

New Zealand government rejects calls to increase welfare payments

John Braddock
18 November 2020

In the first month since New Zealand's October 17 election, the reconstituted Labour-Green Party government has shown its pro-business colours already, as it implements the demands of the corporate elite for deeper austerity measures against the working class.

Prime Minister Jacinda Ardern last week flatly rejected a plea by 59 organizations, including trade unions, charities and poverty action groups, to lift the level of welfare payments before Christmas in order to address mass unemployment and impoverishment.

Through the umbrella group ActionStation Aotearoa [New Zealand], the groups published an open letter saying the situation was "urgent." Families were being "pushed into poverty" by the loss of jobs under COVID-19, coupled with a long period of stagnant wages and high housing costs. Low welfare benefit rates meant that "right now, hundreds of thousands of children are constrained by poverty, despite parents' best efforts."

The missive did not come from opponents of the coalition government but from allies that had campaigned for its re-election—and donated tens of thousands of dollars to Labour, in the case of the unions—on the false basis that a "progressive" government would be open to pressure from the "left." In the friendliest of terms, the letter pleaded for measures to "help achieve your vision of making Aotearoa the best place to be a child."

Ardern responded by ruling out increasing core benefits. At a post-cabinet press conference on November 9, she declared: "This is not going to be an issue that gets resolved within one week or one month or indeed one term." Ardern had promised during the 2017 election campaign that she would lead a "transformative" government dedicated to eliminating child poverty and the housing affordability crisis.

A government Welfare Advisory Group in 2019 recommended an extra \$5.2 billion a year for social welfare, with an immediate increase in main benefits ranging from 17 to 47 percent, and an indexation of benefits to average wages. The government supported the indexation and increased benefits by a paltry \$25 a week, but ruled out any further increases as "not fiscally sustainable."

Labour and the Greens, now without NZ First as a government partner, were reinstalled in office after Labour won a majority of seats, including many in wealthy areas previously held by the conservative National Party. Following two weeks of coalition negotiations, a deal with the Greens was secured to provide a phony "progressive" face to the government's agenda.

A vast social crisis is erupting. Labour's pro-business response to the COVID-19 pandemic has mirrored that of other governments worldwide. Tens of billions of dollars have been handed to big business and the banks, creating an enormous debt that will be recouped through austerity and economic restructuring at the expense of the working class.

Radio NZ reported last week that almost 23,000 people had come to the end of the COVID-19 income relief payment, without a job to go to. Figures from the Ministry of Social Development (MSD) to the end of October showed that only 5,000 had transferred onto the jobseeker benefit. Thousands of others still looking for work are not eligible for the benefit because of stringent criteria.

A jump in the official unemployment rate to 5.3 percent in the September quarter is expected to worsen, while food bank demand has tripled since last year. The MSD recorded a 68 percent increase in 16-24 year-olds needing emergency housing grants between March and

June.

According to a new report, *Now We Are Eight: Life in Middle Childhood*, from the Growing up in New Zealand Study, nearly 40 percent of 8-year-olds are living in cold, mouldy and damp homes. About 20 percent of the families surveyed did not have enough money to eat properly. Nearly 15 percent of children had changed school at least twice, mainly because of having to move between rental properties.

With a social explosion brewing, concerns are being aired in the media that the government is discrediting itself. Television presenter Duncan Garner warned on his AM Show on November 11: “Capitalism is simply where the rich get richer. But get this wrong and you get a fraying society.” He chastised Ardern over her refusal to lift benefits, declaring: “Despite all the slogans and words and kindness, what has Labour achieved on poverty and incomes at the bottom? Zip.”

Newshub editor Tova O’Brien told the *Guardian* that despite Ardern’s “massive mandate,” Labour’s “smart politics will come at the expense of its fundamental values, and be driven by its desire to stay in power.”

In reality, Labour’s “fundamental values” have been to maintain the capitalist order, particularly during times of crisis. Ardern’s persona of “kindness,” alongside boasts that Labour’s cabinet is the most “diverse” ever in its representation of women, Maori and Pacific Islanders and gays, is being assiduously promoted while the government oversees a massive further transfer of wealth to the rich.

The Green Party issued a statement supporting an increased welfare payment. Co-leader James Shaw described himself as “incensed” over rising house prices, labelling Labour as “irresponsible” for refusing to entertain a tax on capital gains. This is hollow theatrics. The Greens have, in return for two ministerial posts, promised to support the government.

The Reserve Bank last week extended its program of “quantitative easing,” pledging \$28 billion on top of its already-committed \$100 billion, to provide loan funding to banks at near-zero interest rates. The money has no strings attached. It is being used to bolster the banks’ profits and pump up house prices—which have escalated by 20 percent in the past year—through loans to speculators. On Tuesday, Ardern flatly rejected calls for the government to intervene and rein in the Reserve Bank.

The Labour-Greens pro-business trajectory exposes all those, especially the trade unions and pseudo-left groups, who promoted them during the election campaign. The union-funded *Daily Blog*, which is now complaining that Ardern “disappoints the Left,” previously glorified a possible Labour-Greens-Maori Party coalition as “the most progressive Government NZ could ever have,” ready to implement “radical reforms.”

The unions are playing a cynical role. A line-up headed by the NZ Council of Trade Unions signed the ActionStation open letter. Yet they have all suppressed any opposition among workers to the attacks on jobs, wages and social conditions carried out under the cover of the COVID-19 pandemic, while applauding the government’s billion-dollar handouts to big business.

Following an announcement by Air New Zealand this month that 385 international cabin crew would be made redundant, adding to the 4,000 already laid off with the collaboration of the unions, the E Tu union launched a nationalist “Kia Kaha Aotearoa” petition, begging the company to stop outsourcing work overseas.

Company CEO Greg Foran bluntly dismissed the suggestion as not “the best or most feasible business outcome.” A multi-million-dollar share offer has been given to Foran and his executive team, which E Tu meekly declared would “further damage the airline’s recovery.”

While refusing to lift welfare benefits, the Labour-Green government is continuing to pour cash into the hands of the wealthy. The country’s major companies, now including Fletcher Building and Fulton Hogan, have received millions of dollars from the COVID-19 “wage subsidy” scheme to boost profits while sacking thousands of workers. Fulton Hogan not only announced a \$222 million annual profit, but rewarded shareholders with \$79.5 million in dividends, bolstered by \$34.3 million from government subsidies.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact