

MEDIA STATEMENT

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New report reveals Victoria's rates cap slashes services & kills jobs

The Victorian government's rate capping policy has reduced the state's GDP by up to \$890 million, cost thousands of jobs and reduced the scope and quality of local government services, according to a new report from the Australia Institute's Centre for Future Work.

The findings of the report, *Putting a Cap on Community*, intensifies pressure on the Andrews government to reverse the harmful rate capping policy, which threatens Victoria's economic recovery from COVID-19 by putting a brake on local government services and employment.

The report, commissioned by the Australian Services Union, found setting rates with a blunt instrument such as a cap damages local workforces, with detrimental effects on essential community services.

Victorian ASU Secretary Lisa Darmanin said Victorians are seeing fewer services provided by local government, with more 'user pays' to cover the funding shortfalls as well as the casualisation of council workforces, creating employment insecurity.

She said the report findings showed that "rate capping causes greater harm to the overall economy and quality of life of residents than was justified by potential savings, mirroring the damage done last time it was implemented under the Kennett government."

"Australians are counting on all levels of government to help our communities recover in the aftermath of the pandemic, but rate capping shackles local government's ability to do that by gutting local workforces and services," she said.

"Local governments are best placed to manage their means of revenue in line with the diverse and unique needs of their communities. Rate capping imposes a top-down, one-size-fits-all approach at the expense of democratic decision-making and local jobs and services."

The report finds that despite Victoria recording population growth of over 20% in the past decade, there were about 3,000 fewer local government workers in 2019-20 than 8 years prior, and rate capping has cost up to 7,425 jobs, reducing GDP by up to \$890 million in 2021-22.

Ms Darmanin said the report warns that capping property rates drastically limits local government revenue with a negative impact on jobs and services.

"Local governments have been pushed to replace foregone rates with more costly and less fair revenue sources, with revenue from other sources including user fees and fines growing by over 6% per year since the rate cap policy came into effect in 2016-17.

"This evidence makes it clear that we need to abandon the rate caps policy to benefit residents, workers and the economy," Ms Darmanin said. "The effects of the rate caps would be damaging at the best of times, but are devastating given the economy is recovering from the pandemic."

The economic analysis conducted by the Centre for Future Work shows without caps, between 1,500 and 4,900 additional local government jobs could be generated in this financial year.

"Uncapping Victoria's local government industry would be a tremendous boost for Victoria's post-pandemic recovery, with significant benefits for the whole community in terms of expansion and improvement of community services."