

AUSSIE VALUES

*Worth fighting
and voting for!*

Nurses and midwives' discussion paper on the
Abbott Government's
2013-14 National Commission of Audit

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AUSSIE VALUES: WORTH FIGHTING AND VOTING FOR

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All references to the ANMF throughout the paper shall mean ANMF federal office, NSWNMA and QNU.

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ABOUT THE ANMF

The Australian Nursing and Midwifery Federation is the union for registered nurses, enrolled nurses, midwives, and assistants in nursing doing nursing work in every State and Territory throughout Australia. With over 230,000 members, it is the largest health professionals' organisation in Australia.

The NSW Nurses and Midwives Association and Queensland Nurses Union have harmonised membership of the ANMF.



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EXECUTIVE SUMMARY

In October, 2013, the federal Treasurer, Joe Hockey, and the Minister for Finance, Senator Mathias Cormann (2013), announced a National Commission of Audit to “review and report on the performance, functions and roles of the Commonwealth government”.

The National Commission of Audit (the audit commission) released two reports (2014a, 2014b) recommending significant cuts to spending on healthcare, education, unemployment benefits and pensions, aged care, child care, family payments and the new National Disability Insurance Scheme (NDIS).

This report sets out the ANMF’s response to each of the major areas addressed by the audit commission. This analysis demonstrates that these reports do not represent a genuine independent assessment of the state of the national finances. The ANMF believes that the audit commission arrived at its recommendations through a flawed, biased process, largely based on the narrow world view of one elite, powerful section of society. As such the findings do not pass the “balance” and “fairness” tests so important to the vast majority of Australians.

It is unacceptable to the ANMF that this government would conduct such a costly, biased process, clearly aimed at furthering the vested interests of big business, while shifting even more costs and risk onto nurses, midwives, other working people, the disabled, the unemployed, students and retirees.

The ANMF also believes the audit commission’s recommendations are dominated by outdated ideas from the 1980s, when various governments around the world, most notably Margaret Thatcher’s in Great Britain, were trying to dismantle the mixed economy¹ and reduce the government provision of basic protections and opportunities for low and middle income people, such as healthcare, education and payment support in hard times.

The experiences of the last 30 years have understandably discredited many of those ideas, especially experiences such as the:

- recent Global Financial Crisis (GFC) caused by virtually uncontrolled private financial institutions overseas;
- failures of various privatization ventures including those involving public hospitals; and
- significant cost increases for essential, basic services now supposedly subject to “market” forces.

The ANMF rejects the basic assumptions on the role of government put forward by the audit commission. The ANMF believes government has a vital and effective role to play in the delivery of quality, cost effective services, including healthcare and education.

The ANMF is also concerned that the audit commission gave very little attention to the nation’s revenue and fair ways of increasing government income. The audit commission could have reasonably considered a range of tax options, including a financial transactions tax on speculative trading and the closing of various business and investment tax loopholes, as effective ways of moderately increasing the tax take from those more than capable of affording it.

The ANMF considers the proposal to force the States to compete with each other over a larger range of taxes, including income tax, is a retrograde step, which only increases the capacity of business interests to intimidate governments into further reducing their tax income and tax transfer capacity into health, education and social services.

The ANMF’s concerns about the nature and quality of the audit commission’s work is heightened by the fact the Abbott Government has started adopting the audit commission’s recommendations in its 2014 federal budget and has indicated this budget is only the start of its refashioning of Australia’s economy and society.

It is the view of the ANMF that:

Australia should continue to strive to be a hard-working, fair and inclusive society, where governments and citizens work through problems together as equal partners.

Australia should preserve a genuine mixed economy, with a strong cost-effective government presence, especially in key social service areas. This is the practical, effective Australian way; one that is informed by very different principles to those of the current federal government’s, which encourage individualism and competition rather than co-operation and collective effort.

¹ An economic system that features a level of private economic freedom in the use of capital as well as government ability to regulate and intervene in economic activities in order to achieve social aims.

COMMENTS ON SPECIFIC RECOMMENDATIONS

As stated, the ANMF is opposed to the general direction and beliefs underpinning the Abbott Government's audit commission and most of its recommendations, which aim to shift more costs and risk onto low and middle income earners. However, four areas of special concern are its recommendations on retirement, healthcare, higher education and wages.

1. RETIREMENT ISSUES

Firstly, the ANMF rejects the idea that retirees are a burden on society. With life expectancy increasing, a debate about the retirement age is welcome and there may be a case for increasing it. However, protections such as a strong disability pension, unemployment benefit system and workers compensation benefits are essential otherwise many older workers could be left destitute because they are not fit enough to do some jobs or they cannot find work because of age bias.

The failure of the audit commission to recommend immediate increases in compulsory superannuation payments further discredits its work, especially as it recommends the pension rate be cut to a percentage of average weekly earnings, rather than a percentage of the higher average male weekly earnings.

Given the importance of these issues, the ANMF calls for an urgent national summit, similar to the broad-based economic and tax summits run by the Hawke-Keating government in the 1980s, to discuss retirement age and other pressing retirement income issues, including superannuation. As with those two summits, unions must be key players in this exercise.

2. HEALTH

Secondly, the ANMF rejects the audit commission's objective of dismantling Medicare and our public hospital system and forcing increasing numbers of people into private health insurance. The ANMF also rejects the proposals to introduce copayments for Medicare items and to initially force higher income people into expanded private health insurance products. These are simply

proposed as first steps towards its goal of full privatization of the health insurance system, except for the "most" disadvantaged.

The recommendation to reduce future federal spending on hospitals and schools as part of realigning the federation, which has been adopted by the Abbott Government in its 2014 budget, is a significant blow to the States and our hospital and school systems.

Australia's Medicare and government-run public hospital system are cost effective, quality systems, when compared with systems around the world, like in the USA, where private operators, especially the private insurance companies, dominate.

Healthcare based on clinical need is a human right and patient care must always take precedence over profits.

3. EDUCATION

The ANMF believes the audit commission's proposals to deregulate higher education, especially higher education course fees, would be a disaster. Universities are there to educate. They should be focused on turning out competent professionals, including nurses and midwives, in sufficient numbers to meet Australia's needs. Along with research, that is their core responsibility. The audit commission's focus on elite models of higher education seeks to benefit a few at the expense of the majority. For example, a large number of quality universities enables many students to gain worthwhile degrees and is a fairer system than having one or two in the world's top 20.

4. WAGES

The ANMF rejects the audit commission's recommendation to cut Australia's minimum wage.

The audit commission has again based this recommendation on economic theories of human behaviour in the market rather than ideas that respect the right to an income that meets basic human needs.

For more than a century Australia's wage fixing process has taken into account the cost of living and the right to a 'living wage'. This should remain the case.



INTRODUCTION

There is currently a high-profile debate in Australia about how best to deal with the aftermath of the GFC. It would be careless of governments not to take stock of the financial and economic situation the GFC has left us.

However, the discussion has moved well beyond the basic financial situation. It is now a full-scale debate about the nature of Australian society and the role of government within it. The speed with which this has happened has taken many Australians by surprise.

The Abbott Government's audit commission has been instrumental in making the debate much more complex and one-sided than it needed to be. The ANMF believes the audit commission undertook a flawed, biased process, largely based on the narrow world view of one elite, powerful section of society and as a consequence produced an unbalanced report.

Over the last 150 years Australians have worked hard to build a fair, open, democratic society, one which gives everyone a chance at reaching their potential while also ensuring everyone has access to vital services such as healthcare and education. In many respects they were successful.

Striking a balance between the rights and capacity of the individual and the capacity of the community working together, especially through our governments, to build a better, fairer life and deliver vital, affordable services for everyone has been a constant theme of Australian public debate over that time.

However, over the last 30 to 40 years the opponents of a balanced, mixed economy and the proponents of small government in many western countries, including Australia, have launched a concerted fight against progressive ideas and social reforms. They have largely recaptured the debate and their views currently dominate many of our major political organisations and public institutions.

During that same period, collective institutions such as unions have undergone a decline in overall membership and influence, although notable exceptions such as nursing and midwifery unions stand out. Nonetheless unionism and its values, like social equity and collective capacity, have been under attack for a few decades.

In the mid-2000s the situation reached such a point that Australia's conservative government led by John Howard felt emboldened

enough to launch a full-scale attack on unions and people's rights at work, including their collective bargaining rights, through its *WorkChoices* policy. The union movement fought back and was instrumental in the defeat of the Howard government at the 2007 election. However, the attacks on unions continue. These attacks include undemocratic legislation aimed at restricting the campaigning and political rights of unions, which further reduces alternative voices and ideas in our society.

Meanwhile the confidence and arrogance of the profit-driven, free market, small government forces continues to grow.

That confidence is on full display in the audit commission reports and the Abbott Government's 2014 federal budget, both of which represent an undisguised attack on many of Australia's collective social and economic achievements, including Medicare and affordable tertiary education.

The Abbott Government's first budget did not implement all of the audit commission's recommendations. Tony Abbott and the federal treasurer, Joe Hockey, have made it clear the 2014 federal budget is only the beginning of their wide-ranging agenda to change Australia. In the executive summary, the audit commission itself (2014a) stated that 'the commission's proposals can be implemented incrementally'.

This is why the audit commission reports are important documents, which remain an ongoing threat to many of Australia's worthwhile social and economic achievements.

It is therefore timely that the ANMF engages in the contest of values and ideas.

As the experienced political commentator, Michelle Grattan (2014), said on budget night:

...in this budget the government has made a raft of risky decisions that, if they hold over the long run, would have quite transformational effects on Australia.

Ms Grattan also stated that:

A few hours before its delivery, Tony Abbott told the Coalition party room the budget reflected a view of society in which citizens were bigger and government smaller. It's a 'values' budget, strong on ideology. Treasurer Joe Hockey has been allowed to take an axe to the 'age of entitlement' that he so wants to end.

The Abbott Government treasurer, Joe Hockey (2014), made the same point in his post-budget address to the National Press Club on 14 May:

At the end of the day what brings a Budget together is not just the information that is provided to us but the values that we bring to the table. ... The Budget, even though it is about numbers, and I'm sure I'll be quizzed, and appropriately so, on that, it is about people, about the sort of country that we want to be in the years and decades ahead. It is about the values that we impart.

At the end of his speech Mr Hockey is even more emphatic about his ideological agenda:

So ladies and gentlemen, this Budget is based as much on values as it is based on the economic need. The values have been a key input. Very few of us hang around in politics for a long time just to spend so much time in Canberra. Not that I'm down on Canberra, but that's not a meaningful contribution. We actually come to this place to change the country for the better. That's what the Budget does, it changes the country for the better.

However, if the post-budget opinion polls² are any guide it is clear Australians, in substantial numbers, have a different set of values to the Abbott Government and they do not believe the Abbott Government's values will change the country for the better.

The labour movement certainly has a different set of values to those informing the Abbott Government's audit commission and 2014 budget and it appears the overwhelming majority of Australians agree with the labour movement.

The vast majority also appear to understand Australia has reached a watershed moment in its history and that many positive achievements of the last 100-150 years are being challenged – and they are not happy about it.

This discussion paper takes a closer look at the social and economic debate, brought into focus by the Abbott Government's audit commission and its 2014 budget, and how nurses and midwives, and in turn the broader labour movement, can respond and promote the real expectations of the Australian people on how the government should run the country.

It is an attempt to condense the arguments and look at the underlying value systems informing the debate, rather than a detailed response to every individual recommendation.

The labour movement, including its political sections, has a critical role to play in providing an effective response to this challenge, and restoring the policy balance between individualism and collectivism, which is so necessary to running a prosperous, fair Australia.

The ANMF understands the importance of this challenge. It is committed to protecting and advancing that balanced approach to Australia's economic and broader social life.

Abbott Government treasurer, Joe Hockey: *His 2014–15 federal budget hit pensioners and low and middle income workers hard, while leaving global capital untouched. Are his values, Australia's values?*



² A Newspoll published on 18 May put Labor ahead of the Coalition on the two-party preferred measure 55%–45%. Newspoll also recorded the Coalition's primary vote post-budget at 36% – its lowest level since Tony Abbott took the Liberal leadership from Malcolm Turnbull in 2009. A Nielsen poll in Fairfax Media publications had the Abbott Government in similar territory, with Labor opening up an 11-point lead.

NATIONAL COMMISSION OF AUDIT OVERVIEW

Since the 1990s audit commissions have become a common feature of the early months of conservative governments in Australia. They use audit commissions to try and justify a range of cuts to government programs and services and attacks on the rights of ordinary Australians such as wage and salary earners, pensioners and students. Conservative governments also use audits as a form of political protection for broken election promises and for the introduction of controversial policies not disclosed prior to the preceding election.

Victoria's former Liberal Party premier, Jeff Kennett, started this conservative post-election ritual following his election in 1992. Conservative governments that have conducted similar "audits" over the last 20 years include the Borbidge-Sheldon Liberal-National Coalition government in Queensland in the mid-1990s, the Howard federal Coalition government in the 1990s, the O'Farrell Coalition government in NSW in the late 2010s and the current Newman Liberal National Party (LNP) government in Queensland.

The latest – the National Commission of Audit – was announced by the Treasurer, Joe Hockey, and the Minister for Finance, Senator Mathias Cormann, on 22 October 2013, to "review and report on the performance, functions and roles of the Commonwealth government" (Hockey & Cormann, 2013).

Ironically, the federal government released the audit commission's two reports (2014a, 2014b) recommending significant spending cuts to healthcare, education, unemployment benefits and pensions, aged care, child care, family payments and even the new National Disability Insurance Scheme (NDIS) on International Workers' Day, 1 May 2014.


As the terms of reference below indicate, the audit commission was given clear instructions by its political masters to recommend ways to achieve their ideological objectives of reducing the role and functions of government and to reach a surplus target of one per cent of GDP sometime within the next ten years. This was not a genuine independent assessment of the national finances.

1. TERMS OF REFERENCE

The Abbott Government set out very detailed terms of reference that are included here in full – National Commission of Audit (2014c).

CONTEXT

- It is almost 20 years since there has been a thorough review of the scope, efficiency and functions of the Commonwealth government. During this time the size of the Commonwealth government has expanded significantly, as has the remit of some of its activities.
- It is also essential that the Commonwealth government live within its means and begin to pay down debt.
- It is therefore timely that there should be another full-scale review of the activities of the Commonwealth government to:
 - ensure taxpayers are receiving value-for-money from each dollar spent;
 - eliminate wasteful spending;
 - identify areas of unnecessary duplication between the activities of the Commonwealth and other levels of government;
 - identify areas or programs where Commonwealth involvement is inappropriate, no longer needed, or blurs lines of accountability; and
 - improve the overall efficiency and effectiveness with which government services and policy advice are delivered.
- Accordingly, the Commission of Audit ('the Commission') has a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure, and to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.

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- In carrying out its work, the Commission may wish to invite submissions, consult key stakeholders and seek information from persons or bodies, where this will assist its deliberations.
 - The Commission should also be guided in its work by the principles that:
 - government should have respect for taxpayers in the care with which it spends every dollar of revenue;
 - government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more; and
 - government should live within its means.

SCOPE

Phase 1

Scope of government

- The Commission is asked to assess the current split of roles and responsibilities between and within the Commonwealth government and State and Territory governments, including areas of duplication.
- In relation to activities performed by the Commonwealth, the Commission is asked to identify:
 - whether there remains a compelling case for the activity to continue to be undertaken; and
 - if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States, or local government.
- The Commission may consider and comment upon the current architecture of Commonwealth-State relations. The Commission's views on this issue will help to inform the Government's forthcoming White Paper on the Reform of the Federation.

Efficiency and effectiveness of government expenditure

- The Commission is asked to report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term, including:
 - options for greater efficiencies in the Australian Government, such as:
 - : increasing contestability of services;
 - : adoption of new technologies in service delivery and within government;
 - : consolidation of agencies and boards;
 - : rationalising the service delivery footprint to ensure better, more productive and efficient services for stakeholders;
 - : flattening organisational structures and streamlining lines of responsibility and accountability;
 - : consolidating government support functions into a single agency; and
 - : privatisation of Commonwealth assets.
 - potential improvements to productivity, service quality, and value for money across the public sector, including better delivery of services to the regions; and
 - anything that is reasonably necessary or desirable to improve the efficiency and effectiveness of government generally.

- The Commission is asked to review and report on:

- options to manage expenditure growth, including through reviewing existing policy settings, programs and discretionary spending (such as grants);
- savings and appropriate price signals – such as the use of co-payments, user-charging or incentive payments – where such signals will help to ensure optimal targeting of programs and expenditure (including to those most in need), while addressing the rising cost of social and other spending;
- mechanisms that allow for the periodic evaluation of the effectiveness of all areas of expenditure in meeting their announced objectives; and
- other savings or matters that the Commission considers should be brought to the Government's attention.

State of the Commonwealth's finances and medium-term risks to the integrity of the budget position

- The Commission is asked to assess the financial position of the Commonwealth, including the state of the balance sheet, including all assets and liabilities, and Commonwealth risk expenditures.
- The Commission is asked to review and report on the long-term sustainability of the budget position, identifying key policy areas where trends in expenses and revenue pose risks to the structural integrity of the budget.
- Where possible, the Commission should identify options to address any such budget risks in the medium to long term, including by introducing appropriate incentives to encourage self-provision of services by individuals over time.

Adequacy of existing budget controls and disciplines

- The Commission is asked to assess the adequacy of current budgetary practices and rules (including specified timeframes and targets) in promoting efficient and effective government, disciplined expenditure, long-term fiscal sustainability and budget transparency.


Phase 2

Commonwealth infrastructure

- The Commission is asked to review and report on the extent, condition and adequacy of Commonwealth sector infrastructure and, if found to be deficient, factors that may have contributed to the current situation and possible remedies.

Public sector performance and accountability

- The Commission is asked to:
 - identify options for continuous assessment of programs, agencies and performance;
 - identify options for strengthening Commonwealth budgeting arrangements by:
 - : increasing independent and credible scrutiny;
 - : examining the role of the Parliamentary Budget Office, the Australian National Audit Office and the Intergenerational Report; and
 - : reviewing the way risk expenditures are accounted for.
 - report on a methodology for developing and implementing financial performance targets for Commonwealth departments and agencies (having regard to international experience and Australian best-practice, including by government business enterprises);

- 
- review and report on the effectiveness of existing performance metrics and options for greater transparency and accountability through improved public reporting;
 - identify options for a clearer delineation of responsibilities for policy and service delivery; and
 - identify other savings or matters that the Commission considers should be brought to the Government's attention.

Reporting

- The Commission will report to the Prime Minister, Treasurer and Minister for Finance with:
 - the first phase due by the end of January 2014; and
 - the second phase due by no later than the end of March 2014.

³ See Workplace Relations Amendment (Work Choices) Act 2005



2. THE COMMISSIONERS

The Abbott Government appointed Tony Shepherd to chair its audit commission.

At the time Mr Shepherd was president of the Business Council of Australia (BCA), a position he had held since late 2011.

He was also chairman of listed company, Transfield Services, between 2005 and October 2013.

It was a controversial choice, with questions being raised at the political level and in the media about potential conflicts of interest and Mr Shepherd's record as Transfield chairman.

For example, on 5 February, Anne Davies (2014) reported in the *Sydney Morning Herald* that:

Mr Shepherd, the chairman of the Business Council of Australia, has already come under scrutiny over potential conflicts of interest arising from his role as head of the premier business lobby group as well as his other directorships and business interests.

He is a director of Virgin Australia and the Australian Subscription Television Association, the peak body for the pay TV industry. Until October he was chairman of Transfield Services, a listed company that has several big government contracts including being a contractor on the national broadband network and providing immigration facilities on Manus Island and Nauru.


The other Commissioners were:

- **Peter Boxall** – chairman of the NSW Independent Pricing and Regulatory Tribunal (IPART), after a career in the federal public service. He was the secretary of the Department of Resources Energy and Tourism, the Department of Employment and Workplace Relations, and before that the Department of Finance and Administration. He was also chief of staff at one time to prominent former Liberal politician, Peter Costello.
- **Tony Cole** – a former Treasury Secretary. He has previously been deputy secretary to the Department of Prime Minister and Cabinet and alternate executive director to the World Bank. He is national practice leader of William M. Mercer's Investment Consulting practice, and chairman of the Melbourne Institute Economic Forums.
- **Robert Fisher** – a former director-general of the Western Australian Departments of Industrial and Regional Development, of Trade and of Family and Children's Services. He was also the executive director of the Western Australian Department of State Development and the Agent-General for Western Australia in London.
- **Amanda Vanstone** – served as a minister in the Howard Government from 1996 until 2007, including seven and a half years as a cabinet minister. Her ministerial career included responsibility for key service delivery portfolios of Families and Community Services, Immigration and Multicultural Affairs, Employment and Justice and Customs (National Commission of Audit, 2014c).

