

Despite a nervous “backflip”, Australian government plans deep welfare cuts

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For those who were led to believe that the Rudd Labor government would be a “lesser evil” or more “compassionate” than the Howard government, events over the past week may have come as something of a shock. Before last November’s landslide defeat of Howard, Kevin Rudd wrote an essay accusing the Coalition government of pursuing a “Brutopia” in which the needs of ordinary people were sacrificed in the interests of “market fundamentalism”.

Last week, however, the government revealed, through well-placed media leaks, that it intended to target some of society’s poorest and most vulnerable members in a bid to satisfy the demands of the financial markets for sharp and painful spending cuts. Government sources said the May budget would scrap \$1,600-a-year carers’ payments and \$500 annual seniors’ bonuses. After renewed calls from the corporate and media elite for the government to show its “economic conservative” credentials, the sources indicated that the two payments were on the multi-billion list of budget cuts being drawn up by the cabinet “razor gang”. By abolishing the payments, the government would save about \$1.7 billion a year.

Both measures were sops offered by the Howard government to the aged and those caring for ill or disabled family members as part of blatant vote-buying exercises before the 2004 and 2007 elections. The payments were not even included in the budget bottom line, but were kept as “one-off” handouts, to be paid as electoral sweeteners “if economic circumstances permit”. Neither program did anything to seriously alleviate the hardship experienced by many retired workers, whose pensions have fallen well below the official poverty line over the past quarter century, and the increasing number of people who have been forced to give up work in order to care full-time for loved ones

because of the chronic lack of adequate medical and social facilities.

News of the cuts immediately provoked outrage and a deep sense of betrayal among broad layers of the population. Newspapers and websites were deluged with protests. “What has happened to the compassionate family-oriented prime ministerial candidate?” one letter writer asked in the *Australian*. “[H]e is attacking one of the most vulnerable groups in the community... So much for the compassionate Mr Rudd, kicking people when they are down. Which group will be next?” Another wrote: “I thought the Rudd government was caring and sharing, but here is a government that will have billions of dollars in surplus and yet it can’t give these needy families money to help their loved ones. Shame, Kevin, shame.”

Sensing the massive scale of the backlash, the Liberal Party opposition feigned sympathy for the downtrodden. Opposition leader Brendan Nelson, a long-serving cabinet minister under Howard, declared: “Anyone who thinks that Australia’s carers do not deserve the support they are getting just needs to walk a mile in their shoes.”

Nevertheless, it took five days for the government to back down. After two days of silence, Rudd vaguely declared on March 8 that he would not leave seniors or carers “in the lurch”. On March 10, he said his government would ensure that none would be “worse off” after the budget. In parliament on March 11, however, he refused to guarantee that the payments would continue. Later in the day, a government spokesperson announced that the bonuses would be maintained for the coming financial year. Finally, that night, Rudd performed what the media dubbed a complete “backflip”—not only would the payments continue, but they would be made permanent, paid

upfront at the beginning of each financial year, and given tax-free status.

The March 13 editorial in the *Australian*, Rupert Murdoch's national flagship, delivered the establishment's response in no uncertain terms. It denounced Rudd for not only "buckling" under pressure, but compounding the financial cost of the Howard government's welfare measures. The prime minister had failed "an early test of having to make an unpopular decision". "Has Kevin Rudd got the ticker to deliver on the claim that he is a fiscal conservative?" it asked.

The editorial gave Rudd a list of instructions, advising him to use the "honeymoon phase of his first term" to seize the opportunity to take "tough action". Specifically, it called for stronger measures to "encourage" welfare recipients, such as sole parents and disabled pensioners, into the workforce—that is, to slash benefits and harass recipients to force them into low-paid work. It also demanded public service job cuts and declared that the government's challenge was to slash \$31 billion from spending to offset promised tax cuts.

The editorial concluded by reminding Rudd that he had won office "by attacking Mr Howard from the right". The *Australian* and other Murdoch media outlets backed the Labor government's election after Rudd vowed at Labor's campaign launch to stop the Howard government's "irresponsible spending spree". Before the election, Rudd also criticised Howard for backing away from economic "reform" and pledged to carry through a new wave of pro-market economic restructuring, as the Hawke and Keating Labor governments did between 1983 and 1996.

No one should be under any illusion that the Labor government will back away from such measures. Even as Rudd was making his so-called "backflip," he convened a meeting of the Expenditure Review Committee (the "razor gang") with Treasurer Wayne Swan, Finance Minister Lindsay Tanner and Human Services Minister Joe Ludwig to identify alternative savings options. On the same day as the *Australian* editorial, the *Australian Financial Review* reported that the government was planning "a major crackdown on welfare fraud" to extract savings of \$1.3 billion in the May budget, and "an overhaul of the almost \$100 billion in annual Medicare and Centrelink payments".

These plans reportedly include introducing a revised form of the health and welfare "smartcard"—a de facto national identity card—that the Howard government abandoned last year amid intense public opposition. The government is also preparing to "rationalise" the network of Centrelink and Medicare offices that processes claims by welfare recipients and health insurance claimants. Officials told a Senate estimates committee last month that the changes could lead to up to 2,000 redundancies, reducing staff levels by almost 10 percent. Such service cuts will ensure that aged pensioners, carers, sole parents, disability pensioners and the unemployed will confront further difficulties and delays in accessing entitlements.

Less than a month after the "apology" to indigenous people, the past week's events have exposed the real character of the Labor government. Far from being a more "caring" regime, or a "lesser evil" as claimed by the trade unions and various "lefts", it was installed with the support of the corporate elite, which became increasingly dissatisfied with Howard's policy retreats. The Labor government's task is to find, in partnership with the unions, new means of deepening the offensive against working people under conditions of global financial meltdown, soaring prices and interest rates, and signs of a US and international recession.



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