

Australian budget targets working-class households

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26 May 2015

Two analyses of the May 12 federal budget have shed some light on its severe impact on the incomes of working-class households, as well as the cutting of billions of dollars from the welfare, health, education and other basic social services on which millions of people depend.

Released in the past few days, the two reports examine the outcomes if all the austerity measures in the 2015 budget, and last year's, were passed by the Senate. Several key cuts were blocked by Labor, the Greens and independents last year, but only because of the groundswell of public opposition to the naked assault on welfare and social spending contained in the 2014 budget.

The reports demonstrate that the majority of households—the bottom 60 percent—will lose between about \$2,000 and \$6,000 a year by 2018-19. The poorest 20 percent of families will lose the most—up to 8 percent of their disposable income. Those on middle incomes will also suffer badly, while the wealthiest households will actually gain.

This disparity further highlights the fraud of the “fairness” gloss thrown over this year's budget by the Liberal-National government and the mass media. Neither report, however, refers to the deep cuts to welfare and social spending inflicted by the previous Labor government, which established the framework for the Abbott government's measures.

In fact, the National Centre for Social and Economic Modelling (NATSEM) calculations were commissioned by the Labor opposition, which is posturing as a defender of working-class families. NATSEM's models are restricted to comparing the impact of the Abbott government's planned cuts to the supposed trajectory of Labor's proposals in its last budget, in 2013.

As an example of a poor household, a couple on a single income of \$40,000 with children (one in primary, one in high school) would lose \$110.45 a week by 2018-19, or \$5,743.14 annually—a total of \$19,521.54 over four years. That is more than 7 percent of disposable income.

It is not just the poorest households that would suffer. Many sections of the working class would lose substantial amounts. According to the modelling, a dual-income family on \$120,000 with two high-school children could lose up to \$62.92 a week in 2018-19—a total of \$11,575 worse off over four years.

Yet families on annual incomes of more than \$120,000 (approximately the top 30 percent of families) would receive a small 0.2 percent increase in their income. Some of that redistribution would result from cutting family tax benefits, which mostly go to lower-income households, in order to purportedly fund larger childcare subsidies from 2017, which will typically help better-off families.

From what has been reported by NATSEM, its calculations underestimate the effect on working-class households. That is because the modelling is based on families with two children, whereas many families are larger, multiplying the results of the stripping away of tax benefits.

The modelling included the government's plan to stop Family Tax Benefit Part B when the youngest child turns six. This move was blocked in the Senate last year, and Labor is still vowing to oppose it, claiming to reject the government's “trade-off” of better childcare payments.

Yesterday's NATSEM findings came two days after an Australian Council of Social Service (ACOSS) report showing that, taken together, the two Abbott government budgets would cut about \$15 billion over

four years from basic services and welfare if all the measures were passed.

The estimate included \$6 billion in cuts to family payments, a \$1 billion decrease in health spending, \$126 million cut from child dental programs and \$674 million from affordable housing and homelessness programs. Another \$1 billion comes from community services, including \$500 million from Aboriginal and Torres Strait Islander services and programs.

These community services are generally for the people in greatest need, such as those experiencing financial crisis or family breakdown, children at risk, vulnerable young people, new mothers and babies, people facing eviction and homelessness, carers in need of respite, those struggling with drug and alcohol addictions, and people with mental health problems.

For pensioners, the cuts include removal of federal funding for state government pension and welfare concession schemes; abolition of the Pensioner Education Supplement, which would result in losses of \$40 per week for eligible recipients, including many sole parents; and gradual extension of the retirement pension eligibility age to 70 years by 2035.

Young jobless workers would have to exist on the \$30-a-day Youth Allowance until they are 25 (previously 22) before being eligible for the Newstart unemployment benefit, which itself remains at the sub-poverty level of \$39 a day.

The NATSEM and ACOSS reports do not factor in the impact of other far-reaching budget measures, such as the freezing of Medicare rebates for doctors, which will force more GPs to charge up-front fees, and harsher assets means testing of aged pensions, which will lead to many pensioners suffering the loss or reduction of payments.

ACOSS supports the winding back of pensions. ACOSS chief executive officer Cassandra Goldie welcomed the “more sensible road to pension reform.” Labor leader Bill Shorten likewise signaled the opposition’s readiness to vote for the measure, which will lay the groundwork for further steps to scrap pensions as an entitlement, to be replaced by “self-funded” retirement.

Nor did NATSEM or ACOSS include the second-biggest cut in this year’s budget, worth \$1.7 billion over four years—a “fairness” campaign to clamp down on supposed “welfare fraud.” This measure, also

building on previous crackdowns by Labor, will involve intensified harassment of the unemployed, sole parents, the disabled and pensioners, to push them off welfare and into low-paid work.

Prime Minister Tony Abbott and senior ministers flatly dismissed the NATSEM findings, and defended the welfare cuts. Social Services Minister Scott Morrison declared: “The best form of welfare is a job.”

This response makes explicit the conscious drive to dismantle welfare entitlements. The purpose is not just to slash government spending and hence provide greater tax concessions to business and the wealthy, but to coerce jobless workers into super-exploited employment.

This is under conditions where about 800,000 people are already out of work, even on the official figures, and the budget itself forecast that the unemployment rate will rise from 6.2 to 6.5 percent by June next year.

In releasing the NATSEM data, Labor leader Shorten claimed to oppose “all the same unfairness and pain for families hidden in the fine print” of the budget. But Labor, together with the Greens, voted for the bulk of the cuts in last year’s budget, in order to prevent a political crisis, and they are preparing to vote for all the main appropriation bills again this year.

Labor’s last budget, in 2013, launched the austerity drive in a bid to satisfy the demands of the financial elite as Australia’s mining boom began to unravel. The 2013 budget set in motion a series of permanent cuts to health, education and social welfare, starting with \$43 billion worth of spending cuts and tax increases over the four years, directly aimed at working-class families and low-income earners.

Labor plunged thousands of single parents into poverty by eliminating parenting payments and forcing them onto unemployment benefits. The Rudd and Gillard governments also kept unemployment benefits at below-poverty rates, to ensure that enough workers filled the low-wage, insecure jobs offered by corporate Australia.



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