

Inequality fuels Australian budget opposition

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Social inequality has emerged as a key issue driving intense opposition to the Abbott Liberal government's first budget brought down last week, according to opinion polls published today.

The Fairfax/Nielsen poll found that 63 percent of respondents considered the budget to be "unfair"—the highest level of dissatisfaction ever recorded for this category—while 74 percent said they would be worse off as a result of its measures.

As the budget figures are probed more deeply, the escalation of social inequality on which it is based is becoming clearer. Research by the Australian National University-based National Centre for Social and Economic Modelling (NATSEM) has found that the lower down the income scale an individual or family is situated the more adverse are the consequences.

"What's so striking about how the budget affects people is that so much of the impact is felt by low and middle-income people, particularly families with kids," NATSEM representative Ben Phillips told Fairfax media.

According to NATSEM modelling, families in the bottom 20 percent of the population will experience an average 5 percent cut in disposable income while those in the top 20 percent will suffer a cut of just 0.3 percent. The results expose the lie advanced by Treasurer Joe Hockey that so-called "heavy lifting" to cut the budget deficit would be spread across society. As Phillips noted, the budget targets "the people in the most precarious position."

The NATSEM data underscore this conclusion. Single-income families with two children, earning between \$50,000 and \$100,000, could lose more than \$6,000 a year as a result of the budget measures in addition to an earlier decision to abolish the schoolkids bonus scheme.

Single parents are also being hit. One single mother of two teenage boys said she expected to lose more than

\$3,000 a year, or 10 percent of her income, as a result of changes to family tax benefits.

One of the most vicious budget measures was the decision that people under 30 will have to wait six months before receiving the Newstart unemployment allowance. They will lose benefits of more than \$7,000. While there will be some limited exemptions, the deeply reactionary character of the measures is demonstrated by its impact on young families. A 28-year-old parent, who is the sole breadwinner, will not qualify for an exemption because his or her partner would be considered to be the carer of the children.

Echoing the mantras of the spokesmen of finance capital and the banks, who continually seek to justify their wealth on the basis of "hard work" and "reward for achievement," Abbott has said that the changes to unemployment benefits are intended to "change the culture and mindset of young people."

Hockey has said the budget is about imparting the values of hard work and enterprise. However, in addition to rising unemployment, the budget papers reveal that over the course of the next four years, some 10 skills and training programs, supposedly aimed at enhancing job opportunities for the unemployed, are going to be cut by \$1 billion.

Since 2005, the budget papers have included a table which show its impact on family well-being at different income levels. The table was not included this year.

Calculations by two academics at the Australian National University, Peter Whiteford and Daniel Nethery, show why. Using the same methodology employed in previous budgets, they reported their findings in an article published in the *Age* today.

"We find that people on benefits do the heaviest lifting. An unemployed 23-year-old loses \$47 a week or 18 percent of their disposable income. An unemployed lone parent with one eight-year-old child loses \$54 per week or 12 percent. Lone parents earning around two-

thirds of the average wage lose between 5.6 percent and 7 percent of their disposable income. A single-income couple with two school-age children and average earnings loses \$82 a week or 6 percent of their disposable income.”

A high-income couple by contrast, bringing in up to \$360,000 a year, would not lose a cent.

The report’s authors pointed out that their findings were conservative because they did not include the removal of the schoolkids bonus, which was not included as a budget item, the expected increased costs of child care, the co-payment for visits to the doctor or the impact of fuel excise increases.

Increased scrutiny of the budget measures over the past week has revealed the impact of myriad cuts across a range of programs.

Parents using family day care face the prospect that their childcare fees could rise by as much as \$35 per week as a result of budget decisions. It is estimated that some 80,000 families used the service, which is provided in the home of approved operators.

Starting from the middle of next year, \$157 million will be cut by tightening eligibility for the “Community Support Program” under which operators receive assistance.

Industry representatives have described the budget cuts as “devastating” and warned that some operators may be forced to close.

The growth of social inequality, which forms the cornerstone of the budget, is the expression of a longer-term trend. Over the past two decades, despite the absence of an economic recession in Australia over that period, the growth of income and wealth has increasingly benefited upper-income recipients.

Australia now ranks eleventh in social inequality among the more than 30 members of the Organisation for Economic Co-operation and Development, with inequality increasing markedly over the past decade and a half.

Real income for the bottom 90 percent rose by 34 percent between 1980 and 2010 while the top 1 percent experienced income growth of around 178 percent and the top 0.1 percent enjoyed an even greater return. Moreover, the gap is likely to have increased in the past four years.

Wealth data show the same trend. The top 20 percent of households have a net worth 68 times that of the

bottom 20 percent, which account for just 1 percent of total household wealth.

These social processes have largely been ignored by the mainstream media and social and economic commentators who have assiduously promoted the myth of Australia as an “exceptional” country, a land of the “fair go,” not subject to the same economic laws operating in the rest of the world.

But economic reality has clearly impacted on the thinking of broad layers of the population. Opinion poll figures are at best a limited and distorted expression of social consciousness. But the fact that almost two thirds of the population regard the budget as “unfair” is a sure sign that, as in the United States and Europe, the growth of social inequality is becoming a major political issue of the day.



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