

Australian Labor government's budget targets welfare recipients

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11 May 2011

The Labor government's annual budget announced yesterday featured a vicious assault on some of the most vulnerable members of society, including the disabled, unemployed, and single parents. Boasting of "tough measures" aimed at returning a fiscal surplus by 2012-13, Treasurer Wayne Swan declared that the budget was primarily aimed at "converting an unprecedented mining investment boom into an opportunity boom."

This central premise of Prime Minister Julia Gillard's first budget—that the mining boom will generate prosperity and enable millions of ordinary people to "share the benefits"—is an utter fraud.

The China-fuelled mining boom is generating record profits for major corporations in the industry, but the capital-intensive sector generates relatively few jobs. At the same time, the rising value of mining exports has led to a hike in the Australian dollar, exerting pressure for higher interest rates and creating a "two-track" economy, where manufacturing, retail, tourism, education, and other service sectors have slumped or stagnated. Many workers in the economy's "second tier" have already confronted major attacks on their jobs, wages, and conditions since the eruption of the global economic crisis in 2008. Far from spreading nationwide prosperity, the mining "boom" is, in reality, being utilised by the corporate elite as a mechanism for undermining the social position of the working class.

The aim of the Gillard government's regressive welfare measures is to erode what remains of Australia's welfare system and provide business with an expanded pool of exploitable cheap labour, further driving down average wages.

Those aged under 35 and on the disability support pension (DSP) will be required to develop a "workforce participation plan." Access to the DSP is to be curtailed through the application of more stringent criteria. Single parents will be hit, with many shifted from the single parent payment to the unemployment benefit, equating to an enormous \$128-per-week cut in their income. In a "trial" program, teenage mothers in many of Australia's poorest suburbs will be forced to place their one-year-old infants in full-time childcare while they finish high school or engage in other training.

Wayne Swan declared such "tough love" measures were necessary because "our economy can't afford to waste a single pair of capable hands." He added: "we cannot justify the fourth highest proportion of jobless families in the developed world."

This statistic constitutes a damning indictment of the degree of social inequality in Australia and the entrenched poverty and unemployment in many working class areas. It also exposes the Gillard government's boasts

about the official unemployment rate, forecast to fall to 4.5 percent next year. The apparent contradiction between the relatively low unemployment rate and very high proportion of "jobless families" is due to the manipulated character of employment statistics. People who have dropped out of the labour market because it is impossible to find work do not count as unemployed, nor do those employed as casual labour for just one hour a week, nor do the 800,000 people on the DSP.

The real unemployment rate is many times higher than the official figure. More than 100,000 manufacturing jobs have been destroyed in the past three years, and unemployment has escalated throughout the economy's "second tier". The single mothers, disabled, and long-term unemployed targeted by the government will not be provided employment by the mining companies, contrary to any impression given by the Gillard and Swan that they will find lucrative jobs in the sector. Mining positions are few in number, require specialised skills, and often require workers to live in isolated mining areas, mostly in Western Australia and Queensland.

Welfare recipients will in fact be forced to compete for the already scarce low-wage, casual, and dead-end retail and services jobs on offer in working class areas. Far from lifting living standards and enabling people to "share in the benefits of the boom", these processes will further depress the pay and conditions of the working class as a whole.

The government yesterday revealed that tax revenues over the next two years are projected to be \$16 billion lower than previously forecast. This is largely due to the fact that Gillard is allowing the huge mining companies to pay virtually no tax, despite unprecedented commodity prices and record profits. Corporate tax revenue is also lower in the economy's "second tier" due to reduced profits, while lower GST (goods and services tax) revenue reflects lower retail spending among large sections of the population.

In his budget speech to parliament last night, the treasurer declared that despite lower tax revenue, "our commitment to tightening our belt has not diminished one bit". He announced \$22 billion in cuts and savings over four years to return a \$3.5 billion surplus in 2012-13, following deficits of \$49.4 billion this year and \$22.6 billion in 2011-12.

Part of the reduced spending came from the military—the government reclaimed more than a billion dollars it had previously allocated to the defence department but had gone unspent. Various revenue-raising reforms to the tax system recommended by former Treasury chief Ken Henry were adopted, including increases to the fringe benefits tax and ending the dependent spouse tax break.