The lopsided nature of the commission was re-inforced by the appointment of Peter Crone to head its secretariat. The Liberal Party announced that Mr Crone "will work with officials from the Department of Finance and the Treasury in the day to day administration of the Commission. Mr Crone is currently the chief economist and director of policy at the Business Council of Australia and has served as an adviser for both State and federal governments.

The BCA (2014) pointed out that:

From 1997 to 2005 Peter was senior economic adviser to Prime Minister John Howard. He also served as an adviser to the premier of Victoria, Jeff Kennett.



People associated with the BCA clearly had a major influence over the audit commission.

The BCA's membership comprises CEOs of 100 of Australia's top companies and has been a constant advocate of policies supporting smaller government, deregulated workplace relations, which reduce nurses and midwives' rights and protections at work, and greater private sector/for-profit involvement in healthcare.

In its submission to the audit commission (2014), the BCA outlines the following priority principles for consideration, including:

- *restraining growth in expenditure*
- *governments must prioritise*
- *maintaining a sustainable safety net*
- *lifting productive capacity*
- *making the federation more efficient*
- *recovering costs where possible*
- *regulating carefully*
- *delivering services efficiently*
- *maintaining intergenerational equity*
- *minimising administrative costs.*

Given the BCA's prominence in and around the audit commission, the ANMF is not surprised that the audit commission's report and the federal government's 2014 budget echo many of the BCA's hard-line economic and social views.

Significantly, there were no representatives from the Australian union movement appointed as commissioners.

According to noted economist John Quiggin (2013):

First, the commission isn't in any sense independent. With token exceptions, its members have been selected on the basis of political reliability rather than relevant expertise. Its chairman, Tony Shepherd, is a former head of the Business Council of Australia. More relevantly, perhaps, he has just stepped down as chairman of Transfield, a company that depends heavily on public-private partnership deals for the private provision of public infrastructure. Expansion of the use of PPPs is among the standard recommendations of commissions of audit.

The Business Council is also providing its chief economist, Peter Crone, to head the secretariat. Shepherd and Crone are backed up by former Howard-era minister Amanda Vanstone, and Liberal apparatchik and former departmental secretary Peter Boxall. Only Tony Cole, who was Treasury secretary from 1991 to 1993, can be regarded as a non-partisan, though ideologically sympathetic, expert on public finances.

The imbalance in representation on this audit commission confirms the dominant ideology of conservative politicians and big business leaders. It also further entrenches the blatant use of the public policy process, by large corporations, to camouflage their own interests as somehow representing the public interest.

The ANMF believes such a costly, biased process, clearly aimed at furthering the vested interests of big business, while restricting the input of nurses, midwives and other working people, is unacceptable.

3. THE OUTCOME IN SUMMARY

As the membership of the audit commission demonstrates it had strong links to the BCA and was not broadly representative of society.

The vast majority of its recommendations confirm the ANMF's view that the audit commission's findings, like those of previous commissions, were flawed, biased and constructed on the narrow world view of one elite, powerful section of society. This does not pass the "balance" and "fairness" tests so important to the vast majority of Australians.

In total, the audit commission made 86 recommendations, in two phases or reports, based on the overarching idea that:

Australia needs to embark on a path of reform and renewal. Restoring the nation's finances can be achieved through a concerted effort to restrain spending assisted by fiscal rules that set some reasonable boundaries around government.

And the naive notion that:

In competitive markets, customers, not producers, take precedence. Competition and contestability drive lower costs, improve quality and give people what they want. Government should act in the public interest and only intervene in markets where market solutions fail to produce the best outcome for the nation as a whole.

Even the so-called safety net has become smaller and smaller in a world run according to the audit commission. In a return to 19th century "workhouse" days, the audit commission believes that governments should only:

Protect the truly disadvantaged. *Government should protect the truly disadvantaged and target public assistance to those most in need.*

because:

The aspiration is for more responsible government – to spend taxpayers' money wisely and focus more on what governments should do, rather than on those things that citizens can best do for themselves.

Based on this set of narrow, harsh values the audit commission recommended a massive program of government spending cuts and/or delays to important areas such as pensions, health, education and disability services, because:

Achieving the (Abbott Government's) target surplus will require a significant reduction in spending, while holding to a discipline that taxes rise no higher than 24 per cent of GDP.

In a blatant attempt to reduce government revenues, vital to the running of hospitals and schools, the audit commission also states that:

The States and Territories should be free to compete amongst themselves, respecting the regional differences of a big continent. However, there will be occasions where the national interest calls for a cooperative and national approach.

As working people saw with the Howard Government's *WorkChoices*³ national workplace laws, this usually means having the States compete through lower taxes and less government revenue for community services, while business obligations like occupational health and safety and the setting of wages and conditions are run uniformly at the national level.

Just in case there was any doubt this was all about the advancement of the business community's interests and profit levels, the audit commission had no hesitation in pointing out that:

In many areas, reducing government expenditure as well as red tape and compliance costs will open opportunities for the private sector.

Finally, the audit commission recommends the eventual dismantling of Medicare and free public hospitals, with their replacement by a system essentially run by private health insurance bought by individuals.

It also recommends making university education more expensive for the individual student and the reduction of the minimum wage.

The ANMF strongly opposes these recommendations.

A more detailed assessment of the audit commission's key recommendations, of relevance to nurses and midwives and other working people, can be found on pages 23 to 59 of this discussion paper.



Big business operative, Tony Shepherd: ... a controversial choice to chair the Abbott Government's "slash and burn" audit commission.

SOME HISTORICAL CONTEXT

1. INTRODUCTION

The audit commission has put its own audacious program to dismantle Australian society in historical context. It points out that its plans are essentially the culmination of 30 to 40 years of effort by powerful business interests, here and around the world, to secure unfettered reign over society.⁴ The following commission (2014a) statement captures the true essence of its agenda:

Governments have a rightful role to play in society but they are a supplement, not a substitute for markets.

Increasingly, however, our national priorities and identity can be at odds with the global nature of markets. Australians expect their governments to protect our own social arrangements when this might conflict with the requirements imposed on us by globalisation.

In other words society is at the mercy of markets and there is nothing Australians can do about it – at least according to the audit commission and the Abbott Government.

This is very much at odds with the expectations of the vast majority of Australians, including nurses and midwives. These conflicting values cause much of the unease in society today and form the basis of the hostile reaction amongst the general public to the audit commission's recommendations and the Abbott Government's 2014 federal budget.



⁴ See chapter 10 *Improving government through markets and technology*

2. SO HOW DID WE GET TO THIS POINT?

As nurses and midwives and other working people prepare to retake the debate, some historical background is useful.

At the government level this “30 year” process basically started with the arrival of Margaret Thatcher’s Conservative Party government in Great Britain in 1979 and Ronald Reagan’s Republican presidency in the United States in 1981.

These two powerful world leaders implemented policies aimed at reversing the civilising ideas of the previous 100 to 200 years, reducing government programs and the government’s role and place in the economy and destroying the political and social balance in society. This was partly achieved by reducing the role of unions and restoring big business as a central, and often unchallenged, influence on government decision making and the nature and direction of public policy.

Yergin and Stanislaw (1999) chronicled the fight back by northern hemisphere champions of traditional class structures, the rights of wealth and capital and the inevitability of extreme inequality, against the advocates of the “rights of man”, industrial democracy, people’s rights at work and the civilising and empowering role of government.

According to these researchers, a small group of conservative activists from Great Britain embarked on a long campaign during the 1970s to overturn the mixed economy and the welfare state, both of which were designed to reduce the extreme inequality, poverty and insecurity characteristic of most human societies. This was a direct attack on the civilising developments achieved in many countries over the previous 100 years and especially the previous 30 years since World War II.

As Yergin and Stanislaw (1999, pp14-15) noted:

The dramatic redefinition of state and marketplace over the last two decades demonstrates anew the truth of Keynes’ axiom about the overwhelming power of ideas. For concepts and notions that were decidedly outside the mainstream have now moved, with some rapidity, to centre stage and are reshaping economies in every corner of the world.

... But if economists and other thinkers have the ideas, it is politicians who implement them, and one of the preeminent lessons of this remarkable shift is the importance of leaders and leadership. Keith Joseph, Britain’s self-appointed ‘minister of thought,’ and his disciple Margaret Thatcher seemed to be embarking on a quixotic project when they set out to overturn Britain’s mixed economy. Not only did they prevail, but they influenced the agenda for a good part of the rest of the world.

As Yergin and Stanislaw (1999, p.16) also pointed out though, these were not new ideas. It really was, and is here in Australia in 2014, very much a reassertion of traditional (economic) liberalism where “the financial burden had gone beyond the ability of governments to manage. Debts and deficits had grown too big”.

So, in summary, in the 1980s a number of prominent governments around the world – most notably in Great Britain and the United States – decided to launch a free market, pro-business “revolution”, using the oil-shock problems many nations were then grappling with as an excuse to attack much of the social progress of the previous 100 to 200 years.

As always, there were problems that needed addressing at the time and some unions at times engaged in unnecessary and disruptive strikes. However, simple corrective action was not the objective. Margaret Thatcher and Ronald Reagan had more far-reaching agendas.

Thatcher (1987) even went so far as to say:

...so they are casting their problems on society and who is society? There is no such thing!

Her aim was to shift risk and cost, especially in key basic social support and essential service areas, back to ordinary people, while powerful financial and corporate interests were free to roam the globe increasingly unaccountable to governments and free of social obligation.

As the ACTU pointed out in the media brief summary of its research report into shifting risk⁵:

The global financial crisis occurred amidst unprecedented potential abundance. In Australia, GDP per capita has increased by 42 per cent since 1990 alone. With this growth in total wealth, however, has come significant economic and social change. These critical transformations to working life have followed three key dimensions:

- 1. The nature of work, characterised by rapid and ongoing changes in technology, production strategies, the security of work and the ways which labour is engaged;*
- 2. The nature of people's lives beyond the workplace, characterised by increasing risks to individual workers and their families of ill health, housing tenure, retirement, and inadequate education; and*
- 3. The nature of relationships between groups of workers, characterised by widening inequality between workers with respect to working conditions including pay, hours, capacity to bargain and career opportunities.*

The result of changes in these three areas has been to substantially shift economic, financial and social risks from businesses and governments to the individual.



**Former British prime minister,
Margaret Thatcher:** *...who is society?
There is no such thing.*

⁵ See attachment 1 for full media release.



3. A QUICK OVERVIEW OF SOCIAL PROGRESS TO THE 1980S

Life, for a range of reasons, was very precarious until relatively recently for the vast majority of people in what we call “the western world”. Arguably it still is in some respects, but nothing like it was, including in the late 19th century. It certainly still is in many developing parts of the world.

For centuries economic insecurity and injustice were major contributors to the precarious nature of most “western” people’s lives. Technological, scientific and medical underdevelopment were also contributors, but the concentration of wealth and political and economic/market power in the hands of a few individuals and companies exacerbated the harshness and risks of life for most people.

During the 18th century many thinkers across Europe and North America started to focus on these issues. Books, newspapers and pamphlets appeared dealing with the nature of society, the “social contract” that exists between citizens in civilised societies and the “rights of man”. Revolutions, based on these ideas, occurred in Britain’s American colonies and France in the late 1700s and the march towards democracy and fairer societies was underway.

The movement gathered pace in the 19th century with revolutions and “working class” and peasant-farmer protests and uprisings occurring in various European countries at increasingly regular intervals. Collectivism, including trade unionism, grew as a means of empowering ordinary people and re-balancing their rights against the rights of the aristocracy and big business, which had done well as a result of the industrial revolution and the spread of innovations such as railways and the telegraph and the greater availability of world travel.

Ideas like the following gathered momentum in many countries and were being freely discussed and taken seriously from about the 1850s onwards:

- allowing all adult males, irrespective of economic class, to vote in parliamentary elections;
- voting by secret ballot to avoid intimidation of and retribution against voters;
- land reform to more fairly distribute land amongst the people;
- the eight hour day, to provide a better balance to life;
- compulsory, free education for all children;
- the establishment and expansion of trade unions; and
- an increased role for government in economic life.

The world could be a better place for everyone – a belief underpinned by the idea that individuals had rights, irrespective of their financial position, and basic needs that should be met and that the interests of all sections of society should be balanced against each other. Governments had a big role in achieving these progressive social objectives.

Europe would spend the first half of the 20th century battling over these ideas. A devastating war between 1914 and 1918 brought various long-running European empires to an end. A deep depression in the 1930s discredited big business, banks and market economics in the eyes of many. By the end of the Second World War in 1945 the long-suffering ordinary people of Europe had had enough. Democracy and the mixed economy, with strong government programs such as universal healthcare and a welfare safety net spread across most of Western Europe.



In Great Britain, the popular war-time Conservative leader, Winston Churchill, lost the 1945 general election to a reforming Labour Party in a landslide defeat. A universal national health service, greater educational opportunity for the working and middle classes and a stronger financial safety net were on their way.

However, it took a long time to get to this point and there was appalling death and destruction along the way. The beneficiaries of the traditional power and wealth structures, such as Britain's class system, had to be dragged reluctantly to the reform table.



Irish rural family being evicted: *The injustices of class-based societies saw land reform and other democratic reform movements gather momentum across Europe during the 19th century.*



4. AUSTRALIA WAS DIFFERENT

Free European settlement in Australia started in the mid-19th century as many of the progressive ideas outlined above were gaining prominence across Europe.

In fact, some British and Irish reformers had already been sent to Australia as convicts because of their involvement in various social reform, land reform and workers' rights activities. Many free settlers had also been involved in these movements. In fact, large numbers of Australia's free settlers came from the working and lower middle classes of England, Scotland, Wales and Ireland.

For them Australia was going to be different. It was truly a "new world" country and they wanted it to be more inclusive than the "old world" places they had left. Most had come to the new world to get away from kings, queens, empires and the injustices of class-based societies.

Ideas like trade unionism, the eight hour day, the universal adult male franchise, the secret ballot and equitable land reform took off very quickly. In fact, Australia ended up leading the world in many of these reforms. For example, the secret ballot was often referred to as the "Australian ballot" system. Free selection of land by settlers, often without the need for a time-consuming survey, was introduced in many Australian colonies in the 1850s and 60s. The idea of large tracts of land being held by a few wealthy people was not acceptable to the majority in this "new" land.

Such democratic reforms are very recent developments in the overall history of human existence. They have only been around for about 150 years. It was not until the 1880s that Britain itself finally followed its Australian colonies and extended the vote to males of all classes. By the 1890s, Australia and New Zealand had become the first places in the world to allow women to vote. It would be almost another 30 years before Britain introduced this simple reform and it took mass protests, imprisonment and a world war to enable it.

Many prominent people, and certainly the labour movement's early leaders, wanted Australia to be a working people's "paradise". Over the next 100 to 150 years, in a robust democratic environment, major reforms, including important and successful government involvement in the nation's economic development, occurred.

Unlike "old world" Europe, where extreme views on the left and right of politics, such as communism and fascism, often disrupted effective reform, Australia embarked on a practical, middle-of-the-road approach to most matters – albeit with no shortage of debate and differences of opinion at times – that brought a level of shared prosperity and basic security to people from all walks of life. It was not perfect. Wars, depressions, recessions and race relations have hampered progress.

However, Australia was proof that the ideas of democracy and equity and a mix of individualism and collectivism in public policy could achieve decent social and economic outcomes. It was a gradual process, with each generation adding new achievements.

WEDNESDAY, JUNE 8, 1859.

[PRICE FOURPENCE F

TRIP ADVERTISEMENTS

SHIP ADVERTISEMENTS. FRASER RIVER.

PERSONS ADVERTISED FOR.

BIRTHS.
On the 26th May, at her residence, Globe Point, Mrs. E. Moore,
a daughter.
On the 2nd June, at her residence, Ballislee Cottage, Hunter's
a daughter.
On the 3rd June, at her residence, a daughter.
On the 4th June, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 5th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 6th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 7th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 8th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 9th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 10th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 11th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 12th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 13th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 14th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 20th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 21st instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 24th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 25th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 26th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 29th instant, at Fyrmount, the wife of Mr. Peter Hunter,
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On the 30th instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.
On the 31st instant, at Fyrmount, the wife of Mr. Peter Hunter,
a daughter.

SHIP ADVERTISEMENTS
STEAMER TO HOBART TOWN (calling at EDEN, Tas-
mania, day). The T. & N. Co.'s iron steamer, the TAR-
MANTUA, JOHN CLINE, commander, will leave the
Palatka ship wharf THIS DAY, WEDNESDAY, at
5 p.m. No tenders or drawback goods will be taken on day
of sailing, and no cargo after noon of day of sailing.
All freight must be paid before delivery of goods.
WILLIS, MERRILL, and CO., agents, 17, Church-st.
NOTICE TO SHIPPERS AND PASSENGERS Re-
garding the STEAMER to HOBART TOWN. The T. & N. Co.'s iron steamer, the TAR-
MANTUA, JOHN CLINE, commander, will leave the
Palatka ship wharf THIS DAY, WEDNESDAY, at
5 p.m. No tenders or drawback goods will be taken on day
of sailing, and no cargo after noon of day of sailing.
All freight must be paid before delivery of goods.
WILLIS, MERRILL, and CO., agents, 17, Church-st.

SHIP ADVERTISEMENTS.

FROM MELBOURNE, for the FRASER RIVER
GOULDING.—The extreme clipper ship
ALICE THORNDIKE, THORNDIKE, commander, 120
tons, will be dispatched for Victoria Territory, at
Talent, and Fort June, Washington, has the be
WEDNESDAY 14th June. The ship has the be
accommodation for passengers in cabin and stowage.

RATES OF PASSAGE.

Cabin	..	..	235
Second cabin	..	..	85
Third cabin	..	..	15
Stowage	..	..	10

For particulars apply to the Agent in
Melbourne in the United States.

PERSONS ADVERTISED FOR.
ELLEN ALLEN, who arrived in the colony in 1655, is the able Lady Kennaway, will bear of her sister **MARY** (who is married), by applying to Mr. PHARM

PATRICK BUTLER, who arrived in this country last night, is the son of **Mr. THOMPSON**, at Moore's Wharf, Millers Point.

[illegible]

PUBLICATIONS containing full responses to your questions are available at a very low price. Treat them as you would treat the man who has so graciously lent you.

PUBLICATIONS OF SYDNEY.—Your attention directed to the advertising columns of the HERALD THIS DAY; your interests are particularly concerned.

POWER FOR EAST SYDNEY.—The Committee representing the Election of the Hon. CHAS. COWPER, for East Sydney, will meet at the Club Room, Macquarie Street, on Wednesday next, at 8 o'clock, to make arrangements for the election of members of the Committee.

THIS EVENING, at 8 o'clock, to make arrangements for the election of members of the Committee.

[illegible]

JOHN T. MACNEIL
CAMERON FOR THE GLEN and BALMAIN.
 Mr. CAMERON will address the Electors at the
 Glen on THURSDAY evening, June 9th, at 7 o'clock.
 the University Hotel.

MANLY BEACH,--SHEPHERD for
LEONARD'S.--The Committee for securing
 the Beach will meet on FRIDAY Eve-

generally a reperusal of them, that they may make themselves thoroughly familiar with the state of the law.

So far as voters are concerned, the principal points important for them to attend to are the following.

No one whose name is not on the list is entitled to vote, no matter what his qualification; but every one on the list is entitled to vote, whether really qualified or not, unless a criminal, or a pauper, or a lunatic, or serving in the military, naval, or police force. The law supposes the roll to be perfect.

No questions are allowed to be asked of the voter, except as to whether he is the person whose name he assumes to bear, and whether he has already voted. If these questions should be put, the voter is bound to answer them before he can be permitted to vote.

If bribery is in any case suspected, the vote may be required to take the solemn declaration against bribery, and cannot be allowed to vote till he has taken it.

A false answer is a misdemeanour, and exposes the guilty voter, on conviction, to the penalties of wilful and corrupt perjury.

The interpretation of the word "bribery" is a very wide one, and section 59 should be, therefore, read very carefully, inasmuch as the acts of agents bind their principals, and a single act of bribery proved not only unseats the candidate, but makes him incapable of holding seat until the next general election; while a person guilty of bribery renders himself liable to a fine of two hundred pounds and six months imprisonment.

Personating another elector, or voting twice, are misdemeanours, and expose the guilty person to a fine of two hundred pounds and three years' imprisonment.

