Labour-Alliance budget cuts New Zealand health and education services

John Braddock
18 June 2001

In the budget presented to the New Zealand parliament last month, the Labour-Alliance coalition government has abandoned any pretence of reversing the devastating assault on the social position of the working class over the past two decades. Essential social services will be starved of funds while money is made available to assist businesses and boost the police.

The government of Prime Minister Helen Clark, which characterises itself as "centre-left," was elected in 1999 on a wave of popular opposition to "market reforms" carried out since 1984, first by Labour then National Party governments. In her first year of office, Clark carried out a precarious balancing act—implementing a few minor reforms to appease those who had voted for Labour, while assuring the money markets of the government's fiscal "responsibility".

Early last year, however, business spokesmen became increasingly impatient with the government. The Business Roundtable and other employer lobby groups orchestrated a campaign against the government's changes to the industrial laws, a small minimum wage rise and the re-nationalisation of Accident Compensation. All this, they claimed, was affecting business confidence.

The government responded immediately by organising a series of seminars to reassure business of its loyalty and compliance. Clark quickly signalled that other foreshadowed measures—such as paid parental leave—would not be implemented in the government's current term. Last month's budget confirms that neither Labour nor its junior partner, the Alliance, will do anything that in any way threatens the interests of business.

In an unusually sympathetic editorial on the budget, the Wellington newspaper, the *Evening Post*, praised Treasurer Michael Cullen for presenting a "conservative financial statement," noting that it had been "generally well-received by the business sector". The article draws attention to the "signal achievement" of the budget—the fact that the Labour led-government had been successful in reducing government spending as a proportion of Gross Domestic Product (GDP) to the lowest level since 1977.

The chief victims of the budget are health and education, once promoted by Labour as the cornerstones of its policy platform, distinguishing it from the conservative parties. Both these areas have already been run down by successive Labour and National Party governments and require substantially more funding. Instead, the government has provided increases far less than the inflation rate of 3.1 percent, guaranteeing further cuts.

Hospitals are already announcing reduced services, after being given a total funding increase of only $900,000 over the coming year—an average of $42,000 for each district health board. This miniscule increase amounts to less than 0.1 percent of the total $3.5 billion hospital funding, which is in itself insufficient to contain the growing surgery waiting lists and keep hospitals financially solvent.

Figures released recently by Statistics New Zealand showed hospitals around the country in deficit for the fourth consecutive quarter. The total operating deficit for all health boards rose from $600,000 in the nine months to March last year to $33.8 million for the comparative period this year. One of the financially better-off hospitals, Hutt Valley, predicts that its surplus of $2 million this year will change to a deficit of between $3 million and $5 million in a year's time.

Wellington's Capital Coast Health has just announced a $7.7 million deficit, $2.8 million more than expected, for the first four months of this calendar year. The deficit has increased by $2.3 million in the past month, despite the now widespread use of waiting lists to ration health services.

Health Minister Annette King bluntly stated the budget would be a "challenge" to health boards to make "productivity gains" without cutting health services. She acknowledged that hospitals would face larger deficits, but said the task before them was to "reduce costs and free up money for health services". Last year, King played a key role in opposing any significant pay increase for nurses and doctors. Health authorities were forced to fund long-overdue and hard-won pay rises from within existing budgets.

The effect of these funding shortfalls on patients has been longer waiting times for critical care. At Wellington Hospital, for instance, 44 percent of cancer patients have to wait more than a month for radiation therapy. The number of patients starting such treatment on time—within four weeks of diagnosis—dropped dramatically from 71 percent at the end of March to 56 percent at the end of April. Nationally, only 50 percent of such treatments started on time, down from 56 percent at the end of March and 73 percent a year ago. The longer waiting times are due to a nationwide shortage of radiation therapists and medical oncologists, caused by the inability of the health boards to offer pay rates high enough to attract and retain qualified staff.

The tertiary education sector is also preparing for a much sharper funding crisis, which will mean higher tuition fees for students. Prior to the budget, Tertiary Education Minister Steve Maharey presented the universities with a "take it or leave it" ultimatum. They were told they should accept a 2.6 percent increase in their basic government funding in return for agreeing to freeze their fees for the second year in a row. Those that refused would face penalties, in turn raising direct costs to students by increasing course fees by up to $500.

The ultimatum put the university administrations in an impossible position—a funding increase less than the inflation rate put the burden on them to make savings by cutting staff, courses or other costs. The vice chancellors of eight universities denounced the plan as "close to blackmail," saying the proposed increase would leave them with a shortfall of $17 million.

The universities have indicated they will oppose the government's funding proposals. The day after the budget announcement, Canterbury University took the unprecedented step of closing for a day to hold a protest. More than 3,000 staff and students, many carrying anti-government placards, crowded the library concourse and surrounding lawns. The Vice Chancellor, Professor Le Grew, said the university was already $5 million worse off after accepting a similar deal last year, and would lose another $5 million under current proposal.

