

2020-21 Federal Budget Construction Industry Summary

This document is a summary of the Treasurer's speech and Budget Paper No.1 in the 2020-21 Budget Papers relevant to the Australian construction industry. All text is taken directly from the relevant publications.

Treasurer's Speech

JobMaker hiring credit

Mr Speaker, there is no economic recovery without a jobs recovery. There is no budget recovery without a jobs recovery.

This Budget is all about jobs.

Starting tonight, there will be a new JobMaker hiring credit to encourage businesses to hire younger Australians.

The JobMaker hiring credit will be payable for up to twelve months and immediately available to employers who hire those on JobSeeker aged 16-35.

It will be paid at the rate of \$200 per week for those aged under 30, and \$100 per week for those aged between 30-35.

New hires must work for at least 20 hours a week.

All businesses, other than the major banks, will be eligible.

Treasury estimates that this will support around 450,000 jobs for young people.

Record investments in skills and training

Mr. Speaker, this Budget is making a record investment in upskilling and reskilling Australians.

We have established the \$1 billion JobTrainer fund to create up to 340,000 free or low-cost training places for school leavers and job seekers.

We have also committed \$2.8 billion to protect 180,000 apprenticeships and trainees.

Tonight, we go further.

We commit an additional \$1.2 billion to create 100,000 new apprenticeships and traineeships, with a 50 per cent wage subsidy for businesses who employ them.

Kick-starting investment

Mr Speaker, eight out of every ten jobs in Australia are in the private sector.

It is the engine of the Australian economy.

It needs a kick-start.

Building on the successful expansion of the Instant Asset Write Off during the COVID crisis, tonight we go further, announcing the largest set of investment incentives any Australian Government has ever provided.

From tonight, over 99 per cent of businesses will be able to write off the full value of any eligible asset they purchase for their business.

This will be available for small, medium and larger businesses with a turnover of up to \$5 billion until June 2022.

Women's economic security statement

Mr Speaker, Australian women made up the majority of those who lost their jobs during this crisis.

As the health restrictions have eased, these jobs have started to come back, with 60 per cent of the 458,000 jobs created since May filled by women.

But challenges remain.

We are determined to see female workforce participation reach its pre-COVID-19 record high.

This Budget includes our second Women's Economic Security Statement, with \$240 million in measures and programs to support:

- New cadetships and apprenticeships for women in science, technology, engineering and mathematics
- Job creation and entrepreneurialism, and
- Women's safety at work and at home.

The 2020 Women's Economic Security Statement will create more opportunities and choices for women, not just for the recovery but for generations ahead.

Strengthening our recovery and building our capability

Mr Speaker, COVID-19 has reinforced the importance of Australia's sovereign manufacturing capability.

Almost overnight, resourceful Australian businesses adapted.

A reconfigured supply chain tripled mask production at a factory in Shepparton.

Production lines for sleep apnoea devices were converted to make ventilators in Western Sydney.

Gin distilleries became manufacturers of hand sanitiser across Tasmania.

Tonight, we build on these strengths with a plan to ensure Australian manufacturing plays an even greater role in our economic recovery.

Our \$1.3 billion Modern Manufacturing plan will target six national manufacturing priorities:

- food and beverage manufacturing
- resources technology and critical minerals processing
- medical products
- recycling and clean energy
- defence industry, and
- space industry.

This plan is built on the JobMaker platform of enabling our manufacturing businesses to be globally competitive through cheaper and more reliable energy. Better skills and training. Lower taxes. Less red tape and more flexible workplaces.

Mr Speaker, Research and Development, the adoption of digital technology, and affordable and reliable energy will be critical to Australia's future economic prosperity.

In this Budget, we are providing \$2 billion in additional Research and Development incentives – removing the cap on refunds, lifting the rate and rewarding those businesses that invest the most.

We are also providing:

- \$459 million in additional funding to the CSIRO

- \$1 billion for new research funding for our universities, backing our best and brightest minds whose ideas will help drive our recovery

Infrastructure investment to drive jobs

Mr Speaker, rebuilding our economy includes building more roads, rail and bridges.

In this Budget, we will expand our record 10 year infrastructure pipeline which is already supporting 100,000 jobs on worksites across the country today.

Together with what we have announced since the start of the crisis, measures in this Budget will see \$14 billion in new and accelerated infrastructure projects support a further 40,000 jobs.

This will boost productivity and deliver long term benefits for Australians.