Any attempt to obstruct the voting, by unnecessary delay in the ballot-room, is considered a misdemeanour, as is also an attempt to intrude forcibly into the room.

In order to make the new mode of voting quite intelligible to everyone, we subjoin the following plain directions for voters:—

1. Make up your mind distinctly as to whom you mean to vote for.

2. Find the booth marked with the initials of your surname.

3. Announce your name to the polling clerk outside, and he will give you a card initialled by himself, containing the number set against your name on the electoral list.

4. If the scrutineers should have reason to suspect that you are personating some one else, or have voted before, or have been bribed, they may stop you, and cause the questions to be put to you.

5. If you run the gauntlet of the scrutineers unchallenged, or if you answer the question satisfactorily, pass on to the returning-officer, or his deputy, who will take from you the card you received outside, and give you a ballotin paper, containing the names of all the candidates.

6. Enter the secret balloting chamber, and taking up the red chalk pencil you will find there, draw the pencil distinctly through the names of those candidates for whom you do not mean to vote, leaving untouched the names of those for whom you do mean to vote. Be sure you do not leave more names unerased than there are members to be elected, or all your votes will be thrown away. And do not make mistakes, and so spoil your balloting paper, because you cannot be supplied with a second one on any excuse.

7. Fold up your ballot paper and drop it in the box on the table, and go out by a different door from that at which you entered.

8. Be as quick as you can about the business because the poll closes at four o'clock, and there are hundreds of electors besides yourself who have to vote.

Strong government programs work: *During the 1980s Australia's Labor government went against the Thatcher-Reagan anti-society trend and introduced the effective and popular government-run program, Medicare.*



5. THE 1980S AND BEYOND IN AUSTRALIA

Significantly, just as the Thatcher-led return to blind faith in markets and individualism was gaining a foothold in Britain, the Australian people voted out their conservative government led by Malcolm Fraser and his treasurer, John Howard. A major reason was the clumsy, insensitive way it tried to undo many of the social reforms of the Whitlam Government, including Medicare's predecessor, Medibank.

The Hawke-Keating Labor Government won a huge majority at the 1983 federal election and 13 years of Labor rule began.

While Margaret Thatcher and Ronald Reagan were trying to destroy unions, the role of government and collectivism in general, the Australian Labor government brought business and unions together to deal with the nation's economic issues. It adopted an inclusive approach – called the Accord – to decision-making, which helped Australia avoid the excesses of the Thatcher-Reagan model and continue to develop a mixture of popular government-run programs, such as Medicare, and, where appropriate, private, market-based arrangements.

There was no shortage of debate and controversy surrounding some of Labor's policies, including privatisation of the Commonwealth Bank and QANTAS. With the benefit of hindsight it is arguable that Australia could not completely isolate itself from the many pro-market and globalisation changes occurring around the world. Many of their excesses were avoided though. Better-balanced policies, which also forced business to pay its way through the closure of various tax rorts like the tax-deductible long lunch, were implemented. Medicare and compulsory superannuation were introduced.

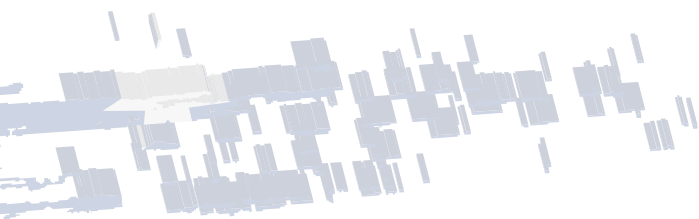
However, during this period supporters of the Thatcher-Reagan "revolution" were also growing in number and confidence in Australia and many of the ideas behind it started to be openly promoted by conservative politicians and organisations. The first full attempt to import this "revolution" occurred at the 1993 federal election when the Liberal-National parties campaigned for a program of substantial change called "Fightback". Amongst its proposed changes were the introduction of a 15 per cent goods and services tax, the effective abolition of Medicare and a significant reduction in workers' rights, collective bargaining and the role of unions. The Australian people rejected it.

The conservatives had learnt their lesson though. In 1996 the Liberal-National Coalition finally won power again after 13 years, with Fraser Government treasurer, John Howard, as prime minister. It won by avoiding the high profile approach of 1993, when "Fightback" and all its details were published months before the election, allowing for close public scrutiny.

During its period in office, the Howard Government again forced large numbers of Australians into private health insurance, started tampering with Medicare, cut taxes on business and capital and introduced a 10 per cent GST on virtually everything working people and pensioners buy. Then, after nearly ten years in office it finally launched a major attack on workers' rights through its *WorkChoices* policy.

This last policy cost the Howard Government the 2007 federal election, and John Howard his own electorate. Over the next six years in opposition, the federal Coalition parties again adopted a low profile approach to such unpopular policies. Consequently when they resumed power in 2013 most voters were unaware of their real agenda. This time, they proceeded quickly to introduce their pro-market, small government ideology.

The sweeping changes they propose, and the ideas underpinning them, to Australia's way of life and traditional social-economic model based on the "fair go", are outlined in the National Commission of Audit and the 2014 federal budget.



These hard-line policies are not a sincere effort to rein in spending after the GFC emergency. They are arguably the most audacious changes proposed for Australia since free European settlement replaced the convict system in the mid-19th century.

Thatcher and Reagan used the oil price shock of the 1970s to implement an ideological agenda, rather than simply address the specific issues and problems of the time. The Abbott Government is using the same strategy. It is trying to use post-GFC debt and deficits, which every serious expert knows and says are at very manageable levels in Australia, as an excuse to attack our national values and our expectations of policy fairness and balance and implement the 1980's thinking that drove governments like Margaret Thatcher's in Britain.

As Quiggin (2013) noted⁶:

Advocates of commissions have learned nothing, and forgotten nothing, since Kennett's audit 20 years ago, which in turn reflected the political orthodoxy of the 1980s, based on microeconomic reform, privatisation and financial deregulation.

When commissions of audit began, there was a lot of excitement about new ways to involve the private sector in the provision of public services, epitomised by the hit American book of the time Reinventing Government. Some of those ideas, such as competitive tendering, have worked reasonably well, even if not up to their promoters' expectations. Others, such as PPPs, have been disasters, to the point that even insiders like Lend Lease have described the model as 'broken.'

In all probability, none of this experience will be reflected in the commission's report when it is released in January. Instead of a road map for Australian government in the 21st century, we will see the ideology of the 1990s used to support one last push for the policy agenda of the 1980s.

The world, including Australia, has now had some time to assess these market-based policies and it is obvious they have a mixed record.

The appalling conduct of financial institutions, which led to the GFC, and the growth in inequality, is now obvious. Governments had to resolve the market-created GFC by bailing out many failed banks, guaranteeing the savings of ordinary people, and spending money to keep people in work.

Here in Australia we have witnessed many "market" or private sector failures, with governments having to take back public hospitals, private road projects going bankrupt and the collapse of ABC Child Care, to mention just a few. Rural and regional Australians know they would have limited community services if they relied on "markets" to deliver them.

⁶ See attachment 2 for full opinion piece.

THE AUDIT COMMISSION'S PROPOSALS IN MORE DETAIL

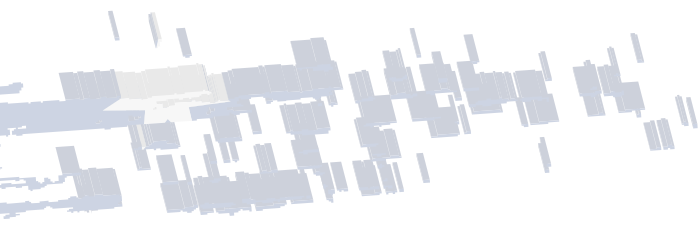
1. THE ROLE OF GOVERNMENT

Before it became policy and budget detail, the Abbott Government's audit commission created its manifesto on the "principles of good government". These principles demonstrate the extent to which the audit was an ideological exercise rather than a genuine independent attempt to consider Australia's post-GFC debt and deficit issues. The 10 principles on which it builds the manifesto are:

1. **Live within your means.** All government spending should be assessed on the basis of its long-term cost and effectiveness and the sustainability of the nation's long-term finances.
2. **Harness the benefits of the Federation but demand a responsible Federation.** The Commonwealth's activities should be guided by the Constitution. The States and Territories should be free to compete amongst themselves, respecting the regional differences of a big continent. However, there will be occasions where the national interest calls for a cooperative and national approach.
3. **Protect the truly disadvantaged.** Government should protect the truly disadvantaged and target public assistance to those most in need.
4. **Respect personal responsibility and choice.** Government should not and cannot eliminate or insure every risk to the community. Personal responsibility and choice are fundamental to our democratic system.
5. **Assure value for taxpayers' money and ministerial responsibility.** Governments spend taxpayers' money not the government's money. They must assure value across all expenditure and constantly strive to improve productivity and eliminate waste. All programmes should be regularly assessed for effectiveness against their stated goals and outcomes. Ministerial responsibility is imperative and departments should be the primary source of policy advice.
6. **Be transparent and honest.** Transparency and honesty are fundamental to accountability. Government policy goals and programme outcomes must be transparent. Transparency in government will better illuminate the choices we face and the decisions needed for the overall good of the nation. Spending on lower priorities, however popular at the time, needs to be resisted.
7. **Reduce complexity.** Government should reduce complexity which impacts on its own operations, the operations of the States and Territories and the activities of the community and business. Reporting requirements should be kept to a minimum.
8. **Avoid regulation as a first response to a problem.** Adding new regulations to deal with problems should be the last resort and introduced only when existing laws prove inadequate and the risks of no regulation outweigh the costs to the community.
9. **Act in the public interest and recognise the benefits of markets.** In competitive markets, customers, not producers, take precedence. Competition and contestability drive lower costs, improve quality and give people what they want. Government should act in the public interest and only intervene in markets where market solutions fail to produce the best outcome for the nation as a whole.
10. **Do not deliver services if others are better placed to do it.** The delivery of public services should, wherever practicable, be handed to those organisations and levels of government closest to those receiving the service and should not be duplicated.

While its specific recommendations must be addressed, these points are possibly the most significant aspect of the audit commission's reports.

There will always be debates about the cost of living, the micro-detail of various programs, the best way to fund priorities and the timing of new initiatives. However, if key participants in the debate, such as the audit commission, do not even accept the value of a genuinely mixed economy and the capacity and the right of government and collectivism to promote fairness and opportunity for all sections of society then all other matters are of no consequence.



Therefore, the ANMF believes that we must not allow these “principles” as a whole to gain majority acceptance in Australian society. Some might sound reasonable on their own, but as a package of “ideas” they lack balance and are naive, especially in terms of the respective capacities and limitations of the private and public sectors. The principles do not stand close scrutiny in their effectiveness in all situations and run contrary to the experience of the Australian people, who have built a reasonably successful and equitable society using the mixed economy model.

The ANMF rejects the premise that markets are the starting point. Human rights are the starting point for good public policy. Governments have a vital role to play in ensuring the basic needs of people, such as food, shelter, quality healthcare and education, are available, accessible and affordable.

Governments can also run many programs and risk-management systems more equitably and cost-effectively for society as a whole than the private sector. Included in this are public hospitals, schools and universities.

Therefore governments can and must continue to play a major part in making life fairer and more secure for all, not just the “most” disadvantaged, the term we now find creeping into political discourse. In many areas such as healthcare and schooling, governments provide important quality services for all, not just a safety net.

Regulation is also an important function of government. Workplace injury, inadequate health and safety measures and financial risk can all result from poor business practice and unscrupulous behavior. Regulation plays a key role in protecting low and moderate income people and in many areas should be in place from the outset to avoid people being injured and deceived.

As regulated professionals, nurses and midwives have a direct understanding of the importance of accountable practice. Practice rules and guidelines make the system safe.

In the aged care sector, nurses see first-hand the many problems and reduced quality of care caused by low staffing, which itself is partly due to the lack of regulation of how taxpayer and resident funds are spent by facility and service owners.

The ANMF rejects the audit commission’s indifference to the importance of regulation, especially in areas like human and financial services. The recent GFC should provide enough evidence of the risks of letting markets make their own rules.

The ANMF is also concerned about the audit commission’s push to have even more competition between the States in the area of tax collection, especially while maintaining uniform business regulation at the national level.

This is just another attempt by the business sector to force lower taxes by playing the States off each other to attract business. This race to the bottom on the revenue side would create even bigger budget deficit and debt problems or lead to significant service cuts in areas like health and education.

The 2014 federal budget indicates the Abbott Government is heading down this track, with big cuts in future State funding for schools and hospitals. This is a major policy lever in the push for smaller government and it will not benefit the Australian people. The ANMF will oppose this idea and any push for further reductions in government revenue through interstate competition.

2. GOVERNMENT REVENUE AND SPENDING

In many ways the audit commission's first recommendation also sets the tone for the others.

It reinforces, with specific targets and levels, the small government, pro-market ideas set out in the ten so-called "principles of good government":

Recommendation 1: Fiscal framework and rules

The imposition of clear fiscal rules and frameworks is one way of strengthening the nation's finances. The Commission recommends the federal government adopt a high-level fiscal strategy which seeks to achieve underlying cash surpluses, on average, over the cycle; improve the government's balance sheet over time; and limit the size of government, as a proportion of GDP.

It should do this by adopting the following fiscal rules which set out how the fiscal strategy is to be achieved on a year-by-year basis.

- Achieve a surplus of 1 per cent of GDP by 2023–24.
- Substantially reduce net debt over the next decade.
- Ensure taxation receipts remain below 24 per cent of GDP.

This recommendation assumes the value of surpluses and set revenue targets without any reference to the good of the people or the specific needs of the community at any given time in history. If this type of thinking had been adopted during the GFC hundreds of thousands of Australians would have lost their jobs and many family budgets would now be in ruin.

In fairness to the audit commission, this recommendation is a direct response to the terms of reference, but all the evidence suggests the commissioners support the Abbott Government's general values in this respect anyway and, like the current federal government, they unmistakably want to "limit the size of government".

The audit commission also seems to accept the idea there is some sort of budget emergency, which most serious experts reject.

The ANMF accepts that after a genuine emergency like the GFC, when action had to be taken to save jobs and businesses, there might be some reassessment of finances. It is a common experience, even at the personal level, to increase spending to deal with an emergency or crisis and then have to reassess the situation when things settle down. However, there is no need for a full-scale attack on government programs and the role of government in our society.



As the 2013-14 federal budget papers (2014) (Statement 1: Budget Overview pp 21-22) point out:

Net debt is expected to peak at 11.4 per cent of GDP in 2014 15, and decline over the remainder of the forward estimates. Net debt is projected to reach zero in 2021 22, only one year slower than projected at MYEFO despite the substantial reduction in expected tax revenue.

Net debt remains very low by international standards, with the average net debt position of the major advanced economies expected to be around 93 per cent of GDP in 2014 (Chart 5). Despite the delay in the return to surplus, Australia will return to surplus ahead of most other advanced economies (Chart 6).

Chart 5: Comparison of Government net debt for selected economies, 2012-2018

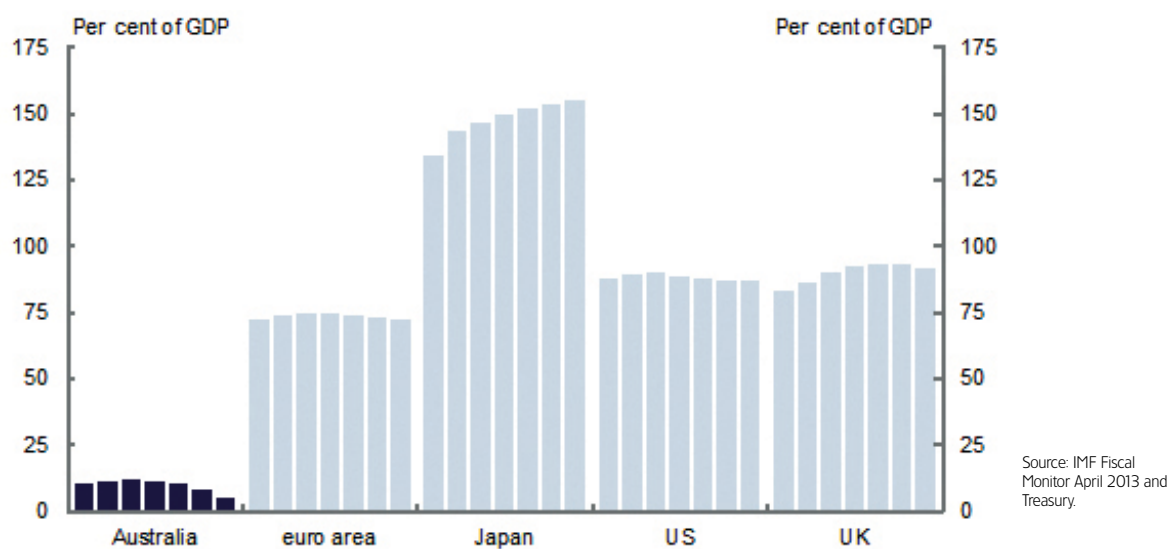
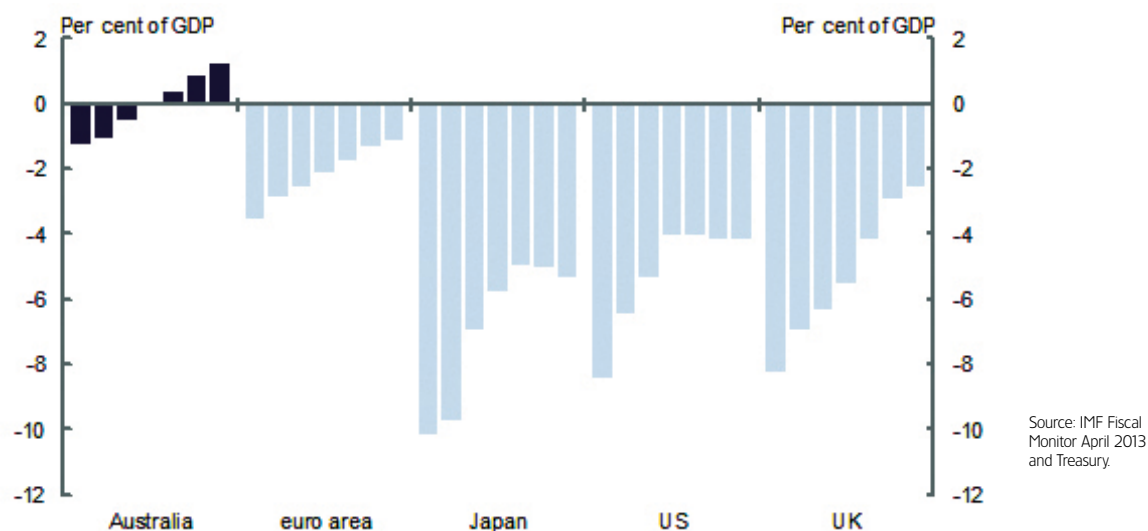


Chart 6: Comparison of Budget balances for selected economies, 2012-2018



3. INCREASING GOVERNMENT INCOME/REVENUE - FAIRLY

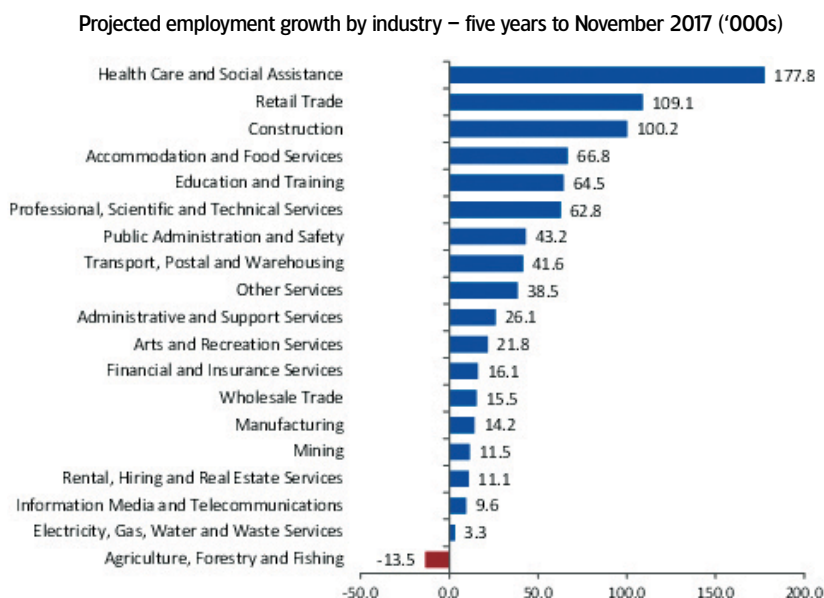
One of the biggest weaknesses of the audit commission is the lack of focus on ways to increase government revenue. This is hardly surprising in a process predicated on reducing the size and role of government.

