Property and business services (4.8 per cent) grew strongly. Mining also had the fastest wage growth on a quarterly basis, growing by 1.7 per cent in the March quarter. Strong growth was also recorded in Education, where wages grew by 1.6 per cent in the quarter.
22. Wage outcomes also differ across the States. Most States had relatively restrained wage growth, with the resource States having strong wage growth. Western Australia recorded the strongest through the year growth of 5.9 per cent, with Queensland at 4.1 per cent. South Australia also recorded strong growth of 4.6 per cent. In contrast, Victoria and New South Wales recorded lower growth at 3.7 per cent over the year to the March quarter 2008.
23. Public sector wages grew by 0.8 per cent in the March quarter to be 3.9 per cent higher through the year. In contrast, private sector wages

¹ These data are seasonally adjusted.

grew by 0.9 per cent in the quarter to be 4.1 per cent higher through the year.

24. The Commission's 2007 Minimum Wage Review decision took effect on 1 October 2007, with relatively strong wages growth recorded in those industries most affected by the Commission's 2007 decision in the December quarter. March quarter 2008 outcomes for these industries have been relatively subdued.
25. Accommodation, cafes and restaurants recorded quarterly wage growth of 0.3 per cent (following growth of 1.0 per cent in the December quarter 2007) to be 2.4 per cent higher through the year. The Retail trade industry recorded wage growth of 0.6 per cent (following growth of 2.1 per cent in the December quarter 2007) to be 4.5 per cent higher through the year. The most recent ABS data from May 2006 show that 57.2 per cent of employees in the Accommodation, cafes and restaurants industry were award-reliant while 28.7 per cent of Retail trade employees were award-reliant. Communication services also recorded weak growth, with a 0.3 per cent increase after growing strongly the previous quarter to be 3.7 per cent higher through the year.

Latest information on housing

26. Housing market conditions in Australia remain tight, with both house prices and rents increasing rapidly in recent times. House price growth accelerated towards the end of 2006 and into 2007, coming after a period of relatively subdued growth following the house price boom occurring from 2000 to 2003. National house prices have increased by around 50 per cent over the past 5 years and by around 150 per cent over the past 10 years. According to ABS data, national house prices grew by 13.8 per cent through the year to the March quarter 2008. Price increases have not been uniform across capital cities over the past year, with price growth slowing significantly in Perth (up 0.6 per cent from a year earlier) compared with significant increases in Melbourne (25.9 per cent higher than a year earlier).
27. Growth in rents has also been strong, driven by rental market vacancy rates at around record lows in many capitals. In the March quarter Consumer Price Index (CPI), rents grew by 2.0 per cent, the highest pace of quarterly growth since 1989, and are 7.1 per cent higher than a

year ago. The Real Estate Institute of Australia (REIA) reports stronger growth in asking rents for new tenancy agreements. REIA reported a 12.0 per cent increase in 3 bedroom house rents, and a 13.8 per cent increase in 2 bedroom unit rents in the December quarter 2007 compared with a year earlier.

28. Growth in dwelling investment is expected to be subdued in 2008-09, with growth largely expected to come from alterations and additions. Over the forecast period, the cumulative effects of increases in interest rates and tighter credit conditions are expected to have a moderating impact on growth in house prices. In line with recent monetary policy tightening, the March quarter 2008 outcomes also indicate some softening in price growth, with a rise in national house prices of just 1.1 per cent in the quarter, down from 4.1 per cent from the previous quarter. However, subdued dwelling investment will continue to add pressure to rents, given the very low rental vacancy rates across Australia.

Budget Economic and Labour Market Forecasts

29. The slowdown in global growth and significantly higher domestic interest rates over the last three years are expected to moderate growth in the Australian economy. Australia's real GDP is forecast to increase by 3½ per cent in 2007-08 and 2¾ per cent in 2008-09. In 2008-09, the non-farm economy is forecast to grow by 2¼ per cent, while the farm sector is forecast to contribute strongly to growth by ½ of a percentage point to growth given a recovery from drought.
30. Continued strong growth in emerging economies is supporting price rises in key non-rural commodity prices. Over the 2008 calendar year the terms of trade are forecast to rise by over 20 per cent which, if realised, would be the largest increase in a generation. Growth in household incomes is expected to moderate as employment growth slows, notwithstanding the positive impetus from the further strength in the terms of trade.
31. Household consumption growth is expected to slow to 2¾ per cent in 2008-09, down from 4½ per cent in 2007-08. The current turbulence in world financial markets has reduced growth in domestic household wealth. Australian share prices fell by almost 10 per cent from the end

of July 2007 (when the turbulence in financial markets began) to the end of April 2008. Lower returns and instability in the stock market is likely to increase the desire to save for precautionary reasons, leading to a continued rise in the household saving ratio over 2008-09. Growth in housing wealth is expected to slow as house price growth moderates.