This Budget will fund major projects across each state:

- The Singleton Bypass and Bolivia Hill Upgrade in New South Wales
- The upgrade of the Shepparton and Warrnambool Rail Lines in Victoria
- The Coomera Connector in Queensland
- The Wheatbelt Secondary Freight Network in Western Australia
- The Main South Road Duplication in South Australia
- The Tasman Bridge Upgrade in Tasmania
- The Carpentaria Highway Upgrades in the Northern Territory, and
- The Molonglo River Bridge in the Australian Capital Territory.

These and the many other projects we are funding will set Australia up for the future.

We know that building more infrastructure now means more jobs now.

So tonight, we are also announcing a \$2 billion investment in road safety upgrades to save lives.

Funding for these shovel ready projects will be provided on a use it or lose it basis.

If a state drags its feet, another state will get the money. We need works to start, not stall.

We are also expanding the Local Roads and Community Infrastructure program.

Investing an additional \$1 billion to support local councils immediate upgrades of local roads, footpaths and street lighting.

Increasing home ownership and investing in affordable housing

Mr Speaker, tonight we help thousands more Australians achieve home ownership, and support thousands of jobs in the construction industry.

An additional 10,000 first home buyers will be able to purchase a new home sooner under our First Home Loan Deposit Scheme.

This builds on the 20,000 first home buyers we are helping to purchase a home this year with a deposit as low as 5 per cent under this Scheme.

In this Budget, we are also enabling an additional \$1 billion of low cost finance to support the construction of affordable housing.

This takes the total concessional finance that has been made available to community housing providers to \$3 billion.

It is in addition to the \$4.6 billion a year we provide in rental assistance.

Tonight we are also investing \$150 million in the Indigenous Home Ownership Program to construct new homes in regional areas, creating more jobs and helping hundreds of indigenous families buy their own home.

Supporting the recovery in our regions

Our regions cannot thrive without water. This Government is building water infrastructure for the 21st Century to increase our water security, build resilience, deliver jobs, and grow our agriculture sector.

We have already funded over 20 projects to supply billions of litres of water for productive use, with construction of the Emu Swamp dam currently underway.

In this Budget we have doubled our commitment to Wyangala and Dungowan dams with our investment totalling \$567 million.

Tonight, we go further. I announce \$2 billion in new funding to build vital water infrastructure across the country as part of our national water grid including dams, weirs and pipelines.

Budget Strategy and Outlook - Budget Paper No. 1

Statement 1: Budget Overview

The Government's five-year JobMaker Plan focuses on driving sustainable, private sector-led growth and job creation. Measures in this year's Budget as part of the JobMaker Plan support aggregate demand, help businesses to create jobs and are focused on returning Australians to work. Major initiatives include:

- more than \$50 billion in tax relief to households and businesses over the forward estimates to create jobs
- increasing the Government's infrastructure investment pipeline by \$10 billion to \$110 billion over ten years
- \$4 billion for a JobMaker Hiring Credit to give businesses incentives to take on additional employees that are aged 16 to 35 years old
- \$1.2 billion to support 100,000 new apprentices and trainees with a 50 per cent wage subsidy
- \$240.4 million through the Women's Economic Security Statement.

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Supporting Australians' mental health and wellbeing

The Government recognises the mental health impact of COVID-19 on individuals and communities and is committed to making ongoing support available. The Government will provide \$100.8 million over two years from 2020-21 to ensure people with a mental health care plan can access up to 10 additional Medicare-subsidised individual psychological therapy sessions, a doubling of current sessions. In response to the second wave in Victoria, the Government has provided a further \$47.3 million to ensure people in Victoria have the mental health support they need. This includes additional funding for digital and telephone counselling, which will provide access to 24/7 services particularly for young people and vulnerable populations. Fifteen dedicated mental health clinics will also be established across Victoria, with 9 clinics in greater Melbourne and 6 in regional Victoria. These clinics will provide immediate coordinated mental health care.

This additional support builds on the Government's increased investment in mental health and suicide prevention, and brings the investment for 2020-21 to \$5.7 billion.

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JobKeeper Payment Extension

The JobKeeper Payment has been instrumental in supporting job retention, maintaining the link between employers and their employees and supporting the cash flow of distressed businesses, as well as providing income support to eligible employees throughout COVID-19. It is covering a large proportion of the economy, currently supporting around 3.5 million individuals in over 900,000 businesses. To date, JobKeeper payments have totalled around \$60 billion in the first 11 JobKeeper Payment fortnights and have supported over 3.8 million individuals in over 1 million businesses and not-for-profits.

The JobKeeper Payment extension announced on 21 July 2020 provides continued support until 28 March 2021, with the Payment targeted to those businesses that continue to be most significantly affected by the economic downturn. The level of the JobKeeper Payment is being tapered to enable businesses to transition towards their longer-term plans and a two-tiered payment is also being introduced to better match the Payment with the incomes of employees.

