Together submission to Queensland Parliament re *Debt Reduction and Savings Bill 2021*

15 April 2021

Submitted on behalf of Together by Rosa Sottile, Political Organiser.

Contact:

Together branch of the ASU is the union for public sector workers affected by this legislation. We make the below submission on behalf of our members.

We wish to make a submission addressing these parts of the *Debt Reduction and Savings Bill 2021* (quoting from the explanatory note):

- support the State's contribution to the Queensland Future (Debt Retirement) Fund established under the Queensland Future Fund Act 2020 (by enabling the transfer of the operation of the Titles Registry to a newly formed company that will be contributed to a Queensland Investment Corporation managed trust within the Debt Retirement Fund)
- abolish Building Queensland (BQ) and the BQ board; and integrate BQ's staff, assets, records, resources and liabilities into the Department of State Development, Infrastructure, Local Government and Planning
- change the governance structure of the National Injury Insurance Agency, Queensland (NIISQ) (including abolishing the board of the NIISQ Agency and appointing the Insurance Commissioner of the Motor Accident Insurance Commission as chief executive officer responsible for the management of the NIISQ Agency)
- repeal the Public Safety Business Agency Act 2014 so that machinery of government changes may reintegrate the Public Safety Business Agency into public safety entities
- abolish the Queensland Productivity Commission and integrate its functions into Queensland Treasury and the Queensland Competition Authority

<u>Public services and workers' rights</u>

While it is not listed as an intent of this Bill, and we appreciate the consultation undertaken thus far with our members in some affected agencies, we submit that there should be no reduction in FTE, and no reduction in conditions or pay that should result from this legislative change. Per the Government's commitment to maintenance of staffing levels, and their employment security policy, we submit there should be a guarantee of no detriment to the conditions or wages of those public servants affected by the abolition of Building Queensland, the change in the National Injury Insurance Agency, the repeal of the Public Safety Business Agency Act 2014 repeal, or the abolition of the Queensland Productivity Commission. Any impact on public servants should be subject to appropriate consultation.

The change to the Titles Registry is more significant, and we wish to express our appreciation for the consultation on this that has occurred thus far. We look forward to continuing this consultation, and

members specific feedback on the changes to their employment moving from the Public Service Act are outlined below. Together is also concerned about the employment security for those public servants transferred to the new entity and is in continuing discussions with the Government on this issue. The guarantees of employment security within the new entity are also directly linked to our views about the appropriateness or otherwise of the reversion rights to the public service for these employees.

Public services should remain public. We understand that restructuring as per this legislation is a regular and normal occurrence, and is not intended to change the public ownership and operation of public services. However, considering the treatment of the Titles Registry in other states in Australia, we wish to emphasise our strong opposition to the partial or complete privatisation of any government services such as the Titles Registry. These services are for the benefit of the community and must be operated as such by the Government, with no private profit motive.

Future debt and savings

As part of this Bill's introduction and the briefings provided, there was discussion of ratings agencies, budget savings and future debt and savings targets. While it is not the direct subject of this legislation, we wish to take this opportunity to encourage the Government to pursue an approach of investment and stimulus in this current economic climate. Cuts and austerity have been proven to fail to improve economic conditions, and to significantly worsen the material living conditions of those who have been most effected by the poor economic circumstances. In Queensland, that means workers with insecure jobs, women, older people, Aboriginal and Torres Strait Islander people and disabled Queenslanders. This is not the time to cut – it is the time to invest in infrastructure, services, and public servants to deliver that infrastructure and services. Please see attached and here for reference a recent report from Per Capita our union commissioned on this topic.

Titles Registry Indemnity Changes

Titles Registry Together Union members are concerned that their protection from liability will be significantly reduced once they are no longer public servants upon the commencement of the Debt Reduction and Savings Bill 2021(the Bill) as it is currently drafted.

As clause 45(4) of the Bill makes clear, the protection from liability provided by section 26C of the *Public Service Act 2008,* which currently applies to Titles Registry employees, will not apply to those employees as employees of the operator (Queensland Titles Registry Pty Ltd ACN 648 568 101). The proposed replacement provision, clause 45(1) of the Bill, provides a materially decreased level of protection to section 26C of the Public Service Act.

In particular, the distinction can be seen below:

- Clause 45(1) of the Bill provides that employees of Queensland Titles Registry Pty Ltd are not civilly liable for an act done or omission made honestly and without negligence in performing a function of the operator (Queensland Titles Registry Pty Ltd).

- Section 26C of the Public Service Act provides that a State employee does not incur civil liability for engaging in conduct in an official capacity, with that liability instead attaching to the State. However, if liability does attach to the State in lieu of an employee, the State may recover from the employee any damages it had to pay if the employee engaged in conduct other than in good faith and with gross negligence.

Members have a number of concerns with clause 45 of the Bill, particularly the following:

1. *Reversal of onus* – The Public Service Act provides that a State employee does not incur liability for engaging in conduct in an official capacity, but that the State may recover contribution from the employee in certain circumstances. However, the draft Bill provides that an employee is not liable for acts done in certain circumstances. The draft Bill therefore replaces a State right to recover contribution as currently applies with an employee's defence to a claim against them personally.

2. *Different level of protection* – Under the Public Service Act the State may only recover a contribution from an employee for an act done other than in good faith and with gross negligence. However, the draft Bill provides that the employee is not liable where the act is done honestly and without negligence. The draft Bill therefore significantly reduces the level of protection afforded by the indemnity.

3. *Narrow scope of employee functions covered* – The protection offered by the Bill only extends to the actions an employee may undertake where there is a head of power and the power has been properly delegated to the employee. Whereas the use of the phrase "conduct in an official capacity" in the Public Service Act can be more broadly interpreted and therefore offers better protection.

4. *Actions likely to be commenced personally* – Based on the current provision of the draft Bill, it appears likely that civil action would initially be commenced against employees, and the employee must then take steps to join the State as a party to the proceeding.

On a daily basis, Registry employees make decisions that directly impact thousands of real estate transactions, the vast majority valued in the hundreds of thousands of dollars and some valued in the tens or even hundreds of millions of dollars. Accordingly, protection from personal liability is of the utmost importance to members.

What members are requesting is straightforward and easily achieved, that the protection from liability provisions in the Bill are identical to the provisions which currently apply to members under the Public Service Act.

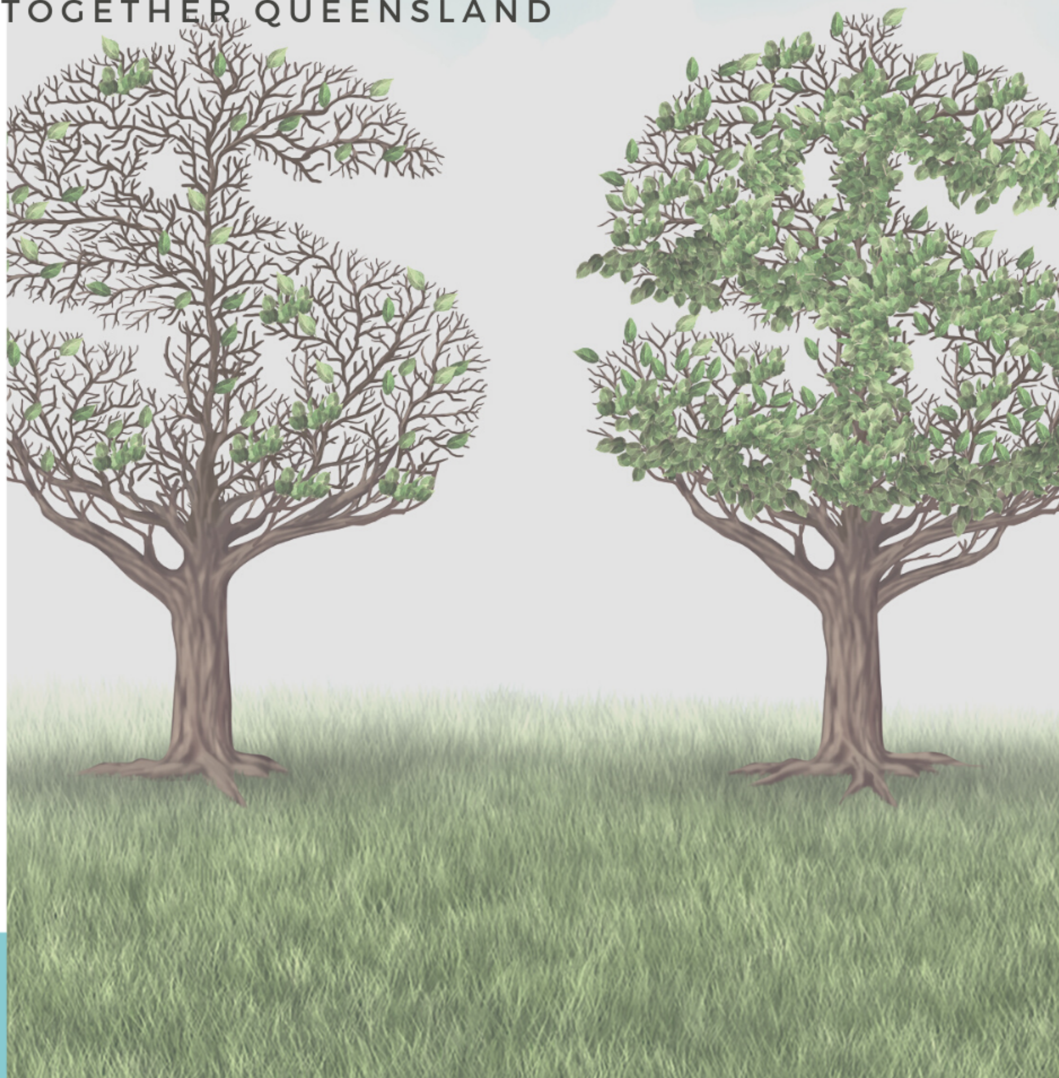
Debt Reduction and Savings Bill 2021

Submission No 008

per capita
FIGHTING INEQUALITY IN AUSTRALIA

AUSTERITY OR PROSPERITY? POLICY OPTIONS FOR RESILIENCE AND RECOVERY

A DISCUSSION PAPER BY PER CAPITA FOR TOGETHER QUEENSLAND



MATTHEW LLOYD-CAPE AND SHIRLEY JACKSON

OCTOBER 2020

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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

About the authors

Matt Lloyd-Cape is a Research Economist at Per Capita. Following a brief career as a carpenter, Matt has worked on issues of poverty, economic inequality and social justice in a range of jobs. Over the past 15 years he has worked in trade unions, international development NGOs and with universities. This work includes managing disaster relief and social development projects, industrial relations research in Eastern Europe, Russia and Central America, and livelihoods research in East Africa, Papua New Guinea and South Asia. Prior to joining Per Capita he worked on international and social policy issues at the Australian Council of Trade Unions as an International Officer.

Matt holds an MSc in International Relations and Development from the School of Oriental and African Studies (SOAS), University of London, where he wrote on the role of corporate social responsibility in industrial relations. He also has an MPhil in Political Economy from Central European University, where he researched cross-border trade union action in global supply chains.

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Shirley has written extensively on a range of issues, with publications in ABC News, The Age, The Guardian, The Conversation, Crikey and a number of other online publications. Shirley undertook undergraduate and postgraduate studies in history, economics and political economy, and has an unfinished doctorate on young workers and trade unions.

About Together

Together is an organisation of thousands of Queenslanders passionate about harnessing the collective power of workers to make change, build better lives and deliver quality services for the community.

Together is creating a community of empowered workers, engaged and active union members and supportive community members. Together they take responsibility and ownership for issues they care about and use their collective power to make change.

Health professionals, child protection and disability support workers, scientists, administrative professionals, school officers, environmental protection workers, TAFE teachers, prison officers, contact centre workers, airlines staff and workers from state government sectors and several areas of the private sector unite to form Together.

Together they make change, improve pay and conditions and make Queensland a better place to live.

Executive Summary

With the Treasurer Josh Frydenberg recently dropping any ambitions to reduce budget deficits until unemployment falls below 6 per cent, it may seem that the COVID-19 economic crisis has fundamentally changed the economic debate in Australia. Reducing the government deficit and debt has defined the Coalition's economic approach for decades, but now we see an LNP government presiding over $1 trillion of government debt, with employment generation and stimulus programs as central organising principles in the 2020 budget.

However, while economic policy thinking has swung toward debt-based government spending, this should not be regarded as effective Keynesian policymaking. Backtracking and poor allocation of fiscal spending programs are real dangers to the economic recovery at the state and federal level.

The federal budget showed that the LNP are committed to a private sector recovery with barely any additional support to the unemployed, the public sector or older women; the hardest hit portion of the workforce. In Queensland, the LNP have claimed that they would balance the budget within four years[1] without any increase in taxes, meaning that their plan is effectively to engage in austerity policies, while the state is in the deepest recession for 100 years.

The consequences of the LNP plan to balance the budget within four years would be disastrous.

The total number of public sector workers that would need to be shed to achieve a neutral budget would be 29,500 FTE job in the first year of cuts, and a further 13,000 the next. As a consequence of the enormous decline in demand for goods and services that the cuts would create, private sector jobs of would fall by around 16,000 in the first year of cuts, and 7,000 in the second year.

We estimate that effect of balancing the budget would increase unemployment in Queensland by 2.47 per cent to a rate of 9.97, a rate not seen in thirty years, and reduce gross state product (GSP) by 1.72 per cent over two years, deepening the recession and causing unnecessary misery for Queenslanders.

We have seen this happen before: following the immediate expansionary fiscal and monetary responses in GFC-era Europe, many governments reverted to an austerity mentality and slashed billions from public spending to reduce their public debts. This has had disastrous consequences for the wellbeing of millions of men, women and children, not just in the short-term, but still now, over a decade later. The effects of austerity policies on health, poverty and inequality reversed years of progress.

Despite the great social costs, the effectiveness of austerity measures to boost economic growth and reduce the size of public debt have been negligible at best. In fact, Portugal, Italy Ireland, Greece, Spain and the UK had doubled their national debts, and seen them grow faster, since introducing austerity measures.

[1] https://www.thecourier.com.au/story/6961105/labor-pledges-1b-for-qld-school-upgrades/

This is because judicious public spending creates a "virtuous circle" of increased private sector activity, higher tax receipts and thus greater state capacity to reinvest in our shared economic infrastructure.

COVID-19 has presented novel challenges, and fiscal spending programs should be linked directly to unemployment caused by COVID-19. In the so called 'pink collar' recession social as well as physical infrastructure spending is critical, something sorely missed in the Federal Budget and in the state campaigns in Queensland. While many politicians love to don hard hats and hi-vis jackets and pose with a shovel at infrastructure builds, such projects are necessary but not sufficient to respond to the breadth of the COVID-19-specific economic effects.

With women making up just one in nine workers in the construction industry and one per cent of trades workers, an over reliance on physical infrastructure spending will result in inefficient use of public resources and inequitable labour market outcomes. Conversely, women make up over 2/3rds of the public sector workforce, meaning that an expansion of public employment will target those most affected by the crisis.

In this report, we look at some mechanisms for improving the equity and efficiency of stimulus spending. For example, state and federal governments should put "gender on the tender" for public construction contracts to increase gender equity and productivity. Easy entry retraining schemes, for roles such as teaching assistants and allied health professionals, could provide workers with quick access to socially beneficial employment. And fixing the aged care sector would generate immediate jobs as well as solving one of the great blights on our social infrastructure.

The current crisis is an opportunity to reduce inequalities and inefficiencies in the economy, and to prepare us for the next phase of economic development. This will rely on us shedding some misconceptions: that state employment is of less value than private sector work, that "the economy" is what businesses do, that roads and power stations are more economically productive than education and social care.

Introduction

The effect of COVID-19 on the Australian economy has been profound, leading to record-breaking declines in GDP growth and job numbers, as well as the largest peacetime increase in government spending. While the Morrison Government initially embraced Keynesian countercyclical spending, ministers have framed increases in income support as short-term, and have argued that government debt is a reason for not extending fiscal spending programs to all sectors, consciously excluding the arts, higher education and other core industries from federal aid.

Where public spending is seen as acceptable at both federal and state level, there is a tendency to focus on ribbon-cutting moments for male-dominated industries – building highways and bridges, upgrading public buildings and providing grants to support spending on residential construction. There is also an overemphasis on business investment as a means to support the economy.