32. Business investment is expected to grow by 8½ per cent in 2008-09. The outlook for both machinery, equipment and non-dwelling construction is favourable, but the risks around these forecasts are heightened. Businesses are facing higher borrowing costs and labour and material cost pressures persist. The potential for further deterioration in global capital markets is a risk for the business investment outlook. While some industries will be affected by higher interest rates and the higher exchange rate, the Mining and Construction sectors are expected to grow strongly given the current strength and further expected rises in non-rural commodity prices.
33. Employment growth is expected to moderate to 1¼ per cent in 2008-09, consistent with the easing in non-farm GDP growth, due to slower global growth, tighter credit conditions and higher interest rates. The participation rate is forecast to average 65¼ per cent, and the unemployment rate is expected to rise slightly to be 4¾ per cent in the June quarter 2009.
34. Wages are expected to grow by 4¼ per cent in 2008-09, which is in line with recent growth in the WPI. While wages are expected to grow relatively strongly when averaged across the economy, they are not forecast to accelerate given the anticipated easing in labour market conditions.
35. Several years of strong demand have seen the economy move closer to full capacity in its use of physical capital and labour resources. This has led to an increase in underlying inflationary pressures. Inflation is forecast to be 4 per cent through the year to the June quarter 2008 and 3¼ per cent through the year to the June quarter 2009, above the target band for inflation of 2-3 per cent. Continuing capacity constraints, which are expected to ease only gradually, will continue to add to inflationary pressures, as will the recent rise in oil prices, food prices and housing costs. Growth in nominal unit labour costs has been strong over the past three years, reflecting a slowdown in productivity growth

and a modest pick up in wages, partly reflecting labour shortages in some industries. As capacity constraints gradually ease, growth in nominal unit labour costs will moderate, helping to ease inflationary pressures.

36. Nominal GDP is forecast to grow by 9¼ per cent in 2008-09, which would be its fastest rate of growth since the late 1980s. The growth reflects strong growth in broader economy prices — the GDP deflator — of 6¼ per cent, largely due to significant rises in non-rural commodity export prices.
37. The Commission can find more detailed information on the economic outlook in the *Budget Strategy and Outlook 2008-09, Statement 2: Economic Outlook*.

2008-09 Budget measures affecting low-income earners

38. The 2008-09 Budget measures described below form part of the Government's \$55 billion *Working Families Support Package* which targets those Australians who have been working to build a future for their families but are now finding it harder and harder to balance the family budget.
39. Detailed outcome scenarios for a range of family types and incomes centred around the Federal Minimum Wage (FMW) showing the estimated impact of a range of Budget measures are available at Appendix A.

Tax cuts

40. The Government is helping to ease the burden on working families by providing personal income tax cuts worth \$46.7 billion over four years. This will significantly increase the take home pay of all taxpayers and help ease financial pressures from rising costs.
41. The Government will deliver its election commitment to cut personal income tax over the next three years. The tax cuts will increase disposable incomes for all Australian taxpayers and provide further incentives for individuals, including part-time workers, to participate in the workforce.

42. From 1 July 2008, the 30 per cent threshold will increase from \$30,001 to \$34,001, the 40 per cent threshold will increase from \$75,001 to \$80,001, and the 45 per cent threshold will increase from \$150,001 to \$180,001. In addition, from 1 July 2009, the 30 per cent threshold will be further increased to \$35,001 and the 40 per cent tax rate will be reduced to 38 per cent. From 1 July 2010, the 30 per cent threshold will be increased again to \$37,001 and the 38 per cent tax rate will be reduced to 37 per cent.
43. Table 1 outlines the personal tax rates and thresholds over the next three years.

Table 1: Personal tax rates and thresholds

Current		From 1 July 2008		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 34,000	15	6,001 - 35,000	15	6,001 - 37,000	15
30,001 - 75,000	30	34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	40	80,001 - 180,000	38	80,001 - 180,000	37
150,001 +	45	180,001 +	45	180,001 +	45	180,001 +	45
LITO	\$750		\$1,200		\$1,350		\$1,500
Effective tax free threshold	\$11,000		\$14,000		\$15,000		\$16,000

