New Zealand officially in recession

A correspondent
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New Zealand, a country held up around the world in the 1980s and early 1990s as a model of 'market reforms', officially slid into recession last week with the announcement of a second quarter of economic contraction.

The figures, released by Statistics New Zealand, showed that the economy shrank in the June quarter by 0.8 percent on top of a 1 percent decline in the March quarter. The fall in economic activity was widespread across most industries, with manufacturing, fishing, forestry, restaurants and hotels among the worst affected. The contraction was deeper than most market analysts had expected--the New Zealand Treasury predicted a fall of 0.7 percent and other economic commentators forecast 0.4 percent.

At the same time, the ballooning current account deficit has caused the international credit agency Moody's to downgrade the country's foreign currency bonds rating from Aa1 to Aa2. The balance of payments deficit in the year to June was $6.6 billion, or 6.7 percent of GDP, the worst in 13 years.

The credit downgrade will mean that the government, banks and businesses will pay higher interest rates on international loans and may flow through to higher interest rates and a further decline in the value of the New Zealand dollar, already battered by the international financial crisis.

A new round of job losses in manufacturing, transport, tourism and state services is already underway. Manufacturing has been particularly hard hit, with production suffering a 3.8 percent downturn in the June quarter. Declines in food production, wood and paper exports and machinery manufacturing accompanied the final closure of the motor vehicle industry.

Recently announced job cuts include:

• The closure of Kenson Industries, one of the last remaining manufacturing plants in the Wellington region--with the axing of 160 jobs.

• The mothballing at the end of October of the Carter Holt Harvey sawmill in Taupo, due to the depressed local building market and international economic conditions--200 jobs to go.

• A review of the operations of Tranz Rail brought on by the downturn in rail freight--job losses among rail workers are forecast at 400.

• 50 percent cuts in nursing and clinical staff at Wairarapa Health services, a product of the ongoing crisis in the funding of healthcare--230 jobs to be cut.

• A financial blowout at the internationally renowned Maori Arts and Crafts Institute in Rotorua--with the loss of 37 jobs.

Even as jobs are being destroyed, the National Party government launched its 'work for the dole' scheme this week. Former New Zealand First cabinet minister, Peter McCardle drew up the plan. Prime Minister Shipley kept him on, following the disintegration of the NZ First-National Party coalition, specifically to supervise the scheme.

From this week, about 240,000 beneficiaries and their spouses will be forced to sign a 'job seeker contract' with the Work and Income Department. In addition, all sickness beneficiaries will have to undergo compulsory 'work testing'.

Beneficiaries or their partners who reject an offer of 'suitable paid work' will lose their benefit for between one and four weeks, with increasing penalties for repeated refusals. The rules provide for specific penalties in the case of partners who fail to co-operate with enforced job placements.

Sanctions will be applied to any beneficiaries who refuse to answer questions, who fail to 'co-operate' in interviews or who walk out on officials. Those on training courses and community work who fail to turn up for a day will have their benefit docked for a week.

The government has confirmed that because people carrying out such 'community work' are not wage employees, even the very meagre protections in the Employment Contracts Act--such as access to personal grievance procedures against employers--will not apply to them. Instead a range of draconian rules will be enforced--such as the docking of payments for arriving at work 15 minutes late.

The 'work-for-the-dole' program will be used to create a pool of forced cheap labour to undermine the working conditions, pay and jobs of the present workforce.

The work-for-the-dole scheme is just one of many measures expected to be announced by the National Party government to shift the burden of the economic crisis onto the backs of working people. Others include:

• Further cuts to social welfare beginning with the slashing of aged pensions. Under a multi-party agreement on superannuation, the state pension must not sink below 65 percent of the average after-tax wage. The National Party government plans to save money by reducing the 'floor' to between 55 percent and 60 percent of take home pay.

• A review of the provision of free healthcare to children under six years of age.

• A fresh round of public asset sales. Legislation to sell the state-owned electricity generating company Contact Energy is expected to go before parliament this week. A recent government report has recommended a 'quick' sale of Television New Zealand, which operates two national television stations and is valued at $1.5 billion.

• The speeding up of tariff removals, a dilution of accident compensation provisions and the breaking up of the primary producer boards which oversee the sale of agricultural products overseas.

The opposition Alliance and Labour parties have not opposed the 'work-for-the-dole' scheme or any of the other anti-working class measures. Their criticisms have centred on technical details rather than the policies themselves. Neither party has made any call for the defence of jobs.

There is, however, growing opposition to the government's right-wing program. Twice within the past week, hundreds of fruit growers turned out in rural centres in the South Island to demonstrate against Prime Minister Shipley over the plans to deregulate the producer boards. As well, 70 community organisations, which were expected to provide placements for the work-for-the-dole scheme, have signed a statement refusing to have anything to do with it.