

New Zealand budget deepens austerity

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New Zealand's annual budget, handed down on Thursday, was fraudulently presented by the conservative National Party government and the media as an end to austerity. It was widely contrasted with the Australian budget, announced the previous day, which contains a raft of major attacks on working-class living standards—including raising the pension age to 70, new fees for doctors' visits, and scrapping welfare payments for thousands of unemployed youth.

Finance Minister Bill English declared that New Zealand was “the envy of most developed countries,” having achieved “a return to normal economic settings” and the fifth-highest growth in the Organisation for Economic Cooperation and Development (OECD). With an eye to September's national election, he said the budget was “focused on young families and those vulnerable children who most need our care.”

In reality, the budget entrenches and deepens the austerity measures that already have been imposed since the onset of the 2008 global economic crisis. It delivers a thin \$372 million surplus, achieved by axing more than 7,000 public sector jobs, part-privatising the power companies, increasing the Goods and Services Tax, pushing people off welfare, and imposing other attacks on living standards.

The contrast with Australia is false. New Zealand's austerity measures are in some ways more advanced. Following two zero-increase budgets in 2011 and 2012, this year's budget delivers \$1 billion in new spending. But that is well below the levels of \$2 billion to \$3.5 billion in the five budgets before 2009.

English's comments about young families refer to several minor concessions—essentially window dressing—including a slight increase in paid parental leave from 14 weeks to 18 weeks, and an extension of free doctors' visits to all children under 13. Jonathan Boston, a professor of public policy at Victoria University of Wellington, told TV3 the measures would

“benefit a very small proportion of the families who need assistance.”

As Boston noted, the Accommodation Supplement and the In-Work Tax Credit have not been adjusted for inflation for nine years, under successive Labour and National-led governments, effectively cutting “hundreds of millions of dollars” in assistance to poor families. Poverty-level invalid and unemployment benefits have not been adjusted for 23 years. According to the Ministry of Social Development, 285,000 children are living in poverty—more than 25 percent of all children. As Boston demonstrated, there was “very little, if anything at all” in the budget to assist them.

Finance Minister English told a business audience in Christchurch yesterday that the government had slashed its forecast welfare spending this year by \$1 billion, mainly “because of policy change” rather than new jobs being created. In the past three years, tens of thousands of people, including many single parents, have been forced off benefits.

The government last year introduced restricted criteria for state housing tenants, and plans to sell off 5,000 houses around the country, amid soaring rents.

The budget includes further cuts to health and education. District Health Boards, which are already in debt, face a \$224 million funding shortfall in the coming year, according to the Association of Salaried Medical Specialists. This is the fifth year in a row that the severely underfunded health system has not received enough money to even maintain existing services.

There is \$199 million extra funding for tertiary education over the next four years. But the sector's annual funding had been cut from \$4.6 billion to \$4.2 billion since 2009—equating to a loss of \$800 million after adjusting for inflation. Student debt, which stands at \$13.5 billion, will continue to rise as universities and polytechnics raise fees to offset lost revenue.

Over the past three years, the government has cut more than \$70 million from student allowances and other forms of support. It expects to cut another \$72.6 million during the next four years by cancelling inflation adjustments and because fewer people will be able to afford to study. Students will also be forced to pay off their loans more quickly once they begin working.

The schools sector faces a cut of about 5.5 percent, or \$588 million in real terms, over the next three years. An extra \$12 million is going toward expanding for-profit charter schools. Several schools in Christchurch that were damaged by the 2011 earthquake have been closed and will not re-open, or are being amalgamated.

This year's budget provides a mere \$50 million toward the government's \$15.4 billion share of the rebuild of Christchurch—which is estimated to cost \$40 billion in total. The city remains largely in disrepair, with thousands of people still living in damaged houses and vulnerable to floods more than three years after the quake.

A report on the Christchurch city council's finances released this month revealed a funding shortfall of \$534 million for its share of the rebuild—while the council's insurance payout could be \$1 billion lower than expected. The administration of mayor Lianne Dalziel, a former Labour government minister, has promised to collaborate with the government on drastic cuts, including possible redundancies and asset sales, to pay for the rebuild.

Amid the deepening austerity, the budget provides an extra \$535 million for the Defence Force over the next four years, in order to cement military and intelligence ties with the US as Washington steps up its "pivot" to Asia to confront China. The government has dropped its 2010 demand for the Defence Force to reduce costs by \$400 million. There will be a new training facility built for the elite SAS commandos, as well as a systems upgrade for navy frigates and the possible replacement of one navy tanker.

While the government and media continue to trumpet the country's "rock star" economy, it remains extremely unstable. A slight decrease in unemployment to 6 percent, as well as stronger economic growth (currently 3 percent), is mainly due to reconstruction work in Christchurch. Soaring exports of timber and dairy products, especially to China, have also

contributed to growth. Job cutting has continued throughout the rest of the economy.

A *Forbes* article last month noted that New Zealand's agricultural sector made up only 5.1 percent of gross domestic product, compared with more than 28 percent for the finance, banking and business services sector. *Forbes* warned that the banking sector and the entire economy were "dangerously exposed to the country's property and credit bubble," which was heading for a "disaster."

The official opposition parties expressed no fundamental differences with the thrust of the government's attacks on working people in the budget. Labour leader David Cunliffe signalled his basic agreement by claiming that the budget stole many of Labour's ideas. Cunliffe also joined the far-right ACT Party's John Banks in denouncing the government for refusing to raise the retirement age. Labour and the Greens both called for more to be done to cut government debt—i.e., more spending cuts.

Labour and the Maori nationalist Mana Party joined the right-wing NZ First Party in blaming foreigners for the ongoing jobs crisis, as well as the nationwide housing shortage, and called for restrictions to be placed on immigration and house sales to foreigners. This is a racist campaign targeted mainly at Chinese people, who are currently the biggest group of immigrants to New Zealand.



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