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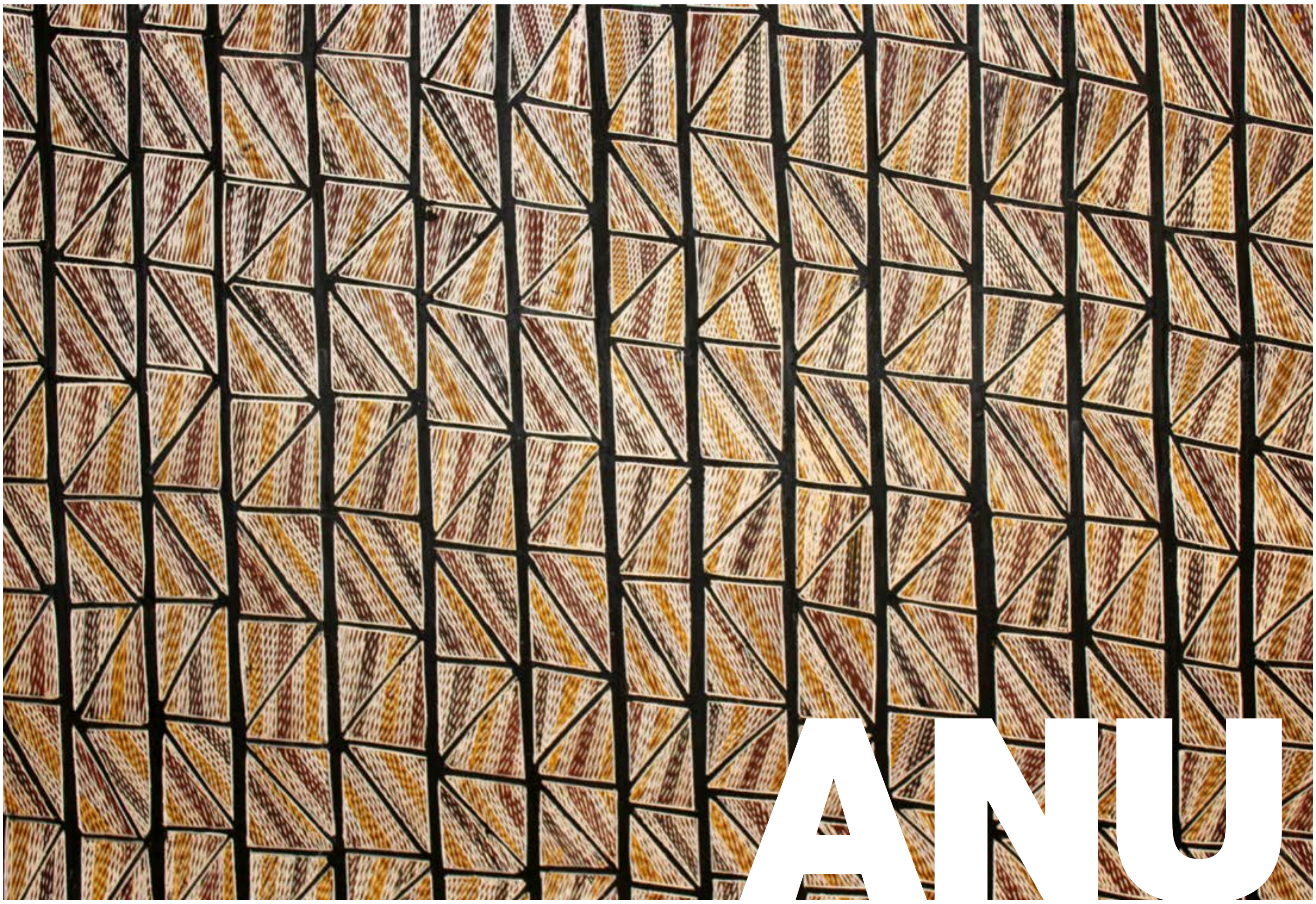

IMPLICATIONS OF THE 2018–19 BUDGET FOR INDIGENOUS AUSTRALIANS

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Centre for
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Abstract

This Topical Issues Paper provides an overview of the implications for Indigenous Australians of the 2018–19 Federal Budget, focusing on both Indigenous-specific budget announcements as well as general or mainstream measures that have particular relevance for Indigenous Australians. It includes an assessment of both the Budget papers and the Commonwealth Government's political narrative which accompanied the budget announcements.