The *Unite and Recover: Queensland Economic Recovery Plan*, for example, focusses a great deal of financial support to business owners and infrastructure projects, while at the same time the Palaszczuk Government has frozen public-sector wages to save $500 million of state budget expenditure.

While infrastructure and business support policies are important for increasing employment and stimulating demand, they are in themselves insufficient to support the workforce equitably and efficiently. For example, only one third of business owners are female, while 99 per cent of construction tradespeople and 86 per cent of construction managers and professionals are male.

Given the effect of the COVID-19 recession on jobs in tourism, retail, leisure and hospitality, where women dominate, more needs to be done to extend support to these sectors. Indeed, the most recent labour force quarterly figures show that of the 102 defined occupational groups, just five occupations accounted for half of all job losses. Sales assistants, hospitality workers, sports and personal service workers, hospitality and retail managers, and mobile plant operators, who account for just 9.5 per cent of all workers experienced half of all job losses. The level of unemployment for women brought about by this recession is double that brought about by the 1990s recession, doubling from roughly 25 percent of all job losses to over 50 per cent (Jericho, 2020).

Federal and state governments will need to make sustained and targeted investment to spread government funds across to all sectors of the workforce if they are to prevent a patchy and incomplete support system. Funding commitments to areas such as staffing in social housing, retraining and employing health and education assistants and other forms of female-dominated employment are vital to ensure that public investments are distributed though the workforce equally.

Such measures should not be seen as a second-best option. Employing people in the care industries – in health, education and social care – have enormously beneficial effects on the economy at large, and in fact can have larger employment effects than in traditional infrastructure construction spending in times of crisis.

A crisis of this magnitude is an opportunity to address structural issues within the economy, giving state and federal governments the opportunity to reform unequal and inefficient incentives and policy settings.

Structure of the report

This report is divided into four sections.

We first look at the concept of austerity, its origins and the arguments made for such policies. An examination of the effects of austerity policies on citizens is presented, based on previous and ongoing Australian and international examples.

Following this, we examine the evidence of how austerity affects long-term growth and government debt. The evidence from previous episodes of economic downturn, both in Australia and overseas, shows that austerity measures do not lead automatically to either GDP growth or a reduction in debt. Instead public debt, far from causing growth to decline, frequently correlates with higher employment, growth and productivity.

In section 2 we move on to the role that governments play in creating vibrant economies, not just through public sector employment but through the development of infrastructure, industry, knowledge and technology. We show how the state "crowds in" investment, creating a virtuous circle of growth, and lays down the social and economic conditions in which private sector spending can occur. While the essential role of physical infrastructure investment is fully acknowledged, we focus on how social infrastructure investment drives productivity and growth. We argue that social and physical infrastructure need to be treated as equally important assets for economic growth, demanding equal investment in times of growth and recession.

Section 3 gives an overview of some of Queensland's historical economic trends, examining the uneven effect of the COVID-19 recession on different demographic and industry groups within the workforce.

In Section 4 we build on the preceding sections by discussing policy options for Queensland, and Australia more broadly, which could help to balance support measures across the workforce. We provide specific examples of state-funded investment that could help to protect Queenslanders from the worst of the economic fallout of the pandemic, while setting up the state for the next phase of economic development.

We conclude that recent experimentation with austerity policies in Europe have had an enormous human toll, while failing to increase growth or reduce debt. For example, under austerity measures enacted between 2010 and 2019 the UK has seen over 11,000 additional and avoidable deaths a year, while public debt remains more than 100 per cent higher than in 2008. Nor does historical evidence support the idea that short-term pain leads to long-term gain. In fact, the periods of highest GDP growth in Australian history have occurred when government debt has been at its highest.

Without active state engagement in generating employment, investing in physical and social infrastructure and providing a counterbalance to private sector contraction, growth and shared prosperity rarely occur.

However, not all stimulus is equal. The tendency of politicians to fund “prestige” projects such as bridges and power stations often reduces the efficiency of public investment, skewing it away from areas of highest social utility, increasing gender inequality in the workforce and in fiscal spending.

Section 1 - Austerity: tightening belts, limiting options.

1.1 What is Austerity?

Austerity is an economic and political project with a varied and dangerous history. As an approach to government economic policy, austerity is the act of engaging in 'voluntary deflation', whereby a government intentionally restricts the growth of wages, prices and public spending through budget contractions, in order to stimulate competitiveness and growth amongst private sector actors (Blyth, 2013). This approach has become a common feature of economic planning and decision making across the advanced economies of the Organisation for Economic Co-ordination and Development (OECD), and a key structural requirement for government borrowing through international lenders like the World Bank or International Monetary Fund (IMF), as well as supranational institutions like the European Central Bank.

This institutional conformity on austerity policies has legitimised an 'austerity first' approach to budgetary concerns amongst many mainstream parties, from both the left and right, over much of recent economic history. Arguably, the reason that austerity has survived despite (as discussed later) a lack of evidence as to its efficacy, is the simplified logic by which it is expressed. Popular characterisations of this approach are described with familiar household analogies: when times are tough, we have to "tighten our belts". This use of household-level analogies surrounding government debt and austerity is intended to make the argument more compelling. It is worth noting that, hidden in plain sight within this metaphor is the fact that people are asked to 'tightening their belts' because they are being starved, and starved workers rarely make productive workers.

However, despite the readily understandable and accepted premise of this analogy, national and state economies have very little in common with ordinary household budgets. Households are not able to recoup savings or increase productivity off the back of debt driven expenditure as states are able to. If your house is flooded and you borrow some money from a retail bank to engage tradespeople to restore it to its pre-flood levels of comfort, you are unable to recoup any losses without selling the house. However, when government build dams and drainage infrastructure in flood prone areas, their spending is recouped through both direct measures (such as the income tax paid by the thousands of construction workers who are engaged on the project) and indirect measures (such as the goods and service tax [GST] that is received when those workers spend the rest of their wages at supermarkets, cafes and retail businesses).

This discordant relationship between budgetary measures at the household and governmental level is just the tip of the proverbial iceberg when it comes to the failings of austerity ideas. The implicit understanding of governmental economics has become defined by the fundamental idea that government debt is always a failure and government surplus is always desirable.

At the core of all arguments for austerity are two dangerous assumptions. Firstly, it is held that the short-term pain caused by a reduction in government services and expenditure will be superseded by long term economic growth; secondly, that the state is less capable of creating the conditions for long-term growth than the private sector.

As this report will show, both assumptions are without merit.

1.2 Austerity in theory

Austerity arguments are not based on real-world economic foundations, but instead were first developed by classical philosophers and political economists, building theoretical arguments on key assumptions surrounding the state and the private sector. Originally, ideas surrounding the limitation of state spending were developed in reaction to tyrannical rulers in Europe at the dawn of the capitalist era. During this time, monarchs and other absolute rulers could raise tax revenue, or access lines of credit, to spend freely and without constraints. It was this autocratic approach to taxation that led the key thinkers of classical liberalism to propose a more considered and austere approach to matters of public credit and debt (Hume, 1742; Locke, 1821; Smith, 1776).

It is little wonder that this idea does not translate well into the contemporary era of large democratic states. In its contemporary form, austerity is best exemplified by the crisis experienced in Greece following the Global Financial Crisis (GFC), where the democratically elected Syriza Government was dismissed by the EU in 2012, and a "non-political caretaker government" was installed in its place (Hope, 2012). This caretaker government implemented harsh austerity measures that sought to bring debt levels back within 'acceptable limits'. Yet almost a decade later, there is little evidence that the austere approach has led to positive outcomes in growth, unemployment or living standards (France-Presse, 2018). The reforms imposed by the Troika of debtors (the EU, the IMF and the European Central Bank) dubbed the 'adults in the room' (Varoufakis, 2017), failed to solve the unemployment crisis or encourage sustainable GDP growth.

This is driven in part by the often prescribed labour market 'flexibility' reforms (which are contingent aspects of the loans offered by international creditors) and have been shown to significantly increase labour market insecurity, underemployment and youth unemployment.[2] It is often argued by global financiers that these 'flexibility' reforms will lead to growth through several mechanisms (Blyth, 2013).

First, proponents of austerity argue that, by reducing expenditure on services, government will not be 'crowding out the market' or taking up space that the 'more efficient' private sector could fill. Second, they imply that by cutting jobs in the public sector and freezing public sector wages there is an overall reduction in labour costs, and consequently a reduction or deflation in the prices of goods. Finally, they argue that the associated lower levels of inflation and debt will be conducive to business competitiveness and confidence.

It is claimed that, combined, these conditions will create an "expansionary fiscal consolidation"[3], or a lean government, incentivised workforce and many opportunities for the private sector to exploit. Each of these propositions are problematic at the theoretical and empirical level. They also fail to account for the value of lives affected under such conditions, instead relying on "long term-ism". In other words, the poverty, stress and mental anguish caused by austerity politics is the price that society must pay to achieve long term growth.

[2] Greece, for example, had a youth unemployment rate of over 40 per cent in May 2019 (Statista, 2019)
[3] A term expressed by German finance minister Wolfgang Schäuble as a rationale for austerity in the Eurozone (Blyth, 2013)

However, as the experiences of British, Greek, Irish, Portuguese, Spanish and Italian citizens in the decade following the Global Financial Crisis (GFC) exemplify, austerity does not automatically lead to growth, sustainable or otherwise. In fact, those countries have experienced enduring problems, including high unemployment, increasingly large government debt and fewer opportunities to raise revenue.

The idea that government spending 'crowds out' private investment is based on the notion that there is a limited supply of money and labour in an economy, that every dollar of government spending is a dollar lost from private investment; that every government job created is offset by a job loss in the private sector (Cochrane & Scholes, 2009).

However, as Mazzucato demonstrates, the opposite is mostly true: government spending has a tendency to 'crowd in', or stimulate, private investment that otherwise would not have occurred. Indeed, more often than not public sector investment takes the kind of risks that private shareholders are averse to, and creates the stability that private investment craves. For example, cutting edge private investment companies and so called 'disruptors' like Space X, Tesla Motors, and Google all utilise technologies that were funded, developed and, in some cases, commercialised by government programs (Mazzucato, 2018).

A second argument against austerity assumptions is that private sector investment will lead to growth while public sector investment is wasteful. The truth, however, is that state investment is critical for growth, particularly in times of recession. Far from the state and the market being in opposition, the evidence shows that the state plays an active role in developing firms, industries and sectors which contributes to long-term growth.

Developmental economists such as Erik Reinert and Ha Joon Chang identify the sustained investments and well managed economic engagement made by governments in leading states such as South Korea from crushing poverty to a high-income country in a matter of decades.

Thirdly, a core austerity assumption is that government spending on employment may be effective in the short run, but that it ultimately fails to create long-term growth due to inevitable inflation. Milton Friedman (1970) argued that while an initial increase in government spending would lower unemployment rates and stimulate spending on goods and services, ultimately there would be an inflationary increase in the price of goods and an increase in labour costs as the job market tightened. However, the relationship between state spending and inflation is far more complex: In Australia for example, government spending has risen from 34 per cent to 39 per cent of GDP since the GFC, and unemployment has declined, while inflation has fallen to historically low levels.

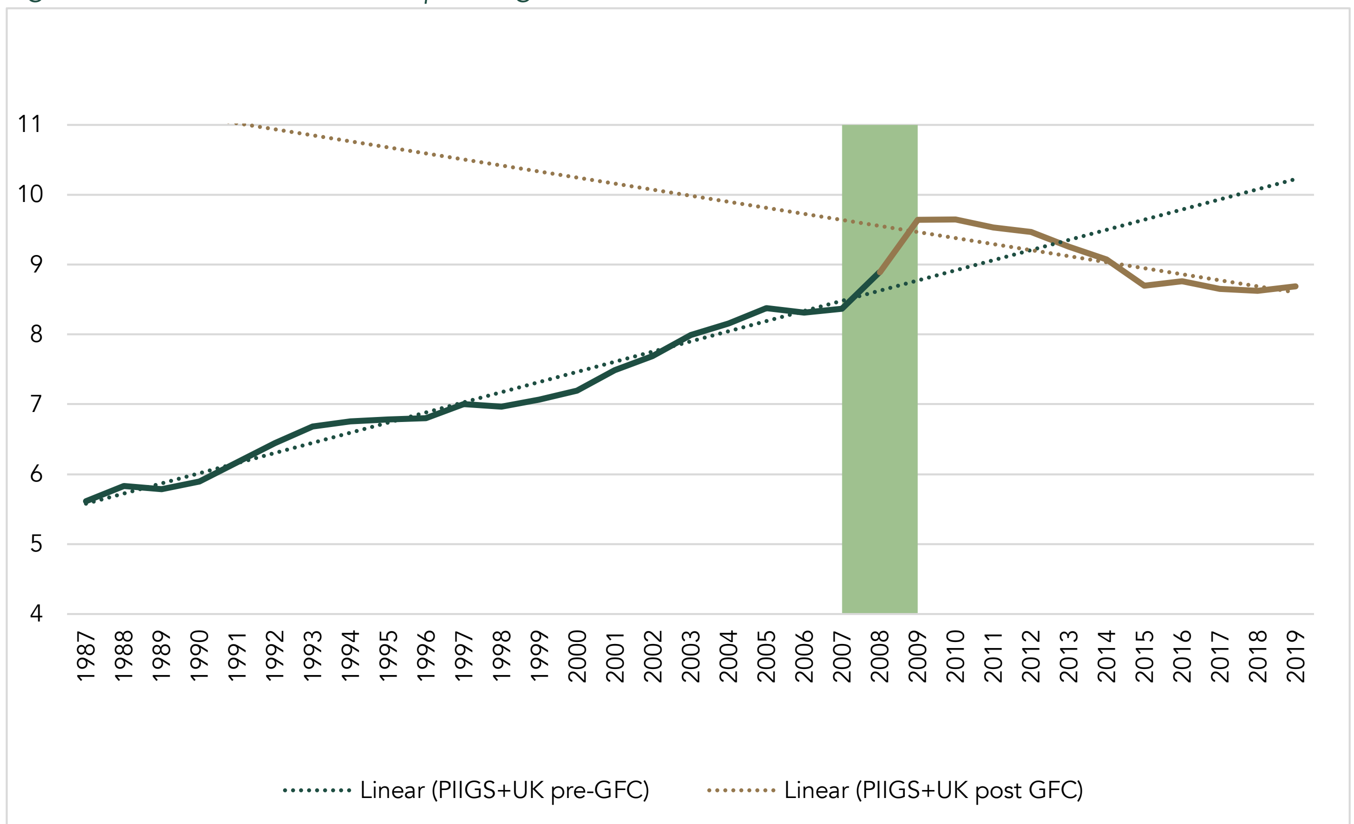
The remainder of this section assesses the effect of austerity on factors such as health, employment, poverty and inequality. We particularly focus on Portugal, Ireland, Italy, Greece and Spain (known as the "PIIGS") and the United Kingdom, which were particularly austerity-oriented following the GFC.

1.3 Austerity and health

Health and health infrastructure are usually deeply affected by austerity measures. Following the GFC several major economies embarked on voluntary (the UK, Italy, Portugal, Ireland, Spain) and involuntary (Greece) contractions of fiscal spending on healthcare.

The overall impact on spending was, and remains, dramatic. Prior to the GFC, average healthcare spending for the PIIGs and the UK increased 25 per cent between 1987-1997 and 20 per cent between 1997-2007 - relatively normal increases for all advanced economies with ageing populations. After the GFC, healthcare spending declined and never recovered, and in 2019 was 10 per cent lower than the 2009 rate, a full 1.5 per cent of GDP behind the pre-crisis trendline prediction (Figure 1).

