

# New Zealand budget deepens austerity to make workers pay for war

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New Zealand Finance Minister Nicola Willis released the National Party-led government's annual budget on May 28. It represents a further escalation of attacks on healthcare, education, welfare and other essential public services.

The corporate media sought to obscure this reality. A *New Zealand Herald* editorial asserted that it was “far from an austerity Budget,” with the government “still adding an average of \$2.1 billion per year in net new operating spending.”

This is an increase of just 1.3 percent—well below inflation, currently 3.1 percent and likely to rise above 4 percent this year. The cost of fuel and virtually everything else is being driven up due to the illegal US-Israeli war against Iran.

The ruling elite aims to make the working class pay for the economic crisis, and for a major increase in military spending to prepare the country to join US-led imperialist wars.

Despite the global turmoil, Willis promised to return the government's books to surplus by 2028/29—a year earlier than previously forecast. The Treasury is predicting economic growth to rise from 1.2 percent this financial year to 2.3 percent in 2026/27.

Commentators have widely dismissed the projections as “heroic.” They are based on the assumptions that the war in the Middle East will end soon, that global oil prices will fall significantly, and real economic activity will rebound—despite a wave of factory closures, business liquidations and job losses in recent months.

The government's real plan is to bring about a “recovery” for the rich at the expense of workers, by keeping wages down and driving up the rate of exploitation to boost profits, and by gutting the public sector to pay for tax cuts.

Job cuts announced in the lead-up to the budget will

push up unemployment, currently 5.3 percent. About 8,700 people in government departments will be sacked and four ministries will merge into a new Ministry for Cities, Environment, Regions and Transport.

This follows real wage cuts for doctors, nurses and other healthcare workers, and teachers, imposed in recent months with the collaboration of the trade union bureaucracy. These below-inflation pay rises for more than 100,000 workers have set a benchmark for workers in every industry.

In the education sector, tertiary student fees will increase by thousands of dollars, making it harder for people from working class backgrounds to get a qualification.

Schools' operational funding will increase by just 2 percent and early childhood education subsidies by 1.5 percent.

Radio NZ (RNZ) described public health as “the big winner” in the budget, “with \$5.8 billion of new spending.” This sum, however, is spread across four years. As academic Robin Gauld noted in the *Conversation*, it amounts to just 3.49 percent per year, a funding freeze—or a cut if inflation goes higher—and not enough to support the growing and ageing population. This will do nothing to address the crisis of understaffed and overcrowded hospitals, and long waiting lists for medical treatment.

Figures on child poverty released with the budget show that 17.8 percent of children, nearly one in five, are living in poverty after housing costs are taken into account. Willis admitted that the government would not meet its target of reducing the figure to 10 percent by 2028/29.

The proportion of children experiencing “material hardship,” i.e. in households that cannot afford basic items such as fruit and vegetables, heating, clothes and

medical care, has risen from 10.6 percent in 2022 to 14.3 percent last year—a total of nearly 170,000 children.

Welfare cuts will push more into poverty. These include cuts to emergency grants for food and other costs; rent increases for 84,000 public housing tenants, and thousands of teenagers being pushed off unemployment benefits.

More attacks are being planned. Speaking to the media, Minister Willis criticised National's coalition partner, the right-wing nationalist NZ First, for opposing an increase in the retirement age from 65 to 67. "Parties who say they won't do anything about [superannuation costs] are prepared to rob everyone in this country under the age of 50 for their own political expediency," she said.

Media outlets have echoed the claim that the amount being spent on pensions is "unaffordable" and somehow unfair on younger people—as though the younger generations will never reach retirement age. In reality, the looming attack on superannuation is an attack on the entire working class.

The capitalist state's main response to worsening social inequality and poverty is brutal "law-and-order" measures. The budget allocates \$477 million to prisons, after the number of prisoners increased from 9,508 to 11,255 in the last two years. According to the *Herald*, Corrections funding will increase 26.3 percent by 2028 to \$2.4 billion.

Unemployed youth, meanwhile, will be pushed to join the armed forces. The government and the opposition Labour Party have agreed to double the military budget from 1 to 2 percent of GDP. This figure will inevitably go higher, as the US demands that its allies contribute more to war plans against China.

US Secretary of War Pete Hegseth, speaking at the Shangri-La Dialogue in Singapore over the weekend, criticised New Zealand's commitment, telling reporters: "2 percent is not enough so 2 percent is freeloading [on the US]." He demanded that countries spend at least 3.5 percent of GDP on the military.

In response, NZ Defence Minister Chris Penk told NZME that he had met with Hegseth and "discussed our close cooperation." He said 2 percent was "a floor, not a ceiling," and "we can adapt as the world around us changes."

Labour Party leader Chris Hipkins declared that the

budget would bring "more cuts, more pain, and higher costs," but Labour has made no commitment to reverse any of the austerity measures. The party's finance spokesperson Barbara Edmonds told the Bradbury Group podcast on May 26 that Labour would make "prudent, considered decisions, because the last thing I want to do is make a huge promise to New Zealand and fail on it."

The Green Party's co-leader Chlöe Swarbrick told parliament that the government was "allowing corporations to profit handsomely off the misery of regular New Zealanders." She also criticised the budget's allocation of "billions and billions to meet Trump's request to spend up large on new military equipment."

The Greens, however, were part of the Labour-led 2017-2023 coalition government, which presided over worsening homelessness, child poverty, and austerity in healthcare and education. The Greens supported higher military spending and the deployment of NZ troops to train Ukrainian conscripts for the US-NATO war against Russia.

Whichever combination of parties gets a majority in the November election, the next government will continue to militarise NZ society to join the developing world war, at the expense of working people. This can only be stopped by mobilising the working class independently of all the capitalist parties, based on the socialist and internationalist program, which is advanced in New Zealand by the Socialist Equality Group.



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