The audit commission has placed complete trust in markets to achieve economic growth and industry capacity in Australia. According to the commission, taxes should be kept low to allow this to occur.

The ANMF believes the private sector plays a vital role in Australia's economy and prosperity. The ANMF believes governments do also.

Government revenues should be set at a rate that allows the government to do its job properly and transfer resources into employment generating and service delivery areas like health and social services. For good reason, these areas will continue as two of the biggest employment growth sectors over the coming years. It is perfectly sound, as a lot of other industries use technological improvements to reduce employment numbers while still enjoying reasonable incomes, that taxation should be used to shift some of that income to the areas of healthcare, education and social services.

The following graph indicates projected employment growth by industry to 2017.



Source: Department of Employment, Education and Workplace Relations (2013) *Employment Outlook to 2017*

Creighton and Crowe (2014) refer to the work of several respected Australian economists to argue that the **“nation's jobs market will become increasingly reliant on taxpayers during the next five years as mining and manufacturing shed staff to make way for an army of health, education and welfare workers.”**¹

So numerous prominent experts are confirming the trends, in official statistics over a number of years, that the nature and areas of employment are changing and, in some cases, significantly. These trends are actually to be expected as societies and technology progress.

¹ See attachment 3 for full reprint of the article.



According to Rafferty and Wu (2010, p.5) “technologies have produced dramatic reductions in communication, computer processing and transport cost; and less labour is now needed to produce agricultural, mining and manufacturing output”

The observations of these experts are further confirmation that governments need to refocus urgently on the revenue and industry growth aspects of the economic and public finances’ debate.

The audit commission has completely ignored this need and in recommending a capping of taxation at 24 per cent of gross domestic product it is ignoring the employment and social realities in 21st century Australia. The private sector might help create wealth – government run industries can create wealth too – but if revenue is not increased through taxation, the private sector’s contribution is of reduced value to the wider community.

The ANMF also believes that the federal government should levy taxes in a way that supports equity as well as economic growth. By increasing the range and rate of various financial, investment and other business taxes, rather than continuing to shift the burden onto working people through an increased and expanded Goods and Services Tax (GST) and State income taxes, Australian governments can both add to their income and achieve a fairer taxation system.

It must also be remembered that a key reason Australia has an ongoing budget deficit and extra debt is that government tax revenue did drop a few per cent during and after the GFC.

The following extract from the 2013-14 budget papers indicates the impact of the GFC on the tax to GDP ratio.

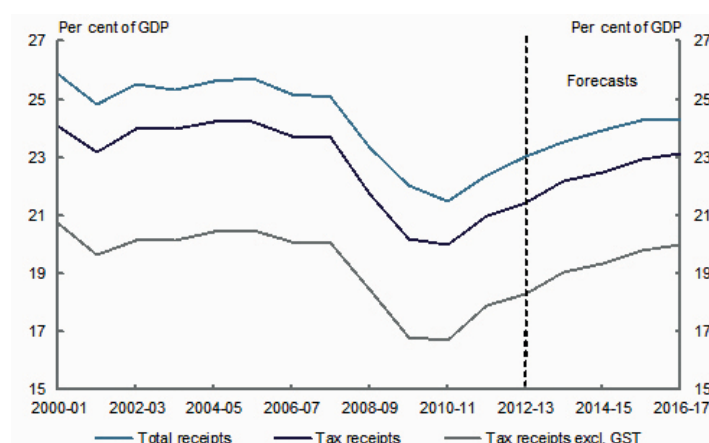
THE IMPACT OF THE GFC

THE FEDERAL TAX SITUATION – TAX TO GDP RATIO


In addition to lower nominal GDP, lower than forecast tax collections in 2012-13 have resulted in the expectation of less tax per dollar of GDP. This is expected to impact the tax to GDP ratio in 2013-14 and across the forward estimates. Indeed, tax receipts as a share of GDP are expected to remain well below pre-GFC levels over the entire forward estimates period. Over the five years to 2012-13, the average tax to GDP ratio is expected to be 20.9 per cent, lower than any period since the five years ending in 1995-96.

If the tax to GDP ratio was the same as it was in 2007-08 (23.7 per cent), the year immediately prior to the GFC, tax receipts would be around \$24 billion higher in 2013-14 alone.

**Chart 1:
Tax to GDP ratio**



Source: Commonwealth Budget 2013-14 Budget Paper 1 Statement 5.



The ANMF believes our national leaders should put their energy into growing the economy, industry and, as a consequence, national and State taxation income, rather than focusing on cost cutting and reducing the role of government.

There are also various tax options, targeting financial speculators and other business and investment distortions, which could help plug the current revenue hole. Some of the taxation reductions for high value, self-managed superannuation funds should also be reviewed. The Australian government should also cooperate fully with international efforts, including through the G20, to cut international tax avoidance, especially by big corporations, and close down tax havens. These are fairer policy options the ANMF will continue to pursue in its dealings with governments.

Case study - financial transactions tax (FTT)

As a case in point, the ANMF believes that for reasons of tax equity and social need Australia should introduce a financial transactions tax (FTT).

In recent years the tax burden has increasingly fallen on families and pensioners, while corporate and financial taxes have been reduced ostensibly for reasons of efficiency and job creation.

This narrowing of the tax base has created a significant squeeze on government revenues and the capacity of governments to continue to provide high quality public services. It has also increased the cost of living for most people, seen a spreading of user pays charges for basic public services and a drive to hold down wage rates in key public service areas such as health, aged care and community services.

Since the release of the audit commission's recommendations and the 2014 federal budget the debate about increasing the GST and expanding its coverage has flared up in Australia.

The ANMF believes that instead of disadvantaging ordinary people again through tight budget measures, it is time the federal government took and redistributed a larger share from those involved in the billions of dollars in financial transactions, much of it speculative and of little productive value.

If governments can tax transactions between a pensioner and their plumber at ten per cent then they can tax financial transactions at 0.05 per cent or an agreed final figure. If governments can tax ordinary families buying homes, then they can and should tax international financial transactions.

In summary, a FTT is a tax on institutional trades of currencies, stocks, bonds, derivatives and interest rate securities. It is sometimes referred to as the 'Robin Hood Tax' by various high profile campaigners within Australia and around the world.





4. A STATE INCOME TAX?

Amongst the audit commission's recommendations are a few dealing with the financial relationship between the States and the federal government. In particular Recommendations 7 and 8 have significant implications for service areas, which make them very important to nurses and midwives and their patients.

Recommendation 7: Reforming the Federation – clarifying roles and responsibilities

There is significant overlap between the activities of the Commonwealth and the States. The Commission recommends that a comprehensive review of the roles and responsibilities between the Commonwealth and State governments be undertaken, informed by:

- the principle of 'subsidiarity' so that policy and service delivery is as far as is practicable delivered by the level of government closest to the people receiving those services;
- ensuring that each level of government is sovereign in its own sphere; and
- ensuring minimal duplication between the Commonwealth and the States and, where overlap cannot be avoided, ensuring appropriate cooperation occurs at all times.

Recommendation 8: Reforming the Federation – addressing vertical fiscal imbalance

A closer matching of the revenue-raising capacity of States and Territories and their expenditure responsibilities would make them more responsible in their own sphere. The Commission recommends that:

- the degree of vertical fiscal imbalance in the Federation be substantially reduced. This should be achieved by providing the States with access to the Commonwealth's personal income tax base;
- to facilitate this proposal, the Commonwealth should make room and reduce its personal income tax rate by an equivalent percentage point amount to a new State surcharge to ensure that taxes do not rise overall. Revenue raised would be hypothecated to the States; and
- the States be provided with a capacity to periodically vary the surcharge they impose as a means of injecting further competition into the Federation.

In summary, this represents a return to days past. As well as taking Australia back to a time when markets and big businesses ruled the world and everyone apparently lived happily ever after, the audit commission wants to return the nation to pre-World War II days when the States charged income tax.

This power was taken over by the federal government during World War II and the system has been operating that way ever since.

The recommendations are based on the idea of "competitive federalism", where the States compete with each other to lower taxes and government revenue even further. Big business loves this idea, because it can intimidate State governments into reducing the amount of tax it pays.

This issue has already been referred to in Section 1 above, "The role of government".

In keeping with its pro-business bias, the audit commission wants the best of both worlds – competition, or a race to the bottom, between the States on tax, but national uniformity on regulatory issues such as occupational health and safety and wage setting.

This is a potential disaster for hospital and school funding and the 2014 federal budget has essentially given effect to the first stage of the audit commission's recommendation and cut future funding to the States for schools and hospitals. This has already triggered a renewed tax debate.

The following extract from the 2014 budget demonstrates the government is undertaking the "reforms" recommended by the audit commission.

State Governments have primary responsibility for running and funding public hospitals and schools. The extent of existing Commonwealth funding to public hospitals and schools blurs these accountabilities and is unaffordable.

Reforming unsustainable or ineffective agreements with the States

The Government is addressing this unsustainable situation by moving to more realistic funding arrangements.

In this Budget the Government is adopting sensible indexation arrangements for schools from 2018, and hospitals from 2017-18, and removing funding guarantees for public hospitals. These measures will achieve cumulative savings of over \$80 billion by 2024-25.

The Government will also reduce or terminate some Commonwealth payments that are ineffective or duplicate State responsibilities.

These include National Partnership Agreements on Preventive Health, Improving Public Hospital Services and Certain Concessions for Pensioners and Seniors Card Holders.

The States will be expected to continue contributing to these arrangements at their expense.

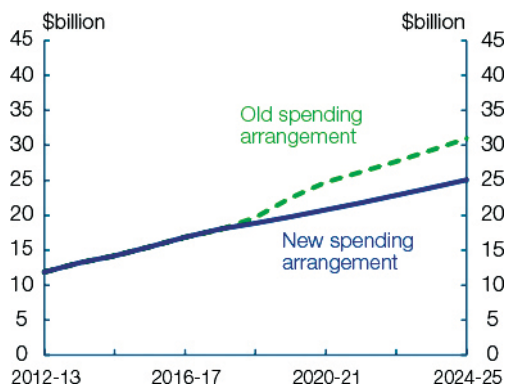
Further reform

The changes in this Budget provide a platform to consider longer-term arrangements in the context of the White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System.

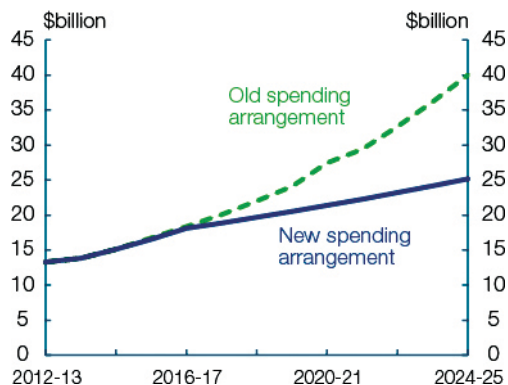
The White Papers, to be completed by the end of 2015, will consider the spending and taxation roles and responsibilities of the different levels of government in Australia to ensure that, as far as possible, the States are sovereign in their own sphere.

More sustainable spending arrangements for schools and public hospitals

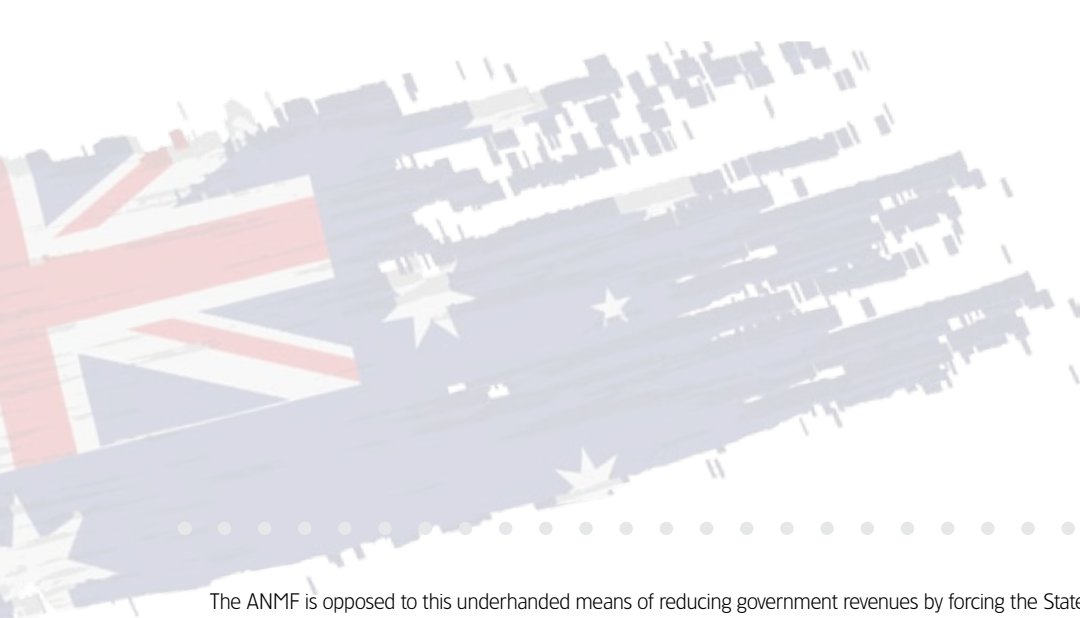
Schools



Hospitals



Source: Commonwealth Budget 2014-15 Overview – Towards a functioning Federation.



The ANMF is opposed to this underhanded means of reducing government revenues by forcing the States into even greater competition over tax rates and leaving them at the mercy of big business. This is already a problem in Australia with payroll and other State taxes. It is also a problem internationally as many big businesses hold nations and their governments to ransom and seek the lowest taxes for themselves and the lowest wages for workers.

The federal government asked the audit commission to recommend ways of reducing the federal budget deficit. Reducing revenue sources and tax rates will not do that without finding alternative income or cutting health and education services. This is, of course, exactly what this audit commission does recommend in the form of greater individual payments for GP visits, university degrees, child care and etcetera.



5. HEALTH

The ANMF is the largest health professionals' organisation in Australia and, consequently, has considerable experience in and knowledge of the healthcare sector.

It believes healthcare based on clinical need is a human right and patient care must always take precedence over profits.

As a result, it is extremely concerned by the tone and detail of the audit commission's recommendations on healthcare and Australia's Medicare system.

The audit commission has accepted without question the idea that Australia is on an unsustainable spending trajectory in this vital policy area. The ANMF rejects this proposition and therefore rejects the need for the expenditure cuts, greater private contribution and "small government" proposals for healthcare put forward by the audit commission.

a) Australia's public health system is affordable

The ANMF believes Australia has a manageable health budget, even as the population ages over the next few decades, and there is actually scope to increase the role of government in areas such as affordable dental care.

The ANMF also rejects arguments that the size of the health budget, as a proportion of GDP, is growing unsustainably. The projected growth is not unsustainable and it is not uncommon for the makeup of economies and budgets to shift around as needs change.

For example, the proportion of the economy devoted to motor vehicles and bitumen roads in the 19th century was virtually zero. Now the automotive sector is a big part of the economy with most families having at least two cars. Petrol stations and mechanics' garages can be found in virtually all suburbs and towns and road expenditure was one of the few areas of increased spending in the Abbott Government's 2014 federal budget.

Societies change their spending and economic profiles change with them. Growth in expenditure in any given area is not, in and of itself, an indicator of unsustainability.

In Section 7.3 of its phase one report, the commission (2014a) states:

Recent Productivity Commission projections suggest Commonwealth Government spending on health will rise from around 4 per cent of GDP in 2011-12 to 7 per cent in 2059-60. Health expenditure by State governments is projected to rise from around 2.5 per cent of GDP to almost 4 per cent of GDP over the same period. Other research projects similar trends.

So, in about 50 years the proportion of GDP spent on health by governments will increase from about 6.5 per cent to between 10 and 11 per cent. Firstly, the ANMF challenges anyone to say with any certainty what the world will be like in 50 years. A quick look at the massive changes in technology and spending patterns in the last 20 years is enough to suggest it is a brave person indeed who tries to predict life in 2060.



As Professor Jeff Richardson (2014) stated recently:

The unsustainability of government health expenditure in Australia is a myth that has been carefully nurtured to justify policies to transfer costs from government to the public.

... The fear that the rising share of GDP spent on health will harm the economy or our standard of living – reflected in numerous reports for the government, including the recent National Commission of Audit's – is probably a result of bad arithmetic.

It's entirely possible for spending on health to rise more rapidly than GDP and for the amount of non-health GDP to continue to rise.

If GDP growth per capita fell to the annual average of 1.4% per annum, which occurred between 1970 and 1990, then by 2050 per capita GDP would rise by 65%. And if health expenditures rose to the US level of 17.7%, there would still be a 50% increase in non-health GDP per capita.

The unsustainability myth is created by focusing on percentages and not on the absolute level of resources available.

Health spending probably will rise as a share of GDP, but the economy is flexible. In 1901, agriculture accounted for 19.5% of GDP; today it is 2%.

The composition of GDP varies with technology and demand, and increasingly (as agriculture and now manufacturing, decline in percentage terms), services – including health services – have expanded.

Professor Richardson is supported by a range of other eminent economists:

A modest rise in health spending was inevitable as Australians grew richer and older, said the chief economist of Bank of America Merrill Lynch Australia, Saul Eslake, adding that "to call it unsustainable is probably an exaggeration".

Far from having a health funding crisis, Australia had "one of the best health systems in the world", said Stephen Duckett, health program director at the Grattan Institute.

"We are less than the OECD average on health spending per capita," he said. "We're better than the OECD average on life expectancy. So we're actually in the healthcare system sweet spot." (Swann & Hunter, 2014)

Supporters of the "markets-are-preeminent" ideology underpinning the audit commission are actually opposed to the amount the government spends on health and the heavy involvement of governments in the sector.

As Professor Richardson (2014) has also pointed out, the real problem seems to be "a dislike of communal sharing even when it is to alleviate the financial burden of those already disadvantaged by illness".

International comparisons also show that Australia is in no particular peril in this area:

Australia's health to GDP ratio was equal to the OECD median in both 2001 and 2006 at 7.7% and 8.0% respectively. In 2011, it was still around the OECD median (9.1% compared with the OECD median of 9.0%).

... In 2011, Australia spent a similar proportion of GDP on health as Spain and the United Kingdom, a higher proportion than Sweden, Norway and Ireland, and a lower proportion than New Zealand, Canada and France. (AIHW, 2013 p.26)

b) Privatisation and increased costs are the real agenda

In Section 7.3 of its report the audit commission (2014a) makes its real agenda clear – give the private sector a bigger share of the pie:

Putting health care on a sustainable footing will require reforms to make the system more efficient and competitive. The supply of health services must increase in line with growth in demand and improvements in productivity are a natural way of ensuring this. More deregulated and competitive markets, with appropriate safeguards, have the greatest potential to improve the sector's competitiveness and productivity.

This is an idea being tried by various State governments around the country and it has largely been a disaster. The Queensland government recently withdrew its plans to privatize a number of public hospitals following a major advertising campaign by the Queensland Nurses Union, which pointed out the financial and clinical risks involved with the idea – risks confirmed by KPMG reviews of the Queensland Government's plans. In various States governments have had to take hospitals back or bail them out after private sector failures trying to run public hospitals.

The audit commission's recommendations on federal-State funding arrangements have already been discussed in Section 3 above. Combined with its general view on the role of government, safety nets and increased private payments, the audit commission's proposals would eventually dismantle Australia's public hospital system and, as evident in places like the USA that run privately-dominated hospital systems, lead to massive financial risk for most low and middle income Australians.

