



2019 Federal Election Outcomes & Impacts

John Daley, CEO, Grattan Institute
Affiliates presentation
23 October 2019

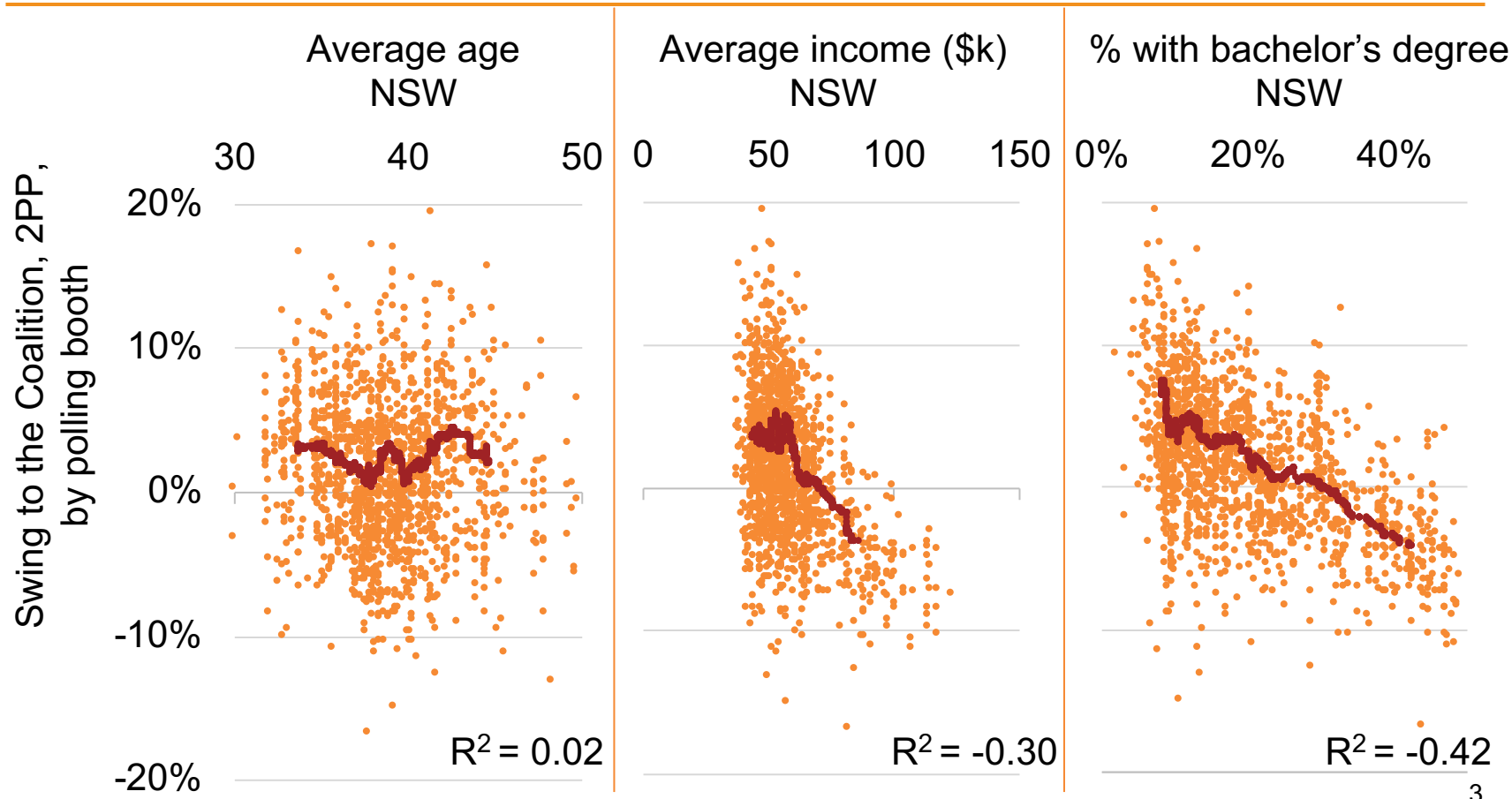
Priorities for the Morrison government

A miracle victory

The signs for serious policy reform aren't promising

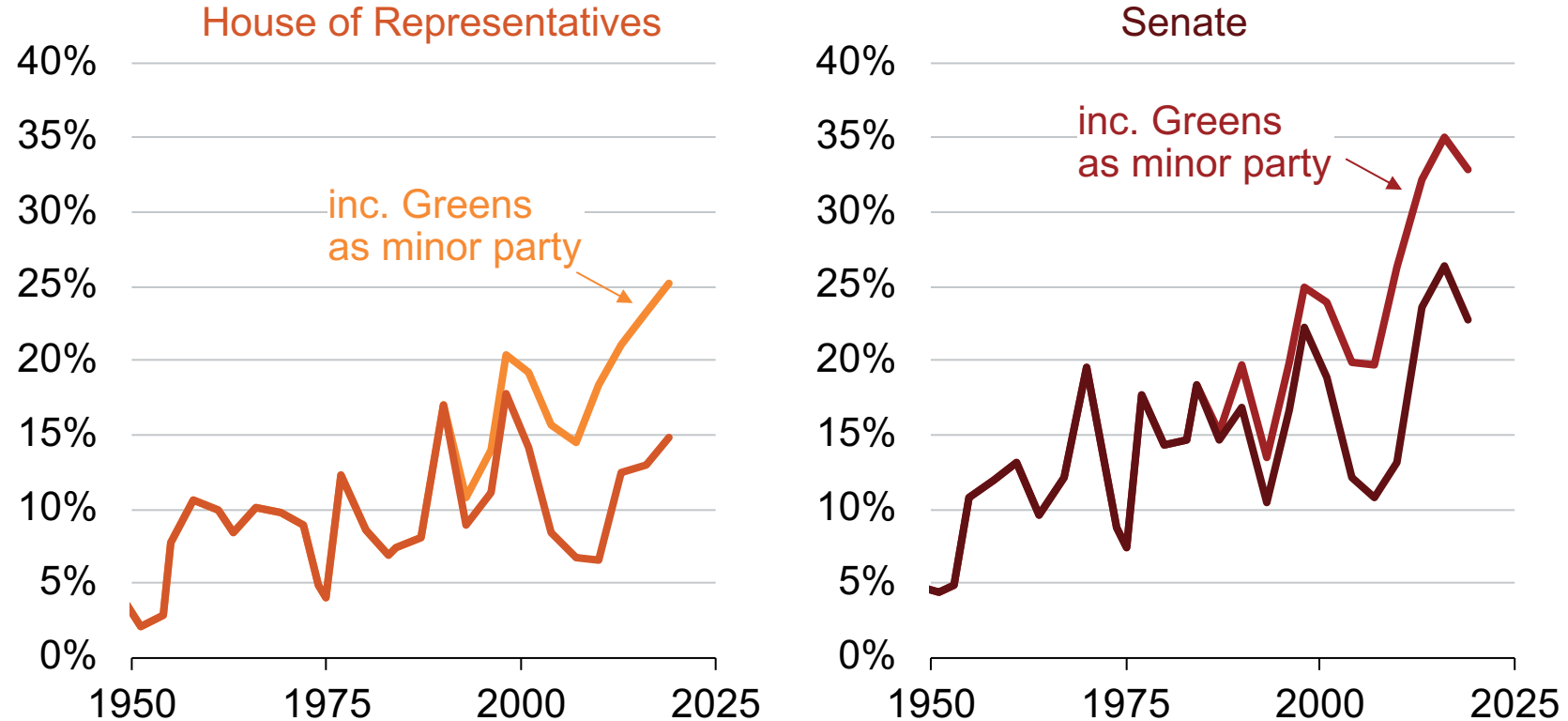
There are a lot of approaching trains

What does the win mean? Negative gearing, franking credits, or education levels?



