

The structure of Government

Commonwealth of Australia



Australia overview

Population 25 million¹
Population per sq km 3.3²

Government expenditure
as % of GDP 36%³

Place in World League

people's trust in government ⁴	17
people's satisfaction with life ⁵	11
GDP per capita ⁶	16
Legatum Prosperity Index ⁷	13
Freedom in the world ⁸	6

Note: all data in this report are pre-2020 to exclude the effect of Covid-19.

Governance overview

Australia is a federal parliamentary constitutional monarchy. The federal government is separated into three branches: legislature, executive and judiciary.

There are three levels of governance in Australia: federal, state/territory, and local government.

Electoral system

Members of the House of Representatives are elected by single-member constituencies using a first past the post system, senators by proportional representation. Voting is compulsory in national elections and in some states.

Direction of devolution

Bottom up. States have power to legislate on any subject, whereas the federal government may only legislate within certain areas. States, not Parliament, have the power to legislate with respect to education, criminal law and state police, health, transport, and local government. However, federal government law prevails over state law in areas where it can legislate.

Top down. Territories, on the other hand, exercise powers devolved to them by the Parliament, which theoretically has the power to modify or repeal any legislation passed by the territory parliaments.

Political style

Politics in Australia has become increasingly unstable in recent years. There have been five different prime ministers since 2007, two of which were removed after party coups. Some have suggested that this is the result of “structural flaws” and have called for changes in the constitution.⁹

Income equalisation

Australian Government has a vertical fiscal imbalance of power. The federal government has extensive powers to raise revenue, whilst the majority of public services are provided by the states whose power to raise fund is limited capacity. The imbalance is addressed by the transfer of funds as grants from the federal government to the states and territories.

Horizontal equalisation is undertaken through a Horizontal Fiscal Equalisation policy overseen by the Commonwealth Grants Commission.

Unusual features

The power of the states and the imbalance of funding – see Direction of devolution and Income equalisation above and Responsibilities below.

In circumstances provided for by the Constitution, an unresolved disagreement between the House and the Senate may lead to the ‘double dissolution’ of both Houses by the Governor-General, prompting new elections for both houses.

Federal Government

Parliament has two houses: the upper Senate and the lower House of Representatives.

Parliament	House of Representatives	Senate
Members	151	76
Population per members	170,000	330,000
Full or part time	full time	full time
Pay ratio to national average wage ¹⁰	2.8	2.8
Weeks of sittings per year ¹¹	13	11

Elections

Electorate	national	national
Frequency	3 years	3 years
Turnout last time ¹²	91%	91%

Legislation process^{13 14}

Bills can be proposed by either chamber. However, only the House of Representatives may introduce a money bill (a bill proposing an expenditure or levying a tax). A bill must be passed by a majority vote in both house before it can become law. The bill will then be given Royal Assent by the Governor-General and become an Act of Parliament.

Normally, Bills are read three times by the House of Representatives, before passing to the Senate. The bill also goes through three readings in the senate, before it is returned to the House, either with or without amendments. The Senate may request that the House make an amendment in cases where the Senate is prevented by the Constitution from making an amendment itself. Senate amendments and requests are considered by the House, and may accept or reject them.

Where there are disagreements between the chambers, they seek to reach agreement. If they cannot agree, a bill may be dropped. In circumstances provided for by the Constitution an unresolved disagreement may lead to the 'double dissolution' of both Houses by the Governor-General, prompting new elections for both houses.

Responsibilities

Section 51 of the Constitution grants legislative powers to the Federal Government only within certain subject areas.

These include airports and ports, communicative services, copyright law, currency, defence, interstate trade, marriage law, policing (national and international level), social security and welfare.

However, section 96 of the Constitution states that the Federal Parliament is responsible for raising the majority of tax money and can grant money to any State "on such terms and conditions as the Parliament thinks fit." This means that it can make certain mandated grants conditional on states implementing policies within in their own fields of legislative responsibility, effectively intertwining its own legislative powers with those of the states.

