

# Australian budget to slash taxes for the rich while hitting workers

Mike Head  
3 October 2020

Behind all the words about “creating jobs,” next Tuesday’s pandemic-delayed federal budget in Australia will have one central aim. That is to intensify the imposition on working-class households of the devastating impact of the deepest global economic meltdown since the 1930s Great Depression, while boosting corporate profits and private wealth.

The Liberal-National Coalition government began that drive last week by reducing JobKeeper wage subsidies and JobSeeker unemployment payments to poverty levels. That is designed to coerce the five million recipients into low-wage employment on drastically worse conditions. Then, another attack occurred this week—a public sector wage freeze in the most populous state, New South Wales, on top of federal and Queensland pay freezes.

At the same time, the budget will feature huge income tax cuts for the wealthiest layers of society and a plethora of new business tax concessions. These will add to the estimated \$400 billion already handed out since March to the corporate elite in subsidies, cheap loans and other “support packages” by federal and state governments.

Whatever the plans of the ruling elite, however, this is a crisis budget like no other in living memory. Much worse is to come.

Just over a year ago, the government boasted that it would produce a budget surplus in 2019–20 for the first time since the global financial breakdown of 2008–09. The Liberal Party even started selling coffee mugs with “back in black” emblazoned on them.

Very quickly, the \$5 billion cash surplus for 2019–20 forecast last December turned into an \$85 billion deficit. Likewise, the pre-pandemic estimate for 2020–21 was a \$6 billion surplus but on Tuesday the estimate will be for a cash shortfall of over \$200 billion.

Already postponed by five months because of the worldwide COVID-19 disaster, all the projections in the budget will be even more misleading and falsely

optimistic. Every estimate is overshadowed by the uncertainty and instability produced by the public health and economic breakdown, compounded by the intensifying political crisis surrounding the presidential election in the United States, the headquarters of global capitalism.

In the words of one *Australian* correspondent today: “There has never been a budget like the one [Treasurer] Josh Frydenberg will reveal on Tuesday. It will have a million moving parts, an Everest-like debt profile and economic forecasts as wobbly as jelly.”

Further budget deficits ahead are expected to lift federal government debt over \$1 trillion by 2023. The resulting “budget repair” demanded by the financial elite will mean deeper cuts to public health, education and other social spending, on top of decades of chronic under-funding.

To add to the crisis, Frydenberg dropped two political bombshells yesterday when conducting a round of pre-budget interviews with journalists. The first was that the government expects young workers to face, on average, 8 percent lower wages in the coming year—that is, if they can find work in the “gig economy.”

That is just a pale indicator of the wider assault on working-class wages and conditions. Big business and its governments, assisted by the trade unions, are seeking to exploit the pandemic to further restructure class relations, on top of sweeping cuts to jobs and basic working conditions that have already been imposed.

The budget will seek to accelerate that offensive by offering unemployed workers an incentive to take low-wage fruit picking jobs, in an effort to cover the loss of highly exploited overseas backpackers. JobSeeker recipients will be allowed to earn up to \$300 a fortnight without losing any of their benefit, which has been cut to \$815.70 per fortnight for singles and will be further reduced on December 31.

Frydenberg’s second admission was that the

government now expects a net outflow of population over the next two years at least, ending the country's main source of economic growth since the end of World War II. The budget will include a "revision" of the net overseas migration rate, which just last July was expected to fall from 154,000 in 2019–20, to 31,000 in 2020–21.

That drop was predicted to reduce by 230,000 the number of new dwellings to be built, throwing many more construction workers on the dole queues. But now "more people will be leaving Australia than coming in," Frydenberg said. "This is the first time since 1946 that this has happened."

Frydenberg said "budget repair" would begin when the official unemployment rate dropped below 6 percent. That would still mean almost two million workers out of work, or not getting enough work, including nearly 660,000 young workers aged 15 to 24.

Cynically, the budget will be labelled "The JobMaker." But its centrepiece will be the bringing forward of already legislated income tax cuts, supposedly to stimulate consumer spending.

These handouts will further boost the fortunes of the top 5 percent of income recipients. According to tables attached to the original plan for 2024, they will give a dual-income household on \$400,000 an annual tax cut of \$23,280, while a single person on \$30,000 will receive just \$255, or \$5 a week.

Millions of low-paid workers, students and welfare recipients will get nothing. Instead, their JobKeeper and JobSeeker payments are being gutted.

Announcements over the past two days have indicated that business, primarily big business, will get yet more tax cuts and other handouts in the budget.

Prime Minister Scott Morrison on Thursday outlined grant funding of \$1.4 billion to boost "six priority sectors" of manufacturing, mostly to help "commercialise" ideas, generate "economies of scale" and fix "vulnerabilities" in global supply chains. He also flagged larger research and development subsidies.

The six priorities are strongly related to preparations for wartime conditions amid the government support for the escalating US confrontation with China. They are "resources technology and critical minerals processing, food and beverage, medical products, recycling and clean energy, defence and space."

Yesterday, Frydenberg foreshadowed fringe benefit tax exemptions for all businesses supposedly retraining or reskilling workers who face redundancy, and for small and medium businesses who supply items such as laptops

and phones to workers.

In addition, businesses with turnovers between \$10 million and \$50 million will be entitled to 10 tax concessions now only available to small businesses. These payouts will be retrospectively backdated to July 1. Eligible businesses will be able to immediately deduct certain start-up expenses and prepaid expenditure.

Despite these handouts, the financial elite is demanding more, and a faster turn to "budget repair" austerity measures. An *Australian Financial Review* editorial on September 30 said the government's promise to delay spending cuts for now was "good politics, and stops critics from slapping on the damaging austerity tag."

But the newspaper complained that waiting for unemployment to fall before imposing austerity "looks too much like the economic equivalent of insisting that virus infections be eliminated forever." In the sentence, the editorial gave voice to the twin demands of the financial aristocracy: get all workers back into workplaces, regardless of the COVID-19 risk, to generate profit, and make the working class pay for the health and economic catastrophe.

The editorial further insisted that a "determined and resolute government" must remove "inflexible workplace rules and inefficient taxes."

As recent developments have underscored, in order to fight this assault, workers and youth need to make a complete political break from the Labor Party opposition and the unions. These apparatuses are doing their utmost to help deliver the ruling class's demands. Behind the backs of workers, for four months the unions have pursued "confidential" talks with the government and employer groups on "industrial relations reform." Labor leader Anthony Albanese gave a "vision" speech this week, echoing the call for budget "discipline" and "back to work."



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**