The minor party vote stayed high

First preference votes to minor parties as a share of the formal vote



What will Morrison do with unprecedented internal authority?



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Like most election campaigns there were lots of bad ideas

Bad Coalition ideas

- 1st loss housing loan guarantee
- Tax cut very large, regressive, and announced too far in advance
- Many transport projects with no business case
- Regional university international student visas

Bad ALP ideas

- NRAS 2.0 for low-income housing poorly designed
- “living wage”
- Many transport projects with no business case
- Parent visas expanded
- 20% boost to childcare wages with no plausible mechanism
- Cancer co-payments – more gvt spending, no price pressure
- 3yo child education expanded before quality issues addressed

There were also some good ideas...

There hasn't been much reform for the last 11 years

Major policy changes by policy area and government

	Hawke/Keating 1983–1996				Howard 1996–2007			Rudd/Gillard 2008–2013		A/T/M 2013–2019	
Trade and currency	Float A\$	International students	Tariff reductions							FTAs	End auto assistance
Macro/budget policy			RBA inflation targets		Balanced budget commitment			PBO			
Labour markets	Accord		Enterprise Bargaining		Workplace Relations Act	Skilled migration	Work Choices	Fair Work	Age pension access 67	Age pension access 70	
Competition policy			Hilmer review		National Competition Policy			Demand-driven higher ed			
Privatisation	GBE reform	CBA sale	Elec Water	Airline IPO		Telstra sale (1, 2 & 3)				Medibank sale	
Regulation	Foreign bank entry		Telco dereg.			Bank capital reform		National Reform Agenda			
Tax	Capital Gains Tax	Dividend imputation	Super-annuation		GST	Personal income tax cuts	Company tax cut		Carbon pricing	Super tax	Company tax
Federalism	Medicare					Federal/state financial reform		Federal/state health reform		NDIS	School funding

Notes: Reforms that were not passed, or that were subsequently substantially wound back or repealed, are shown shaded out. 'Airline IPO' is the sale and IPO of Qantas in 1993 and 1995. Sources: Access Economics (2019) and The Economist (2011); Grattan analysis

Priorities for the Morrison government

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Approaching trains

- Economic growth slowing quickly
- Budget (forecast) surplus is dicey
- Increasing school leavers
- Foreign student concerns
- Transport project selection
- Energy costs and emissions too high
- Private health death spiral; out of pockets
- Housing ownership, inequality and homelessness

Sensible responses

- Delay super guarantee increase to 12%
- Super costs ("best in show")
- Childcare subsidies
- Aged care cost recovery
- Restore demand-driven system
- Increase HELP recovery
- ? Data? Review? Analyse?
- More of the same, but lots of spending
- Leave it to the States
- ? Data? Review? Analyse?
- City deals
- Public housing stimulus if eco downturn₁₀

