Australian state Labor government austerity budget targets health, education, social services

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The state Labor government in Victoria delivered its tenth annual budget on Tuesday, slashing spending on vital social services, cutting public sector jobs and wages, and targeting workers' living standards.

The austerity budget is another demonstration of the ruthlessly pro-business, anti-working class character of the Labor government now headed by Premier Jacinta Allan. Its spending cuts are aimed at satisfying finance capital and big business demands that the state's record high budget deficit and state debt be reined in, so that further tax cuts and giveaways can be provided to the ultra-wealthy.

Treasurer Tim Pallas, a former National Union of Workers bureaucrat, declared that his budget was "focussed on fiscal discipline" while announcing a $15.2 billion deficit.

He unveiled projections that state debt will rise from $156 billion next year to $188 billion by 2028. The bulk of this debt, by far the largest of Australia's states, stems from the enormous subsidies funnelled to corporations in the initial stages of the COVID-19 pandemic. International credit rating agencies previously downgraded the state's rating two notches below AAA. Moody's, S&P Ratings, and others have repeatedly warned that further downgrades will be imposed if the debt is not reduced in line with the expectations of global finance capital.

Tuesday's budget makes clear that this will be primarily achieved by undermining working-class living standards. Many of the Labor government's spending cuts affect the most vulnerable sections of the population.

In healthcare, the government has indefinitely postponed 35 Mental Health and Wellbeing Locals that were promised after the 2021 royal commission into the mental health crisis, and which were to provide free support services for affected adults. The government has also scrapped three new community hospitals in regional Victoria, which were promised during the 2018 election campaign. Another planned hospital in the inner-Melbourne suburb of Arden has also been cancelled.

Also in relation to health, the government has junked a trial scheme providing five days sick leave a year for casual workers, who receive no leave provisions. The $245 million program, which covered around 130,000 workers, has been axed before the trial's results were finalised.

Pallas declared the subsidised sick leave measure for those in insecure work was introduced during the pandemic, and was "no longer needed as we move into a new phase." The cut, in other words, is another part of the government's lie that the COVID-19 pandemic is over—whereas in fact infections still spread, Long COVID cases ratchet higher, and deaths continue from preventable infection.

In education, badly needed upgrades previously planned for 29 schools have been postponed for years. The construction of 50 new publicly owned childcare centres has been postponed indefinitely, while a planned "pre-prep" kinder year for four-year-olds will not be fully implemented until 2036—in other words, likely never.

Working class people seeking to purchase a home within the prohibitively expensive property market will be hit by next year's axing of the Victorian Homebuyer Fund. This scheme, part of a token housing affordability program promoted by the government,

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previously allowed a slight reduction of initially paid deposits and mortgages through government co-purchases of up to 25 percent of the value of homes.

Existing homeowners will also be hit, through regressive hikes to the Fire Services Levy.

Cuts to planned infrastructure projects include the cancellation of a $10 billion Melbourne Airport Rail Link. This will leave the Victorian capital the only major Australian city without a train connection to its main airport.

The government has targeted public sector workers, last year announcing around 4,000 staged mass layoffs, totalling ten percent of the public service. Different government departments have been ordered to implement funding cuts, delivered through sackings and so-called productivity gains. Cuts include $1.5 billion to the jobs, skills, industry and regions portfolio, justice $555 million, and health $542 million.

The budget also includes a new nominal annual wages cap of 3 percent for public sector workers, significantly below cost-of-living hikes that have slashed real wages in recent years. This immediately affects firefighters, paramedics, and nurses, who now confront the government over new 3-4 year enterprise agreements. The Labor government is centrally relying on the trade union apparatuses to deliver on its agenda, in line with recent sell-out agreements such as the Australian Education Union's agreement to a four-year wage deal involving just 1 percent nominal wage rises each six months.

The sweeping austerity measures represent only a down payment on what is coming in the next years.

The government's economic forecasts resemble nothing but a house of cards. Labor anticipates a return to budget surplus by 2025?2026, based on projected economic growth rates higher than any other Australian state over the next five years. By 2028, the government projects a state gross product at nearly $750 billion, up 25 percent from $600 billion. This is primarily based on immigration-fuelled population growth. Inflation is at the same time projected to come down to just 2.5 percent in each of the three years to 2028.

In other words, any even minor economic shock that emerges later this decade will upend the deficit and debt calculations and immediately trigger even more severe austerity measures.

The corporate media unanimously complained that what the Labor government had foreshadowed as a "horror budget" has failed to cut deeply enough.

With the next state election scheduled for 2026, the government attempted to promote a handful of highly limited initiatives as "family friendly." These included a $400 subsidy for schooling costs per student in public schools, as well as for families with concession cards and children in private schools. This pittance only served to highlight how nominally free public education services is in fact accompanied by numerous fees, and expensive surcharges for extra-curricular sporting and cultural activities.

The *Australian Financial Review* characterised Victoria's population-based growth model as a "pyramid economy," and denounced the government for "salami slicing here and there … with no sign that this is a chastened government."

Behind such statements are a clear warning to the federal Labor government of Prime Minister Anthony Albanese, which is delivering its annual budget on May 14. The Murdoch-owned *Australian* declared yesterday in its editorial that the Victorian budget "provides a template for what happens if things are allowed to run out of control," with Treasurer Jim Chalmers required to "demonstrate [that] the federal government has learned from the mistakes of Victoria."

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