

# The funding envelope

## Macroeconomics, Treasury & Disability

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### Australia's Disability Employment Conference

Sydney, August 2015

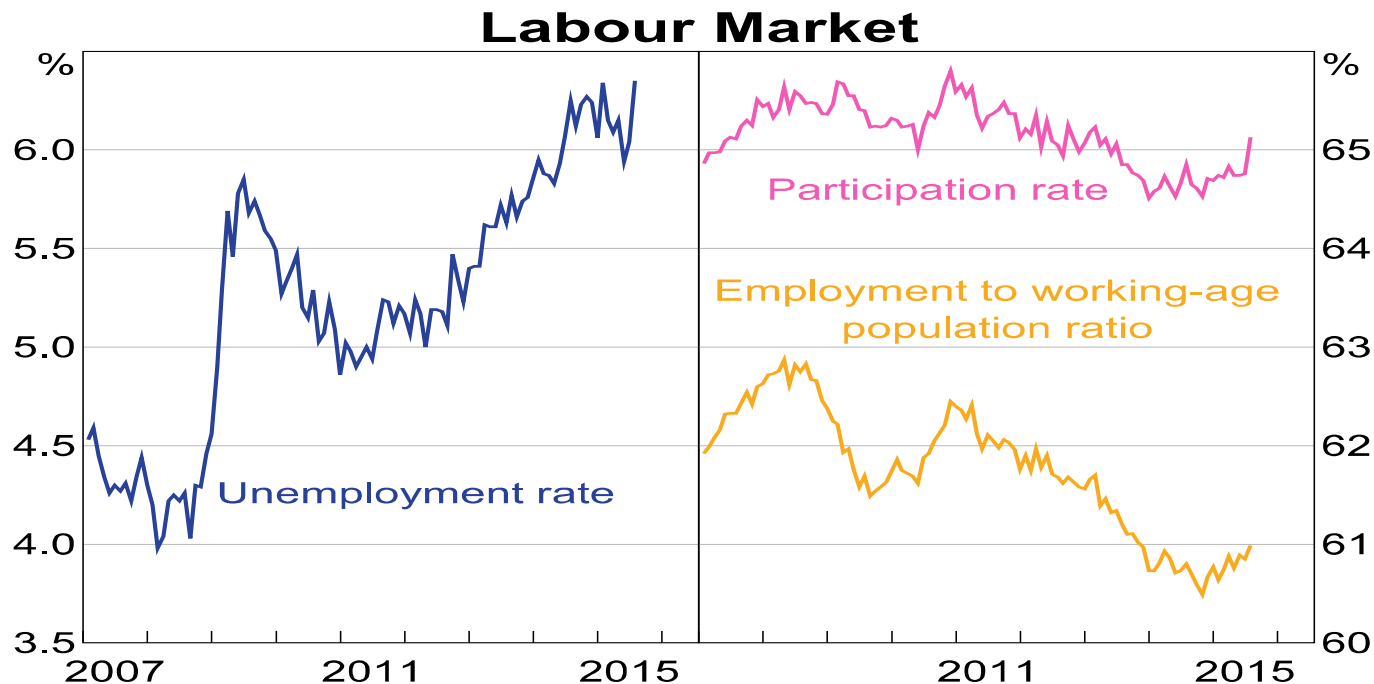
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 @thekouk



# The labour market – not in great shape

- Job creation hampered by sub-par economic growth
- There are few jobs – for all sectors – as the economy muddles along, as it has been for the last few years