44. Low and middle income earners will be further assisted through an increase in the low income tax offset (LITO). From 1 July 2008, the LITO will increase from \$750 to \$1,200. It will continue to be withdrawn from an income level of \$30,000. Those eligible for the full LITO will not pay tax after assessment until their annual income exceeds at least \$14,000 (up from the current level of \$11,000). Further increases in the LITO, to \$1,350 from 1 July 2009 and to \$1,500 from 1 July 2010, will mean that the effective tax free threshold will increase further to at least \$15,000 in 2009-10 and \$16,000 in 2010-11.
45. New withholding schedules will be created to enable low and average income earners to receive half of their LITO throughout the year through their regular pay, rather than receiving the total as a lump sum when their income tax returns are assessed. This will bolster participation incentives by allowing people to gain the rewards from work sooner.
46. Senior Australians will also benefit from these changes. Senior Australians eligible for the senior Australians tax offset (SATO) and the LITO currently do not pay tax until they reach an annual income of at

least \$25,867 for singles and \$21,680 for each member of a couple. As a result of the Government's tax plan, from 1 July 2008 these income levels will be lifted to \$28,867 for singles and \$24,680 for each member of a couple. By 2010-11, the income levels will be \$30,685 for singles and \$26,680 for each member of a couple.

Aspirations for the tax system

47. The Government has a goal over the next six years that by 2013-14 the personal income tax system will have the following features:
 - (a) a reduction in the number of marginal tax rates from four to three;
 - (b) a reduction in the current 45 per cent rate to 40 per cent; and
 - (c) a reduction in the current 40 per cent rate (which by 2010-11 will be 37 per cent) to 30 per cent.
48. The Government also has a goal of increasing the LITO to \$2,100 by 2012-13 so as to create an effective tax free threshold of \$20,000. The effective tax free threshold for senior Australians eligible for the SATO will increase commensurately. The fringe benefits tax rate will be reduced reflecting reductions in the top marginal tax rate.
49. Achieving this six year goal will depend on economic conditions and the need to maintain fiscal responsibility. The Government has taken the first steps towards achieving this goal by delivering the planned tax cuts in 2008-09 to 2010-11 and by making an initial provision to enable further tax cuts to be delivered from 2011-12.

Education Tax Refund

50. The Government is giving working families the opportunity to provide a better future for their children by investing in their wellbeing and education. The Government will provide eligible parents with a 50 per cent Education Tax Refund (ETR) from 1 July 2008, at a cost of \$4.4 billion over four years.
51. Parents who receive Family Tax Benefit Part A with children attending either primary or secondary school or whose school children receive

Youth Allowance or a related payment, will be able to claim the ETR every financial year for eligible education expenses.

52. The amount that can be claimed is up to \$750 for each child attending primary school, giving a refund of up to \$375 per child, per year; and \$1,500 for each child attending secondary school, giving a refund of up to \$750 per child, per year.
53. Families will first receive the ETR when they complete their 2008-09 income tax returns or lodge a claim with the Australian Taxation Office.

Child Care

Increase in Child Care Tax Rebate

54. The Government recognises the difficulties families face in meeting child care costs. The Government will help ease these difficulties by increasing the Child Care Tax Rebate (CCTR) from 30 per cent to 50 per cent at a cost of \$1.6 billion over four years. This will ensure that, in addition to any Child Care Benefit payable, half of a family's total out-of-pocket child care costs will be met every year. The cap on the amount that can be paid each year will also be lifted from the current amount of \$4,354 to \$7,500 per child.
55. The Government will also pay the 50 per cent CCTR every three months, instead of once a year, to provide support closer to when bills come in.

Increasing access and quality of Child Care

56. The Government will invest \$115 million over four years to build the first 38 of 260 planned child care centres in priority areas. The remaining 222 centres will form part of a National Partnership agreement with the States. The Government will also invest \$22 million over four years to develop new national quality standards for child care.
57. Increasing the provision of more child care places will enable more parents to participate in the workforce.

Financial Stress

58. The price of everyday items such as groceries, rent and petrol have all increased by more than 10 per cent over the past two years. To help ensure families get a fair deal on petrol and groceries, the Government is introducing a National FuelWatch Scheme and monitoring grocery prices. Additional funding is being provided for financial counselling services, including for mortgage stress. This will help ease financial pressures from rising costs.

Groceries

59. Food prices are 11 per cent higher than two years ago, with costs for some basic products growing even faster. Since the start of 2006 average fruit and vegetable prices are up by 14 per cent, bread prices have increased 18 per cent while milk is 16 per cent more expensive.
60. The Government has directed the Australian Competition and Consumer Commission (ACCC) to undertake an inquiry into the competitiveness of grocery prices in Australia. The inquiry covers all aspects of the grocery supply chain — from the farm gate to the checkout counter. The Government has also instructed the ACCC to undertake a monthly survey of grocery prices for typical shopping baskets across Australia. This will help consumers locate the cheapest supermarket chain in their area.
61. The Government has made it easier for retailers to enter the Australian market by relaxing restrictions that previously limited their capacity to acquire and hold vacant land to build new supermarkets.