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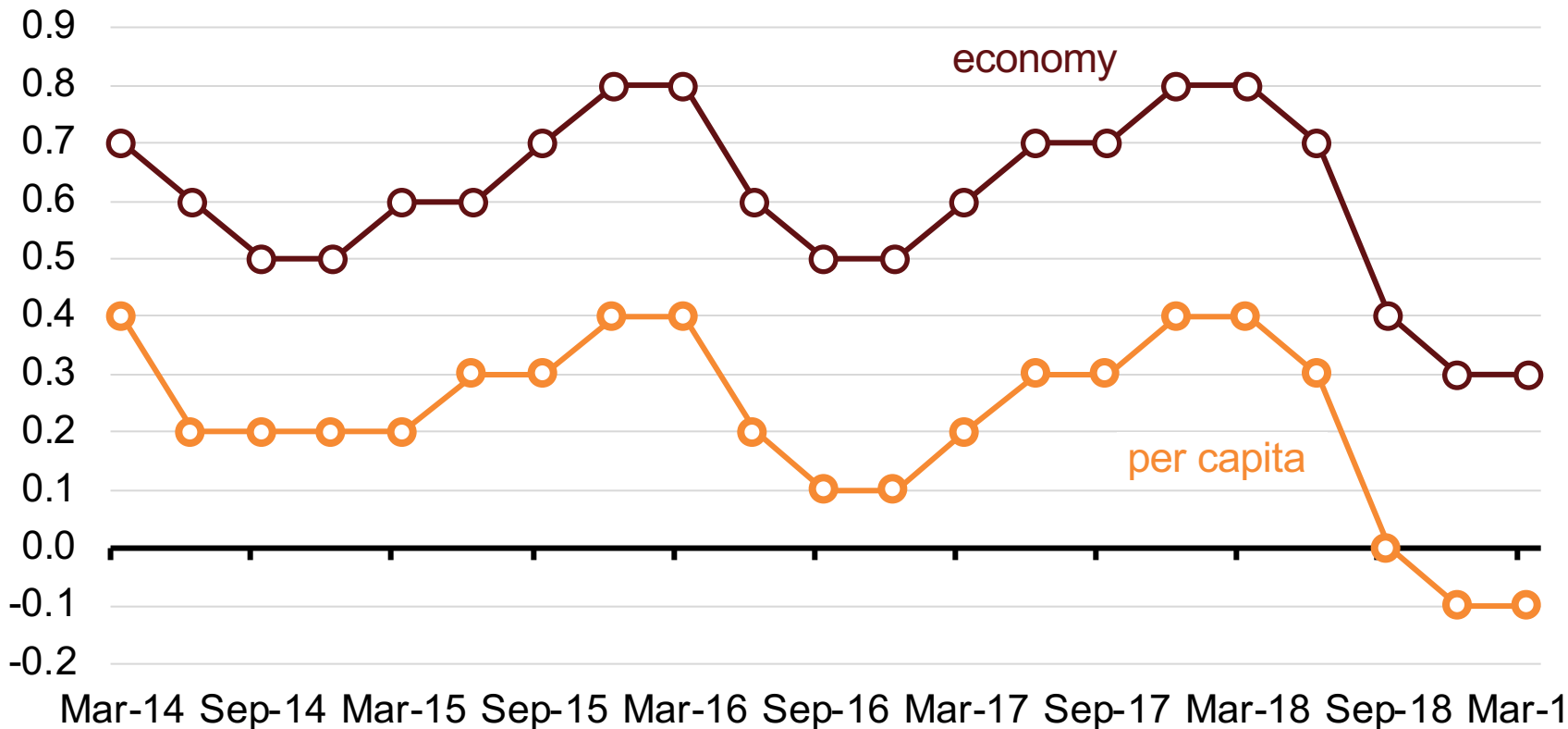
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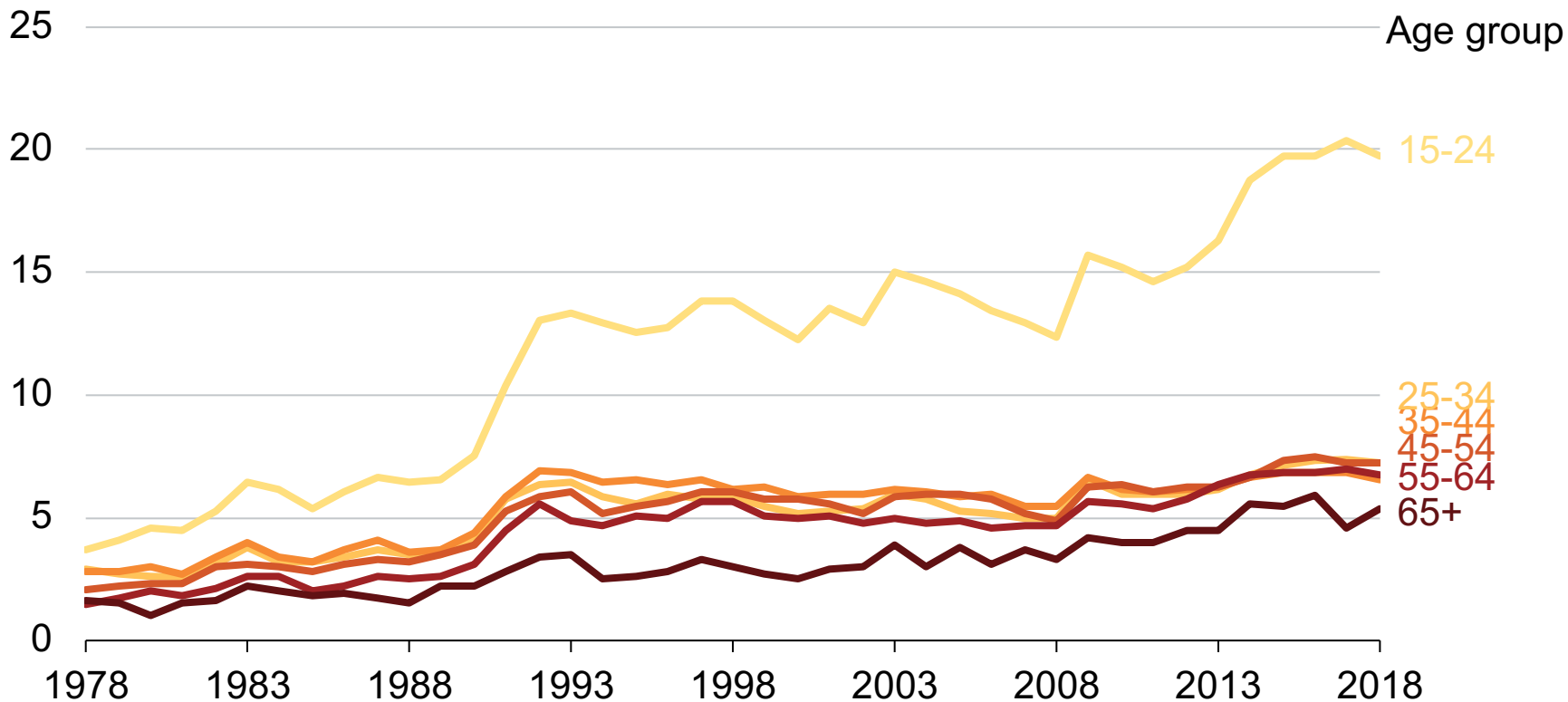
Was this a good election to lose?

Quarterly GDP growth, chain volume measure, percent



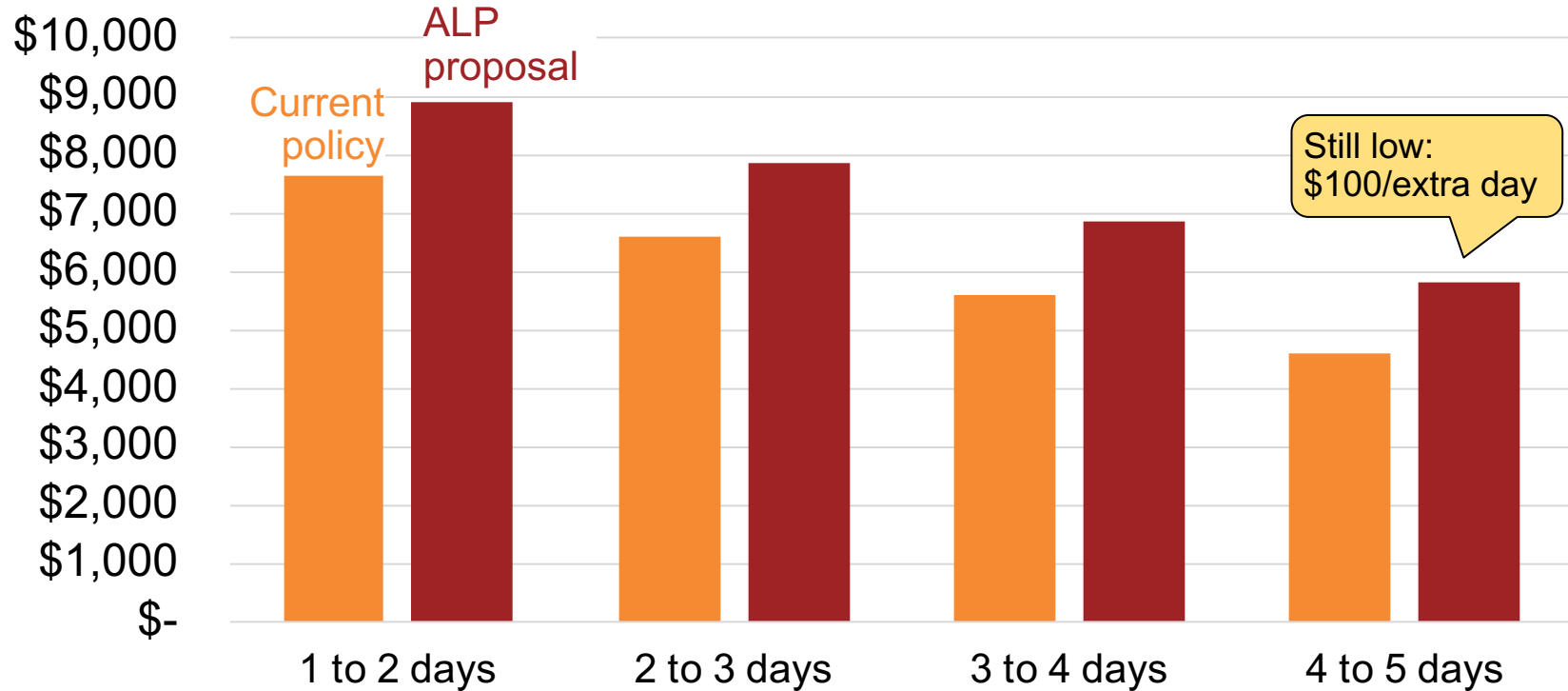
A lot more young people are under-employed now than in the 1980s