Of total government expenditure^{15 16}

spent at federal level 72%¹⁷

Source of funds

Federal and state taxes 100%

Who decides

Tax type: the federal government has the exclusive over custom and excise duties.

The federal and state legislatures have concurrent power for all other taxes.

However, section 109 of the Constitution provides that federal law prevail over state law.

Tax rates: Federal and state legislatures

Who collects tax

Federal government

State Government

Governance

States are the level of government below federal. There are six states, plus two mainland territories that effectively function as states, and also seven external island territories with relatively tiny populations. This means there are eight total major subdivisions at this layer of government

States have a high degree of autonomy. Each States and the Federal Government, has its own constitution, so that Australia has seven sovereign Parliaments, none of which can encroach on the functions of any other. Territories, on the other hand, exercise powers devolved to them by the Parliament, but fulfil similar governmental functions to states.

States	States	Major territories	
Number	6	2	
Population average	4 million	330,000	
State governments	Average	High	Low
Members ¹⁸	57	93	25
Population per member	53,000	86,500	9,800
Full or part time	most full-time		
Pay ratio to national average wage	2.1	2.2	1.8
Weeks of sittings per year	9.3	14.4	7.2

Elections

Electorate	state		
System	proportional representation		
Frequency	4 years		
% turnout	87%	72%	48%

Legislation process¹⁹

Legislative processes are broadly similar from state to state (or territory), the major difference being whether a parliament is bicameral or unicameral. In either case, the bill usually gets three readings in each house. For bicameral parliaments, bills can usually be introduced in either house but must be approved by both houses.

Responsibilities

Include criminal justice, education, fire services, gas and electricity, healthcare, housing, policing, transportation.

States expenditure as a % of²⁰

total government expenditure	45%
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Major Taxes

Payroll tax, conveyance duty (stamp duty), motor vehicle taxes, gambling taxes, land tax, insurance taxes (fire and ambulance levies)²¹

Source of funds²²

Raised locally	56%
Block grants	24%
Mandated grants	20%

Who decides

Tax type: the federal and state legislatures have concurrent power. However, section 109 of the Constitution provides that federal law prevails over state law.

Tax rates: the federal and state legislatures.

Who collects tax

States

Local government

Governance

There is a single layer of local government below State. There are a number of large areas with relatively small populations which are not a part of any local government area.

Local governments are recognised in State constitutions but not the Constitution of Australia. States have exclusive jurisdiction over local government. The responsibilities and practices of local government councils are broadly similar, but with some variations between states.

Local governments typically have an elected council usually with a mayor or president who has broad executive functions. They are usually elected by their fellow councillors, but in some case by the electorate. Mayors can be either executive or ceremonial.

Local governments

Number	563
Population average	45,000

Council governments

Members	4-15
Population per member	5,000
Full or part time:	mostly part-time
Pay ratio to national average wage ²³	0.1-0.4
Weeks of sittings per year	varied

Elections²⁴

Electorate	local area
Frequency	4 years
Turnout, average	74%

Legislation process

Local government powers are determined by state governments. States have primary responsibility for funding and exclusive responsibility for supervision of local councils. Local

governments can decide the process they use to make local laws, but may have to comply with specific requirements set out by the states.

Responsibilities²⁵

Culture, fire services, family welfare services, leisure, libraries, local roads, parks, refuse collection, water and sanitation, slaughterhouses, tourism, town planning.

Expenditure as a % of²⁶

total government expenditure	5.7%
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Major Taxes

Property tax

Source of funds^{27 28}

Raised locally	92%
Block grants	6%
Mandated grants	2%

Who decides

Tax type: Local government (bound by certain budget principles dictated by the state)

Tax rates: Local government (bound by certain budget principles dictated by the state)

Who collects tax²⁹

Local government

Further reading

FactCheck: how much of Australia's tax is collected by states and territories?

