

23 April 2026

Productivity Commission

GST distribution reforms

Via website: www.pc.gov.au/inquiries-and-research/gst-reforms



By your side

Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018 review

The ASU welcomes the opportunity to make a submission to the Productivity Commission, GST distribution reforms inquiry. We note the PC Issues Paper identifies their task as assessing if the *'2018 GST distribution reforms are operating efficiently, effectively and as intended'*.¹

The answer is no.

Victorian and Tasmanian communities deserve a fair share of GST.

Our submission outlines the jobs and contributions our members make to their communities. We note the mechanisms that undervalue and under pay our members because they are women, they work in community services, or they work in local government where rate capping and cost shifting is prevalent. In combination, these features reduce revenue distorting macro income assessments and deny workers access to services which are underfunded and unaffordable.

We support the Victorian Government's to:

- 1. Reverse the 2018 GST distribution reforms restoring a system grounded in fairness, certainty, and one that genuinely applies the principle of equalisation; or**
- 2. Permanently adopt the *No Worse Off Guarantee* if the 2018 reforms are not reversed.**

We further note the range of submissions from Tasmanian organisations setting out further damage that would be done to the state if the 2018 changes are not reversed.

Our submission puts a human face on debates where language such as 'horizontal fiscal equalisation' is unfamiliar to the people who need access to services, secure jobs and dignified living standards.

The distribution of GST must be fair, reasonable and transparent. Equalisation as intended must be implemented so that communities and our members receive the services they deserve regardless of their postcode or their circumstances.

Yours sincerely,

Tash Wark

Branch Secretary

ASU Victorian and Tasmanian Authorities & Services Branch

¹ Productivity Commission (2025), *'GST distribution reforms, Issues Paper'*, p.9.

Acknowledgement of Country

We acknowledge the Traditional Custodians of the land on which we live, work and gather, and pay respects to Elders past and present. We extend our respects to the Traditional Custodians of all the places where our members live and work across the country. Sovereignty was never ceded. Always was and always will be.

1. About the Australian Service Union (ASU)

The Australian Services Union (ASU) is one of Australia's largest unions, representing over 135,000 members across diverse industries nationally. **The Victorian and Tasmanian Authorities and Services Branch** represents workers in local government, social and community services, energy, water, information technology, transport, and public authorities.

We organise our workplaces to protect and expand our rights at work. Standing together, we are winning better wages, safer conditions, fairer treatment, and more secure work. Our union is growing because we are stronger together.

Together, we keep our society running and local communities growing. Everyday, we work hard to keep our communities clean, to support our most vulnerable, to power our homes, to deliver us clean water, and to maintain our roads. We deliver the services that our communities need. If we stop, our communities stop.

2. Tasmanian and Victorian Communities

Across Victoria and Tasmania our members contribute revenue to the state in the form of wages, productivity and preventative public health activity in the following ways.

2.1. Social and Community Services (SACS) sector

In the social and community services (SACS) sector provision of quality wrap around supports such as housing and homelessness services, family violence responses, out of home care support, mental health services, community legal advice, and community protection, youth and family services advice and supports strengthen people and communities and reduce the workload on other public services such as health, justice, and education providers.

2.2. Local Government

Our local government members work across all Tasmania's 29, and Victoria's 79, local government councils performing a range of unique roles supporting their communities. In Tasmania we cover administrative workers, groundskeepers, early childhood educators, local planning and law enforcement workers, and workers in local parks, pools, sports facilities and waste disposal. Our members support council run medical services, they run the Post Office on Bruny Island, the airport on King Island, a mortuary in Flinders Council and crucially, they provide essential local knowledge to tourists visiting Tasmania.

In Victoria, ASU members work in almost every local government role. Our members provide services such as road planning and maintenance, urban planning, waste collection, disposal and transfer, libraries, parks and gardens, in home aged care, early childhood education, school crossing supervision, community, family and youth services, fire responses, local emergency management and coordination, local laws and compliance, and environmental management.

2.3. Infrastructure

In Victoria our members work across a range of public infrastructure services including water, roads, power, statutory authorised parks, and professional, technical, and administrative roles in the country firefighting authority. Often these jobs are undertaken in dangerous operational circumstances, responding to bushfire, floods, and infrastructure outages. Our members restore services to the community and contribute their expertise and knowledge to developing best practice responses in their areas of practise.

