

# Labor's tax and welfare plan: social reaction in "modernist" garb

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The socially regressive program that underlies Labor leader Mark Latham's seemingly endless rhetoric about the "ladder of opportunity" was revealed in the ALP tax and family benefit policy released on Tuesday. The main tax measure was a cut of \$8 per week on incomes below \$52,000 per year and a lift in the income level—from \$80,000 to \$85,000—at which the top marginal tax rate cuts in.

But it was the family benefit package that occupied centre stage and revealed most clearly the philosophy of the Labor Party and its leader. Under the Labor plan, the lowest income families, with more than one child, either unemployed or earning a wage of less than \$35,000, stand to be hundreds of dollars a year worse off than under the Liberal government's present tax and family benefits system. The effect of the Labor plan is to penalise these people for having children while either being unemployed or on a low wage.

Of course, this was not how the policy was presented. Like a used car salesman, anxious to obscure rust and engine defects, Latham sought to put the best gloss on his package by removing from its calculations the effect of the government's recent \$600 per child annual family benefit, which Labor would no longer pay. This meant, for example, that a single income couple with three children, one aged under 5 years and two aged between 5 and 12, was listed in the tables accompanying the policy as being \$27 better off on a weekly basis, but \$461 worse off on an annual basis when the \$600 payment was taken into account.

This method of presentation enabled Latham, on the basis of the weekly figures, to claim that 9 out of 10 families at present receiving benefits would be better off under the Labor scheme, compared to the real figure of about 7 out of 10.

The three out of ten who will be worse off will be the

lowest income earners and the unemployed. In the past, Labor governments pledged themselves to improve the conditions of the poorest and most socially disadvantaged sections of the population. No longer. Latham's "ladder of opportunity" means worsening conditions for those on the bottom rung.

A graphic example of the potentially devastating impact of the Labor policy was provided in an article by *Sydney Morning Herald* journalist Adele Horin. She cited the case of a separated mother of eight, who could lose as much as \$2,380 per year, even after receiving the extra payments for large families. The woman in question would have to get a job paying \$40,000 per year—for which there was no prospect—in order to be better off under the Labor plan.

This was only the most extreme example of a more general tendency—the introduction of a "family benefit" system that actually lowered the living standards of the poorest families. According to the Labor Party's own tables, an unemployed couple with three children, one aged under 5 and two aged between 5 and 12 would be \$1,199 per year worse off than under the present system, while a sole parent with children of the same age would be \$208 a year worse off, even if he or she earned \$35,000 a year. A dual income couple, with a total household income of \$30,000, divided in the ratio 80:20, would be \$1,321 worse off.

Overall, the Australian Council of Social Services (ACOSS) has estimated that around 180,000 families, and as many as half a million children, at the bottom end of the income scale would be adversely affected by Labor's measures. But Latham dismissed the concerns of the welfare body saying "ACOSS ... seem to think we do people a long-term favour if we provide indefinite welfare support and people have a life of welfare."

The policy of “soak the poor” was continued in the measures designed to finance the package. By far the biggest amount of savings came from changes to superannuation payments—the removal of the government contribution for low-income earners—expected to bring in about \$1 billion in 2006-2007.

In launching the policy, Latham laid out his attitude to the social welfare system that has formed a key plank in his political agenda since entering the national parliament. Six years ago, in his book *Civilising Global Capitalism*, Latham argued that, in the era of globalisation and mobile capital, the “old” Labor welfare policies could no longer work.

“Labor’s approach is not permanent welfare. Labor’s approach is welfare to work,” he insisted, when asked what he would say to those who would be worse off under Labor’s new policy. But Latham chose not to address the question of how those who have been unemployed on a long-term basis could get a job and thereby lift their living standards. Rather, he simply trotted out the appropriate “sound bite” for his philosophy of individual responsibility, based on his distinction between the “hard workers” and the “slackers”.

“The best welfare policy is a job,” he declared, ignoring the fact that even where jobs are available, the wage rates are often so low that they fall below even the meagre levels of income provided in welfare payments. With at least 30 percent of the workforce now part-time or casual, an increasing number of families fall into the category of the “working poor.”

Latham’s reactionary views on social welfare are a “modernised” version of attitudes that prevailed in the nineteenth century and first decades of the twentieth, before social welfare measures had been established as a right. This is one reason why he has received such wide support in the mass media since becoming Labor leader last December.

As Malcolm Farr, of the Murdoch-owned Sydney tabloid the *Daily Telegraph*, commented: “His attitude would not be out of place in the Coalition, where the self-made ethic is supreme and the idea of welfare as social poison is rarely challenged. John Howard would applaud many of the Latham objectives.”

The tax policy, he continued, “will be the biggest element of his election campaign and the biggest

representation of his feelings on welfare. It sets the tone for how a Latham government would deal with welfare and those who take it as a right.”

Not surprisingly, editorial and opinion comments in the leading newspapers were generally supportive.

Paul Kelly, editor-at-large of the *Australian*, the flagship of the Murdoch group, said Latham was “stealing Howard’s jewels” by running hard on economic reform, family payment reform and the transition from welfare to work.

“The core of Latham’s 2004 bid for power is now revealed—he seeks to occupy Howard’s political position. Latham’s claim is that Howard has betrayed his own philosophy and his own backers by trying to be all things to all people.”

The *Australian’s* editorial praised the policy as a “bold package in which the good far outweighs the dubious, and which marks a serious attempt to do the work the Howard government has consistently squibbed: reform the tax and welfare system so their interaction no longer provides thousands of Australians with a disincentive to work.”

While offering some criticisms of Labor’s funding for the scheme, the editorial hailed as an example of the “genuinely free thinking Latham” his decision to lift the cut-in point for the top marginal rate of tax.

The editorial in the *Sydney Morning Herald* was not so effusive. But it, too, praised the emphasis on “individual responsibility” and called on Latham to “seize electoral opportunity from the tax package release.”

While the *Australian Financial Review* bemoaned the fact that it had not been possible, in an election year, to re-engineer the tax and family assistance by revisiting “the sacred cow of egalitarianism”, it was broadly supportive of the Labor plan, in particular its “aggressive targeting of parents in jobless households.”



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