

Submission to the Productivity Commission
I recently listened to Danielle Wood's address to the National Press Club and in it she mentioned not leaving anyone behind.

Well for many many years now millions of Australians have been left behind. Almost 7 million earn wages less than \$26,000pa or \$500 a week. Now admittedly some of those people are content on low wages, they may have well paid partners whilst the majority are struggling. Many of these battlers may be young or female and many drawing social service payments with mixed outcomes on help in finding employment. So perhaps give or take one fifth of Australia's population is living below the poverty line. Am I right or wrong? I have personally seen two people living in cars on my country road in Tasmania over the past year. I don't see any party offering a proper solution that is transparent and supportive. I see a lot of misdirected help and money wasted. But I also see all the benefits going to a million or more rich Australians. Now of course the rich pay taxes but consider the disproportion of compounded wealth mainly as a result of salary disparity, Do the rich pay enough? Do those in the middle pay too much and do those at the bottom get a fair go? My answers are No, Yes and No. Leaving aside Capital Gains, Negative Gearing,

compounding of wealth be it through property or investment, loopholes and clever egregious accountancy, even cheating the already stacked system, if you have a high salary initially you become wealthy. To get by you need aspiration, wealthy parents and friends and some luck et al. My point is that salaries are the biggest indicator of wealth and our income tax system is entirely to blame for the disparity in fortunes. It is not really progressive. The brackets, the threshold and even medicare levies all help minimise income tax the rich should pay. The levies are perhaps the least important factor but I question why they were introduced if say total government expenditure on Health is 15% why don't we simply put 15% (or whatever) of everyone's income tax into health. Same with education, defence etc.

Firstly all eligible Australians should pay income tax, no exceptions. If we had a true progressive tax, rising by 0.2% every \$1000 earned we would have a fair tax. I have experimented with 0.15, 0.16 etc etc but believe 0.2% rises are the best. It would mean someone on \$10,000pa pays 2%, on \$20,000 4%, \$50,000pa 10%, \$100,000 20%, \$200,000 40%, \$225,000 45% and perhaps \$300,000 at 60%. Now using this system we can see that people earning between about \$29,000 and \$122,000 are considerably better off, especially if you bring

medicare levies into the equation. A person on \$50,000pa (which I believe should be the new full-time minimum wage) would pay 10% take home \$45,000 whereas now under present taxation it is 11.58% + \$1000 medicare. A teacher on \$100,000pa would pay 20% instead of 20.78% + \$2000 Medicare. So basically middle Australia has a liitle more. More money to deal with cost of living etc. Those above \$122,000pa start paying increasingly more. **Note the top marginal tax rate was 75% back in the 1950s??** So should some of our politicians earning \$300,000pa pay tax at 60%? I say that is too much and I believe flattening the progression after \$225,000 + at 45% is reasonable.. So all earningl above at the same rate of 45%., presently that person pays a maximum of just 33.71%. **Please compare to the worker on one sixth the salary but paying one third in income tax.** Ironically all those rich people would remain richer than 80% of all Australians. So that is the rich sorted but I would add it might mean they would cooperate more amongst themselves to generate a more cohesive and productive country. Back to the disadvantaged on salaries below \$29,000pa. Who could possibly live on that today? Firstly introduce about 1000 Regional Skill Centres around the country. I will use Tasmania as an example. Lets have one for every 25,000 in

population. So 22 for Tas. There are already 8 TAFEs and there are some learning centres but the focus should be on regions. We all go to regions on holidays. Some are thriving some are dying, some rummbling along. Lets bring focus and skills to the regions. In my region of the Huon Valley the obvious place is Huonville, extend what is already there but some regions have faltered and they need refocusing. The focus is to skill the population, to grow the regions to give people pride in living local, to care, to solve housing, to solve homelessness and other societal problems. These centres to be run by great tutors in needed local and national skills. Have a proportion of Centrelink and Job agency staff running the admin and employ part-time willing retirees especially for mentoring roles but what about their lifetimes of skills passing on to others? Real learning, a bit like Men's sheds on steroids but linked to careers and employment..

How do you pay for it. Firstly, redirect company taxes to help fund it as business and companies stand to gain down the track. Secondly introduce a type of Universal Income, leaving no one behind. Not the Green's version but one with 6 levels. The base level having some hours of non onerous community commitment attached. Then the other levels having a life time limited 1000 contact

hours at the skill centres. How do we financially support these people? All levels based on the minimum wage of \$50,000 pa gross but all taxed differently and higher than a worker on the same gross wage. Level 6 the base level taxed at 45% take home \$27500 but having 200 hours per year non onerous community commitment with the participant having input into what is their contribution but help with options from admin. To be carried out over a max 40 week program per year. So maybe 1 day of 5 hours over 40 weeks or some other flexible timetable. To be paid the full 52 weeks and monies temporarily ceased if commitment not met. Abilities and ableness to be taken into consideration by the admin. Levels 1 to 5 to be carried out over 1 to 5 years or in some cases longer. Level 1- I imagine a young local person going for 1 year of 40 weeks (four 10 week terms) paid the full year with real help to find employment or guidance into further education especially towards the end, paid \$50,000 gross and taxed at 15%. If perchance it doesn't work for them they could revert to the base level but every effort and lots of support is there for them to succeed. At the other extreme I imagine a single mum going just 1 day a week for 5 years take home \$32500 per year and paid the full 5 years.

Real support while she raises her family, keeping in contact with the workforce and mixing with others
Also every Australian has the 1000 lifetime hours so a fulltime employee might go for a term or 2 over the years to skill up with employer agreement and salary and tax adjustments so they do not gain the system but bring valuable skills into their employment, refreshing themselves and the workspace. Regional Skill Centres. Good local cheap or even free transportation to centres. Places to learn and skill up. Places of productivity genesis. Places of support and trust. Places where nobody gets left behind and those low wage earners that do not want to partake simply pay their taxes of say 4% on \$20,000 pa or 2% on \$10,000 but they are part of society too and their taxes go into the growth of their country too but most importantly they have choices all the time.
Cheers Phil Nichol

[REDACTED]

PS Then tackle all the other cons the rich have at their disposal like capital gains et al I believe only a handful of politicians have less than one investment property. I say less politics and more GOOD SYSTEMS. Thanks