On 7 August 2020, in light of the restrictions in place for Victoria, the Government announced changes to the JobKeeper Payment and its extension which expanded employee eligibility and eased the eligibility criteria for businesses.

It is estimated that the total cost of the JobKeeper Payment will be \$101.3 billion over 2019-20 and 2020-21. As the JobKeeper Payment is demand-driven, estimates will continue to be updated over the life of the program. In 2019-20, \$20.6 billion in JobKeeper payments were received by businesses and not-for-profits, and around \$40 billion in JobKeeper payments have been made in 2020-21 to date.

JobMaker Plan

The JobMaker Plan is a key element of the Government's COVID-19 Economic Recovery Plan. Its objective is for Australia to emerge from the pandemic with a more resilient and competitive economy that drives a strong recovery in the labour market. It complements the Government's updated Economic and Fiscal Strategy (see Budget Statement 3: Fiscal Strategy and Outlook).

The 2020-21 Budget and JobMaker Plan builds on initiatives included in the July 2020 Economic and Fiscal Update (July Update). JobMaker Plan measures in this Budget include:

- supporting aggregate demand by supporting households with personal tax relief worth \$17.8 billion and increasing the Government's infrastructure investment pipeline by \$10 billion to \$110 billion over ten years
- supporting business investment to create jobs, particularly through temporary investment tax incentives worth \$26.7 billion for temporary full expensing and \$4.9 billion for temporary loss carry-back, and by improving the ease of doing business by reducing regulatory burdens
- supporting Australians back into jobs through a \$4 billion JobMaker Hiring Credit to help young people access job opportunities, assisting workers to improve their skills, and helping job seekers reconnect with employment
- providing opportunities for Australian industries, including through a Modern Manufacturing Strategy and by investing in the future of low-emissions technologies and Australia's research sector.

The JobMaker Plan will drive a strong rebound in employment through initiatives that encourage and reward effort and programs that incentivise businesses to create jobs.

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Infrastructure investment supporting jobs and economic recovery

The Government is increasing spending on its record infrastructure pipeline from \$100 billion to \$110 billion over the next 10 years with a COVID-19 infrastructure package that will provide significant

near-term investments in major road and rail projects, road safety and community infrastructure. The Government will provide an additional \$10.0 billion in funding towards projects over the next four years bringing total commitments for new and accelerated projects since the onset of the COVID-19 pandemic to \$14.0 billion across the forward estimates.

Projects currently under construction are supporting around 100,000 direct and indirect jobs over their construction periods, with the Government's additional investments since the onset of COVID-19 supporting a further 40,000 direct and indirect jobs. These commitments provide a strong foundation across Australia for the economic recovery from COVID-19.

Over the next two years, the Government will provide significant stimulus through the new \$2 billion Road Safety Program, and an additional \$1 billion of funding for the recently established Local Roads and Community Infrastructure Program taking the size of the program to \$1.5 billion.

These stimulus programs will support over 10,000 direct and indirect jobs across all states and territories with the funding to be made available under a 'use it or lose it' mechanism to incentivise states and territories to prioritise funding which can be delivered in the short term. The Road Safety Program will reallocate funding to those

1-18

states and territories that have fully used their previous allocations while local governments under the Local Roads and Community Infrastructure Program will have until 31 December 2021 to spend their allocation. This will ensure the benefits of the economic stimulus are maximised.

The Government is making additional commitments for new projects in each of the states and territories including:

- \$2.7 billion for New South Wales, including \$603 million for the New England Highway Singleton Bypass and Bolivia Hill Upgrade, and an additional \$491 million for the Coffs Harbour Bypass
- \$1.1 billion for Victoria, including \$528 million for upgrades to the Shepparton and Warrnambool rail lines
- \$1.3 billion for Queensland, including \$750 million for Stage 1 of the Coomera Connector
- \$1.1 billion for Western Australia, including \$227 million for METRONET — High Capacity Signalling and Morley Ellenbrook Line, and \$87.5 million for Reid Highway Interchanges — West Swan Road
- \$625 million for South Australia, including \$200 million for the Hahndorf Township Improvements and Access Upgrade, and \$136 million to progress the Main South Road Duplication Stage 2
- \$360 million for Tasmania, including \$65 million for the Tasman Bridge Upgrade
- \$190 million for the Northern Territory, including \$120 million for the Carpentaria Highway Upgrade, and \$46.6 million for National Network Highway Upgrades
- \$155 million for the Australian Capital Territory, including \$87.5 million for the Molonglo River Bridge.

