

Jobless rate rising in Australia, while tax cuts grow for wealthy

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21 May 2023

Two developments in Australia last week underscored the true class character of the now one-year-old Albanese Labor government. While feigning sympathy for the families “doing it tough,” the government is delivering a bonanza to the rich.

One announcement was a rise in the unemployment rate—driven up by government-backed central bank interest rate hikes. The other was the release of a report showing that the cost of the government’s “stage three” income tax cuts, overwhelmingly for the wealthy, has grown to \$313 billion over the next decade.

After 11 interest rate increases by the Reserve Bank of Australia (RBA) since last May, thousands of workers have begun to lose their jobs as intended by the bank and the government. Official unemployment jumped from 3.5 percent to 3.7 percent in April according to seasonally adjusted figures from the Australian Bureau of Statistics (ABS).

In fact, the number of jobs actually fell by an estimated 4,300, with a 27,100 drop in full-time employment exceeding a 22,800 increase in part-time workers. That pushed the number of workers officially classified as unemployed to 528,000, even by the artificially-low estimates of the ABS—that is, working less than one hour a fortnight.

Another 880,000 workers were classified as underemployed—wanting more hours of work. The situation was even worse for younger workers, with the youth unemployment rate lifting from 7.8 percent to 8.6 percent—the highest in almost a year.

This is just the beginning. Both the central bank and the government predict, and base their calculations on, the unemployment rate hitting 4.5 percent, probably by late next year. That means throwing another 150,000 workers out of a job.

This is not an unfortunate side-effect of the interest rate rises, as claimed by Treasurer Jim Chalmers, RBA

governor Philip Lowe and corporate economic commentators. The central purpose of the rate rises is to lift the level of joblessness in order to further suppress workers’ wage demands, even if this triggers a recession, after a year in which workers have already suffered the biggest cut in real pay since World War II—4.5 percent.

The rate hikes have nothing to do with fighting inflation, as the bank and the Labor government insist. Worldwide, the inflationary spiral has been caused by the pumping of trillions of dollars into the financial markets by capitalist governments and central banks since the 2008-09 global financial crisis. That has been compounded by the impact of the ongoing COVID-19 pandemic and the US-NATO war against Russia in Ukraine on supply chains and energy prices, plus profit gouging, especially by the food and energy conglomerates.

Chalmers’ response to the growth of joblessness was contemptuous. He confirmed the government’s expectations, while trying to downplay the hardship it would cause. “We have expected for some time that the unemployment rate will tick up a bit as a consequence of higher interest rates, combined with some pretty serious global uncertainty,” he said.

This is under conditions in which rising unemployment will intensify the financial, personal and social stress already caused by the soaring interest rates, which have cut at least \$1,200 a month off the income of average home mortgage holders. The underlying cost-of-living and housing crisis has seen working-class households depending on charity foodbanks in record numbers.

While the Labor government is thus making workers and their families bear the burden of the deepening capitalist economic crisis, it is handing the wealthy the lion’s share of \$313 billion in stage three income tax cuts over the next decade.

New Parliamentary Budget Office (PBO) costings show

that the estimated cost of the tax cuts, due to commence next year, has risen from \$254 billion to \$313 billion, mainly due to higher incomes at the top and the inclusion of an additional year in 2033-34.

The PBO found that the tax cuts will cost \$20.4 billion in their first year, 2024-25, rising every year to \$42.9 billion in 2033-34. These handouts dwarf the meagre “cost of living” package, said to be worth \$14.2 billion over four years, which the government attempted to make the headline of its May 9 budget.

The stage three cuts add to the benefits afforded the highest-income recipients in the first two stages implemented by the previous Liberal-National government, all with the support of the then Labor opposition.

Stage three introduces a virtual flat tax system. It reduces to 30 percent the marginal rate of tax for everyone earning between \$45,000 and \$200,000 a year. The PBO costings confirm that this further enriches the wealthiest households at the expense of the poorest.

Income recipients in the top 20 percent are set to garner about two-thirds of the proceeds—\$227.6 billion of the total of \$313.1 billion—as their average incomes rise from \$109,200 in 2023-24 to \$155,600 by the end of the decade.

Even that underestimates the handouts to those at the very top. Someone taking home more than \$180,001 a year will enjoy an annual tax cut of \$17,700 by 2030-31. For a dual-income household, that would mean \$35,000 a year.

But the poorest 20 percent of the population, some 5.3 million people, will get nothing at all because their incomes are projected to remain less than \$45,000 a year.

This will accelerate the growth of social inequality—the ever-increasing accumulation of wealth in the hands of the most affluent 10 percent, above all the super-rich 1 percent, while workers and youth suffer declining living conditions.

Confronted by outrage among workers, students and welfare recipients, Chalmers defended the handouts. He told the *Guardian* the tax cuts “kick in at \$45,000” and “it is actually a defensible objective” to try to reduce “bracket creep”—the increased tax take as incomes rise.

But the PBO costings reveal that those earning between \$45,001 and \$60,000 will get just \$3.7 billion—or about 1.2 percent of the benefit—over the decade, while low-wage workers and all those left far below the poverty line after the budget’s paltry increase of \$2.80 a day to welfare payments, get not a cent.

Prime Minister Anthony Albanese also attempted to deflect the anger, saying Labor had tried to amend the Coalition government’s legislation to remove the stage three tax cuts. That is a fraud. Labor voted for the bill after offering token amendments in the Senate, knowing in advance they would be defeated.

Moreover, Albanese and Chalmers have repeatedly emphasised their commitment to delivering the tax cuts, despite not even mentioning them in the May 9 budget. Chalmers tried to stonewall on the issue when questioned by journalists, before finally admitting that they would cost \$69 billion over the four years.

In the budget papers, the Labor leaders also tried to bury the vast planned increase in military spending, including the \$368 allocated for AUKUS nuclear-powered submarines. They know that these immense outlays have fuelled widespread anger and concern.

Labor is also slashing crucial social spending. The May 9 budget contained further cuts in real outlays on public health, education and housing, and targeted the National Disability Insurance Scheme for a \$74 billion reduction over a decade, without providing any detail as to how that would be imposed.

Regardless of the public fury, the Labor government will not change course, however. It is fully committed to delivering both the austerity and tax cuts demanded by the financial oligarchs and the war preparations against China demanded by Washington.

There is only one answer. The mounting social and political discontent must be transformed into a conscious break from Labor and its trade union partners, and the development of a mass socialist movement to overturn the entire, increasingly diseased, capitalist order.



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