Acknowledgments

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Acronyms

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
CDP	Community Development Program
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRA	Commonwealth Rent Assistance
GST	Goods and Services Tax
IAS	Indigenous Advancement Strategy
ILC	Indigenous Land Corporation
IAHP	Indigenous Australians' Health Programme
MYEFO	Mid-Year Economic and Fiscal Outlook
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NPRH	National Partnership on Remote Housing
NT	Northern Territory
PM&C	Department of the Prime Minister and Cabinet
SCRGSP	Steering Committee for the Review of Government Service Provision

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Introduction

The annual Federal Budget is an important political and policy process, particularly in setting and managing the macro-parameters for the economy and for national financial management: public expenditure, tax (including tax expenditures) and revenue, and public sector borrowings. It is also an important tool for controlling the operations of portfolios and the departments which dominate each portfolio. However for most citizens, including Indigenous citizens, the budget is increasingly an opaque and confusing process and event.

Budget announcements were once much more relevant for Indigenous Australians. There was a greater focus on Indigenous-specific funding, and the government would publish a formal Indigenous Budget Statement which outlined in a comprehensive and transparent way the totality of budget announcements directed towards Indigenous interests. Developments over the past two decades mean that assessing the impact of the budget on Indigenous citizens, communities and groups is increasingly less straightforward. There are a number of inter-related reasons for this.

First, the Indigenous population is inherently heterogeneous, with different groups and regions having markedly different cultures, languages, histories—both pre-contact and colonial—and contemporary aspirations.

Second, Indigenous-specific programs are progressively becoming less significant in Indigenous citizens' lives than mainstream programs and policy settings. The Productivity Commission estimates that in 2015–16, total direct government expenditure on Indigenous Australians was $33.4 billion. Of this, $6 billion (or 18%) was Indigenous-specific outlays, while the remaining $27.4 billion (or 82%) were mainstream outlays. Of the total amount, the Commonwealth Government was responsible for $14.7 billion (or 43.9%) and the remaining $18.8 billion (or 56.1%) was outlaid by State and Territory governments (Steering Committee for the Review of Government Service Provision (SCRGSP) 2017).[1]

Third, governments used to make most major funding announcements for the year ahead in the annual budget, so there was a much closer link between announced policy and budget decisions than we see today. Now, governments make funding announcements through the year, and processes such as the Mid-Year Economic and Fiscal Outlook (MYEFO) facilitate parliamentary approvals of appropriations between annual budgets. Importantly, the forward estimates process allows for the appropriation of funding for both the coming year and (normally) the three subsequent years. This provides a mechanism for additional certainty, but also means that the appropriation funding in the coming year may have been approved and announced in budgets three years ago (and in some cases earlier).

Nevertheless, the Federal Budget still provides tangible insight into a government's policy priorities for the next four years and an examination of its contents gives an indication of both continuities and changes in policy direction. This paper provides an overview of the key measures in the 2018–19 Federal Budget that are of particular relevance to Indigenous Australians.[2] We focus mainly on Indigenous-specific measures in the budget, but also assess the likely impact of several general measures. We have also taken note of the Commonwealth Government's media releases following the budget as the budget narrative of the Government is a key part of the policy and political process. Our purpose is not to undertake a comprehensive analysis of budgetary impacts on Indigenous citizens, but rather to identify the more significant issues included in this budget, and identify provisional implications for Indigenous interests.

It is important to note that a focus on the numerical magnitude of government expenditure tells us little about the effectiveness of funding in meeting intended objectives. Effectiveness is a function of a range of factors, the most significant being the policy and program design parameters applied to the expenditure, which are largely missing from the budget papers.

Significant Budget Measures

Community Development Program reform

The budget outlines long-awaited reforms of the Community Development Program (CDP), the Work for the Dole program for income support recipients in remote areas. From February 2019, mutual obligation requirements for CDP recipients will be lowered from 25 to 20 hours a week. A new assessment process will be introduced to ensure that jobseekers with significant barriers to employment have their work capacity assessed more accurately and their participation requirements are more closely aligned with their capacity. Those with a mutual obligation requirement of 0–14 hours per week will no longer have to report their income to Centrelink. CDP participants will also be subject to the Targeted Jobseeker Compliance Framework, due to be rolled out for non-remote jobseekers in July 2018.

