

# The New Zealand elections: the anti-working class record of the Labour government

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New Zealanders go to the polls today in an early election, called in response to increasingly strident demands from business and the media for “certainty” and “stability”. The demands arose as a consequence of a split in the Alliance, the junior coalition partner in the Labour-led government of Prime Minister Helen Clark. The split occurred in April, after six months of inner-party turmoil over a government decision—unanimously supported by all Labour and Alliance MPs—to commit SAS troops to the US-led “war against terrorism” in Afghanistan.

The campaign has been characterised by a concerted blackout by all the established parties on the burning issues facing ordinary people—high levels of unemployment, declining living standards and the continued deterioration of essential public services such as education, health and welfare. The media has been preoccupied with a scandal over genetically-modified food, while the political “debates” have seen the parties vying to present themselves as the toughest advocates of “law and order”.

At the start of the campaign, Labour appeared set to secure a majority of the vote—as high as 54 percent—which would have enabled Clark to rule in her own right without relying on coalition partners. She sought to coast back into power by presenting herself as the head of a “steady, stable, predictable, progressive government”. But in the last few weeks Labour’s poll rating has slipped significantly and currently stands at 44 percent.

The major conservative party, the Nationals, have not gained—their standing in the polls has fallen even further from 24 percent to just 21 percent. The main beneficiaries have been smaller rightwing parties—New Zealand First and the Association of Consumers and Taxpayers (ACT), which currently rate at 10 percent and 7 percent, respectively. The conservative United Future is polling at 5 percent—the threshold necessary to obtain list MPs—and is therefore likely to substantially increase its representation. The Greens have held a steady 8 percent.

The sharp fluctuations in the opinion polls are a further demonstration of the highly volatile character of electoral support. There is an underlying hostility to the entire political establishment, which has been responsible over the past two decades for implementing open market policies that have produced a widening gulf between rich and poor. As a result, no party is trusted or has a solid base of support.

The current political instability is the outcome of a protracted process going back over 20 years. In the wake of the deep economic recession of the early 1980s, Labour won office in 1984 by exploiting the opposition to the National government of Robert Muldoon. Far from implementing policies to ameliorate worsening conditions facing workers, however, Labour Prime Minister David Lange and his Finance Minister Roger Douglas took their cue from the rightwing governments of Reagan and Thatcher.

Under Douglas, New Zealand was hailed internationally as a model for the free market agenda, which saw state assets sold off, rising poverty and unemployment, and substantial attacks on the rights of working people. Labour’s policies produced deep-seated anger and alienation in the working class, resulting in a sharp swing against Labour in the 1989

elections. In the absence of a progressive alternative, however, the Nationals were swept back into office and deepened the assault on what remained of the welfare state—slashing benefits and undermining public education, health care and housing by putting these services on a “user pays” basis.

At the end of National’s first term in office, the structure of official politics was in such disrepute that the ruling elites made a concerted effort to open up the two-party system to provide alternative safety valves to contain the growing disenchantment. A referendum was held to replace the first-past-the-post electoral system with proportional representation, enabling smaller “fringe” parties to gain representation in parliament.

The Alliance, which initially included the Greens, was among the first to benefit. Set up by Jim Anderton, who quit Labour in 1989, the Alliance established itself as a “left” critic of Labour, promising to oppose privatisation and to reestablish the welfare state. By the mid-1990s, Labour itself was in danger of complete collapse. Thousands of members had resigned, leaving the party, for the first time in its history, with no mass base.

In the lead-up to the 1996 election, the first under proportional representation, the ruling class faced the prospect of political chaos. Labour was polling only marginally above the Alliance, and Clark as leader could only muster 3 percent as preferred Prime Minister. Other parties had also emerged, including NZ First formed by Winston Peters, who broke from the Nationals and sought support on a right-wing populist basis—making immigrants the scapegoat for the social crisis created by the government in which he had been a minister.

Under these conditions, sections of the ruling class made a conscious decision to reflate the Labour Party, its key political asset in previous crises. Clark was given a media makeover and made electoral arrangements with both the “left” Alliance and the rightwing NZ First. Labour narrowly missed out on office after Peters reneged on his agreement with Labour, joined the Nationals and became Treasurer. Peters’ decision almost resulted in the complete annihilation of NZ First, as opposition to the National government and his budgets mounted.