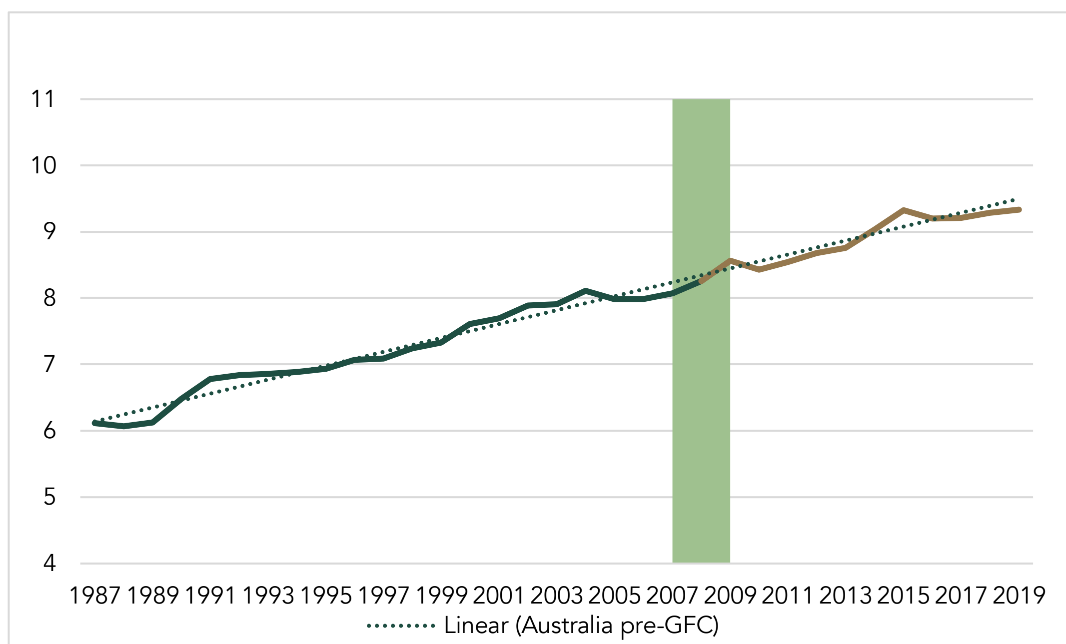
Figure 1: PIIGS+UK healthcare spending as a % GDP



Source: Authors' calculations using (OECD, 2020c)

As a point of comparison Figure 2 shows the Australian actual spending and pre-crisis spending trendline which matches almost perfectly.

Figure 2: Australian healthcare spending as a percentage of GDP



Source: Authors' calculations using (OECD, 2020c)

In each of these states, the effect of these cuts brought about significant downturns in the health of the population. For example, the World Health Organisation found in Greece that:

> *reform measures have decreased public health expenditure across the board (leading to some curtailed services and longer waiting times), increased user charges and reduced health worker numbers by cutting salaries, without taking into account allocative efficiency during the resource allocation process (Economou et al., 2014).*

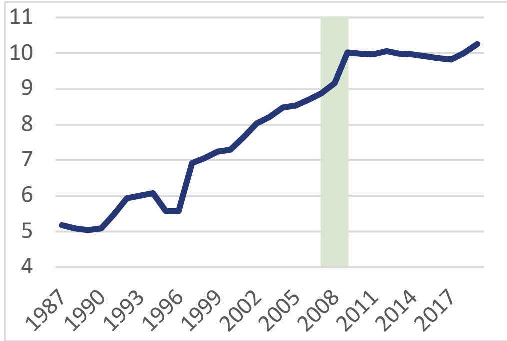
This led to an increase in inequality of access to healthcare and a range of public health crises. Total mortality rates (deaths per 100,000) rose from 944.5 in 2000 to 1174.9 in 2016, and preventable diseases increased dramatically. For example, Greece's HIV infection rate doubled between 2010 and 2012 after the defunding of a clean needle program (Tyrovolas et al., 2018).

Disturbingly the effects are particularly felt by children and babies, particularly those from lower income households. Between 2008 and 2010 the number of low birthweight babies in Greece increased by 19 per cent, infant mortality increased by 43 per cent and there was a 32 per cent rise in still births (Economou et al., 2014). Cuts to UK health and social care services are estimated to be linked to 45,000 more deaths between 2010 and 2014, when compared to previous spending trends (Watkins et al., 2017).

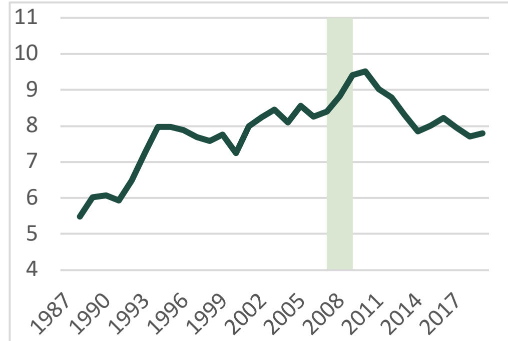
Other outcomes have been less dramatic but indicate corrosion to the general health and wellbeing of austerity-affected citizens. For example, in Italy, every 1 per cent reduction in healthcare spending led to a 0.5 per cent decrease in vaccination coverage for measles, mumps and rubella (Toffolutti et al., 2019). In Ireland, austerity measures coincided with an increase in childhood asthma among other chronic conditions (Reinhard et al., 2018).

Figure 3: Public healthcare expenditure to GDP ratio

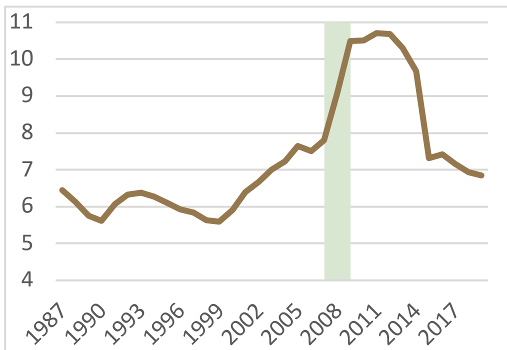
UK



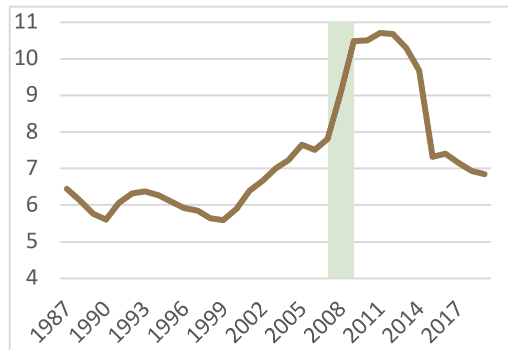
Greece



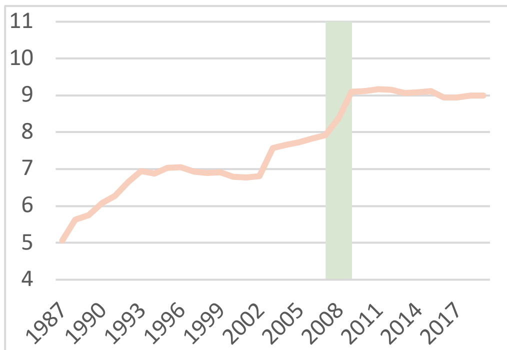
Ireland



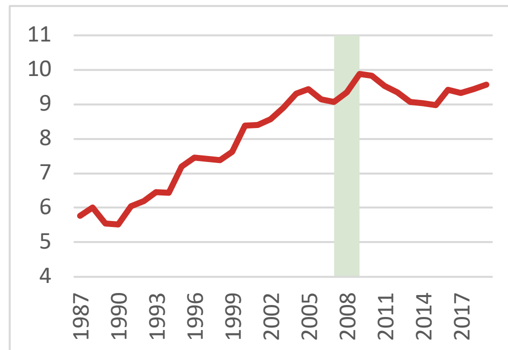
Italy



Spain



Portugal



Source: Authors' calculations using (OECD, 2020c)

It should also be noted that the effects of austerity on health are not caused solely by reductions in healthcare spending: social risks of ill health are deeply intertwined with protective factors such as secure employment and robust social security systems. In the UK 500,000 public sector jobs were cut between June 2010 and September 2012. Researchers mapped these job losses and found corresponding rises in suicide levels, with up to a 20 per cent increase in suicides in areas hardest hit by austerity-induced unemployment (Stuckler et al., 2017).

1.4 Austerity and poverty

There are several mechanisms through which austerity measures increase poverty rates. One of the core mechanisms is that austerity, by definition, requires increasing the unemployment rate, at least for state employees, reducing wages through public sector pay freezes, and often by freezing minimum wages. Advocates of austerity accept that there will be an increase in unemployment and a decline in wage growth and usually advocate for a more 'flexible' labour market to promote a 'snap back' to previous employment levels.

The notion of a 'snap back' is quite misleading in the context of employment. While short term unemployment tends to return to something close to historical norms after four years, long term unemployment remains far higher (see Figure 4). This effect, known as 'economic scarring', tends to reduce the long-term incomes of a specific group of people. For example, in the 1990s recession in Australia it was blue-collar young men who suffered the greatest job losses, while the current crisis seems set to particularly disadvantage young women.

Figure 4: The estimated effects of austerity measures on short- and long-term unemployment (percentage)

Source: Authors reproduction from (Ball et al., 2013)

Other inevitable outcomes of austerity policies include the removal of social safety nets, and declining support to vulnerable groups, leading to increased rates of poverty. The use of food banks in the UK grew by 250 per cent between 2007-08 and 2012-13, with just one food bank trust serving over 300,000 children in 2013-2014 (Lambie-Mumford & Green, 2017).

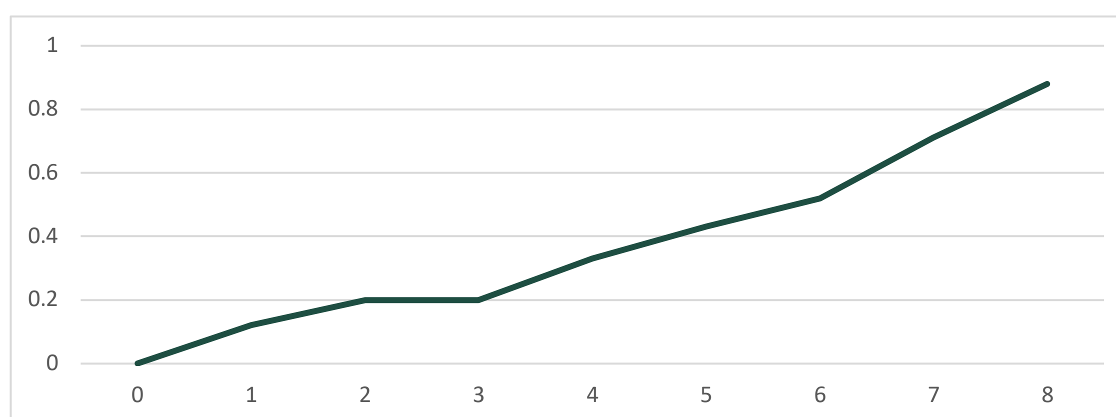
One study of local authority budgets in the UK found that budget reductions in housing services and emergency housing assistance payments were strongly correlated with increased incidences of people seeking emergency aid for housing. Local authorities saw appeals for homelessness support rise by up to 300 per cent (Loopstra et al., 2016) as austerity measures were introduced. This led to a marked increase in the number of people sleeping rough and experiencing poor mental health, and exacerbated the vulnerabilities of already marginalised groups such as women suffering domestic violence and disabled people.

1.5 Austerity and inequality

Under austerity, wealth and income tend to become less equally shared. This has been accepted by many generally pro-austerity institutions such as the World Bank and the IMF. For example, the IMF found that between 1978 and 2009, periods of austerity have "led to a significant and persistent increase in inequality, declines in wage income and in the wage share of income, and increases in long-term unemployment" (Ball et al., 2013).

A fiscal consolidation of 1 per cent of GDP increases inequality significantly, raising the GINI coefficient (a standard measure of national inequality) by around 3.4 per cent. The length of time that a period of austerity effects inequality is unclear, but as Figure 5 shows, the effect eight years after the beginning of austerity policies is more pronounced than in the early years.

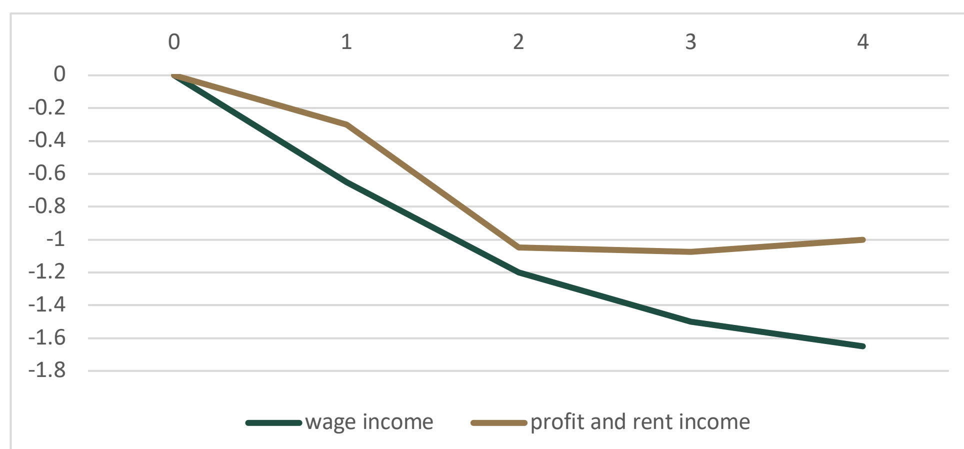
Figure 5: The effect of austerity on inequality



Source: Authors reproduction from (Ball et al., 2013)

Significantly, wages decline faster and for longer than do profits and rents. After three years, profits and rent income start to increase from roughly a 1 per cent drop, while wages continue declining after four years (see Figure 6). This is a critical reason why austerity policies need to be understood as political rather than economic policies, as they tend to redistribute wealth away from those who can least afford to spare it, toward high-income households.

Figure 6: The Effects of Austerity on Wage vs. Profit and Rent Income (percent change)



Source: Authors reproduction from (Ball et al., 2013)

1.6 Does Austerity create growth? Evidence from the GFC

Given the high toll on citizens living under austerity, the critical questions are: is the short-term pain worthwhile, and how long will it last? While it is hard to defend voluntarily increasing ill health, poverty, and inequality, some argue that such negative social outcomes are necessary to restore the economy by increasing growth and reducing public debt.

During the GFC, the scale of government bailouts to the financial sector led to a new urgency for the examination of the efficacy of austerity measures and the effects of debt. The cost of bank bailouts in the US was around US$500 billion, or 3.5 per cent of GDP in 2009 (Lucas, 2019). In Cypress the cost of bailing out just one bank was equal to 10 per cent of GDP (Weber, 2019). As a result, many governments were eager to identify budget cuts, particularly if they would lead to growth.

Harvard economists Carmen Reinhart and Kenneth Rogoff captured the debate with a paper title Growth in a Time of Debt. Their paper utilised a new dataset covering 44 countries, over 200 years up to 2009, and was originally seen as the most thorough examination of the question of whether high public debt causes low growth.

The Reinhart and Rogoff conclusions were accepted as more or less economic law by policymakers. Within the European Central Bank, the paper was used to bolster the dominant German view that 'profligate states' should pay the price of their own folly (Blyth, 2013). The UK Chancellor, George Osborne, was among a cohort of policy makers who quoted the Reinhart and Rogoff paper to legitimise the UK austerity policies from 2010 onwards.

In brief, their conclusions for 20 advanced countries (including Australia) were that:

> *Seldom do countries 'grow' their way out of debts… Over the past two centuries, debt in excess of 90 percent has typically been associated with mean growth of 1.7 percent versus 3.7 percent when debt is low (under 30 percent of GDP). (Reinhart & Rogoff, 2010a, p. 575)*

Their post-WWII findings were particularly bleak for those in favour of expansionary public spending. They showed that average growth fell from 4.1 per cent for countries with less than 30 per cent of public debt to -0.1 per cent for economies with over 90 per cent. This led them to conclude that there was effectively a 'debt tolerance ceiling' of around 90 per cent of GDP, beyond which debt prevents growth in modern economies.

Reinhart and Rogoff followed up the paper with public policy recommendations, including that "[t]he sooner politicians reconcile themselves to accepting [fiscal] adjustment, the lower the risks of truly paralysing debt problems down the road." (Reinhart & Rogoff, 2010b).

Figure 7: Summary of findings, Reinhart and Rogoff

Ratio of Public Debt to GDP				
	Below 30 per cent	30 to 60 per cent	60 to 90 per cent	90 per cent and above
Historical average real GDP growth	3.7	3	3.4	1.7
1946-2009 average real GDP growth	4.1	2.8	2.8	−0.1
Historical Australian real GDP growth	3.1	4.1	2.3	4.6

Source: various tables (Reinhart & Rogoff, 2010a)

However, there are two major problems with this account, particularly for the Australian context. Firstly, as can be seen in Figure 7, their analysis shows that Australia has actually grown faster economically under very high debt levels. The authors found that "Australia and New Zealand [experienced] no growth deterioration at very high debt".

