Australian government “balances” budget at expense of disabled

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A temporary spike in international iron ore prices and a $6.4 billion “underspend” on disability and other welfare services enabled the Liberal-National government to declare last week that it had almost eliminated the federal budget deficit for the first time since the 2008–09 global financial breakdown.

The outcome illustrates the ongoing transfer of wealth to the financial elite at the expense of the working class, particularly its most impoverished and vulnerable layers. In effect, successive Liberal-National and Labor Party governments have imposed the burden of the 2008–09 crash on the back of the working class, even as another global economic crisis develops.

Most of the budget deficit, which peaked at more than $50 billion in 2009–10, was incurred by the last Labor government in order to prop up and guarantee the solvency of the banks and finance houses, including by boosting government infrastructure spending. Over the past decade, that cost has been extracted mainly via reduced social spending.

Treasurer Josh Frydenberg revealed last Thursday that the deficit for 2018–19 fell to $690 million, or 0.03 percent of the economy’s output. He declared the budget was “back in balance.” This was said by the corporate media to be a “big improvement” on the $14.5 billion deficit predicted by the government at the time of the May 2018 budget.

The result was perverse, however. Higher corporate profits, boosted by falling real wages for most workers, pushed company tax collections $4.6 billion higher. Much of the revenue rise was also thanks to the iron ore price averaging $US72 a tonne, compared to a forecast of $US55. This surge, which peaked at $US110 a tonne in July, was due to a catastrophic iron ore dam collapse at a Vale project in Brazil that killed more than 300 people and cut global iron ore production.

The budget figures underscored the reality of falling living standards. There was a $2.3 billion drop in the predicted goods and services tax (GST) revenue, reflecting lower wages and consumer spending. Total indirect taxation revenue, which includes GST, petrol, alcohol and tobacco taxes, was down almost $5 billion compared to the May 2018 estimate, due to reduced spending by working-class households.

In addition, the government “saved” $4.6 billion by underfunding the National Disability Insurance Scheme. It also made lower GST payments to the states and territories ($1.4 billion), cut outlays from the DisabilityCare Australia Fund ($1.3 billion) and reduced family tax benefit payouts ($0.7 billion)—making a total of $6.4 billion taken from social programs. Stagnant wages also resulted in lower wage-indexed welfare payments to the unemployed and pensioners, many of whom live in poverty.

The budget “balance” was achieved despite the economy growing by only 1.9 percent during the financial year—the deepest slump since the global financial crisis. This is part of a deepening worldwide downturn, compounded by the intensifying trade and economic war launched by the US against China and the collapse of a six-year housing bubble.

The slide toward recession has continued even though the central bank has cut official interest rates to a record low of 1 percent. Car sales and other retail spending indicators have continued to fall. Expecting worse to come, the financial markets are banking on further rate cuts, perhaps to 0.5 percent by next year.

Frydenberg credited the government’s “strong fiscal management” for the elimination of the budget deficit, pointing to higher-than-expected jobs growth. But most of the growth has been in part-time work, at the expense of full-time and permanent jobs. Official figures from the Australian Bureau of Statistics showed full-time jobs decreased by 15,500 and part-time employment increased by 50,200, in seasonally-adjusted terms, during August.

Even these understated official figures showed that the jobless rate climbed from 5.2 percent to 5.3 percent in August. Another 8.6 percent of the workforce is "underemployed"—that is, looking for more work—taking the total of unemployed and underemployed workers to almost two million.

The workforce participation rate—those working or actively looking for a job—increased to another record high of 66.2 percent, up from 66.1 percent. Much of the increase is due to more women and older workers seeking work out of financial necessity.

Frydenberg claimed that the underspend on the NDIS was due to "slower than expected" transition of participants into the NDIS and lower utilisation of participants' individual support packages. "[I]t's taken a bit more time for the service provider market to develop sufficiently to meet the available demand it has taken," the treasurer said. He denied any decision to cut funding.

This is a fraud. The privatised "market" set up by the previous Labor government was always intended to block or discourage thousands of disabled people and their carers from obtaining care packages from outsourced providers. Questioned about the issue, Finance Minister Mathias Cormann said 115,000 extra people had joined the NDIS program, taking the total to about 300,000, but admitted there were another 200,000 people waiting.

NDIS service provider workers and ex-workers have revealed severe staffing shortages in the NDIS system, together with the switching of NDIS provider contracts to organisations that are understaffed or have a record of denying applications for NDIS services.

The Labor Party's shadow minister for government services, Bill Shorten, said the government had improved the budget outcome by "tightening the taps of the NDIS." This was "a national shame" and "disgrace." But Shorten, a key minister in the 2007–13 Labor government, was an architect of the NDIS and helped lay the foundations for such a market-driven disaster.

While NDIS spending and staffing levels have been suppressed, the National Disability Insurance Administration (NDIA), which runs the scheme, has handsomely rewarded corporate consultants. It paid contractors $316 million in 2016–18, during the first two financial years in which the full NDIS "roll-out" began. One company alone, McKinsey and Company, was paid more than $25 million for designing the NDIS corporate plan, payment program and pricing policies.

This highlights once again the enrichment of the financial elite, at the expense of the working class, as a result of the privatisation of disability services initiated by the last Labor government.