The most important structural change will be the introduction of up to 6000 subsidised jobs for CDP participants. Employers (including businesses, local councils, land councils and health, education and other community service providers) will be able to apply for wage subsidies to employ CDP participants for two years, with bonus payments for ongoing employment. Participants in these jobs will be paid at the minimum wage or above and entitled to superannuation and other workplace entitlements (Department of the Prime Minister and Cabinet (PM&C) 2018).

These changes appear to move in the right direction, addressing some of the issues raised in recent consultations and reporting related to the operations of CDP. Reducing mutual obligation requirements and better matching them with jobseekers' work capacity should reduce the number of participants who are penalised for failing to participate in activities, particularly among the most disadvantaged participants. However, 20 hours per week of Work for the Dole remains a higher participation requirement than for most jobseekers in non-remote areas, particularly if the current requirement is retained to participate for up to 46 weeks per year from the first day of commencing Newstart (compared with 26 weeks per year after six months for non-remote jobseekers).

The job subsidy program seems to be an acknowledgement that the labour market in CDP regions is not providing enough relevant jobs to employ CDP participants. However, it is unclear how the subsidy will work and what types of jobs will be created. There may be a risk that employers will substitute subsidised CDP participants for current employees, although this can be minimised by requiring net employment increases from participating employers. More detail is needed before a full assessment can be made of its likely impact. Recent estimates put the CDP caseload at more than 32 000 people in September 2017. Even when the subsidised jobs program is fully rolled out, the vast majority of CDP participants will still likely be required to participate in Work for the Dole, with its current shortcomings not addressed in the reform.

One of the key features of CDP since its inception has been the staggering number of penalties received by participants (Jordan & Fowkes 2016). Reductions in participation requirements and better assessment processes for work capacity should reduce the number of penalties imposed. However, it is unclear how the move to the Targeted Jobseeker Compliance Framework will affect numbers of CDP participants being subject to penalties. The new compliance model was developed to meet the needs of the mainstream employment services program in non-remote areas.[3] It was designed to impose fewer and lighter penalties on the majority of jobseekers, but an escalating series of penalties for ongoing non-compliance. The new regime also potentially gives employment service providers less discretion on when to advise the Department of Human Services about non-compliance, although how this will work in practice remains to be seen. Given the high number of penalties under CDP for 'persistent non-compliance' (Fowkes 2016), it seems likely that the new compliance regime could result in an increase in either the incidence or seriousness of penalties for many CDP participants. More broadly, a compliance framework designed for mainstream jobseekers is arguably unsuitable for use in CDP areas where genuine labour market opportunities are scarce and mutual obligation requirements more onerous.

Cashless debit card trial

Funding for the cashless debit card trials in the Ceduna and East Kimberley regions will be extended for the 2018–19 financial year and a further independent evaluation undertaken. The 2017–18 budget announced an intention to extend the cashless debit card to other regions, but the Commonwealth Government was unable to get these changes through Parliament. The only legislated change was to extend the possible end date of the current trials to June 2019, so the current budget simply extends funding for Ceduna and East Kimberley to match this end date.[4] This may signal a loss of appetite from the Government to push forward with a broader roll-out of the cashless debit card, at least in the short term. Further legislative change is needed if the card is to continue in the current trial sites beyond June 2019.

Other income support measures

The Commonwealth Government's efforts to recover income support debts will continue, with an initial focus on recovering debts from ex-welfare recipients with large debts or an 'identified capacity to pay more'. This measure is predicted to cost more than it generates in revenue between 2018–19 and 2020–21. However, in 2021–22 it is proposed that tax office and other data be matched to 2018–19 income support data to identify overpayment and fraud, with a projected net benefit to the Government's balance sheet of more than $370 million in 2021–22 alone.

The welfare system will also be used to collect unpaid fines imposed by States and Territories under a measure euphemistically-named 'Encouraging lawful behaviour of income support recipients'. Income support recipients who have outstanding court-imposed fines or arrest warrants for indictable criminal offences may have their income support payments reduced or suspended. New and transferring income support recipients will have to inform Centrelink of any outstanding arrest warrants and agree to police checks. Failure to clear warrants will result in their income support claim being rejected (Department of Social Services 2018b).

