

New Zealand budget deepens austerity

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New Zealand's National Party government announced its annual budget on May 25, its ninth since it was elected in late 2008 following the global financial meltdown.

Delivered ahead of an election in September, the budget was promoted by the government and the corporate media as a generous "families' package." Finance Minister Steven Joyce told the *New Zealand Herald* it was "skewed towards the lower income earners, people with young families and people with challenging accommodation costs."

In reality, the budget deepens the government's austerity agenda, aimed at placing the burden of the economic crisis on the working class. The government books have a surplus of \$1.8 billion, produced by a decade of attacks, including partial privatising power companies, cutting basic services, pushing thousands of people off welfare, increasing the Goods and Services Tax and reducing corporate tax.

Health, housing and education will continue to be starved of funds, while the budget substantially increases spending on the military and the police.

Spending on the military, which has received little media attention, will rise by \$982 million (5.3 percent) over the next four years, including upgrades for navy frigates and surveillance aircraft. This is part of \$20 billion to be spent over 15 years announced in the 2016 Defence White Paper. The purpose is to improve "interoperability" with the US military, which is encircling and threatening war against Russia and China.

Joyce declared that the country's economy had withstood the global crisis. Treasury forecasts, which are always overly optimistic, show that economic growth, currently around 3 percent per annum, will reach 3.8 percent by 2019. Much of this is due to population growth, reconstruction following the 2011 Christchurch earthquake and last year's Kaikoura

earthquake, and speculative activity in the property market. According to Goldman Sachs, New Zealand's housing market is the most over-valued in the world and risks a major crash in the next two years.

The real economy, based on agricultural exports to Asia, Europe and the US, is highly vulnerable to increased national protectionist measures around the world. There have been major job cuts already in meat processing this year and dairy farmers have not fully recovered after a major slump last year.

The budget's \$2 billion "families package" consists mainly of income tax cuts that will not come into effect until April 2018. While the amounts vary, the government says the average working family will receive just \$26 a week. Far from being "skewed" to the poor, 20 percent of the value of the cuts will go to the top 10 percent of income earners and the bottom 50 percent will receive the same amount.

Median wages have been stagnating for decades. In the last year inflation reached 2 percent, while wages grew only 1.6 percent. Unemployment stands at 4.9 percent, well above the 3.5 percent level before the 2008 crisis.

The government has trumpeted its increase in the Accommodation Supplement, a welfare payment given to more than half of all families who are renting. Low-income households will receive between \$25 and \$80 per week extra—not nearly enough to pay for soaring rents driven by property speculation.

The supplement was last adjusted in 2007, when it was based on 2005 rents. In 2005, Massey University reported private median rents in Auckland were \$320 per week. This April the figure was \$530, according to Trade Me's Rental Index. Inevitably, landlords will respond to the increased supplement with further rent hikes.

There is nothing to address worsening homelessness. In 2013 there were 41,000 people officially homeless,

including people living in cars, garages, or overcrowded homes. Auckland alone now has a shortage of 40,000 houses. The government only plans to build 34,000 houses in Auckland over the next 10 years, most to be sold at market prices.

Meagre concessions for poor people will be paid for with cuts in other areas. In March, Prime Minister Bill English announced a plan to raise the retirement age from 65 to 67 by 2040 and force immigrants to live in New Zealand for 20 years instead of 10 to be eligible for superannuation. This will cut about \$4 billion from pensions.

For at least the past nine years, funding increases to basic services have not kept pace with inflation or population growth.

The new budget allocated \$16.77 billion in health spending for the upcoming financial year—an increase of \$879 million. Half of this will fund wage increases already announced for some 55,000 aged and disability carers.

Hundreds of thousands of people do not receive the care they need and many have been kept off surgery waiting lists because of inadequate district health boards funding. A pilot study published in March in the *New Zealand Medical Journal* estimated that 9 percent of adults are missing out on hospital treatment, including surgery, and 25 percent could not afford to see a doctor. Author Dr Philip Bagshaw told Radio NZ that in real terms health spending had declined for at least eight years.

Mental healthcare services will continue to worsen. Council of Trade Unions economist Bill Rosenberg told the media that funding would increase 3.5 percent, yet “client numbers are climbing over 5 percent a year.” Under the impact of the social crisis, suicides have reached record levels two years in a row.

Operational funding for schools will receive a token \$60.5 million extra over four years. The 1.3 percent increase is a cut in real terms—half the rate of inflation last year. Preschools and kindergartens will get no increase in per-child funding. According to the Early Childhood Education Council, there has been a total reduction of \$105,000 per centre since 2010.

Subsidies for university student fees have increased by 1 percent. Institutions will respond by further hiking fees, forcing students to borrow more. The parental income threshold for student living allowances has

been frozen since 2010, cutting access to tens of thousands of people.

Students are being driven into poverty. In a recent survey of 2,000 students at Unitec in Auckland, 17 percent agreed they “regularly go without food or other necessities because I can’t afford them.” Half said their income was not enough to cover basic living costs at some point in the past year.

A \$2 billion “law and order” package includes funding for 1,125 more police officers. There is also more than \$1 billion to expand the prison system—roughly the same as the extra spending on schools and early childhood centres over the next four years. The ruling elite intends to deal with the consequences of homelessness and poverty by throwing more people in prison.

Labour and its allies, the Greens and New Zealand First, support the increased military spending and have long pushed for greater spending on the police.

The opposition parties essentially agree with the government’s austerity measures and have made only mild criticisms of the budget. The Labour Party criticised the lack of affordable housing, but its own policy is to work with private developers to build houses, which would then be sold at market prices of around \$500,000. While the Labour Party now claims to oppose the retirement age increase, it campaigned for the same increase in the 2011 and 2014 elections.

Significantly, the Greens voted in favour of the budget’s tax cuts, echoing the government’s false claim they would meaningfully assist working families.

Labour and the Greens, which are contesting this year’s election in a formal alliance, agreed in March on key “Budget Responsibility Rules.” These include a promise to slash government debt by 20 percent within five years and keep core spending below 30 percent of gross domestic product—the same as the government. The rules, praised in the corporate media, will inevitably mean more cuts to social programs if Labour and the Greens are elected.



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