

New Zealand government presents austerity budget amid nationwide protests

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Nicola Willis, Finance Minister in New Zealand's National Party-led coalition government—which includes the far-right ACT Party and NZ First—presented her first budget last Thursday. The coalition took office following October's election in which the incumbent Labour-Green government was ousted after six years amid mass desertion by working class voters.

After months of sweeping attacks on the social position of working people, the budget was anticipated with some foreboding. The government is carrying out a scorched earth policy targeting funding cuts of 7.5 percent across the public sector with over 5,000 jobs slashed and more to go.

When Willis rose to deliver her speech in parliament, a sea of opposition had erupted with nationwide protests. The mobilisation was called by the Māori nationalist Te Pahi Māori (Māori Party, TPM) over the government's broad anti-Māori agenda but included thousands of people deeply hostile to all the government's austerity measures. The protests coincided with a two-day strike over pay by 2,500 junior doctors, followed by one on Friday by hundreds of NZ Blood Service workers.

Thousands gathered in Auckland, Tauranga, Christchurch and Dunedin and many regional locations. In the capital, Wellington, a crowd estimated by police at 5,000–7,000 descended onto parliament grounds.

Tensions emerged days earlier when Prime Minister Christopher Luxon and Labour leader Chris Hipkins warned workers against going on strike. On Instagram, organisers had called for all Māori and supporters to strike. “That would be illegal,” Luxon declared, adding it was “pretty clear what the rules are around strike action.”

The anti-working class “rules,” which place severe limits on strike action, are contained in the Employment Relations Act passed in 2000 by a Labour government, with the full support of the trade union bureaucracy.

TPM was never seriously advocating strike action but even the mention of a strike over political issues was enough to cause Luxon and Hipkins to sharply remind everyone that it was illegal. Both parties are undoubtedly concerned about

anger among workers who want to strike against austerity, but are being blocked by the unions from taking any effective action.

The budget slashes spending on social programs to fund tax cuts for the rich and free up money for war preparations, as the imperialist powers led by the US are engaged in wars in the Ukraine and the Middle East and are preparing for war against China.

More than half a billion dollars is going to the military. Defence Minister Judith Collins said \$163 million is for pay increases to address personnel attrition “with urgency.” Replacement vehicles will have “integrated communications that will enhance interoperability with regional and global partners, such as Australia, Canada, the United Kingdom and the United States.”

Citing events in the Ukraine and Middle East, Collins declared ominously: “This Budget announcement is a signal that New Zealand is ready to step up and play its part to protect the freedoms that so many of us take for granted.”

New Zealand already has troops in Britain training Ukrainian conscripts to fight in the US-NATO proxy war against Russia, which is escalating by the day and threatens to widen into a nuclear war. New Zealand personnel are also participating in the criminal US-led bombing of Yemen, aimed at defending supply lines for Israel as it carries out its genocide in Gaza.

The Ministry of Foreign Affairs and Trade has escaped sweeping spending cuts with additional \$60 million earmarked for diplomatic posts in the Pacific, designed to boost NZ's role in the US-led confrontation with China.

The budget was sold as delivering on National's election promises of substantial tax cuts to address the cost-of-living crisis. In her speech, Willis ludicrously claimed that “the parties in this coalition Government are the parties of the worker. We want working people to keep more of the money they earn.”

In fact, the wealthy emerge better off while for working people paltry increases will be far outstripped by rapidly rising costs. Election promises that an “average” family

would get \$250 per fortnight in tax relief were a fraud: this applies to fewer than 3,000 households.

Radio NZ calculated that a couple earning \$94,000 a year, with two children, has had a 23.31 percent increase in expenses since 2020, but their tax cut will only increase their after-tax pay by 2.35 percent.

Families with children will benefit by \$39 a week on average. A minimum wage worker can expect about \$12.50 a week and superannuants just \$4.50 a week. While a couple earning \$300,000 will get \$40 per week extra, a group of 9,000 are worse off.

With Treasury and the Reserve Bank forecasting a significant lift in unemployment, increases to welfare benefits will reduce due to changes in the way they are indexed. Challenged on TVNZ's 'Q+A' that "the poorest are going to be even poorer," Willis coldly responded: "Do you know how they'll receive more? By getting a job."

The government has meanwhile reinstated the ability for residential property investors to deduct interest costs from their tax bills, cutting their tax by a total of \$2.1 billion. Landlords will get a 60 percent deduction in 2023/24, 80 percent in 2024/25 and 100 percent in 2025/26. Willis admits this will not stop ongoing rent rises.

Ordinary people face growing financial difficulties: the NZ Reserve Bank resolved to keep the Official Cash Rate at 5.5 percent until further notice, ensuring unrelieved pressure on mortgage payments. Unemployment is projected to rise from 4.1 to over 5 percent.

With inflation at 4 percent, down from 7.2 percent in 2022, the trade unions have played a key role imposing below-inflation pay rises. Cost increases of up to 15 percent are imminent for necessities such as council rates, domestic power and house insurance.

The tax cuts, costing \$14.7 billion over four years, are funded by a mixture of spending cuts and borrowing. Net debt will rise by \$68.3 billion to more than \$220.7 billion over that period, which is \$12 billion more than Treasury forecast in December due to the weakening economy.

The government is spending an additional \$2.01 billion a year on the health budget and \$1.01 billion on education. In real terms this barely matches inflation and is not nearly enough to address the existing crisis of unmet need. As a share of GDP, the health budget will drop from 7.8 percent in 2023 to 6.8 percent 2026. Over the same period, education's share of GDP drops from 4.8 to 4.1 percent, its lowest level since 1984.

The cuts include the cancellation of \$70 million for 13 new cancer drugs which were promised before the election, alongside the reinstatement of \$5 payments for prescription medicines. In education, \$107 million is being cut from the school lunch program, which will mean less nutritious meals

for hundreds of thousands of the poorest children, and \$153 million is earmarked to establish as many as 50 semi-privatised charter schools at the expense of the public system.

A representative of the Post-Primary Teachers' Association told teachers at a recent union meeting in Wellington that it was illegal to strike in opposition to these attacks.

Other cuts include \$5.5 million over four years in the arts, hitting the cash-strapped NZ Film Commission, NZ Symphony Orchestra and the film and television archive Nga Taonga. The Wellington Science City Project—which would have supported research into climate change, pandemic readiness and technology in the city—is being scrapped to the tune of \$462 million.

A further \$220 million is being saved by reinstating student fees for the first year of university study and deducting fees from the third year instead, making it even harder for working class students to enter higher education.

With no support for scientific research mentioned anywhere in Willis's speech, a raft of programs related to climate policies worth \$102 million, along with \$33 million in conservation, have been axed. The only new funding in the environmental section of the budget is \$23 million annually for resource management changes, including a fast-track bill that could see projects once rejected for environmental reasons given the green light.

While it pushes tens of thousands more people into unemployment and poverty, the government is funding 500 extra police officers and preparing for a significant expansion of the prison population. Waikeria Prison will be expanded by 810 beds, at a cost of almost \$2 billion, making it the largest prison in Australasia with a capacity of 1,865 beds.

The opposition parties and trade unions, led by Labour, have no real differences with the government's program of war and austerity. Labour entered the election campaign assuring the financial elite that it would not impose any capital gains taxes. In response to the current austerity measures, it has posted on social media: "The National government's job cuts are going too far." In other words, Labour accepts in principle that the assaults must proceed.



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