

# Australia: Gillard government prepares assault on social welfare

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The minority Labor Party government of Prime Minister Julia Gillard, with the collaboration of the Greens and independents, is preparing to slash spending on social welfare programs to meet long-standing demands from the financial and corporate elite.

The *Australian Financial Review* reported on Monday that “major welfare reform” would be the “centrepiece” of Labor’s next budget, to be brought down on May 10. The so-called reforms, the AFR wrote, “would involve an overhaul of the structure of pensions, indexation and eligibility for support”. In other words, the government is drawing up sweeping budget cuts.

Gillard spelt out the dimensions of Labor’s planned measures in a speech on February 1 to the corporate leadership body, the Committee for Economic Development in Australia (CEDA).

Gillard portrayed Australia as facing unique economic challenges, resulting from the expansion of the resources sector—described by the Reserve Bank as the “biggest boom” since the gold rush of the 1850s. Massive investment in new natural gas and mining projects, she complained, was leading to skilled labour shortages in some areas and pushing up the value of the Australian dollar. Non-mining employers were being “forced” to offer higher wages, and exporters were struggling to compete internationally due to the exchange rate. At the same time, billions of dollars were needed to build the infrastructure required by the resource conglomerates for their operations, such as ports, roads, railways and electricity generation.

Other, more fundamental global factors, however, are in play. Since the onset of the global financial crisis in 2007-2008, governments in the United States and much of Europe have implemented huge reductions in state spending and presided over major cuts in workers’ wages and conditions, in order to pay for the trillion-dollar bank and corporate bailouts. In Australia, comparable measures have not yet been imposed, but business and finance are becoming increasingly insistent that the Labor government begin a similar austerity drive. They are also demanding lower taxes, under conditions where taxes on business profits are higher in Australia than in 21 other members of the Organisation of Economic Cooperation and Development (OECD), and interest rates are above world averages. While the mining industry is booming, the manufacturing, finance and service sectors want their costs lowered in order to compete with their global rivals.

Gillard pledged to the CEDA that her government would deliver, by

slashing the conditions of the working class to meet international benchmarks being set in the US and Europe.

To lower wages, Gillard announced she intends to drive people off social security programs and force them to take full-time work on whatever terms employers dictate. At the same time, cuts to welfare—the largest single item of government spending—will free up resources for the tax cuts and new infrastructure demanded by business, as well help bring the budget into surplus, thus putting downward pressure on interest rates.

Gillard nominated three groups she is looking to convert into a new pool of low-cost labour: an estimated 800,000 part-time workers who want to work longer hours; some 800,000 working-age people, many of whom are currently classified as “discouraged workers”, who do not work, yet claim no unemployment benefits; and tens of thousands of the 800,000 people who receive the Disability Support Pension (DSP). Gillard estimated that, from these layers alone, and not including the 620,000 formally classified as unemployed, up to 2 million people could be added to the full-time workforce.

Gillard declared: “To the maximum extent possible, I want to ensure that every Australian who can work, does work. I want to ensure that the incentives to work always outweigh the attractions of staying on welfare.”

“Incentive to work” is code for making it impossible to either live on welfare or to qualify for benefits in the first place. Eligibility for DSP—which costs the federal government over \$11 billion per year—appears certain to be made far more stringent and/or the rate of payment reduced. Family tax benefits, which particularly assist couples with one partner not working or in part-time employment, is another program that is likely to be cut back in order to force people into work.

At the same time, Gillard vowed the Labor government would push ahead with imposing a carbon price that the oil and energy companies will pass on to consumers in the form of higher prices, forcing millions of struggling working people to pare back their energy use.

The Labor government has already seized upon the damage caused by the devastating flooding in Queensland to justify budget cuts. Its miniscule \$5.6 billion “reconstruction” package is being financed by abolishing or deferring \$3.8 billion in spending on road construction, subsidies for “green” cars and solar panel installations, and certain

education programs, combined with a \$1.8 billion “flood levy” on ordinary taxpayers with incomes over \$50,000.

