

# Australian Labor government demands deeper austerity cuts

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27 November 2025

Recent developments show that the Albanese Labor government is increasingly cutting essential social programs—including public hospitals, disability services and science. It is seeking to meet the demands of the corporate elite for cuts and higher productivity, while pouring hundreds of billions of dollars into military spending in preparation for war.

In the government's latest move, Finance Minister Katy Gallagher's department ordered federal departments and agencies to provide details of spending cuts worth up to 5 percent of their annual budgets. This cost-cutting, to be imposed in just the next 12 months, is in addition to a mandatory 1 percent annual "efficiency dividend."

The demand for 6 percent budget savings in one year will inevitably mean cuts to jobs and services. According to a report in the *Australian Financial Review*, departments are already reducing their workforces through natural attrition and freezes on hiring for non-essential roles. The relatively small Treasury department plans to cut 250 jobs, or 15 percent of its workforce, over two years. Much larger cuts are likely for the big health and social services departments.

Key government departments, including Health, Climate and Energy, Social Services and Attorney-General's, have reportedly sounded the alarm in their briefs to ministers, warning of budget cuts as large as 50 percent in coming years and asking where they should plan to cut workers.

Treasurer Jim Chalmers and Gallagher are preparing to deliver a mid-year budget update in December, endeavouring to meet corporate demands for "budget repair" to reduce projected deficits totalling around \$40 billion a year for the next decade, according to Parliamentary Budget Office estimates.

"Budget repair" is a euphemism for axing social and health programs as part of an agenda of austerity under conditions of anaemic economic growth of less than 2 percent a year, historically low levels of corporate investment and the global volatility fuelled by the Trump administration's tariff war and slowing economic growth rates.

## Public hospitals

It was revealed last week that Prime Minister Anthony Albanese

had personally written to the state and territory governments to demand that they cut spending on public hospitals.

"For states and territories to realise a Commonwealth contribution of 42.5 percent of public hospital costs by 2030–31, under the capped glide path model, it will be necessary for your government to work to reduce growth in hospital activity and costs to more sustainable levels," his letter stated, according to leaks to the media.

In 2023, the Labor government pledged to lift the federal public hospital funding share from around 41 percent to 42.5 percent by 2030–31 and 45 percent by 2035. Both dates are long after Albanese's government is likely to exist.

No details were provided of the scale of the cuts now demanded by Albanese, but they are known to involve setting a cap of 8 percent growth annually, which is well below the soaring rate of increase in medical costs.

A July 2025 report on public hospital costs—commissioned by state and territory treasurers and prepared by former federal health department boss Stephen Duckett and Create Health Advisory—said there was a sharp 12.3 percent increase in the benchmark National Efficient Price for public hospital procedures in 2025–26.

This figure included cost rises accumulated over the three previous years, driven by a combination of general inflation, increased prevalence of patients "stranded" in hospital beds because of a lack of aged care and disability facilities, workforce shortages that increased reliance on contract staff and increasing patient complexity and frailty.

The report recommended the opposite of Albanese's ultimatum: That cost increases driven by inflation, wages and system complexity should be funded outside the cap, "recognising that these are not discretionary cost decisions but systemic pressures outside state control."

Albanese's demand means more staffing cuts and longer waiting times for medical treatment in the over-stretched public hospitals. An Australian Broadcasting Corporation survey last week found that people are waiting more than six years to see public hospital specialists, such as neurologists, prompting doctors to warn that people are suffering "irreversible complications" and risking death while languishing on waiting lists.

The latest statistics also show a sharp drop in patients seeing GPs due to rising fees, thus increasing the pressure on public hospitals, where people can seek no-fee treatment. That is because the

government has failed to deliver promised greater access to “bulk-billing” or no-fee treatment by doctors under the Medicare public insurance scheme.

In the July to September quarter of this year, 10,000 fewer people a day saw GPs compared to the same period last year. The average “out-of-pocket” cost for patients was more than \$50 above the Medicare reimbursement, taking visits to doctors out of reach for many working-class households.

The percentage of patients being bulk-billed has dropped under the Albanese government since 2022, from 88.5 percent to 77.5 percent, despite Labor’s promises.

## Disability services

Cuts to disability services are among the Labor government’s biggest immediate targets.

In a trade-off as part of the 2023 hospital funding deal, the states and territory governments agreed to co-fund some new disability services to cover the thousands of patients that the Albanese government is cutting off or excluding from the National Disability Insurance Scheme (NDIS).

For example, tens of thousands of children diagnosed with autism and other developmental conditions will be barred from the NDIS from 2027, supposedly to be transferred to alternative “Thriving Kids” programs.

The Albanese government also pledged that adults barred from the NDIS would become eligible for “foundational supports” to be provided by states and territories by July this year.

This is all a mirage. Not one state or territory has agreed to deliver the “supports” and none have committed themselves to co-financing “Thriving Kids.”

According to the Parliamentary Budget Office, if Labor succeeds in its goal of cutting the NDIS annual financial growth rate from 10 percent to 5.5 percent by 2026–27, the scheme will be \$128 billion cheaper over the next 10 years, at the expense of predominantly working-class people.

A largely privatised program introduced by the previous Gillard Labor government in 2013, the NDIS only covers a small proportion of those with disabilities. It does not cover those aged 65 and above—an age bracket with the highest level of disabilities. Nevertheless, it has been placed on the chopping block.

The Albanese government is also cutting aged care, further increasing the pressure on public hospitals, because not enough beds exist for elderly patients to be transferred to residential accommodation. The number of new beds in federal government-subsidised residential aged care facilities fell from 2,224 in 2023–24 to 802 in 2024–25, far below the annual demand for more than 10,000.

At the same time, under “Support at Home” changes introduced this month, retired workers, including those depending on inadequate aged pensions, must make “co-payments” for basic services in their homes, even showers.

## Research cuts and restructuring

Last week the government’s primary scientific agency, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), announced it would slash up to 350 jobs, on top of 800 already eliminated in the past 18 months under the Labor government. This would reduce the CSIRO’s numbers to around 5,500, down from more than 7,000 in the 1990s.

Without providing details of where the jobs would be eliminated, CSIRO management said areas like nutrition would no longer be a priority, and there would be a sharper focus on areas such as energy, artificial intelligence (AI) and robotics.

These are all areas associated with “national priorities” set by the government as part of restructuring the economy, including scientific institutions and universities, for corporate and war purposes. Albanese personally endorsed the CSIRO announcement, insisting that the cuts were about making sure “every single dollar for scientific research is going in the right direction.”

Science Minister Tim Ayres said the cuts were aimed at refocusing the efforts of the CSIRO toward the government’s research priorities, such as critical minerals, iron and steel, and “capacity to serve the national interest.”

This restructuring is in line with that being imposed by the Labor government on the country’s 39 public universities, shaping them to meet business and military requirements in both teaching and research, accompanied by the destruction of almost 4,000 jobs.

Labor’s war-related spending is accelerating. This year’s budget, issued in March, committed Labor to increase military outlays to nearly \$59 billion this financial year, or about 2.04 percent of gross domestic product (GDP), rising to \$74 billion or around 2.23 percent of GDP in 2028–29. The AUKUS military pact with the US and Britain, directed against China, requires the expenditure of at least \$368 billion by Australia over a decade.

Nonetheless, the ruling class is demanding that the government step up its measures. A November 24 editorial in the *Australian Financial Review* declared the necessity to “make the economy more productive and resilient” to “withstand and respond to global shocks.” This will mean an accelerated offensive against the jobs and conditions of the working class and deeper cutbacks to social spending.



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