

MEDIA RELEASE



UNIVERSITY OF
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NATSEM ANALYSIS: Benefits from Federal Budget are all relative

“One of the few good news stories for low income households in this year’s Budget is the relative growth in income for single parents and those without children,” said Professor Brenton Prosser, Director of NATSEM.

Professor Prosser was speaking at the launch of NATSEM’s Independent Modelling of the 2020-21 Federal Budget earlier today.

“But by far the biggest benefit in real income increases were for high income households.”

NATSEM’s Budget report found that the extra money for single person high income households is more than four times the additional received by singles on a minimum wage and more than double of those on the average wage in 2020.

This modelling also showed that when a couple without children receive a high wage, they gain the most from this year’s budget as the income tax cut will benefit them both.

When considering households of higher income couples with children, we see that they benefit most from the 2020-21 Federal Budget. However, the most notable factor for relative income was those on lower incomes where both parents received the \$250 extra COVID supplement.

“The Government has bet big that tax cuts for higher income earners and asset write-offs for business will flow through to more spending and more jobs. This is not always the case,” says NATSEM’s Budget spokesperson, Professor Robert Tanton.

“The consensus of international work in economic modelling is that the more income is given to low income households, the more they spend it. High income earners are likely to save it.

“This means that in terms of injecting quantum to stimulate the economy, tax cuts that result in relative improvements for low income households are less likely to be effective.”

NATSEM’s analysis also considered the impact of COVID-19 on unemployment and found that capital cities such as Sydney, Melbourne, Queensland and Adelaide were hit harder than regional areas. The regional areas that lost most jobs were those where outbreaks stalled the local economy.

“In the context of many more people joining the unemployment line, cash payments to the unemployed are a more effective means of stimulus rather than tax cuts that go to the employed,” Professor Tanton said.

“The interesting question is what happens from here. NATSEM’s recent analysis of income post COVID found that the impact of government policy was a significant narrowing of income inequality.

“What our modelling found was a reduction in income inequality in three weeks that was of the order that we would not normally see over three years.

“With the rolling back of these COVID measures, the fascinating question will be if this week’s Budget measures will result in spending to get the growth required to get us out of recession, as hoped for by the Government.”

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