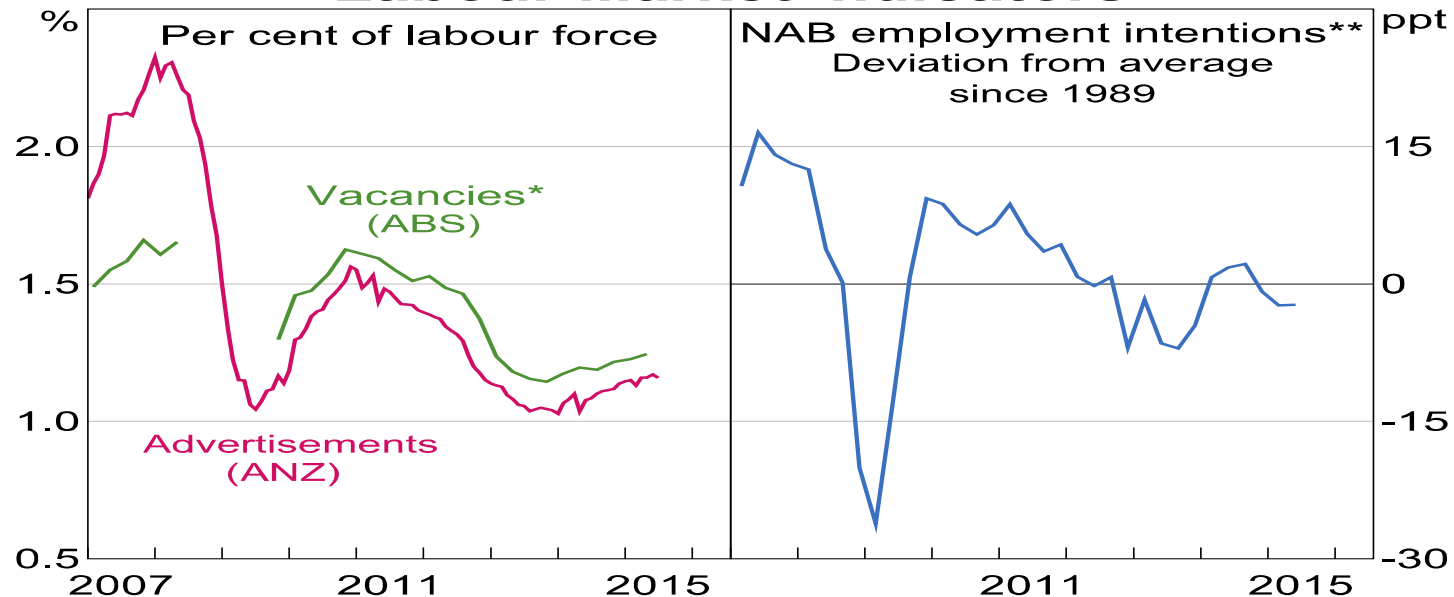


Source: ABS

# The jobs outlook – fair, at best

- Australia is a long way from the 4% unemployment rate we saw just prior to GFC
- Get set for another year – perhaps two – with 6%+

## Labour Market Indicators



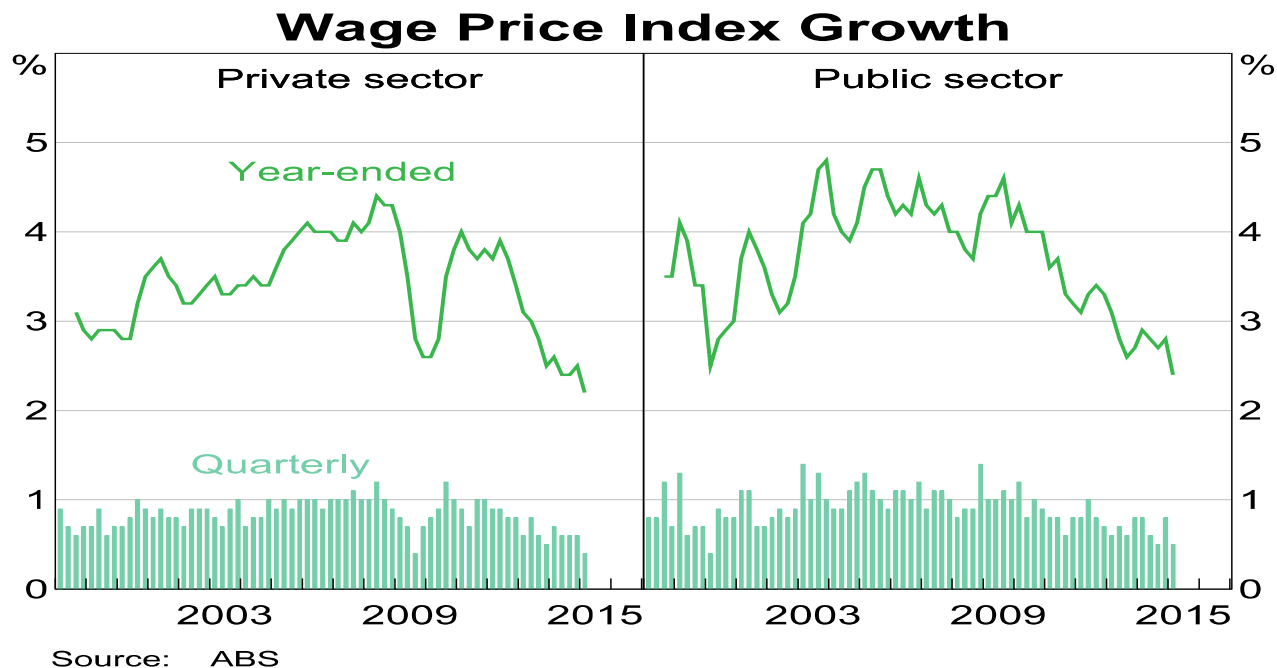
\* This survey was suspended between May 2008 and November 2009

