

Australia: Public sector layoffs, spending cuts in Victorian budget

Tania Baptist
7 May 2012

The state Liberal government of Premier Ted Baillieu in Victoria delivered its second budget last week, announcing another 600 public sector jobs to be destroyed, on top of the 3,600 redundancies foreshadowed late last year. This is equivalent to more than 10 percent of the public service. The sackings, which will mark the first compulsory public sector redundancies in the state since the 1990s, form part of a \$2.9 billion cut to public spending aimed at satisfying finance capital's demands for lower debt and continued budget surpluses.

Sweeping austerity cuts are now being made at every level of government in Australia, in line with the accelerating assault on the living standards of the working class internationally. The federal Labor government of Prime Minister Julia Gillard tomorrow unveils its annual budget, expected to involve huge spending cuts as part of the drive to deliver a surplus.

Releasing the Victorian budget on May 1, state treasurer Kim Wells declared that he had to deal with "the biggest fiscal challenge to confront Victoria in two decades." Victoria is the centre of Australia's manufacturing sector, which is in considerable crisis. In the last 12 months alone, 43,000 jobs have been destroyed in Victoria. The state's official unemployment rate is 5.8 percent, behind only Tasmania.

Kim Wells declared: "Victoria needs to live within its means. For too long we haven't done that ... that is why we have had to add about another 600 [public sector job cuts]. It was either that or go into deficit—going into deficit for this government was not an option." He refused to rule out further job losses in the future.

The Baillieu government has also taken the axe to the Technical and Further Education (TAFE) sector. Cuts of \$300 million will have a devastating impact on students, TAFE institutions and staff. Subsidies for 80 percent of courses will be removed. Fees for some courses will increase from \$2,000 to \$8,000, making vocational education unaffordable for many working-class youth.

Additional funding to cover TAFE obligations as public providers has been abolished, together with an allowance for the non-productivity component of salary increases. TAFE institutions have warned that additional spending cuts in other areas would result in the loss of up to 1,500 jobs. Services including child-care, libraries, counsellors, and disability aids, may have to be eliminated. Victorian TAFE Association executive director David Williams told the *Age* that "many TAFE courses will cease and some facilities will close."

In another highly regressive measure, the Baillieu government has cut a \$300 "Smart School Bonus" that previously allowed 39,000 low income parents to offset some of the costs incurred when their children start primary or secondary school. The budget also indexed utility subsidies for low income concession card holders at just 2 percent, well below the inflation rate.

As a result of these measures, the Baillieu government predicted a surplus of \$155 million for 2012-13, increasing to \$861 million the following year.

The budget nevertheless received a cool reception from business and the media. As far as they were

concerned, Baillieu should have delivered the cuts last year, immediately after he won the state election in November 2010.

“Twelve months ago, after promising that its first budget would be tough, the Baillieu government squibbed the chance to impose fiscal discipline on a state living beyond its means,” the *Australian* complained in a May 2 editorial. “The Baillieu government has displayed none of the economic reforming drive of the [former Liberal] Kennett government. But after a lacklustre budget last year, it has at least begun to deliver fiscal rectitude.”

The *Australian*’s economic commentator George Megalogenis was more scathing, ridiculing the Victorian government’s optimistic economic forecasts. “Some budgets just make the head hurt,” Megalogenis stated. “Kim Wells’s second formal budget—and his third economic statement after December’s hairy-chested cuts to public sector jobs—assumes the shocks from the global economy are over... Wells has taken a leap of faith that yesterday’s writedowns and blowouts will be the last in the cycle. More cuts later this year or next year will surely seem like the coalition is making it up as it is going along.”

The Baillieu government is under enormous pressure from big business and finance capital. The premier has been derided as “do-nothing Ted”, including by right-wing layers within the Liberal Party itself, for his reluctance to impose deeper spending cutbacks and more far reaching pro-business “reform” measures.

Baillieu is fully committed to the austerity program that is being demanded, but his problem remains how to implement this deeply unpopular agenda. In the 2010 election, the previous 11-year-old Labor government was defeated due to deep hostility to its pro-business measures. The Liberal Party capitalised by making various pledges to improve social services and boost the salaries of nurses, teachers, and other public sector workers. The Baillieu government, which has a parliamentary majority of just one seat, quickly junked its promises, but clearly remains deeply worried about provoking opposition in the working class.

Reflecting these fears, it was revealed that Higher Education and Skills Minister Peter Hall last week had attempted to appease senior TAFE officials with a letter declaring that he shared their “emotions of shock, incredulity, disbelief and anger” over the funding cuts. Hall added that he had repeatedly thought about “throwing in the towel” and resigning in protest.

The trade unions are playing a critical role in enforcing the government’s cuts. The unions covering public sector workers have agreed to the government’s demand for a 2.5 percent annual wage ceiling—imposing a significant real wage cut. Moreover, the Community and Public Sector Union has accepted without a murmur the gutting of the public service. The Australian Education Union, covering TAFE staff, is similarly complicit in the government’s cutbacks.



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