Both these measures are likely to impact disproportionately on Indigenous people, who are over-represented in the income support system (Productivity Commission 2016) and have disproportionately high rates of problems with outstanding fines (Wei et al. 2018). Some income support recipients may be caught up in both debt recovery efforts simultaneously, although it appears that Centrelink and tax debts will take precedence over fine repayments (Department of Social Services 2018b). One of the stated aims of the fine recovery measures is to prevent the consequences of fine defaulting, which for a growing number of Indigenous people includes incarceration (Australian Law Reform Commission 2017: Ch 6). However it appears that the short term impact of these measures will likely be to deprive already disadvantaged groups of income support, leading to considerable financial stress and compounding existing problems with debt.

More positively, $38 million over five years is being allocated to support secondary school students who study away from home and receive ABSTUDY, ostensibly to celebrate the 50th anniversary of ABSTUDY's introduction (Department of Social Services 2018b). The measures focus on improving travel arrangements for students and their families by increasing the number of trips each year and providing greater flexibility on travel locations and booking arrangements. Around 1900 students will also receive an increase in the boarding payment so that the amount received better reflects boarding school costs. The changes address some of the concerns raised by recent reviews of ABSTUDY (including Crawford & Schwab 2018). However, they do not address other problems with ABSTUDY for boarding school students raised by the reviews, including the administrative complexity and unpredictability for families and schools in dealing with the Department of Human Services. There appears to be no change for arrangements for the large proportion of ABSTUDY recipients who are secondary students not living away from home or tertiary students.

Personal income tax cuts

Among the most prominent budget announcements was a series of personal income tax cuts. The first phase introduces a tax offset for low- and middle-income earners from 2018–19. The second and third phases, from 2022–23, widen the tax brackets for middle- and upper-income earners and by 2024–25 the $0.37 tax bracket will be removed altogether, so that those with taxable incomes of $41 001 to $200 000 per year will pay the same top marginal rate (Department of Treasury 2018b).

The incomes of Indigenous Australians are poorly measured in official statistics, making it difficult to accurately estimate the impact of the proposed tax changes. However, using data from the 2014–15 National Aboriginal and Torres Strait Islander Social Survey inflated by average earnings growth to 2017–18 levels[5], we estimate in Table 1 the dollar value of tax cuts across the 10 deciles of the Indigenous personal income distribution. Our analysis only covers those aged 18 years and over.[6] In total, 56% of the gains from the 2018–9 changes; 68% from the 2022–23 changes; and 73% from the 2024–25 changes, accrue to the top 30% of Indigenous income distribution. By contrast, those in the bottom 20% of the income distribution will receive no benefit because they do not currently pay tax. Indigenous people in the middle of the income distribution will receive a limited benefit from the 2018–19 changes because those earning less than $48 000 per year will not receive the full rate of the tax offset. Those in deciles 3 and 4 will then suffer a fall in income in 2022–23 as the tax offset is wound back, and

TABLE 1. **Gain in annual income compared with 2017–18 levels, by decile of the Indigenous adult (18+ years) personal income distribution**

	Gain in $ per year		
Decile	2018–19	2022–23	2024–25
Lowest	0	0	0
2nd	0	0	0
3rd	70	0	0
4th	200	143	143
5th	200	200	200
6th	200	201	201
7th	349	615	615
8th	529	634	634
9th	530	550	550
Highest	296	1221	1787

Note: All estimates are in 2017–18 dollars. For full details on the methodology used see Appendix 1.

most will not benefit from changes to the upper tax brackets in 2022–23 or 2024–25.

The tax cuts—particularly those planned from 2022–23—are regressive and will increase income inequality, both within the Indigenous population and between the Indigenous and non-Indigenous populations (see Biddle & Markham 2018 for a discussion of trends in Indigenous income inequality). The tax cuts do nothing to address the very real financial stresses experienced by very low income earners and income support recipients, particularly those on Newstart who have seen their incomes fall further and further behind average earnings and other income support recipients in recent years (Australian Council of Social Service (ACOSS) 2018).

Remote Indigenous housing

The Budget allocated $110 million per annum for five years from 2018–19 to the Northern Territory (NT) for remote housing provision. This follows the cessation of the current 10-year National Partnership on Remote Housing (NPRH) (previously the National Partnership on Remote Indigenous Housing (NPARIH)).[7] The current National Partnership allocated $5.4 billion over 10 years, an average of $540 million per annum. The decision not to maintain Commonwealth expenditures, notwithstanding a Review last year which identified ongoing extraordinary levels of housing need across all four jurisdictions with significant remote Indigenous populations (NT, Western Australia, Queensland, South Australia), appears extremely short-sighted. It ignores the extensive evidence that housing is a key social determinant of poor health outcomes. It will lead to increased overcrowding, contribute to social and economic stress for the communities involved, and accelerate asset degradation with consequential social and economic costs. All of these outcomes will lead to increased costs for taxpayers.

