

New Zealand “Jobs Summit” places burden of recession on working people

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The New Zealand government convened a "Jobs Summit" on February 27 in response to the rapidly deepening world economic crisis. The talks between 200 of the country's top business, banking, government and union leaders produced a list of 20 proposals designed to prop up businesses with public funds, while placing the burden of the crisis squarely on the backs of working people.

The summit had a definite historical precedent. After assuming office in 1984, the incoming Labour government, led by Prime Minister David Lange and Finance Minister Roger Douglas, conducted a similar exercise. Its purpose was to "open the books" in order to prepare the ground, in collaboration with the trade unions, for a free market assault that saw tens of thousands of jobs wiped out, the state sector privatised and the launching of a deliberate policy of mass poverty.

Last week's summit represented a new, and far deeper, stage in this process. The final recommendations included providing \$NZ1 billion from the public purse in business loans; a plan for tens of thousands of workers to sacrifice a day's pay through the introduction of a 9-day working fortnight; and a return to 1930s-style work schemes, including using unemployed workers to construct a 1,400 kilometre cycleway the length of the country, alongside the main arterial highway.

The new conservative John Key government has already used the deepening recession to push through a number of long-sought-after business measures. Legislation eliminating so-called "red tape", which the corporate elite has long attacked as a restraint on profits, has been fast-tracked through parliament. Several of the summit's recommendations signalled further "streamlining" of regulatory approval for business projects, reduced "compliance costs and red tape", a freeze on new rules and the opening up of a restructured "debt market".

Reserve Bank governor Alan Bollard bluntly warned the summit gathering that "the biggest destruction of wealth the world has seen" was underway. Pointing to New Zealand's particular vulnerability, a paper presented by the NZ Institute warned of a risk of a sudden seizure in lending, given that much of the country's external debt is short-term, with around 40 percent

scheduled to mature within three months, and more than half due within a year. "This means that New Zealand has around \$61.6 billion in external debt maturing early in 2009 at a time when overseas debt markets are barely functioning and overseas investor sentiment has turned sharply against peripheral countries, including Australia and New Zealand," the paper concluded.

The summit itself was presented as a major "national" effort to produce "concrete plans" for dealing with the looming jobs crisis. *Dominion Post* journalist Colin Espiner described it as "like a giant war cabinet". The event was chaired by the head of the NZ Stock Exchange, Mark Weldon and included a number of the country's highest paid CEOs. Weldon declared it was an opportunity to get the government, unions and business together to create some "real win-wins". While the Labour Party opposition was not invited, a dozen leading union bureaucrats played a significant role. Council of Trade Unions (CTU) president Helen Kelly and Engineering Printing and Manufacturing Union (EPMU) boss Andrew Little were given jobs chairing various sessions.

The continuing global economic meltdown, and its impact on New Zealand, formed the backdrop of proceedings. Official Treasury forecasts predict unemployment will hit 7.5 percent by next year, but unofficial forecasts put the rise much higher. The NZ Institute warned it could reach about 11 percent in the next two years. One in five businesses surveyed in the lead up to the summit told a Business NZ survey they were already preparing to cut staff or reduce hours. Some 33 percent said they had more staff than needed and, of those, 63 percent planned to make workers redundant or reduce their working hours. Just over a third said they were planning to do both.

The bleak findings coincided with evidence that workers themselves are increasingly fearful of losing their jobs. A survey by the Business Council for Sustainable Development showed low-paid workers were the most worried—with 39 percent predicting they would be made redundant.

New jobs losses are being announced on almost a daily basis. Hundreds of job cuts have been made by major firms including Sealord fishing group, CWF Hamilton propulsion engineers, financiers GE Money and Australian clothing manufacturer Pacific Brands.

Wellsford, north of the capital Auckland, is typical of many regional towns. It is likely to lose its largest employer, the US-owned Irwin Industrial Tools, which is predicted to scale down production and cut 97 jobs at its saw blade factory.