Secondly, researchers Herdon, Ash and Pollin (Herndon et al., 2010), when replicating the Reinhart and Rogoff results using their original data, found multiple errors which invalidated the original findings. These ranged from coding errors to indefensible exclusions of time periods which showed debt in a more favourable light. The exclusion of data from the high debt, high growth period of 1946 to 1950 for Australia, Canada, and New Zealand was singled out particularly as skewing the data.

Upon repeating the study under more rigorous conditions, Herndon et al found that the historical average was far more forgiving of states with high debts – growth even for countries with public debt above 90 per cent of GDP was 2.2 per cent, and for Australia growth rates were again actually higher with moderate or high rates of debt than at below 30 per cent of GDP (see Figure 8).

Figure 8: Published and replicated average real GDP growth, by public debt/GDP category

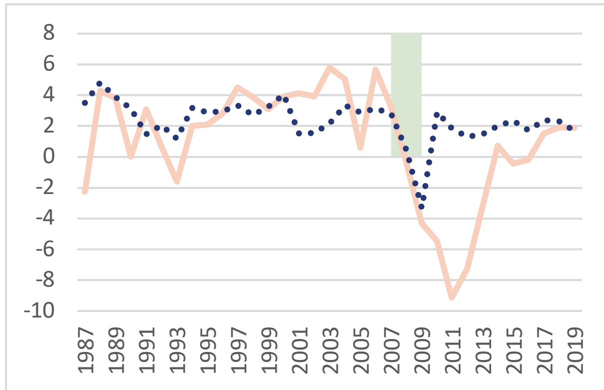
Public debt/GDP category				
	Below 30 percent	30 to 60 percent	60 to 90 percent	90 percent and above
Corrected 1946-2009 average real GDP growth	4.2	3.1	3.2	2.2
1946-2009 Australian real GDP growth	3.2	4.9	4.0	3.8

Source: various tables (Herndon et al., 2010)

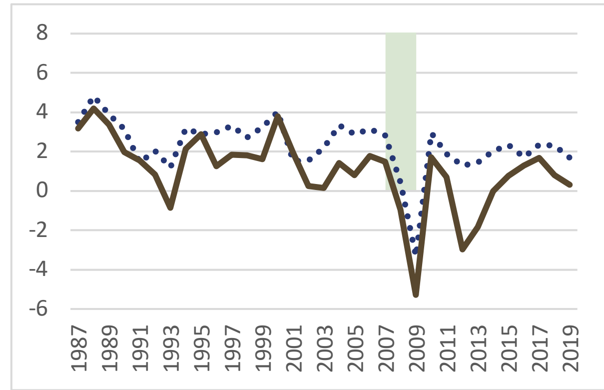
The GFC has provided a wealth of evidence for the lack of efficacy of fiscal contraction during a crisis, and cross-country evidence fails to justify austerity measures. As Figure 9 below shows, national GDP growth rates did not significantly outpace the high-income country average (seen as dotted lines). In fact, other than Ireland, GDP growth has been frequently below the average[4].

Figure 9: GDP growth, PIIGS+UK

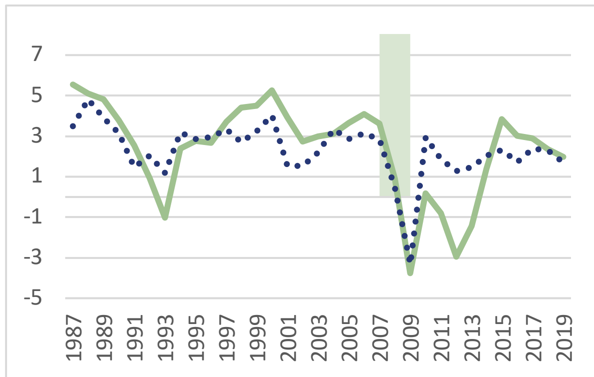
Greece



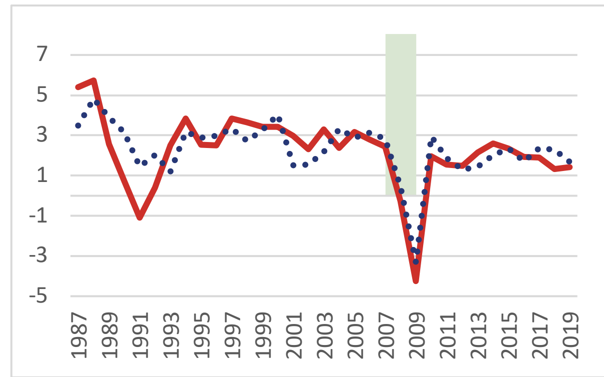
Italy



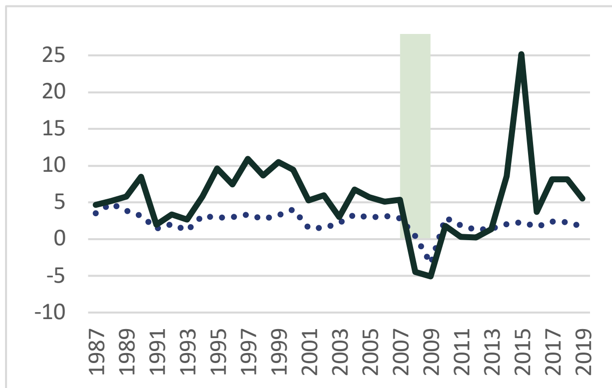
Spain



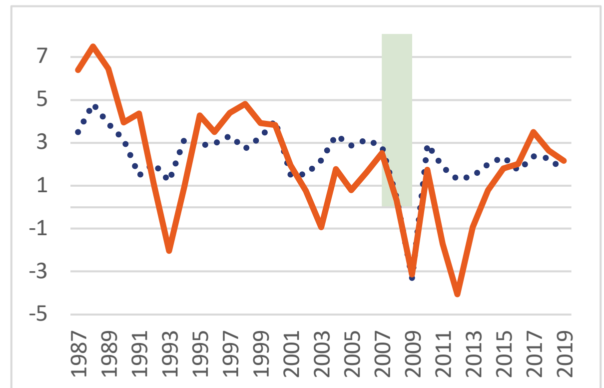
UK



Ireland



Portugal



Source: Author's analysis based on (World Bank, 2020)

[4] Ireland's GDP growth is also very dependent on very large MNCs taking advantage of Irelands low corporate tax regime, which skews the growth figures significantly

It is hard to know what might have been if austerity measures had not been taken, but it seems reasonable to argue that austerity did not affect significant changes to the macroeconomic fundamentals underpinning growth, in order to keep up with the OECD average. And while the effects on growth are hard to discern, it is obvious what role austerity policies played in the decline in welfare standards that citizens had to endure.

1.7 Does austerity reduce debt?

In contrast to Reinhart and Rogoff's statement that countries rarely grow their way out of debts, the evidence from the PIIGS+UK shows that countries do not cut their way out of debt. Figure 10 shows the average annual change in public debt for the PIIGS+UK, and the OECD average. Prior to the GFC the average rate of increase of public debt in high income OECD countries was 0.5 per cent, which has increased fourfold to 2 per cent. The average annual increase in public debt for the PIIGS+UK, although generally starting from a higher base, has increased significantly higher than the OECD high income average for all of the PIIGS+UK other than Italy.

Fig 10: Average annual change in general government debt

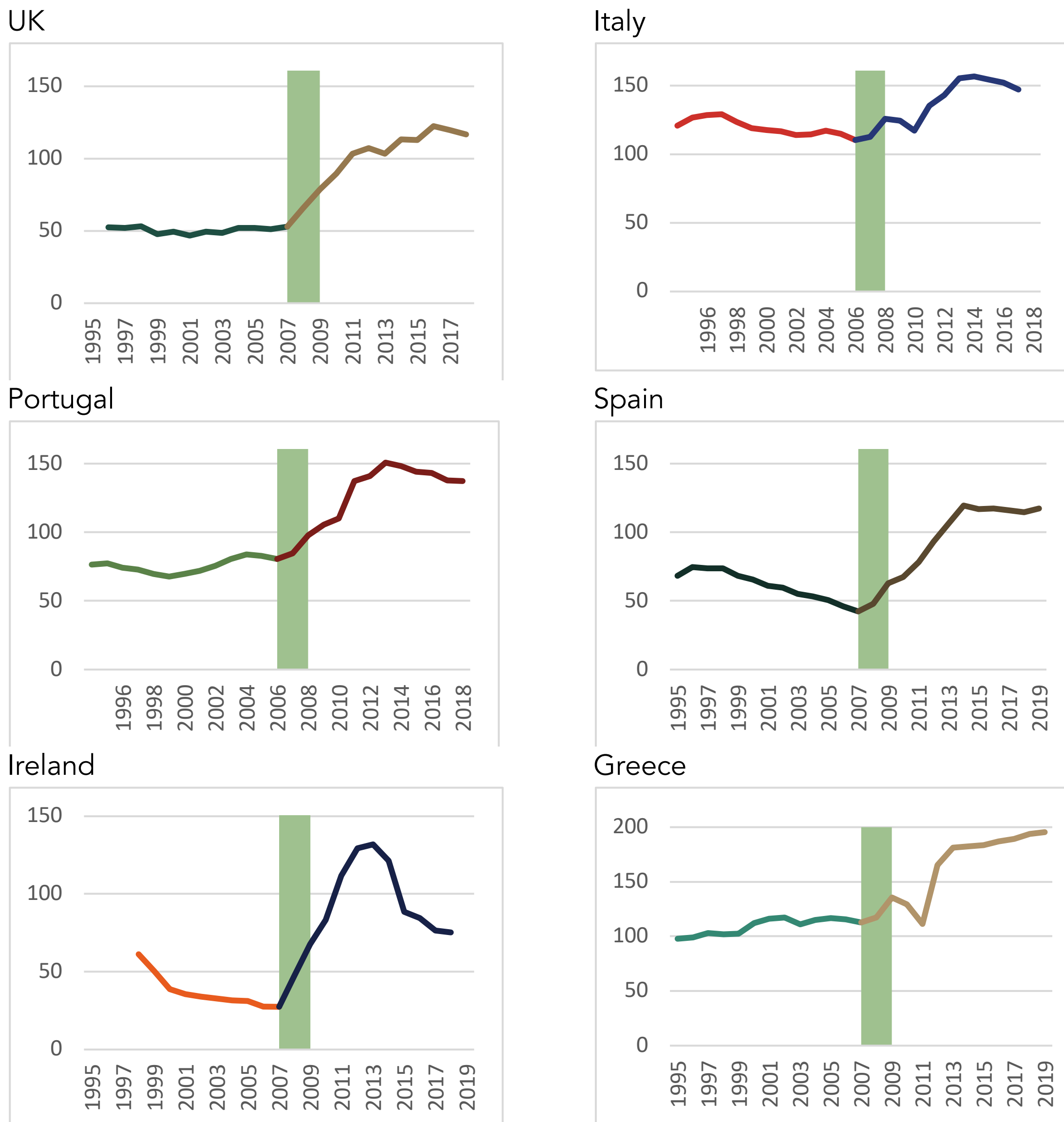
	1995-2008	2009-2019[5]
Portugal	0.8%	4.8%
Ireland	0.1%	6.7%
Italy	0.5%	2.9%
Greece	1.5%	5.7%
Spain	2.5%	9.0%
UK	1.9%	6.2%
High income OECD average	0.5%	2.0%

Source: Authors' calculations, using (OECD, 2020b)

Figure 11 shows the trends in public debt for each of these countries. The graphs show that there are downward trends in public debt for the UK, Portugal, Ireland and Italy, but every country other than Italy has around 100 per cent more government debt now than at the start of the GFC. Far from clearing 'unsustainable' debts, austerity measures have failed to bring down government liabilities in any meaningful way in the subsequent decade.

[5] Or latest year

Figure 11: General government debt as a per cent of GDP, PIIGS+UK



Source: Authors calculations using (OECD, 2020b)

This section has shown that austerity has caused significant suffering in the European nations that adopted it in response to the GFC. Health, employment, poverty and inequality have been detrimentally affected in ways that in other circumstances would have been seen as national disasters.

It is clear that the argument that short-term pain is necessary for long term prosperity is inconsistent with empirical evidence. Cross-country analysis of post-GFC austerity states shows that GDP growth has been lower than in other countries, and that public debts have not been significantly reduced.

Historical evidence from the Reinhart and Rogoff dataset show that the Australian economy in particular does not seem to suffer a strong relationship between debt and growth. To the contrary, Australia experienced its highest growth years when public debt was above 90 per cent.

Finally, it should be noted that this recession is not like previous recessions. The suppression of economic activity is not being brought about by an endogenous shortfall supply or demand, but through at least partial government decisions to close down the economy. This shock operates very differently from previous crises because "normal" conditions cannot occur until after a vaccine is developed and distributed. The proposition that austerity can kickstart growth, even if true, is incompatible with shutting down large tracts of the economy through legal mechanisms.

Section 2- The essential role of government

Given the evidence outlined above, it seems unquestionable that even if there were circumstances in which austerity works to deliver higher welfare standards and lower debt, this does not apply to contemporary high-income countries in crisis. The enormous fiscal spending programs around the world in response to COVID-19 are testament to an almost universal acceptance among political leaders and policy makers of the role of the state in protecting the welfare of citizens through public spending. Federal Treasurer Josh Frydenberg's recent pre-budget commitment to debt-funded spending in order to lower unemployment shows a definitive break with traditional Liberal Party beliefs about the role of debt, and government's responsibility to workers.

This indicates at least a tacit acceptance that it is impossible to truly disentangle market activity from state apparatus. The state versus market language deployed in policy debates is frequently misleading, if not disingenuous. States and markets are not diametrically opposed, but inextricably linked through tax and transfer system, industry subsidies, education and training, market regulation and direct and indirect labour market interventions. The key question is how best can the state establish systems of shared prosperity and growth.

This section examines some of the core mechanisms through which the state can deliver high investment, high productivity, and high welfare in a time of economic crisis, and applies them to the contemporary Australian and Queensland context.

2.1 Crowding out or crowding in

As mentioned in section 1, arguments for austerity rely on the notion that public investment 'crowds out' private investment to the detriment of the economy. The notion of 'crowding out' implies that government replaces business investment in a zero-sum game – that is for every dollar spent by government, an equivalent dollar cannot be spent by the private sector. This argument makes two critical assumptions: firstly, that state mechanisms of investment are of lower economic quality or productivity than the private sector, and secondly, that state investment reduces the availability of private sector money, or the attractiveness of the investment environment.

These assumptions do not hold up to empirical evidence. Since at least the 1980s, academics have assessed whether there is such a substitution effect of state investment driving out private investment. Results from many studies show that in general, increasing core public capital investments (such as in roads, rail, ports, sewerage and streets) increases productivity and provides avenues for private investment which might otherwise have been too costly (Pereira, 2001). Importantly, stocks of public assets have a far higher effect on increasing productivity than flows (Aschauer, 1989) – that is, maintaining public ownership of public assets has a greater effect on productivity than short run public investment which is then privatised.

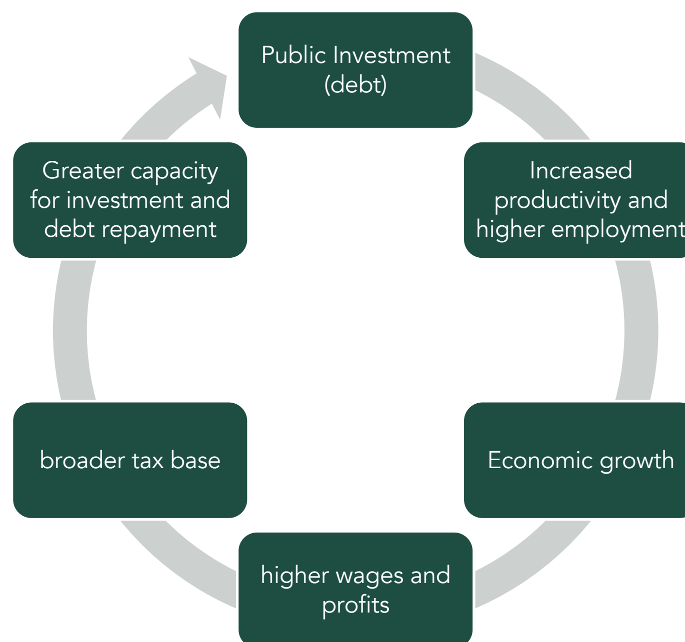
In general, countries with high private sector investment tend to have larger government sectors. The overall size of the public sector as a proportion of GDP in Australia is 36.7 per cent, far below the OECD high-income country average of 41 per cent. Even countries which profess 'small state' liberal environment such as the USA and UK spend more as a percentage of GDP on public services (5.7 per cent and 4.7 per cent respectively) than does Australia (4 per cent [OECD, 2020a]).