Minister Scullion (2018a) in his 8 May media release stated:

> This year's Budget will also see an investment of $550 million over five years for remote housing in the Northern Territory. This investment will for the first time leverage matched funding from the Northern Territory Government to ensure buy-in from the Territory Government as it takes up its own responsibility for providing safe and appropriate housing for First Australians in remote areas, just as it does in every other community in the Territory…
>
> …The Government is in negotiations with the Queensland, South Australian and Western Australian Governments about future Commonwealth investment in those jurisdictions.

The assertion that the Commonwealth investment leveraged matched funding in the NT is incorrect, as the NT Labor Government committed to a 10-year billion dollar remote housing investment before coming to office in August 2016 and have publicly recommitted to this since. Indeed, the Commonwealth commitment is only for five years whereas the NT commitment is for 10 years, so there appears to be no substantive linkage between the two decisions. The decisive factor in driving this Commonwealth investment is the fact that subleases over 1863 housing lots expire across 43 communities over the forward estimates period, and if this occurs, the responsibility for managing those assets defaults to the Commonwealth.[8] The Commonwealth Treasurer's media release of 23 April 2018 explicitly mentions that the NT Government would renew the subleases for the five years of ongoing Commonwealth investment (Morrison 2018). It would thus seem more accurate to characterise these events as the NT Government leveraging Commonwealth investment, rather than the reverse. This conclusion is reinforced by the fact that the NT is the only jurisdiction to have its remote housing funding renewed, and the only jurisdiction to have subleases which default to the Commonwealth.

A key rationale advanced by Minister Scullion in recent months for not committing to renewing the National Partnership has been that social housing is fundamentally the responsibility of the States and Territories. While delivery of social housing is certainly a state function, funding has traditionally been shared, and the Commonwealth has since 1972 played the dominant role in terms of Indigenous social housing funding.

Moreover, the Commonwealth provides large taxation subsidies to homeowners and its largest budget program for disadvantaged rental accommodation is Commonwealth Rent Assistance (CRA) (Wood et al. 2017). However, in remote Australia Indigenous people have extremely limited access to homeownership and there is virtually no private rental market, which means that Indigenous people are reliant on social housing (which is funded by the Commonwealth and the States jointly).

The evidence to date suggests that the Commonwealth Government is in the process of drastically reducing its support for remote Indigenous housing leaving the most disadvantaged Australians bereft of federal financial support, even though the Commonwealth is the dominant national funder of disadvantaged rental accommodation through CRA.

It is to be hoped that the negotiations with the other jurisdictions lead to further Commonwealth investment. However, it seems inexcusable that the Commonwealth waited till February 2018 to formally approach the States regarding the renewal of the program[9], and indeed appears to have ignored a formal offer by the Queensland Premier to contribute $1.08 billion over 10 years, made in writing to the Prime Minister on 29 March 2018[10]. The inevitable consequence is that there will be a substantial interregnum in the planning and delivery of remote housing investment by the States whose funding has ceased. This is not a positive policy outcome for remote Indigenous citizens.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The *Native Title Act 1993* acknowledged that many Indigenous Australians' native title had been extinguished by the ongoing process of colonisation, and so established the Aboriginal and Torres Strait Islander Land Fund with provision for regulations to flesh out the detail. These provisions were modified by the enactment of *The Land Fund and Indigenous Land Corporation (ATSIC Amendment) Act 1995* which appropriated funding totalling $1.4 billion over 10 years. The Fund has grown to $2 billion over the subsequent years, constrained by conservative investment provisions which limited the Fund to investments in government bonds or bank deposits.

The Commonwealth Government has used its budget narrative to highlight decisions taken earlier, and reflected in legislation already introduced into the Parliament, to shift the management of the Aboriginal and Torres Strait Islander Land Account from PM&C to the Future Fund oversighted by the Treasurer and the Minister for Finance, and in the process to broaden its investment parameters. While there are some significant technical changes included in the appropriation legislation, there is no substantive injection of funds into the Land Account, and thus no substantive budget implications.