City Deals with a total Commonwealth contribution of \$7.6 billion are being delivered in Townsville, Launceston, Western Sydney, Darwin, Hobart, Geelong and Adelaide. Building on this success, the Government is committing \$328 million for a Perth City Deal that will support long-term growth by attracting people back into the city creating flow-on benefits for small business, including international students and tourism.

1-18

Housing

The Government is building on the success of the First Home Loan Deposit Scheme by extending the Scheme by a further 10,000 places that will allow first home buyers to obtain a loan to build a new dwelling or purchase a newly built dwelling with a deposit of as little as 5 per cent. The Government is enabling the National Housing Finance and Investment Corporation to issue an additional \$1 billion worth of bonds to attract institutional investment to increase the supply of affordable housing. These reforms complement the Government's announced changes to Australia's lending laws, which will support the flow of credit to housing, reducing the time and cost associated with accessing credit for consumers.

Supporting business to create jobs

The Government is also supporting the economic recovery by helping businesses to invest, grow and create jobs.

Business cash flow support

In this Budget, the Government will deliver significant cash flow benefits through the tax system to businesses that invest, as well as otherwise profitable businesses that have experienced losses as a result of COVID-19.

Temporary full expensing

The Government is introducing temporary full expensing of depreciable assets for businesses with turnover below \$5 billion.

There is no limit on the value of assets eligible for full expensing.

Around 3.5 million businesses — over 99 per cent of businesses — employing around 11.5 million workers will be eligible for this measure.

This significantly builds upon the enhanced \$150,000 instant asset write-off and the Backing Business Investment measures introduced on 12 March 2020 as part of the Government's response to COVID-19.

The measure will apply to eligible assets purchased from 7:30pm (AEDT) on 6 October 2020 and first used or installed by 30 June 2022. The cost of improvements to existing eligible depreciable assets made during this period can also be deducted in full.

Full expensing reduces the after-tax cost of new investment and provides a cash-flow benefit for businesses that acquire eligible assets. The time-limited nature of the measure will provide a strong incentive for businesses to bring forward investment projects before it expires. The measure is

estimated to apply to around \$200 billion worth of investment. This will help create jobs and increase economic activity as the economy recovers from COVID-19, as well as boost Australia's productive capacity over the longer run, leading to higher wages and living standards for all Australians. Businesses investing in new technology and new ways of operating will also be essential for firms' ability to adapt to the structural changes induced by COVID-19.

Temporary loss carry-back

To complement the full expensing measure, companies with turnover up to \$5 billion will also be able to temporarily offset tax losses against previous profits and tax paid.

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This will help companies that were profitable and tax-paying but now find themselves in a loss position due to the COVID-19 pandemic. By allowing them to access their losses earlier, by way of a cash refund, it will provide a needed cash flow boost to keep their business running, retain their workers and invest with confidence in the future.

Companies with turnover up to \$5 billion can apply tax losses incurred during the 2019-20, 2020-21 and/or 2021-22 income years to offset tax paid in 2018-19 or later income years. The tax refund will be available for eligible businesses when they lodge their 2020-21 and 2021-22 tax returns. This will help increase cash flow for businesses in future years and enable more businesses to take advantage of full expensing while it is available, to encourage more investment and further support Australia's economic recovery.

Combined, the temporary full expensing and temporary loss carry-back measures are estimated to deliver \$31.6 billion in tax relief to businesses over the forward estimates, by bringing forward tax deductions or the utilisation of losses from future years.

Treasury estimates that these measures will boost GDP by around \$2½ billion over 2020-21 and \$10 billion over 2021-22 and create an additional 50,000 jobs by the end of 2021-22.

1-21

Accelerating digital transformation

The Government is introducing a number of measures to support businesses to survive and grow, and new businesses to emerge as the economy recovers from the effects of COVID-19. This includes the accelerated adoption of digital technologies to increase productivity and jobs growth and bring Australia closer to its goal of being a leading digital economy by 2030.

The Government will further accelerate and expand its plans to bring the benefits of adopting digital technologies to businesses and households.

The NBN Co's additional investment of \$4.5 billion will bring ultra-fast broadband to millions of families and businesses across the economy over the next two years. A further \$29.2 million will support the accelerated rollout of 5G.

1-22

Digital transformation will be enabled through more modern and responsive payments architecture, driven by a strategic review of the payments system.

The Government will accelerate the rollout of the Consumer Data Right in the banking sector and extend it into the energy sector. Support will be given to small business operators to take advantage of digital technologies. We will improve access to digital skills training.

All Commonwealth agencies will be required to have e-Invoicing capability, which will drive adoption amongst their suppliers. The Government will seek to similarly accelerate adoption of e-Invoicing in state and local government agencies and by the private sector.

