An overview of the Australian budget's austerity measures

James Cogan
14 May 2014

The 2014 Australian budget brought down by the Liberal-National coalition government of Prime Minister Tony Abbott is a massive intensification of the assault on the living standards and social rights of the working class, particularly the poorest and most vulnerable sections. Social welfare, health care, education and aged care have been targeted for savage cutbacks, while a raft of tax concessions for the wealthiest layers of society have been left untouched.

Targeting young people

The most brutal and immediate budget measures are being directed at young people.

The age at which unemployed are paid "Newstart" instead of the lower "Youth Allowance" will increase from 22 to 25. A 24-year-old who is unemployed will lose $2,500 per year as a result of the change. For a single person living away from home, Youth Allowance is just $414.40 every two weeks while Newstart is $510.50, condemning the unemployed to poverty on an income that is just 30 to 40 percent of the minimum annual wage of $32,039. The payment rate for both allowances will be frozen for the next three years despite a barrage of calls for them to be increased.

The regime of intimidation and harassment that already exists for the unemployed has been made even more draconian. From January 1, 2015, anyone under the age of 30 who applies for unemployment benefits will have to wait six months before they are eligible for payments. Unemployed can be ordered to relocate to take jobs. Anyone who refuses to take a job offer will be cut off benefits for eight weeks, with all appeals on the grounds of poverty abolished. All unemployed aged under 30 can be compelled to do 25 hours "Work for the Dole", serving as free labour for local councils, non-government organisations and charities.

People under 35 who receive the Disability Support Pension (DSP) will also be subjected to a far harsher punitive regime. Anyone deemed capable of working eight hours a week will have to prove they are actively seeking employment or be penalised or cut off. Thousands of people who qualified for DSP since 2008 and before new medical criteria were introduced by the former Labor government in 2012 will have to submit to a re-examination. Many who were placed on DSP due to mental illness are expected to be re-assessed as not disabled and thrown off onto the far lower unemployment benefits.

Pensions and welfare

The increase in the retirement age to 70 for all people born after 1965 symbolises the socially reactionary character of the government's agenda. From September 2017, the aged pension will no longer increase based on average male earnings but on the lower rate of inflation. More than $2.5 billion will be cut from 2018 from a range of aged care assistance programs.

Virtually every aspect of social welfare has been subjected to cuts of some description via tighter eligibility and changes to indexation.

Hundreds of thousands of middle-income families will lose access to family tax benefit payments by the lowering of income eligibility thresholds. Families will start losing Family Tax Benefit A, which pays $172 to $224 per child per fortnight depending on age, once their household incomes reach $94,316. The income threshold to receive Family Tax Benefit B, an additional payment of $102 to $146 per child per fortnight for families that have only one income, has been cut from $150,000 to $100,000 and will not be available at all once the youngest child turns 6. The government will save over $7 billion over four years through these measures.

© World Socialist Web Site

University education

The cost of university education will soar. In 2016, the income level at which graduates must begin repaying their deferred student HECS-HELP fee debt will be lowered from $51,309 to $50,638, while the interest charged on unpaid debts will rise to as high as 6 percent.

In a historic change, the budget sets in motion the complete deregulation of student fees. From 2016, universities will be able to charge whatever level of fees they wish rather than rates set by the government. At more prestigious universities, this could see the deferred fees rise from the current $6,000 to $10,000 per year to well over $30,000 per year for most courses, and over $60,000 for degrees in law and medicine. Universities will be able to charge such fees from 2020.

Healthcare

In another historic social reversal, the budget begins the process of dismantling the Medicare universal health insurance scheme, which is contributed to by taxpayers through a levy on personal incomes. The system that has prevailed since 1984, in which everyone could access medical services without up-front payments, is being ended.

From July 1, 2015, a $7 "co-payment" will be charged for all general practitioner visits and for a range of other medical services such as x-rays, blood tests and ultrasounds. Even children under 16 and people with concession cards, such as age- and welfare-pensioners, are not exempt. They will be charged the co-payment for the first 10 services they use. With the precedent of co-payments introduced, the rate will be steadily increased in future budgets.

The amount people must pay for prescription medicines under the subsidised Pharmaceutical Benefits Scheme (PBS) has also been increased by $5 to $42.50. The usage threshold—after which people can begin paying a far-lower concessional rate for prescriptions—has been increased by more than 10 percent from $1,421 to $1,597.80, and will increase by another 10 percent every year until 2018.

Even the concessional rate, paid by card holders for their first 60 prescriptions before they can get medicine for free, has been increased from $6.10 to $6.90. The number of prescriptions that they will have to pay for will increase by two every year for four years.

The billions of dollars raised by the co-payments will be funnelled initially into a medical research fund, until it has amassed $20 billion, which will provide cash hand-outs to corporations involved in the highly profitable field. Their main purpose, however, is to pressure people, especially those on the lowest incomes, into not accessing medical services and treatment.

Public sector jobs cuts

As well as 16,500 job cuts in the public service, some 35 government bodies have been shut down, including tribunals that hear complaints about government actions. Around 280 government programs have been abolished. Funding for the Australian Securities and Investments Commission, which investigates corporate fraud, has been cut by $120 million. Arts funding has been slashed by $110 million. As much as $534 million is being cut from the Department of Indigenous Affairs through "administration" savings. Funding for the state-owned Australian Broadcasting Corporation and Special Broadcasting Corporation has been cut by 1 percent. An array of state-owned assets, from the MediBank insurance scheme to defence housing and land, will be privatised.

The Abbott government has allocated over $500 million to create its "Green Army" of 15,000 young people who will be used as cheap labour to revitalise damaged agricultural land and tourist attractions. Over $100 million will be allocated to extend the welfare quarantining system—under which the state dictates at least 50 percent of what recipients can spend their welfare payments on—to more working-class suburbs and regions around the country.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site