The banks and mining corporations, which are raking in record profits in the tens of billions of dollars, will not be taxed one cent. Instead, the government will provide them with assistance from the public purse, meeting the cost of repairing damage to ports, roads and rail networks that the mining industry utilises to export vast quantities of coal from Queensland. Thousands of ruined workers and small business people, by contrast, have been left dependent on niggardly government cash grants and/or charitable donations.

According to the *Australian Financial Review*, Labor government ministers considered announcing an initial raft of welfare cuts late last month, on the basis that such measures were necessary to finance “flood relief”. Reportedly they decided it would look too much like Gillard “was using a natural disaster as a shield to do something that will be politically difficult to sell”.

Such hesitations are rapidly falling away. Gillard and her ministers have repeatedly insisted that any further reconstruction costs will be offset by further budget cuts. With flooding now devastating areas of northern New South Wales and Victoria, and category 5 Cyclone Yasi destroying towns in northern Queensland, it is certain that the damage bill will soar well over \$5.6 billion.

Gillard told the CEDA that returning the budget to surplus was “not a political goal but an economic imperative”. Her government’s flood response, she declared, had “opened a new dimension of fiscal stringency”. Labor, in other words, intends to use the current crisis as the pretext for imposing what will be permanent cutbacks to welfare and social programs.

The reactionary scope of Gillard’s agenda was underscored when she told the CEDA conference that she wanted her government to preside over a “fundamental reshaping of the Australian economy as profound in scale and ambition as the reforms of the Hawke-Keating governments”.

The Hawke and Keating Labor governments from 1983 and 1996 were the architects of a historic assault on the working class, which paralleled the free market offensive carried out by the Reagan administration in the US and the Thatcher government in Britain. In the name of “international competitiveness”, the Australian currency was floated and various forms of national protection, such as tariffs and subsidies, were abolished. With the collaboration of the trade unions, hundreds of thousands of manufacturing jobs were destroyed, real wages slashed and working class resistance broken up and defeated. Major state-owned industries were privatised and fees reintroduced for tertiary education.

The measures implemented during the Hawke-Keating years led to a vast growth in social inequality and financial stress, along with the transformation of employment conditions for millions of people. The beneficiaries were the banks, major companies and the wealthiest sections of society.

On July 15 last year, in one of her first major speeches after being installed as prime minister, following the political coup against Kevin

Rudd, Gillard promised that the Labor government would restructure those areas of the economy that “were relatively untouched by the Hawke-Keating reforms”.

The new prime minister foreshadowed not only attacks on social welfare, but also the privatisation of entire areas of the public health and education systems, aged care, child care provision and employment services. She declared that she would abandon the stimulus policies that Rudd had implemented in response to the global financial crisis and return the federal budget to surplus by 2012-2013, through “hard choices and some unpopular cutbacks”.

While Rudd’s stimulus spending has been largely scrapped, Gillard has faced increasing criticism in the financial press that she has not even begun to implement the type of austerity measures necessary to drive down business costs and working class living standards. Her speech last week was an attempt to reassure the financial markets that their dictates would be obeyed.

The working class must reject the Labor government’s lies that budget cuts are necessary to support flood-ravaged communities. Gillard’s real agenda is a “fundamental reshaping” of the economy solely in the profit interests of the financial and corporate elite. Capitalism offers workers in every country only a never-ending and irrational race to the bottom in terms of wages, conditions and social services, combined with the ever-growing danger of war, as rival powers recklessly use military means to gain competitive advantage.

A class confrontation is looming that can be only resolved in the interests of the working class on the basis of a revolutionary and socialist program. New organisations—workplace and community committees, entirely independent of the moribund Labor and trade union apparatuses—must be created to fight for the unity of all sections of the working class, nationally and internationally, and for the establishment of a workers’ government.

Instead of implementing austerity measures against ordinary working people, such a government would place the banks, mining giants and other major companies under public ownership and democratic control. Only in this way can the extraordinary productive capacity and wealth of society be harnessed to meet the economic, social, intellectual and cultural needs of the vast majority, and contribute to the development of a world planned socialist economy, which is organised in the interests of the entire population, not the wealthy few.

This is the perspective that the Socialist Equality Party and the International Committee of the Fourth International will be advancing in the struggles that lie immediately ahead.



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