In a sign of worse things to come, one fifth of New Zealand's 2,000-plus used-car dealers have already shut down. Industry groups say the closures, and cutbacks at surviving dealerships, have wiped out at least 10,000 of the 50,000 jobs in the used-car business. A Motor Trade Association spokesman said there were now only four used-car dealers in downtown Wellington, compared with 20 to 25 a few months ago.

Finance Minister Bill English is preparing a horror budget, due in May, of spending cuts and austerity. "Restraint is permanent," English told government department heads, saying the effects of the recession could last for 15 years. "For the rest of their careers, there isn't going to be more money or more people," he said.

The most recent forecasts, made in December, show the government's cash position, after capital commitments are taken into account, deteriorating from a \$6.6 billion deficit in the year to June to an \$11.3 billion deficit in 2013. These figures, however, are already out of date. English rejected any suggestion that taxes would be increased to ease the spending pressure. No changes would be made to the 2010 and 2011 personal tax cuts that his conservative National Party promised during last year's election campaign.

There is grim economic news on every front. The company reporting season has been dominated by major losses posted by the leading corporates. These included Air New Zealand, the country's major airline, which announced a 79 percent slump in half-year profits; carpet maker Cavalier, with a forecast 40 percent drop in full-year profit; farm supply and services group PGG Wrightson, with a loss of \$32.8 million for the six months to December, and the ANZ bank's announcement that its profits will fall and its bad debt provisions will double.

Earlier last month, leading white goods manufacturer Fisher and Paykel's share price went into freefall, wiping \$102 million from its market capitalisation in a single day, on the back of predictions that it would struggle to break even this year and was looking for a "cornerstone" investor. The news prompted Prime Minister Key to speculate that the "iconic" New Zealand company, which employs 1,600 people locally, might need to be bailed out by the government. Just last year, Fisher and Paykel closed three plants in New Zealand, Australia and the US in order to shift production to a low-wage zone in Mexico, but even these measures have been insufficient. With white goods sales down 20 percent in overseas markets and 13 percent at home, the company's margins have been "hammered".

Although the recession is still in its early stages, no area of life is being spared the effects. Premier national arts groups are

cancelling concerts and cutting costs. The Royal NZ Ballet has cut the live orchestra from its current tour, the NZ Symphony Orchestra has cancelled shows and the arts sector as a whole is suffering from withdrawal of sponsorship. Traditional sources of funding through charitable trusts have dropped away sharply, and many arts organisations are projecting downturns of between 10 and 38 percent.

The participation of the unions in the "Jobs Summit" underscores the role they have played, over the past two and a half decades, as enforcers of the government-corporate agenda against the working class. What they are preparing over the next period was spelled out by the leader of the National Distribution Union (NDU), Laila Harre, on the eve of the summit. Harre told TVNZ that the unions would be asking employers and the government to join them in a "Let's Back New Zealand" campaign. This is a New Zealand version of the same reactionary nationalist and protectionist policy that is being pursued by trade unions in Britain, the US, Australia and other parts of the world. It is nothing but a means of tying workers behind their "own" banks, corporations and employers to prevent the development of any unified and independent struggle in defence of jobs, wages and conditions.

CTU president Kelly made this even clearer when she used her regular column in the *Dominion Post* on February 23 to assure both the government and employers that the unions could be relied on to impose the cuts to jobs, conditions and wages. The piece, entitled "Will Government put the country first?" argued that working people and business owners had a "mutual interest in each other's survival through these unusual economic circumstances".

According to Kelly, unions were already "working creatively" with their members to "make some hard decisions and dedicating significant resources to working with employers, the Government and members to generate solutions". Harre has revealed that the NDU's "solutions" include their current negotiations with "10 or 12 companies" to reduce shift levels and hours of work. Kelly has indicated that if all else fails, unions will be on hand to "help with transitions where saving jobs is not possible"—that is, helping to effect "orderly" redundancies and closures and to push thousands of working people quietly onto the dole.



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