

Incoming Labour Prime Minister rules out immediate rises in pensions and wages in New Zealand

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A little over a week after winning New Zealand's national elections, the actions of the Labour Party's prime minister elect Helen Clarke show that the policies of her coalition government will be little different from the defeated National Party. During the campaign, Labour and its coalition partner, the Alliance were able to capitalise on widespread hostility to the impact of the market reforms of the Shipley government to effect an election night swing of more than 4 percent. But the expectations of many voters that a Clark government will halt the decline in living standards are set to be dashed.

The direction of the new government is already indicated by two decisions. Last week, the Alliance, the junior partner in the new coalition, called for a meagre rise of \$NZ20 a week to be paid prior to Christmas to all welfare recipients and pensioners, many of whom are living below the official poverty line. Clark immediately rejected the call, declaring such expenditure had not been budgeted for and the money was not available. The Greens made a similar appeal and were rebuffed.

Clark also ruled out any immediate increase in the minimum wage, saying that she wanted a "full report" before making any decision. The Alliance campaigned on a policy of raising the legal minimum wage from \$7 to \$7.50 per hour. Clark indicated that the cost to employers would be the central consideration. Referring to the last rise in the minimum wage in 1989, she said the "only people affected were video shop assistants and stablehands". This time, she wants "some idea of the proportion [of the workforce] affected because frankly that does have some influence on my decision to go all the way to \$7.50". If too many people were affected she would have to "think very carefully" about the 50 cent increase. "I don't want to give the impression we are rushing headlong into things".

The coalition agreement between the Labour Party and the Alliance binds the parties to nothing. It contains a vague commitment to "a policy platform which reduces inequality... and improves the social and economic well-being of all New Zealanders", but has no specific policies.

The cabinet, which was announced last Thursday, has been described in the New Zealand press as being dominated by the Labour "left". Clark claims that her appointments are

representative of the broad social background of the wider population, with four Maoris, one Pacific Islander and 11 women among its 20 members.

A closer inspection, however, reveals a different picture. A number of key portfolios have been given to former members of the Lange-Douglas led Labour governments of the 1984-90 period that first ushered in market reforms. Phil Goff, a leading right-wing figure within the Labour caucus and previous Minister of Education, has been given the posts of Justice and Foreign Affairs.

Goff's role in the justice portfolio will be to introduce Labour's "law and order" policy, which provides for tougher sentences and a concentration on "youth crime". As Labour's justice spokesman, Goff consistently attacked the National government for being too soft on what he termed "hardened" young offenders, including those under 14 years of age. In foreign affairs, Goff was one of the main parliamentary supporters of New Zealand's military intervention in East Timor.

Others who established their careers during the 1980s now have key social portfolios: Annette King, Minister of Health; Steve Maharey, Minister of Social Services and Employment and Associate Minister of Education; and former party whip Trevor Mallard, Minister of Education and Minister of State Services. Maharey and Mallard are exponents of the "Third Way" program implemented in Europe by Blair and Schroeder, as a means of disguising the cutbacks to social services, health, education and welfare.

Referring to a series of highly-publicised scandals, which contributed to the destabilisation of the National government during the early part of the year, Clark declared that Mallard's first brief was to clean up the "excesses" in the public service. The scandals centered on press revelations of excessive salaries and inflated-payouts to top executives in the state sector. Clark said that she was determined to see "that no culture of extravagance sets in in that area".

An inquiry is to be established into the "waste and extravagance" at the department of Work and Income New Zealand which administers social welfare payments. While the

initial targets may be a few top public service managers, the real aim of the inquiry is to create an atmosphere for further cutbacks to government expenditure and services all in the name of eliminating waste.

Another significant appointment is Margaret Wilson as Attorney General and Minister of Labour. One of her immediate tasks will be to draft Labour's revision of the Employment Contracts Act (ECA)—a move opposed during the elections by the Employers' Federation. The legislation promised by Labour will keep intact most of the fundamental features of the ECA and indeed strengthen some of its anti-strike provisions.

The only major change to the ECA will be to re-establish a role for the union bureaucracy in enforcing industrial laws designed to suppress wages and break down working conditions. Wilson herself, although a new MP, has been elevated because of her background—she was Labour Party president during the mid-1980s before resigning to become Professor of Law at Waikato University.

The most significant finance posts will be held by long-time Clark ally Michael Cullen, Alliance leader and now Deputy Prime Minister Jim Anderton, and Peter Hodgson. Cullen has spent much of his time since the 1996 election reassuring business leaders that Labour is pro-business and thoroughly committed to a "modern open economy". In a much publicised outburst in parliament just prior to the elections, Cullen angrily denounced, as "Tory lies" accusations by the Employers' Federation and the National Party that Labour's re-write of the Employment Contracts Act would lead to the revival of "union domination" in the workplace.

Anderton's insistence on having an economic portfolio is an indication of his preparedness to work with business interests. Clark, however, leaves no doubt about who will call the shots. "Michael [Cullen] is in charge of economic policy, and that is the end of it. Jim [Anderton] has given me his commitment that he will implement our program. And Pete [Hodgson] is in there to make sure that he does," she commented recently.

One of Cullen's tasks is to overturn the National government's privatisation of accident compensation cover, which has eroded the benefits from workplace and accident insurance. During the campaign, Labour touted this decision as proof of its "anti-market commitments" and, as a result, was criticised by sections of big business for its policy of "re-nationalisation". According to employers, privatisation saved them \$200 million a year. Cullen has guaranteed that any change will not lead to increased running costs for the accident compensation scheme, or a rise in premiums paid by employers.

The stability of the coalition government has already been undermined by the entry of the Greens into parliament as a result of the counting of postal votes. After the initial count on November 27, Labour and the Alliance had 63 seats in the 120-seat parliament. But a handful of postal votes tipped the balance to the Greens in one electorate, entitling them to further

seats under the proportional electoral system.

The Greens now have seven seats and the balance of power. Labour and the Alliance control only 59 seats, and after providing the speaker they are three seats short of a clear majority. The final seat allocation is: Labour 49, Alliance 10, Green 7, National 39, Act 9, NZ First 5, United 1. The Greens have guaranteed to support the minority government on matters of confidence and supply, but are not otherwise part of the coalition.

Clark reacted to the news that the Greens had won a seventh seat by saying on National Radio "to be honest, it is a bit of a disappointment". However, the Greens and the Alliance have both indicated that they will not challenge the policies of Labour, despite having won their support from voters disaffected with the two major parties. Anderton and Greens leader Fitzsimons have stated that their respective shares of the vote—7 percent and 5 percent—were too small for them to dictate terms to Labour.

Clark has indicated that on some issues Labour might turn for support to the discredited and unpopular right-wing NZ First Party of Winston Peters. The first of these is likely to be a proposal to force MPs who quit their party to also resign from parliament. The move is designed as a disincentive to defections, which plagued the parliament, particularly NZ First, over the last three years.

The election of the Greens also marks the further integration of elements of the middle class radical milieu into the framework of official politics. Two Greens MPs—Sue Bradford and Keith Locke—have long histories in various radical groupings.

Bradford is known for her involvement in protests against the Vietnam War, the Springbok tour, nuclear ship visits and her work as the co-coordinator of a national unemployed workers' rights network during the 1980s. The new MP promised she "won't sell out" but added that previously her voice had been "marginalised"—now, in parliament, she "can effect real change".

As hostility among workers and middle class people develops to the government's policies, Labour and the Alliance will rely not only on the trade union bureaucracy but also on figures like Bradford and Locke to defuse and dissipate opposition.



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