The Government is investing a further \$419 million to fund the full roll out of the Modernising Business Registers program to significantly streamline interactions with government by allowing businesses to quickly view, update and maintain their business registry data in one location. This will make it easier to start, run and close a business.

The Government will invest \$256 million in the expansion of its Digital Identity system over the next two years. We will boost fintech trade and investment flows through a further investment of \$9.6 million.

1-23

Supporting Australians back into jobs

The Government is supporting businesses to hire workers and apprentices, assisting workers to improve their skills, and helping job seekers to reconnect with employment.

JobMaker Hiring Credit

The JobMaker Hiring Credit will help to accelerate growth in employment by giving businesses incentives to take on additional employees that are aged 16 to 35 years old. Through the JobMaker Hiring Credit, the Government will help young people access job opportunities and rebuild their connection to the labour force as the economy recovers from the COVID-19 pandemic.

The JobMaker Hiring Credit will be available to employers for each new job they create over the 12 months from 7 October 2020 when they hire an eligible employee. Employers will be eligible for additional hires where the new employee is aged 16 to 35 years old and received JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months at the time of hiring. Employers will be eligible to receive the JobMaker Hiring Credit for up to 12 months from the commencement of each eligible employee. Eligible employers will receive \$200 per week if they hire an eligible employee aged 16 to 29, or \$100 per week if they hire an eligible employee aged 30 to 35. This will assist businesses to hire additional employees as they expand their organisation and will support young people to get back into work.

It is expected that around 450,000 positions for young Australians will be supported through the JobMaker Hiring Credit at an estimated cost of \$4 billion from 2020-21 to 2022-23.

Growing Australia's skilled workforce

The Government is building on its JobTrainer Skills Package with further support to encourage new apprentices and trainees into training, and assist job seekers who lack basic language, literacy and numeracy skills to acquire these foundational skills.

The Government is investing further in Australia's training system and skills pipeline, through the \$1.2 billion Boosting Apprenticeships Wage Subsidy to support 100,000 new apprentices and trainees. The wage subsidy will be paid for all commencements at businesses of any size from 5 October 2020 onwards, and will provide employers with a 50 per cent subsidy, up to \$7,000 per quarter, of the wages paid for new apprentices and trainees until 30 September 2021. This will ensure that apprenticeships and traineeships remain an important pathway into the workforce, and help meet the skills and employment needs of the economic recovery.

The Government is committing \$49.5 million to fund an additional 14,485 places in the Skills for Education and Employment program to ensure new job seekers who lack basic language, literacy and numeracy skills can access the training and support they need. This training will act as an immediate and accessible pathway for job seekers who need it, and help ensure that all job seekers are able to access the upskilling and reskilling opportunities available under the JobTrainer Fund.

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Women's economic security

The Government is investing in women's economic security and supporting increased female workforce participation through the 2020 Women's Economic Security Statement. The Government will provide \$240.4 million over five years from 2020-21.

Women will be supported through a range of employment programs, including the \$50 million Women@Work Plan, which will scale up the Women's Leadership and Development Program to support women's job creation, including in male-dominated industries. The Government is establishing a Respect@Work Council to help address sexual harassment in the workplace. The Boosting Female Founders initiative will be expanded, supporting 282 start-ups and 4,300 mentoring engagements for female entrepreneurs. The Government is providing \$25.1 million over five years to assist 500 women into STEM careers through a STEM Industry Cadetship or Advanced Apprenticeship, as well as \$10 million in grants for the Women in STEM and Entrepreneurship (WISE) grants program to deliver at least 20 additional projects to increase women's participation in the STEM sector.

The Government is supporting new parents whose employment was interrupted by COVID-19. As a result, 9,000 individuals will gain eligibility for Parental Leave Pay and 3,500 for Dad and Partner Pay. This change will extend the work test period from 13 months prior to the birth or adoption of the child to 20 months prior, enabling access to Paid Parental Leave (PPL) where eligibility has been impacted by COVID-19. The Government is supporting disadvantaged parents on Parenting Payment through a \$24.7 million expansion of the ParentsNext program.

