

WORKING TITLE: Hand up will beat trickle-down

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If Arrium Steel closes in Whyalla around 8,000 people in a town of 22,000 will be looking for work. On average, of every 100 Australians who lose their jobs 30 will still be looking for a new one 12 months later. Unfortunately, the average is much higher when job losses are concentrated in a particular region among workers with similar skills, as will be the case in Whyalla.

When someone loses their job through no fault of their own, the Australian government steps in to help provide them with a 'Newstart' allowance of \$263.80 per week. Full time manufacturing workers earn an average of \$1,353 per week. How many weeks could you pay the mortgage for if your income fell to \$263.80 per week? Significantly it is a 'new start' that retrenched workers are offered, not a 'better start'.

The Coalition government plans to address this situation by cutting the unemployment benefit (dropping the Orwellian language would improve our public debate) by \$8.80 per fortnight. Of course it is not just the unemployed that are about to get their incomes cut, the sick, the old and the disabled are about to see their incomes cut by up to \$14.00 as well. They have clearly had it too good for too long.

The newly installed UK Prime Minister, Theresa May, has declared she no longer wants her Tory party to be seen as the 'Nasty Party'. She has told her MPs and the populace that she wants to place equity at the heart of her agenda. Here in Australia the Business Council of Australia, fresh from the failure of focussing on tax cuts for its members, has said it needs to deliver a new, more inclusive, narrative. The BCA has previously argued that unemployment benefits were already too low, which creates a unique opportunity for the BCA to help itself, the government, the poorest Australians and the macroeconomy. That's four birds with one stone.

During the election campaign the BCA tried and failed to convince Australians that the best way to help low income earners was to deliver a tax cut to its members which would eventually trickle down to others in the form of higher wages. The campaign had all of the authenticity of Tony Abbott enjoying his raw onions. Leading a campaign to protect the most vulnerable from welfare cuts, the savings from which pale in comparison to the \$50 billion cost of corporate tax cuts, would do more to reposition the BCA than any expensive rebranding exercise or comms strategy could hope to achieve. Significantly, the BCA has previously argued that Newstart is already too low.

The Coalition Government was also wounded by the longest election campaign in modern history. The lack of policy announcements might have bored the media, but it gave voters plenty of time to consider the big issues that they faced. Labor's plan for higher taxes and more spending saw their two party preferred vote increase by over 700,000. Over 1 million Australians gave their first preference to the Greens. There were huge gains to minor parties who reject the fundamental tenets of neoliberal trickle-down economics. If the BCA led the charge to scrap the cuts to welfare payment they could give Mr Turnbull the cover he needs to abandon a policy which will give parties as diverse as the Greens and One Nation a free kick for painting his government as out of touch.

And then there is the macroeconomy. As growth slows, unemployment rises as interest rates gets closer to zero the case against contractionary fiscal policy has never been stronger. Taking money out of the hands of people who spend every cent they get will harm the economy more than any other cut. Sure there are always some votes to be won demonizing 'dole bludgers', but as the economy slows the economic and political risks of such a strategy grow exponentially.

John Howard, no shrinking violet when it came to cutting welfare payments, observed recently that the Australian people want two things from policy reform, saying: "They want to be satisfied it's in the national interest, because they have a deep sense of nationalism and patriotism. They also want to be satisfied it's fundamentally fair".

Tony Abbott's harsh 2014 budget collapsed under the scrutiny of previous senate. Malcolm Turnbull will confront many complicated policy and political questions in the coming years but, fundamentally, he will need to continually ask himself whether he wants to emulate the approach of Mr Abbott or Mr Howard. If the BCA is serious, they should urge him to heed Mr Howard's advice and reject cuts to unemployment benefits on the basis that they are fundamentally unfair.

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