

New Zealand Labour government's budget imposes new burdens on working class

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22 May 2022

On May 19, the Labour Party-led government in New Zealand, which includes the Greens, announced another pro-business budget. It will continue and deepen the assault on working people's living standards while diverting billions to the military and doing nothing to stop the disastrous spread of COVID-19.

The budget was delivered in the context of surging global inflation—annual inflation in New Zealand is 6.9 percent—and signs of growing anger among working people. On May 16, 10,000 low-paid healthcare workers held a nationwide strike. Today, disability and aged care workers have protested across the country after the government indicated that 65,000 of these workers would receive a pay rise of no more than 70 cents an hour over 18 months.

The economy is highly dependent on exports of dairy and other agricultural products and vulnerable to supply chain disruption. According to Treasury forecasts, which are always overly optimistic, the economy will grow by just 0.1 percent in each of the second, third and fourth quarters of 2023.

Economists from BNZ bank predict that the country will go into recession due to rising interest rates and inflation. The housing bubble, a major source of speculative investment, is expected to collapse, with some economists predicting a price drop of 10 to 15 percent.

The ruling class is clearly nervous about the leftward shift and increase in workers' struggles internationally. Finance Minister Grant Robertson declared that the budget was "driven by how we can support New Zealanders' overall wellbeing" and "deal with the cost-of-living pressures," while taking a "responsible fiscal approach to keep a lid on debt."

The media has trumpeted "record" new spending of \$6 billion over the next year, however, Robertson himself noted that nearly 70 percent of the new operating

allowances were focused "on just meeting cost pressures," rather than growing public services.

The central figure touted by the government and media was a \$1 billion "cost of living" package. This is a series of meagre one-off handouts, including a payment of \$350 to approximately two million workers who are paid less than \$70,000 a year. This is to be paid out over three months at the rate of \$27 a week. Those receiving welfare, the poorest members of society, are not eligible.

Robertson told *Stuff* that the "temporary and targeted" payment will not "pay every inflationary cost that people have got," but a bigger payment would pose an "inflationary risk."

The payment is a drop in the bucket. Infometrics, an economics consultancy group, estimated in February that for the average household "the cost of essentials rose by around \$70-\$100 per week between December 2020 and December 2021." This included a \$50 increase in rents, driven by housing speculation and a flood of cheap money into the banking system thanks to the Reserve Bank's quantitative easing measures.

According to *Newsroom*, NZ has the least affordable housing in the OECD, with 61 percent of people spending more than 40 percent of their income on rent. There are 25,000 people on the emergency waiting list for public housing.

Prime Minister Jacinda Ardern's government, like governments internationally, has used the pandemic to hand tens of billions of dollars to big businesses, propping up their profits. At the same time, it has imposed a wage freeze across the public sector and refused to address the crisis of under-staffing in the health and education sectors.

Now, amid the worst public health crisis in living memory, the government is increasingly acting as though the pandemic is over. Significantly, the "cost of living" payment is being paid for by dismantling the COVID-19 Response and Recovery Fund, which had been used to

fund lockdowns earlier in the pandemic.

Robertson boasted in his budget speech that New Zealand had “come through COVID not just with a low mortality rate, but also with our economy as one of the strongest in the world.” The entire political establishment, along with the media and the pro-capitalist trade unions, have adopted the position that the population must “live with” escalating COVID cases and deaths.

Having ditched its previous elimination policy, which kept the country nearly virus-free for most of 2020 and 2021, the Ardern government has abandoned lockdowns and other public health measures. It has adopted the criminal policy of mass infection.

There are now more than 1,050 COVID-related deaths, the vast majority of which occurred just in the last three months, following the reopening of schools. Hospitals are in a perpetual state of crisis, overwhelmed with COVID cases and related staff absences.

The government is providing \$11.1 billion more operational funding for health over the next four years, which Minister Robertson called the “largest investment ever in our health system.” Last year, however, the Council of Trade Unions noted that it would take \$2 billion in increased spending each year just to maintain the current inadequate level of health services. The level of unmet need has expanded dramatically, with the government revealing earlier this month that the number of people forced to wait longer than four months for hospital treatment had increased from 15,000 in early 2020 to nearly 36,000.

Much of the health funding will be used to carry out a bureaucratic restructure aimed at abolishing the District Health Boards and creating a new centralised agency, Health NZ, to manage the system.

A new Maori Health Authority is being established, with \$188 million allocated to it so far to commission health services specifically for Maori patients. This new race-based bureaucratic structure will lead to a more complicated and divided system, without actually improving services.

The media has largely buried the fact that billions of dollars are being diverted from social spending to the military, police and security agencies. New Zealand, as an ally of US imperialism, is integrated into the reckless drive towards war against Russia and China. Already, the Ardern government has sent dozens of NZ troops to Europe to assist the NATO war against Russia in Ukraine.

Defence Minister Peeni Henare boasted that since taking office the Labour government has “committed \$4.5

billion to 12 major defence capability plans—the largest capability investment Defence has ever received.”

This year’s Defence Force capital expenditure is \$1.56 billion, an increase of 16 percent. This includes funds to upgrade New Zealand’s two navy frigates. Funding for the army and navy will increase by 13 percent and 10 percent respectively, according to the Janes website.

The two spy agencies, the Government Communications Security Bureau (GCSB) and the Security Intelligence Service (SIS), have received an extra \$46 million and \$26 million respectively over four years. *Newsroom* reported: “Since 2017/18, the combined budgets of the organisations have more than doubled to \$343 million.”

The government claims that this is needed to stop terrorism, pointing to the March 15, 2019 attack by fascist gunman Brenton Tarrant. In fact, the agencies carry out mass surveillance of people in New Zealand, across the Pacific region and more broadly as part of the US-led Five Eyes intelligence network.

Police will receive an extra \$562 million over four years to boost officer numbers by about 400—a total increase of 1,800 compared with when Labour took office in 2017. Some of the new funding will also go towards training more officers to use firearms. The prison system will receive an additional \$198.3 million, including funding for 518 more corrections staff.

The government aims to deal with the social crisis that it is presiding over with repressive “law and order” measures and state surveillance. At the same time, the ruling elite will seek to promote nationalism and militarism to divert workers’ hostility and anger onto China and Russia.

The budget is yet more evidence of the right-wing, pro-imperialist character of the Labour-Greens government. It underscores the urgent need for workers and young people to break from these parties, and to turn to the building of a socialist and internationalist party to provide the necessary leadership to workers who are being driven into struggles for decent wages and conditions, and against imperialist war.



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