

# NSW BUDGET 2019-20

The NSW Liberal-National Budget fails to address the state's most pressing economic challenge, the crisis in wages growth. The budget has announced further job cuts to the NSW Public Sector and continues to stifle wages growth by maintaining the 2.5 per cent wages cap.

While the Budget has made significant infrastructure announcements, the Government has failed to invest in services or jobs over the longer term.

## PRESSURE ON GOVERNMENT REVENUE

This year's Budget delivered a surplus of \$802 million, revised down from a projected \$1.4 billion. Projected budget surpluses were revised down as a result of a reduction in Commonwealth GST receipts, lower than expected stamp duty forecasts and reduced revenue from fines.

Revenue is expected to wain further over the coming years as a result of a cooling housing market and subdued household income growth. The Budget papers note, NSW is likely to face economic and fiscal challenges as a result.

The Government has not ruled out further privatisations to fund their infrastructure agenda into the future.

## PRIVATISATION STILL ON THE AGENDA

The Budget did not make any privatisation announcements. However, the current surplus is still reliant on 'one off' income generated from previously privatised assets. Over the last 8 years the Government have privatised \$70 billion worth of assets.

The Treasurer has not ruled out further privatisation to fill revenue shortages and fund infrastructure projects into the future.

## WAGES GROWTH CONTINUES TO BE DEPRESSED

The Budget papers acknowledges the broader impact of soft wages growth on the slow down in NSW economy. The Budget Paper's Economic Scenario Analysis paints a dire picture and warns of higher unemployment and lower real wage growth in the medium term in NSW.

Despite the warning bells of depressed wages growth, the Government has refused to use its position as Australia's largest employer to contribute to sustainable wages growth across the state. Instead they have continued to cap wage increases of public sector employees at 2.5 per cent. The Reserve Bank Governor has repeatedly said Australia needs wage growth of 3.5 per cent.

## PUBLIC SECTOR JOB CUTS

In the week before the Budget the NSW Treasurer flagged up to 2,500 jobs would be cut across the public sector. The Budget did not provide any details on where these job losses would be made. The Budget included \$2.5 billion in funding cuts to the public service which includes a reduction in public sector employees and contractors.

## EMPLOYERS PRIORITISED OVER INJURED WORKERS

No additional funding has been allocated to support injured workers, however employers have been handed a \$300 million reduction in workers compensation insurance premiums.

## HEALTH SPENDING CONTINUES TO LAG

Recurring health funding has increased by only 4.3 per cent, a reduction on last years increase of 4.8 per cent. Funding continues to lag behind the required 7.0 per cent spend to ensure the health budget keep pace with population growth and ageing.

Significant reduction in spending for newly merged Transport for NSW and RMS

The merging of RMS into Transport NSW was confirmed in the Budget, with a significant cut to expenditure under the new body. In the 2018-19 Budget the two entities had a combined expenditure of \$24 billion. In the 2019-20 Budget the newly merged entity will reduce expenditure by nearly 40 per cent to \$14.6 billion.

## CUTS TO ICAC AND NSW OMBUDSMAN

The Independent Commission Against Corruption has had expenditure cut by 10 per cent to \$26.8 million. Funding to the NSW Ombudsman was cut by 3 per cent.

## NO REGIONAL YOUTH EMPLOYMENT STRATEGY

Youth unemployment in Coffs Harbour exceeds 20 per cent, is 14 per cent in the Capital region and well above 10 per cent across many parts of regional NSW. The Budget has not done enough to connect young people with jobs and has not developed a clear plan to reduce youth employment.