Proportion of employed people who are under-employed, per cent



More childcare subsidy, such as the ALP proposed, would increase economic growth

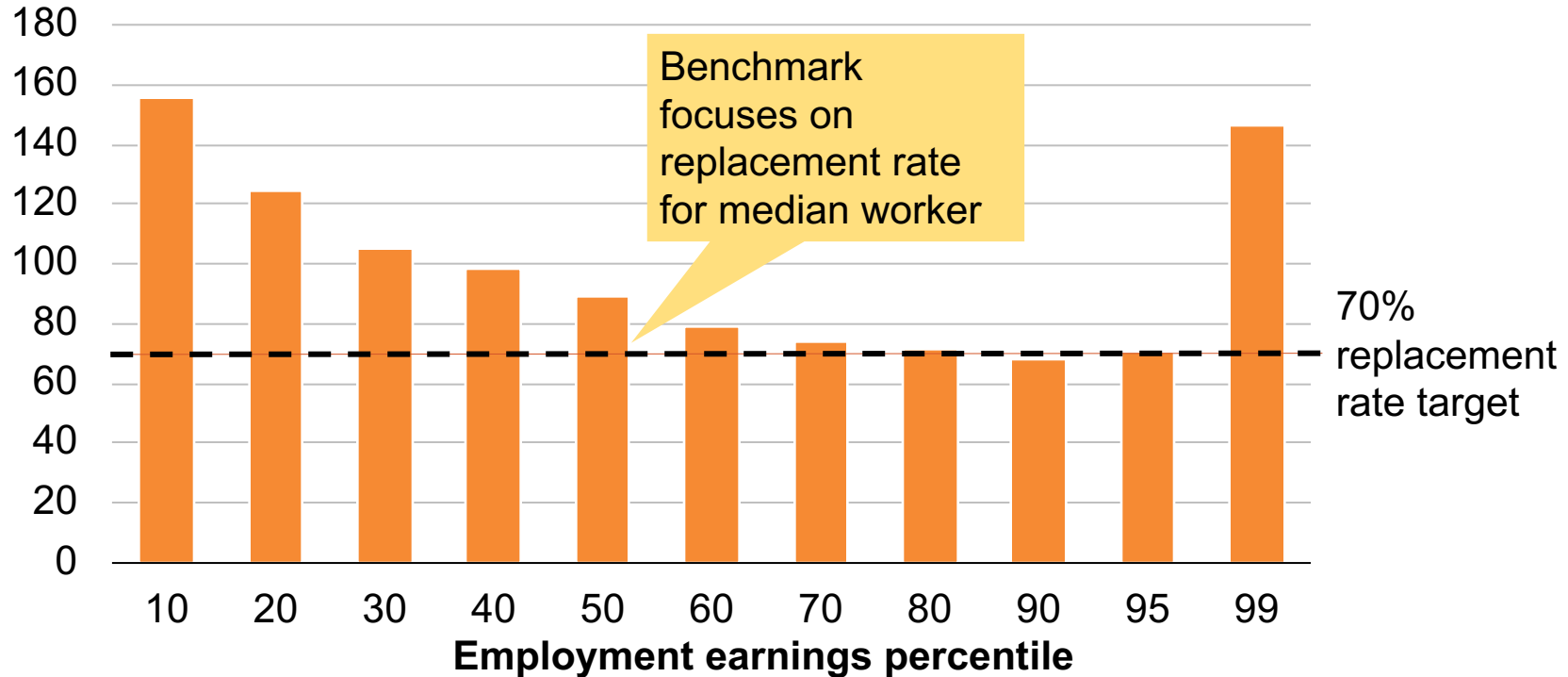
Gross earnings less childcare costs net of subsidy if second earner works an extra day



Notes: Primary earner on \$95,102 a year; Secondary earner makes \$12,200 a year for each extra day of work (\$60,999 if working full time). Assumes families pay for ten hours of childcare per day, at the hourly rate cap. Source: Grattan analysis

There's no need to increase the Super Guarantee to ensure an adequate retirement

Replacement rates, by employment earnings percentile, CPI deflated, per cent



Notes: Models retirement income of a person born in 1985, who works uninterrupted from 30 to 67, and dies at age 92. Includes savings outside super. Employment earnings adjusted to account for movements up and down the earnings distribution. Retirement savings drawn down over 26 years to leave a small bequest in addition to the home. Retirement income deflated by CPI

