Australia: NSW Labor government budget further cuts health and education

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Yesterday, for the second year in a row, the Labor government in New South Wales (NSW), Australia's most populous state, handed down a budget slashing social spending, particularly on public health and education.

State Treasurer Daniel Mookhey declared that the Labor government would outdo the previous Liberal-National Coalition administration in cutting government spending.

That was after imposing "savings measures" worth $13 billion in the government's first budget last year since taking office in March 2023, and boasting that $10 billion of that was "on track" to be completed this year.

Mookhey called it a "return to budget orthodoxy," accusing the Coalition of over-spending. He said the budget presented a "fiscally disciplined approach," with "considered and restrained spending decisions" to reduce expense growth to "sustainable levels."

Beneath misleading claims of allocating extra money for various programs and some cost-of-living relief pittances, the budget papers show that health expenditure will rise by just 0.1 percent in 2024?25, and education by around 4 percent.

These amounts are far below the combined impact of inflation—officially at 4 percent as measured by the latest consumer price index—and annual population growth of around 2 percent.

This means worse conditions in over-stretched public hospitals and severely under-staffed government schools, despite budget headlines about more nurses and teachers being employed.

This budget further exposes the claims of the Labor and trade union officials and their supporters that workers, who had engaged in a series of strikes against the Coalition government, could reverse the decades-long assault on living conditions by returning Labor governments to office.

Mookhey, an ex-Transport Workers Union official who was bumped into the NSW upper house in 2015, typifies the Labor apparatus and its pro-business offensive.

He bragged that the average annual government expense growth over the next four years was estimated at only 1.7 percent. That compared with a 5.1 percent average under the previous government, from 2011?12 to 2019?20, and 9.7 percent from 2018?19 to 2022?23.

Such average figures camouflage the impact on health, education and social spending. The budget papers give no details of where and how these cuts will fall.

On every front, the Labor government is working in tandem with the federal Labor government to keep imposing the burden of the war-fuelled global inflationary spiral and developing economic slump onto the backs of working-class households.

Despite claiming to lift public sector wages by removing the Coalition's pay cap, Premier Chris Minns's government also plans, with the help of the union bureaucrats, to keep cutting real wages for the state's 400,000 public sector workers, who include health workers and teachers.

The budget provides for a 9.5 percent wage increase (excluding superannuation) over three years, on top of 4 percent last year. That is still below the government's falsely optimistic inflation projections, and far below the soaring costs of houses, mortgages and rents.

The budget papers estimate that since the Reserve Bank of Australia began its 13 interest rate rises in May 2022, the cost of servicing a mortgage taken out in April 2022 on a median dwelling in working-class western Sydney had risen by 55.0 percent, and 49.5 percent in the rest of NSW.

The median advertised rental price for dwellings had risen by approximately 25.8 percent in western Sydney, and 18.9 percent across the rest of the state.

Labor is in fact seeking to outdo the Coalition in cutting public sector workers' overall incomes. The budget papers predict total public service employee expenses to rise by just 3.2 percent a year through to 2027?28, down from a 4.7 percent average rise from 2015?16 to 2019?20.

Desperate to satisfy the financial markets, Mookhey said Labor was reining in "ballooning expense growth" and government debt it had inherited from the decade-old Coalition government.

Under the banner of "budget repair," total government operating expenses are projected to actually fall by 0.3 percent a year through to 2027?28. Other grants and payments, such as to local governments, community groups and non-profit organisations, are set to be cut by an average of 2.5 percent per annum.

Despite this drastic cost-cutting, and government predictions just six months ago of a budget surplus, the state budget is set to continue in deficit for at least four more years—a total of $10 billion by 2027?28.

Net government debt will blow out to $119 billion in 2025–26, about four times higher than during the 2009 global financial crisis. By June 2027, interest expenses are forecast to hit $7.7 billion a year—a rise of 82 percent in four years.

This means Labor will make even deeper cuts, as the Labor government in neighbouring Victoria is already doing.

Mookhey sought to blame the deficits on a supposed projected $12 billion fall in federal Goods and Services Tax grants over the next four years. Yet that reduced allocation was made on the back of higher stamp duty and land tax revenues in NSW from soaring property prices, and increased coal royalties, boosted by higher energy prices generated by the US-NATO war against Russia in Ukraine.

Now the interest rate and austerity measures inflicted by the central bank and the Albanese federal Labor government are inducing a sharp economic contraction, designed to curb workers' demands for wage rises to make up for years of losses.

The budget forecasts that economic growth in NSW will slow to 1.3 percent over the next financial year, well below the rate of population increase. The state's official unemployment rate is predicted to rise from 3.8 percent to 4.5 percent over the next year, so tens of thousands of workers will lose their jobs.

None of the government's token handouts, such as energy bill rebates for low-income households, will alleviate the increasingly intolerable cost of living.

The housing crisis will also continue, regardless of small promised increases in social housing. The government plans to deliver just 8,400 new or refurbished social homes—less than 4 percent of the shortfall estimated by a 2022 University of New South Wales study.

In total, the budget measures are supposed to result in "up to 30,000" new homes, but the proportion that will be "affordable"—generally interpreted as 80 percent of market rent—is not specified. Most of the housing policy consists of boosting developers' profits by accelerating planning approvals and buying houses off-the-plan from them.

Mookhey claimed the government had avoided deeper cuts in order to shield households from the cost-of-living crisis, but the corporate ruling class and money markets, speaking through the global credit ratings agencies, are demanding harsher measures.

One major ratings agency, S&P, downgraded NSW from AAA to AA+ in 2020 during the first period of the COVID-19 pandemic after government spending rose to prop up business and head off social unrest. Two others, Moody's Investors Service and Fitch Ratings, have now threatened to follow suit.

Today's *Australian Financial Review* editorial accused the government of endangering the state's credit rating by showing "no sign of genuine budget repair." Likewise, an editorial in today's *Australian* said the government had "talked a big game on budget restraint but fallen short of the sorts of measures needed."

The budget papers themselves point to economic "risks" if inflation and interest rates are not reduced, compounded by "the potential escalation of geopolitical tensions and their impact on financial markets, trade and the global economy."

In other words, the plunge into war by the US and its allies, including the Albanese federal Labor government, against Russia and China—the state's and the country's biggest export market—could shatter all the budget's assumptions and require far sharper austerity measures.

In its budget last month, the Albanese government paid empty lip service to cost of living relief, via small, one-off handouts, while further escalating military spending, allocating billions for long-range missiles and other weaponry as part of the AUKUS preparations for war against China.