New Zealand unions collaborate in Summit Wool Spinners redundancies

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14 February 2013

Amid mounting job losses across New Zealand, Japan's Sumitomo Corporation confirmed on January 31 it had sold its local subsidiary Summit Wool Spinners to Australian company Godfrey Hirst, resulting in 192 redundancies.

The rug and carpet yarn factory, the second-largest employer in Oamaru, will close after 130 years of operation. The lay-offs will have a devastating impact on the South Island town. The new owner is likely to re-hire only 20 to 30 staff.

Sumitomo, which has hundreds of subsidiaries in 65 countries, including Japan, China, Vietnam, Australia and the US, said Summit was no longer profitable because of falling demand for wool carpets due to the global financial crisis. It also blamed New Zealand's unfavourable exchange rate.

Just days later, on February 6, Mainzeal, the country's third-largest construction company, went into receivership. So far it has axed 200 staff and hundreds of subcontractors. Yesterday, Contact Energy announced plans to sack more than 100 workers in response to falling profits, partly caused by reduced demand for electricity from the Norske Skogg and Tiwai Point factories. NZ Post today announced 100 job cuts at its subsidiary printing company Datamail, including the closure of its centre in Petone.

Over the past six months, hundreds of people have been sacked at Solid Energy, KiwiRail, the Tiwai Point aluminium smelter, newsprint producer Norske Skog and other companies.

Since the onset of the economic crisis in 2008, about 40,000 jobs have been lost in the manufacturing sector. The official unemployment rate has doubled since 2007 to reach 6.9 percent. The actual figure is certainly far higher.

The National Party government and corporate elite are relying on the trade unions to suppress resistance to wage cuts and layoffs. Despite the raft of retrenchments, industrial action is at a record low.

At Summit, the unions worked for several years to help cut jobs and wages. In 2009, the National Distribution Union—since renamed FIRST Union—worked with the government to impose a nine-day fortnight, which it claimed would save jobs. At the same time, 60 jobs were axed through "voluntary" redundancies—a process described by the union as "very humane." Another 50 workers were sacked last year.

FIRST Union and Engineering, Printing and Manufacturing Union (EPMU), which both have members at Summit, accepted the latest redundancies as a fait accompli. EPMU organiser John Gardner heaped praise on the company, saying it had "been a very good employer and didn't want to make these redundancies" but had been forced to do so because of the "overvalued" New Zealand dollar.

The unions called on the company and the Ministry of Social Development to contribute funds for a union-run "resource centre" to coordinate redundancies. Speaking to TVNZ on February 1, FIRST general secretary Robert Reid boasted that after helping with several plant closures, the union was "almost expert now in looking after people after these events. We coordinate with WINZ [social welfare], with local mayors, MPs … to try and get things in place for those workers."

In short, the unions are offering their services, in return for funding, to ensure that layoffs go ahead smoothly.

As with other job cuts in recent months, the unions and opposition parties responded to the Summit closure by calling for "government intervention"—not to create jobs, but to bring down the value of the NZ dollar.

In a January 31 statement, the opposition Labour Party finance spokesman David Parker praised Summit's owner Sumitomo, saying it had "helped local workers improve the productivity of the Oamaru factory"—achieved through layoffs and wage cuts. He claimed that Sumitomo—which made a $US3.17 billion profit last financial year—was a "victim" of the high NZ dollar, which was "crippling exporters and costing jobs."

Toward the end of January, Labour, along with the Greens, the Maori-nationalist Mana Party, and the right-wing NZ First, staged a parliamentary inquiry into the manufacturing crisis, ostensibly to discuss ways to protect jobs. Companies that took part urged the government to bring down the currency by instructing the Reserve Bank to lower interest rates. Many threatened to sack workers and move their business overseas if they were unable to remain profitable.

The Greens advocate a program of "quantitative easing"—essentially the printing of money by the Reserve Bank—in order to devalue the currency. Greens co-leader Russel Norman declared last October that New Zealand could "no longer afford to be a pacifist in a currency war." This nationalist response has nothing to do with creating jobs. Such measures aim to boost the profits of uncompetitive sections of big business, while increasing import prices, and hence the cost of living for ordinary workers.

In the United States, the Obama administration is pouring billions of dollars into banks and big business through quantitative easing, on top of huge bailouts and a near-zero Federal Reserve interest rate. Instead of using the money to create employment, US corporations are either hoarding it or using it to speculate in financial markets. Meanwhile, the government-led assault on jobs, wages and public services continues apace.

The downward pressure placed on the US dollar by the Federal Reserve has driven up currency values around the world, including in New Zealand. In order to compete, governments in Britain, across Europe and in Japan have adopted or foreshadowed their own versions of "quantitative easing."

These policies are leading inexorably toward a global currency war, reminiscent of the protectionist measures that erupted during the Great Depression of the 1930s, accompanied by increasingly savage attacks on the working class in every country. Workers like those at Summit Wool Spinners are being pitted against their counterparts overseas and told—by employers, unions and established political parties of all hues—that they must sacrifice hard-won gains for the sake of the national economy.

Labour and the Greens fully agree with National that the working class must be subordinated to the requirements of New Zealand's corporate elite. In response to a proposal last month by state-owned NZ Post to halve the number of days per week it delivers mail—and sack up to a third of its 8,000 workers—Labour MP Clayton Cosgrove told the *New Zealand Herald* it was "appropriate" for cuts to be considered. Greens co-leader Norman told Radio NZ that "clearly the volumes are dropping and I think New Zealand Post is just trying to adjust to that commercial reality."