

# Australia: Victorian budget cuts services amid war and cost-of-living crisis

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The Labor government's 2026–27 Victorian state budget, handed down on May 5, is a pre-election document designed above all to satisfy the financial markets and corporate boardrooms by cutting spending to produce a budget surplus, while trying to contain working-class discontent over the intensifying cost-of-living crisis.

Behind the claims by Premier Jacinta Allan's government of delivering its first surplus in seven years, the budget deepens cuts to public education, health and disability services, while rejecting the demands of workers across the public sector—from local council workers and teachers to health workers—for decent wages and conditions.

The budget continues the drive to make the working class bear the burden of the criminal US-Israeli war on Iran, which the federal Labor government has backed from the outset. The war has sent the prices of fuel, food and other essentials soaring, along with home mortgage interest rates and rents.

The budget's attempted sweeteners—half-price public transport, a vehicle registration rebate, road works—are a pre-election attempt to neutralise growing discontent and prevent a broader eruption of workers' struggles.

Under a state Labor government since 2014, working-class households in Victoria were already under severe pressure before the war.

According to the Australian Bureau of Statistics, in the year to March 2026, people in Victorian capital Melbourne saw costs rise 23.8 percent for electricity, 5.9 percent for housing and 3.2 percent for food and non-alcoholic beverages. Similar trends are seen across the country. Real wages have fallen. Every state and territory Labor government is enforcing the austerity demanded by global capital, as are their counterparts internationally.

Treasurer Jaclyn Symes proclaimed an operating surplus of \$727 million for 2025–26 and \$1.05 billion for 2026–27. The announcement was crafted to reassure the

global ratings agencies and bond markets ahead of November's state election.

This “surplus,” however, excludes all capital and infrastructure spending. The projected cash deficit is \$7.7 billion in 2026–27, rising to \$8.1 billion by 2029–30. Net debt is predicted to climb from \$165 billion today to just under \$200 billion within four years, with daily interest payments exceeding \$32 million by decade's end.

Even the operating surplus is contingent on the war ending soon. Expected gross state product growth for 2026–27 has already been slashed from 2.75 percent to just 1.5 percent because of the Middle East conflict. S&P, which rates Victoria at AA—the lowest of any mainland Australian state—has flagged downside risks if the global situation deteriorates further.

The corporate media and big business are demanding even harsher measures to shore up profits at the expense of ordinary people. This is a warning of how much worse is to come after the November election, regardless of whether Labor scrapes back into office.

The big-business Australian Industry Group complained the budget “avoids bringing spending under proper control.”

An editorial in the Murdoch media's *Australian* on Wednesday demanded deeper real pay cuts: “[U]nless lulled into a sugar coma by sweeteners, voters should recognise that the current trajectory, with its spiralling public sector wages bill that has been growing since the election of the Andrews government in 2014, must not be allowed to continue.”

Allan's government is touting its “fiscally disciplined” budget while also attempting to present it as relieving the cost-of-living crisis. In fact, the budget entrenches the worsening conditions affecting millions.

It allocates \$18.6 billion to education this year and presents that as proof of Labor's commitment to public schools. Across Australia, Labor governments have

presided over a sustained decline in real funding per student. Funding per primary school student nationally fell from \$18,942 in 2022–23 to \$18,853 in 2023–24.

A new national funding deal has allowed the Victorian Labor government to freeze its share of public school funding at the 2023 level for 2025 and 2026, and to delay meeting its already inadequate 75 percent share of the Schooling Resource Standard until 2031, ripping \$2.4 billion from what had been promised to public schools.

About 40,000 teachers staged the first statewide teacher strike in 13 years in March, demanding a 35 percent pay rise over three years to recoup real wage losses. On the eve of the budget, the Australian Education Union (AEU) leadership called off further stoppages, citing “intensive negotiations.” The AEU officials are preparing another below-inflation sellout, as they inflicted in 2022, in keeping with their decades-long role of enforcing government cuts.

Likewise, just \$2.4 billion has been committed over four years for “Thriving Kids” and “Foundational Supports,” for the tens of thousands of people with disabilities, including children, whom the Albanese government is cutting off from the National Disability Insurance Scheme (NDIS).

The Labor governments are forcing children under nine with developmental delays and autism off NDIS entitlements into a capped system of supports delivered through schools, GPs and community hubs, with no guarantee of adequate provision. Teachers and school staff will bear much of the practical burden, as thousands of students previously supported through the NDIS arrive in classrooms with fewer resources.

Victoria’s hospitals will remain under severe strain. More than 60,000 patients are on waiting lists for so-called elective surgery, emergency departments are overwhelmed, and ambulance ramping outside hospitals has become a chronic feature of the system. The \$32.3 billion health budget does not come close to matching this demand when set against inflation, a growing and aging population and a workforce already hollowed out by government cuts.

The government announced the slashing of more than 1,000 public sector jobs last December, with health departments required to reduce workforces by 4 percent—and Treasurer Symes signalled further cuts after the election. There is no provision in the budget for resolving the wage demands of health workers.

On the day the budget was handed down, more than 1,000 council workers across eight Melbourne councils

staged what was described as the largest council workers’ strike in Australian history. Covered by the Australian Services Union, they are demanding a 22 percent pay rise over three years after real wages fell by up to 12 percent from 2021.

Health workers, teachers, council workers and more are coming into conflict with a system in which corporate profits dictate government spending. And in each case, the union bureaucracy works to contain the struggle and negotiate outcomes acceptable to the government. The AEU suspension of strikes on the eve of the budget is the latest example.

Primarily because of its pro-business record, the Allan government is one of the most unpopular in Victoria’s recent history. A Roy Morgan poll last month put Labor’s primary vote at just 25.5 percent—down from 37 percent at the 2022 election.

Many workers and young people oppose the government’s systematic attacks on the social and democratic rights of the working class. It has deployed police and counter-terrorism units to raid the homes of and arrest anti-genocide protesters.

The government is proceeding, despite the objections of residents, with the demolition of all 44 public housing towers in the state capital Melbourne—displacing approximately 10,000 working-class and vulnerable people amid the worst housing crisis in the country’s history.

On every front, Labor is carrying out the program demanded by the Australian capitalist class: austerity at home and a war economy, with the Albanese government pouring hundreds of billions of dollars into military spending, all at the inevitable expense of social spending.

The working class cannot address this through appeals to whichever party holds office, or to trade union bureaucrats, but through an independent political movement, fighting for a socialist alternative to a capitalist order that places the demands of financial elites above human need.



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