\*\* Net balance of employment intentions for the following quarter

Sources: ABS; ANZ; NAB; RBA

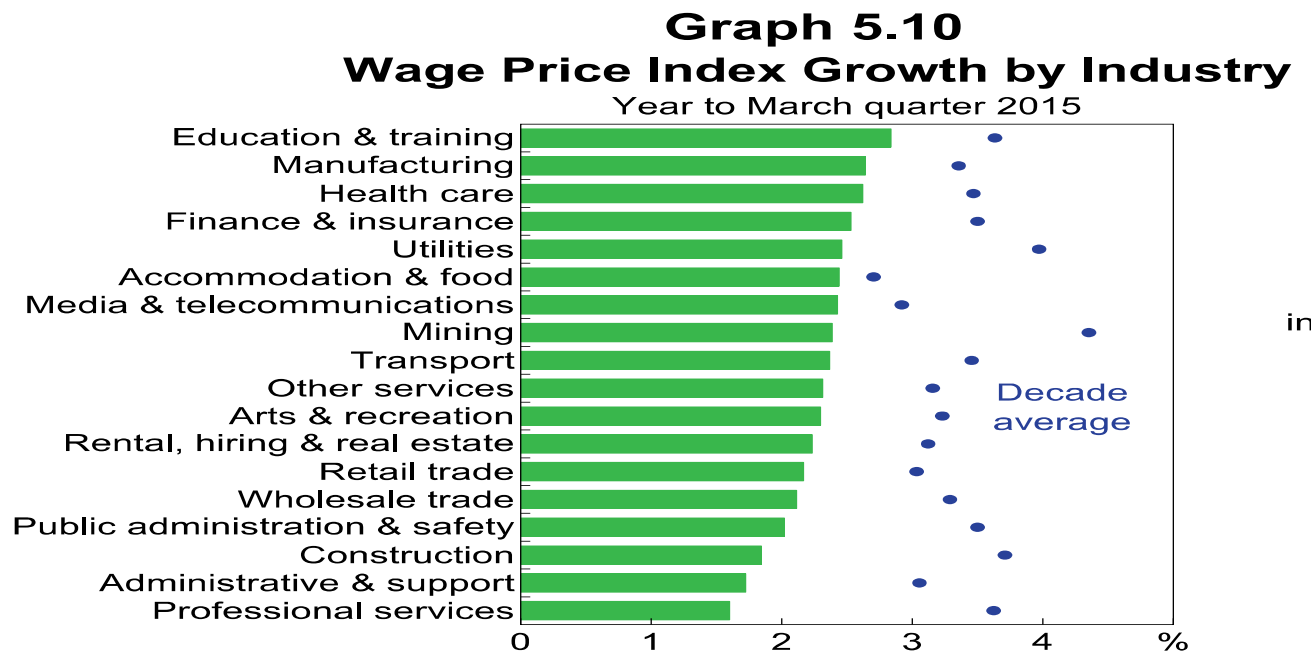
# Wages growth – at record lows

- A weak labour market means wages growth falls
- Double edged sword: Negative for consumption but low labour costs help underpin demand for workers
- Wages growth is set to remain at 2 or 3%



# Weak wages are across all industries

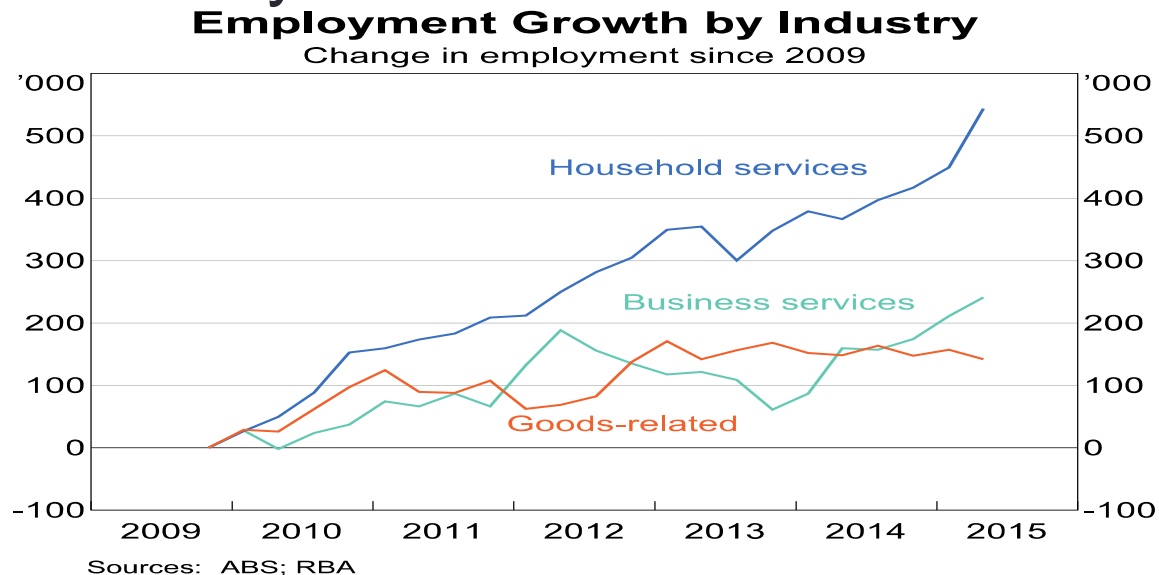
- Wages - well below the average for the past decade
- Strong growth – education and health care
- Public service, construction, professional services weak