Source: Grattan Retirement Income Projector

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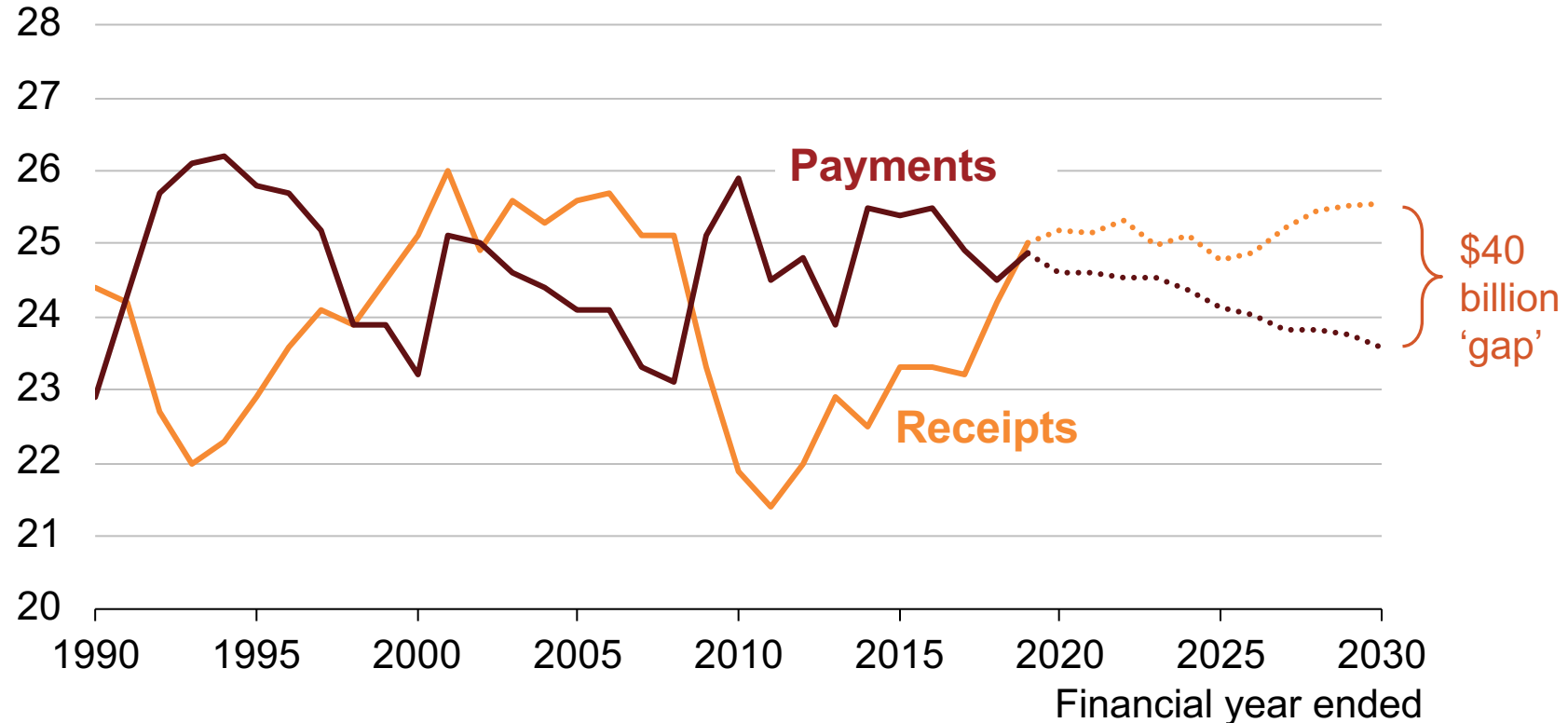
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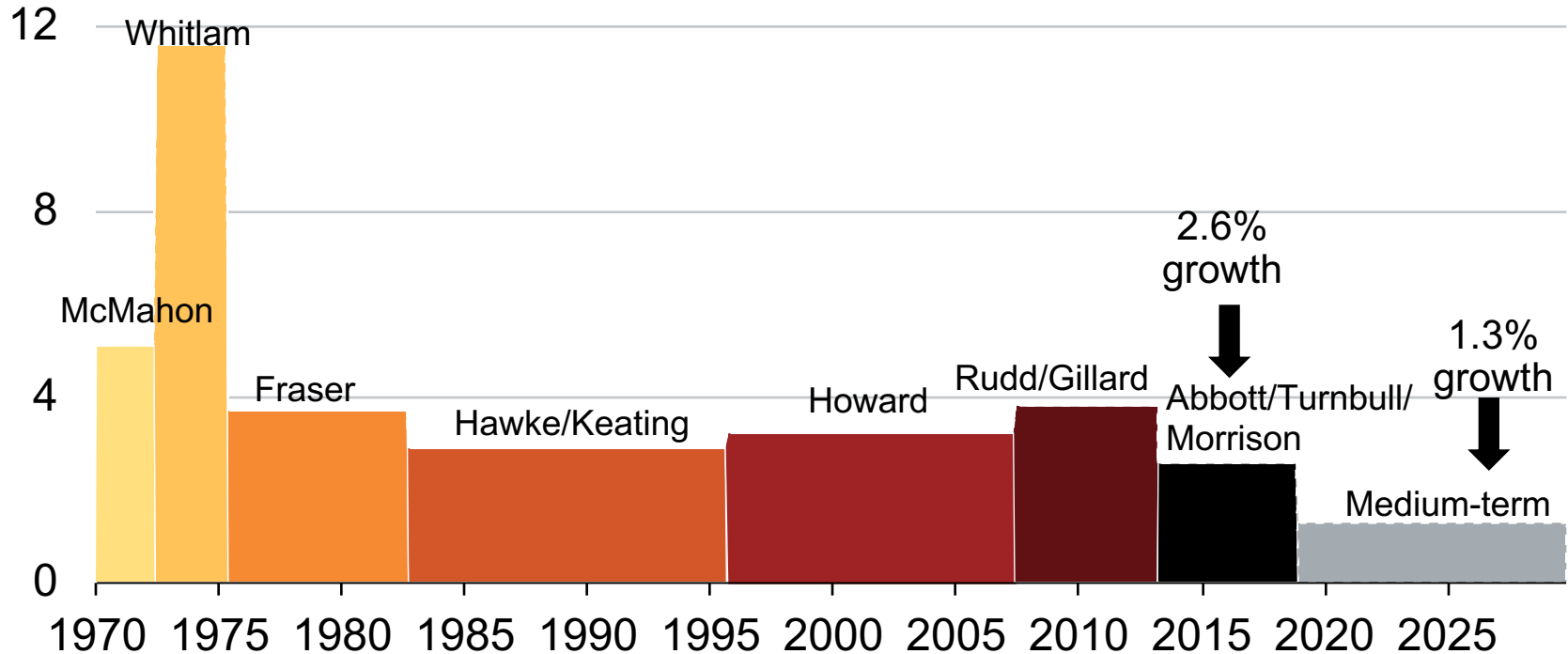
Budget has recovered due to both sides of the budget; surplus depends on declining payments

Commonwealth payments and total receipts, per cent of GDP



Spending growth forecasts are unusual by historical standards

Average real spending growth over term (per cent)



Notes: Spending growth in cross-over years (years in which government changed hands) are allocated across the governments in proportion to the share of the year in which they held government (to the nearest calendar month). Source: Grattan analysis of Commonwealth Budget Papers

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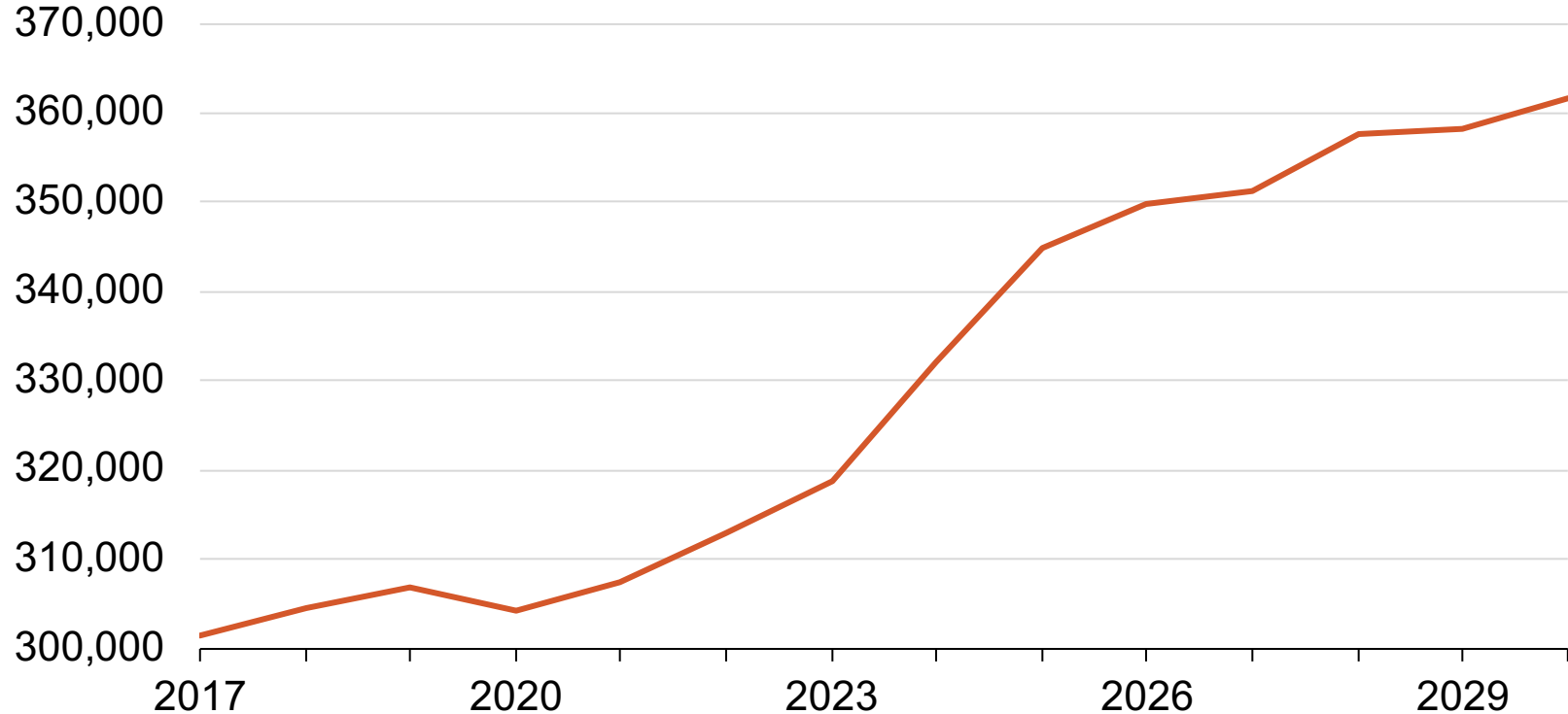
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Demand for tertiary education places will start to jump in 2021

