

New Zealand workers hit by surging living costs

Tom Peters
21 July 2022

While New Zealand experiences its worst surge of the COVID-19 pandemic, with more than a hundred deaths per week and hospitals inundated, the working class is simultaneously being hit by soaring living costs.

Statistics NZ reported this week that consumer prices increased 7.3 percent in the 12 months to June, the highest annual increase in 32 years. Wages rose on average by less than half this rate, just 3 percent in the year to March, meaning the vast majority of workers experienced a substantial real wage cut.

In the last year alone, the cost of petrol increased by 32 percent and diesel by 74 percent. The cost of building a house rose 18 percent, driven by the shortage of labour and building materials. Food prices increased 6.6 percent. Rents went up 4.3 percent in the past year, and roughly 30 percent since 2017, when the Labour Party entered government.

Last year, according to economics consultancy firm Infometrics, households' basic costs increased on average by "around \$70-\$100 per week," or \$3,640 to \$5,200 annually.

Around the world, workers are being driven into struggle as inflation forces them to bear the full burden of the economic crisis triggered by the COVID-19 pandemic. Prices for fuel, food and other basic items are being forced up by global supply chain disruptions, caused by the refusal of almost all governments to eliminate COVID, and especially by the US-NATO proxy war against Russia in Ukraine.

The most significant contributors to inflation are the pro-business policies implemented by governments and central banks, particularly over the past two years. The New Zealand Labour Party-led government used the pandemic to funnel tens of billions of dollars to the rich, through subsidies, tax concessions and bailout packages for large corporations.

The Reserve Bank's quantitative easing measures—it

printed \$53 billion in 2020–2021 to purchase bonds from the commercial banks—also boosted inflation, especially in the housing market. House prices went up 45 percent during the pandemic, and have only come down about 5.5 percent since the November 2021 peak.

New Zealand's major banks posted record profits totalling \$1.74 billion for the March 2022 quarter, up 8.08 percent on the previous quarter. The four biggest electricity companies increased their combined profits by nearly 60 percent in the second half of last year. Fletcher Building, NZ's biggest construction company, is forecasting a \$750 million profit this financial year.

While the corporate elite enjoys ever greater wealth, Deputy Prime Minister Grant Robertson told Radio NZ on July 19 that most workers should not expect pay increases matching the 7.3 percent inflation rate. He said "there is going to be a period of time when it's tough," adding that the Treasury expects wages to increase above inflation after 2022.

There is no reason to believe this will happen. Real wages have stagnated for decades and are now being driven backwards. The government has led the charge, with a public sector wage freeze imposed last year.

A widening layer of the population is being forced into poverty and many are cutting back on food and other essentials. According to a KANTAR survey of about 1,500 people conducted in April, 40 percent of households are spending more than \$200 a week on food—up from 35 percent last year. Just 57 percent of respondents are eating five or more servings of fruit and vegetables per day, down from 60 percent last year.

Foodbanks did not exist in New Zealand until the 1980s, when the then-Labour government launched a program of privatisations and pro-market restructuring, triggering tens of thousands of layoffs. Today, hundreds of thousands of people regularly rely on charity to feed themselves and their families.

In Christchurch, Foodbank Aotearoa New Zealand, which supplies food to 106 charities across the city, told *Stuff* that demand has increased 30.2 percent in the last year. Auckland City Mission says demand for its food parcels has tripled over the past three years.

KidsCan, which provides food in schools for 44,000 children, last month revealed it had a waiting list of 2,000 more children. Its chief executive Julie Chapman says child poverty is the worst it has been since she founded the charity in 2005.

According to official statistics for the year to June 2021, 16.3 percent of children (187,300) live in poverty, after housing costs were accounted for. The reality is undoubtedly much worse. Stats NZ defines poverty as being below 50 percent of the median disposable household income, an extremely low threshold.

Homelessness and housing insecurity are deeply entrenched and continuing to rise. There are currently more than 27,000 people on the waiting list for public housing—five times the number since Labour came to power in 2017. Roughly 4,000 homeless people are in “emergency” accommodation, which typically means motel rooms.

A survey of 4,593 students released this week found that about two-thirds regularly could not afford basic necessities, including food, healthcare costs, clothing and other bills. Students, on average, are paying 56 percent of their income on rent, or \$234 a week. One in six reported living in a flat which did not meet their needs, most commonly due to overcrowding, mould, dampness, poor insulation or lack of maintenance.

The survey, dubbed a “people’s inquiry into student wellbeing,” was conducted by the Green Party and the country’s student unions. The final report noted that living allowances, which are only available to a small number of students, have not kept pace with inflation, meaning that “students in 2021 were about \$1600 worse off than their counterparts in 1999.”

The report also pointed out that Labour had promised in the 2017 election to restore the student allowance for postgraduate students and to phase in three years of free tertiary study (only the first year is currently free). The government, however, reneged on these pledges.

The Greens, which have been part of the Labour-led coalition government since 2017, are seeking to distance themselves from its austerity measures. Their aim is to capture growing left-wing opposition, especially among young people, and to channel it back into the parliamentary system.

Labour is only able to impose its pro-business agenda because of the support of the Green Party, as well as the trade union bureaucracy, and the pseudo-left backers of these organisations.

The Council of Trade Unions (CTU) responded to the latest inflation announcement with a statement vaguely calling for “continued support for low- and middle-income New Zealanders.” It did not demand immediate pay increases above 7.3 percent for all workers, but instead called for “supporting employers to pay the Living Wage”—which the unions have designated as \$22.75 an hour, just above the legal minimum wage of \$21.20 an hour.

The unions’ Living Wage Movement Aotearoa previously announced that in September the “living wage” will rise to \$23.65, an increase of 90 cents an hour or 3.95 percent, which is well below the soaring cost of living. This underscores the fraud of the “living wage” campaign: it is simply a mechanism to assist businesses and the state in keeping wages down.

This is a continuation of the role the unions have played for decades, in enforcing one sell-out agreement after another, mandating either stagnant pay or real cuts to wages.

The Socialist Equality Group calls on workers to organise independently of the trade unions, which function as adjuncts of the corporations and the government. The fight for real wage increases—based on what workers actually need, not what businesses say they can afford—can only proceed with new workers’ organisations, guided by a socialist perspective. The same applies to the fight against the homicidal policy of mass COVID-19 infection, which the unions tacitly support.

Rank-and-file committees must be created, in every workplace, democratically controlled by workers themselves. These must unify workers in New Zealand with those in Australia and internationally, who all face the same attacks on their living conditions, and the same threat to their health and lives from the out of control pandemic. We urge workers to contact the SEG to discuss this perspective.



To contact the WSWS and the Socialist Equality Party visit:
wsws.org/contact