

# Australia: Labor Party helps government slash welfare

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In a display of bipartisan unity, the opposition Labor Party yesterday unveiled an agreement with the Liberal-National Coalition government to impose \$6.3 billion worth of cuts to social spending over the next four years. The measures will severely affect working-class families, the unemployed, students, immigrants and the aged.

The deal ensures the passage of the first bill—the so-called omnibus budget bill—proposed by Prime Minister Malcolm Turnbull’s government since it narrowly escaped defeat at the July 2 election. With a majority of just one seat in the lower house and only 30 seats in the 76-member Senate, the Liberal-National Coalition government must depend on Labor and/or the Greens to enact any legislation.

The Coalition-Labor pact sends a wider signal to the financial elite: Labor will try to shore up the fragile political establishment and deliver the austerity measures demanded by big business, even in the face of strong popular opposition to the slashing of welfare, health, education and other critical social programs.

Thanks to Labor’s suggested changes to the bill, it exceeds the \$6.1 billion in cuts originally proposed by the Coalition. The biggest cut of all, \$1.7 billion, will cost 390,000 families—more than a million people—annual family tax benefits worth \$726.35 for every child. This measure, which Labor had claimed to strenuously oppose since it was contained in the government’s 2015 budget, will affect thousands of working-class households whose combined incomes exceed \$80,000—not far above the average full-time wage of about \$75,000.

The agreement was struck on the eve of the first anniversary of Turnbull’s ouster of Tony Abbott as prime minister. This allowed Turnbull to claim that his precarious government can impose deep cuts. He said

there were “frank, constructive negotiations” in good faith and the omnibus bill “demonstrates that we are delivering on our economic plan.”

Treasurer Scott Morrison said the outcome would give him a “good story to tell” when he met the global credit ratings agencies in New York soon. The agencies have threatened to strip Australia of its AAA credit ranking unless the government quickly proves its capacity to eliminate the budget deficit, currently almost \$40 billion a year, by 2020–21.

Business leaders hailed what the *Australian Financial Review* labeled a “landmark deal,” as a “positive start” to the new parliament. But they reiterated that the cuts are only a fraction of the cuts to living standards that must be inflicted. The \$6.3 billion omnibus bill will slice less than 7 percent from this year’s budget deficit. Today’s *Australian Financial Review* editorial branded the measures “rats and mice compared to the elephantine task of reining in the deficit.”

Despite the claims of Turnbull and Morrison, this week’s deal underscores the government’s dependence on Labor, which is determined to prove to the markets that it can more reliably impose their agenda on the population. The omnibus bill measures were prioritised precisely because Labor committed to back them during the election campaign.

Far bigger instalments are yet to come. Before the election, Labor abandoned promises to oppose budget cutbacks totalling an estimated \$33 billion over the next four years, as well as hospital funding savings of \$57 billion over 10 years.

The omnibus bill itself makes a mockery of Labor leader Bill Shorten’s claims to oppose the government’s “unfair” cuts. “Today is a win for families on low incomes,” he proclaimed. In reality,

only the most blatantly cruel and unpopular measure was modified—cuts of up to \$7.05 a week for welfare recipients were kept in place for only three of the 19 kinds of benefits. The overwhelming burden of the cuts still falls directly on workers, young people and the poorest members of society.

Apart from the family tax benefit cuts, the omnibus bill contains 21 major measures. Among the most regressive aspects of the bipartisan deal are the following:

- Cutbacks to baby bonuses worth \$1,000 a year for eligible families with a youngest child under one year (\$367 million over four years).
- Aged care cuts, including harsher means testing of pensions for aged care home residents (\$198 million).
- Abolition of backdating for carers allowances (\$109 million).
- Tougher debt recovery and punitive 9 percent interest rate charges on unpaid welfare debts (\$545 million).
- Job seeker bonuses to assist the unemployed find work scrapped (\$242 million).
- A two-year waiting period for welfare payments for all newly-arrived migrants (\$313 million).
- Higher thresholds for health insurance rebates (\$381 million).
- Student start-up scholarships scrapped (\$298 million).
- Cuts to HECS-HELP fee subsidies for tertiary students, including all students having to repay debts once they start earning \$51,956 a year—about \$3,000 lower than present (\$25 million).
- Tertiary education funding cuts (\$55 million).

The calculations behind Labor's posturing as being concerned for "fairness" were exposed by media reports that the party's misnamed "Left" faction, led by former Deputy Prime Minister Anthony Albanese, warned Shorten that cutting welfare payments outright would lead to a backlash as when the previous Gillard Labor government cut single parent payments. That decision became a factor in Labor's landslide defeat in 2013.

Likewise, the Greens are acutely aware of the popular hostility to the austerity measures that successive Labor and Coalition governments have been unable to fully implement. They are anxious to act as a political safety valve for the parliamentary establishment to head off

outrage over the Labor-Coalition pact and its measures.

The Greens criticised aspects of the agreement, while pleading for Labor to instead "join with" the Greens to devise "fairer" means of meeting the requirements of the financial elite. Greens leader Senator Richard Di Natale complained of the "dirty deal" stitched up between Labor and the government. His main criticism, however, was that \$460 million would be cut from the Australian Renewable Energy Agency, which provides subsidies for the "clean energy" business operators who form part of the Greens' constituency.

A year on from Abbott's removal, Turnbull's government faces an escalating drumbeat from the corporate and media elite for much harsher measures, not just to slash social spending but to implement its promised \$14 billion-a-year company tax cuts and further drive down workers' wages and conditions. This agitation has increased as Australian capitalism's economic situation continues to worsen, with another fall of more than 15 percent in corporate investment over the past year, under the impact of global stagnation.

Today's *Australian* editorial gave both the government and Labor their marching orders. It welcomed "the sort of major party co-operation on fiscal repair this newspaper has been advocating" but added, "we are not dewy-eyed about future prospects. The fiscal repair task is at least tenfold larger than these measures deliver."

Labor's pact with the government underscores the warnings made by the Socialist Equality Party during the election that whichever of the two parties formed the next government, the working class would face a deeper offensive on jobs, conditions and basic social rights.



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