Petrol

62. The Government has given the ACCC tough new powers to conduct formal monitoring of the prices, costs and profits relating to the supply of unleaded petrol products and to provide an annual report of its findings. This will help improve retail price transparency for consumers.
63. The Government has appointed a Petrol Commissioner to oversee the ACCC's formal price monitoring and establish a National FuelWatch Scheme. FuelWatch will commence on 15 December 2008, and will

require petrol retailers to notify the ACCC of their next day's prices by 2 pm each day and to maintain this advised price for a 24-hour period. This will ensure consumers can make an informed decision about where to buy the cheapest petrol in their area.

Housing Affordability

64. The Government will provide \$2.2 billion to make it easier for families to save for their first home (First Home Saver Accounts), increase the supply of affordable rental housing (the National Rental Affordability Scheme) and boost housing supply (the Housing Affordability Fund).

First home buyers

65. Saving for a deposit is a major barrier to buying a first home. The Government will provide \$1.2 billion over four years in the Budget to assist first home buyers to save for a home.
66. Enhanced First Home Saver Accounts will provide a simple, tax effective way for Australians to save for their first home. The Government will provide people saving for a first home with direct contributions into the accounts and only tax earnings in the account at a low rate. The first \$5,000 of individual contributions to these accounts each year will now attract a 17 per cent Government contribution, providing more assistance to average income earners. Earnings will be taxed at a low rate of 15 per cent. Withdrawals from the account will be tax free when used to buy or build a first home.

Helping renters and boosting housing supply

67. The Government is committing \$623 million over four years to the National Rental Affordability Scheme to encourage the construction of affordable rental housing.
68. The Scheme will provide investors with \$8,000 annually for ten years for each new dwelling that is rented out to low income tenants at least 20 per cent below the market rate.
69. The Housing Affordability Fund will help improve housing supply and reduce costs to home buyers by cutting red tape and reducing the costs

of providing new housing-related infrastructure, at a cost of \$500 million over five years.

70. Up to \$30 million of the Fund has been committed to rolling out the Electronic Development Assessment project to speed up planning approval processes.
71. In addition, the Government will identify surplus Commonwealth land that could be used for new housing. The Government will also establish a National Housing Supply Council, which will assess the adequacy of housing supply over the next 20 years.

Dental

72. The Government's \$3.2 billion National Health and Hospitals Reform Plan includes funding for the Commonwealth Dental Health Program and Teen Dental Plan.
73. The 2008-09 Budget provides \$290 million over three years to establish a Commonwealth Dental Health Program. Funding will be provided to the States and Territories to supplement existing public services and/or purchase private dental services. Up to one million additional dental consultations will be funded to help reduce public dental waiting lists. As part of the funding arrangements, the State and Territory governments will be required to provide priority services to individuals with chronic diseases affected by poor oral health, provide timely preventative and emergency services and to maintain current effort.
74. The Government is also providing \$490.7 million over five years to contribute to the cost of an annual dental preventative check for eligible teenagers aged 12 to 17 years old. From 1 July 2008, around one million teenagers in families receiving the Family Tax Benefit Part A or teenagers in receipt of ABSTUDY or Youth Allowance will be eligible for assistance of up to \$150 per year for dental services. Payments will be processed through Medicare Australia.

Employment Services and the Education Revolution

75. The 2008-09 Budget includes measures to assist the unemployed to improve their skills through education and training and find sustainable employment with the implementation of a reformed employment

services system from 1 July 2009. People in the workforce will also benefit from the opportunity to retrain or further develop their skills.

Employment services

76. The Government will implement a reformed employment services system from 1 July 2009 with funding of \$3.7 billion over three years. The reformed system will better target assistance to the most disadvantaged job seekers, improve linkages with education and training, create greater flexibility for employment services providers to deliver assistance tailored to job seeker needs and encourage greater engagement with employers.
77. Under the reformed employment services arrangements, providers will be encouraged to refer job seekers to education or training opportunities, including the additional training places (including apprenticeships) available for job seekers under the Government's *Skilling Australia for the Future* policy.