Students are already burdened with huge debts as a result of tuition fees. Last week, it was revealed that total student debt had reached the $4 billion mark in March, and is expected to rise to $20 billion by 2020. The proportion of students who are forced to take out loans to cover their basic education expenses has increased from 39 percent in 1992, when student loans scheme was first introduced, to 70 percent in 1998. Average student debt has increased to $11,700 per head in 1999, double the amount in 1994.

At the same time, universities have been forced to cut courses and staff numbers in a desperate attempt to remain solvent. Across all universities, teaching staff numbers were cut by 600 between 1991 and 1999. The ratio of academic staff to students has dropped from 1 to 17, to 1 to 19 over the same period. As a result there are increasing numbers of students in tutorials, which are commonly run fortnightly rather than weekly. Library services are also facing big cutbacks.

By contrast, private tertiary institutions are blossoming under Labour. According to figures issued by an education lobby group, the Quality Public Education Coalition, the amount of state funding going to private training establishments (PTEs) has increased from $1 million in 1996 to $134 million this year. In this year's budget, 205 PTEs are set to receive the largest ever amount for student enrolments, $124.8 million—up from $91 million in the 2000 academic year. In addition, they will receive new capital works money worth about 12 percent of their total enrolment funding.

This compares more than favourably with the polytechnic sector, which will receive an estimated total of only $350 million, leaving many of these public training institutions in the red and their continued existence precarious. According to a recent OECD report, New Zealand has now joined Britain and Canada in spending a third or more of its public education budget at the tertiary level on subsidies to the private sector.

Entirely absent from this budget was any reference to, or provision for, the social programs trumpeted in Labour's first year in office as addressing the country's social crisis—the "Closing the Gaps" policy. This program was never intended as a genuine attempt to tackle social inequality. It was designed to financially and politically promote already advantaged middle-class layers and business interests among the Maori and Pacific Island communities.

Labour moved to abandon the policy last year, however, after it came under criticism from big business and the media as being a waste of money and racially divisive. All that remains of the program in the current budget is a promise of $10.68 million to set up a Maori television channel, with funding of $10 million annually after that. A small amount of money will go to community groups to deliver sexual abuse and family violence counselling and "home parenting skills". There are no funding increases of any significance in any other social policy areas, apart from a new scheme to use budget surpluses, this year and in the future, to invest on the stock market in order to pay for aged superannuation.

While education, health and welfare are all lacking money, one notable exception to the funding cutbacks is the police force, which will receive an extra $42.4 million next year, a 4.3 per cent increase. Almost half of the money has been earmarked for increasing the level of "frontline" policing—that is more street patrols, faster responses to thefts and crimes against property and crackdowns on "violent offending".

The main targets are the poorest sections of society, young people in particular. More than $3.6 million will go toward increasing the police presence in working class areas deemed to be in the "high crime risk" category. There will be a new emphasis on "youth crime" and a specific budget commitment of $22 million to introduce a new tougher sentencing regime. Two new prisons will be built in South Auckland. The budget increases mean that by 2003, spending on "law and order" will for the first time exceed $1 billion a year.

Business also benefits directly from the budget. The biggest handout is $100 million for the NZ Venture Investment Fund. It will provide seeding capital for entrepreneurs, working in partnership with private sector venture capital, to start off technology firms and other businesses offering "high value added" products. An extra $34.3 million is also provided for "economic and regional development" and another $1.2 million for a "business incubator program".

Many of these pro-business initiatives are closely identified with the so-called left wing partner in the ruling coalition, the Alliance—a grouping of three minor parties. Alliance leader Jim Anderton, as both Deputy Prime Minister and Minister for Regional Development, has been in charge of designing and administering the business handouts. Former Manufacturers Federation president David Moloney and Business NZ chief executive Simon Carlaw have both recently praised Anderton, saying that business recognised him as a "responsible deputy prime minister and a committed supporter of small business".

At the last election, the Alliance called for tax increases on the wealthy to provide money for universal access to health care and to reverse "user pays" policies in education. Having entered the coalition government vowing to "keep Labour honest," the Alliance has accepted the further undermining of social spending without the slightest protest.

The overall character of the budget as one reflecting the needs of big business is demonstrated by the fact that none of the conservative opposition parties—National, NZ First or ACT—had any significant criticisms. The *Evening Post* observed that the "opposition parties went through the ritualised motions of condemnation in Parliament", but, "in truth there weren't a lot of telling points to be scored". National Party leader Jenny Shipley criticised the budget as nothing more than a "nickel and dime exercise" that would further alienate the government's traditional support among working people.

The only concern registered by business commentators was the failure of Labour to reduce the corporate tax rate from 33 cents in the dollar to 30 cents—to match the level in Australia. But even here, the *Evening Post* was again quick to jump to the government's defence, pointing out that in his address to parliament, Treasurer Cullen had given a "coded signal" that this move "may be on the government's agenda" as well.

Taken as a whole, the budget underscores the huge gulf that separates Labour and the Alliance from the needs and concerns of the vast majority of working people, whose interests these parties in no way represent.