Australian government plans “tough” austerity budget

Mike Head
26 February 2026

The Albanese Labor government is preparing to meet the demands of the financial markets for far deeper cuts to social spending in this year’s May budget. According to corporate media reports, Prime Minister Anthony Albanese has ordered his ministers to find billions of dollars of savings in areas such as disability and aged care services, while driving up spending on AUKUS and related US-aligned war preparations.

Based on anonymously presented comments by 10 government ministers, the *Sydney Morning Herald* and other Nine network newspapers reported on Wednesday: “The normal budget request that any spending is offset by savings is being enforced more strictly by Treasurer Jim Chalmers and Finance Minister Katy Gallagher, and the Expenditure Review Committee is pushing ministers to find ways to focus on their biggest expenses, not just nips and tucks.”

The *Australian Financial Review* (AFR) reported that Chalmers addressed the entire Treasury staff on Monday to emphasise that the May budget would have to be the “most ambitious” yet, containing both a savings package and a productivity package.

These reports indicate that Albanese’s ministers are planning an austerity budget to satisfy a drumbeat of demands by the corporate ruling class that the government go much further than its December mid-year budget update. In that update, Chalmers boasted of outdoing the opposition Liberal-National Coalition by delivering $114 billion in cost-cutting since the government first took office in 2022.

“Several sources” told the Nine newspapers that Albanese had made clear in a Cabinet meeting in January that ministers needed to wind back spending after last year’s supposed focus on delivering promises made to win last May’s election. One minister reportedly said: “I think everyone agrees internally this is politically and economically the right time to pare back. It will probably be pitched by Jim [Chalmers] as ‘this is the tough budget the times require.’”

No details of the planned social spending cuts have yet been divulged, but the National Disability Insurance Scheme (NDIS) has been specified, once again, as a central target, giving an indication of the brutal nature of what is being prepared in the “tough budget.”

At a “National Cabinet” meeting with the state and territory government leaders last month, Albanese and Health Minister Mark Butler committed to slashing the NDIS annual growth rate from 8.1 percent to 5 to 6 percent, by cutting tens of thousands more people, particularly children, from support services.

Now, according to the media reports, plans are being made to cut that further, closer to 4 percent. That mainly means shunting children with supposedly mild or medium development problems into non-existent state-based “Thriving Kids” programs—effectively imposing the burden onto parents, childcare workers and school educators.

As Chalmers made clear, the Labor government is also intent on lifting “productivity.” That really involves increasing corporate profits, boosting shareholder dividends and attracting global investment through job cuts and work speed-ups, many AI-related, as well as through greater cuts to social spending.

The media reports show that the message from the corporate elite has been heard loud and clear. One minister and one Labor backbencher, speaking on the condition of anonymity, said the government “had not been disciplined enough.”

An AFR editorial on February 19 underscored the historic dimension of the cuts being demanded. It denounced the so-called “care economy,” saying it was “exacerbating the overall low growth, low productivity economic malaise.” It singled out “disability and childcare” as “non-market, labour-intensive, lower-

© World Socialist Web Site

productivity areas of the economy" and concluded: "It's essential to call time on the age of universal entitlement."

Significantly, the editorial cited a report, along these lines, issued this month by the e61 Institute corporate think tank, which was co-founded by Andrew Charlton, who is now the Labor government's Cabinet secretary and assistant minister for science, technology and the digital economy. Charlton's elevation into Albanese's ministry after last year's election illustrates the intensifying, decades-long, intertwining of the Labor leadership and big business.

Even with Labor's spending cuts since 2022, federal and state budget deficits are forecast to worsen for the foreseeable future, and gross government debt is now predicted to reach $1 trillion by next month, placing a question mark over the credit ratings assigned by the international financial agencies. This is part of a global capitalist crisis, intensified by the turmoil triggered by the Trump administration's economic warfare, but the ruling elite insists that the working class must pay the price.

Earlier this month, business chiefs demanded that the government must cut at least $50 billion a year from essential social services. The Australian Chamber of Commerce and Industry issued this demand in its pre-budget submission to the government, specifically targeting the NDIS, childcare, aged care and health.

At the same time, the Trump administration has insisted that military spending rise to 5 percent of GDP, far above the Labor government's latest pledge to reach 2.4 percent by 2033–34. Labor is already pouring hundreds of billions of dollars into the AUKUS pact and other military spending in preparation for a US-led war with China.

On February 15, Albanese travelled to Adelaide, South Australia to unveil a $30 billion AUKUS Nuclear Powered Submarine Construction Yard, beginning with a $3.9 billion "down payment." That was in addition to December's commitment of an "initial" $12 billion over 10 years toward constructing an AUKUS-related Defence Precinct and port just south of Perth, Western Australia.

Labor also has pledged to provide $4.5 billion in handouts to the US and UK governments for the AUKUS submarines, half of which has been transferred, and to spend $368 billion on the submarines over the lifetime of the agreement. That inevitably involves even greater cuts to social programs.

This is all under conditions of rising discontent in the working class over deteriorating health, education and disability services, growing social inequality, falling real wages and an escalating cost-of-living crisis.

On February 3, the Reserve Bank of Australia (RBA) board began lifting interest rates again, hitting home buyers hard and shattering the government's claims to have "turned the corner" in combatting inflation. The RBA not only raised its cash rate to 3.85 percent from 3.6 percent. Its forecasts predicted a re-acceleration of inflation, increasing the likelihood of two more 0.25 percent rate hikes by the end of the year.

That means deeper cuts to workers' real wages. The Australian Bureau of Statistics Wage Price Index for the December quarter of 2025 showed nominal wages grew by just 3.4 percent over the year, well below the annual inflation rate of 3.8 percent, which the RBA has predicted to reach 4.2 percent by June.

The official inflation figures camouflage the historic character and real impact of soaring costs on working-class households, especially for housing, under Labor and Liberal-National governments alike. While the Consumer Price Index has risen by just under 50 percent since December 2010, the average asking price for houses and units has risen by 137 percent over the same period and average rents have increased by 95 percent.

Labor won the May 2025 election by posturing as opponents of a Trump-style agenda, but it is conducting an intensifying assault on working-class conditions. It is relying heavily on its partners in the trade union bureaucracies to keep imposing below-inflation cuts to wages and blocking the development of wider struggles against its agenda of austerity and militarism.

This is fuelling growing unrest, partly reflected in falling opinion poll support for Labor and the political establishment as a whole. To break out of the deadly Labor-union straitjacket, this disaffection urgently requires a socialist perspective and leadership, directed against the capitalist system itself, which is the source of inequality, social devastation and war.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site