Significant cuts were implemented, including:

* At least 1,200 public sector jobs will be axed, mostly from the state welfare provider, Centrelink. Public sector layoffs will be indirectly enforced by the Gillard government through more stringent “efficiency” requirements, which will gut \$1 billion from the public sector over the next four years.

* Many working people with children will receive substantially reduced assistance. The government is extending a freeze for four years on the inflation-indexation of family tax benefits, the baby bonus, and the paid maternal leave scheme for families earning \$150,000 or more a year. This measure is expected to eliminate \$2 billion in projected spending.

* Restricting Medicare funded pathology services—a measure that will save \$406 million by further increasing private expenditure on basic healthcare services.

* The planned introduction of paid paternity leave will be delayed by another year, until 2013, making it highly doubtful the scheme will ever be implemented.

At the same time, the Gillard government has boasted of several new spending measures, especially a supposedly “historic” announcement of an additional \$1.5 billion in mental health funding over the next five years.

This initiative is in fact a sham. In the first instance, the government is scaling back some existing mental health services to reduce funding. More than \$580 million will be cut from the Better Access Scheme, under which patients are able to access consultations with psychological and counselling services when referred by their doctor. While patients are now allowed 12 annual Medicare-covered consultations with psychologists per year, this will be cut to 10. In addition, the rebate provided to GPs for their consultation and referral sessions will be decreased, creating an incentive for fewer referrals.

Moreover, despite mental health being starved of funds for years, meaning basic investments are urgently required, the government has allocated less than \$50 million of the touted spending to this year’s budget. Nearly one-third of the \$1.5 billion sum has been scheduled for 2015-2016. It is highly doubtful whether this money will ever eventuate.

The Gillard government’s economic projections—including gross domestic product growth of 4 percent and 3.75 percent in the next two years—are predicated on absurd assumptions of ever stronger Chinese industrial expansion, and stable growth in the US and world economies. According to the budget estimates, China is forecast to grow at more than 9 percent in the next two years, and the US at three percent. Any external economic “shock”—a double-dip recession in America, political upheaval in China, the further spread of the European sovereign debt and banking crises—would immediately upend all the Labor government’s forecasts and spending promises.

Wayne Swan’s budget speech was an exercise in delusion. He made no reference to the state of the world economy, other than to favourably compare Australia’s situation to that of other advanced countries. Instead the treasurer promoted the idea that China would continue to boost the Australian economy into the indefinite future, declaring, “Global economic weight shifts from West to East—bringing growth and dynamism closer to Australia than ever before.”

Despite the government’s boasts of its “tough” budget, major sections

of business and the media criticised Gillard and Swan for not doing nearly enough. Many of the headlines reflected the general conclusion: “Labor’s missed chance for deeper reform” (*Australian Financial Review*), “Modest cuts for modest surplus” (the *Age*), “Swan’s big missed opportunity”, “Budget 2011: On a wing and a prayer” (*Business Spectator*).

The Murdoch press was especially scathing. The *Australian*’s editorial, “Budget is a triumph of hope over experience”, declared: “The Treasurer’s claim to have delivered a tough budget looks hollow when he struggles to name anyone who will feel any pain... The *Australian* has repeatedly warned that the government needs to make substantial cuts to spending to build a structural surplus into the budget... Seemingly paralysed by its reliance on the Greens and independents, the Gillard government has delivered a budget that ducks the challenge, and avoids the hard job of curtailing expenditure.”

These remarks point to the savage character of the agenda being prepared by the ruling elite. The Gillard government’s spending cuts represent an insignificant fraction of what big business and finance capital demands. Nothing less than a social counter-revolution, involving the destruction of remaining welfare provisions and dismantling of the public education and healthcare systems will suffice. Both the Labor Party and the Liberal-National coalition are committed to this program—but have so far balked at implementing it in full, for fear of major social conflicts.

The Liberal opposition has responded to the budget by simultaneously condemning the government for not making greater cuts, and for hurting “working families.” Liberal leader Tony Abbott has said he was yet to decide whether he would support the various budgetary provisions in parliament.

Greens’ leader Bob Brown declared he had given the budget “six out of ten.” He said he would lobby Gillard to alter some aspects of the welfare measures—but acknowledged that the Greens would vote for the budget regardless. Under the Labor-Greens alliance, Brown and his colleagues committed to voting for the minority government’s annual budgets, irrespective of their content. The Greens thus bear direct political responsibility for all of the Labor government budget’s regressive provisions.



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