Sources: ABS; RBA

# Where the jobs are

- The long-run trend is services and this should continue for many years to come
- Goods related industries remain weak
- Household services include education, aged care, health & disability care

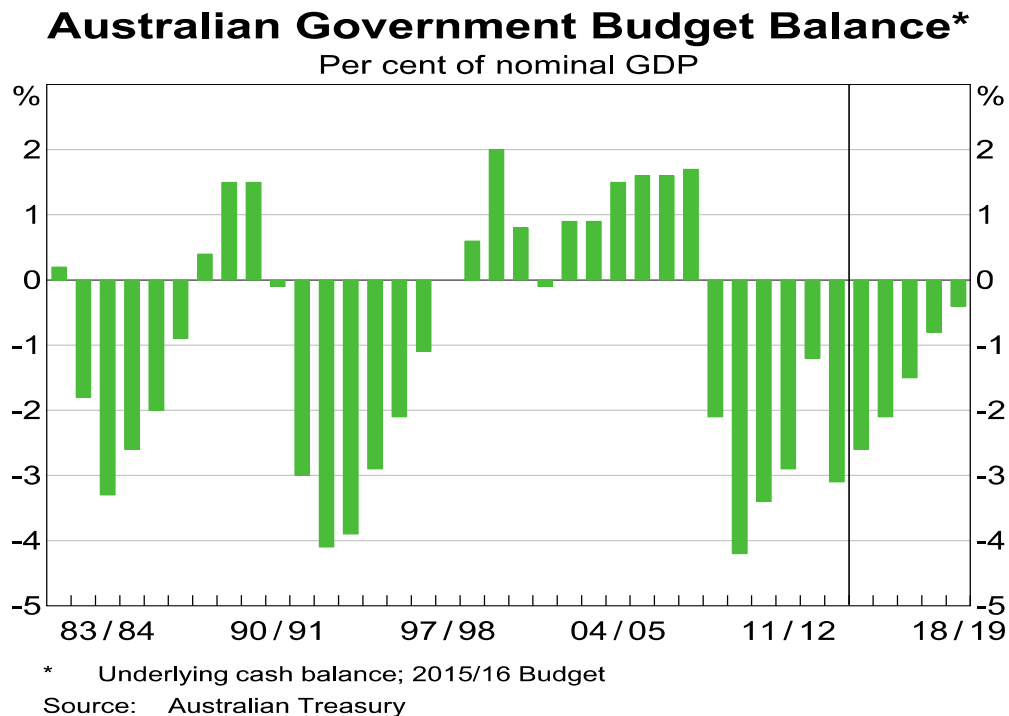


# The policy conundrum

- There are lots of good ideas for any government to implement
- Build a road; a new hospital; tax breaks for manufacturing; a suburban oval; new PBS medicines; a few billion for education
- These all cost money

# The path to surplus is a long one

- There is no surplus out to 2018-19
- Governments (of all stripes) will be reluctant to spend up while this outlook remains





# The big questions for politicians & voters

- Who wants well-funded, high quality education for their children?
- Who wants world-best health care for themselves & their family?
- Who wants a decent aged care for their parents (& themselves!)
- Who wants a high quality disability care system?
- What wants roads, defence, the environment to be the best?
- WE ALL DO

# Who wants to pay more tax?

- This slide has deliberately been left blank

# How does an idea become policy & law

- An idea comes from the relevant Minister
- It then goes to Treasury & Finance for costing / analysis
- Cabinet then decides yay or nay, considering all the views of Cabinet members & their Department
- While this is going on... the political backroom operators work out what can be the most important issue – are there votes in it?

# In the end...

- Sometimes even the best public policy ideas do not get implemented
- **Why?**
- It might be the business cycle – the state of the economy
- It could be politics – not enough votes
- It could be a question of priorities – someone had an even better idea
- But it is always about money