New Zealand Labour-led government imposes public sector wage freeze

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New Zealand's Labour-led government, which includes the Greens, last week declared a pay freeze across the public service for the next three years. The move, which extends a measure introduced last year during the COVID-19 pandemic, will inevitably be used to suppress wages in the private sector as well.

Public Service Minister Chris Hipkins announced that workers earning more than $NZ60,000 will only be offered pay increases under "exceptional" circumstances, while increases for those on salaries over $100,000 are ruled out. Only about a quarter of public servants earn less than $60,000 and will theoretically qualify for pay increases, which still have to be negotiated.

Tens of thousands of doctors, nurses, teachers, social workers, border staff, conservation staff, administrative personnel and others will be hit by the freeze. Most have already had increases well below the inflation rate for years with pay packets eaten up by escalating house prices, rents and basic living costs. The median weekly income fell by 7.6 percent in the 12 months to June 2020.

Finance Minister Grant Robertson said "restraint" was necessary to keep a lid on public debt, which had skyrocketed during the pandemic, to pay for "expensive" measures like the wage subsidy. "As the recovery gets under way, we are keeping a close watch on the debt taken on during COVID to support the economy," Robertson said.

In fact, the government's response to the economic crisis has been the same as governments internationally: an unprecedented handout of billions of dollars to businesses, which have sacked or short-timed thousands of workers. The government's "wage" subsidy scheme paid over $NZ14 billion to employers. Global conglomerates including Coca-Cola, McDonald's, Asahi and Tesla, along with local NZX-listed companies, claimed millions in subsidies before handing out huge dividends to investors.

Boasting a "strong economic bounce-back," Robertson earlier this year revealed the economic recovery would cost $60 billion less than the government was anticipating. Last September Treasury officials expected the government's level of debt to jump from the pre-pandemic 20 percent range, to 48 percent in 2034. The figure is now expected to be 36.5 percent. On May 4, Robertson announced that $1 billion of underspent COVID money has been kept back for new initiatives.

Neither Robertson nor Prime Minister Jacinda Ardern was able to say how much money would be saved under the freeze, but the total wage bill is only about $5 billion of a $108 billion budget. Robertson said it was important however to "show leadership."

In the wake of the 2020 general election, the WSWS warned: "Any illusions that Labour is a progressive party, or a 'lesser evil' to National, will be shattered by the assault on the working class that is already well underway. To repay the debt accumulated by bailing out the rich, the re-elected Ardern government will work with big business and the union bureaucracy to implement drastic austerity measures. This will inevitably trigger a resurgence of class struggle."

The prediction is being borne out in spades. Public sector workers argued that they had carried the burden of the COVID-19 response, and responded with fury to the government's announcement, denouncing it as a "betrayal." Prominent right-wing blogger David Farrar meanwhile praised Labour's move as "very bold" and something that a National government would never have dared.

The initial response by the trade unions was to meekly complain that the Labour government—which they had supported and many had funded during the election—had failed to “consult” them. The Public Service Association (PSA) told TV 1 they had no “heads up,” and the move would interfere with their ongoing negotiations.

Nurses, who have recently rejected a miserly 1.3 percent pay offer from the District Health Boards, took to social media to declare the move likely to precipitate a vote to strike.

One senior nurse told Radio NZ she spent last year terrified of dying from COVID-19 or giving it to her family. “To be facing in real terms a pay decrease… it was absolutely a slap in the face having faced extreme risk,” she said. She had never seen worse conditions in the past 15 years, saying they are regularly understaffed, wards and waiting rooms are overfull, and it is often unsafe.

The furious backlash from workers and union members quickly forced a change of language from the union bureaucracy. “Don’t expect us to take this lying down,” Council of Trade Unions (CTU) President Richard Wagstaff told the *New Zealand Herald*. In an open letter to Hipkins, the PSA declared: “Your pay restrictions at this time are unacceptable.” The Green Party, which is part of the government, launched a petition calling for Labour to reverse the decision.

These remarks were quickly demonstrated to be hot air. Wagstaff told *Business Desk* there was “nothing new with the issuing of expectations that set a low bar for public sector worker wage movement.” Wagstaff emphasised that wage negotiations would continue in “good faith” and there were “some positive aspects of the government’s expectations that we can agree on.”

Emerging from a meeting with ministers on May 11, the unions claimed a “victory” on the bogus basis that the “guidance” set out by the government will now be reviewed at the end of next year. Meanwhile, there is “scope to discuss” cost-of-living increases for union members covered by collective agreements, and scheduled increases through step-based pay systems.

In response, Hipkins bluntly told the media that his expectations had “not changed.” The government will continue with its brutal austerity agenda, which the unions will continue to enforce. In 2018 and 2019, following nationwide strikes by tens of thousands of teachers and nurses, the New Zealand Nurses Organisation and the teacher unions rammed through sellout agreements which did nothing to address severe understaffing and delivered a pay increase of just 3 percent for most workers.

Labour has simultaneously launched an overhaul of industrial law to empower the unions to police the broad sections of low-paid workers who are currently not union members. The policy will significantly boost the institutional power of unions through centralised wage bargaining. So-called “Fair Pay Agreements” (FPAs) will allow unions to negotiate on an industry-wide basis. If 10 percent of a workforce, or 1,000 workers agree, a union will have power to negotiate directly with the employer group covering a particular sector for an agreement for all workers, union and non-union.

Both the CTU and BusinessNZ will receive $250,000 for the next three years to support coordinating FPAs. Sectoral unions can also receive $50,000 to help with the costs of bargaining. That is, a corporatist framework of employer-union-government wage setting will be put in place to entrench low pay across entire industries, enforced by draconian legislation.

The unions, as they have done for decades, will impose the deals and suppress resistance from workers. The government has foreshadowed banning strikes and lockouts during FPA bargaining. Strikes are already illegal except when employment contracts are being re-negotiated or for health and safety reasons. These repressive provisions, legislated by the previous Helen Clark-led Labour government, will be expanded with the active support of the CTU. As it imposes austerity measures, the government is bringing forward this anti-working class legislation to suppress a new eruption of unrest and militancy.