

# The Australia Institute

Research that matters.

**TITLE: Biggest blow for budget yet to come**

**AUTHOR: Richard Denniss**

**PUBLICATION: AFR**

**PUBLICATION DATE: 12/08/14**

**LINK:**[http://www.afr.com/p/opinion/biggest\\_blow\\_for\\_budget\\_yet\\_to\\_come\\_wh75RRmjXZQ8Gv300wZYTl](http://www.afr.com/p/opinion/biggest_blow_for_budget_yet_to_come_wh75RRmjXZQ8Gv300wZYTl)

Tony Abbott's problems with the Senate are only just beginning. The black eye the Palmer United Party gave him on his carbon and mining tax repeal is nothing compared to the body blow he will receive when the major policy initiatives announced in the budget, initiatives that weren't mentioned during the election campaign, hit the Senate. The big question is whether it will be the Palmer Party, the National Party, or both, that block the bulk of Treasurer Joe Hockey's budget measures. Either way, politics is about to get interesting.

The problem for the PM is that Hockey's budget holds a magnifying glass over the deepest cracks in the deal that has, for decades, united the city Liberals with the country Nationals as the Coalition. Put simply, the budget is based on the premise that the lifters are paid well to work in our CBDs while leaners bludge in the bush.

Hockey thinks unemployment is caused by people not looking hard enough for work. While some individuals may well be work-shy, it is not clear why the election of a Coalition should lead to such a rapid increase in the number of people lacking motivation. As the unemployment rate hits levels it hasn't seen since John Howard was PM, Hockey's solution is to deny young people access to unemployment benefits for up to six months.

The problem for the Nationals is that the unemployment rate is higher in regional areas than in capital cities. Most economists would blame this on a shortage of employment opportunities but, like his response to climate change, the Treasurer has ignored most economists in developing his plan to tackle unemployment.

The plan to slash spending on universities, deregulate university fees and retrospectively increase the interest rate for HECS debts would also have adverse consequences for regional Australia. Universities are the biggest employers in some communities, and play an enormous

role in community and cultural life. The government has been rightly criticised for ignoring the impact of their higher education proposals on women who, on average, earn 17 per cent less than men for performing similar work. The inequity for regional students will be similar.

When Liberals hear the Nationals complaining about a lack of jobs and low wages in regional areas, the stock response is to tell the leaners to move to the city. Leaving aside the impact on communities and economies of young graduates heading straight for the big smoke, you can understand why the Nationals would be sheepish about voters leaving to take up jobs in Liberal Party seats.

And then there are the cuts to welfare and the Low Income Superannuation Contribution (LISC) scheme. The battle lines of Australian politics conceal the simple truth that the Nationals represent low-income workers, and the electorates with the highest proportion of welfare recipients. When it comes to scrapping the \$500 LISC, research shows the Nationals represent five of the six hardest-hit electorates. The seats of Abbott and Hockey are among the least-hardest hit.

By far the government's biggest problem is its bizarre plan to use a \$7 fee to discourage the sick and elderly from going to the doctor in order to fund a \$20 billion medical research fund. Regional voters already go to the doctor less often than the lifters in the city. A \$7 fee will deter more low-paid farm workers from seeking help than it will high-paid city lawyers. A crackdown on doctors who over-service the worried wealthy makes sense. A crack down on the poor seeing a doctor does not.

The National Party received around 4 per cent of the vote at the last election, less than Clive Palmer, and far less than the Greens. Despite their tiny vote, the leader of the Nationals is our deputy PM. While there is no quota for women in cabinet, there is for National ministers.

There is no doubt that the Coalition delivers a good deal for National Party MPs but there is also no doubt that the Liberals' policy agenda is a bad deal for National Party voters. Most of the new initiatives in Hockey's budget won't make it through the Senate. The only question is whether it will be the Palmer Party or the National Party that kills them off. It's not clear which will be worse for Prime Minister Abbott.