This indicates that there is significant capacity for expansion of public services, public sector employment and social and physical infrastructure investment in Australia.

2.2 The virtuous circle of public investment

Public investment that generates more productivity and higher welfare can be described as a virtuous circle: as government spending on productivity-increasing investments is carried out, greater employment, higher profits and better technology increase the tax base. This tax base can then be reinvested in iterative rounds of public spending (see Figure 12).

Figure 12: The virtuous circle of public investment



The effect of government investment through fiscal programs is not limited to the initial round of spending. Well targeted programs produce 'multipliers effects' as the dollars invested travel through the economy. Fiscal multipliers show how much a dollar of investment affects overall economic activity, and is particularly impressive during recessions. For example, $1 of fiscal spending in Japan has produced a $1 of private sector activity (a 1:1 multiplier) while the economy grew, but during recessions every dollar increase private economic activity by $2.40 (1:2.4) (Auerbach & Gorodnichenko, 2014).

Fiscal multipliers are generally larger in upstream projects such as physical infrastructure builds, where the dollars recirculate multiple times and encourage private sector investment, and smaller in the downstream delivery of final goods and services (Productivity Commission, 2017). They are also larger in highly unionised labour markets where wage flexibility is low. This is because maintaining high wages in a recession counteracts the 'demand shock' of lower spending. This has been seen in consumer spending patterns under the JobKeeper program and increased rate of unemployment benefit under JobSeeker. How these spending patterns change as the programs

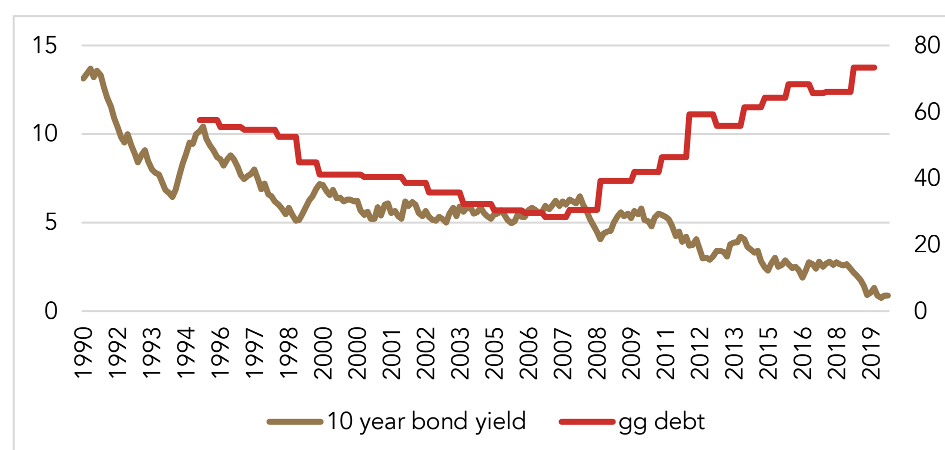
are reduced remains to be seen, but recipients will almost certainly reduce spending, with subsequent increases in unemployment and underemployment.

Finally, while fiscal multipliers are known to be lower for final goods and services, the effect of direct state spending in these areas is useful for creating rapid injections of cash, which large scale infrastructure projects do not necessarily produce. For example, the bulk of care sector costs are in wages, meaning that a care economy stimulus would result in a higher proportion spent on wages, leading to greater immediate consumer spending. Given the relatively low wages of workers in health, education, childcare and other care economy jobs, a care economy stimulus would generate 'high velocity' money, which gets spent very quickly in the local economy. As consumer spending inevitably declines as federal programs such as JobKeeper and JobSeeker are reduced, such wage-oriented stimulus spending could provide an important counterweight.

2.3 Capacity to borrow

Fortunately, federal- and state-level debt in Australia is at its most affordable rate in living memory. The current historically low bond yield rates present federal and state governments with a rare opportunity to invest in improvements to the economy and support of citizens essentially cost-free. Traditionally, the bond yield rate is affected significantly by government debt levels – as government debt rises, so too does the rate of return expected on government bonds. However, since the GFC, this relationship has effectively broken down, as shown in Figure 13. For now, federal and state governments can finance fiscal programs at below inflation levels of interest, meaning that the loans cost nothing to finance.

Figure 13: Australian 10 year bond yields and general government debt (%)



Source: Authors' calculations, estimated from (Ford & Taylor, 2005; OECD, 2020b; Reserve Bank of Australia, 2020)

Despite Queensland's relatively high debt in comparison to other states, bond yield rates are remarkably low (see Figure 14). Given that austerity measures rarely if ever lead to growth and a decline in debt, the depth of recession should be minimised through state intervention to bolster anaemic private investment and ensure high levels of stable employment. Given the historic opportunity to borrow money effectively for free, it would be a wasted opportunity not to invest in Queensland's future.

percapita
FIGHTING INEQUALITY IN AUSTRALIA

It is worth pointing out that among advanced economies, overall government debt in Australia is still among the lowest, less than half that of the UK and the US, and a third less than the supposedly austere German government. As such, Australia has entered a period of necessary government debt-based spending in an very favourable position: as Dr Philip Lowe, Reserve Bank governor of the RBA noted recently, *"There is strong demand for government debt and the Australian government can borrow for five years at just 0.4 per cent and for 10 years at just 0.9 per cent. These are the lowest borrowing costs since federation."* (Housego, 2020)

Figure 14: Current 1, 2 and 3 year QTC bond rates, (August 2020 (U311))

Interest frequency	Maturity Date	Interest Per Annum (%)
Quarterly	30-Sep-21	0.05
	30-Sep-22	0.05
	30-Sep-23	0.11
Half Yearly	30-Sep-21	0.05
	30-Sep-22	0.05
	30-Sep-23	0.11

Source: Queensland Treasury Corporation, private communication

2.4 The role of social infrastructure in growth and prosperity

Physical and social infrastructure play an equally important role in the wellbeing of citizens and the overall health of the economy. Physical infrastructure includes roads, sewerage systems, internet lines and so on. Social infrastructure includes our essential services, and the people who work to deliver them, including public servants, educators, health workers, and other social service providers. However, frequently during times of increased government spending the lion's share of investment goes to physical assets, while during times of contraction, there is a tendency to cut into social infrastructure more readily. This is partly due to the political optics of government spending – the ribbon-cutting moment of opening a new stretch of highway or a bridge has far more visibility and prestige for politicians than investing in the skills of teaching assistants or care home workers. The lure of the hard hat and hi-vis jacket for our elected officials often leads to dramatically inefficient white elephant projects (Rodríguez-Pose et al., 2018).

This means that there is a tendency among policy makers to see capital outlay on the physical infrastructure as an investment, while investment on the jobs required to maximise the benefit from these investments – staff in new hospitals and schools, social workers to assist tenants in social housing, etc – are seen as costs to be minimised. This approach is increasingly out of step with the needs of the economy, as we shift more and more towards services, and toward human-capital intensive jobs. Undervaluing social infrastructure is deeply inefficient at maximising the benefit of physical infrastructure, rather like buying a sports car but refusing to spend on oil and coolant.

Evidence from modelled fiscal spending on social vs physical infrastructure is compelling. One study found that Australia would benefit significantly more by investing in care workers than in construction projects in terms of overall employment. This modelling shows that every additional per cent of GDP spent on care industries would result in twice as many jobs being created than equivalent investment in construction (see Figure 15).

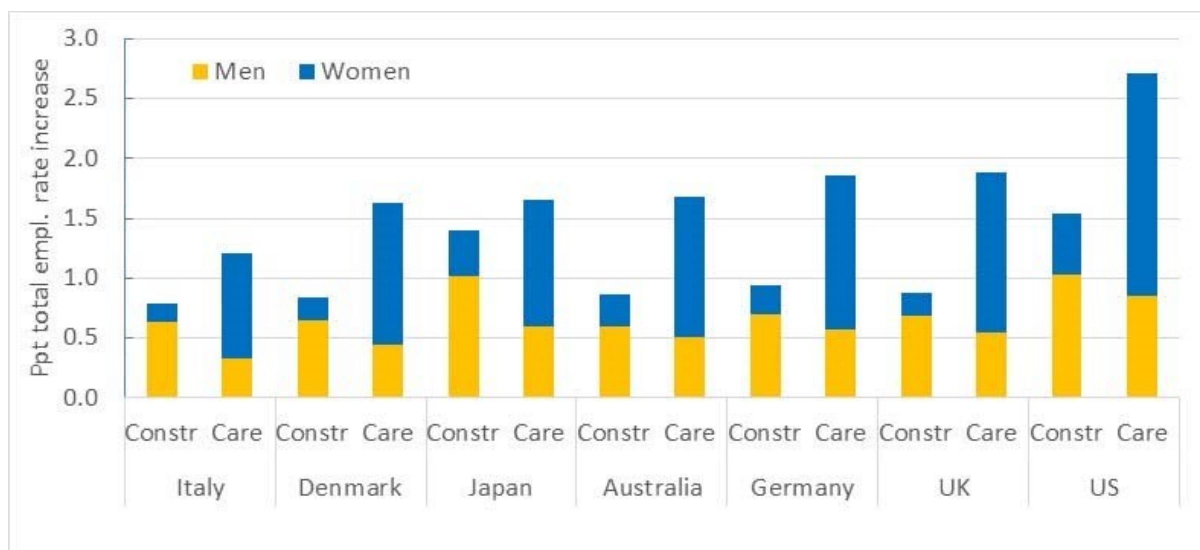
Figure 15: Rise in employment rate (% points) from investment of 1% of GDP in construction and care industries

	Construction				Care				Care/Construction ratio			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
Australia	0.2	0.4	0.2	0.9	1.2	0.1	0.4	1.7	4.7	0.3	1.9	2
Denmark	0.4	0.3	0.1	0.8	1.3	0.1	0.2	1.6	3.1	0.5	1.7	2
Germany	0.5	0.3	0.2	0.9	1.4	0.2	0.3	1.9	2.8	0.7	1.6	2
Italy	0.3	0.4	0.1	0.8	0.8	0.3	0.2	1.2	2.4	0.7	1.6	1.5
Japan	0.7	0.4	0.3	1.4	1	0.2	0.4	1.7	1.5	0.6	1.2	1.2
UK	0.4	0.3	0.2	0.9	1	0.7	0.2	1.9	2.5	2.2	1.4	2.2
USA	0.6	0.3	0.6	1.5	1.7	0.3	0.8	2.7	2.7	0.9	1.3	1.8

Source: Authors' reproduction from (Henau & Himmelweit, 2020)

Furthermore, the gender ratio of new workers would significantly benefit women made jobless in the COVID-19 recession. This model predicting that 68 per cent of care jobs would go to women compared to 32 per cent for construction. It is important to note that this does not mean that there is a one for one trade-off between male and female jobs: given the increase in total numbers of employment overall from investment in care sector work vs construction, the total number of jobs for men is only marginally lower than if investments are made in construction than in care work (see Figure 16).

Figure 16: Contributions of men and women to total employment rate increase under 1% increase in construct and care industries.



Source: (Henau & Himmelweit, 2020)

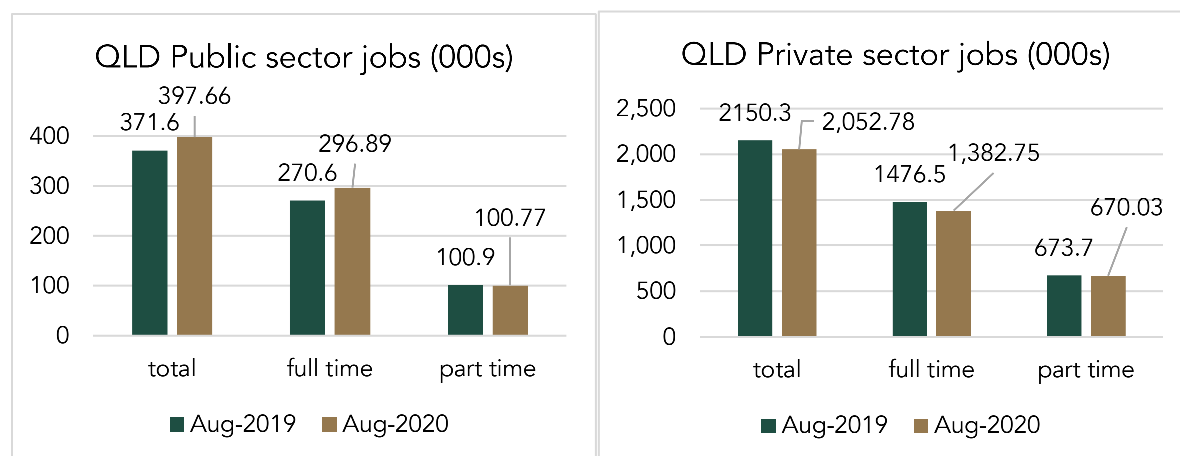
Section 3 – Queensland in the COVID-19 Recession

3.1 Queensland's workers

The total number of employed people in greater Brisbane in August 2020 was 1,287,500 almost equal to the 1,293,100 for the rest of Queensland. Of all the states, Queensland has the most even distribution of jobs between the capital and rest of the state.

Unemployment at the time of writing is at 7.5 per cent, higher than the national average of 6.8. Queenslanders do significantly better than the rest of the country in underemployment: just 14.6 per cent of women and 18.1 per cent of men in Queensland report being underemployed, compared to 17.9 for women and 20.3 for men at the national level.

Figure 17: Employment in Queensland



Source: Authors calculations using (ABS, 2020c table 26a)

Overall employment numbers in the public sector have remained relatively stable over the past three years. There was a moderate increase from 217,577.89 full-time equivalent (FTE) employees in June 2017 to 229,947.23 FTE in June 2019, meaning around 1/5th to 1/6th of workers are employed in the Queensland public sector. This is roughly equivalent to the national ratio of public to private sector workers. 63.90 per cent of the workforce are located outside of Brisbane, making the public sector particularly valuable in suppressing regional unemployment.[6] More than nine out of ten public sector employees are engaged in frontline or frontline support services.[7]

The public sector, as is generally the case in a recession, has acted as a buffer to unemployment during the COVID-19 crisis. If public sector jobs had declined at the same rate as private sector jobs, an additional 43,000 Queenslanders would be unemployed.

