Australian state governments deliver austerity budgets, led by Labor

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Annual budgets handed down by the Australian state governments in New South Wales (NSW) and Queensland this week underscore the spearhead role of Labor administrations in imposing on the working class the burden of the worsening global economic impact of the criminal US-Israeli war on Iran.

NSW Premier Chris Minns and Treasurer Daniel Mookhey were hailed by the corporate media for boasting that their Labor government is delivering the greatest spending "restraint" of all the federal and state governments, including the right-wing Liberal National Party (LNP) one in Queensland.

Tuesday's NSW budget pledged to restrict spending growth to 2.7 percent annually over the next four years—far below the inflation and population growth rates.

Australian Financial Review economics editor John Kehoe praised Mookhey for "doing a better job at containing spending than other governments around the country." This highlights the dependence of the ruling capitalist class on Labor and its trade union partners to contain and suppress workers' opposition.

Both budgets inflict further cuts in real terms to public education and health, combined with totally inadequate funding for the state-run Thriving Kids programs that were supposedly meant to provide alternative support for the thousands of children being cut off the National Disability Insurance Scheme (NDIS) by the federal Albanese Labor government.

The Minns government's budget allocated just $632 million over five years—just about $125 million a year—for Thriving Kids. The LNP's Queensland budget contained no specific allocation at all.

The Albanese government is slashing $37.8 billion off the NDIS over four years, removing or blocking hundreds of thousands of people with disabilities, especially children, from receiving essential support services. That will effectively dump them into the already chronically under-funded and over-stretched state schools and health services.

Aware of seething social discontent, both the NSW and Queensland budgets tried to camouflage the assault on working-class conditions by promising cosmetic temporary cost-of-living relief. But the measures—such as slightly reduced vehicle registration charges and frozen public transport fares in NSW, or a $50 increase to just $150 in Queensland's subsidy for parents of primary school aged children to pay for school supplies and excursions—are pittances compared to the soaring cost of living.

Both the budgets produced sharply downgraded economic forecasts and far larger deficits than predicted just six months ago in December, reflecting the severe fallout from the Iran war on global prices and production. Even these revised forecasts are likely to be overtaken by the ongoing impact of the continuing US-backed aggression in the Middle East, the intensifying war against Russia and the escalating underlying conflict with China.

The NSW budget revealed a $2.3 billion deficit, more than double the December prediction, and forecast economic growth for both 2026–27 and 2027–28 to drop to 1 percent, down from the 2.5 percent predicted in December. This downturn will drive up unemployment, with recent figures showing that it has already risen officially above 6 percent in working-class parts of western Sydney.

Similarly, Queensland's Gross State Product is forecast to grow by just 1.75 percent in 2026–27, down from 2.5 percent in 2025–26.

Flowing from the economic downturn, a decline in the astronomical rate of price rises for homes in Sydney is also a factor in the NSW budget deficit blowout. Stamp duty collections on house purchases are forecast to be $5 billion lower over the next four years than previously expected, with land tax receipts also down by about $3 billion over that period.

Despite angry strikes and protests by health workers and educators over falling real wages, staff shortages and intolerable workloads, these budgets mean that conditions will deteriorate in the public health and education systems in both states.

Supposed "record" funding for the NSW health system,

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which includes the state's public hospitals, will be $36.3 billion in the coming financial year, only up by 4 percent from $34.9 billion in 2025–26. Spending on public schools of $26.2 billion will barely rise from $26 billion in 2025–26.

In Queensland, the cuts are only slightly less severe. Australian Medical Association state president Erica Gannon said the state's 2026–27 $35.5 billion health budget represented a 7.25 percent increase, when a lift of more than 9 percent was needed to "just keep pace" with population and inflation. The $23.1 billion education budget for 2026–27 increased by just $1.2 billion, or 5 percent, compared to the previous financial year's $21.9 billion.

Part of the NSW Labor government's so-called spending restraint is its attack on compensation payments for injured workers. The government is projecting that its expenses for NSW Self Insurance Corporation insurance and compensation schemes will be $2.6 billion lower over four years due to its "reforms," which raised the threshold for workers with psychosocial injury to access payments.

Despite the social spending cuts, the financial markets are not satisfied. Credit ratings agency S&P Global warned that Queensland's AA+ credit rating is at risk of a downgrade after the budget forecast that state debt would grow to $216.4 billion by 2029–30.

That is despite a forecast rise in coal prices boosting the state's revenue next year, and the budget predicting that the size of the public service will grow by less than 1 percent in 2026, lower than the rate of population growth.

Now that all the state and territory governments have released their budgets, an editorial in the Murdoch media's *Australian* newspaper on Wednesday demanded deeper cuts across the country.

"Now that budget season is over, it is clear all jurisdictions," it wrote, "are in various states of fiscal distress, with the total size of states' debt approaching federal debt. The need for fiscal reform, and more realistic expectations on the part of politicians and voters, should not be ignored."

The centrepiece of the Albanese Labor government's May 12 federal budget was another $63.8 billion in cuts to social spending over the next four years, more than half of which is coming from gutting the NDIS.

Labor's attack on the NDIS is not only destroying the lives of people with disabilities, but also impacts their families, as well as school staff, health workers and workers throughout the care sector. In addition, the federal budget cut health, education and other social programs in real terms, accompanied by the elimination of 28,000 federal public service jobs.

At the same time, the Albanese government is increasing military expenditure to $60 billion a year, pouring more money into AUKUS and other war preparations.

There is mounting opposition in the working class. These attacks are only able to proceed because the trade union apparatuses are, with increasing difficulty, imposing sellout agreements on workers that cut real wages and allow the slashing of essential social programs.

Most recently, after the first statewide strike by teachers and education support staff in Victorian public schools for 13 years, the Australian Education Union (AEU) tried to ram through a deal with the Victorian state Labor government that featured real wage cuts and did nothing to address soaring class sizes, workloads and staff shortages. Educators voted down the sellout deal by 57.7 percent to 42.3 percent, delivering a significant blow to the AEU apparatus and the state and federal Labor governments.

Meanwhile, the AEU is trying to strike a similar deal in the Australian Capital Territory and its affiliated Queensland Teachers Union has locked its members into a protracted compulsory arbitration with the state's LNP government in an industrial court, after two powerful statewide strikes last year.

To defeat the Labor-led and union-enforced offensive, workers in health, education, disability services and the public sector need to take matters into their own hands by building rank-and-file committees, independent of the unions. Such committees would link up with the growing movement of workers internationally who confront similar attacks, imposed by capitalist governments everywhere.

That poses the need for the fight for socialism: the expropriation of the vast wealth controlled by big business and the banks, the dismantling of the war machine and the reorganisation of economic life on the basis of social need, rather than private profit.

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