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Nearly half of voters in the looming federal election will rely entirely on government payments for their incomes, confronting Scott Morrison with a demographic and political powder keg as he frames a May 3 budget relying on spending restraint to rein in the deficit.

Analysis by *The Weekend Australian* has revealed that more than 44 per cent of voters, almost 6.4 million people, are either public sector employees (1.89 million) or wholly dependent on federal government pensions, allowances and parenting payments (4.48 million). The figure grows further when private sector workers who receive more in welfare than they pay in tax are added.

The Coalition holds seven of the 10 most welfare-dependent seats in the nation while Labor holds three.

ANU researcher Ben Phillips estimated that only 43 per cent of the adult population excluding public sector workers were net taxpayers last year, bringing the actual total voter-dependency ratio to well over 50 per cent.

The figures have emerged as Patrick McClure, whose review of the welfare system for the Abbott government called for drastic simplification of 75 federal payments and supplements, said about three quarters of his review had still not yet been taken up.

The extent of reliance on government payments for voters' incomes has emerged as the Coalition and Labor are locked in a political battle over the Treasurer's insistence that the government will rely on spending restraint and expanding the economy rather than lifting the overall tax burden to cut the deficit.

Ratings agency Moody's raised the stakes ahead of the budget, declaring this week that the failure of the political system to deliver genuine spending restraint suggested the government had to consider tax increases to close the deficit gap. Mr Morrison stood firm yesterday, maintaining his position that "the government is not looking to increase the tax burden on the economy".

“This is a very sensitive moment in the Australian economy,” the Treasurer said.

“It’s a tough economy out there globally. We’ve seen in the meetings in Washington this week with the IMF that global growth is being revised downwards and that means we need to work harder and you don’t support your economy by increasing the tax burden on that economy.”

Amid speculation the government will increase the excise on cigarettes, Mr Morrison said any moves by the government on revenue would be reinvested to ensure a “fairer and better and lower tax burden for Australians”.

“They’re not increasing taxes to reduce the deficit; they’re increasing taxes to throw even more taxpayers’ money around,” Mr Morrison said.

Opposition Treasury spokesman Chris Bowen said the Moody’s advice made it clear that “they should be dealing with revenue measures as well as expenditure measures”. “We’ve got the Treasurer today claiming he is shrinking the tax-to-GDP ratio when in fact the tax-to-GDP ratio is going up under this government,” Mr Bowen said.

After the government’s extended consideration of tax reform that ultimately resulted in it ruling out a rise in the GST, Mr Bowen accused Mr Morrison of having adopted “every conceivable position” on tax and budget measures. “A Scott Morrison budget has more contortions than Cirque du Soleil,” he said.

The Nationals appear to be the most vulnerable to a crackdown on welfare and government spending.

The Weekend Australian’s analysis of social security by federal electorate shows the junior Coalition partner holds half of the 10 most welfare-dependent seats (which even excludes family tax benefit payments, which can be held concurrently with other payments). The 10 seats have between 40,000 and 50,000 wholly welfare dependent voters out of a total electorate of about 105,000 voters. Another three are held by Labor and two by the Liberals.

Those relying on government payments in Nationals seats tend to receive age and disability pensions while Labor seats are disproportionately home to family tax benefit recipients. Liberal seats tend to have a higher proportion of holders of the Commonwealth Seniors Health Card (a benefit for older Australians not eligible for the Age Pension). The unemployed (receiving Newstart or Youth Allowance (Other) recipients) are relatively evenly spread.

ANU professor of political economy Geoffrey Brennan said it was unlikely voters voted purely on their personal financial interest. “People know the probability that their vote will actually determine the outcome of an election is tiny, so the cost of voting based on conscience or principle is low,” he said. “Voting is rather closer to cheering at a football match rather than choosing an asset portfolio”.

Professor Brennan, whose book *Democracy and Decision* explains how people vote, said the distribution of taxes had an effect on how much spending people demanded. “It’s not a bad idea to include welfare receipts in the tax base so people, even if they are not net taxpayers, feel as though they are paying something,” he said.

Mr McClure said he remained optimistic about the prospects for welfare reform after the federal election. “It is quite difficult in the current climate — the opposition has to oppose everything — but the future government really has to grasp the nettle,” he said.

The former head of Mission Australia said the government had provided \$66 million to update the Department of Human Services’ computer system and commissioned PricewaterhouseCoopers to estimate future welfare liabilities, but had struggled with payment simplification.

Christian Porter, the minister responsible, said the process was under way. “No rational government can ignore the need for structural reform to consolidate and simplify what is a massively complicated and inefficient welfare system,” he said.