The audit commission's other key health/Medicare recommendations are 17, 18 and 19:

Recommendation 17: Short to medium-term health care reforms

Australia's health system is not well equipped to face future challenges such as an ageing population and rising health services costs. The Commission recommends the Commonwealth Government pursue reforms to improve the health system as soon as practicable including:

- a. requiring higher-income earners to take out private health insurance for basic health services in place of Medicare; and precluding them from accessing the private health insurance rebate;
- b. the introduction of co-payments for all Medicare funded services, underpinned by a new safety net arrangement that would operate once a patient has exceeded 15 visits or services in a year. General patients would pay \$15.00 per service up to the safety net threshold and \$7.50 per service once the safety net threshold has been exceeded. Concession card holders would pay \$5.00 per service up to the safety net threshold and \$2.50 per service once the safety net threshold has been exceeded;
- c. implement arrangements to ensure that consumers are not able to insure against the co-payment and that medical practitioners who wish to bulk bill are not able to waive the co-payment;
- d. encouraging the States to introduce a co-payment structure for public hospital emergency departments for less urgent conditions that could be appropriately treated in a general practice setting;
- e. increasing the threshold for the General Extended Medicare Safety Net to \$4,000, while maintaining the Concessional Extended Medicare Safety Net threshold at existing levels. Safety net arrangements for Medicare and the Pharmaceutical Benefits Scheme should be retained to ensure support for people facing significant hardship, albeit with some adjustments;
- f. reviewing the Medicare Benefits Schedule to identify and remove ineffective items, replace expensive items with less expensive alternatives where available and investigate options for cost recovery for applications to list items on the Schedule;
- g. reforming the private health insurance market to provide greater incentives for efficient and cost effective health management through deregulating price setting arrangements, allowing health funds to expand their coverage to primary care settings, relaxing community-rating to allow health funds to vary premiums to account for a limited number of lifestyle factors, including smoking; and reforming the arrangements by which insurers equalise risks through the sector;



- h. limiting the Commonwealth's contribution to efficient growth in the cost of public hospital services to 45 per cent applying from 2014-15 and — with the exception of activity based funding — reducing the health reporting requirements significantly that the Commonwealth places on the States; and
- i. extending the current scope of health professional practices (for example, pharmacists and nurse practitioners) to address the future needs of Australia's health care system.

Recommendation 18: A pathway to reforming health care

Detailed work is required to examine opportunities to improve the efficiency and effectiveness of Australia's health care system over the medium to longer term. The Commission recommends the Minister for Health be tasked with developing options to reform Australia's system of health care.

The Minister should report to the Prime Minister in 12 months' time on progress and a preferred way forward.

Recommendation 19: The Pharmaceutical Benefits Scheme

The Commission recommends changes be made to the Pharmaceutical Benefits Scheme and to the pharmacy sector to improve this integral part of our health system through:

- a. the introduction of new arrangements for funding the Pharmaceutical Benefits Scheme within a set funding envelope that extends for a seven year cycle;
- b. establishing an independent authority ('PBS Entity') to be headed by a suitably qualified Chief Executive Officer who would oversee management of subsidised pharmaceuticals within the Australian health system and be required to report to the Minister for Health;
- c. permitting the Minister in exceptional circumstances to have new items listed by introducing a disallowable instrument into Parliament and on receipt of advice from the PBS Entity regarding items to be de-listed in order to offset additional costs;
- d. increasing co-payments for all medicines under the Pharmaceutical Benefits Scheme, including for concessional medicines that are currently free. This includes:
 - i. for general patients with costs below the safety net, a co-payment increase of \$5.00 (increase from \$36.90 to \$41.90), while above the safety net a rise of \$5.00 (from \$6.00 to \$11.00);
 - ii. in line with the increased co-payment arrangements, the general patient safety net should increase from \$1,421.20 to \$1,613.77; and
 - iii. for concession card holders, no increase to the current co-payment of \$6.00 while below the safety net threshold of \$360.00. However, once the safety net limit has been reached, concession card holders will be required to co contribute \$2.00 to the cost of their medicines;
- e. opening up the pharmacy sector to competition, including through the deregulation of ownership and location rules; and
- f. streamlining approvals for new drugs through the Therapeutic Goods Administration process by recognising approvals made by certain overseas agencies.

These recommendations make it clear that the audit commission wants to force increasing numbers of people into private health insurance and out of a national, government-run social insurance arrangement and eventually leave free-at-the-point-of-service hospital care as a charitable system for the "most" disadvantaged. This is in keeping with its general undervaluing of government programs.



To get things going the audit commission recommends a number of initial changes to reduce spending on healthcare and hospitals and force high income people into private health insurance. Section 7.3 of the audit commission's phase one report (2014a) then calls for a bigger long-term review (encapsulated in Recommendation 18) with a heavy emphasis on privatization ideas:

It (long term reform of the health system) must make constructive use of the contribution of private health insurance and private hospitals.

One option (although it is only an option) is a universal health insurance arrangement.

This would make health insurance mandatory for all Australians. The Commonwealth would pay premiums for low income and high risk groups. The government would also pay for the health insurance of all children. It would be compulsory for people on higher incomes to take out private health insurance.

Medicare would remain as the default insurer for those on lower incomes, with their premiums paid by government direct to Medicare. People on low incomes could alternatively choose a private health insurer, with their premiums still paid by the government.

The ANMF strongly opposes this type of policy change. Here in Australia, where the public hospital system is mostly government-owned and run, we spend less than 10 per cent of our Gross Domestic Product (GDP) on healthcare services. In the USA, where the system is mostly privately owned and operated, they spend over 17 per cent of their GDP and still cannot provide equitable access to tens of millions of their citizens.

The audit commission's public hospital and private health insurance proposals will reverse decades of achievement by those who built our public hospital system – often in the face of determined opposition from powerful vested interests in the private and medical sectors.

As the Abbott Government embarks on this “brave new healthcare world”, every Australian must now ask themselves whether they want their children and grandchildren to have a quality, affordable, free public hospital system for all, or a privatised mess.

The ANMF also opposes the proposed co-payments for GP visits and the proposed increases in pharmaceutical costs for patients. The audit commission's recommended payments are a significant amount – for example, \$15.00 for a GP visit and still \$7.50 after a so-called safety net threshold of 15 visits is reached. They are an unnecessary impost on Australian patients and, especially in the case of GP visits, based on an overestimate of the average number of GP visits each Australian makes each year.

Based on the long term objectives of the audit commission they are also being used as a first step towards shifting the vast majority of people onto private health insurance and using Medicare as a government charity-type arrangement for the “most” disadvantaged.

In April, Fairfax Media did an analysis of the impact of a \$6.00 GP co-payment and found it will have a disproportionate impact in lower income areas

A new \$6 fee for visits to bulk-billing doctors would fall most heavily on Sydney's poorest residents, who could pay up to \$30 million more a year in total than those in the city's wealthiest areas, a Fairfax Media analysis has found.

The average bulk-billing rate for GP visits in Sydney's 10 poorest electorates is 96.05 per cent, compared to 74.8 per cent in the ten wealthiest electorates, according to the latest Department of Health data.

Prime Minister Tony Abbott's northern beaches electorate of Warringah, the third wealthiest in Sydney, has the city's lowest bulk-billing rate at 61.3 per cent. Chifley, a western Sydney seat held by Labor MP Ed Husic, had the highest rate with 98.9% of all GP attendances bulk billed.

The government's expenditure review committee has reportedly approved a \$6 fee, capped at 12 GP visits, meaning patients would pay a maximum of \$72 extra each a year. The Medicare co-payment push is based on a proposal by former Howard government adviser Terry Barnes, who found the fee would save the budget \$750 million over four years and reduce unnecessary GP visits.



If implemented in full, Mr Barnes' proposal would see the residents in Sydney's poorest suburbs pay up to \$67.8 million more in health costs a year – twice as much as those in the ten wealthiest suburbs. (Knott & Harrison, 2014)

The initial co-payment imposed by the 2014 budget was \$7.00 (below the audit commission's recommendation), but this type of basic research, although not rigorous peer-reviewed analysis, still confirms what people working in the healthcare sector, including the ANMF, know to be the truth about these types of policies. Such flat fees for essential services like healthcare hit low and middle income individuals and families the hardest. They reduce a basic human right – the right to healthcare – to just another purchased commodity.

c) Medicare is for everyone – it is not a welfare system

The other major proposal set out in section 7.3 of the audit commission's (2014a) report that threatens Medicare is the recommendation that people over certain "higher" income levels be forced to take out expanded private health insurance rather than be covered by Medicare.

People on higher incomes should take greater individual responsibility for the cost of their health care. They are better placed to take out private health insurance and should be required to do so.

Expanded private health insurance coverage should be introduced for basic health services currently covered by Medicare. Higher-income earners should be required to insure for basic health services in place of Medicare.

Expanded private health insurance plans would, at a minimum, cover all services provided by Medicare and public hospitals and would have to pay for all health care expenses of the insured, including the cost of treatment in a public hospital.

This requirement on higher income earners to take greater responsibility for their health care could be put into effect through a penalty arrangement that would result in an increase in the Medicare Levy surcharge for people on high incomes who do not purchase expanded private health insurance coverage.

The threshold for purchasing expanded cover should be set at \$88,000 for singles and \$176,000 for families. A Medicare Levy surcharge of 1 to 1.5 per cent already exists and this should be increased to between 3 and 3.5 per cent as part of this reform in order to encourage the switch to private health insurance.

This is again a stepping stone – and a major one – towards the audit commission's longer term goal of destroying Medicare and universal, taxpayer-funded health services. Once such an idea crosses the threshold from theory to practice and is established as public policy it is just a matter of time before the income thresholds are adjusted down and more and more individuals and families are shifted into the private insurance system, with no Medicare alternative.

Currently even people with private health insurance are still entitled, as the ANMF believes they should be, to Medicare and to use public hospitals free of charge. The audit commission wants to change all that. Private insurance would no longer be an adjunct to Medicare and public hospitals, it replaces them.

Such proposals completely undermine the whole concept of Medicare in Australia. It is not a welfare or safety net system. It is health insurance for everyone paid through the tax system, which removed the need for private health insurance. In fact, just about everyone earning a taxable income already pays a "co-payment" in the form of the Medicare Levy. This was never designed to cover the full cost of Medicare and hospitals. It is a symbolic additional income tax payment, which reminds people of Medicare's purpose.

As former Prime Minister and Treasurer, Paul Keating (1992) said:

We let Australians privately insure if they choose, but the great majority don't because Medicare covers them for medical and hospital protection. And one of the things which people do is insure themselves privately, for private hospitals or private treatment in hospitals, quite often when they don't have to. And I think the one point to get across about that is that many people are privately insured and they don't have to be.

In the late 1990s the Howard Coalition government took the first steps towards the audit commission's objective by introducing a range of incentives and penalties to move more people into private health insurance. This has already increased costs for individuals and families who feel they should use it since they have taken it out. There are often significant gaps between the insurance coverage and the fees charged for private and dental procedures. Some procedures, like major dental work, are even tightly rationed by the insurance companies.

Amongst other risks, including a further blow out in costs for individuals and families, the adoption of the audit commission's privatisation proposals could undermine service quality at the lower end as higher and middle income earners no longer have a stake in its effectiveness. People would also become captives of the insurance companies' usage policies. In fact, the audit commission makes this possibility very clear in section 7.3 of its (2014a) report:

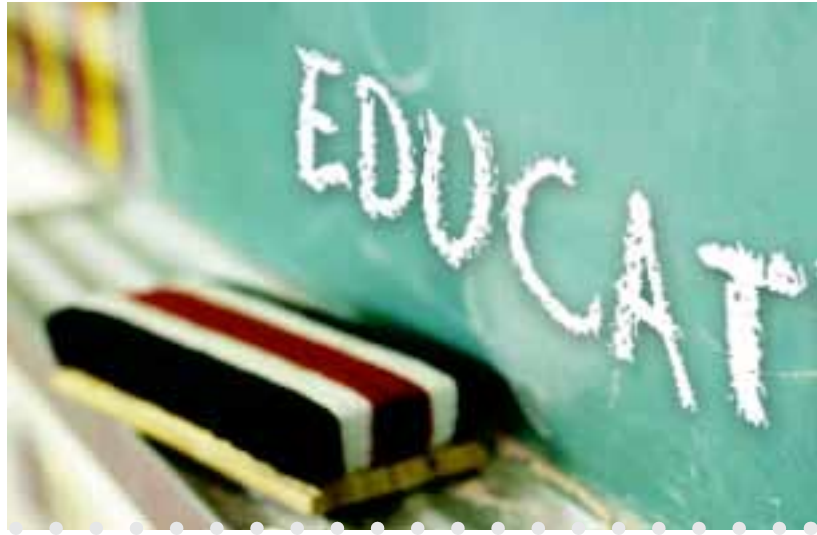
If the health funds are to drive greater efficiency they will need to change from passive players into genuine health care partners that support their members to navigate the health system and assist them to better manage chronic conditions.

d) Conclusion

Finally, the ANMF is always willing to discuss reform ideas like increasing the scope of practice for nurses and midwives and has already been involved in such discussions for many years. ANMF branches are also regularly involved in negotiations, including during wage and workplace agreement negotiations, aimed at improving the efficiency, productivity and efficacy of the health and aged care systems. Nurses and midwives know their workplaces intimately and are always developing, as responsible professionals, better ways to practice. Such changes must be based on improving and expanding quality services to patients and not simply introduced as a way to cut costs.

However, the big challenge for supporters of Medicare and our current health system are the market-based, privatisation values underpinning the audit commission's recommendations and the fact that the Abbott Government has already implemented a number of its proposals, such as hospital funding cuts and a GP co-payment, in the 2014 federal budget. Based on that it can be fairly assumed that most of the other recommendations are under active consideration for future implementation.





6. EDUCATION

Education, self-improvement and helping everyone reach their potential, irrespective of income, have been labour movement goals since its beginnings in Australia in the mid-19th century.

The eight-hour-day campaign by the Australian union movement was based on giving workers eight hours free time a day for some recreation and self-education. Allowing workers time for self-improvement was a key objective of the eight hour movement.

Free libraries, mechanics institutes, reading rooms and labour movement newspapers all started appearing as part of achieving this objective.

Then in the 1870s, 80s and 90s the Australian colonies introduced public school systems based on the free, compulsory, secular model. Every child was to receive some sort of education.

As with so many social reforms during this era, it is often forgotten today that comprehensive school systems such as Australia's are a relatively recent development in human history. As for the idea that just about every child actually completes year 12 (Qld) (HSC in NSW), this is an even more recent development, with the major gains occurring during the 1980s and 90s. Until then large numbers of students finished at 15 and went into paid employment or into a trade.

Of course there was considerable opposition from vested interests and elitists when the idea of mass education for all classes was proposed. For example, in Britain class tensions were never far from the surface (Gillard, 2011):

Hostility to mass education

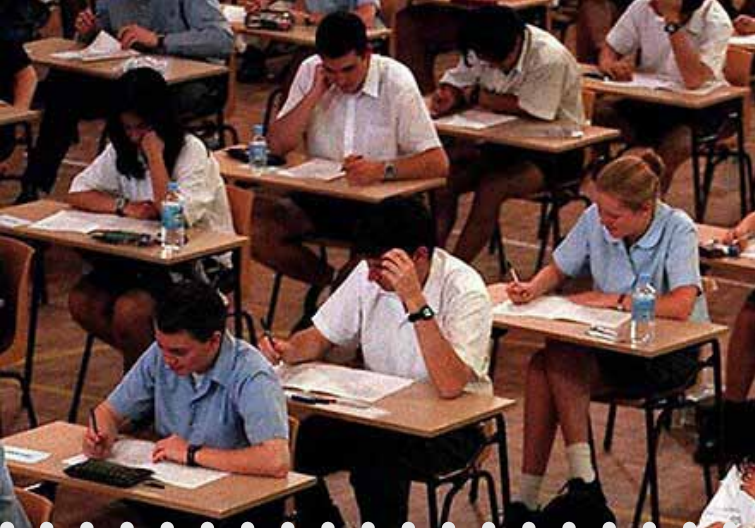
All the schools described above (in the early 19th century) were established by individuals and groups who believed in – and campaigned for – mass education. But they found themselves up against vicious hostility to the very idea of educating the poor. One Justice of the Peace, for example, opined in 1807 that:

It is doubtless desirable that the poor should be generally instructed in reading, if it were only for the best of purposes – that they may read the Scriptures. As to writing and arithmetic, it may be apprehended that such a degree of knowledge would produce in them a disrelish for the laborious occupations of life.

And when the *Parochial Schools Bill* of 1807 was debated in the Commons, Tory MP Davies Giddy (1807) warned the House that:

However specious in theory the project might be of giving education to the labouring classes of the poor, it would, in effect, be found to be prejudicial to their morals and happiness; it would teach them to despise their lot in life, instead of making them good servants in agriculture and other laborious employments to which their rank in society had destined them; instead of teaching them the virtue of subordination, it would render them factious and refractory, as is evident in the manufacturing counties; it would enable them to read seditious pamphlets, vicious books and publications against Christianity; it would render them insolent to their superiors; and, in a few years, the result would be that the legislature would find it necessary to direct the strong arm of power towards them and to furnish the executive magistrates with more vigorous powers than are now in force. Besides, if this Bill were to pass into law, it would go to burthen the country with a most enormous and incalculable expense, and to load the industrious orders with still heavier imposts.

As the last line of this quote indicates, there was also opposition to it being paid for by governments and through taxation revenue. However, the reformers won the day, to some extent. Recalling that mass education has always had its opponents and that government funding of education has also had its opponents is important when considering the recommendations of this audit commission and various changes proposed in the 2014 budget. It shows that achieving equity in this area has always been a struggle and required vigorous campaigning.



So providing educational opportunity to all in society is a major and very recent development and has provided a great benefit to people who would have, because of their income or status in life, otherwise missed out on the chance to develop themselves, use their intellect to its capacity and make a contribution to society based on merit.

Society has also benefited from the greater contribution more people could make because they did get an education. Equitable reform of the education system has helped unlock the potential and creativity of many more people.

It is clear educational opportunity benefits both the community and the individual.

Certainly giving every child the opportunity to reach their potential irrespective of their family's means, has always been strongly advocated by the labour movement. Providing ongoing training and education for adults has also been a key labour movement objective.

Until recently it was still not uncommon in Australia to hear people discuss how they missed out on certain careers or educational chances in life because their parents could not afford it.

The ANMF does not want to see a return to those days. It believes the audit commission has made a number of recommendations, especially on higher education, which could undermine the ongoing development of an equitable and effective education system in Australia.

a) Schools

The ANMF does not intend to provide a detailed response to the audit commission's recommendations on school funding and will be guided by its colleagues in teaching and other education unions, as well as experts who support equity in the running of the education system. However, the ANMF does note that the audit commission took a similar approach to future school funding by the Commonwealth to the one it took on public hospital funding, which, put simply, was a recommendation to cut future Commonwealth funding.

In doing so the audit commission seemed to reject the 'Gonski' schools reform and funding package:

It is not clear to the Commission that the projected step-up of growth in Commonwealth schools funding over the next decade has been sufficiently justified. While the Government has locked in funding agreements for the next four years, new arrangements should apply from 2018 onwards. The amount of 'per-student' funding in 2017 should be maintained and then indexed by an appropriate measure to reflect reasonable inflation in school costs. (National Commission of Audit, 2014a section 7.7)

The ANMF believes this is a retrograde step. The audit commission seems to accept the argument advanced by many political conservatives that extra money does not guarantee improved educational outcomes. Given that a lot of the extra funding goes to paying extra teachers and for extra teacher time with disadvantaged or struggling students, the ANMF does not believe this argument is valid.

For example, if extra one-on-one time with a teacher doesn't help, why do so many parents spend money on individual coaching for their children?

As for international comparisons of educational outcomes, the ANMF believes these are often difficult to make in a meaningful way. Certainly lower comparative rankings do not necessarily mean that competency and acceptable and reasonable outcomes for the majority of people are not being achieved.

b) Higher education

Some of the most significant reforms to education in Australia in the last 50 years have been in the area of higher education.

For a large part of the 20th century, a university education was beyond the means of most Australians. This was especially true for women.

Until the 1970s there were only a handful of universities in Australia, where careers like medicine, engineering, dentistry and law were pursued and mostly by men. These courses were expensive, involving up-front fees in most cases. Some scholarships assisted lower income students who performed well at school.

Alongside universities was an array of technical colleges, institutes of technology, teachers colleges, commercial colleges and hospital-based nursing schools where many people worked towards diplomas, trade certificates and other non-degree qualifications.

In the 1970s the Whitlam Government abolished university fees, theoretically making university more readily available to students irrespective of their family's capacity to pay.

This reform certainly did put higher education within the reach of many more people and provided that generation with a better chance at an education than their parents and grandparents.

During the 1980s the Hawke-Keating Labor government significantly expanded the university sector with courses such as nursing and midwifery. Even more Australians could now go to university. To pay for this equitably the Labor Government re-introduced fees, but not up-front fees. The new fee was a part-payment for the cost of their course and was only repayable, and then in instalments, when the graduate was earning a certain level of income.

Since then there has been a regular and legitimate debate about the level of the fee and the income threshold for repayment. However, the idea remained that there would still be government regulation of the fees.

