

# Wave of closures and job cuts under way in New Zealand

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18 April 2016

The deepening global slowdown is hitting the New Zealand economy not only in the dairy industry, the country's main export, but more broadly, triggering a wave of job losses.

The present GDP growth of 2.5 percent, down from 3.7 percent in 2014, is based principally on immigration and tourism. In a recent article in the *New Zealand Herald* entitled "Froth disguises the facts," commentator Brian Fallow highlighted downturns in growth, employment and wages. Real gross national disposable income grew by just 1.5 percent last year. However, when adjusted for population growth, national income per capita contracted by 0.4 percent.

In 2015, the country ran a current account deficit of \$7.7 billion, ending the year with net external liabilities of \$151 billion, equivalent to 61 percent of GDP. Led by the 13 percent plunge in dairy prices, the terms of trade have become, Fallow wrote, "a lot less advantageous."

According to the Ministry of Business, Innovation and Employment (MBIE) employment growth in the year to March slowed to 1.7 percent, from 3.4 percent the year before. MBIE forecasts for the coming period are dismal. The official unemployment rate, currently 5.3 percent, will rebound to 6 percent. Labour productivity growth, which rose 0.6 percent, will slip back to 0.4 percent. Wages have only been boosted by exceptionally low inflation. Real wage growth is forecast to average just 0.7 percent a year over the next three years.

A new round of job cuts is under way, hitting over 2,000 workers in retail, postal services, education, mining, manufacturing and the public services.

On April 5, whitegoods manufacturer **Fisher & Paykel** (F&P) announced the closure of its plant in Auckland, which manufactures refrigeration products,

with the loss of 186 jobs. F&P has long been touted as a New Zealand manufacturing "icon." CEO Stuart Broadhurst said the factory was "no longer sustainable," due to its "lack of cost competitiveness in today's global whiteware marketplace." Upgraded models of some products will be manufactured at plants in Thailand and China.

Carpet manufacturer **Cavalier Bremworth** announced last week it will close its Christchurch plant and downsize operation in Whanganui as a result of a downturn in demand for woollen carpets. The moves will see more than 100 redundancies. CEO Paul Alston said the company is "consulting with the unions" about relocating some workers to its Napier plant.

Auckland-based **Unitec**, the country's largest polytechnic, has begun a three-year restructuring program that involves laying off nearly 300 staff. More than 50 full-time job cuts were axed in 2014 in the design and visual arts department. Student services have been handed over to Concentrix, a private customer service organisation, resulting in 55 job losses. The next tranche of 87 redundancies, among administration and teaching staff, is due to take effect this month.

Unitec CEO Rick Eade said the cuts were due to a "shift to new teaching methods, improved ways of working, and efficiencies created by new technology." In fact, the main driver is ongoing reductions in government funding and competition among institutions for a declining number of students, due in no small part to sharply rising study costs.

Further attacks on tertiary education are being prepared. The Productivity Commission has begun a wide-ranging inquiry into the sector that is likely to produce more "pro-market" recommendations in order to orient the country's universities, polytechnics and

private training providers more directly to the needs of business.

On March 29, **NZ Post** said it will cut 500 jobs by the end of July. The announcement brings the total jobs shed since 2013 to nearly 1,900. The state-owned company said the cuts were in response to an annual \$20–\$30 million fall in revenue as people send 60 million fewer letters every year. The unions, which have collaborated fully with NZ Post’s downsizing agenda, are expecting a further 25 percent reduction in the workforce.

The opposition Labour Party promptly accepted the sackings. Leader Andrew Little made a vague call for the National Party government to help retrain the workers and “encourage new sectors and innovative businesses to create new jobs,” that is, provide more handouts and other incentives for businesses.

The downsizing of the public sector, which has seen over 5,000 jobs eliminated since 2008, is continuing. The **Inland Revenue Department** (IRD) announced last month that it expects to cut 1,500 jobs between 2018 and 2021 as part of its Business Transformation plan, which aims to reap benefits of \$7.65 billion from reduced tax avoidance, lower debt write-offs and cost savings. Labour’s revenue spokesman Stuart Nash said only that placing a number on the cuts was “premature.”

The **Ministry of Justice** has confirmed that it will axe 202 jobs by July, replacing them with 111 new fixed-term positions. The closure of fines collection units at the courts will mean officers will be forced to work from home, seek redeployment or take redundancy. This opens the way for similar cost-cutting measures across the state sector, and more public servants forced to work from home.

In retail, 62 **Dick Smith** electronics stores will close this month along with 300 stores in the failed company’s home base, Australia. Altogether, 3,000 jobs will disappear, of which 430 are from New Zealand.

State-owned miner **Solid Energy** has confirmed it will cut another 41 jobs at its Stockton mine, north of Westport. The company has already shed at least 340 jobs at Stockton and is currently reviewing whether the mine should be closed. Solid Energy last year entered voluntary administration in a bid to minimise losses to creditors and is selling off assets.

Another 25 jobs are expected to be destroyed on the West Coast after **Bathurst Mine** announced it is likely to close within the next few months. Bathurst has had to seek domestic buyers for its coking coal, because of the low international price. It supplies coal to the Westport **Holcim** cement plant, which is closing in June, at a cost of another 120 jobs.

The closures and job shedding are being executed with the full collaboration of the trade unions, which are keeping each group of workers isolated while implementing the employers’ agenda. At F&P, NZ Post and the mines, the unions have already overseen downsizing and layoffs over many years. The main union at F&P, E Tu (Maori for ‘stand up’), created last October through the merger of the Engineering, Printing and Manufacturing Union and the Service & Food Workers Union, only declared that its members there “will be entitled to redundancy compensation.”

The Public Service Association (PSA) has declared that it is “inevitable” jobs will be lost at IRD and that it will be involved with the restructuring project “at every step of the way.” The PSA will not fight to defend any jobs that are earmarked to go at IRD and the courts. PSA national secretary Erin Polaczuk has already accepted that working from home may well be “the way of the future.”

The Tertiary Education Union (TEU) held one brief protest rally at Unitec last November over the impending layoffs. Meanwhile it presented a paper to the governing council declaring it was committed to working with the council and senior managers “to undertake a change in such ways that staff are brought along with the changes; and at a pace that will allow change to bed in.”



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