

New Zealand: Labour government's first budget starves essential services

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The Labour Party-led coalition government's budget, announced last week, continues the severe underfunding of services, including health, housing and education, while providing more money for the military, police and prisons.

The government was stitched together last October following nine years of rule by the conservative National Party government. Prime Minister Jacinda Ardern declared that record levels of homelessness and inequality proved capitalism had "failed." Media commentators, unions and pseudo-left groups promoted illusions that Labour and its partners, the Greens and NZ First, would carry out progressive reforms and reverse the austerity measures imposed since 2008.

Finance Minister Grant Robertson presented the budget as "transformational," telling parliament on May 17: "We are determined to turn the page on the ideology of individualism and a hands-off approach to the economy that has left far too many people behind."

In reality, Labour has adhered to strict "Budget Responsibility Rules," keeping core spending at 28 percent of gross domestic product (GDP)—lower than the figure for most budgets delivered by the previous government. Robertson announced a surplus of \$3 billion and promised to reduce net debt below 20 percent of GDP.

The budget forecast economic growth of just under 3 percent per annum for the next five years, a figure widely described as overly optimistic. The country's economy, largely based on agricultural exports, is highly exposed to global volatility. In the event of a major downturn, Labour will inevitably impose deeper cuts to social spending, just as it supported National's austerity measures following the 2008 financial crisis.

Radio NZ presenter Guyon Espiner said the budget looked like "National's tenth ... rather than Labour's

first." *New Zealand Herald* business editor Liam Dann noted the government's "fiscal responsibility" and its retention of a law allowing small businesses to easily sack workers within a 90-day trial period.

The government rejected any measures to significantly reduce inequality, such as higher taxes for corporations and the super-rich. University of Auckland researcher Susan St. John wrote that in Auckland "to get over the after-housing costs poverty line, a couple with two children would need an extra \$334." But increases in some welfare payments announced last year would "deliver a maximum of only \$47 a week extra to the two-child family."

Media reports described health as the budget's biggest "winner." The government estimates more than \$14 billion will be needed over the next decade for capital spending alone, but promised only \$10 billion to repair and replace hospital buildings.

Operational spending will increase by \$3.2 billion over four years, which barely maintains current services amid inflation and population growth, and ignores the vast level of unmet need. Hundreds of thousands of people have missed out on vital treatment in recent years because of overcrowded and underfunded hospitals. Labour's promise of a \$10 cut in patient fees to see a doctor has been postponed, with only some people on low incomes to receive cheaper visits.

An 8.9 percent pay increase for community-based midwives will not address poverty-level wages, which are often below the legal minimum wage after travel and other costs. Anna Ramsay, who organised a protest Facebook page for midwives, told the *New Zealand Herald* she was "devastated and angry" about the budget.

The government is in talks with the New Zealand Nurses Organisation in a desperate attempt to avoid a

strike after 27,000 nurses and other hospital workers rejected a pay increase of just 2 percent in March. Thousands of health workers protested days before the budget, demanding 18 percent or more to make up for soaring housing and other living costs.

Operational funding for schools will increase by a grossly inadequate 1.6 percent. Primary and secondary teachers have called for pay rises of around 15 percent. Central District Secondary Principals Association chairman Peter Brooks told Fairfax Media he expected teachers would take strike action if their decade-long pay freeze continues.

Universities and polytechnics received no increase. The *Herald* reported that tertiary institution funding “has actually been cut by \$12 million because of lower than expected enrolments.” Some institutions warned that Labour’s anti-immigrant policies, which include restrictions on foreign students’ ability to work while studying, will lead to course cuts and a drop in enrolments.

Labour’s election ploy to remove student fees for one year of study will be made up for by cutbacks throughout the sector. As the budget was being announced, hundreds of students and staff protested against University of Auckland’s plan to close its Art, Architecture, Planning and Music libraries.

Labour’s campaign promise to alleviate the housing crisis, which has left more than one in 100 people homeless, stands exposed as a fraud. Housing Minister Phil Twyford admitted to the media earlier this month: “It’s very likely homelessness will get worse before it gets better.” The government will build only 6,400 state houses over the next four years—not enough to address the current waiting list of 8,000 applicants.

The government’s main housing policy, Kiwibuild, aims to build 100,000 homes over 10 years in collaboration with private developers. During its first three years, the scheme will fund just 16,000 houses. In Auckland alone there is an estimated shortage of 60,000 and the average house price is over \$1 million. Falsely promoted as “affordable,” Kiwibuild houses will be sold for as much as \$650,000.

While starving public services, the government earlier this month announced a major increase in funding for the Ministry of Foreign Affairs and development aid, aimed at strengthening the position of New Zealand imperialism in the Pacific and pushing back against

China’s diplomatic and economic influence.

The budget provided an extra \$366.4 million for the military over the next four years. Defence Minister Ron Mark said this would help defend “vital New Zealand interests” in the Pacific and the Southern Oceans and make “meaningful contributions to peace and security around the world.” The Labour-NZ First government has kept more than 100 troops in Iraq and supported US threats against North Korea, Syria and Russia.

To deal with the inevitable consequences of poverty, and prepare to confront working-class opposition to austerity and war, the budget significantly increased funding for “law and order.” There is \$300 million to recruit 1,800 more police officers and \$198 million to build 600 modular prison cells. The number of people incarcerated has nearly doubled since 1999, reaching 10,470 last September.

The Labour government’s budget is a damning exposure of its right-wing character. It confirms warnings by the WSWs that under Labour there would be no let-up in the assault on workers’ living standards, strengthening of the police and preparations for war.



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