

# Australian government budgets target working class suburbs

Cheryl McDermid  
10 August 2015

The two budgets produced by Prime Minister Tony Abbott's government have most severely impacted Australia's poorest suburbs, while the richest suburbs have actually gained from them. That was demonstrated by the National Centre of Social and Economic Modelling (NATSEM) principal research fellow Ben Phillips at a conference in Canberra last month.

Phillips, the author of the NATSEM report, *Analysis of the 2015-16 Federal Budget*, said the most-affected areas were largely concentrated on western and south-western Sydney, in Mt Druitt/Whalan, Greenacre, Guildford, Bankstown, Yagoona/Birrong, Chester Hill/Sefton, Granville/Clyde, Liverpool/Warwick Farm, Bass Hill/Georges Hall. Meadow Heights in Melbourne was also on the list. These are all working class suburbs with high rates of poverty and unemployment.

The worst-affected suburb is Mt Druitt, where the official unemployment rate of 15 percent is two and a half times the national average and 57 percent of the workforce is unskilled, compared to the national average of 39 percent. Households in Mt Druitt are estimated on average to lose more than \$1,066 per year due to the measures enacted in the past two budgets. By contrast, households in Darlinghurst, named by the Australian Taxation Office as Australia's richest suburb, with a reported average income of \$177,514, will gain \$177.90 annually.

The NATSEM research underscores the fact that New South Wales (NSW), Australia's most populous state, has a high poverty rate and its capital, Sydney, the country's largest financial centre, has the worst metropolitan poverty rate.

Studies recently released by the Council of Social Service of NSW (NCOSS) revealed that 181,000 NSW children, or 1 in 7, live in poverty. NSW has a 14.6 percent poverty rate, higher than the national average of

13.9 percent. Another 500,000 people are at risk of poverty, living on less than 60 percent of median income. Sydney's poverty level stands at 15 percent. The median house price in Sydney has just exceeded \$1 million, placing home ownership beyond the reach of millions of its residents, particularly young people and low-income families.

Even these figures mask the desperate situation confronting families living in working class and rural and regional areas. A western suburb of Sydney, Auburn, has a child poverty rate of 26.1 percent and nearby Canterbury has 25.6 percent. Brewarrina, a remote town in north-western NSW, records 31.8 percent, while in northern NSW, Kyogle has 28.2 percent and Tenterfield 27.9 percent.

The NATSEM report's budget modelling shows a total of \$18 billion in savings and tax increases (over the forward estimates) when the government's 2015-16 Budget is combined with its 2014-15 measures yet to pass the Senate. It reports: "The bottom 20 percent of income households account for 33 percent of these savings while the top 20 percent only account for 7 percent. As a share of income the bottom 20 percent lose around 3 percent while the loss for the top 20 percent is negligible (-0.1 percent)."

Single parents bear the brunt of the losses sustained by the budget measures, losing 5.5 percent of disposable income followed by low-income couples with children, who will lose 3.9 percent. Eighty-nine percent of couples with children in the poorest quintile are worse off due to the impact of the budget, with only 8.6 percent of the richest quintile being adversely affected.

The NATSEM research seeks to "differentiate the trajectory of the previous Labor Government and that of the current Coalition Government taking into

account measures announced in the 2015-16 Budget.”

This promotes the illusion that there exists some difference between the budgetary policies of Labor and the Liberal-National coalition. The last Labor budget in 2013 imposed \$43 billion in permanent cuts to health, education and welfare, measures designed to be continued and deepened by whichever party that was in power.

The budget measures modelled by NATSEM include the removal of the Family Tax Benefit B (FTB) from families with children over 5 years of age, instead of 16 years, as well as the reduction of the FTB special supplement to \$750, an FTB payment freeze for two years, and the reduction of the FTB B income earning limit from \$150,000 to \$100,000 per year. Other measures include the removal of large family supplements, the shifting of Newstart Allowance recipients under the age of 25 to the lower Youth Allowance, pension asset test changes, the removal of the Pensioner Education Supplement and more stringent eligibility tests for the child care package.

The negative impact of the measures increases year on year. Figures compiled by the *Sydney Morning Herald* show that a family headed by a sole parent on an annual income of \$55,000 with two children, one in primary school, one in high school, would lose \$3,714.86 in 2015-16, \$4,865.38 in 2016-17, \$5,959.72 in 2017-18 and \$6,107.80 in 2018-19, totalling \$20,647.76 over the four years. A couple on a single income of \$65,000 with two children will fare slightly worse, losing just under \$21,000 over the same period, or \$118.55 per week by 2018-19.

The budget introduced a new asset test that increased the cut-in point for aged pension reductions and also tapered the pension away more quickly. This was justified on the basis that “millionaire pensioners” had to be driven off the pension. As the report reveals, of the 3.1 million pensioners in Australia, only 8,400 have assets more than \$1 million. In fact, the purpose of these measures is to create the conditions where more savage cuts to pensions can be carried through in future.

Some pensioners will be marginally better off, with median gains of \$800 per year, but more than twice as many pensioners will lose, and their median losses will be five times greater, or \$4,492 a year. There is a far direr situation for poorer pensioners. Those in the

lowest income quintile who are adversely affected will lose \$5,390 per year, with those who gain getting \$875.

The new work test requirements for the child care package also adversely affects the poor and those looking for work, whereas families on incomes of more than \$185,000 gain because the per-child cap subsidy of \$7,500 increases to \$10,000. The impact on low-income families is almost 11 times greater than that of the richest quintile. This is under conditions where child care prices have risen by 35 percent over the past seven years, far higher than inflation.

While the NATSEM research highlights the vastly unequal impact of the budgets, it actually underestimates their consequences. The report calculates losses on families with two children only, whereas the impact is multiplied for larger families, due to the elimination of per-child tax rebates. The research also excludes the month’s delay in young people receiving Newstart allowances, and the freezing of Medicare rebates, which will force many doctors to charge up-front fees. Nor does the report include the government’s campaign against so-called “welfare fraud,” slated to save \$1.7 billion over four years.

Labor and the Greens have postured as opponents of some of the budget measures. But they have helped pass, piece-by-piece, key elements, including the pension cuts, through backroom deals, done as surreptitiously as possible to avoid any scrutiny. Above all, they have supported the main budget appropriation bills, opposing any move to block the budgets, which would provoke a political crisis and threaten the implementation of the austerity program.



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