Labour finally came to office in coalition with the Alliance after the 1999 election. Clark exploited the opposition to the Nationals by making limited promises to boost public education and health and reverse some of the previous economic restructuring measures. On coming to power, Labour initially made minor policy changes—returning state housing rentals to income-based criteria, lifting the minimum adult wage by a miniscule 55 cents an hour, and re-nationalising accident compensation. After big business objected, claiming a crisis of “business confidence,” the government quickly fell into line. With the support of the Greens, Clark has maintained all the anti-working class features of previous administrations.

The Finance Act, Reserve Bank Act and Fiscal Responsibility Act were kept intact. Taken together, this core legislation entrenched the suppression of wage rises and cuts to the public sector. Nothing was done

to reverse earlier policies—most significantly the cutbacks to social welfare that were instrumental in condemning thousands of beneficiaries to abject poverty. Labour reduced state sector spending as a percentage of GDP to a 25-year low. Its 2002 budget returned a surplus of \$2.3 billion—the first since 1996-7 when the National's notorious "dry" Finance Minister Bill Birch directed policy.

Following September 11, Labour cemented its position as the preferred party of the ruling elites by swiftly offering a contingent of SAS troops to support Bush's "war against terror". Participation in the war in Afghanistan was then used by the entire political establishment to justify a sharp turn to the right in both foreign and domestic politics. In the name of preventing terrorism, new security legislation now before parliament will give the state significantly expanded powers to act against individuals and organisations.

The attack on basic democratic rights has also flowed onto the treatment of refugees. A High Court decision recently found the government in breach of the UN Convention on Refugees. The court ruled that while it has some powers to detain asylum seekers, the government has been systematically holding everyone who arrives in the country seeking refugee status. Between September 2001 and January 2002, 208 of 221 people claiming refugee status were held in indefinite detention in Mount Eden prison and the Mangere refugee centre and most are still there. Prior to September 11, fewer than 5 percent of asylum seekers were held. The government is currently appealing the ruling.

Attacks on democratic rights and beefed up "law and order" measures are the response of the Clark government to the growing social crisis that its policies have helped create. In every area of social policy, conditions have worsened under the Labour-Alliance coalition. The Alliance has abandoned its previous promises to restore free education and health care. Its only claim to have bettered the lot of workers is the introduction of 12 weeks paid parental leave. After strenuous employer opposition to footing the bill, the coalition agreed to fund the leave out of general taxation. Given the government's tough budget, this means a subsidy for employers at the expense of other social services, which are in tatters.

**Health:** The state-funded health system is rundown and in acute crisis. All the district health boards (DHB) are in debt, the worst being the Auckland DHB with a \$72 million deficit this year, predicted to rise to \$86 million in 2003. Funding restrictions mean chronic staff shortages and cuts to services, producing long waiting lists and public health breakdowns. One of the most significant has been the chronic deficiencies of the national cervical cancer screening program, which provoked an outcry and finally forced the government to initiate a public inquiry.

**Schools:** Cutbacks under the Nationals to staff numbers and operating budgets have not been restored. Resistance among teachers to declining conditions, falling real wages and increased workloads provoked a 16-month contract struggle, which saw teachers reject a series of government-union deals and continue to strike through the election campaign.

**Tertiary education:** Almost all universities and polytechnics are running deficits, undermining their ability to maintain teaching and research standards. Despite Labour's decision to suspend interest payments on student loans until the completion of courses, the entire tertiary fee structure remains intact. Individual student loan repayments now typically run to between \$30,000 to \$40,000 on graduation. Total indebtedness is now over \$5 billion. While running down publicly-owned institutions, the government has massively expanded funding to private education providers.

**Wages and employment:** According to figures in the *Sunday Star Times*, wage increases have been less under Labour than under the previous National government. Over the last year real wages fell—an average rise of 2 percent was less than the inflation rate of 2.6 percent. Most people are now being forced to compensate by working

longer—seasonally-adjusted total paid hours rose by 4.7 per cent on average last year. While the Clark government claims to have lowered unemployment levels, most of the jobs have been low-paid, part-time and casual.

**Industrial safety:** During 2001, a record number of 73 work-related fatalities occurred, one of the highest rates per head of working population among OECD countries. Yet the government has failed to pass tougher occupational health and safety legislation, which employers have attacked as being too "prescriptive" and "punitive". The high level of industrial deaths exposes the hypocrisy of all the parties over "soaring violent crime" levels. The murder rate in New Zealand is still well below the level of workplace deaths—yet employers are rarely prosecuted over the lack of adequate safety measures.

