

Australian state Labor government cuts social services, jobs amid skyrocketing debt

Patrick O'Connor
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The annual budget delivered by the state Labor government of Premier Daniel Andrews in Victoria late last month involved significant real cuts to spending on education, health and other services, as well as thousands of job losses in the public sector.

The government's regressive measures represent only a down payment for sharper austerity cuts to be imposed in the coming years. Victoria's government debt, by far the highest in Australia, will rise to \$171.4 billion by 2026-27. The Andrews government has been effectively put on notice by international credit rating agencies that even more ruthless cuts are expected.

Andrews announced a \$2.1 billion cut to the public sector over four years through the elimination of between 3,000 and 4,000 jobs. Under an "efficiency drive" affecting office positions, the government claims that frontline services will not be affected. This claim is however belied by the impact of previous cuts to the public service.

Community and Public Sector Union (CPSU) state secretary Karen Batt flagged that the trade unions will do nothing to oppose the job cuts. She told the *Australian Financial Review* that the union would recommend to the government that it promote early retirements as a "succession management tool." She boasted that the CPSU had in the past three years "co-operated" with Andrews to "have delivered \$3.6 billion in savings and reduced the Victoria Public Service by over 2,000 [workers]."

Melbourne, the state's capital, has a rapidly growing population. Surging housing costs have pushed many working-class families to new outer suburban areas that lack basic infrastructure, including schools, health facilities and public transport. Amid this crisis, and a 7 percent official inflation rate, massive public investments are required in order to provide basic social services.

Instead, the Andrews government is enacting cuts in

multiple areas. In healthcare, for example, the government in April informed 45 community health service organisations that spending on preventative health promotion funding is being slashed by 10 percent. This will see health worker job cuts and service reductions, potentially in important areas such as community programs to promote healthy eating and active living, and reduce tobacco and vape consumption.

These cuts make a mockery of the state government's boasts of increased expenditure on hospitals. In reality, allocated spending falls far short of what is really required. The budget involved spending of \$969 million, "to ensure new and upgraded facilities are patient ready with capacity to treat more than 300 additional patients and 80 extra beds supported across Victoria."

In contrast with this pittance, the Australian Broadcasting Corporation reported in May last year that 800 people *daily* were leaving hospital emergency departments before being treated, due to massive wait times, sometimes longer than 12 hours.

Leaked figures from the Victorian Health Department, published in April, revealed that more than 3,200 people were suspected to have contracted COVID-19 in hospitals in Victoria between January 1 and October 26 last year. Of these patients, at least 344—or more than 10 percent—died.

There is a similar gulf between the government's boasts on education spending and the actual level of social need. The budget allotted \$618 million for nine new local schools and "planning and early works" for three others, as part of a pledged 100 new schools by 2026.

In newly-developed suburbs, many families have no choice but to send their children to private schools due to the lack of local options. In other working-class communities, many public schools have been developed as "super schools" with several thousand enrolled students. Many feature chronic behavioural issues and

inadequate resources to deal with the complex additional needs of students with disabilities and traumatised backgrounds.

The budget similarly did nothing to address the school staffing crisis that COVID-19 has accelerated but which reflects longstanding excessive workloads and low wages for teachers and school workers.

The Australian Education Union (AEU) is complicit in the degradation of the public education system. Last year it rammed through an industrial agreement covering teachers that involved a nominal wage rise of less than 2 percent a year. After the budget was handed down, the AEU bureaucracy felt compelled to verbally distance itself somewhat from the government. It calculated that this year's nominal 5.8 percent in total school funding amounted to a 2.7 percent reduction, once inflation and projected enrolment increases were taken into account.

Despite all this, the budget was met with widespread disapproval from the corporations and media, which are demanding much deeper cuts.

The global credit rating agencies have Victoria the lowest rated state or territory in Australia. Standard & Poor's recently said Victoria has the worst debt burden of 17 similar states across the world, including Canada's Quebec and Nova Scotia and Germany's Bavaria and North Rhine-Westphalia.

There is widespread scepticism in the government's projections that debt will peak by 2026-27, along with a planned return to fiscal surplus in the same year. These projections are based on highly optimistic forecasts that over the next three years inflation will fall from 7 percent to less than 3 percent, while unemployment will remain around 4 percent.

The Andrews government used the budget to introduce several minor tax increases, under the banner of a "COVID Debt Repayment Plan"—essentially to partly pay for the huge business support packages and corporate handouts during the first two years of the pandemic. These tax measures included a 10-year business levy and expanded land tax base, which will raise just \$3.9 billion and \$4.7 billion respectively over the next four years.

For affected business interests, the slight tax increase pales in comparison with the bonanza reaped since the onset of the pandemic, with super profits generated by government handouts and inflation-fuelled revenue surges. Likewise for property speculators and landlords—land tax adjustments on investment properties is expected to affect the small minority of the population wealthy enough to have such assets to the tune of just

\$1,300 each per year.

The media and corporate lobby groups nevertheless met the new tax measures with outrage.

The Business Council of Australia raised the spectre of a capital strike. Its chief executive Jennifer Westacott declared that "governments across Australia have got to come to terms with the fact that companies have choices around where they invest and locate their operations, and increasingly, states like Victoria are making those investment choices very difficult."

The Murdoch-owned *Australian* issued three separate editorials on the budget. One, published on May 25, insisted: "With its high-taxing and profligate-spending ways, the Andrews government in Victoria is setting an example that must not be allowed to capture the national political mood."

The *Australian Financial Review* denounced the state government for creating a "banana republic," saying the budget had brought "a taste of Latin American economics at its worst: counterproductive policies which are politically popular."

This rhetoric confirms that the financial elite regards as politically illegitimate even the most minor or tokenistic measures that impinge on its wealth and profits.

Ever since its election in 2014, the Victorian Labor government has served as a determined instrument of big business. It has privatised state assets, subsidised the corporations during the initial stages of the pandemic, kept spending on health and education among the lowest in Australia, and cut the real wages of public sector workers. If Andrews is not delivering the full suite of savage cuts now being demanded, that reflects his government's fear of triggering immense resistance within the working class.

The reactionary austerity agenda to be implemented in the coming years has nevertheless clearly been worked out behind the closed doors of corporate boardrooms and media editorial offices. Workers need to politically prepare for an onslaught by the Labor government, backed by the union apparatuses, on their wages, conditions, jobs and vital social services by building independent rank-and-file committees and by joining the Socialist Equality Party.



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