As well as its predictable recommendation to cut the government contribution, the audit commission recommended that course fees be partly or fully deregulated so universities can set their own fees:

Recommendation 30: Higher education arrangements

Commonwealth funding of higher education promotes quality and equity of access, while contributing to a more skilled and productive workforce. The Commission recommends a number of changes be made to existing arrangements to better account for the private benefits of higher education and improve performance of the sector including:

- a. decreasing the average proportion of higher education costs paid by the Commonwealth through the Commonwealth Grants Scheme from 59 per cent to 45 per cent and increasing the average proportion of costs paid by students from 41 per cent to 55 per cent;
- b. tasking the Minister for Education with developing options to increase competition in Australia's education system through a partial or full deregulation of fees for bachelor degrees, taking into account any relevant recommendations of the Review of the Demand Driven Funding System. The Minister should report to the Prime Minister in 12 months' time on progress and a preferred way forward;
- c. reducing the cost to the Commonwealth of the Higher Education Loan Programme by:
 - i. increasing the interest rate applying to HELP loans from the current rate (equal to movements in the CPI) to a rate which reflects the full cost to the Commonwealth of making the loan (incorporating the government borrowing rate, as well as the cost of bad debts and administration costs);
 - ii. increasing the repayment of HELP debt through reducing the threshold for HELP repayment from \$51,309 per year to the minimum wage of \$32,354 (with a low starting repayment rate of only 2.5 per cent);
 - iii. changing the indexation arrangements for the HELP repayment income threshold from movement in Average Weekly Earnings to movements in the CPI; and
 - iv. streamlining the five current HELP schemes, including removing SA-HELP and aligning administrative fee arrangements and incentive payments for early repayment.



Like so many of its recommendations this one is based on those all-powerful markets eventually acting in the students' favour, although the audit commission (2014a, section 713) did express some reservation about this:

This is an area where the Commission considers further work is required. While an increase in competition in the Australian higher education market would yield improved outcomes for students, there are questions around whether market forces in Australia are sufficiently strong to yield distinct price differentiation between different courses and universities.

However, the major area of focus is the Abbott Government's 2014 budget decision to deregulate university fees. The ANMF is strongly opposed to this change and believes it will excessively drive up the cost of university degrees.

It is true that a university degree can help people earn high incomes. However, that is not true for the vast majority of university courses today and most graduates are in middle income careers such as nursing, midwifery and teaching.

Australia's health system depends on sufficient people completing nursing and midwifery degrees and going into these professions. Dramatically increasing the cost of nursing and midwifery courses, as preliminary data suggest will happen under deregulation, could have serious implications for the ongoing sustainability of the nursing and midwifery workforces. According to the National Tertiary Education Union (NTEU) (2014), from 2016 universities and other providers can charge whatever they think the market will bear. Students enrolling from now on will pay the new costs in 2016.

Norton (2014) suggests that the deregulation of fees would lead to increases in tuition fees of between 65 per cent and over 200 per cent:

Here are the cost of various degrees, based on Norton's estimates:

Degree	Years	Estimated Cost	% Change
Agriculture	3	\$32,007	65%
Nursing	3	\$36,789	74%
Arts	4	\$45,669	78%
Creative Arts	4	\$40,626	73%
Education	3	\$49,244	77%
Science	3	\$42,690	103%
IT	4	\$44,991	104%
Business	3	\$63,174	109%
Engineering	3	\$61,392	152%
Architecture	3	\$59,684	124%
Law	5	\$112,075	122%
Medicine	6	\$226,986	275%

Under a deregulated market, the cost of servicing these degrees will also skyrocket:

- *Higher Education Loan Program (HELP) repayment thresholds will be lowered by about \$5,000.*
- *Students will be charged market interest rates on outstanding HELP loans by indexing them to the 10 year government bond rate, not the Consumer Price Index (CPI) as is currently the case.*

These changes will not only dramatically increase the cost of servicing student debt (\$2.1b over four years), but are highly inequitable.

Students who can pay their fees up-front will avoid having to pay real interest on HELP loans.

Graduates who take career breaks, to care for family members, for example, will suffer from compounding outstanding debt and interest payments mounting up over time. Those who are least able to afford paying a high price and incurring very high debts will be the ones asked to pay the most.

The ANMF rejects these changes and fully supports the NTEU's campaign against the Abbott Government's attack on Australia's higher education system.

The ANMF also rejects attempts by some supporters of these changes to whip up occupational envy from people who did not go to university, but whose taxes help pay for others to do so. Such a debating tactic completely misses the point that most parents who did not receive a university education strongly support their children pursuing one if they want to. The vast majority of working people actually want their children to do well and reach their potential through education. They understand there needs to be a balance between the student paying something towards the benefit they receive, when they are able, and the role of government in ensuring those payments do not actually cripple them with debt for years to come. That negates the whole point of working towards a good education in the first place.

The Abbott government's changes also risk imposing significant costs on older students, many of whom are forced back to education because of structural changes in the economy and the need to enhance existing skills or learn a new career.

As for the prospect of graduates who take a career break to have a family or care for children also being hit with these higher rates of compounding interest while not earning, that would be a disaster for the thousands of ANMF members who have a year or two away from nursing or midwifery to have children.

Again the audit commission and the Abbott Government, in its 2014 budget, want to reverse important social and economic achievements, which benefit everyday Australians, while refusing to address important tax revenue opportunities and acknowledge the role of government in maintaining equitable access to, and reasonable cost-structures associated with, a university education.

The core function of Australia's universities and other higher education facilities is to provide the nation with a competent, skilled and sufficient workforce, across a wide range of disciplines. Concentration on world rankings and other elitist, narrowly-focused objectives is a distraction from this core responsibility.





7. WAGES AND CONDITIONS

Despite no mention of wages' policy settings in its terms of reference, the audit commission took it upon itself to make the following recommendation to cut the minimum wage:

Recommendation 28: The minimum wage

Australia's minimum wage is high by international standards. The Commission recommends that future growth in the minimum wage be contained to improve job opportunities. A degree of variation in the minimum wage should also be introduced across the States to better reflect local labour market conditions and the cost of living. This should be achieved by:

- a. establishing a 'Minimum Wage Benchmark' set at 44 per cent of Average Weekly Earnings;
- b. transitioning to this new benchmark by indexing the current national minimum wage to grow in line with the Consumer Price Index less 1 percentage point for a period of 10 years; and
- c. transitioning the minimum wage in each State and Territory to the lower of the 'Minimum Wage Benchmark' or 44 per cent of Average Weekly Earnings in that jurisdiction by 2023, noting that should this imply a reduction in the nominal minimum wage, the wage would instead be kept constant until aligned with 44 per cent of Average Weekly Earnings in that jurisdiction.

The audit commission tried to link the minimum wage to unemployment benefit settings to justify this venture into wages' policy.

The recommendation is based on market theories of human behaviour rather than principles that respect the human right to an income that has some chance of meeting the most basic of human needs.

For more than a century Australia's wage fixing process has taken into account the cost of living and the right to a living wage.

The famous 1907 "Harvester" minimum wage decision, of Justice Higgins² of the Commonwealth Court of Conciliation and Arbitration, was a leading social and economic reform, which led the world in better balancing the needs of workers and their employers.

Higgins decided that the test of a fair and reasonable wage was "the normal needs of the average employee regarded as a human being living in a civilized community". He also said that the pay of the employee should not be dependent on the profits of the employer (Ex parte H.V. McKay):

I cannot think of any other standard appropriate than the normal needs of the average employee, regarded as a human being living in a civilised community.

Many representatives of business and their political supporters have never agreed with this decision and the idea of minimum pay rates meeting the most basic of human needs, which underpins it. The Howard Government's *WorkChoices* (2005) laws were the most recent attempt to disrupt balanced wage setting in Australia. The Abbott Government's audit commission now wants to reduce the incomes of the lowest paid Australians. Recent comprehensive analysis by the Australian Council of Trade Unions (ACTU) (2014) points to the negative impact of this recommendation. The ANMF joins with the ACTU in rejecting this push to cut wage rates for the lowest paid in our community.

If, as political conservatives often claim, high unemployment benefits and disability pension rates can act as a disincentive to work, then low wage rates can also act as a disincentive to business effort. Business owners have an obligation to properly value and remunerate their employees, so those employees can enjoy some sort of decent life. They should be running their businesses with a view to covering those costs.

² See *Ex parte H.V. McKay*, (1907) 2 CAR 1, Higgins J, President, 8 November.

Australia's wage setting process has always put a price on work value and extra reward for experience and skills attainment. However, it also tries to respect the rights and needs of people in the most unskilled and rudimentary of work environments through its minimum wage rate. That principle should remain the driver of minimum wage rates.

Finally, on the subject of wages and conditions, the ANMF also notes that the current head of the Commonwealth Treasury, Dr Martin Parkinson (2014), in commenting on the audit commission and 2014 budget is reported as saying:

Measures that give the States greater incentives to improve efficiency will be particularly important.

The ANMF simply points out that, despite some criticisms of improvements in the wages of public sector nurses and midwives in the early and mid-2000s, aimed at keeping the two professions attractive as career options, and the introduction of safe workloads management systems to protect patients, these developments have had no substantial impact on the total cost, in GDP terms, of running the Australian public health system.

As the figures below indicate there was no significant change in the expenditure growth rates when most of these corrective wage and staffing reforms, for nurses and midwives in public hospital and community health services, occurred:

Health expenditure, public (% of GDP)

Health expenditure, public (% of GDP) in Australia was 6.19 as of 2011. Its highest value over the past 16 years was 6.19 in 2011, while its lowest value was 4.77 in 1995.

Definition: Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.

Year	Value	Year	Value	Year	Value
1995	4.77	2001	5.41	2007	5.77
1996	4.85	2002	5.61	2008	5.95
1997	5.01	2003	5.51	2009	6.19
1998	5.07	2004	5.73	2010	6.19
1999	5.32	2005	5.67	2011	6.19
2000	5.38	2006	5.67		

Source: www.indexmundi.com/facts/australia/health-expenditure



8. RETIREMENT, AGEING AND AGED CARE

The ANMF rejects the idea that retirees are a burden on society.

The ANMF notes there are four major recommendations on the aged pension and retirement incomes, all dealing with cuts and reductions to rates, eligibility and some benefits, but not one recommendation dealing with the level of compulsory superannuation contributions paid into the accounts of working people or ways to increase everyone's alternative retirement incomes.

Surely any commission of audit charged with looking at reducing government outlays, should have considered ways to reduce pension payments by increasing other areas like superannuation account levels.

This is another failure by the audit commission, which further reduces its credibility as a genuinely independent assessment of the nation's finances and economic needs.

a) Reducing the pension rate

The audit commission's first recommendation (12) on retirement policy is to cut the pension rate.

Recommendation 12: Age Pension – establishing a new benchmark

The Age Pension is an essential part of Australia's social safety net. The Commission recommends that changes be made to make it more sustainable by:

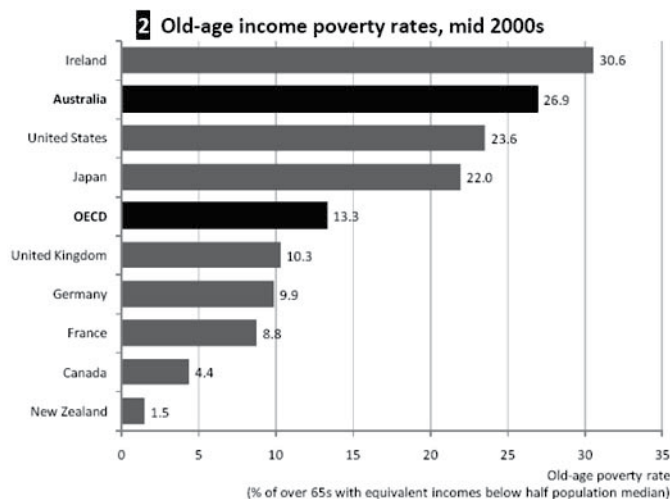
- a. changing current Age Pension indexation arrangements to a new benchmark of 28 per cent of Average Weekly Earnings and maintaining other price indexation arrangements; and
- b. transitioning to this arrangement, approximately over a 15 year period, by indexing the Age Pension maximum base rate at a rate equal to the higher of the growth in the Consumer Price Index or the Pensioner and Beneficiary Living Cost Index until it is equal to 28 per cent of Average Weekly Earnings.

This is completely rejected by the ANMF.

As Rafferty and Wu (2010 pp. 60–61) point out in their "Chart 29" below, old age income poverty rates in Australia have been very high by international standards:

Chart 29 also shows that after nearly twenty years of reform in financing retirement, Australia has one of the worst systems for delivering security from poverty in old age in the western world. The current answer in Australia to resolving that problem seems to be extend the working age and demand the low paid contribute more to superannuation, and continue to offer generous tax incentives to the high, to contribute more to private superannuation.

Chart 29 – Australia's Retirement Security or Poverty?



Source: OECD 2009 cited in Rafferty and Wu, 2010

The audit commission (2014a, section 7.1) tried to rationalise its proposed aged pension cut with the following dubious reasoning:

The rate of the pension is currently linked to Male Total Average Weekly Earnings. The policy rationale for using this benchmark is weak as the increase in female labour force participation means a wage measure covering only males is an anachronism in the context of contemporary Australia.

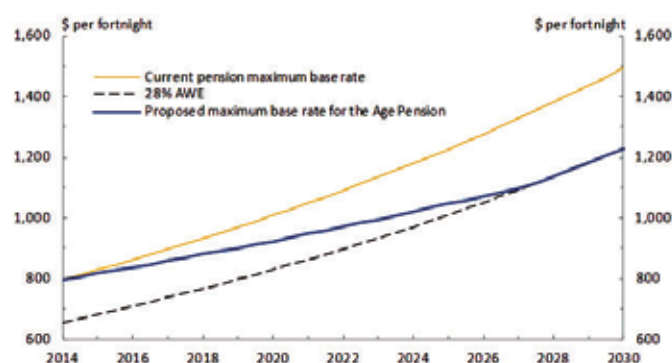
Average Weekly Earnings is a more appropriate benchmark for the rate of the pension, given that women are a major part of the labour force. Benchmarking to Average Weekly Earnings still recognises that pensions should have regard to community standards through benchmarking to wages.

It is proposed that the maximum base rate of the Age Pension be changed over time to be equal to, and then grow in line with, 28 per cent of Average Weekly Earnings.

The re-alignment over time could be achieved by indexing the current maximum base rate of the Age Pension to the higher of the growth in the CPI or the Pensioner and Beneficiary Living Cost Index until it reaches the new benchmark.

As shown in Chart 7.2 below, on current trends the transition can be expected to be completed by around 2027-28 (that is in just under 15 years' time).

Chart 7.2: Transition to new Age Pension benchmark



Source: National Commission of Audit.



The recommended re-benchmarking of the Age Pension will ensure that Australia's Age Pension programme is more sustainable over the long-term.

The audit commission uses a spurious gender-equity argument to assert that the case "is weak" for linking the age pension rate to average male earnings.

More than 90 per cent of ANMF members are women. The ANMF has considerable experience in female employment issues. When it comes to "weak" cases, the audit commission's own reasoning is flawed. The audit commission massively oversimplifies the situation and fails to acknowledge the central role still played by motherhood and family life in the earnings of many women.

For many people the family, rather than the individual, is still the economic/financial unit. For a range of reasons that still means, in practice, that there are a lot more women in part-time or casual paid work than there are men. It is not the only reason, as there are still issues to be resolved regarding the equity of wages in many female-dominated occupations, but it is a key reason that total female earnings are significantly lower than the male average and way below even the full-time female averages.

The Australian Bureau of Statistics (ABS) makes this point very clearly in its most recent average weekly earnings tables such as this one:

It is important to note that while Average Weekly Earnings data can be used to compare, at the very broad level, average earnings between males and females, such comparisons do not take into account a range of compositional differences, for example differences in occupation or hours worked, which contribute significantly to the differences observed between male and female earnings.

Average Weekly Earnings, Australia, Trend(a), November 2013

	November 2013	Nov 2012 to Nov 2013
	\$	% change
Males		
Full-time adult average weekly ordinary time earnings	1 532.80	3.0
Full-time adult average weekly total earnings	1 620.00	2.8
All employees average weekly total earnings	1 351.70	2.1
Females		
Full-time adult average weekly ordinary time earnings	1 270.30	3.5
Full-time adult average weekly total earnings	1 287.20	3.5
All employees average weekly total earnings	871.30	3.9
Persons		
Full-time adult average weekly ordinary time earnings	1 437.70	3.2
Full-time adult average weekly total earnings	1 498.70	3.1
All employees average weekly total earnings	1 115.40	3.2

Source: ABS, 6302.0 – Average Weekly Earnings, Australia, Nov 2013

An ABS May 2012 analysis gives an even more detailed picture of male and female work patterns and the extent to which total female earnings are often impacted by family-based work patterns:

In May 2012, 49.9% of all employees were male and 50.1% of all employees were female.

Full-time employees made up 63.1% of all employees. Part-time employees accounted for 36.9% of all employees.

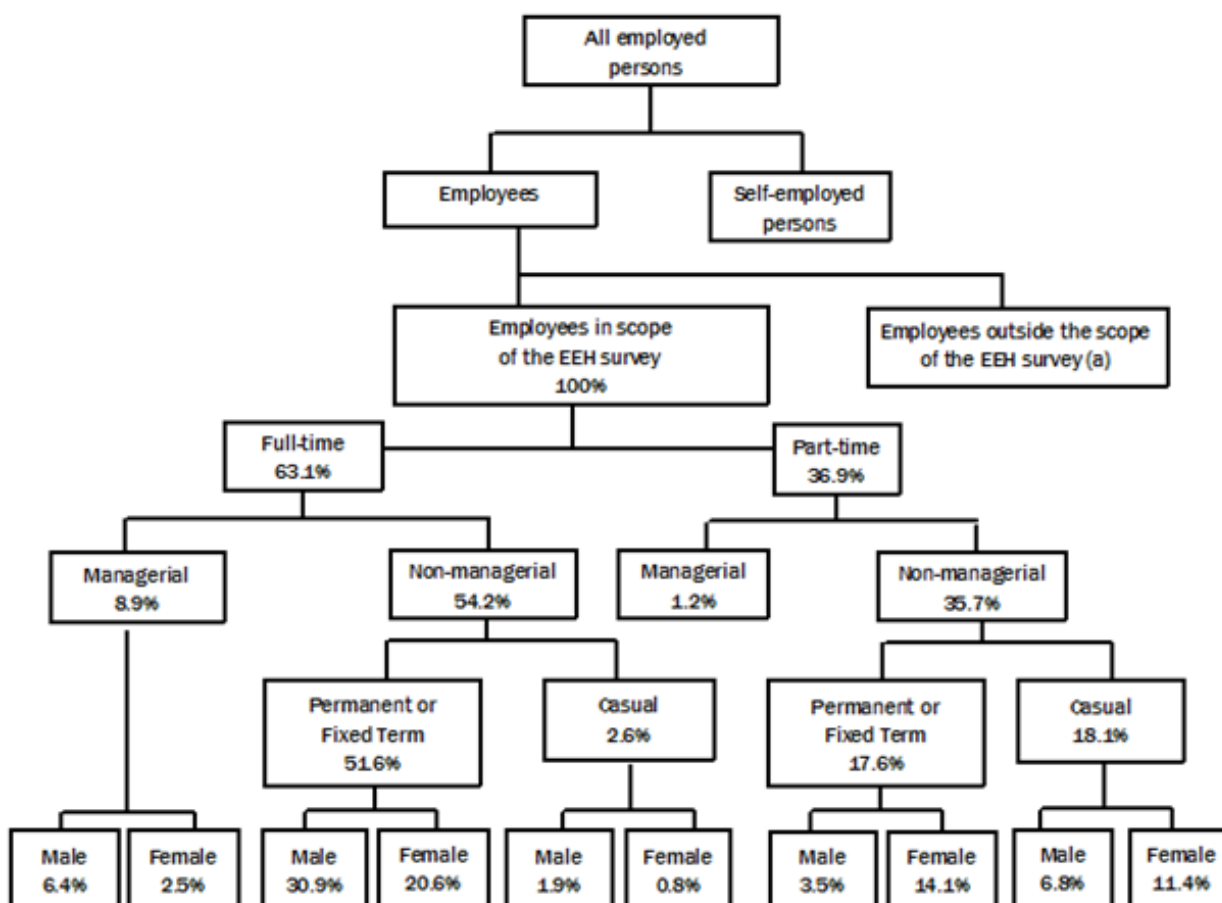
Male employees were predominantly full-time (78.5% of male employees).

More female employees were employed part-time (52.3%) than full-time (47.7%).