Investing in long-term resilience

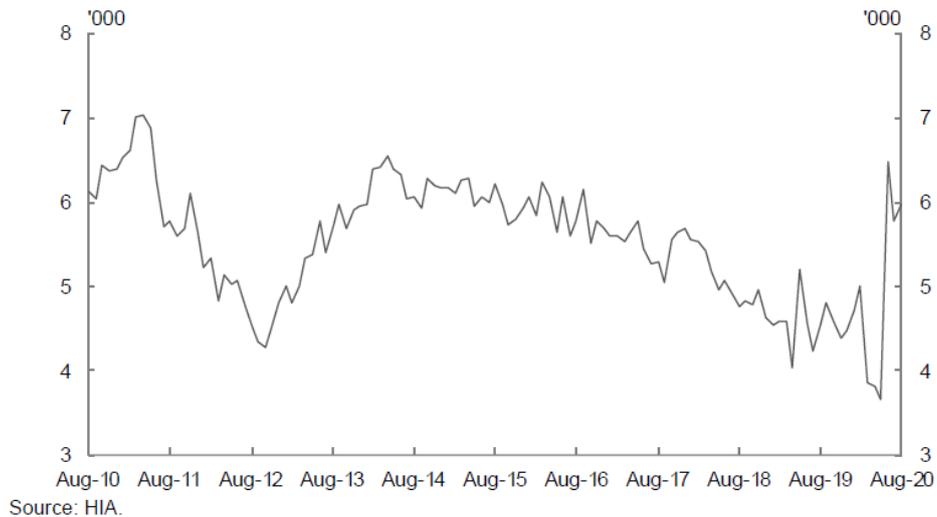
The Government is building water infrastructure for the 21st Century through the National Water Grid, which will help secure reliable supplies of water in rural and regional Australia, enabling a strong agricultural sector, now and into the future. The Government has increased its commitment to building water infrastructure across Australia with an additional investment of \$2 billion in the National Water Infrastructure Development Fund more than doubling the fund to a total of \$3.5 billion. The Fund will become a 10-year rolling program of priority water infrastructure investments. Through the National Water Grid Authority and in conjunction with the States and Territories, the Government will build the dams, weirs and pipelines to boost agricultural production in Regional Australia.

Statement 2: Economic Outlook

Dwelling investment is expected to remain weak in the near term, with a forecast fall of 11 per cent in 2020-21. The sharp contraction in the June quarter 2020 largely reflected a pre-existing slowing in activity. Further declines are expected in the September quarter 2020 as commencements continue to slow and Stage 4 restrictions in Melbourne reduce the level of activity, particularly for apartment development sites. However, early indicators of demand for new housing construction and liaison with industry suggest the HomeBuilder scheme in conjunction with other housing policies and low interest rates is pulling forward demand and will provide notable support to activity in late 2020 and into 2021 (Chart 6). Dwelling investment is forecast to rise by 7 per cent in 2021-22.

Budget Paper No. 1

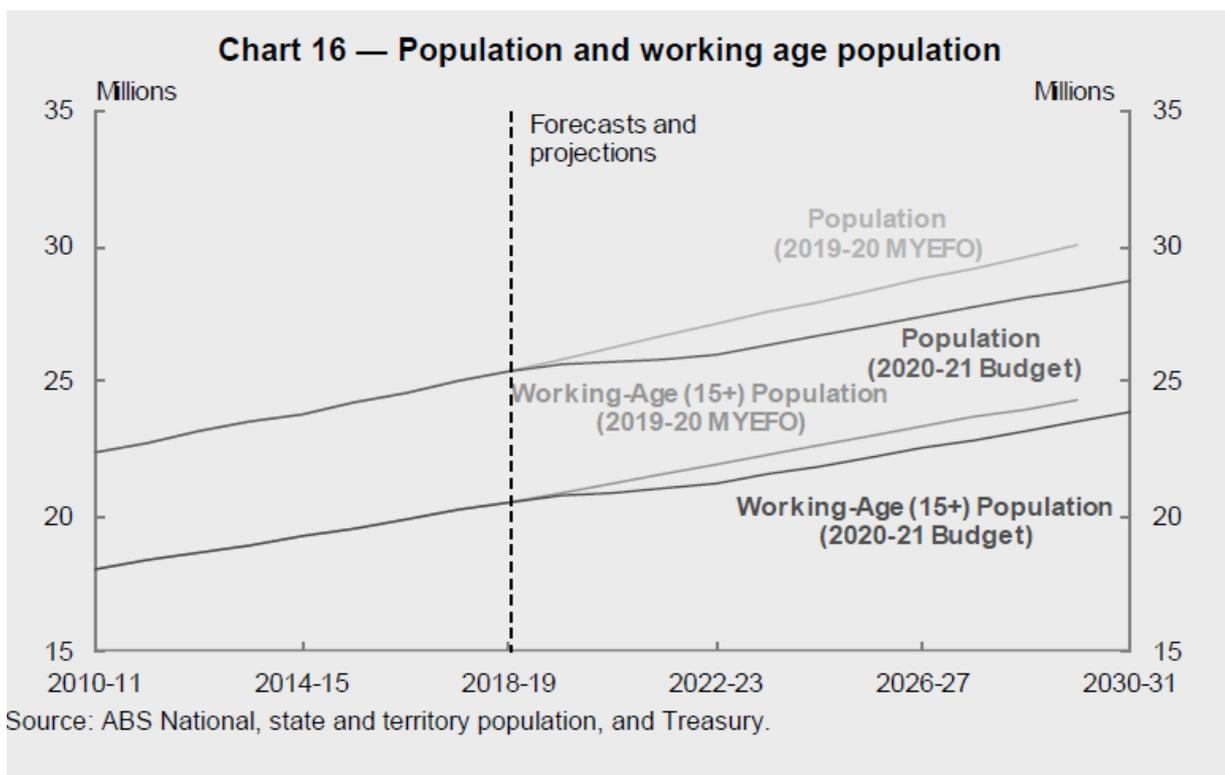
Chart 6: Early indicators of housing demand — HIA new home sales