Education Revolution

78. The Government's *Education Revolution* will implement a number of strategies that will ensure that Australian workers have the skills they need. These measures include the \$1.9 billion package *Skilling Australia for the Future* which comprises the following five elements: \$884.6 million to provide an additional 238,200 vocational education and training places to people currently outside the workforce; \$704.6 million to provide an additional 391,800 places for people within the workforce; \$242.2 million for an additional 85,000 Australian apprenticeship places; \$83.2 million for strengthened industry skills councils; and \$4.1 million for skills and training information centres. In addition the Government will provide \$98.1 million for grants that will enable year 9-12 students to participate in on-the-job training as well as \$19.6 million to create the statutory body, Skills Australia.

Conclusion

79. While labour market outcomes have remained strong, with the unemployment rate remaining at around 33 year lows in April 2008, employment growth can be expected to moderate in 2008-09 in line with the slowing in economic growth as a consequence of slowing global

growth, tighter credit conditions, and higher interest rates over the past three years.

80. Inflationary pressures continue to be of concern. Although the slowing in the Australian economy in 2008-09 can be expected to gradually moderate inflationary pressures, wages growth in some sectors of the economy and inflation are likely to remain strong for some time.
81. A number of measures contained in the 2008-09 Budget, such as cuts to personal income tax, measures to address housing affordability and reducing the costs of looking after and educating children, should particularly assist low-income earners.
82. The Government again asks the Commission, when arriving at its decision, to consider the balance between the potential impact of minimum wage increases on inflation, employment, the provision of a safety net and the financial needs of low-income earners.
83. The Government, as noted in the first submission of 14 March 2008, remains of the view that low-income earners should receive an appropriate increase in minimum wages.

APPENDIX A

Table 2: Real financial gain in 2008-09 from changes in tax/transfer arrangements in the 2008-09 Budget

Family type	Disposable income before Budget	Gains from tax cuts	Change in assistance for child care	Education Tax Refund and Teen Dental Plan	Disposable income after Budget	Change in disposable income (Annual)	Change in disposable income (Weekly)
Two parent family, one on FMW (other not working), two children aged 8 and 10, no child care							
	\$42,390	\$450	\$0	\$750	\$43,590	\$1,200	\$23.08
Two parent family, both on FMW, two children aged 2 and 4 (both in long day care)							
	\$47,967	\$900	\$2,168	\$0	\$51,035	\$3,068	\$59.01
Two parent family, one on FMW, other on \$40,000, two children aged 4 (in long day care) and 6 (in after school care)							
	\$56,218	\$1,500	\$1,599	\$375	\$59,692	\$3,474	\$66.82
Two parent family, one on FMW, other on \$60,000, two children aged 4 (in long day care) and 6 (in after school care)							
	\$67,710	\$1,050	\$2,000	\$375	\$71,136	\$3,425	\$65.87
Single adult, on FMW, no children							
	\$24,320	\$450	\$0	\$0	\$24,770	\$450	\$8.65
Single parent, on FMW, one child aged 6 (in after school care)							
	\$36,294	\$834	\$226	\$375	\$37,730	\$1,436	\$27.61
Single parent, on FMW, two children aged 13 and 14, no child care							
	\$39,039	\$450	\$0	\$1,800	\$41,289	\$2,250	\$43.27
Couple, both on FMW salaries, no children							
	\$48,641	\$900	\$0	\$0	\$49,541	\$900	\$17.31
Couple, one on FMW salary, other on \$40,000 salary, no children							
	\$57,470	\$1,500	\$0	\$0	\$58,970	\$1,500	\$28.85
Couple, one on FMW salary, other on \$60,000 salary, no children							
	\$70,820	\$1,050	\$0	\$0	\$71,870	\$1,050	\$20.19

Notes:

- 1 - In two parent families where both parents are working and single parent families, children are assumed to require care as follows:
 - a - children aged under 5, who are not yet at school, are in long day care for 50 hours per week at a cost of \$5.20 per hour. This hourly rate reflects the lower hourly rate generally charged for full-time care.
 - b - children aged 5 to 12, who are at primary school, are in after school care for 15 hours per week at a cost of \$4.40 per hour.
 - c - children aged over 12, who are at secondary school, are assumed to not require any child care.
- 2 - In two parent families where one parent is working, children are assumed to not require any child care.
- 3 - All child care examples assume that the pattern of child care usage is the same in all 52 weeks of the year.
- 4 - Education Tax Refund (ETR) calculations assume that the family spends enough on eligible expenses for the ETR to claim \$375 for each primary school student and \$750 for each secondary school student (the maximum refund amounts in 2008-09).
- 5 - Teen Dental Plan calculation for the single parent with children aged 13 and 14 assume that the parent spends enough on dental services to claim the maximum rebate of \$150 for each teenager.
- 6 - Components may not exactly sum to totals due to rounding.