The majority of employees (79.2%) were employed on a permanent or fixed term basis.

Casual employees accounted for 20.8% of employees. A greater proportion of female employees (24.2%) were casual than were male employees (17.3%).

The diagram below shows the proportion of employees in scope of the May 2012 Survey of Employee Earnings and Hours, by category of employee.



Source: ABS, 6306.0 – Employee Earnings and Hours, Australia, May 2012



Retirement

As these employment trends show, it is disingenuous, from a purely financial point of view, to try and put male and female earnings on any sort of equal footing to benchmark the financial needs of pensioners.

The ANMF knows there is gender bias in the differential in male and female earnings. However, as the ABS confirms, there are also legitimate family reasons contributing significantly to the lower female total average earnings.

The ANMF does not believe the current pension rate is overly generous. However, because male average weekly total earnings are based on a higher number of full-time workers they are closer to the income required to meet the basic financial commitments of a working person. Therefore, they are a more appropriate basis for benchmarking the pension than the model, based on the average total earnings of both men and women, proposed by the audit commission.

b) Increasing age pension and superannuation ages

The audit commission also makes other recommendations aimed at reducing how much the federal government spends on retirees.

The recommendations on income and asset testing and the health cards are just more of the same cost cutting agenda, mostly targeting low and middle income people, from an audit commission that seeks, at the same time, to put an unrealistic cap on tax revenues and failed to recommend changes to various business and investor tax loopholes.

However, the ANMF does accept that life expectancy is increasing in Australia and there is community-wide discussion about retirement and superannuation including extension of the pension and superannuation eligibility ages. These latter two issues are dealt with by the audit commission in Recommendations 13 and 14 and the 2014 federal budget.

Recommendation 13: Age Pension – tighter targeting of eligibility

The Age Pension is an essential part of Australia's social safety net. The Commission recommends that changes be made in future to ensure it is more sustainable, affordable and better targeted by:

- a. formally linking the eligibility age of the Age Pension to 77 per cent of life expectancy at age 65 from 2033. This will result in the eligibility age for the Age Pension increasing to around 70 by 2053. The proposed change would not affect anyone born before 1965;

Recommendation 14: Superannuation preservation age

The Age Pension and superannuation are interrelated elements of the retirement income system. The Commission recommends some changes be made to the superannuation system to complement changes being recommended for the Age Pension by:

- a. increasing the superannuation preservation age to five years below the Age Pension age;
- b. extending the current phased increase in the preservation age by an extra four years so the preservation age reaches 62 by 2027; and
- c. increasing the preservation age in conjunction with the Commission's proposed increases in the Age Pension age thereafter.

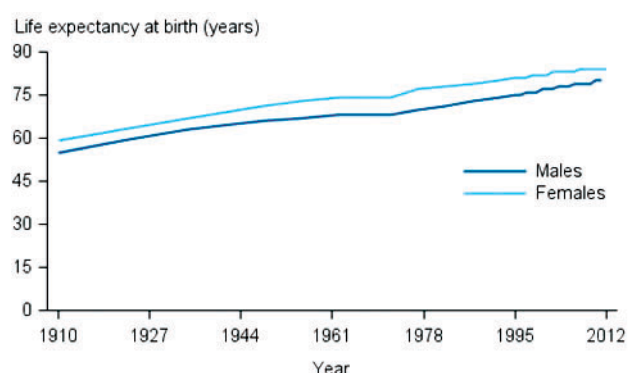
The ANMF agrees this is a legitimate and important debate, separate from the ideology driving most of the other audit commission recommendations.

As the AIHW (2013) points out:

Trends in life expectancy

Life expectancy in Australia has improved dramatically for both sexes in the last century, particularly life expectancy at birth. Compared with their counterparts in 1901–1910, boys born in 2010–2012 can expect to live around 25 years longer and girls live an extra 26 years.

Figure 1: Life expectancy (years) at birth by sex, 1901–1910 to 2010–2012



Sources: ABS 2008; ABS 2013a quoted in AIHW (2013).

In Australia, a boy born in 2010–2012 can expect to live to the age of 79.9 years and a girl would be expected to live to 84.3 years compared to 55.2 and 58.8 years in 1901–1910 respectively.

Life expectancy changes over the course of a person's life because as they survive the periods of birth, childhood and adolescence, their chance of reaching older age increases. The life expectancy at different ages can be presented as the number of additional years a person can expect to live or their expected age at death in years.

Men aged 65 in 2010–2012 could expect to live another 19.1 years (an expected age at death of 84.1 years) and the life expectancy of women aged 65 in 2010–2012 was 22.0 years (an expected age at death of 87.0 years).

Table 1: Life expectancy (expected age at death in years) at different ages by sex, 1901–1910, 1960–1962 and 2010–2012

Males			
Age (years)	1901–1910	1960–1962	2010–2012
0 (birth)	55.2	67.9	79.9
1	61.0	69.5	80.3
15	64.0	70.1	80.4
25	65.6	70.8	80.7
45	69.8	72.4	81.7
65	76.3	77.5	84.1
85	88.7	89.1	91.1

Females			
Age (years)	1901–1910	1960–1962	2010–2012
0 (birth)	58.8	74.2	84.3
1	63.9	75.5	84.5
15	66.9	76.0	84.7
25	68.4	76.3	84.8
45	72.6	77.4	85.4
65	77.9	80.7	87.0
85	89.2	89.8	92.2

Sources: ABS 2008; ABS 2013a quoted in AIHW (2013).

Importantly, the AIHW (2013) also points out:

Life expectancy is related to the average age at death within a population and is inversely related to the population death rates at that time; that is, the lower the death rates the greater the life expectancy. It varies between population groups and over time. High life expectancy is also often associated with low infant and child death rates, an ageing population and access to high quality health care.

Differences in life expectancy over time may be due to changes in the patterns of death due to certain conditions. For example, in 1922 infectious disease accounted for 15% of all deaths in Australia and on average people dying from these diseases were 27 years old. By comparison, in 2011 infectious diseases accounted for less than 2% of deaths and the average age at death for these diseases was closer to 75 years.

This context is vital as the ANMF believes, while this is a legitimate debate, the Abbott Government could be trying to overstate the nature of the change to justify its overall small-government agenda.

For example, in its 2014 budget the Abbott Government (2014) states:

An Australian woman born today can expect to live for around 84.8 years and an Australian man can expect to live for around 80.6 years. When our pension and welfare system was introduced, it was a very different story, with life expectancy of 58.8 for women and 55.2 for men.

This risks creating the false impression that most adults died before they reached pension age and therefore very few people received the pension. As the AIHW (2013) data demonstrates, even in the early 1900s when the age pension was introduced, if a person reached age 65 then they would, on average, live for another 11 to 12 years.

Things like infant mortality rates have dropped dramatically since the early 1900s, but birthing and family patterns also change. So this issue is more complicated than the simplistic reasoning used by the Abbott Government.

The audit commission's background material is more balanced and the ANMF essentially agrees that:

Not only are people now experiencing longer retirements, but changes in the nature of work and improvements to medical technology have meant that many (though not necessarily all) people are also experiencing healthier and more active retirements.

In fact, many nurses and midwives are already, for various reasons, working into their late 60s and even 70s. There is no doubt there are positives in keeping older people active and engaged in society, especially through work. It can be good for the emotional and financial wellbeing of the individual and society also accesses considerable skill and experience for longer.

However, the nursing and midwifery professions are also strong examples of the risks with increasing the age pension eligibility age. Like many other occupations nursing and midwifery can be physically demanding. Sprain and strain injuries are common and they are exacerbated by age. The reality is that while some nurses can continue as they age many cannot. If the pension eligibility age is increased again, as proposed by the audit commission and also in the 2014 federal budget, then income security options for such people will have to be addressed. Protections such as strong disability pension, unemployment benefit and workers' compensation schemes are essential otherwise many older workers could be left destitute if they are not fit enough to do some jobs or they cannot find work because of age bias.

In recent years governments have been eroding workers' compensation benefits paid to injured workers and reducing the eligibility criteria. The audit commission is now also recommending further restrictions to the disability pension, unemployment benefits and other income security protections for working people. Such cutbacks add considerably to the risk for older workers if the retirement age is increased.

The ANMF has also been recently dealing with the problems created for younger graduates when older nurses and midwives delayed retirement because of GFC-related financial issues, such as reduced superannuation levels. This significantly reduced job vacancies for new graduates, which increases the risk they will be lost to the two professions.



With these “positives” and “negatives” in mind the ANMF calls for an urgent national summit, similar to the broad-based economic and tax summits run by the Hawke-Keating government in the 1980s, to discuss this retirement age issue and other pressing retirement income issues including superannuation. As with those two summits, unions must be key players in such a summit.

c) Aged care

In aged care the audit commission recommends further expansion of user-pay arrangements for elderly Australians accessing those services. Yet it also recommends further deregulation of the sector, including its financial reporting requirements.

Recommendation 25: Aged care

With the ageing of the population, more Australians will be receiving some form of aged care support. The Commission supports the range of reforms currently being introduced in the aged care sector, but recommends additional measures be undertaken to improve the effectiveness and sustainability of the sector by:

- a. including the full value of the principal residence in the current aged care means test;
- b. implementing arrangements to allow older Australians to access equity in their principal residence, to pay for part of the cost of their aged care services;
- c. introducing a fee for aged care providers to access the accommodation bond guarantee or, alternatively, requiring providers to take out appropriate private insurance to cover the risk of default;
- d. terminating the Payroll Tax Supplement; and
- e. reducing duplication in all aspects of financial reporting for the aged care sector as well as reducing other regulatory requirements for aged care providers.

In Section 7.9 (2014a) the audit commission makes the following assertion without any comment on the possible implications for accountability, including in terms of the quality of care provided to elderly people:

The aged care sector is categorised by a high level of regulation, which applies to price, quantity and quality. There would be benefit in reducing duplication in many aspects of financial reporting and reducing other regulatory requirements for aged care providers.


The recommendation appears based on its dangerous eighth “principle of good government”:

Avoid regulation as a first response to a problem. *Adding new regulations to deal with problems should be the last resort and introduced only when existing laws prove inadequate and the risks of no regulation outweigh the costs to the community.*

The ANMF has been campaigning for greater regulation of the aged care sector for many years and completely rejects this proposal to further deregulate the sector.

Any plan to further deregulate the aged care sector obviously has implications for the quality of resident care. Such an approach puts profits before resident care. It is about the perceived needs of business, not the needs of residents.

It was shortly after the Howard Government’s first round of deregulation in the late 1990s that serious care quality issues became a public scandal. A certain amount of reregulation was introduced, including spot checks, but there are still serious staffing and quality concerns across the aged care sector.



The audit commission ignores the reality that many aged care providers focus on their commercial interests and lose sight of why they are funded and why they are allowed to charge residents fees and bonds. For example, a significant number of providers take any measure possible to minimise their labour costs, even if this means compromising the skill mix of staff or reducing the nursing hours provided.

Most private nursing home operators have been reducing nurse numbers and hours in their facilities since the Howard Government deregulated the sector in the late 1990s. During that time aged care providers have tried to create the impression that their services are simply about lifestyle, rather than clinical, issues. This is a fallacy. Appropriate healthcare is essential to dignified ageing, especially for people who have become frail and require residential services. That is why nurses, in sufficient numbers, are so vital in the aged care sector.

The nurses in the sector do a great job, but there are not enough of them and they have been financially undervalued for too long now. The recommendation to abolish the payroll tax supplement paid to the for-profit providers, which was adopted in the 2014 federal budget, will put more pressure on staffing and wage levels. The skills mix is also often inadequate in nursing homes because of the shortage of registered nurses.

In 2011, a NSW coroner noted the staffing implications of deregulation and expressed concern that “there are no government guidelines or recommendations as to staff numbers, particularly overnight. There are no guidelines as to patient to carer ratio.” (Lismore Coroner’s Court, 2011)

The ANMF has consistently argued that this is unacceptable public policy. It is vital to balance the policy settings in aged care otherwise residents and nursing staff all lose. The audit commission’s aged care recommendations do not properly balance these factors.

The ANMF will continue to campaign for greater regulation and accountability, not less, in key areas of aged care including:

- securing a greater wages share for nurses employed in aged care, who, since the Howard Coalition Government’s first round of deregulation in the late 1990s, now earn considerably less than their colleagues in the hospital sector;
- improving nursing staffing numbers and skill mix so staff can provide quality, safer care;
- improving transparency and accountability in government funding and consumer payments; and
- licensing of all workers, including assistants in nursing/personal carers and irrespective of whatever job title their employer might give them, providing nursing in aged care.

Finally, the ANMF again notes with concern the audit commission’s attempts to push more costs and risk onto wage earners and reduce the role of government through its recommendation to include the full value of the principal residence in the current aged care means test. The changing nature of housing values over the last couple of decades, especially in the capital cities, is a very complex policy area.



9. NATIONAL DISABILITY INSURANCE SCHEME (NDIS)

The NDIS is one of the most significant reforms to our health system since the creation of Medicare. It is fully supported by the ANMF and should be rolled out as soon as possible.

The ANMF rejects the audit commission's Recommendation 16 for a slower phasing in of the scheme:

Recommendation 16: The National Disability Insurance Scheme

The National Disability Insurance Scheme is a worthy scheme with widespread community support. The Commission recommends the Commonwealth continue to support the introduction of the National Disability Insurance Scheme, but that the scheme be implemented in a way which is fiscally sustainable by:

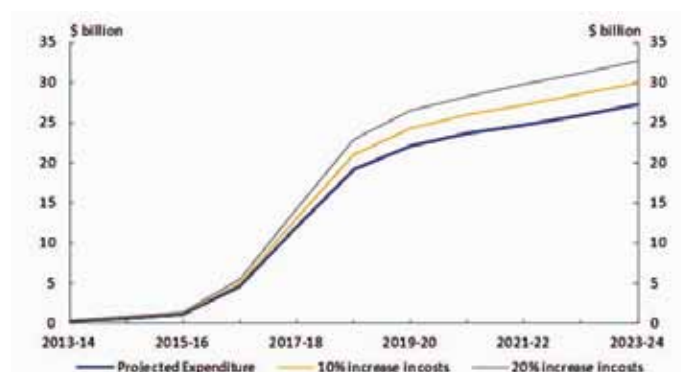
- a. pursuing a slower phasing in of the scheme recognising that this will require the re negotiation of bilateral agreements with the States;

The NDIS and its implementation timeline enjoy strong community support across the national parliament and amongst the State and Territory governments.

Disability has long been underserved in our society, yet it is a risk for everyone. As the audit commission itself notes, when fully implemented in 2019-20 the NDIS is expected to benefit approximately 450,000 Australians with disability.

The ANMF rejects the audit commission's financial scaremongering about the scheme and notes that even its most negative assessment costs the scheme at only about two per cent of current GDP (\$1.5 trillion) in ten years' time.

**Projected Commonwealth and States' spending
on the National Disability Insurance Scheme**



The ANMF believes the audit commission's recommendations on the NDIS are also a further indictment of its failure to meaningfully address the issue of government revenues necessary to fund such important risk-mitigation programs for the entire population.

The ANMF notes that the Abbott Government does not yet appear to have adopted this recommendation to delay the NDIS and calls on it to reject the recommendation completely.



10. CHILD CARE AND PAID PARENTAL LEAVE

The overwhelming majority – about 90 per cent – of nurses and midwives are women. Many are mothers. Therefore, issues such as parental leave and child care, which impact on the family and work balance, are important to many ANMF members.

The audit commission has made the following recommendations regarding these two issues:

Recommendation 21: Paid Parental Leave

Paid Parental Leave has the potential to support maternal and child health and increase women's workforce participation. The Commission recommends:

- targeting expenditure to those most in need by lowering the Paid Parental Leave wage replacement cap to Average Weekly Earnings (currently \$57,460), indexed annually to movements in this wage; and
- savings from the lower wage replacement cap be redirected to offset the cost of expanded child care assistance, with the intent of making the changes broadly budget neutral, including retaining the 1.5 per cent levy on company taxable income above \$5 million per year.

Recommendation 22: Child care

The cost of child care significantly impacts on the ability of parents, particularly women, to participate in the workforce. The Commission recommends the Child Care Rebate and Child Care Benefit be replaced with a single, means-tested payment reimbursing parents for a proportion of their child care costs. The new payment should include a work, training, study test and:

- should be broadly budget neutral and roughly maintain the current levels of assistance of around 80 per cent for low income families, with a base of assistance of 50 per cent available to all families;
- should include in-home care and other types of care that are not currently subsidised; and
- with savings from the Commission's proposed changes to the Paid Parental Leave scheme redirected to offset the cost of this expanded child care assistance, with the intent of making the changes broadly budget neutral, including retaining the 1.5 per cent levy on company taxable income above \$5 million per year.

The ANMF agrees with the audit commission that paid parental leave has the potential to support maternal and child health and increase women's workforce participation.

The ANMF supports the concept of paid parental leave at the full Award or EBA rate for 26 weeks. However, in the context of severe cuts to other important programs and the failure to recognise that child care access and affordability are critical issues allowing workers to return to their own occupations, the Abbott Government proposal – which was to provide 26 weeks of pay at the primary carer's replacement wage including superannuation up to an income cap of \$150,000 (now reduced to \$100,000) – is currently out of step and difficult to support.

Finally, the ANMF also agrees with the audit commission that the cost and availability of child care can be as important as paid parental leave in assisting and improving the workforce participation of women.

There are certainly problems with the affordability and availability of child care for many families at the moment. Child care availability for shift workers such as nurses and midwives is a particular problem.

The ANMF welcomes any efforts to improve the affordability and availability of child care services and will be monitoring the Abbott Government's handling of this issue carefully.

11. OTHER ISSUES

a) Carer payments

Many nurses and midwives, because of their qualifications, often end up being informal carers for relatives as well.

As the audit commission at section 710 (2014a) notes:

Many Australians choose to, or have no choice but to, care for their family members and friends who are unable to care for themselves. The Commission recognises that if this type of informal care was not provided, it would need to be provided formally and mostly by government at a much higher cost.

There are approximately 220,000 people receiving Carer Payment in Australia. Around 90 per cent of these people have no private earnings – because of the demands of their caring role they are unable to earn a wage through paid employment.

The ANMF does not accept that the cost of carer payments is a major burden on the government. In fact, carers, as the audit commission has noted, actually save the government money.

However, the ANMF does agree with the audit commission in this respect:

The introduction of the National Disability Insurance Scheme and its interactions with carer payments have not been fully scoped. As the NDIS is fully rolled out, these interactions need to be properly analysed.

The ANMF does not support the audit commission's recommended cuts to the aged pension, and it does not support its recommendation that similar cuts be made to carers' payment rates.

b) Foreign aid

The ANMF supports Australia aspiring to become a strong foreign aid provider.

Not only is it humane, but it also assists international development, which can only benefit Australia and Australian workers in the long term.

For example, one of the biggest risks to the prosperity of Australian workers is the loss of jobs to underdeveloped, low wage countries.

Strong international development can help lift these countries out of poverty and thus level the international trading playing field. This will take a few generations, as it has in Australia. Just as current generations of Australians have benefited from the foresight of our parents, grandparents and great grandparents. Future generations of Australians will thank this generation if it has the courage and generosity to facilitate international development and better wages and conditions in all countries.

The ANMF believes the audit commission's recommendation to cut back foreign aid is in keeping with the mean-spirited, minimal government nature of its other recommendations.

The ANMF will continue to work with international development organisations like APHEDA and national and international union bodies, such as the ACTU, International Labour Organisation (ILO), Public Services International (PSI) and Global Nurses United (GNU), to improve the lives of working people and their communities around the world.





c) Outsourcing, competitive tendering and procurement

As previously acknowledged, the audit commission aims to reduce the role of government in Australian society and makes recommendations to enable the private sector, competition and markets to play an even greater role than they currently do.

At Section 10.3 (2014a) it makes the following general comments about outsourcing, competitive tendering and government procurement:

10.3 Outsourcing, competitive tendering and procurement

For 30 years, competitive tendering and contracting (or outsourcing) has been a key method of delivering many public services.

It has two worthwhile intrinsic features. First it requires government to provide a clear definition of the services involved and second it periodically opens delivery to non-government suppliers.

Benefits of outsourcing include increased flexibility in service delivery, greater focus on outputs and outcomes rather than inputs, and the incentive for private sector suppliers to provide innovative solutions and savings.

However, there can be significant costs, including those associated with contract specification, the competitive tendering process and ongoing contract management and monitoring. It is also necessary to strike the right balance on accountability, privacy, probity and consumer protection.

