

Submission to

The Productivity Commission

Inquiry into Horizontal Fiscal Equalisation

January, 2018

Introduction

The Queensland Nurses and Midwives' Union (QNMU) thanks the Productivity Commission (the Commission) for the opportunity to provide feedback on the Inquiry into Horizontal Fiscal Equalisation (the inquiry).

Nursing and midwifery is the largest occupational group in Queensland Health and one of the largest across the Queensland government. The QNMU is the principal health union in Queensland covering all classifications of workers that make up the nursing workforce including Registered Nurses, Registered Midwives, Enrolled Nurses and Assistants in Nursing who are employed in the public, private and not-for-profit health sectors including aged care.

Our more than 57,000 members work across a variety of settings from single person operations to large health and non-health institutions, and in a full range of classifications from entry level trainees to senior management. The vast majority of nurses and midwives in Queensland are members of the QNMU.

Recommendation

The QNMU recommends:

- the Commission consider other mechanisms for Horizontal Fiscal Equalisation such as payments from the Commonwealth to the States under Special Purpose and National Partnership Payments (including special one-off payments) or industry assistance measures;
- the Commission present the findings and recommendations of this inquiry to the Council of Federal Financial Relations (CFFR) and the Council of Australian Governments (COAG) for further consideration.

Horizontal Fiscal Equalisation in Queensland

The QNMU supports the Queensland government's position (Queensland Treasury, 2017) on HFE. HFE is a key mechanism for providing all Australian States and territories with the capacity to provide similar standards of service regardless of the State in which they live through distribution of the Goods and Services Tax (GST).

Each Australian State has unique features that influence their need for GST distribution. With a geographically dispersed population and significant indigenous cohort, equity of access to services is a key factor in Queensland and indeed across the nation. Queensland has a higher

proportion of its population outside the capital city than any other State (except Tasmania). Its population spreads across many regional centres thousands of kilometres from each other. This has a significant impact on the funding required to provide access to critical services including education, health (such as regional hospitals of a standard to meet the regional population base) and transport (Queensland Treasury, 2017).

Distribution of the GST is a component of a wider federal financial framework. HFE is one lever for achieving equalisation, but all play a role in providing equity of access across the States. HFE involves trade-offs between efficiency and equity. There is plenty of 'hard' evidence as to the benefits in terms of equity of current arrangements, and very little 'hard' evidence as to its costs in terms of efficiency (Eslake, 2017).

The Commonwealth Grants Commission (CGC) recommends how the revenues raised from the GST should be distributed to the States and Territories to achieve HFC. Queensland Treasury (2017) contends that although HFE is conceptually sound, it is challenging to implement in practice.

In 2016, the CGC (2017) summarised the changes that have had important effects on the assessed fiscal capacity across the States. According to the CGC (2017, p. 9), Queensland's below average fiscal capacity was due to above average assessed expenses and below average revenue raising capacity which reflects below average taxable payrolls, property sales and taxable land values. This was partly offset by its above average mining production, and above average shares of motor taxes and Commonwealth payments.

Its high expense requirements were due to above average shares of government school enrolments, Indigenous people and people living in remote areas. In addition, Queensland's share of natural disaster relief net expenses is well above average. Those effects were partly offset by its below average wage expenses and costs of providing urban transport. (CGC, 2017).

We recognise that in recent years, significant differences in fiscal capacities have led to lower distribution to Western Australia. However, rebalancing the distribution at the expense of the other States could see Queensland with its dispersed population significantly worse off.

The Commission has recommended an equalisation system that provides States with the fiscal capacity to deliver a 'reasonable' level of services. The two options for achieving this are either to equalise to the second strongest State or equalise to the average State. Equalising to the second strongest State, currently NSW, would direct additional revenue to Western Australia, but it would reduce Queensland's payment by \$729 million.

Equalising to the average State would give all States and territories a lower share of GST with Western Australia the only State better off. Queensland could expect to lose \$1.588 billion – estimated to be the equivalent of employing around 13, 379 nurses (Queensland Treasury, 2017).

At a time when the Queensland State government has acted to restore nursing and midwifery staff levels following the drastic cuts of the previous government, any further setback would inevitably come at a cost to the community. This is a vital reminder of the importance of maintaining safety and quality in health care.

Conclusion

Introducing different models of HFE is a complex task with significant ramifications for the ability of States to deliver services and infrastructure to their community. It is important any changes to HFE have broad support and public confidence in the system that delivers it.

References

- Commonwealth Grants Commission (2017) *Report on GST Revenue Sharing Relativities 2017 Update* retrieved from https://cgc.gov.au/index.php?option=com_docman&view=download&Itemid=538&alias=1025-2017-update-report-pdf&category_slug=u2017-report
- Eslake, S. (2017) *Inequality, Efficiency and Australia's System of Horizontal fiscal Equalization*, Keynote Address to a Workshop on Federal Relations and Tax Reform, University of Adelaide, 29 August retrieved from https://blogs.adelaide.edu.au/economics/files/2017/05/Saul-Eslake_Inequality-Inefficiency-and-HFE-Adelaide.pdf
- Queensland Treasury (2017) *Submission to the Productivity Commission Inquiry into Horizontal Fiscal Equalisation* retrieved from https://www.pc.gov.au/data/assets/pdf_file/0005/218822/sub032-horizontal-fiscal-equalisation.pdf