[6] https://www.forgov.qld.gov.au/queensland-public-service-workforce-statistics-quick-facts#december-2015
[7] *ibid*

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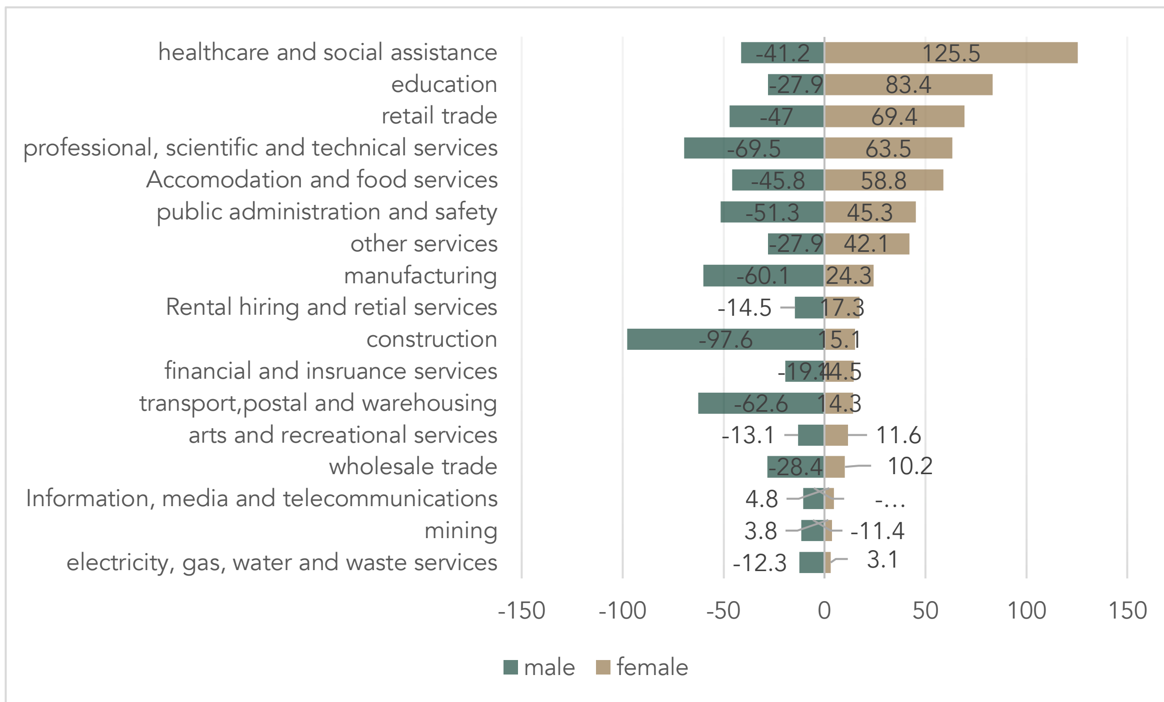
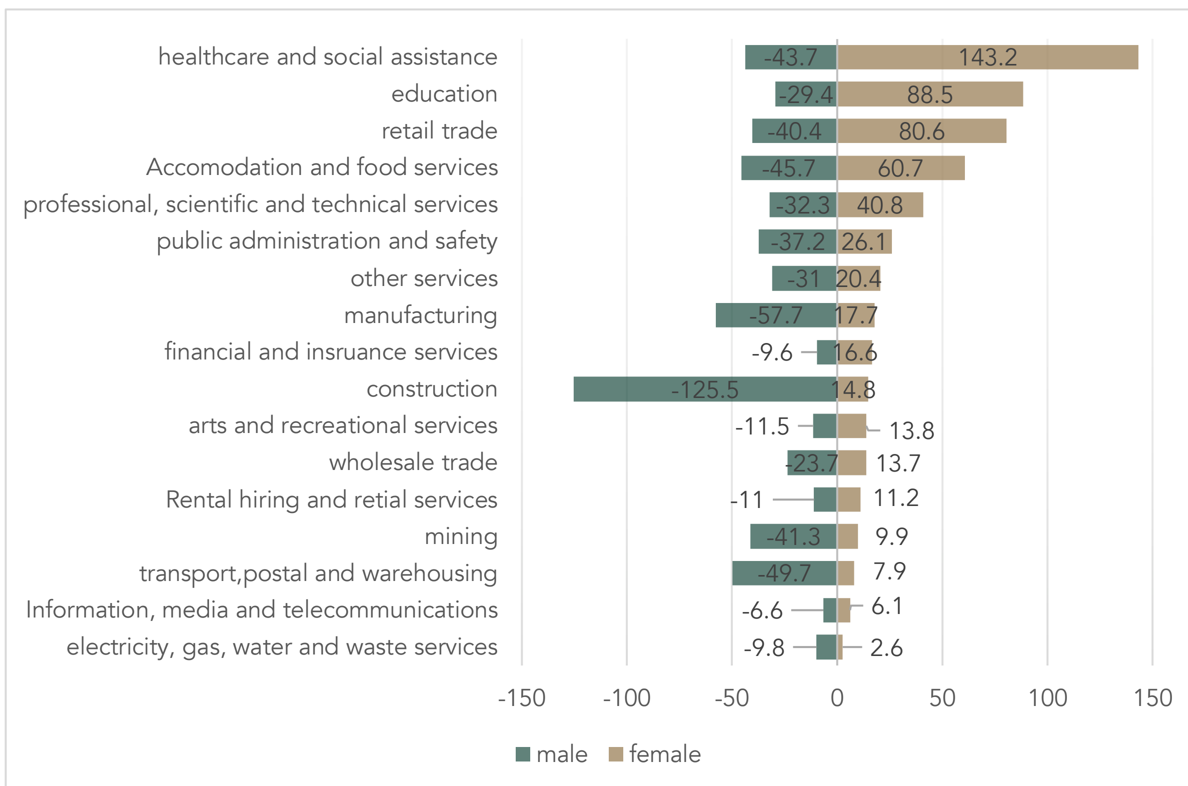
Figure 18: Employment by industry and gender, greater Brisbane, February 2020 (000s)



Source: Authors calculations, based on (ABS, 2020b)

Figure 19: Employment by industry and gender, rest of the state, February 2020 (000s)

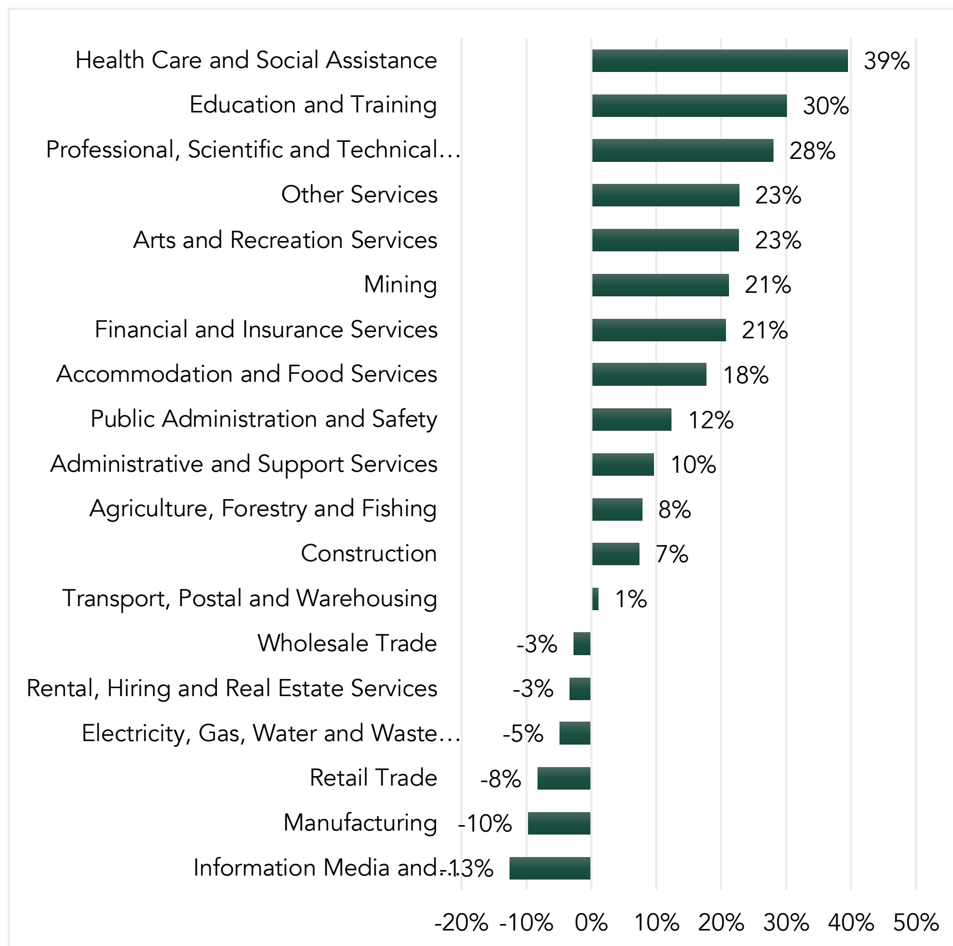


Source: Authors calculations, based on (ABS, 2020b)

The gender breakdown by sector is relatively similar between greater Brisbane and the rest of the state, although far more women are employed in professional services.

Employment growth over the last decade has been concentrated in high female employment industries (see Figure 20). Of the top five growth industries there is either a large majority of female workers (healthcare and social assistance, education) or a relatively even split between men and women (professional, scientific and technical services, other services, arts and recreational services).

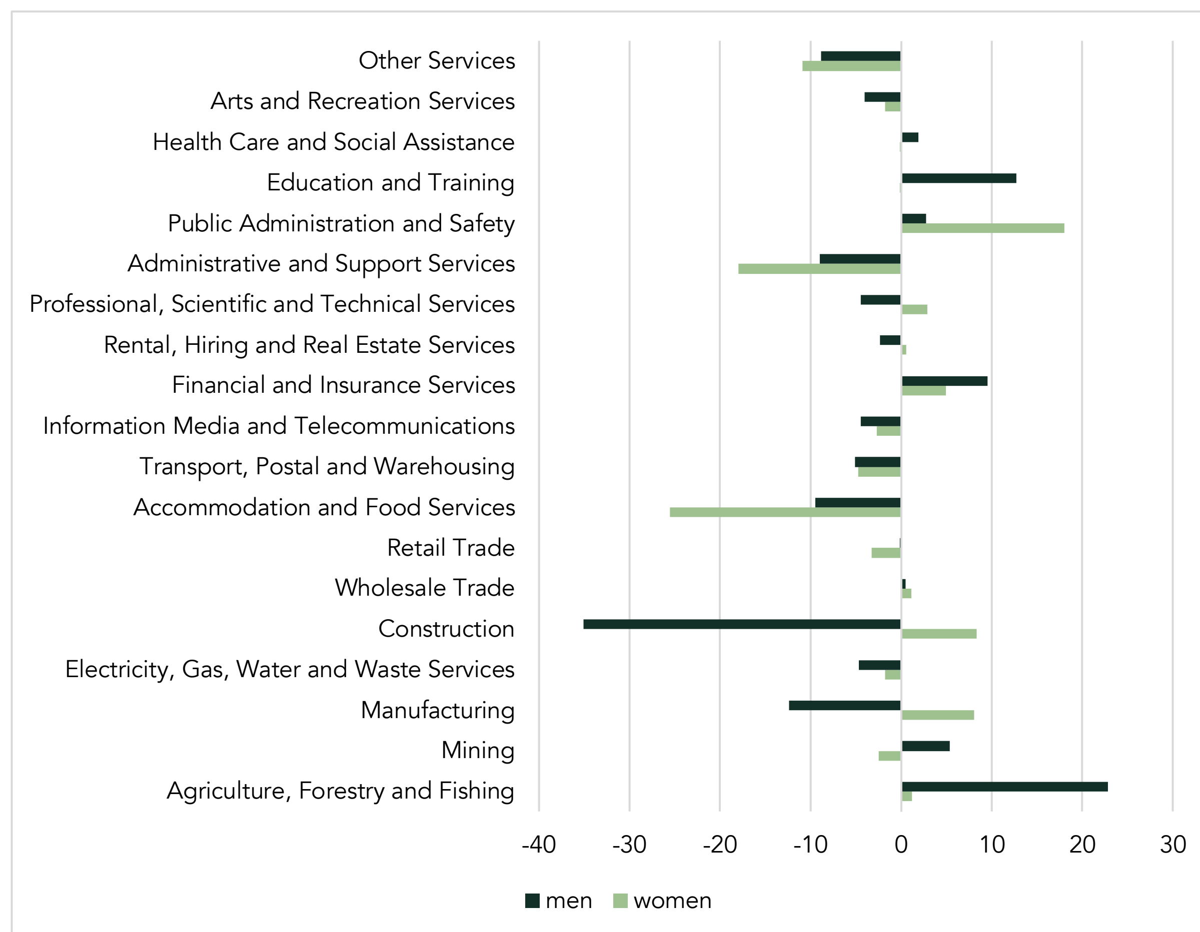
Figure 20: Queensland employment growth by industry over the past decade



Source: Authors calculations using ABS 6291.0.55.003 (multiple releases)

Changes in employment since coronavirus show that male construction and manufacturing jobs have declined significantly, which is common in recessions, and would benefit from the raft of measures outlined by the Queensland government stimulus spending plan (see Figure 19). Women have experienced the greatest declines in accommodation and food services, admin and support services, and other services. This indicates an enormous need to offer retraining, income support and/or industry support for these workers. As Figure 21 also shows, public administration jobs can act as a safety net for women workers during a female-dominated recession, making public sector employment all the more valuable in tackling the economic effects of COVID-19.

Figure 21: August 2020 year on year change in Queensland employment, by gender and industry (000s)



Source: Matthew Lloyd-Cape, (ABS, 2020c)

3.2 Queensland in the “pink-collar” recession

Whereas previous recessions have generally hurt male prime age workers the most, the COVID-19 recession has had a greater impact on female workers. In Australia overall, more than 55 per cent of jobs lost between February and June were held by women. While female employment has rebounded somewhat since June, women are still structurally disadvantaged in the current labour market. For example, women are far more frequently employed in industries which use casual employment contracts, such as retail and accommodation and food services, meaning that they have less access to the JobKeeper scheme.

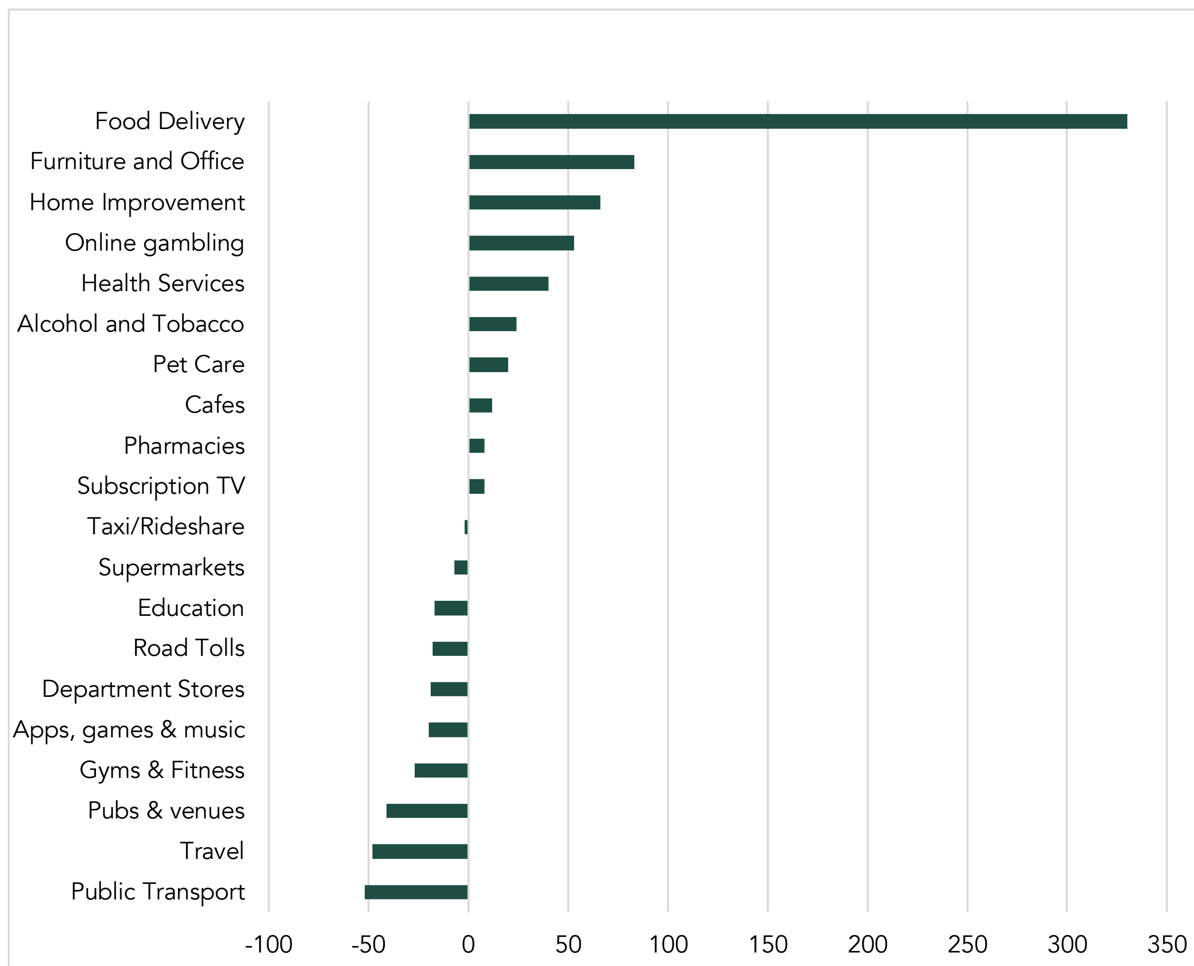
In Queensland, the total number of women employed declined by 6.15 per cent between February and July while the decline for men was 5.24 per cent. While male unemployment (8.5 per cent) remains higher than female unemployment (6.4 per cent) in Queensland, this is in part misrepresentative, because so many more women have dropped out of the labour force entirely than men since the start of the pandemic. 70,000 women and 62,000 men left the Queensland workforce between February and July, meaning that the total female labour force shrank by 5.3 per cent compared to 4.3 per cent for men.