**Social inequality:** The most recent Statistics NZ study published in 2000 found that 20 percent of the population and a third of all children are living below the poverty line. A study into poverty and children's health in 2001 drew attention to the "inexorable upward trend" of "Third World diseases" linked to poverty and overcrowding in the country's largest city, Auckland. At the same time, according to recent "Rich List" calculations, the combined wealth of the country's richest 100 individuals has risen to \$NZ12.8 billion—a 17.4 per cent increase in the past year alone.

Statistics NZ found the highest levels of poverty among Maoris, 28 percent, Pacific Islanders, 38 percent, and immigrants and refugees, 42 percent. In the leadup to the 1999 elections, Labour pledged to improve the economic position of Maoris in a bid to win back the Maori vote that it lost to NZ First in 1996. In government, however, Labour quickly dropped its "Closing the Gaps" initiatives under pressure from business interests.

Instead, Labour has pushed for the creation of new Maori businesses, only accentuating the divide between rich and poor within Maori communities. The South Island based Ngai Tahu tribe, for instance, which has interests in the Sealord fishing company, operates an extensive business structure controlled by a group of 23 managers each earning over \$100,000 per annum. Its CEO receives \$310,000 a year while the median income for tribal members is just \$14,147—less than the minimum adult wage.

In order to enforce its pro-business agenda, the Clark government has relied heavily on the union bureaucracy. Labour replaced the National government's Employment Contracts Act, with its emphasis on individual employment agreements, with a largely union-designed Employment Relations Act (ERA). The ERA significantly boosted the position of the unions in industrial bargaining by giving them the sole right to negotiate collective contracts. It retained harsh penalties against striking and strengthened the hand of union leaders against the rank-and-file by preventing negotiators, in the name of "good faith," from revealing details of talks to union members.

The union bureaucracy has repeatedly rescued the government over the last three years. In September 2001, Ansett Airlines, the Australian subsidiary of Air New Zealand, collapsed, threatening to take its parent company with it. The NZ Council of Trade Unions (CTU) stepped in to insist that neither Australian nor New Zealand workers take any action to jeopardise the viability of Air NZ. The CTU leaders conducted no campaign to defend jobs and called on workers to make whatever sacrifices were necessary to ensure the airline could "keep flying".

The Labour government has also relied on the health and education unions to hold down pay claims. In February, over 3,000 nurses in Canterbury took an unprecedented vote to strike for 15 days over pay. Health Minister Annette King insisted that local health boards had to settle the dispute within their existing budgets. Before the strike even began, the NZ Nurses Organisation struck a deal that achieved King's objective. The Clark government made similar demands on the secondary teachers' unions, saying there was no extra money to settle the protracted pay

dispute. The union leadership worked might and main to shut down the campaign in the face of wildcat strikes by teachers and student protests.

Labour has also depended on the Alliance and the Greens to prop up the government against opposition to its policies. As part of the coalition government, the Alliance has alienated its supporters by its subservience to Labour and the ditching of its election promises. As the party's fortunes slumped, bitter recriminations emerged, resulting in a split as party leaders cast around for a means to stem the slide. Both the Alliance and the breakaway, Jim Anderton's Progressive Coalition, have pledged their willingness to work in a new Labour government.

By maintaining a distance from the Labour government, the Greens have boosted their support at the expense of the Alliance. But while not formally part of the Clark government, the Greens guaranteed to support it on the key issue of confidence and supply and, as a result, are directly responsible for its anti-working class policies. Over the past three years, the Greens, while raising the occasional protest, have supported every budget and major piece of legislation. The party voted against the dispatch of New Zealand troops to Afghanistan, but did so confident that the Nationals would back the measure and the government would remain intact. Neither the Greens nor the Alliance have criticised Labour's pro-business policies in the course of the campaign.

The Clark government has also been sustained over the last three years by a combination of temporarily favourable economic indicators. High prices internationally for agricultural commodities, combined with the low value of the New Zealand dollar, have afforded exporters profitable terms of trade. But that is about to change. With a downturn in international markets, expected farm incomes have been revised downward for the coming year. Major closures and layoffs in the timber and meat processing industries have begun.

Whatever the exact outcome of the election today, the result is likely to be a Labour government in coalition with one or more minor parties. The rightwing character of the election campaign, completely devoid of any discussion of pressing social issues facing ordinary working people, is a sharp warning of what is in store after the poll. Whoever holds power will rapidly come under pressure from big business to make further inroads into the social position of the working class and to deal with any opposition with the increasingly repressive methods that have been prepared by the current Labour government.



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