Australia

The Australian government has a very low level of debt, representing only 20% of GDP, and a deficit in 2011 of less than 3%. The government is expecting the deficit to fall as economic recovery leads to higher tax revenues, and is allowing public spending overall to continue growing by up to 2% in real terms per year – but this is slower than the growth of the economy, which is expected to expand at about 4% per year, with unemployment falling below 5%. As in other countries, state and municipal levels of government suffered a loss of tax revenues as a result of the recession, but they have also maintained spending on services by running budget deficits.

The 2009 stimulus package of extra spending to counter the recession is being allowed to expire, but in 2011 there was another major spending programme to repair the extensive damage of floods and cyclones, which is being financed by a special tax. In 2011 the budget included plans to increase spending on education and mental health and reduce defence spending. In July 2010 the government introduced a new tax on iron and coal mining companies – a “mineral resource rent tax (MRRT)”, partly offset by a reduction in general corporation tax. In 2011 it introduced a ‘carbon tax’.

So although Australia is reducing its government deficit, it is doing so by allowing economic growth to reduce it, not by making cuts in spending on public services.

- **Jobs and pay**
  There is no policy to reduce the number of public sector employees. There is no expectation that the policies on spending will reduce the overall number of public sector employees. In June 2010 there were about 1.8m. public sector employees, about one-sixth of all employees.

- **Healthcare**
  The government is reforming the Australian healthcare system, but this is intended to result in higher levels of expenditure and in particular higher levels of employment and training of doctors and nurses.

- **Pensions**
  In 2009 cuts were made to the state pension system. The retirement age for state pensions is being raised from 65 to 67, and conditions for eligibility have been made more restrictive.

Sources: