

New Zealand's budget for austerity and war

Tom Peters
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The budget announced by New Zealand's right-wing coalition government on May 22 represents a major escalation in the assault on workers' wages, living standards and public services, in order to fund tax breaks for the rich and to build up the military in preparation for war.

Finance Minister Nicola Willis asserted that the budget was "not austerity—far from it," saying that it contained "much-needed investments" in health and education.

This flies in the face of reality. The government slashed the budget's operating allowance (total increase in spending) to \$1.3 billion—the lowest figure in a decade. Over the next four years it intends to reduce total spending from 32.9 to 30.9 percent of Gross Domestic Product (GDP).

The government cited deepening economic turmoil as a result of the Trump administration's tariffs, which come on top of last year's recession in New Zealand.

The country's economy shrank by 0.5 percent in 2024, and unemployment rose from 4 to 5.1 percent, with tens of thousands of workers sacked across the public sector and by private companies. There is a stark social crisis, with soaring living costs, an estimated 500,000 people (one in ten) relying on food banks and one in five children living in poverty—all of which will get worse as a result of the budget changes.

The most significant new spending is on the military, in line with demands from the US, Australia and the NATO imperialist powers. The defence budget will rise from 1 to 2 percent of GDP over the next eight years, starting with an investment of nearly \$13 billion over four years.

Far-right ACT Party leader and government minister David Seymour warned in parliament that the "the chances are higher than ever" that New Zealand will need to use its military. The increased spending, he said, "allows us to be part of a network of like-minded

democratic societies committed to defending our freedoms in an uncertain world."

In fact, as was made clear in last month's Defence Capability Plan, the aim is to integrate New Zealand into aggressive US-led military preparations targeting China. As a minor imperialist power, New Zealand is already contributing to the brutal war in Ukraine and the bombing of Yemen, which are part of the imperialist countries' efforts to solve their economic crisis by violently redividing the world.

The opposition Labour Party supports this agenda: its leader Chris Hipkins did not mention the vast military spending boost in his response to the budget. His ally, Green Party co-leader Chlöe Swarbrick stated that the government "think it's harder to feed the poor [than] to arm up for somebody else's war."

The Greens' alternative budget, however, is silent on the rearmament program. As part of the last Labour-led coalition government from 2017 to 2023, the Greens supported increased military spending and the decision to send troops to Britain to assist in training Ukrainian conscripts for war against Russia. The party has recently adopted the militarist slogan of making NZ "a country worth fighting for."

The money for war comes at the direct expense of the working class. Notably, the government expects to "save" \$12.8 billion over four years by cancelling 33 separate pay equity negotiations, which were to increase pay for hundreds of thousands of workers in female-dominated roles, including teachers.

Other attacks include:

- Reduced government contributions to KiwiSaver, a retirement savings scheme covering most workers. Currently, members of the scheme can get \$521 a year from the state, but this has been halved to \$260.72 in order to save the government \$2.46 billion over four years.

- Around 9,000 unemployed 18- and 19-year-olds will

be kicked off unemployment benefits “if it is determined that their parents or caregivers can support them.” The move is particularly brutal given that 13.2 percent of under-25-year-olds are not employed or in education—more than double the overall unemployment rate.

•The Best Start tax credit, given to parents in the first year of their child’s life, will be income-tested, which will lead to “a reduction in income” for around 61,000 families, according to government officials.

•\$1 billion will be cut over five years to emergency housing for the homeless, under conditions where 2.3 percent of the population is severely housing deprived.

None of these cuts will be offset by the pitifully small “relief” touted by the government, consisting of a \$7-a-week increase in tax credits for some working families.

The government’s rhetoric about increased investment in health and education is likewise a sham.

Total annual health spending has increased by just 4.77 percent (\$1.37 billion)—not enough to address the crisis of unmet need and understaffing of public hospitals and medical centres. With inflation at 2.5 percent and annual population growth of 1.5 to 2 percent, Auckland University health policy professor Tim Tenbensel wrote in the *Conversation* that a 4–5 percent funding increase “amounts to merely standing still.”

Doctors, nurses and other healthcare workers have held strikes over the past year-and-a-half to protest below-inflation pay offers and a hiring freeze in public hospitals.

Funding for public education is being cut in real terms. Radio NZ reports that school operations grants have received an increase of just 1.5 percent. Meanwhile government subsidies for private schools, including several elite institutions, will rise by 11 percent.

The budget will increase subsidies for university tuition by 3 percent or 4.75 percent, depending on the subject. Tertiary education providers, which have had their funding slashed by successive governments, will be permitted to increase fees by 6 percent, driving up student debt, which reached a total of \$15.6 billion at the end of 2024.

The government anticipates that its austerity measures will fuel social opposition and conflict and is therefore strengthening the repressive arms of the state.

There is \$472 million over four years to expand prisons and hire 580 more Corrections staff, in addition to 685 funded in last year’s budget. Some \$33 million over four years is allocated to expand military-style boot camps for young offenders.

Labour Party leader Hipkins denounced several cuts in the budget, as well as \$200 million in subsidies for fossil fuels development at gas fields. “More people are homeless, more children are going hungry and women are going to be paid less. That’s what Nicola Willis and [Prime Minister] Christopher Luxon will be remembered for,” Hipkins said.

Such statements are typical of Labour’s blatant hypocrisy. The National-led coalition government is, in fact, building upon the attacks of the last Labour government. Labour lost the 2023 election in a landslide defeat, fuelled by mass anger over soaring living costs, the crisis in the health system, increased child poverty and homelessness, as well as Labour’s support for Israel’s genocidal assault on Gaza.

The Public Service Association’s Fleur Fitzsimons similarly denounced the budget as “wage theft on a national scale against New Zealand women.” The PSA, the biggest union, has enforced thousands of job cuts across the public sector, while also openly supporting the multi-billion dollar increase in military spending.

The budget’s austerity and warmongering will accelerate the movement to the left by workers and young people, who will come into conflict not only with the government, but with the opposition parties and the pro-capitalist union apparatus.

The crucial task facing the working class is to establish its political independence from all these organisations and to consciously take up the fight for the socialist reorganisation of society. This means joining and fighting to build the world Trotskyist movement, which in New Zealand is represented by the Socialist Equality Group.



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