New budgetary cutbacks

New Zealand dollar dives

A New Zealand correspondent
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The fall of the New Zealand dollar in recent weeks has exposed the fundamental weakness of the country's economy as the effects of the Asian financial crisis unfold.

On June 5, the currency plunged three-quarters of a cent against the US dollar to a five-and-a-half year low, resulting in a warning from the international ratings agency Moody's about a possible downgrading of New Zealand's credit rating. On June 8, the NZ dollar fell again, this time by more than a cent to 50.51 US cents.

Grave fears are held in ruling circles about the country's current account deficit, which is forecast to reach 8.2 percent of Gross Domestic Product this year. An economic report produced by the Australian National University last week suggested that a flight of investment capital would cause a currency collapse, making New Zealand the next domino to fall in the Asia-Pacific region.

Exports to Asia have slumped by more than 25 percent for the month of April. Exports to Indonesia have all but dried up, but other markets have also been badly hit, in particular the wood and log trade with Korea. Major companies, such as the leading meat exporter Affco have started posting significant losses. In the six-month period to the end of March, Affco reported a $NZ9 million loss compared with a $NZ6 million profit for the corresponding period in 1997.

The economic crisis has triggered savage new budgetary measures aimed against the jobs and living conditions of workers. The budget brought down in May by the National-New Zealand First coalition government included:

- A work-for-the-dole scheme aimed at all unemployed and welfare beneficiaries.
- Further privatisation of public assets, particularly in the country's largest city of Auckland.
- New inroads into what remains of the state sector, with a drive for "bulk funding" in public schools and job cuts throughout the national fire service.
- Tax cuts for wealthier sections of the middle class and rich.

The work-for-the-dole scheme, the brain-child of the right-wing nationalist New Zealand First Party, will compel all those on welfare to perform any type of work, including government-sponsored "community service". Cases have already been reported of sickness beneficiaries being threatened with the loss of payments if they fail to accept work placements.

In a related move, tertiary students will no longer be able to apply for emergency unemployment benefits if they are unable to find to find holiday jobs. Many working class youth will be forced to quit their studies.

In the Fire Service, the government announced a move very similar to the recent attack on waterfront workers in Australia — the sacking of all 1,575 professional firefighters, followed by selective re-employment. About 300 jobs are to be axed. The manning on fire trucks is to be reduced from four per callout to three, thereby significantly threatening the safety and lives of all firemen. Following protests, the government modified its plans so that "voluntary redundancies" will be used to cut jobs, rather than outright sackings.

In education, the government plans to extend its "bulk funding" program, under which individual school boards will be made responsible for most aspects of school finance, including teachers' salaries. Funding will be on the basis of enrolment, leading to fierce competition between schools for students. Public schools will become increasingly polarised between rich and poor, as they are forced to rely on other sources of funding, including school fees and business

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In both cases, the unions have played a key role in enabling the government to proceed.

The Professional Firefighters Union opened the latest restructuring by welcoming an earlier round of management cuts on the grounds that they signalled a “greater commitment to frontline firefighting”. Following a series of limited demonstrations against the job cuts, union secretary Derek Best has given his tacit approval, saying voluntary redundancies were preferable to mass sackings.

Similarly, the NZ Post Primary Teachers Association reacted to the extension of bulk funding by scuttling planned industrial action in order to re-enter talks with the Ministry of Education over an employment contract for secondary teachers. At the same time, the union is presiding over a school closure program — schools in Invercargill and Petone are to be shut in the near future.

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