Part-time workers are more likely to be female and have been affected more than full-timers. While the decline in total employment for male Queensland part-time workers was 4.1 per cent between January and August, female part-time employment numbers have declined by 10.3 per cent. Women have lost shifts and hours at a higher rate than men, with women seeing an average reduction of 11.5 hours per week, compared to 7.5 hours for men (ABS, 2020a).

Some of this effect can be seen in the way consumers are spending their money. While previous recessions have been typified by declining aggregate demand for manufactured goods and services, the current downturn is marked by a partial or total shutdown of many services. For example, national household expenditures on household electronics, furniture, garden and homewares was up to 30 per cent higher in June than in January, while childcare, travel, education and leisure industries declined by equally shocking proportions (Zip, 2020).

Figure 22 provides a snapshot image of consumer spending for the week ending 13th of September compared to the previous year. The effects on female dominated industries can be seen particularly in the care, education, travel, leisure and retail sectors.

Figure 22: Change in consumer spending by category, week ending 13 September year on year (%)



Source: (AlphaBeta, 2020)

While a great deal of support is planned for the construction and small business communities, equivalent planning is required for Queensland's largest employment sectors. State and federal spending on childcare, aged care, health and education would support women in the workforce, and help correct historical underpayment in these industries. Significant and targeted social assistance should also be directed toward workers who have not qualified for the federal JobKeeper scheme, and for whom the effects of COVID-19 are likely to persist in the medium term, in sectors such as tourism, leisure and retail. Specific programs to retrain and support such workers will be discussed in the subsequent section.

3.3 What effect would balancing the budget have?

We have highlighted in the above sections that austerity policies based on this objective have tended to reduce the welfare and economic activity of citizens, and to have overall net negative macroeconomic consequences. But at what magnitude would these effects take place by reducing the Queensland fiscal deficit to zero by reducing public sector spending Queensland? Deb Frecklington, the LNP Queensland leader has suggested that if elected she would balance the budget over 3 or 4 years.[8] In this section we assess the potential economic impact of such a policy decision.

We work under the assumption that reducing the deficit to zero would be carried out by making cuts in employment spending, at a rate equivalent to current spending. That is, employee and superannuation expenses accounted for 48.2% of total spending in the 2019-2020 budget, and we assume that cuts to the total budget would require cuts to workforce spending at a 48.2% rate.

In the 2019-2020 budget the government forecast a pre-COVID deficit of $2.586 billion. The median wage for FTE public sector workers in May 2020 was $1848.4 a week, equivalent to roughly $96,000 per year.

Figure 23: The effects of reducing public spending to balance the Queensland budget (Pre-COVID budget)

	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
DECLINE IN WORKFORCE SPENDING	$1.246 billion	$1.293 billion	$2.538 billion
DECLINE IN FTE EMPLOYMENT	12,968	7161	20,129

This would mean that balancing the budget would require a reduction in workforce costs of $1.246 billion. This reduction in workforce spending would lead to the equivalent of just under 13,000 FTE job losses, a reduction of six per cent of the public sector workforce in the first year of cuts. Such a decline would raise the total unemployment rate in Queensland from 7.47% to 7.96%.

[8] https://amp.smh.com.au/politics/queensland/poll-call-d-day-on-borders-as-northern-exposure-continues-20201008-p563em.html?sinceId=p51b8i

However, these cuts would not operate in a vacuum. As discussed above, one effect of public spending is that it produces "multipliers" across the economy, stimulating private sector activity as overall demand for goods and services rises within households of people employed in the public sector, and in goods and services required by government work (office rents, cleaning services, catering etc). The effects of public sector cuts on the other hand, cause a decline in private sector activity as more people become unemployed and as companies providing goods and services to government departments lose business. This is particularly so during a recession.

Based on a conservative fiscal multiplier of 1.5, we can assume that removing $2.586 billion from the Queensland economy would produce a decline in private sector activity of around $1.3 billion. Assuming that private sector spending is roughly in line with public sector we can expect roughly half of that spending to be allocated to wages. Median private sector earnings are $1673.60 a week, meaning that a loss of $1.3billion from the private sector would equate to roughly 7000 job losses.

Queensland GSP was $357 billion in 2019, which means that the total loss of public and private sector spending would reduce the economy by around 0.71%, roughly half the annual GSP growth in 2018. This means that the private sector would have to be growing extremely fast in order to offset the losses to demand and employment. While it could be socially and economically costly, such a contraction in spending may have been possible under extremely favourable macroeconomic circumstances. The effect may be to slow overall growth and increase the unemployment rate, but potentially the budget deficit might have been reduced to zero, at least temporarily.

However, these are not normal times.

COVID-19 has changed the deficit and growth forecasts significantly. In July, the Queensland Government updated the economic forecast for the 2019-2020 and 2020-2021. Under the new forecast, the deficit for 2019-20 will be $5.9 billion, rising to $8.5 billion for 2020-2021. Nationally, the unemployment rate is forecast to be at least six per cent in 2023, and that is based on some very optimistic assumptions, as has been discussed at length elsewhere.[9]

[9] https://www.smh.com.au/politics/federal/the-corona-budget-heroic-assumptions-and-phantom-fears-20201009-p563mv.html

Figure 24: The effects of reducing public spending to balance the Queensland budget (May 2020 budget update)

		PUBLIC SECTOR	PRIVATE SECTOR	TOTAL
DECLINE IN WORKFORCE SPENDING	2019-2020	$2.843 billion	$1.421 billion	$4.265 billion
	2020-2021	$1.253 billion	$626.6 million	$1.880 billion
TOTAL		$4,097,000,000	$2,048,500,000	$6.146 billion
DECLINE IN FTE EMPLOYMENT	2019-2020	29,597	16,338	45,935
	2020-2021	13,038	7,200	20,238
TOTAL		42,635	23,538	66,173

Based on the previous assumptions, balancing the budget through spending cuts would require 29,587 FTE job losses in 2019-2020 and a further 13,038 FTE job losses in 2020-2021. This is equivalent to just under 20% of the entire public sector workforce. The private sector would consequently suffer roughly 16,300 FTE job losses in the 2019-2020 and a further 7200 in 2020-2021.

With these additional public and private sector job losses, and assuming no other jobs growth over the two years, the effect of balancing the budget would increase the unemployment rate by 2.47% to 9.97% a rate not seen in Australia since the early 1990s. The effect of balancing the budget on economic output would be devastating, reducing GSP by around 1.7%. And these calculations are based on the generous assumption that there will be no change in job numbers, while the federal budget assumes that unemployment will rise by 0.45% between 2019-2020 and 2020-2021.

While Queensland politicians may suggest that it is possible to avoid redundancies by relying on reducing staffing costs through "natural attrition" or other HR mechanisms, the effect is the essentially the same – a major reduction in the size of the public sector, just when it could be most useful in mitigating the recessionary effects of COVID-19. The effect of reducing public sector employment would be particularly perverse in the "pink collar" recession, given that over 2/3rds of the public sector workforce are women, meaning that the knock-on effects to unemployment and demand would be larger.

Any attempt to balance the budget will only deepen the recession, forcing tens of thousands of workers into the dole que and reducing economic activity significantly. Queensland, and Australia more broadly, simply cannot afford the heavy costs of a balanced budget.

3.4 Queensland Government response

In August 2020, the Queensland government unveiled its economic recovery plan, Unite and Recover (Queensland Government, 2020). A traditional approach to post-crisis economic intervention, the plan primarily concerns itself with fast-tracking capital projects in construction and manufacturing, and providing income support to industries that are likely to recover slowly, most notably in tourism.

The plan (2020, p. 6) points to a strong economy leading into the pandemic, with growth 2.4% ahead of the national figure, an growing population and a successful debt recovery program that has seen state debt drop since 2015. This is largely offered as an assurance that Queensland's 'natural advantages' in mineral resources and agriculture, coupled with the political record of the Palaszczuk government, are essential to the future success of Queensland's recovery. It is not a coincidence that this message is a starting point for an economic plan released a few weeks before an election.

Perhaps what is most notable about the Government's recovery plan is the attention paid to investments for male-dominated industries like construction and manufacturing in an approach to recovery from a 'pink collar' recession.

The Government has mobilised $3bn between 2021-21 and 2023-24 to support and expand the state's healthcare system, including $1.2bn to 'expand fever clinics, emergency department capacity, acute care services and regional aeromedical services for remote communities' and maintain pandemic readiness, as well investing an additional $46.5m in mental health treatments and supports (Queensland Government, 2020). Similarly, the government highlights a $346m education, which is driven by the construction of 9 state school in Brisbane, Caloundra and Pimpama, as well as upgrades to solar energy and air conditioning across the state.

However, this pales in comparison to the Government's 'Infrastructure Guarantee', which is $51.8bn over the same term (ibid., p. 30). This infrastructure spend is wide ranging, including the controversial Cross River Rail and the enduring Bruce Highway Upgrade Project. Yet there is not a single mention in Unite and Recover or the associated Capital Program Update 2020 to gender equity and no programs are funded that target increases to female participation in male dominated industries.

Furthermore, there is no indication that the Queensland Government intends to reverse the $500m wage freeze that was rushed through Parliament in June of 2020. While a public sector wage freeze conjures up images of high level, overpaid executive bureaucrats being brought into line, the reality is that the decision affects 250,000 public servants, including the state's police officers, teachers, nurses and firefighters (Lynch, 2020). Not only does a wage freeze for frontline workers in a pandemic make little political sense, pulling money from one industry to fund another makes little economic sense when governments of all persuasions around the world are borrowing record amounts to kickstart their economies.

Additionally, many of the education, healthcare and emergency services workers whose wages have been frozen work in Queensland's decentralised and populous regional areas. This means

that the money which would be spent by these regional workers is being pulled out of local economies, decreasing demand and creating further downward pressure on regional retail and hospitality businesses.

Ultimately, while the record investments in construction and manufacturing are welcome stimulatory measures, there is little grounding of the response in the experiences of this particular recession. If the Queensland government wants to stimulate its economy and ensure future economic growth, it would be well advised to look beyond conventional responses to economic downturn and invest in the burgeoning care and social service sectors.

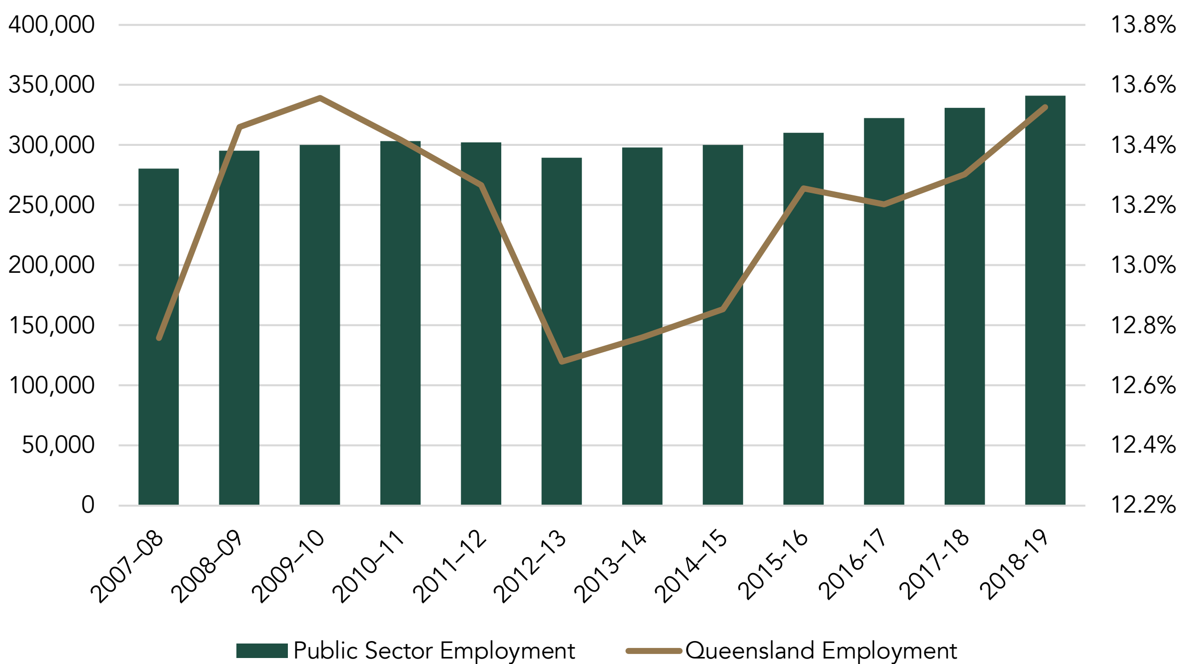
Section 4 – Equitable and efficient policy options for Queensland

4.1 Restoring and revaluing state sector employment

During economic downturns, private sector employment typically shrinks, as firms seek to minimize costs and weather the associated dampening of consumption and economic activity. Yet governments are often faced with a paradoxical choice, being asked to simultaneously "stimulate employment and the economy but also to rein in spending amidst falling revenues" (Colley, 2012, p. 513).

During the twin crises that have defined the 21st century, the GFC and the COVID19 Pandemic, the Queensland Government has responded both times with a freeze on public sector employment and wages. While employment has steadily risen in the Queensland public service over the past decade, as a proportion of the state's workforce it fell sharply between 2009-10 and 2012-13, falling to pre-GFC levels, and has yet to reach the high-water mark of 13.6% (see Figure 25).

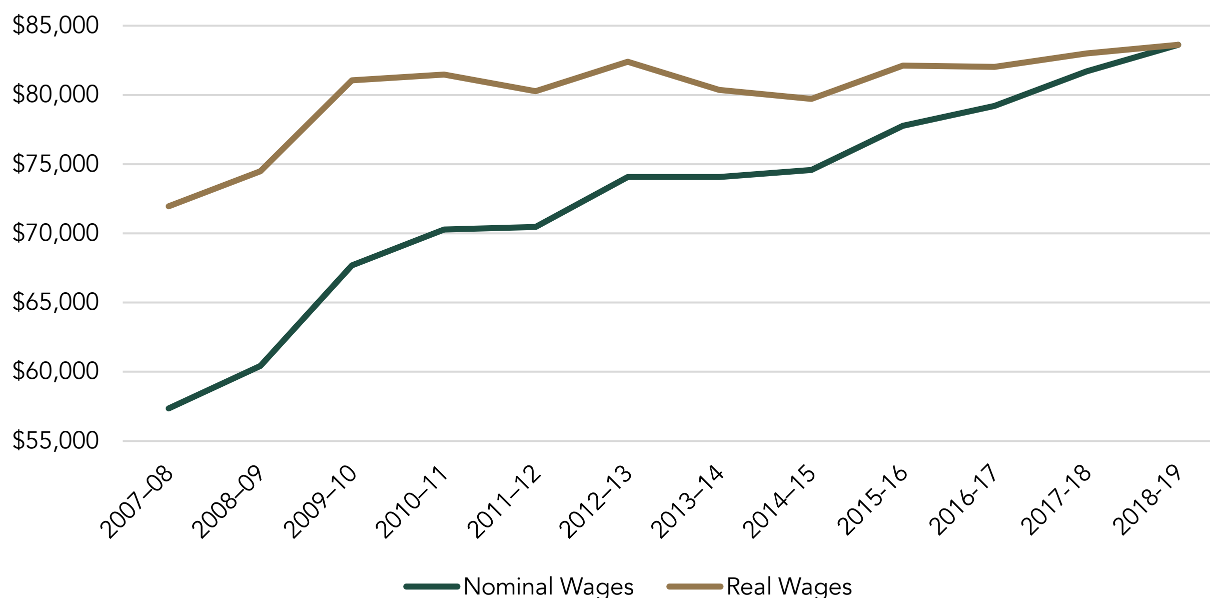
Figure 25: Queensland Public Sector Employment (Overall and as a % of total employment)



Source: Authors' calculations based on ABS 6202.26 and 6248.0.55.002.

