Three pillars supporting low-income families

• Minimum wages
• Social security system
• Progressive tax system
Real minimum wage over time

Source: ABS, ACTU
Real minimum wage over time

Source: ABS, ACTU
Min. wages relative to average wages

Source: ABS, ACTU
Min. wage relative to average wage in OECD countries

Source: OECD
Top 1% share rising since early ‘80s

Source: Atkinson & Leigh 2006, ATO
Tax changes since 2000

• Largest gains at the top & bottom of the income distribution

• High income earners benefited from increases in top MTR threshold, cuts in second highest MTR

• Low income earners benefited from LITO increases

Source: Atkinson & Leigh 2006, ATO
Top MTR threshold increased significantly

Source: ABS, Budget papers, ACTU
Effective TFT also increased

Source: Budget papers, ACTU
Who gained from tax cuts in the ‘00s?

Source: Budget papers, ACTU

“Real” tax cut - percentage of gross income

Annual gross income

Source: Budget papers, ACTU
Effective marginal tax rates (EMTRs)

Source: Budget papers, ACTU
Participation tax rates (PTRs)

<table>
<thead>
<tr>
<th>Earned income ($pa)</th>
<th>2010-11</th>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>20000</td>
<td>47.2%</td>
<td>49.7%</td>
</tr>
<tr>
<td>40000</td>
<td>47.2%</td>
<td>49.7%</td>
</tr>
<tr>
<td>60000</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>80000</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

PTR at min wage in 2007-08: 49.7%
PTR at min wage in 2010-11: 47.2%

Source: Budget papers, ACTU
What’s the net result for low income working households?

Change in real disposable income by household type – 1 Jan 2006 to 1 Jan 2011

<table>
<thead>
<tr>
<th>Household type</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person (age 21-54)</td>
<td>9</td>
</tr>
<tr>
<td>Single income couple (ages 21-54). Income support is Newstart allowance</td>
<td>14</td>
</tr>
<tr>
<td>Two income couple (both NMW).</td>
<td>9</td>
</tr>
<tr>
<td>Two income couple (both 50% of NMW). Income support is Newstart allowance</td>
<td>14</td>
</tr>
<tr>
<td>Single parent (age 21-54; child age 2). Income support is parenting payment</td>
<td>11</td>
</tr>
<tr>
<td>Single income couple (ages 21-54; child age 2). Income support is parenting payment</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: DEEWR
Clean Energy Future package

• Includes income tax scales for 2015-16
• Tax cuts for all up to $80,000; neutral above that level
• LITO reduced, statutory tax free threshold increased to $18,200
• Lowest two statutory MTRs increased
• Net effect on MTRs is nil for middle income earners
Clean Energy Future package

Source: Clean Energy Future, Budget papers, ACTU
Who gets a tax cut?

Source: Clean Energy Future, Budget papers, ACTU
EMTRs for single, childless Newstart recipients will go from this...

Source: Clean Energy Future, Budget papers, ACTU
...to this

Source: Clean Energy Future, Budget papers, ACTU
Newstart EMTRs today and in 2012-13

Source: Clean Energy Future, Budget papers, ACTU
PTRs today and in 2012-13

Source: Clean Energy Future, Budget papers, ACTU
Future directions?

• Clean Energy Future package a step in the right direction
• Constant vigilance to defend fair minimum wages
• EMTRs still too high
• LITO still on the books in 2015-16
• Newstart rate too low; problem compounding