The Minister (Scullion 2018b) has claimed that the proposed arrangements will leave the Fund 'up to $1.5 billion better off, over 20 years, compared to the current investment mandate'. There seems little doubt that the proposed wider investment mandate will be an improvement on current arrangements. However, the magnitude of the benefits will be affected not just by investment returns, but by ministerial decisions regarding payments out of the Fund into the future. In contrast to the current legislated arrangements, the proposed increased ministerial powers over Fund disbursements open up the possibility of excessive payments out of the Fund even to the point of reducing the size of the Fund, thus negatively impacting potential returns.

While the core proposal to broaden allowed investment parameters for the Fund is positive, and deserving of support, there are a number of important policy risks for Indigenous interests in the changes being made. These include the continuation of a long term policy transition of the Fund from one which was established with the implicit assumption it would be held in trust for Indigenous people, to one which is now seen as just another government special account. The current consultative forum on the investment policy of the Land Account established by section 193G of the *Aboriginal and Torres Strait Islander Act 2005*, comprised of members of the Indigenous Land Corporation (ILC) Board and nominees of the Minister, will disappear as part of the changes. This removes any Indigenous input into investment issues and increases the level of Ministerial control over the use of Land Fund assets and revenues.[11]

The profile given to this 'watershed' reform as part of the Government's budget messaging, notwithstanding its minimal short term budget impact, suggests that the Government was keen to beef up its budget narrative around Indigenous issues.

Funding boost for Northern Territory

On 23 April the Treasurer announced a one-off payment of $259.6 million to supplement a reduction in the Goods and Services Tax (GST) revenue for the NT and a number of other financial measures, including a five year extension of mainstream hospital funding arrangements, almost $100 million over five years for mainstream affordable housing and homelessness, and the Commonwealth decision to contribute $110 million per annum to the NT for remote housing for five years (Morrison 2018). This latter funding will be directed in its entirety to remote Indigenous communities.

Given that Indigenous citizens comprise 25% of the NT population, the additional GST and homelessness funding is likely to benefit Indigenous citizens to a degree. As is usual with GST revenue, there appear to be no formal constraints on its use. There is a long history of Indigenous scepticism regarding the extent to which NT Government expenditures are directed to Indigenous interests.[12] Nevertheless, on a pro rata basis, the GST payment could be assessed as a $65 million addition to mainstream funding for Indigenous Territorians, although this should be seen in the context of the fall in GST funding for the NT which this announcement only temporarily offsets. Indigenous Territorians will also benefit from the homelessness and hospital funding.

Health and ageing

Perhaps the strongest elements of the Federal Budget for Indigenous interests are in the health area. Minister Scullion (2018b) outlined the various Indigenous-related health initiatives in his 9 May media release. The following points are extracted verbatim from that release:

- $3.8 billion investment to the Indigenous Australians' Health Programme (IAHP) from 2018–19, an increase of over $800 million compared with the previous four years.
- $105 million for better access to aged care [for] Aboriginal and Torres Strait Islander people.
- $18.2 million to support domestic violence prevention and protection programs for women and girls including maintaining the current DV[13] alert service and 1800RESPECT trauma counselling service.
- $34.8 million over four years to support the delivery of dialysis by nurses, including Aboriginal and Torres Strait Islander health workers in remote areas, under a new Medicare Benefits Schedule item.
- $23.2 million over four years for Healthy Active Beginning Package which includes a policy to reduce the traumatic injury rate among young Indigenous Australians, who are 4.5 times more likely to sustain serious injury than non-Indigenous children.

The first dot point, and in particular the reference to $800 million, appears to be an incorrect exaggeration. The Health Minister's media statement (Hunt 2018) notes:

> Funding for the Indigenous Australians' Health Programme (IHAP) will increase by $200 million to total $3.9 billion over four years from 2018–19.

Again, the Government seems focused on creating an appearance of substantial budget investment over and above the reality.

While it appears that the various initiatives listed above are components of the $200 million in new measures, this is both a substantial investment and part of a suite of programs which have explicit links to the Closing the Gap strategy. See, for example, the Indigenous Australians' Health Program Implementation Strategy available on the Health Department website. As a point of comparison, a similar strategy document does not appear to exist for the Indigenous Advancement Strategy (IAS).