Similarly, while public sector wages have nominally increased over the past decade, when adjusted for inflation, real wages have remained relatively stagnant in the years since the GFC (see Figure 26). Between 2009-10 and 2018-19, the average money allocated by the Queensland Government to cover wages, superannuation and other salary entitlements only grew by approximately $2,546.61 in real terms – a little less than $284.95 a year over the period.

Figure 26: Queensland Public Sector Wages



Source: Authors' calculations based on ABS 6202.26 and 6248.0.55.002.

The recent wage freeze is again withdrawing $500m of government spending that was promised in wage increases, which would have equated to approximately $1,465 per annum for each public sector worker. At a time when demand is contracting, this further dampening on wages is counterproductive to the Government's stated aims. The restraint forced on public sector wages has been consistently identified as a millstone around the neck of the economy, as it sets low wage expectations across the economy. Recently, RBA Governor Phillip Lowe (2019) noted the deleterious effects of public sector wage restraint and argued strongly that public sector wage increases were not only affordable, but desirable.

By investing in Queensland's public sector workforce and reversing the wage freeze, the Government could increase aggregate demand in the economy and encourage consumption coming out of the crisis.

4.2 Social housing and housing services

An important policy area that has been left untouched for a generation is that of public and community housing. It has been estimated that a minimum of approximately 100,000 public or community housing units are needed to effectively eliminate homelessness in Australia, with approximately 20,000 Queenslanders experiencing homelessness and an additional 32,474 people on Queensland's social housing waiting list (Australian Bureau of Statistics, 2016; Caldwell, 2018). A further 11% of households experience housing stress, which means that they are spending more than 30% of their income on housing costs (Daniel et al., 2018), and the Australian Housing and Urban Research Institute estimates there is a shortfall of approximately 525,000 affordable rental properties in Australia (Rowley et al., 2017). This acute demand for public, community and affordable housing warrants a substantial intervention from state government.

The Council to Homeless Persons (CHP) advocates investment in an approach known as a housing first policy, which has been explored by governments around the world, as far away as Finland and as close as South Australia (Council to Homeless Persons, 2018). Traditional approaches to solving homelessness are built around the idea that before people are offered housing, they must first show that they have dealt with the complex problems that contribute to homelessness, from mental health through to unemployment. The 'housing first' approach offers people experiencing homelessness or housing stress secure housing at the start of the process, as the name implies. This has a range of benefits for the individual and the community, increasing social inclusion and providing a safe, secure and stable foundation for people in crisis.

The often untold part of this story is the significant potential for job creation. A review of the literature surrounding housing investment and job creation found that on average for every 100 units of public housing that were built, approximately 80 jobs were created in construction and an additional 30 ongoing jobs were created to support the people in the housing units (Wardrip et al., 2011, pp. 2–3). This would mean that an investment in 30,000 social housing units in Queensland could create an approximate 24,000 construction jobs and an additional 9,000 jobs to support those who go into public and community housing.

These secondary, ongoing support jobs would be a welcome investment in Queensland's rapidly growing social services sector. In particular, the Brotherhood of St Laurence's innovative Youth Foyers programs offer some insights into the efficacy of interconnected housing and social services (Coddou et al., 2019). This program is built on the 'capabilities approach' developed by Amartya Sen, which views poverty and associated outcomes like homelessness as being driven by a fundamental deprivation of capabilities, rather than a mere lack of income (Sen, 1999, pp. 87–110). In practice, this approach means that in order to "disrupt cycles of homelessness, [people] require models integrating stable housing with opportunities to build the skills and capabilities needed to pursue sustainable livelihoods" (Coddou et al., 2019).

By providing people experiencing homelessness with unconditional access to permanent housing and tailored support services and minimal conditions, the Queensland Government could not only combat the rising social costs associated with a lack of secure housing, but could create immediate and ongoing jobs in construction and social services.

4.3 Vocational Education and Training: Skills for the future

As the Queensland Government looks to invest in major projects to help stimulate the post-crisis economy, it must also address the 'hollowing out' of the labour market and arrest the decline in intermediate or technical skills across our economy. A recent review of the skills profiles of the OECD has found Australia is ranked (Macklin, 2020, p. 17):

- 8th in the proportion of workers with high skills (tertiary education above Certificate III) (46%);
- 29th in the proportion of workers with intermediate skills (Year 12 completion to Certificate III) (36%); and
- 16th in the proportion of workers with low skills (did not complete Year 12) (18%).

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This low ranking for the intermediately skilled workforce points to the need for investment in the vocational education and training (VET) sector, to ensure that our domestic capabilities are in equilibrium with our economic needs.

However, recently the Queensland Government has created a number of 'micro-credentials' that are being offered to displaced workers to work in a range of industries, including hospitality, agriculture and healthcare. This trend towards skills fragmentation has often been hailed as a triumph for 'flexible learning' and 'responsive training', but recent scholarship highlights the dangers of this fragmentation. Buchanan et al., (2018) found that micro-credentials can lead to de-professionalisation and the creation of greater reliance on individual employers over the portability of skills, which reduces worker mobility and subsequently reduces productivity.

Rather than continuing down this path of micro-credentialism and fragmentation, the Queensland Government would be better served by investing in the following reforms.

Free TAFE

In particular, the Queensland Government should look to the south when designing its post-crisis skills reforms. Victoria and New South Wales have already announced that priority courses will be offered fee-free through their public TAFE institutions, which will be linked to ongoing and planned infrastructure projects, with promising preliminary results. Since the Victorian government began offering tuition free VET courses through the state's TAFE institutions, 39,700 students have enrolled in a targeted course. These courses are linked to local, state and national skills shortages, and have proved popular amongst students from disadvantaged backgrounds, including culturally and linguistically diverse (CALD) students and those with a disability (Victorian Government, 2019).

This reform has significantly reduced barriers to entry from disadvantaged students, and has created a skills pipeline for major projects in Victoria. We recommend that the Queensland Government consider offering tuition free places in priority courses linked to major infrastructure projects, allied health and aged care.

Contact Tracing

During the current pandemic, as the Queensland Government has sought to make itself ready to respond to infection outbreaks, it has created pathways for public servants in other state government departments to undertake training and be seconded into contact tracing roles within the Health Department (Public Service Commission, 2020). At a time when there is much uncertainty within the public sector, this approach is sensible given the relative speed with which public servants could be redeployed within the sector.

It would be advisable for the Government to consider creating a training program that would allow for a dedicated team of contact tracing roles. This program could be made available for people who have been displaced during the economic crisis, and allow for swift job creation within the public sector. Not only could this create a pool of trained workers to conduct contact tracing, it

would ease the pressure on existing Queensland Health and other public health services to redeploy into contract tracing, and enable a more robust and responsive public sector.

Establish an Allied Health Assistant trainee program in Queensland Health

The considerable pressures on the health system during the pandemic have created additional work for allied health professionals. In order to reduce some of this pressure, the Queensland Government could investigate a trainee program for Allied Health Assistant (AHA) positions within the Queensland Health department.

Much like the aforementioned contract tracing program, an AHA trainee program could address the increases in unemployment that have followed the pandemic, and priority position could be given to those who were long-term unemployed or who have been displaced during the crisis.

By offering paid traineeships, the Government could design a program that created paid work experience opportunities for Queenslanders considering a career in healthcare, encourage a widening of Queensland's healthcare skill based and creating additional jobs for unemployed workers. Such a program should allow for six months of basic medical knowledge training and the ability to shadow a trained Allied Health professional. Following successful completion of this initial six month course, trainees could be enrolled in a Cert IV in AHA through the Government's TAFE institutions, where they would continue their traineeship through a mixture of on the job, classroom and online learning. Once they have completed their initial qualification, they could be employed as AHAs in the health department, or to work in other allied health facilities in aged care or disability support.

This program could be complemented by allowing for priority placement in advanced diplomas or undergraduate degrees in allied health professions, and support smooth labour market transitions from unemployment into professional careers.

Solar Panel Installation Skills

Recently, the Queensland Council of Social Services (QCOSS) and a consortium of community partners put forward a $215m proposal to roll out solar panel and energy efficient upgrades on social housing throughout Queensland, which it estimates will create 1,800 jobs and save consumers an average of $1,100 on energy bills (Queensland Council of Social Services, 2020).

This proposal has much merit but necessitates the provision of specific skills that would allow for this work to be done. The Government should work with VET sector providers to design and implement a comprehensive and portable certificate that would allow qualified workers to upskill and take advantage of the job creation aspects of this program.

4.4 Aged Care

Australia is an ageing country experiencing an aged care crisis (Parliamentary Budget Office, 2019). As the interim report from the current Royal Commission into Aged Care Quality and Safety (2019) notes, the contemporary aged care system is no longer fit for purpose. Decades of piecemeal reform have created a patchwork quilt of different approaches to care from myriad providers who

prioritise profit margins above the wellbeing patients and practitioners. This discord has resulted in a system that is underfunded, undervalued and poorly managed. While there is significant evidence to support a wholesale rehabilitation of the aged care system, it is essential that any future system is underpinned by a positive licensing system that supports skilled workers to perform essential care.

However, there is a wide gap between this positive future and the contemporary experience. The aged care workforce in Australia experiences some of the worst labour market outcomes of any occupation. Chronic low wages, precarious employment arrangements, high staff turnover, insufficient recognition of skills, low training standards, and a lack of defined career pathways are just some of the issues affecting this increasingly critical workforce. Most importantly, the failures in care quality highlighted in the Royal Commission are a direct result of the issues affecting the workforce, particularly those workers who have most contact with care recipients in residential aged care facilities.

In Queensland, healthcare and social assistance has become the fastest growing industry, and is projected to continue to grow in the short- and medium-term, driven overwhelmingly by a growth in aged care. The Government's recent inquiry into aged care, end-of-life and palliative care and voluntary assisted dying found that the cross-jurisdictional funding and delivery of aged care in Queensland fails to provide the kind of coordinated and integrated care that older Queenslanders need as they move from independent living to residential or palliative care.

Furthermore, a recent survey of Queensland's considerable regional healthcare workforce found that training in aged care did not align with community needs, clients faced significant access issues (long wait lists, lack of places/beds in aged care facilities), poor work conditions, low remuneration, and a lack of career development opportunities (Health Workforce Queensland, 2020, p. 29).

These factors combined have created a system which is now under severe strain. A lack of regulation surrounding secure work, career development and wages is a key influence in the care outcomes experienced by older Queenslanders. The current pandemic has created additional pressures as nurses, allied health professionals and personal care workers have had to engage in infection control on top of their already full schedules. This has created additional pressures on the workforce as a whole.

Yet despite a clear market failure in aged care, less than 3% of the State's aged care support is provided by the Queensland Government. Aged care is an industry ripe for reform, and the state can and should play a leading role in effective and efficient service provision. Through an investment in the aged care workforce, the Queensland Government could create skilled pathways for aged care workers that recognise the expertise and experience required for high quality service provision.

4.5 Gender on the tender for infrastructure projects

Physical infrastructure investments will rightly play a significant role in the federal and state level responses to COVID-19. Construction is Australia's third largest employer, and also one of the most male dominated. Construction work, while often well paid, often involves long hours and shift work which can exclude women with caring responsibilities. Of the roughly 1.2 million construction workers in the country prior to the crisis, women made up around 12.4 per cent, down from 17 per cent in 2006. In the construction industry women represent just 12 per cent of senior managers, 3 per cent of CEOs and just 1 per cent of tradespeople (ABS, 2020d).

Prior to the crisis, the Queensland construction industry was worth around $46 billion with a workforce of 29,300 women and 223,300 men, placing the female proportion of the workforce at around 11.6 per cent. To put that in perspective the proportion of female construction workers in Denmark is around 25 per cent, while Norway has reached around 35 per cent.

There have been many differing attempts to address the paucity of female employment in the construction industry. One method is to introduce a female representation quota or construction companies. Norway introduced a 40 per cent quota back in 2003, and while this percentage has not been fully realised, the number of women working in the construction industry has increased steadily.

Another method, perhaps less politically contentious and easier to implement is to use government procurement policies by putting 'gender on the tender'; that is, companies competing for government jobs must demonstrate gender equality and employee wellbeing initiatives alongside other critical elements like cost, time and design.

These policies can include jobs that are part-time, shared and flexible, that provide equal parental leave for men and women, fatigue monitoring, secure toilets and showers for women on site, and zero tolerance of sexism or workplace harassment.

Additionally, governments should be aware of the effects of tight deadlines and slim margins on the workforce, and award tenders to contractors that prove they are adequately resourced, with fair and reasonable margins, who operate a five-day work week.

The Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport, Mick de Brenni, has signalled his intention to use the Buy Queensland procurement process to help improve upon the 11 per cent female workforce target established by the National Association of Women In Construction (de Brenni, 2019).

The large and sustained investment in infrastructure building during the COVID-19 recession presents a very rare opportunity to push these principles into action. Companies will be more willing to be compliant with such policies in order to gain an advantage in the tendering process, as government contracts will represent a greater share of all contracts available.

At present the Queensland Government Procurement Policy 2019 has value for money as the primary principle, with five supporting principles. Principle 2: Advancement of Economic,

Environmental and Social Objectives should be re-written to specifically preference firms which have shown, or commit to, tangible changes of practice which address the gender imbalance in the workforce.

Conclusion

This report has explored the effect of austerity measures on economic growth and prosperity, examined the role that the state plays in generating vibrant and equitable economies and highlighted potential fiscal projects for Queensland to ensure resilience and recovery.

Some of the core lessons from previous episodes of austerity show how damaging such measures can be to livelihoods, health and equality. Far from leading to long-term growth and a reduction in debt, austerity measures actually offer no long-term social or economic benefits, at least for high income countries in the current stage of capitalism. Furthermore, this recession is unlike any other previously experienced. A huge proportion of the contraction of economic activity is by design – with governments the world over shutting down entire industries and regions to limit the spread of COVID-19. Under such conditions, a private sector recovery envisioned by advocates of austerity is simply impossible.

In this report, we have attempted to describe some of the mechanisms through which state investment can lead to greater overall growth, productivity and welfare, and applied them to the current labour market situation in Queensland. Based on these observations, we believe it is essential that alongside the much-needed investments in physical infrastructure, state and federal governments must tackle the invisible rot in our social infrastructure. Judicious investments will increase the size and skills of our care economy workforce, and of the public sector more broadly, helping to safeguard the Queensland and Australian economy from both the short- and medium-term economic problems that COVID-19 has created.

Such fiscal projects could also correct some of the long-term weaknesses that have been a drag on economic growth, including the chronic underpayment in feminised industries, a head-in-the-sand approach to age care, declining R&D investments and productivity, and general wage stagnation.

In order to carry out such work, policy makers must accept that augments against austerity hold just as strongly for public sector workers as for the construction and manufacturing industry. Reversing wage and hiring freezes will allow the public sector to expand its' capacity to offset the effect of declining private sector employment, and increase overall demand in the economy. The often-touted notion that public sector workers should "share the pain" ignores the reality that we need to reduce overall declines in spending. The beggar-thy-neighbour approach promoted by some[10] will only further reduce consumption, stymying the private sector recovery, at the same time as increasing economic scarring for laid off workers.

[10] https://www.theaustralian.com.au/nation/coronavirus-australia-abc-staff-reject-covid19-pay-freeze/news-story/c7424164fa4dd6a1c31f9641ede14816

It is encouraging to see many previously staunch advocates of austerity changing their positions on counter-cyclical spending since the GFC. At the international level, the International Monetary Fund has argued that for advanced economies in good standing like Australia, so long as GDP grows faster than the interest rate on a loan, large public debt is very sustainable, even if the government does not pay down the principle debt (Barrett, 2018). At the national level, the Federal Government has thankfully dropped its obsession with budget surpluses in the face of the new reality facing every country as the effects of COVID-19 bite. For now.

At the federal and state level, this major round of public investment should be seen as an opportunity to correct inequalities and inefficiencies in the established economic system. Public spending should be used in order to minimise current economic pain, but it should be recognised that this is a rare moment to correct ongoing economic issues, and to set up our economy for future decades.

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