Box 5: The impact of COVID-19 on population growth

Australia's population growth is expected to slow to its lowest rate in over one hundred years, falling from 1.2 per cent in 2019-20 to 0.2 per cent in 2020-21 and 0.4 per cent in 2021-22. The slower growth is mainly due to measures to limit the spread of COVID-19, which are assumed to lead to NOM falling from around 154,000 persons in 2019-20 to around -72,000 persons in 2020-21, and then to around -22,000 persons in 2021-22.

The negative NOM leads to a permanently lower level of population and working-age population (Chart 16). This is because NOM is not expected to return to levels consistent with pre-COVID-19 travel patterns inside the forward estimates period due to economic uncertainty and softer labour market conditions. It is also not expected to be recovered through higher NOM in subsequent years. Future NOM remains highly uncertain due to uncertainty about the path of COVID-19 and the nature and timing of easing measures taken to contain its spread at home and abroad.



Lower population and slower growth in the near term is also due to the assumption that some families will delay having children because of the uncertainty associated with COVID-19. The total fertility rate is assumed to drop from 1.69 babies per woman in 2019-20 to 1.58 in 2021-22, but then rise again to 1.69 in 2023-24 as the delayed births take place in later years. Following this, fertility is assumed to resume its observed trend, which is driven by

families having children later in life and having fewer children when they do. The total fertility rate is assumed to decline until it reaches 1.62 babies per woman in 2030-31. As a result, the rate of population growth in the medium term is permanently lower than assumed in 2019-20 MYEFO.

At this stage, Australia has not experienced the same devastating impact on mortality that has been observed in other countries around the world. As a result, COVID-19 is not currently assumed to alter estimates of future life expectancies. This may change depending, for example, on the potential for future outbreaks, the uncertain impact of people deferring their medical treatment due to the COVID-19 pandemic and the long-term health impacts to survivors of the virus, which are still unknown. Finally, COVID-19 will impact the distribution of population due to a disruption of the historical settlement patterns of NOM and net internal migration (NIM). NIM is directly affected by hard border closures by states and territories, but is also assumed to be lower overall as a result of activity restrictions and uncertainty.

Statement 4: Fiscal Policy and Economic Growth

The JobMaker Plan

The JobMaker Plan is a key element of the Government's COVID-19 Economic Recovery Plan, providing for the private sector to return to driving growth in the economy. The JobMaker Plan will deliver the vital investments and reforms necessary to drive a more flexible and dynamic economy and lift Australia's longer-term growth potential.

The immediate priority is to secure a strong and sustained economic recovery to help get Australians back into jobs as fast as possible. Young and low-skilled workers have seen the largest increases in unemployment during this recession. Getting people back into work quickly is the key to avoiding long-term disadvantage following the pandemic.

The pandemic is also driving changes in how we all live and work, which in turn are likely to permanently alter the structure of the economy. Not all firms and workers will return to the same activities they carried out at the start of the year. Some firms will close and some jobs will not return. There may also be permanent shifts in consumer preferences, which will change how Australians work, shop and travel. COVID-19 is already changing global trade patterns and supply chains. It is also increasing the uptake of digital technology, with more Australians adopting flexible work arrangements.

The COVID-19 pandemic is projected to lower Australia's potential output growth in the near term, by affecting all three supply-side drivers of growth: population, participation and productivity. Working-age population growth and the trend participation rate are now both expected to be lower over the medium term than was expected in the 2019-20 MYEFO due to lower net overseas migration. In addition, weakness in business investment will lower growth in the capital stock and in turn labour productivity. Potential GDP growth is estimated to fall below 2 per cent per annum in the near term before gradually returning to 2¾ per cent

towards the end of the medium-term projection period (see Budget Statement 2: Economic Outlook).