Indigenous Advancement Strategy

Minister Scullion (2018a) began his budget media release with the statement:

> This year's Budget includes $5 billion in investment through the Indigenous Advancement Strategy for targeted programmes to ensure that Aboriginal and Torres Strait Islander Australians can take advantage of the opportunities the economy is creating.

In fact, there is no new budget measure for the IAS. The PM&C website states:

> In the 2015–16 Budget, the Australian Government allocated $4.9 billion to the IAS, over four years to 2018–19, for grant funding processes and administered procurement activities that address the objectives of the IAS.[14]

It seems that this funding program will need to be renewed in next year's Budget. Again, the inclusion of this program in the Government's 2018–19 budget messaging appears designed to create the appearance of a more consequential budget for Indigenous interests than is actually the case.

Assessment and conclusion

Budget decisions are by their nature incremental and operate at the margin to influence, for good or bad, more fundamental and longer term underlying institutional and funding arrangements. Indigenous citizens across the nation continue to face structural disadvantages which will not be remedied merely by a single set of budget allocations, but rather will require more fundamental reform.

Taking an overarching view on the 2018–19 Federal Budget, we discern some broad themes among the announced measures which will particularly impact many Indigenous citizens.

The proposed tax changes will be regressive over medium term and thus likely to increase income inequality. Indigenous citizens are already over-represented amongst the most disadvantaged Australians, and will be adversely affected if income inequality worsens.

The CDP reforms remain in large measure opaque and thus difficult to assess. The job subsidies may be effective, but this is not guaranteed. The proposed reforms also retain many of the most problematic features of the existing program and are still inequitable in comparison with mainstream jobseekers. The shift to a new compliance framework has the potential to increase already high rates of penalties for CDP participants. As a result, it is far from clear that the positive elements will be adequate to drive a substantive and sustained change in economic status for remote communities.

Other welfare measures continue to apply harsh conditions to the most disadvantaged citizens. Income management remains substantially targeted at Indigenous welfare recipients, notwithstanding its technically non-discriminatory design. The proposed fine collection and debt recovery measures in the budget will adversely impact many of the most disadvantaged Indigenous citizens in the nation.

The decision not to renew the NPARIH / NPRH will (unless amended) involve a net reduction in Commonwealth funding of $430 million per annum and $2.15 billion over the next five years. This decision effectively offsets, in terms of magnitude of investment, virtually all other new measures directed to Indigenous citizens in the budget.

Following recent public hand-wringing across the political spectrum regarding the sustained lack of progress in meeting the Closing the Gap targets, the obvious question to consider is whether the investments announced in this budget will go any way to turning around the current lack of progress on this front.

The expansion of Indigenous health funding is welcome and appears to be strategically targeted towards meeting Closing the Gap goals. However, other policy changes announced in the budget appear of marginal significance in improving Closing the Gap outcomes. The mainstream funding budget decisions appear likely to have only marginal impact in improving the economic and social status of disadvantaged Indigenous citizens, and to the extent that they involve benefits to Indigenous people, these are directed to middle- and high-income earners rather than those on welfare payments of one kind or another.

The Commonwealth Government's political narrative appears to encompass a range of previous decisions as well as some current non-budget matters which do not have significant budget implications. One might surmise that this is an effort to thicken what might otherwise appear to be rather thin gruel.

While it is difficult to accurately tally up all the measures, the 2018–19 budget's Indigenous-specific funding decisions appear to involve a net reduction in investment, with the positive investments in health, aged care and revenue supplementation to the NT more than offset by the negative decisions on remote housing. When more general measures such as the tax cuts are included, there appears likely also to be a shift in spending from the most disadvantaged groups to those at the top of the Indigenous income distribution.

Our initial assessment was that notwithstanding some positive initiatives, the overall impact of this budget for Indigenous Australians can be summed up as 'more of the same'. On reflection however, it would be more accurate to describe the impact as 'less of the same'.

In the world of realpolitik, budget policymaking at its core is not an exercise in discerning the national interest, or even substantive need. It is fundamentally an exercise governments undertake as part of their ceaseless odyssey to maintain a politically dominant coalition of support within the community. Such a process will always involve winners and losers, and often favour middle-income earners. Any objective assessment would have to conclude that Indigenous interests, as disproportionately low income earners, are still 'bogged to the axles' on the losing side of the ledger. The 2018–19 Federal Budget reflects this reality for Indigenous interests.

