Australian government slashes minimal pandemic subsidies for workers and unemployed

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Scheduled cuts to federal subsidies for welfare recipients and workers in pandemic impacted industries came into effect with the new year, in the latest salvo of a government-corporate offensive against the social conditions of working people.

The reduction of the JobKeeper and JobSeeker payments is forecast to send hundreds of thousands more into poverty, amid the global economic slump triggered by COVID-19, and a continuing worldwide surge of the pandemic.

The cuts form part of a broader austerity offensive being enforced by Labor and Liberal governments at the state and federal levels, the trade unions and the largest corporations. All of them are seeking to impose the burden of the crisis on working people, as well as exploiting it to accelerate pro-business economic restructuring.

Under the JobKeeper program, eligible businesses, as well as some sole traders, have been provided with a fortnightly payment to cover part of their wages' bill. The subsidy was initially capped at $1,500 per fortnight for each employee working over 20 hours a week. That was reduced to $1,200 in September and $1,000 on January 4. For part-time employees, with fewer than 20 hours a week, the payment has been slashed from $750 a fortnight to $650.

The changes will impact around 1.5 million workers, after 3.5 million were forced off JobKeeper in the final three months of last year. Employers will seek to pass on the cut by slashing wages, reducing workers hours and enforcing redundancies.

In comments to the Australian Broadcasting Corporation earlier this week, Jaymee Langrehr, a young hospitality worker in South Australia, explained that when JobKeeper was first cut in September, her hours were drastically reduced. "Suddenly, after doing 25 to 30 hours I was down to 10 to 15," she said. "If things got busy and we had to stay back to clean, we would get in trouble because we stayed past what JobKeeper paid us for and they had to pay us out of pocket."

While the breakdown of workers who remain on JobKeeper is opaque, many work in hospitality and other service sectors. Under conditions of a new spate of COVID-19 infections in Sydney, the country's most populous city, and the reemergence of cases in Melbourne, businesses in hospitality, retail and related industries will again seek to drive down their labour costs, at the expense of workers, following the JobKeeper cut.

The impact that the cut will have was underscored by an Australian Bureau of Statistics survey on household expenditure, released last month. It found that, in the final months of 2020, 72 percent of JobKeeper recipients were receiving less income than prior to the pandemic, with 20 percent reporting a stable income and only 9 percent indicating that they were receiving higher wages than before the crisis.

Around 78 percent said they had spent a substantial portion of the subsidy on household bills, 63 percent reported using the income for their grocery purchases and 54 percent in order to cover rent or mortgage payments. Almost a quarter had allocated some of the payment to debt, and more than a fifth used it for medical expenses.

The immediate impact of the reduction will be magnified by the ending of JobKeeper altogether in late March. A relaxation of legislation, which effectively allowed businesses to continue to trade while insolvent, concluded on January 1. Combined with the reduction, and then abolition, of the JobKeeper payment, some financial commentators have warned that this will result in an avalanche of small business closures and job losses.

Modeling by the Australian Housing and Urban Research Institute has indicated that in a mild, baseline scenario official unemployment could surge from the current 6.8 percent to 8.7 percent with the conclusion of JobKeeper. In a more severe scenario, the rate would jump to 15.1 percent, accounting for more than 1.7 million out of work.

Official figures, however, grossly understate the scale of the jobs crisis. The federal Liberal-National government has touted employment data indicating that some 75 percent of jobs lost at the beginning of the coronavirus crisis have been restored. However, around 85 percent of those are part-time positions, while only one in three full-time jobs have been restored. At least a third of young workers are either unemployed or underemployed.

The social impact of the mounting jobs crisis will be intensified by the reduction of the JobSeeker supplement, paid on top of meagre allowances, from $250 per fortnight to $150. The payment was halved in September, before being cut at the beginning of this year. It is due to be phased out entirely in March, returning the unemployed to the sub-poverty rate of the Newstart allowance, which equates to just $40 per day.

Modeling by Australian National University researcher Ben Phillips indicated that the latest cut to JobSeeker will force another 330,000 people below the official poverty line, taking the total from 3.49 million to 3.82 million.

In an article published by the *Guardian*, Cassandra Goldie, the CEO of the Australian Council of Social Service charity group, cited one JobSeeker recipient who responded to the reduction by stating: “I am so scared for my future and feel as if I am worth nothing to anyone. I am begging the government to see that affordable housing for a single female is impossible to find. I really won’t be able to go back to the $40 a day, I won’t be able to afford food, let alone the internet. Please, I’m begging the government because I can’t cope.”

According to a study commissioned by social housing organisation “Everybody’s Home,” the $100 JobSeeker reduction could result in a rapid 9 percent increase in homelessness, equating to some 7,500 people thrown onto the streets.

The projections are starkest in Sydney and Melbourne, where a speculative property bubble has persisted, as a result of interest rate cuts and other government incentives, despite the economic carnage triggered by the pandemic. In Sydney’s inner-west, for instance, homelessness is forecast to rise by 27.1 percent, while the increase is expected to be over 33 percent in the Baulkham Hills and Hawkesbury regions.

While the most vulnerable face the prospect of homelessness, broad sections of the population are confronting a housing crisis. According to some estimates, housing stress, generally measured as spending more than 30 percent of income on rent, could affect 25 percent of the population after JobKeeper and JobSeeker are ended in March.

The social crisis is, above all, an indictment of Labor and the trade unions. Having spearheaded the deregulation of the economy and the destruction of hundreds of thousands of jobs, beginning in the 1980s, they have served as chief enforcers of the pro-business response to the pandemic crisis, overseen by the federal Liberal-National government.

Labor leader Anthony Albanese and senior union officials have issued weasel words of concern over the cuts to the subsidies. Albanese’s comments have largely been couched in terms of the negative impact on sections of business caused by a drastic reduction in the income of large segments of the population.

When in office from 2007–2013, Labor governments, in which Albanese was a senior minister, rejected calls for any increase to woefully low unemployment payments. Labor and the unions played a key role in drawing up the JobKeeper program, which provided a bonanza to major corporations, even as they were laying off tens of thousands of workers.

With the intensification of a corporate offensive against jobs, wages and conditions, Labor and the unions have done everything they can to suppress opposition from the working class. They have played the central role in isolating workers involved in industrial disputes, imposing sell-out agreements with the employers and drawing up plans for a further pro-business overhaul of industrial relations.

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