2.4. Contribution

Members across all our sectors enable community safety through the provision of high-quality skills, knowledge and care. Our members are often first responders to bushfires and climate disasters, be it through their paid employment or volunteer work. They manage people experiencing homelessness, lack of access to housing, young people experiencing domestic, family and gendered violence. They are sought after in early childhood education and support and aged care because they are trusted by their communities. Libraries are safe havens. They are place where creativity, cultural connection and lifelong learning begins. All jobs undertaken by our members require investment. Investment that is missing.

Community sector jobs are beset by undervaluation and low wages that disproportionately undermine women's social and economic safety. The ASUs current gender-based undervaluation matter before the *Fair Work Commission* again highlights employer resistance to valuing these workforces, the folly of marketising public responsibilities for others to earn profit, and the need for governments to appropriately fund and respect these jobs and their contribution to the social and economic well-being of the community. These factors narrow already restricted income bases distorting assessments of Tasmanian and Victorian productivity contributions. Exploitation of these workers is embedded in a GST distribution that first, does not provide sufficient funding for already strained services and second, embeds undervaluation of these roles by failing to address the value of skills applied and pay workers accordingly.

The value of local government work is diminished by rate capping in Victoria and quasi rate capping in Tasmania. In Victoria rate capping, re-introduced by the state government in 2016, is a state-imposed handbrake on council expenditure. The ASU advised at the time councils would use rate caps to outsource services and deny decent work arrangements. Five years later, a 2021 analysis by the Centre for Future Work confirmed wages had gone backwards. Specifically, this economic analysis concluded that:

the main effect of the Victorian rate cap policy has been to suppress the growth of local government rates revenue, relative to the growth of other macroeconomic and fiscal variables – including GSP, incomes, and even the tax revenues collected by other levels of government².

Five years later and post a 2024 Victorian Government Inquiry also finding wages suppression³, real wages for our members have gone backwards by 7-12%. See **Appendix 1** for a snapshot setting out the effects of wage suppression.

In Tasmania, councils set 10 year budget forecasts assuming a CPI rate that is lower than current cost of living expenses. One example is the Derwent Valley Council '*Our Valley Financial Management Strategy and Plan*' (FMSP) 2022 – 2031 that forecasts 2.5% per annum employee expenditure.⁴

Cost shifting from federal and state government to local government has further strained local government service provision, cutting jobs and services. The *Victorian Legislative Council Economy and Infrastructure Committee 2024 Funding and Services Inquiry* found cost shifting by state and federal governments exists and that is hurts local government:

² Nahum (2021), '*Putting a Cap on Community: The Economic and Social Consequences of Victoria's Local Government Rate Caps Policy*', p.44.

³ Parliament of Victoria, Legislative Council Economy and Infrastructure Committee (2024), '*Local government funding and services*', Chapter 4.

⁴ Derwent Valley Council, 2022 – 2031, '*Our Valley Financial Management Strategy and Plan (FMSP)*', p.16.

'Local councils are facing increased budget pressures due to cost shifting by state and federal governments. Without substantial changes, the financial sustainability of council operations is at risk, with some services already being reduced or discontinued entirely'⁵

Our members significantly contribute to productivity in Tasmania and Victoria. They perform important public services functions, yet their incomes are diminished by a complex web of state and federal government activity that ultimately results in workers at the end of the fiscal chain being undermined. Denying a fair GST distribution amplifies these inequities. The principles of horizontal fiscal equalisation have evaporated, and they hurt communities.

3. Un-equalisation

The purpose of horizontal fiscal equalisation, delivered by GST distribution, is to deliver services communities need. At community level underfunded and unfunded services cause harm. For workers this means work intensification, lack of resources and in some cases, relying on publicly funded services themselves so they can live, have a roof over their head, and work. Members clearly set out the problem:

'any task that requires focussed mental activity is out of the question due to constant engagement with residents, hot desking with inadequate resources, and hierarchical relation with clinical colleagues that sees us as the presumed 'housewives', answering the front door, fielding enquiries, etc. I have needed to pursue operational issues/feedback/complaints with management that has required drafting of complex emails in my own (unpaid) time' (ASU MH 17).