Appendix 1: Estimates of the impact of the tax cuts on Indigenous incomes

Data for estimating the impact of the tax cuts are taken from the 2014–15 National Aboriginal and Torres Strait Islander Social Survey (NATSISS) conducted by the Australian Bureau of Statistics. The NATSISS provides the only nationally-representative data source with a continuous measure of personal income for the Aboriginal and Torres Strait Islander population. We use data for the population aged 18 years and above because different taxation arrangements apply to those aged under 18 years. Those adults with missing data for personal income have been excluded from the analysis.

Taxable income is proxied by gross personal weekly income, which we convert to an annual rate by dividing by seven and multiplying by 365. Income for 2014–15 is inflated to 2017–18 levels with the actual growth rate used for each year to 2016–17 and the average annual growth rate for the previous three years used for the year 2017–18 for which no current data are available. Inflating income using average weekly earnings is likely to over-estimate the growth of incomes for those at the bottom of the income distribution, many of whom have their income support payments indexed to inflation rather than to average weekly earnings.

Using our estimates of 2017–18 income, we calculate a baseline and three alternative scenarios for the amount of tax paid by each individual. The baseline uses the 2017–18 tax rates and the existing Low Income Tax Offset. The first scenario is the proposed tax rates for 2018–19, the existing Low Income Tax Offset and the proposed Low and Middle Income Tax Offset. The second scenario is the proposed tax rates for 2022–23 and the revised Low Income Tax Offset. The third scenario is the proposed tax rates for 2024–25 and the revised Low Income Tax Offset. The estimates presented in Table 1 show the differences in tax payable between the baseline and the three scenarios. None of the scenarios consider tax deductions or other taxes. We also do not account for income growth beyond 2018–19 or changes in income that occur as a result of changes to the tax rates (e.g. changes in labour supply behaviour).

Notes

1. There are a number of potential caveats to be aware of with the Productivity Commission estimates. They include a mix of citizen entitlements and funds allocated to drive program outcomes; they include both positive and negative expenditures; and while they demonstrate the higher per capita expenditure on Indigenous citizens as against non-Indigenous citizens, they do not include any assessment of the impact of tax expenditures which are likely to greatly benefit higher income and non-Indigenous citizens.
2. Much of the detail of the budget measures presented in this paper is taken from Budget Paper no. 2, which provides an overview of all revenue and expenditure measures in the budget (Department of Treasury 2018a). Where other sources have been used, these are noted in the text.
3. The Social Services Legislation Amendment (Welfare Reform) Bill 2017 that introduced the Targeted Jobseeker Compliance Framework was developed and debated assuming that CDP participants would be exempt from the compliance framework as stated in the 2017–18 Federal Budget.
4. The other trial site, in the Goldfields region of Western Australia, is already funded through to June 2019.
5. Our method of income inflation is likely to over-estimate the growth of incomes of those at the bottom end of the income distribution whose income support payments (e.g. Newstart) are indexed to the Consumer Price Index (CPI) rather than average wages.
6. The Australian Bureau of Statistics (ABS) 2016 Census Counts for Aboriginal and Torres Strait Islander people found that around 66% of the Indigenous population is over the age of 14, which suggests our analysis covers just less than two-thirds of the Indigenous population.
7. The National Partnership on Remote Indigenous Housing (NPARIH) was renamed the National Partnership on Remote Housing (NPRH) and endorsed by the Council of Australian Governments (COAG). There was no increase in overall resources. The NPRH came into operation on 1 July 2016.
8. This contingent liability was listed in the 2017 MYEFO at page 252.
9. This correspondence has been tabled in the Senate on 18 March following a Senate Order for the production of documents dated 14 February 2018.
10. This letter was published by the Queensland Premier on her twitter feed: https://twitter.com/AnnastaciaMP/status/979220382539329537
11. Dillon (2018) lays out a policy critique of the proposed changes to the Land Account.
12. See for example the Yothu Yindi Foundation (2017) submission to the Productivity Commission Inquiry into Horizontal Fiscal Equalisation which was to be provided to the Government by 15 May 2018, and will shortly be tabled in Parliament.
13. DV presumably refers to 'domestic violence'.
14. Refer www.pmc.gov.au/indigenous-affairs/indigenous-advancement-strategy

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