School-leavers



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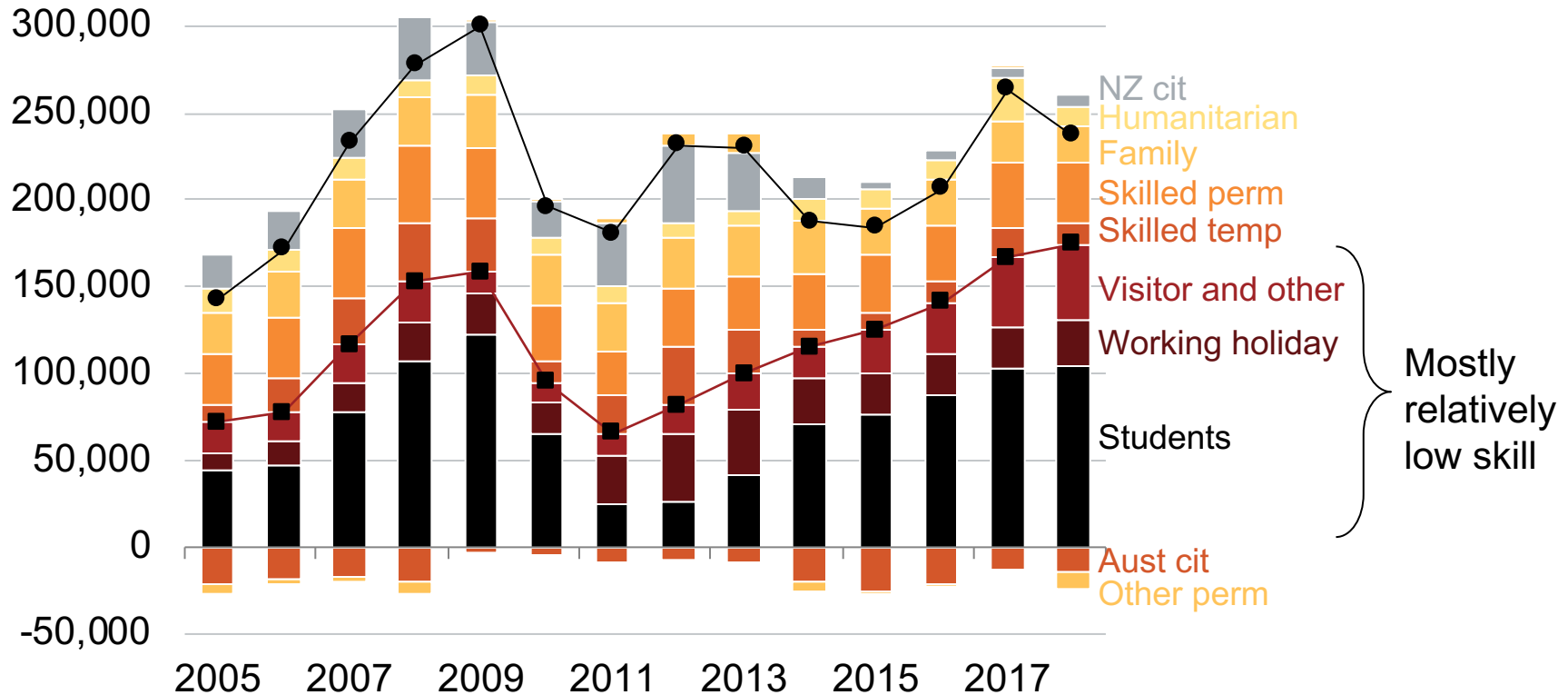
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An increasing proportion of migration to Australia is relatively low skill

Net overseas migration, financial year ended



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Most election commitments do not have a business case approved by Infrastructure Australia

Value of transport commitments, \$billions



Notes: Only commitments worth \$50 million or more have been included. 'On priority list but no IA-approved business case' includes commitments to projects and packages that are not specifically on the priority list, but appear closely related to items that are. We could not determine whether a number of commitments to improving regional roads would satisfy IA priorities on regional road safety so these are included in 'Not on priority list'. Based on commitments of at least \$50 million, made in the 2019 budget, media releases, news articles, or policy platforms on party websites as of Sunday, May 12. We have generally excluded commitments to projects that had Australian Government funding announced in a previous year's budget and: have not been discussed in recent party materials; or are already under construction.

