

Poverty to soar after Labor backs Australian budget

Mike Head**12 October 2020**

Thanks to the Labor Party opposition's support, the Liberal-National Coalition government's budget tax handouts, which funnel billions more dollars into the pockets of the corporate elite and wealthy individuals, were passed last Friday.

It took less than three days to push the \$50 billion worth of business tax concessions and income tax cuts through both houses of parliament. Under the cynical slogan of creating "jobs, jobs, jobs," the two ruling parties imposed another dramatic shift in favour of the rich, at the direct expense of working class households.

Prime Minister Scott Morrison boasted of the outcome, saying the tax cuts formed the backbone of the budget. "This was all in the budget speech on Tuesday night from the treasurer, and it's law on Friday. This is real change," he said.

The swift passage of the budget's key measures demonstrates a close political partnership. Whatever their tactical differences, the Coalition and Labor agree on using the mass unemployment and acute social distress triggered by the still-worsening global COVID-19 pandemic to further restructure economic and social relations in the interests of the capitalist class.

It is no wonder that the sharemarkets, corporate boardrooms and financial media are rejoicing in the budget's "tsunami" of investment incentives, tax write-offs and cheap labour wage subsidies—all agreed by Labor.

What is not being reported, however, is the further widening of the gulf between the super-rich and the vast majority of ordinary people.

The bipartisan lineup, in response to the most colossal economic breakdown since the 1930s Great Depression, is already throwing hundreds of thousands more people into poverty and coercing jobless workers, especially the young, into insecure, low-paid work.

According to Foodbank Australia's hunger report,

released today, demand for food relief has risen by 47 percent, on average, since the pandemic began. The soaring toll has been driven by emergency assistance requests from international students, visa holders and casual workers, more than two million of whom continue to be denied wage subsidies or welfare payments.

The severity of hunger has also worsened. Currently, 43 percent of all food insecure people are going a whole day without eating at least once a week, compared to 30 percent in 2019. Last year, 15 percent of people experiencing food insecurity were seeking food relief at least once a week. In 2020, this has doubled to 31 percent.

Wider layers of the working class are affected as well. Almost a third of people suffering food insecurity in 2020 (28 percent) had never experienced it before COVID-19.

This social catastrophe will worsen in coming months. The budget confirmed the slashing of wage subsidies and welfare payments that had kept about five million households barely surviving since March.

Australian National University (ANU) modelling estimates that 740,000 more people have already been thrown into poverty—even by a conservative measure—through cuts to JobKeeper and JobSeeker rates. As a result, almost 16 percent of the population, or more than 4 million people, are living in poverty.

At the end of last month, JobKeeper wage allotments were cut from \$750 a week to the minimum wage level of \$650, while the JobSeeker dole rate was reduced from \$650 to the poverty-level of \$400. JobKeeper will be eliminated by March. On December 31, JobSeeker is due to revert back to the pre-pandemic level of just \$40 per day.

According to the ANU modelling, the number of people in poverty, after housing costs are included, is set to rise to 5.8 million, or about a quarter of the population, once these cuts are complete.

In the lead-up to the budget, charities and other groups

campaigned for a government commitment, in the budget itself, not to reduce JobSeeker—on which 1.6 million people currently depend—to the pre-COVID level. Their pleas fell on deaf ears.

Buoyed by Labor's support for the budget, Treasurer Josh Frydenberg yesterday reiterated that no decision would be made before December on whether to go back to \$40 a day. That would depend on the “labour market dynamics” closer to Christmas.

In other words, the rate will be calculated on the basis of pushing jobless workers into cheap labour. This is part of the broader bipartisan “return to work” drive, regardless of the danger of COVID-19 infection and the resurgence of the pandemic, as seen across Europe, India and the US.

Frydenberg further ruled out “saving” all the jobs and businesses kept afloat by the JobKeeper scheme. “Some business will not survive and some jobs will be lost,” he declared. Even by Christmas, unemployment and underemployment are expected to deepen.

This is a deliberate offensive to gut wages and working conditions. In another “backbone” of the budget, employers will be offered a total of \$4 billion to hire unemployed workers aged up to 35. Businesses will receive a weekly subsidy of up to \$200 to pay half of what will be the minimum wage.

Employers will need to employ recipients for only 20 hours a week, permitting them to double their reward to \$400 a week, while reducing young workers to half-time employment. Predictably, employers will exploit the scheme to replace older workers with super-exploited youth.

With Labor's blessing, big business will benefit from a plethora of corporate tax concessions in the budget, on top of the more than \$400 billion handed to it, by federal and state governments since March, in wage subsidies, “support” packages and cheap loans.

To camouflage the bonanza for the wealthy elite, the government, Labor and the corporate media have claimed that “around 11.6 million Australians” will feel some quick benefit from the budget. But new analysis from the National Centre for Social and Economic Modelling has found that some households will receive as much as 10 times more from the budget than others.

Via income tax cuts alone, a household of two high-income recipients with no children will receive a benefit of \$4,860 annually, while another childless household, where one is a low-income earner and the other is unemployed, will receive \$500.

In fact, the gap is even wider, because the jobless

receive nothing. A household with no children where both adults are unemployed will see no benefit. Moreover, the tax cuts for those on less than \$90,000 a year (almost double the median wage of \$57,000) last only one year.

Frydenberg yesterday reaffirmed that the government remained “fully committed” to \$130 billion worth of income tax cuts left out of the budget, but due to commence in 2024. Labor voted last year for these “stage 3” cuts, which will give a dual-income household on \$400,000 an annual tax cut of \$23,280.

Buried in the budget papers is a range of social spending cuts, showing that the process of making the working class pay for the \$1.8 trillion government debt, expected by 2030-31, is well underway. These include:

- a \$41 million cut in the National Housing and Homelessness Agreement from 2021/22.
- \$1.4 billion in savings through “streamlining” employment services.
- total expenditure on recreation and culture to be reduced from \$4.364 billion this year, to \$3.9 billion in 2023-24.
- a \$14 million cut to the Australian National Audit Office, which is meant to scrutinise government spending.
- a cut in the annual refugee intake from 18,750 to 13,750, combined with halving the funds for supporting people seeking asylum.

With Labor's support, the budget included no extra money for aged care facilities, where chronic under-funding and under-staffing contributed to 677 of the nearly 900 COVID-19 deaths officially recorded in the country so far.

Labor's political assistance to the government takes to a new level the *de facto* coalition formed by the establishment of the unconstitutional “national cabinet” of Coalition and Labor leaders on March 13. More fundamentally, it flows from the decades of service provided to the ruling class by successive Labor governments.



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