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Only by creating a more flexible and dynamic economy, that allows capital and labour to shift to growing firms and sectors, and investing in our productive capacity, will Australia achieve the strong economic growth needed over the longer term to build prosperity, reduce debt and respond to future economic shocks. The JobMaker Plan addresses this challenge by supporting the economy in the near term, as well as lifting Australia's productivity and creating jobs over the medium term.

Supporting aggregate demand to create jobs

The Government will provide assistance to Australian households through the tax system. This includes personal income tax cuts that will increase the disposable income of Australians, allowing them to spend more to support aggregate consumption and lift business confidence. This will create opportunities for businesses to increase hiring and undertake further investment, supporting the economic recovery.

Major new investments in infrastructure, transport and water — including major projects like Inland Rail, the Western Sydney Airport and the \$484 million Dungowan Dam project — will support jobs, improve connectivity, promote private investment, increase resilience and boost the long-run productive capacity of the economy. Bringing forward investments in energy infrastructure, including projects like Marinus Link, VNI West and Project Energy Connect, will also help Australian families and business have access to reliable, affordable energy.

Supporting business to create jobs

Increased business investment is important for building up a larger and higher quality stock of capital across the economy, making businesses more efficient and workers more productive. The Government has already assisted businesses by increasing the instant asset write-off threshold and through the Backing Business Investment measure. The JobMaker Plan expands on this support by allowing full immediate expensing of depreciable assets for 3.5 million eligible businesses (over 99 per cent of all businesses) and through the loss carry-back measure.

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The crisis is driving a significant reallocation of capital and labour resources across the economy. The JobMaker Plan will enable businesses and workers to fully engage in the most productive activities, maximising the returns on investments in physical and human capital.

Central to this is the Government's deregulation agenda. Streamlining approvals for major projects, through reforms under the Environment Protection and Biodiversity Conservation Act, and National Cabinet's priority to automatically recognise occupational licences across borders will make it easier for businesses to invest and attract skilled workers. Major changes to Australia's corporate insolvency system will also cut the costs of doing business and support economic and jobs growth.

Maintaining an open economy and giving Australian exporters greater access to global markets are also key to lifting incomes and building economic resilience. More than 70 per cent of Australia's two-way trade is now covered by export agreements, up from 26 per cent in 2012-13, while negotiations on a free trade agreement with the European Union and the United Kingdom continue.

Supporting Australians back into jobs

The JobMaker Plan will also help to create a more highly skilled and flexible workforce, boosting human capital and further lifting productivity.

The JobMaker Hiring Credit will help to accelerate growth in employment by giving businesses incentives to take on additional employees that are aged 16 to 35 years old. This will help young people access job opportunities and rebuild their connection to the labour force as the economy recovers from the COVID-19 pandemic. A new \$1 billion JobTrainer fund will give hundreds of thousands of Australians access to new skills by retraining and upskilling them into 'in-demand' sectors. The Government will also spend \$252 million to support the delivery of 50,000 higher education short courses in areas such as teaching, health, science, information technology and agriculture.

Opportunities for Australian industries

The JobMaker Plan also includes substantial investments in critical sectors. The Government's manufacturing strategy will build scale and capture income in high-value areas of manufacturing where Australia either has established competitive strength or emerging priorities. It will support our manufacturing sector to be even more productive and highly-skilled, collaborative and at the leading edge of R&D, commercialisation and technology adoption. Likewise, the JobMaker Digital Business Plan will move Australia closer to the goal of being a leading digital economy by 2030 and help to position our industries and universities at the cutting edge of innovation, in a more dynamic and competitive world.

By creating a more dynamic and flexible economy and boosting human and physical capital, the JobMaker Plan will help to deliver a stronger and more resilient economy and hence a stronger budget position over the medium term.

Supporting Australians back into jobs

The JobMaker Plan will also help to create a more highly skilled and flexible workforce, boosting human capital and further lifting productivity.

The JobMaker Hiring Credit will help to accelerate growth in employment by giving businesses incentives to take on additional employees that are aged 16 to 35 years old. This will help young people access job opportunities and rebuild their connection to the labour force as the economy recovers from the COVID-19 pandemic. A new \$1 billion JobTrainer fund will give hundreds of thousands of Australians access to new skills by retraining and upskilling them into 'in-demand' sectors. The Government will also spend \$252 million to support the delivery of 50,000 higher education short courses in areas such as teaching, health, science, information technology and agriculture.

Statement 6: Expenses and Net Capital Investment

Housing and community amenities — the increase in expenses from 2019-20 to 2020-21 largely reflects the creation of the time limited HomeBuilder program and several urban and regional development measures. The decrease from 2020-21 to 2023-24 largely reflects the conclusion of the HomeBuilder program and the scheduled completion of urban and regional development projects.