Sources: Infrastructure Australia's Infrastructure Priority List

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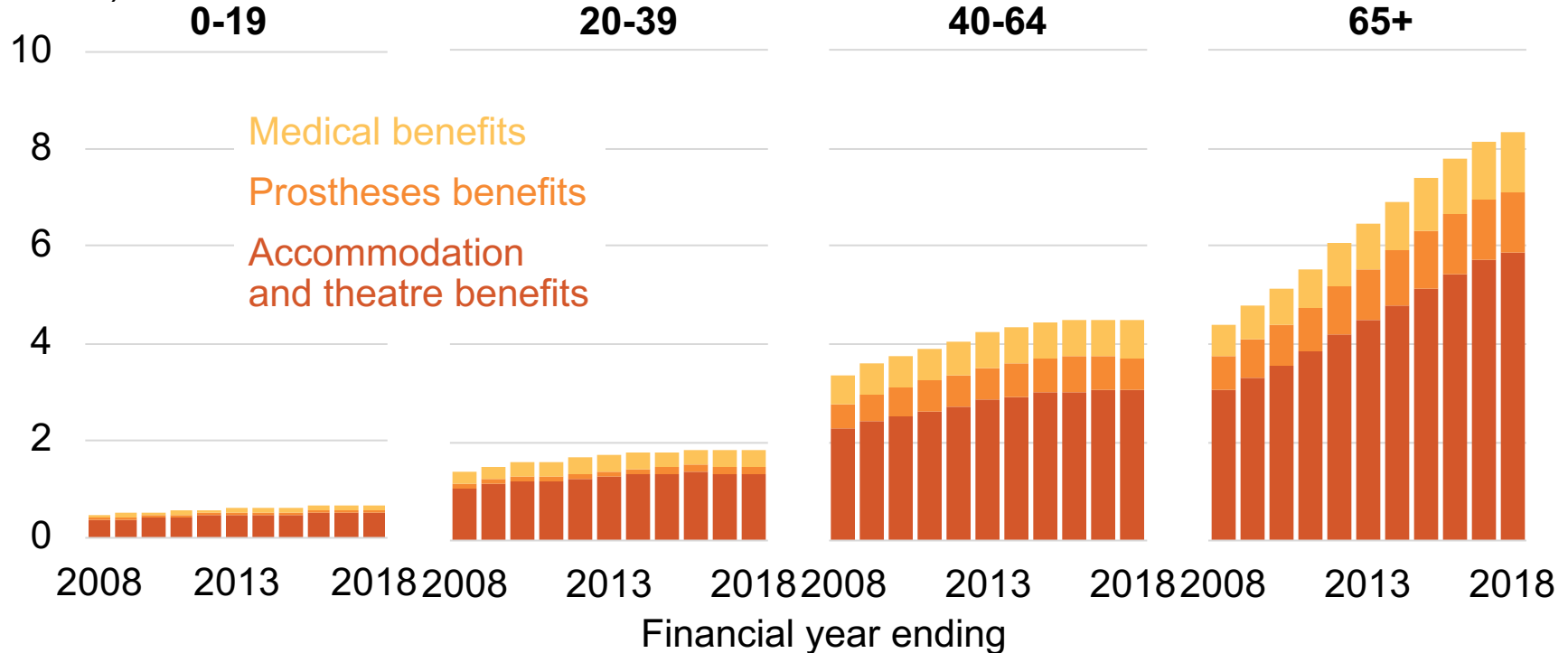
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PHI benefits are booming for baby boomers

Benefit payments by PHI funds for hospital treatment (\$ billions, in constant 2017-18 dollars)

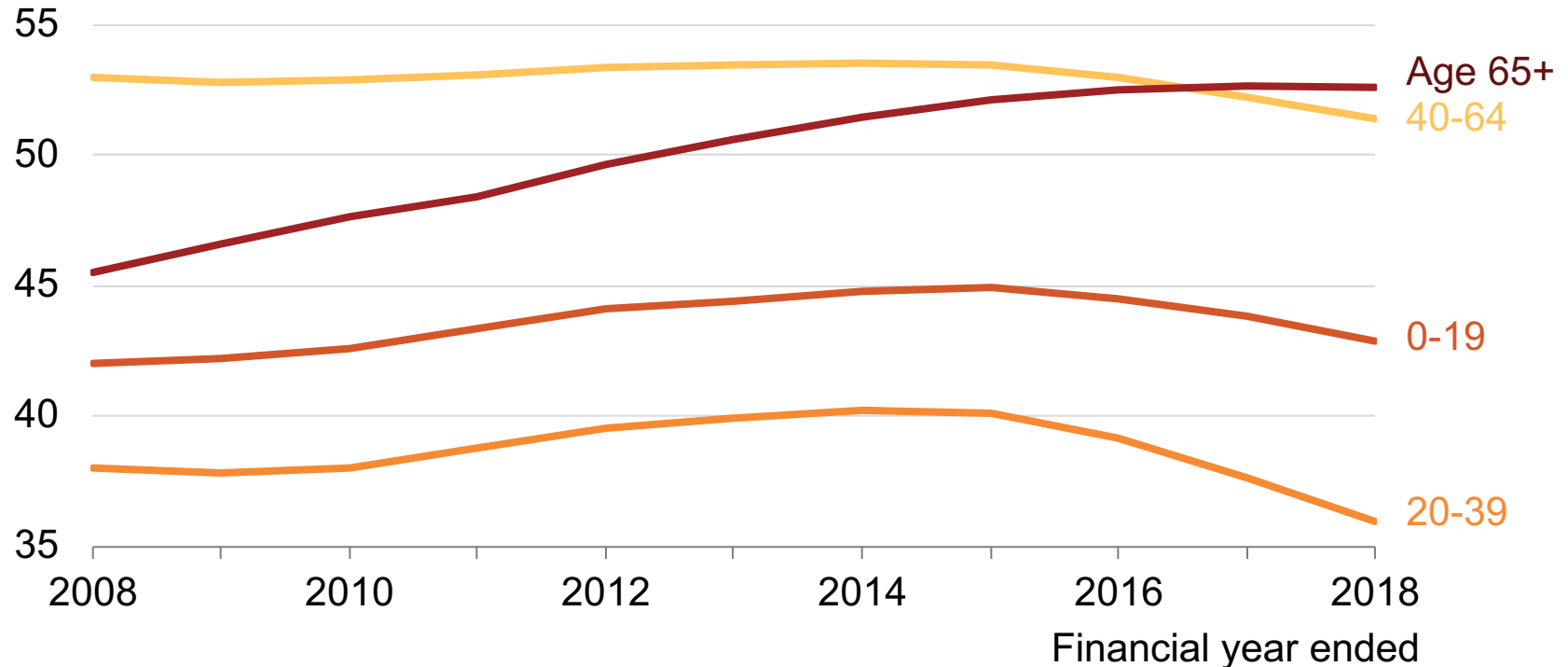


Note: Includes benefits paid for hospital and hospital-substitute treatments. Deflated using the CPI.

Source: APRA Private Health Insurance Membership and Benefits Statistics; and ABS 6401.0, Consumer Price Index

Younger people are rapidly dropping out of PHI; older people are staying in

Proportion of people in each age group that have private health insurance hospital cover (per cent)



Note: Figures as at June quarter of each financial year.

Sources: APRA PHI Statistical Trends and ABS 3101.0 Demographic Statistics.