<https://theconversation.com/factcheck-how-much-of-australias-tax-is-collected-by-states-and-territories-50457>

The Instrumental Framework of Taxation in America

https://tticdn.blob.core.windows.net/tti-files/dmfile/Institutional_Framework_of_Taxation_in_Australia.pdf

References

¹ <https://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0>

² Calculated using area from <https://www.ga.gov.au/scientific-topics/national-location-information/dimensions/australias-size-compared>

³ <https://data.oecd.org/gga/general-government-spending.htm>

⁴ <http://dx.doi.org/10.1787/888933533606>

⁵ <https://s3.amazonaws.com/happiness-report/2019/WHR19.pdf>

⁶ https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=US&year_high_desc=true

⁷ <https://www.prosperity.com/globe/australia>

⁸ https://freedomhouse.org/sites/default/files/Feb2019_FH_FITW_2019_Report_ForWeb-compressed.pdf

⁹ <https://www.bbc.co.uk/news/world-australia-45295667>

¹⁰

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/ParlBaseSal2018

¹¹

https://www.aph.gov.au/~/_media/05%20About%20Parliament/58%20Sitting%20Calendars/2019/2019_Parliamentary_sittings.pdf?la=en

¹² Australia has mandatory voting laws, with those failing to vote fined up to \$170

¹³ <https://www.peo.gov.au/learning/fact-sheets/making-a-law.html>

¹⁴

https://www.aph.gov.au/About_Parliament/House_of_Representatives/Powers_practice_and_procedure/00_-_Infosheets/Infosheet_7_-_Making_Laws

¹⁵ https://www.cgc.gov.au/sites/default/files/commonwealth-state_financial_relations.pdf

¹⁶ <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5512.0>

¹⁷ This figure is complicated by the fact that a significant amount of money spent by the federal government is in the form of grants to state-level government. 43.9% of state revenue comes from federal transfers. Disregarding this, only 50% of government expenditure is spent at federal level.

¹⁸ Australian states are bicameral, whilst the territories are unicameral. These figures include members of the lower house only in order to maintain consistency over states and territories.

¹⁹ <https://www.parliament.nsw.gov.au/bills/Pages/Legislative-process-explained.aspx>

https://www.parliament.qld.gov.au/documents/explore/education/factsheets/papers/paper02_TheLegislativeProcess.pdf

<http://www.parliament.wa.gov.au/WebCMS/webcms.nsf/content/legislative-council-what-the-legislative-council-does-on-a-sitting-day-the-legislative-process>

<https://www.parliament.sa.gov.au/AboutParliament/HowParliamentWorks/TheParliamentaryProcess/Pages/HowaBillbecomesanActofParliament.aspx>

<http://www.parliament.tas.gov.au/tpl/Backg/LawsMade.htm>

<https://www.parliament.act.gov.au/Explore-your-Assembly/resources/fact-sheets/legislative-process>

https://parliament.nt.gov.au/__data/assets/pdf_file/0005/379274/Making-a-Law.pdf

²⁰ <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5512.0>

²¹

http://www.taxreview.treasury.gov.au/content/Paper.aspx?doc=html/publications/papers/report/section_2-03.htm

²² https://www.cgc.gov.au/sites/default/files/commonwealth-state_financial_relations.pdf

²³ <https://www.abc.net.au/news/2016-08-05/what-it-takes-to-be-a-councillor/7693632>

²⁴ http://www.clgf.org.uk/default/assets/File/Country_profiles/Australia.pdf

²⁵ http://www.clgf.org.uk/default/assets/File/Country_profiles/Australia.pdf

²⁶ http://www.clgf.org.uk/default/assets/File/Country_profiles/Australia.pdf

²⁷ http://www.clgf.org.uk/default/assets/File/Country_profiles/Australia.pdf

²⁸

http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_g3-1.htm

²⁹ <https://knowyourcouncil.vic.gov.au/guide-to-councils/finance-and-planning/rates-and-charges>