

Australian government withdraws “omnibus” bill but cuts childcare

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Confronted by mounting popular opposition to its plans to slash welfare and other social programs, the Liberal-National Coalition government last week abandoned its “omnibus” bill unveiled in February to try to impose more than \$13 billion in “zombie” cuts that have remained deadlocked in the Senate since its 2014 budget.

This represents an intensification of the crisis of Prime Minister Malcolm Turnbull’s government. The corporate and media establishment is increasingly frustrated with the Coalition’s failure to push through deep cuts in social spending and lower company taxes. Media opinion polls show it would be defeated in a landslide if an election were held now.

With opposition and “crossbench” senators terrified of a public backlash if they voted for the omnibus bill, the government last week de-coupled the bill from childcare measures that deliver about \$2.4 billion in budget cuts over two years. This is less than a fifth of the value of the planned inroads into unemployment benefits, pensions, family tax benefits and other entitlements stalled since 2014.

In a bid to prove to the ruling class it could ram some cuts through parliament, the government worked with right-wing populists in the Senate, particularly Senator Pauline Hanson’s anti-immigrant One Nation Party and Senator Nick Xenophon’s South Australian-based protectionist Nick Xenophon Team, to stage two late-night sittings last week to pass the childcare package.

Turnbull was installed more than 18 months ago—in September 2015—to replace Tony Abbott as Liberal Party leader and prime minister claiming that he would be able to provide effective economic management. But he has proved no more capable than his predecessor of gutting welfare benefits and inflicting the other measures demanded by the financial elite to slash the

budget deficit.

Turnbull’s bid to break through the parliamentary impasse by calling a double dissolution election last July backfired, leaving the government with a one-seat majority seat in the lower house and a minority of only 30 seats in the 76-member Senate (reduced this year to 29 by the defection of Cory Bernardi to form the Australian Conservatives). Since then, the government has relied on the votes of the Hanson and Xenophon groups, which falsely postured as anti-establishment parties, to get most of its legislation passed.

Last week’s childcare manoeuvre underscored both the political crisis and the reactionary character of all the budget measures, which seek to make the working class pay for the deteriorating situation facing Australian capitalism. The government struck deals with Hanson, Xenophon and two other right-wing senators, Liberal Democratic David Leyonhjelm and “independent” Derryn Hinch, to get the numbers for a package of two bills.

The first bill will cut the incomes of about 1.5 million households by freezing the rate of the family tax benefit for two years. This will hurt working families, already struggling with soaring utility and housing costs, falling wages and losses of full-time jobs or part-time working hours.

The second bill will marginally increase childcare fee subsidies for some families where both parents are working but will drastically cut the number of hours of childcare available for some of the poorest households, hit by rising unemployment and under-employment. The number of subsidised hours will be halved from 24 to 12 per week for families earning \$65,710 or less per year, unless both parents pass an “activity test.”

The test requires them to be working, training, studying or undertaking a “recognised activity” for at

least four hours a week—barring parents who are out of work or unable to secure four hours' work a week. An estimated 100,000 families will be affected. Education Minister Simon Birmingham arrogantly declared that unemployed parents could meet the test by volunteering for activities “that can be as simple as coming and reading to children at your pre-school.”

Aware of the widespread discontent, the government attempted to present the package as a “fairness” measure by raising the maximum childcare subsidy to 85 percent for households on \$65,710 or less, who meet the activity test, up from their current rate of 72 percent. The maximum rate will taper down from 85 percent to 20 percent for households on between \$65,710 and \$350,000, then cut out altogether.

For all the “fairness” rhetoric, many wealthier households will benefit. For families earning more than \$185,000 a year—among the top 10 percent of income recipients—the subsidy cap will be lifted from \$7,500 per child, per financial year to \$10,000.

Turnbull last week visited a childcare centre to promote the bill as the “biggest reform” in childcare for many years. “This package backs hardworking Australian families—those with the greatest need and working the most hours get the most support,” he said.

In reality, the package seeks to push more working class parents into low-paid work, while appearing to address the concerns of millions of families where both parents are forced to work to make ends meet, leaving their children in day care centres for up to 50 hours a week. Another aim is to fatten childcare profits.

With parents paying up to \$190 a day for childcare places, and fees rising by almost 7 percent a year, childcare is big business. Profit-making operators and their landlords are now making more than \$1 billion in profits annually, with childcare workers among the lowest paid in the country.

Eight years after the collapse of ABC Learning, once the biggest childcare provider in the world, corporate interests are expanding in the sector. Research analysts rate childcare “an investment-grade asset.” About half of all childcare services (including out of school hours care and family daycare) are provided by for-profit businesses, according to the Productivity Commission. In long day care, where 660,000 infants are, nearly two-thirds is delivered on a for-profit basis.

At the end of last week, under growing criticism from

big business, Turnbull affirmed his government's intention to try to push sweeping company tax cuts through parliament this week, which is the final session before the federal budget, due on May 9. However, there is speculation that the government will do another “fairness” deal in the Senate and initially only legislate the tax cut for businesses turning over up to \$10 million a year.

Corporate chiefs are complaining that since the Coalition took office in 2013, following the heavy defeat of the previous Labor government, the budget deficit has blown out to nearly \$40 billion a year and the net government debt has more than doubled from \$152 billion to \$317.2 billion. Large areas of the country, including former mining-dependent regions, are in recession, reducing tax revenues.

Monday's editorial in the *Australian* sounded another demand for the government, and the entire political establishment, to impose harsher austerity measures. “Politicians on all sides must accept that current government spending is unsustainable,” it declared. “Ahead of the May budget, that reality needs to be central to the national political conversation if expectations of what governments can provide are to be reduced.”

If Turnbull cannot satisfy these demands, the future of his government is highly uncertain.



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