

# New Zealand budget attacks workers and students, boosts the military

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24 May 2026

New Zealand's right-wing coalition government is sharply accelerating its assault on the working class, in order to protect the wealth of the super-rich and to fund a major increase in the size of the military in preparation for war.

That is the significance of the austerity measures announced in the lead-up to the formal release of the 2026 budget on May 28. The aim is to impose the full burden of the economic crisis, exacerbated by the US-Israeli war against Iran, on working people.

Total operational spending will increase by just \$2.1 billion—about 1.4 percent, less than half the current rate of inflation (3.1 percent). This will mean significant cuts to public services and mass layoffs. Finance Minister Nicola Willis announced on May 19 that the government will “save” \$2.4 billion by cutting staff in government departments by 14 percent over three years, eliminating around 8,700 jobs.

Willis said the government would reduce “most agencies’ operating budgets by 2 percent in the coming year, followed by a further 5 percent in each of the following two years.” Government ministers said healthcare workers, teachers, police and military personnel would not lose their jobs, but have not explained who will. The plan will further drive up unemployment, already 5.3 percent (163,000 people) and rising.

In a major attack on young people, the government has confirmed it will scrap a policy under which students do not pay fees in their third year of study. This will add thousands more dollars—up to \$12,000—to the cost of a university degree.

Most students already have to borrow tens of thousands of dollars for fees and living costs. More than 618,798 students and former students owed a total of \$16.1 billion in December 2025, up from \$15.6 billion a year earlier. The median loan balance was \$18,252.

Large numbers of students already live in poverty. A University of Auckland survey published in March found that 45 percent of students were “food insecure—meaning they lacked reliable access to enough affordable, nutritious

and appropriate food.”

While making it harder to study, the government will also push 18- and 19-year-olds off welfare benefits, under conditions where youth unemployment is about 15 percent.

Older workers are also being targeted. The National Party—the main party in the governing coalition—will campaign to raise the age for superannuation entitlement from 65 to 67 if it is reelected in November.

The budget includes cruel attacks on some of the poorest people in the country, who are already suffering from soaring prices.

From next year, rents will increase for about 84,000 families and individuals in public or social housing, from 25 to 30 percent of their income. This means an average increase of \$31 a week.

Some money will be redirected to the Accommodation Supplement paid to low-income people in private rentals, who will receive a miserable increase of just \$15 a week. The aim is to drive more people into private accommodation, to further erode the public housing system and enrich landlords.

On May 14, Social Development Minister Louise Upston introduced legislation to kick thousands of people off the Accommodation Supplement. Currently, low-income homeowners with few assets are eligible for the supplement if they pay 30 percent of their income on housing costs. That threshold will be lifted to 40 percent, ending eligibility for nearly 10,000 recipients, mostly families with children who would lose an average of \$42 per week.

*Stuff* reported that Upston herself claims a ministerial housing allowance of \$1,000 per week, on top of her \$320,600 salary, despite being the joint owner of an apartment in Wellington that is mortgage-free.

The government also intends to “save” about \$50 million a year by cutting Temporary Additional Support (TAS)—a “last resort” payment for some of the poorest welfare recipients who cannot meet basic costs for housing, food, medical care and other essentials. The maximum TAS a person can receive will fall from 30 percent to 25 percent of

a person's weekly benefit.

These cuts will intensify the country's severe social crisis. One in five children already lives in poverty, about half a million people rely on foodbanks, and 100,000 people are severely housing deprived.

While justifying cuts to education, public services and welfare in the name of "fiscal responsibility," the government is pouring billions of dollars into the armed forces. Last year it announced more than \$12 billion over four years as part of plans to double military spending from 1 to 2 percent of GDP.

On May 23, Defence Minister Chris Penk confirmed that \$1.6 billion will be spent on naval upgrades and to acquire drones. He called for a "combat capable New Zealand Defence Force that pulls its weight internationally and domestically." The military, he said, "expected to be called upon more often, in challenging circumstances."

Prime Minister Christopher Luxon's pre-budget speech on May 13 focused centrally on the need to militarise the country. He accused China of "assertively expanding its influence across the Indo-Pacific and beyond," and hypocritically denounced Russia over the war in Ukraine. Luxon's government supported the criminal US attack on Venezuela and the war against Iran, and has refused to denounce Israel's ongoing genocide in Gaza and invasion of Lebanon.

Luxon said the international situation was "similar" to World Wars I and II. He hailed the "warriors" who "answered the call and went to Europe and the Pacific" in the 1940s.

This must be taken as a serious warning. Tens of thousands of young people from New Zealand were killed in both wars—not fighting for "freedom", but in order for the NZ ruling class to secure a seat at the table in the imperialist carve-up of the Pacific. The ruling elite is again demanding that workers "sacrifice" their living standards and be prepared to give their lives to defend the imperialist-dominated world order in an alliance with the US and Australia.

The Labour Party and its allies, the Greens and the union bureaucracy, have criticised the budget cuts. With an election approaching in November, Labour leader Chris Hipkins declared on Facebook: "National will cut your job. Labour will protect it."

This message will be repeated at protests on May 28 organised by the unions, which have already enforced thousands of job cuts and recently pushed through wage cuts for more than 100,000 teachers and healthcare workers.

Speaking with Radio NZ on May 19, Hipkins would not commit to reversing any cuts, saying, "bigger government departments aren't always more efficient than smaller

departments." Austerity measures began during the last Labour-Greens government; Hipkins proposed cutting the public service by 2 percent in the lead-up to the 2023 election.

Labour has made no pledge to reverse the increase in student fees. Hipkins opposed increasing the retirement age but told the media he would be open to a "discussion" about means testing superannuation.

The Labour Party—as well as the Public Service Association, the biggest union—supports the diversion of billions into the military. The Labour-Greens government strengthened NZ's alliance with the US, including by sending troops to Britain to train Ukrainian conscripts for the war with Russia. In August 2023, Labour's then Defence Minister Andrew Little declared that the country had to be ready to join a war in the South China Sea, i.e. against China.

If Labour were in power now, it would be behaving in essentially the same way as the Australian Labor government, which is militarising the country at the direct expense of the working class—including completely gutting disability support, and cutting funding for schools and universities.

The assault embodied in the budget can only be opposed through the mobilisation of workers, students, beneficiaries, and youth, independently of all the capitalist parties and union bureaucracies. What is required is the building of a new revolutionary party, with a socialist and internationalist program, to fight for a workers' government that will expropriate the wealth of the super-rich, dismantle the war machine, and reorganise economic life on the basis of human need—not private profit.



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