New Zealand wages stagnate while share market booms

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A number of reports and news items released last month give a glimpse of the inexorable deepening of social inequality in New Zealand. A tiny wealthy minority is prospering more than ever at the expense of ordinary working people. The impoverishment of the working class and the transfer of wealth to the upper layers of society, which has resulted from the "pro-market" offensives of the past two decades, is not only continuing. It is intensifying.

Despite a flood of optimistic propaganda, based on improving employment figures and the longest period of economic growth for 40 years, the real value of wages is falling. A recent survey by the OECD, current to 2002, concluded that New Zealand was now a "low middle income country", alongside Spain, Israel, Cyprus, Greece, Portugal, Slovenia, Korea, Malta, the Czech Republic and Hungary. It was no longer being compared with countries like Australia and the UK, with which it had traditionally aligned itself. At the height of the post-war boom in the 1950s and early 1960s, New Zealand's living standards were ranked as high as 14th in the OECD.

A more specific report by the Westpac Bank, focusing on the last 12 months, showed the real value of wages continuing to decline. Pay rises for most people last year remained less than the inflation rate, which was 2.7 percent in the December quarter. Sectors where there were acute labour shortages, most notably construction, experienced the highest increases, but even these were less than 3.5 percent over the year. The vast majority of workers, including those in communications, forestry, retail, restaurants, catering, energy, transport, education and government services had increases well below 2.5 percent. The lowest increases, at barely over 1.5 percent, were in wholesale and communications.

Despite an overall rate of economic growth of four percent in 2004, the prognosis for 2005 is for New Zealand's wage growth to remain negligible at best. A survey in December by employment consultants Mercer predicted real wage growth will be 0.2 percent, the lowest in the industrialised world. Added to this is a threat made by the Reserve bank in December that it will raise interest rates again this year, despite the possibility of the economy slowing, thus adding to the cost of living. According to Bank of New Zealand economist Tony Alexander, ordinary people are now only maintaining their personal living standards by increasing indebtedness. New Zealanders now have the "worst saving rate in the OECD" at minus 10 percent.

Employers have responded to these reports by unilaterally rejecting timid calls from the union bureaucracy for wage increases in the coming year. The chief executive of Business New Zealand said employers would refuse any increases not linked to productivity gains. He lambasted any claims not based on the principle of "employers and staff agreeing what was fair" as a "siren call" and threatened that any rise in costs would lead to sackings.

Substantial increases in productivity have already been registered over the recent period. Real unit labour costs have fallen on average 0.8 percent every year during the last four years. Moreover, in some sectors, average profits have risen by as much as 12 percent in the past year. In 2003, some employers reported lifting profits per worker by as much as 40 percent.

In other words, the exploitation of the working class has been ratcheted up, creating unparalleled economic prosperity for the business elite. Massive sharemarket gains over the past two years have had investors, in the words of one business editorial, "breaking open the champagne". After record growth in 2003, the market again broke new ground in 2004, increasing in value by $NZ11 billion. The total value of domestic companies listed in the NZX jumped to $63.8 billion last year, driven by a 25 percent rise in the value of the top 50 companies and the addition of 20 new companies to the market.

Stock Exchange chief executive Mark Weldon enthused that data from the World Federation of Exchanges put New Zealand in the "top handful" of exchange performances in the past two years. The undisguised elation and sheer greed of the business elite was expressed in a recent report in the business pages of the *Weekend Herald*, which declared that

market activity was now at a level not seen since the "roaring markets" of the financial liberalisation period of the 1980's. According to the report, the surge has seen a "river of cash" streaming into the pockets of investors, with "enormous capital returns" accruing to major corporates.

Foremost among these is the dominant national communications company and market leader Telecom, the privatised successor of the former state-owned telephone network. It is about to announce a substantial cash return to shareholders of between $200 million and $400 million—at the rate of 10 to 20 cents per share—in the form of a special dividend or a buyback of shares. Market analysts tip the company's first-half profit in 2005 will climb 6 percent in comparison to last year, reaching $388 million.

Chief executives have been particularly well recompensed. The CEOs of the country's 38 largest companies were rewarded with 25 percent pay rises and bonuses last year, matching the rise in the share market. Whereas the average wage has risen in real terms by only 1.26 percent per year from 1998, reaching $29,000, salaries for some of the better known chief executives range well into the millions. Guinness Peat Group's Tony Gibbs is paid $3,763,310, Teresa Gattung of Telecom $2,829,130 and Westpac Bank CEO Anne Sherry receives $2,646,423.

The social polarisation expressed in these figures constitutes a sharp indictment of the Helen Clark-led Labour government and its chief supporters. Clark has completed almost two successive terms of government since being elected in 1999, presenting Labour as a "centre-left" alternative to the right-wing monetarist economic agenda carried out by the Labour administrations of the 1980s and the National government in the 1990s. As the sharemarket returns to the heady days of the 1980s, however, the wealthy have increased their net worth in each year of the last five years at a greater rate than at any time when the conservative National Party last held office.

A decisive factor in this process has been the alliance between the Labour government and the trade union bureaucracy, which has worked might and main to control and suppress the struggles of the working class, while helping to create the conditions for big business to flourish.

In 2000 Labour changed the laws governing industrial relations, repealing the Employment Contracts Act passed by the Nationals in 1991 and replacing it with the Employment Relations Act (ERA). The purpose of the ERA, which was drafted with the close collaboration of the Council of Trade Unions (CTU), was to restore and promote collective wage bargaining under the control of the unions, and thus provide a legislative foundation for their revival.

Although union membership remained voluntary, collective agreements could only be negotiated by unions operating as workers' "agents". Some limitations on the right to strike were altered so that unions could negotiate multi-employer collective contracts across a particular sector, thus effectively giving the unions the ability to strengthen their grip over broader sections of workers and keep them under control. While union officials had their right of entry to workplaces reinstated, a whole range of long-held workers' rights--including sympathy and secondary strikes as well as strikes over "social or political causes"—remained illegal, with the full support of the CTU bureaucracy.

These changes had two important effects. Firstly, they saved the unions from looming extinction by placing them back in an influential position in industrial bargaining. In the previous decade, union membership had declined from over 50 percent of the workforce to under 20 percent. The introduction of the ERA brought a halt to this process and in the year to 2001, trade union membership rose by 5.7 percent, from 302,900 to 319,000. This allowed the government to re-assert its credentials among the union bureaucracy and middle-class "left". One Labor enthusiast remarked, for example, that the apparent return of unionism was an indication of a "temporary suspension of the ruling class offensive" which would "allow workers some space in which to reorganise and rebuild their shattered forces".

In fact, the opposite has been the case. The old institutions of the Labour "movement" have been the critical tool in the intensifying assaults on the working class. During the 1980s, Labour's offensive was met with fierce resistance by tens of thousands of workers, most often in opposition to their union leaders. In contrast, the Clark government has been able to impose its program by relying on the unions and the "left", including the Greens, the Alliance and various Maori political formations.

Between 1984 and 86, there was a total of 962 disputes, including strikes, stoppages or lockouts under the Labour government. According to Statistics NZ, these involved some 443,100 workers with the total person-days work lost amounting to 2,510,400. By comparison, between 2000 and 2003, under the Clark government, there were a total of 109 disputes—an average of just under 30 per year—involving 47,900 workers. The total number of person days lost in Labour's entire first term was just 100,300.