The ANMF believes the final observations on the risks of outsourcing should be taken very seriously and given more prominence in decision making than they currently often are by governments.

ANMF (QNU) members in Queensland recently had direct experience of these risks, through the so-called Queensland Health payroll upgrade debacle – and the serious personal financial distress and increased public costs that can arise from the failure of outsourced government contracts. It is only one of many such failures over the last few decades.

The following observations of the Queensland Health Payroll System Commission of Inquiry (Chesterman, 2013, p.219) are also relevant when considering outsourcing issues:

Finally, this Project has provided strong evidence that the State, try as it might, cannot outsource risk. The desire to outsource to the private sector requires the government actively and competently to manage projects and contractors, and apply the necessary skill and expertise to ensure the effective delivery of large projects. The State cannot be passive in its oversight of projects in which large amounts of taxpayers' money are at risk or the welfare of State employees may be affected.

d) Other recommendations

There are a range of other recommendations made by the audit commission which are also based on the same values that inform the recommendations assessed more fully in the rest of this discussion paper. These are not of immediate direct relevance to nurses and midwives.

Therefore, the ANMF does not intend to express an immediate view or comment on them at this stage.

However, should any matter become an immediate concern to or risk for Australia's nurses and midwives and/or the ongoing balanced development of Australian society, then the ANMF will not hesitate to enter the debate or initiate or join campaigns aimed at preventing their implementation.

2014 FEDERAL BUDGET — THE FIRST STEP

The Abbott Government released the audit commission's reports on 1 May 2014 and less than two weeks later brought down its 2014 budget. The Federal Government had the benefit of the reports for some time before releasing the findings and during the period it was preparing its budget.

The budget has implemented a number of the audit commission's recommendations or variants of them.

This partial implementation has resulted in significant cuts to a wide range of government payments and programs. There is little doubt the 2014 budget is driven by the same pro-market, small-government ideology that underpinned the audit commission.

For example, the budget starts the dismantling of Medicare by introducing a fee for most GP visits, deferring indexation of various Medicare payments and reducing Medicare optometry payments.

It also implements the audit commission's recommended changes to Commonwealth-State financial relations by slashing future Commonwealth funding for schools and hospitals.

There has been a strong negative reaction to the budget and credible early assessments, such as modelling done by the National Centre for Social and Economic Modelling (NATSEM) (2014), which prove these types of policies shift increasing costs and risks onto low and middle income earners who make up the overwhelming majority of the population.

According to NATSEM:

The burden on families for 2014-15 falls most heavily on low and middle income families with children. The impact on high income families with children is smaller in dollar terms and percent change terms. Across all families (including singles and couples without children) the dollar impact varies by income level without a clear pattern. In percentage terms, the impact is clearly felt by the low income families more than high income families.

The important point in this context is that Abbott Government ministers keep making it clear that the 2014 budget is only the beginning of the implementation of their government's program of smaller government and ending the so-called "age of entitlement".

The budget documents (Australian Government, 2014) and associated speeches are full of this rhetoric. For example:

The Government's Budget welfare reforms are aimed at increasing everyone's ability to contribute to the economy — everyone who can contribute, should contribute.

The Government will continue to provide assistance for families, seniors, people with a disability and carers, and those most in need.

Here, the audit commission's emphasis on "most in need" is even included. Then a little further on:

The Government will continue to consider what further structural reforms are needed to ensure the welfare system is sustainable for future generations.

... This Budget is about shifting our focus from entitlement to enterprise; from welfare to work; from hand-out to hand-up.

Therefore, it is fair to assume that the 2014 budget is simply the beginning of the Abbott Government's implementation of many of the audit commission's recommendations.

If this is so, the negative impact on most wage and salary earners, already identified by the likes of NATSEM, will only increase. Inequality will worsen and the very nature of Australian society could change forever. The "new, better" world dream and efforts of our parents, grandparents and great-grandparents will have come to nothing.

The prime minister, Tony Abbott (2014), has said that the 2014 budget is about "shifting our focus from entitlement to enterprise; from welfare to work; from hand-out to hand-up". The reality is the audit commission, and the federal budget that followed, are "about shifting our focus from":

- meeting people's basic needs through equitable collective programs and processes, to imposing more cost and risk on the individual;

- providing some basic financial security for everyone, to pretending everyone is and should be a risk-taking wheeler and dealer; and
- providing cost-effective risk management, through government, for important needs like health and education, to pretending everyone has the same capabilities in life as the elite 10 per cent.

Recent polling (Hetherington, 2014) suggests that Australians are starting to question the alarmist rhetoric of the Abbott Government. An ongoing survey using a representative sample of 1445 adult Australians asked for their views on a range of tax and public spending issues. The findings showed that:

- A majority of Australians (53%) now believe they pay about the right amount of tax, a jump of 17 percentage points since the last survey. By contrast, the share who say they pay too much tax has fallen by 18 points.
- Those who want to see spending increased or maintained increased by eight points to 85 per cent, while those who wish to see spending cut fell by four points to eight per cent.

- Australians increasingly view the tax system as unfairly regressive. We believe those at the bottom and the middle of the income ladder are paying their fair share of tax, but those at the top are not. After falling in earlier surveys, the proportion of those who said that high income earners paid too little tax jumped by 17 points to 72 per cent. Simultaneously, there were significant jumps in the proportions who said that low- and middle-income earners and small businesses pay the right amount of tax.
- Australians want increases to public services to be funded by high income earners who they do not perceive as paying their fair share. Sixty-nine per cent of respondents said that increased funding for public services should be paid for by tax increases on the top five per cent of income earners or removal of tax concessions on superannuation and housing, which also flow primarily to high income earners.



CONCLUSION

As this discussion paper shows, the Abbott Government's audit commission is anything but an independent effort to assess the nation's finances and economic situation in the aftermath of the Global Financial Crisis.

It is an ideological document, prepared at the request of the federal Liberal and National parties and supported by big business interests, to make the case for small government. It arguably brings to a head 30 years of conservative political effort, around the world and here in Australia, to devastate the mixed economy, where government plays a prominent role and in supporting and protecting its citizens. It aims to destroy the labour movement and its values of equity, opportunity, collectivism and fairness.

The majority of the audit commission's recommendations lack balance, will increase inequity in Australia, dramatically increase the cost of living for most people and destroy many of the achievements put in place by previous generations to make Australia a better, more prosperous and fairer place.

The ANMF does not believe that Australia has to be governed on the basis of a financial or economic emergency beyond its control, because no such emergency exists.

The ANMF believes Australia should continue to strive to be a hard-working, fair and inclusive society, where problems are worked through together and equitably. It should maintain a genuine mixed economy, with a strong cost-effective government presence, especially in key social service areas. This is the practical Australian way and is very different to the imposition of a "market" ideology, which encourages competition rather than collaboration.

In that way, greater emphasis and creative thinking needs to go into increasing government revenues fairly. Once this is accomplished, most of the programs the audit commission proposes cutting are easily funded. As the former secretary of the Department of Prime Minister and Cabinet, Michael Keating (2014), says:

... in the first instance it might have been expected that restoration of a fiscal surplus would have been sought primarily by way of increases in revenue. But consistent with government rhetoric and the demands of its supporters, 80 per cent of the projected budget consolidation is from net savings in expenditure, and only 20 per cent from increased taxation. This in itself raises basic questions of fairness.

With this lopsided budget approach the Abbott Government has simply fallen into line with its audit commission. Unless the balance is restored, and the audit commission's ideas are challenged, there is worse still to come.

In the months and years ahead, ANMF branches around the country, as they successfully did during the **Your rights at work** campaign, will be calling on members to campaign against the damaging ideas put forward by the audit commission and the wider conservative political campaign to reduce the important role and contribution of government in our society.



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ATTACHMENT 1

ACTU (2010) 'Loss of permanent full time jobs is putting families at greater financial risk: new report' Media Release, 4 October retrieved from <http://www.actu.org.au/Media/Mediareleases/Lossofpermanentfulltimejobsisputtingfamiliesatgreaterfinancialrisknewreport.aspx>

The global financial crisis occurred amidst unprecedented potential abundance. In Australia, GDP per capita has increased by 42 per cent since 1990 alone. With this growth in total wealth, however, has come significant economic and social change. These critical transformations to working life have followed three key dimensions:

The nature of work, characterised by rapid and ongoing changes in technology, production strategies, the security of work and the ways which labour is engaged;

The nature of people's lives beyond the workplace, characterised by increasing risks to individual workers and their families of ill health, housing tenure, retirement, and inadequate education; and

The nature of relationships between groups of workers, characterised by widening inequality between workers with respect to working conditions including pay, hours, capacity to bargain and career opportunities.

The result of changes in these three areas has been to substantially shift economic, financial and social risks from businesses and governments to the individual. Specifically,

- *From capital to labour with production strategies now increasingly pursuing global (low) cost and (high) productivity norms that put downward pressure on wages, conditions and job security while at the same time driving up the pace and intensity of work and exposure to the vagary of the economic cycle.*
- *From the state to households with provisions of public health and education, utilities, and age pensions being restricted and more commercially oriented in the wake of private provision, individual 'choice' and 'user-pays'.*

This massive transfer of risk is affecting every dimension of people's lives — as workers, consumers, investors and creditors.

The shift in risk is being amplified by the flexibility demanded of workers in terms of degraded jobs, overwork as well as underemployment, and diminished access to collective bargaining.

Many workers actually experience concepts like "reform", "productivity" and "flexibility" as "insecurity", specifically as temporary work and / or volatile income. They see "risk" as being progressively transferred from both Government and their employers to them – for example on skills and training, hours flexibility and contracting out.

ATTACHMENT 2

Quiggin, J. (2013) 'Commission of audit: a crusade of dated ideology and dead ideas' *Canberra Times*, 5 November, retrieved from <http://www.canberratimes.com.au/national/public-service/commission-of-audit-a-crusade-of-dated-ideology-and-dead-ideas-20131103-2wugf.html#ixzz34qNQFWYx>

In Australian politics, the election of a new Parliament is associated with a theatrical ceremony in which the usher of the black rod summons parliamentarians to hear the governor-general's (or governor's) speech, setting out the new government's intentions. Some aspects of this ceremony, such as the practice of assembling in the upper house, date back to the parliamentary struggles of the 17th century.

A second, equally theatrical ritual is enacted if the election produces a new Coalition government. The treasurer solemnly announces the creation of an independent commission of audit, which is supposed to examine all areas of government spending.

This ritual dates back to the election of the Kennett government in 1992. The new Victorian premier, Jeff Kennett, was facing a genuine crisis as a result of the failure of state-owned and state-regulated financial institutions in the "recession we had to have".

From Kennett's viewpoint, the commission had two main functions. The first was to pin the responsibility for the crisis on the fraud, mismanagement and waste of the outgoing Labor government rather than on the external circumstances of the recession. The second was to provide an authoritative basis for the policy program he wanted to implement, based on privatisation, service cuts and competitive tendering.

Kennett's success, at least in his first term, set a precedent that has been followed ever since, with the announcement of a commission of audit or some similarly named body being one of the first items on the agenda of newly elected Coalition governments. The second crucial feature of these commissions was established by the Howard government. Whereas Kennett had campaigned for radical reform, John Howard had followed a "small target" strategy, making seemingly ironclad promises not to make politically sensitive spending cuts. On taking office, it became necessary for Howard to abandon what became known as "non-core" promises.

The latest commission of audit, announced by federal Treasurer Joe Hockey and Finance Minister Mathias last month, looks much like those that came before it.

First, the commission isn't in any sense independent. With token exceptions, its members have been selected on the basis of political reliability rather than relevant expertise. Its chairman, Tony Shepherd, is a former head of the Business Council of Australia. More relevantly, perhaps, he has just stepped down as chairman of Transfield, a company that depends heavily on public-private partnership deals for the private provision of public infrastructure. Expansion of the use of PPPs is among the standard recommendations of commissions of audit.

The Business Council is also providing its chief economist, Peter Crone, to head the secretariat. Shepherd and Crone are backed up by former Howard-era minister Amanda Vanstone, and Liberal apparatchik and former departmental secretary Peter Boxall. Only Tony Cole, who was Treasury secretary from 1991 to 1993, can be regarded as a non-partisan, though ideologically sympathetic, expert on public finances.

Second, the commission does not have anything like the time required to perform an audit. In the present case, the interim report, which is the one that really matters, is due by January 31, 2014. Allowing for time to set up the inquiry (as of October 31, it didn't even have a website) and publish a report, the entire job will need to be completed between Melbourne Cup Day and Australia Day. That's about 10 weeks, at a time much of the country operates at half pace.

The shortage of time won't be a problem for the kind of report the commission will actually produce. It will consist in part of ideological boilerplate, unchanged since the 1996 version. Indeed, one of the commission's supporters, financial journalist Alan Kohler, has suggested that "Shepherd and his colleagues could simply get that report out and reuse some of the chapters on the theory of what governments should be doing, which still apply, so they don't have to do that work again".

The rest of the report will consist of recommendations derived from the pre-existing wish-lists of influential stakeholders. It doesn't take the insight of Sherlock Holmes to work out that the Business Council's wish-list will receive close and sympathetic consideration. Also influential will be the Institute of Public Affairs, a right-wing thinktank that has been closely aligned with the Liberal Party since both organisations were founded in the early 1940s. The institute has already produced its wish-list, so it won't be hard to assess its influence on the outcome.

From within the bureaucracy, the Treasury and the Finance Department will have a major say and will also, presumably, provide most of the staff. Invariably, the Treasury and Finance have a long list of programs they would like to scrap or rationalise, for which a change of government provides the best opportunity. Conversely, the short time frame ensures that anyone outside the charmed circle, and without a pre-existing wish-list, will have no real opportunity for input.

In practice, therefore, commissions of audit are not so much reviews of existing government programs as they are opportunities for newly elected governments to put forward a policy platform based on their real ideological preferences, rather than the compromised platform that was needed to secure victory at the polls.

The political utility of the exercise varies from case to case. If the new government runs quickly into political difficulties, and is barely holding on to office, a report recommending radical reforms is an embarrassment to be buried as quietly as possible. This happened in Victoria in 2012, when the Baillieu government used "cabinet in confidence" powers to suppress the report it commissioned after its election. In Queensland, by contrast, Premier Campbell Newman's huge majority gave him the confidence to dump promises he had made to protect public services and public sector jobs, using his commission's report as a pretext.

The use of commissions of audit to repudiate electoral commitments is a problem for anyone who takes the democratic process seriously. But, like it or not, Australian politicians of both parties have long ceased to regard such commitments as binding. With some notable exceptions, voters have forgiven them as long as they like the results.

The real problem with the commission process is illustrated by Kohler's remarks. Advocates of commissions have learned nothing, and forgotten nothing, since Kennett's audit 20 years ago, which in turn reflected the political orthodoxy of the 1980s, based on microeconomic reform, privatisation and financial deregulation.

But a lot has changed since 1993. Most of the useful elements of the microeconomic reform agenda have already been implemented. The idea that there are big savings still to be found after two decades of efficiency dividends, contracting out and corporatisation is an illusion.

As regards privatisation, the most important change has been in public attitudes. When Kennett began his privatisation program in 1993, the public was sceptical but advocates assumed that voters would be happy once they experienced the benefits. In reality, 20 years of experience has hardened scepticism into unremitting hatred. In Queensland, an amazing 85 per cent of voters opposed the Bligh government's asset sales program. Not all of that was reflected at the ballot box, but enough of it was to reduce Labor to a handful of seats.

Of course, it's open to advocates of privatisation to argue that ordinary people don't know what's good for them. But that claim sits very strangely with a rhetoric of free choice and individual responsibility.

The world in which commissions of audit began was one in which financial markets were seen as the ultimate arbiters of good economic management and AAA ratings. The elite groups that dominate the policy process still seem to believe this but the average voter is more likely to agree with Trade Minister Andrew Robb, who said, in a moment of unusual candour in July: "I remind you that Lehman Brothers, the collapse of Lehman Brothers, which started this global financial crisis, on that very day, they still had a AAA credit rating. What does a AAA credit rating really amount to? What I'm saying is you can't place enormous store in the rating agencies."

*When commissions of audit began, there was a lot of excitement about new ways to involve the private sector in the provision of public services, epitomised by the hit American book of the time *Reinventing Government*. Some of those ideas, such as competitive tendering, have worked reasonably well, even if not up to their promoters' expectations. Others, such as PPPs, have been disasters, to the point that even insiders like Lend Lease have described the model as "broken".*

In all probability, none of this experience will be reflected in the commission's report when it is released in January. Instead of a road map for Australian government in the 21st century, we will see the ideology of the 1990s used to support one last push for the policy agenda of the 1980s.

ATTACHMENT 3

Adam Creighton & David Crowe (2014) 'Public purse to fund jobs growth'

The Australian, 27 May retrieved from

<http://www.theaustralian.com.au/national-affairs/policy/public-purse-to-fund-jobs-growth/story-fn59noo3-1226932398105#mm-premium>

THE nation's jobs market will become increasingly reliant on taxpayers during the next five years, as mining and manufacturing shed staff to make way for an army of health, education and welfare workers.

A new government report shows that 45 per cent of the new jobs by 2018 will be in health, education, public administration and safety — industries dominated by government provision and regulation — as other sectors decline.

Deloitte Access Economics director Chris Richardson said it would be a significant switch. "We're seeing the changing of the guard — an increasingly stagnant jobs market in mining offset by growing jobs in sectors benefiting from rapid increases in public money," Mr Richardson said.

Sinclair Davidson, a professor of economics at RMIT University, said: "Having larger shares of the workforce ultimately dependent on government means fewer private taxpayers and therefore greater pressure for higher taxes.

"In particular, we'll see more calls for the GST to increase because much of these health and education jobs are paid for out of state government budgets."

There will be 55,400 jobs lost during the period in key industries across the private sector, including manufacturing, mining, farming, forestry and fishing.

As the resources boom shifts from investment to production, the mining sector will lose 4.5 per cent of its staff, or about 40,000 positions, in the coming five years, according to the report by the Department of Employment. That compares with almost 59,000 jobs to be created in school education and 49,000 in medical services. Healthcare and social assistance will add 229,000 jobs in the five years, a growth rate of 16.3 per cent that is the strongest across all industry sectors.

Jobs growth will accelerate to 7.2 per cent across the period, compared with 6.5 per cent during the past five years, but the growth will fall short of Tony Abbott's election pledge to create one million jobs over five years.

The department forecasts the creation of 838,000 positions by 2018 but it includes a note that the forecasts "may not fully take account" of government policies to repeal the mining tax, the carbon tax and red tape.

Mr Richardson said the mining industry would remain profitable but employment was bound to fall as large projects were completed.

"Yes, the government is initiating lower growth in health and education spending, but the growth will still be substantial," Mr Richardson added.

The Australian revealed in March that a ministerial adviser asked the department to "scale up" the employment projections in line with the election pledge to create one million jobs, but Employment Minister Eric Abetz denied this. The department's latest findings project the creation of 838,000 jobs in the next five years, in line with The Australian's report.

Opposition employment spokesman Brendan O'Connor said the report showed the government would fail to meet its jobs pledge. "Despite the attempts of minister Abetz to manipulate the data, the department has confirmed the government will break its signature jobs promise," Mr O'Connor said.

Senator Abetz said the best way for the private sector to contribute to greater jobs growth was to remove job-destroying policies by cutting red tape, lowering the company tax rate and abolishing the carbon and mining taxes. "All public sector employment is dependent on the prosperity of the private sector's ability to create national wealth," Senator Abetz said.

The report also shows only 71 per cent of people found jobs four months after graduation last year, down from 79.2 per cent in 2009. Masters graduates' chances had slipped from 86 per cent to 81 per cent. Mining jobs, which made up about 2.4 per cent of the total, surged by almost 100,000 or 56 per cent in the five years to 2013, but these were dwarfed by 373,000 extra jobs in health, social work and public administration.

The government has undertaken to trim the federal public service by 16,500 jobs over four years, 2000 more than the Rudd government had planned.

Almost 26 per cent of new jobs in the five years to 2018 will be in healthcare and the social assistance industry with another 13.3 per cent growth in education and training.

Burchell Wilson, chief economist at the Australian Chamber of Commerce and Industry, said rapid growth of "non-market" work in the past six years was "peculiar". "Strong growth in these public sector positions has overstated the resilience of the labour market, which is nevertheless still softening, and is ultimately unsustainable given these jobs rely upon tax dollars generated by the private sector," he said. "Certainly, the population is ageing but not that fast; the policy decisions of government are driving the rapid expansion of the public sector."

The National Commission of Audit recommended the 257,000-strong commonwealth payroll be trimmed by 5 per cent.