'Medicare funding for MH [mental health] social workers has been slowly increased over the past 10 years but still does not represent appropriate market rates' (ASU 8).

'Our 6mth long waitlist is too long and the circumstances of people on our waitlist have often changed significantly by the time they are allocated a worker. Additional funding to hire more support workers would mean we could move through the waitlist and support more people sooner, and for, potentially, longer. We also only have capacity to see consumers for approximately 1hr per fortnight to maintain a caseload aligned with the PHN's expectations. This is often insufficient for the complexity of people we support' (ASU MH 3).

The pay does not reflect the responsibilities, experience and knowledge I have. There are more challenging behaviours and diagnosis than ever before. The children attend for longer days which contributes to behaviours. Our days are long and stressful at times (ASU ECEC 31).

And the solution is investment:

Improve funding for the sector so we can do our jobs more effectively. Our jobs become more complex, as does our legal compliance, but the funding we get remains stagnant and uncertain (ASU SCACS YV, 678).

Greater certainty of funding so could concentrate on providing services to community rather than applying & acquitting small short term grants (ASU SCACS YV, 808).

Everyone I work with has an exit plan. Everyone is dreaming to get out. They don't feel safe, respected or supported. Conditions are far better in another industry. Someone doing dishwashing/meal prep/serving gelato gets paid about the same as us (ASU ECEC 10).

Horizontal fiscal equalisation has underpinned federal and state treasury arrangements for over 100 years. The principle of equalisation underpins fair GST distribution enabling states to deliver services for all citizens

⁵ Parliament of Victoria, Legislative Council Economy and Infrastructure Committee (2024), *'Local government funding and services'*, p. 22.

regardless of population, boundaries, resources or community need. The 2018 changes departed from this principle. Equalisation has evaporated as has equitable outcomes for Tasmanians and Victorians.

4. Equalisation

The perverse outcomes of the 2018 amendments must be addressed. Revenue assessments and thus links to income required for services are distorted. Undervaluing work not only increases work intensification, burnout, and insecure employment, it also reduces funding for essential services that keep communities going.

Four actions must be taken to ensure a return to fair and equitable funding arrangements.

First, the 2018 changes to the Act must be reversed. The basis on which these calculations were made is flawed and the inequities that arise for Tasmanians and Victorians cannot hold.

Second, and dependent upon the refusal to reverse the 2018 changes, the 'no worse off' guarantee, scheduled to conclude in 2029-30 must be reinstated permanently.

Third, in local government Victorian rate capping and overall cost shifting to local government from other layers of government and in Tasmania, the setting of future rate increase that do not keep up with cost of living in real terms, must be addressed. These arrangements distort macro assessments of the cost of services with workers and the community denied decent outcomes.

Fourth, undervaluation of community sector work must also be addressed and factored into determining decent wages and real costs of service delivery.

Appendix 1

Rate Capping effect on Victorian local government workers wages

| Council | Wage increase by financial year (%) | | | | Total wage increase (%) 2021-2025 | Change in real wage (%) <i>Total minus inflation</i> |
|---|-------------------------------------|---------|---------|---------|--------------------------------------|---|
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | | |
| Dandenong | 2.25 | 2.25 | 3.5 | 2.75 | 11.2 | -7.3 |
| Darebin | 2 | 2 | 3 | 2.33 | 9.7 | -8.9 |
| Hobsons Bay | 1.5 | 1.5 | 1.5 | 1.5 | 6.1 | -12.4 |
| Hume | 2.75 | 3.5 | 2.75 | 2.5 | 12.0 | -6.5 |
| Maribyrnong | 2.25 | 2.25 | 2.8 | 3 | 10.7 | -7.8 |
| Melbourne | 1.5 | 1.5 | 2 | 2 | 7.2 | -11.3 |
| Merri-bek | 2.6 | 2.1 | 3.5 | 2.75 | 11.4 | -7.1 |
| Yarra | 1.5 | 1.75 | 1.85 | 2 | 7.3 | -11.2 |
| Inflation (<i>Annual CPI Melbourne measured up to quarter ending 30 June, starting with 2022</i>) | 6.1 | 5.6 | 3.7 | 2 | 18.5 | 0.0 |
| Local Government Rate cap | 1.5 | 1.75 | 3.5 | 2.75 | 9.8 | -8.7 |

Source: ASU calculations.