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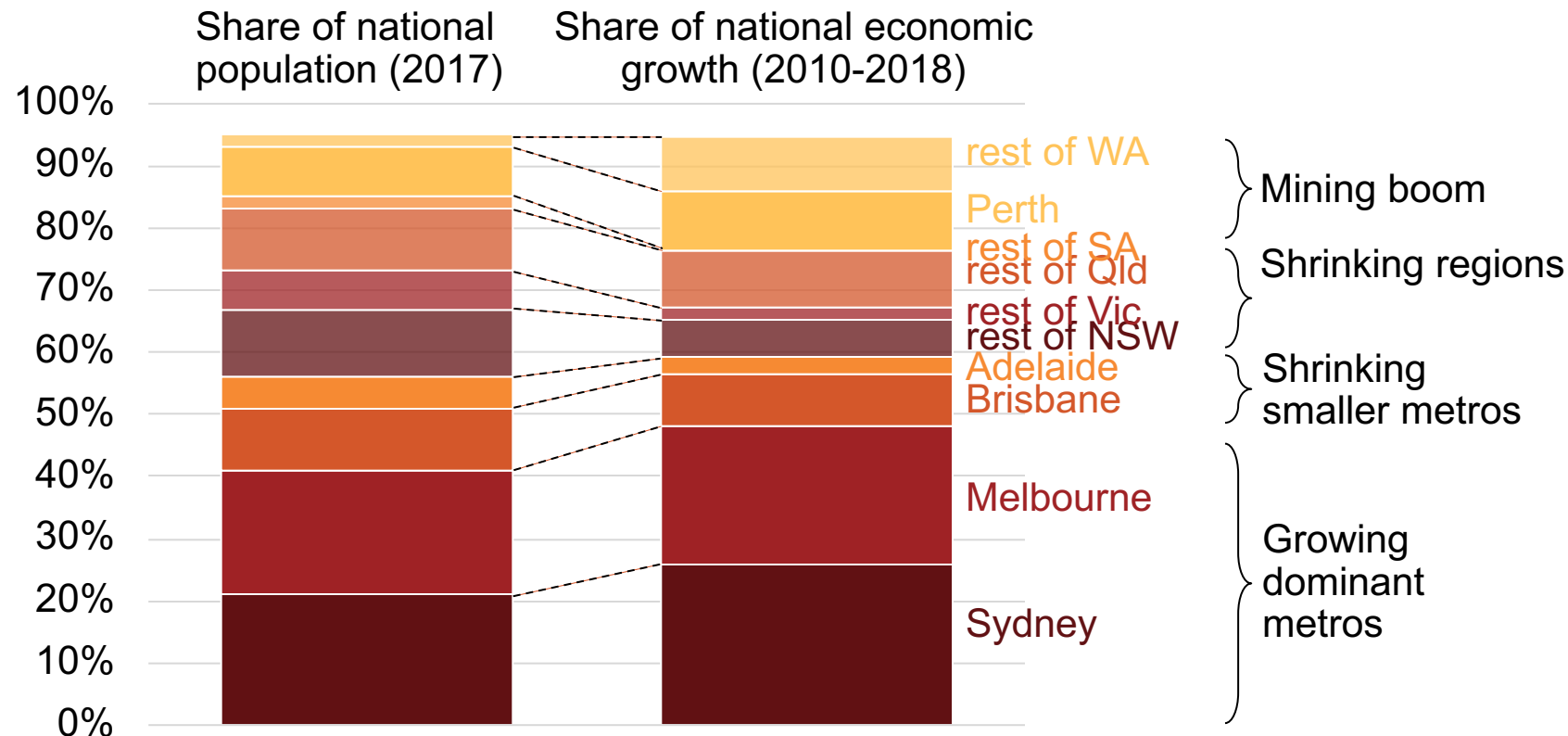
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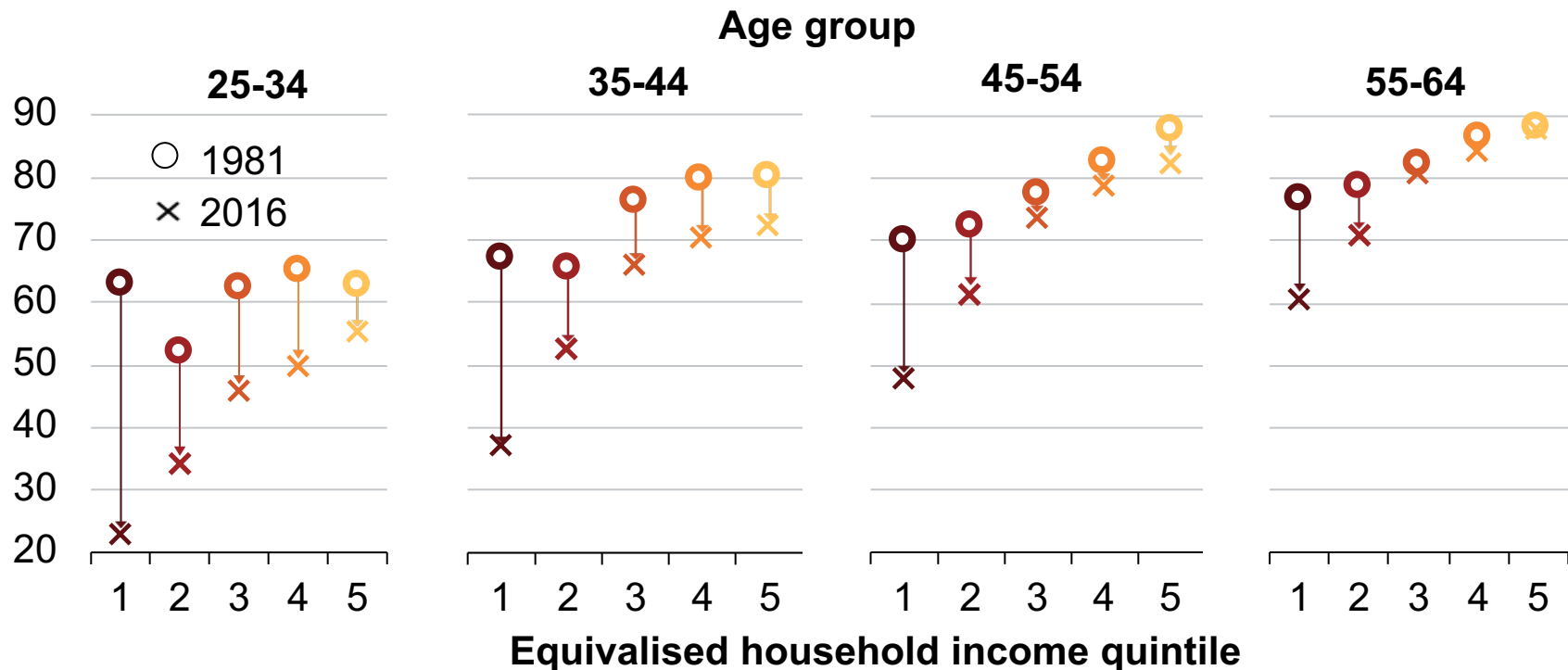
Economic growth is being driven by Sydney, Melbourne, and the mining boom

Share of economic growth (volume measure) and population



Home ownership is falling particularly fast among younger low-income earners

Home ownership rates by age and income, 1981 and 2016



Notes: This graph updates Burke et al 2014 using Census data obtained from the ABS. Limitations in Census calculations of household incomes means that changes in home ownership rates by age and income are indicative and small changes in ownership rates should be ignored. Excludes households with tenancy not stated (for 2016) and incomes not stated. Uses age of household reference person and equivalised household income quintiles.

Source: ABS Census; Burke et al 2014 'Generational change in home purchase opportunity in Australia'; Grattan Institute

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