

# Escalating assault on workers' living standards in New Zealand

Tom Peters

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The soaring cost of living is placing increasing pressure on working people in New Zealand and driving many into poverty, and the situation will continue to worsen in the coming year. As is the case internationally, the ruling elite is forcing the working class to shoulder the full burden of the mounting economic crisis, which is being fuelled by the pro-business response to the pandemic, as well as the US-NATO war against Russia over Ukraine.

The Labour Party-led government used the COVID-19 pandemic to transfer tens of billions of dollars to big business, in the form of tax relief, direct bailouts and so-called wage subsidies. At the same time, during 2020–2021 the Reserve Bank printed \$NZ53.5 billion (\$US34.08 billion) to buy up government bonds from the commercial banks, boosting their profits to record levels and contributing to rampant inflation.

As a result of these handouts, the banks and major businesses are reporting substantial profits. The Deloitte Top 200 Index, released on December 8, shows that New Zealand's 200 biggest companies increased their combined after-tax profits by 54.6 percent from \$6.8 billion last year to \$10.5 billion in 2022.

This goes hand-in-hand with an intensifying assault on the working class. Finance minister Grant Robertson told *Newshub* on November 26 that government spending reached approximately 35 percent of gross domestic product during the early response to the pandemic, and "it's now coming down, by the end of this year, to 31 percent and it will track down further from there."

He did not mention what services would be worst affected by funding cuts, saying it would be made clear in next year's budget. Healthcare and education are already grossly underfunded. Hospitals face a shortage of thousands of staff, made worse by the Ardern government's criminal decision in late 2021 to abandon its previous COVID elimination strategy; this has led to approximately 2,700 deaths and more than 22,600

hospitalisations.

The Reserve Bank, meanwhile, has declared that hundreds of thousands of people will lose their jobs: unemployment, currently 3.3 percent, must reach 5.7 percent in two years in order to suppress workers' demands for wage increases.

Claims that this is necessary to bring inflation under control are a fraud: wages are not driving inflation. According to the Labour Cost Index, wages rose by 3.7 percent in the year to September, about half the inflation rate and nowhere near the 54.6 percent increase in company profits.

On November 24, Reserve Bank governor Adrian Orr was asked in parliament whether he was "deliberately engineering a recession," after he announced a steep increase in the official cash rate, from 3.5 to 4.25 percent. He replied: "I think that is correct. We are deliberately trying to slow aggregate spending in the economy." The rate is set to be lifted to 5.5 percent by mid-2023.

Official inflation is currently 7.2 percent, and the real increase in costs facing households is considerably higher. According to Statistics NZ, if mortgage interest is factored in, inflation stands at 8.2 percent. CoreLogic estimated last month that rising interest rates could add \$12,000 a year to the cost of a \$500,000 home loan.

This will add to already-exorbitant housing costs. Interest.co.nz reported on December 10 that house prices have declined 12 percent from last year's peak, but remain 30 percent higher than their level before the COVID pandemic: "The current median New Zealand house costs \$820,000—more than 10 times the median household disposable income."

The median weekly rent continues to soar: it increased 8 percent in the year to September, from \$500 to \$540. Rents have now gone up 35 percent since late 2017, when Jacinda Ardern became prime minister following a campaign in which Labour made false promises to reduce

the cost of housing and alleviate poverty and inequality.

According to the Human Rights Commission, more than 102,000 people—2 percent of the population—were homeless or in overcrowded or inadequate housing in 2018, and the figures are undoubtedly worse now. There are around 25,000 applicants on the public housing waiting list. Nearly 10,000 homeless people, including thousands of children, have been crammed into hotels and boarding houses that are serving as “emergency housing.”

Total household debt stands at \$340 billion, an average of around \$85,000 per adult. Economists at ASB bank recently estimated that by the end of 2023 high debt servicing costs will add \$80 a week to an average household’s budget, and an extra \$70 a week will be needed to keep up with other cost pressures. In other words, a typical family would need \$7,800 more per year to maintain their standard of living.

Food inflation stands at 10.7 percent. Charities across the country are reporting unprecedented levels of demand, including from working families unable to afford food and other essentials. Auckland City Mission recently told Radio NZ it was distributing 2,000 food parcels per week—about three million meals a year—compared with 450 before the pandemic.

A survey by the Consumer Advocacy Council in October found that, in order to save on electricity, one in four people were cutting back on showers and other hot water use, and around half were only heating the room they were in.

Officially, 187,300 children (16.3 percent) live in households with an income below the poverty line (less than 50 percent of the 2017/18 median income after housing costs). One in six children (14.9 percent) were in households that frequently ran out of food due to lack of money. These figures were recorded before the recent period of high inflation.

These conditions are leading to growing levels of despair. Last month Ipsos released disturbing findings from a mental health survey of 1,000 adults in New Zealand: one in four had considered suicide or self-harm in the past year. Among young people aged 18–34, the figure was 40 percent. Ipsos said concern about personal finances was having the biggest impact on respondents’ mental wellbeing.

This followed a report by the NZ Drug Foundation that deaths caused by drug overdoses increased by 54 percent between 2017 and 2021. Last year, 171 people died from overdoses, compared with 111 in 2017.

The social crisis and the out-of-control pandemic have

led to a sharp drop in support for Labour.

The party won the 2020 election with more than 50 percent of the vote, largely due to its since-abandoned Zero COVID policy. In a recent One News/Kantar poll, Labour’s popularity stood at 33 percent, the lowest level since the 2017 election, compared with 38 percent for National.

In a by-election held earlier this month in Hamilton West, Labour’s candidate Georgie Dansey lost with just 30 percent of the vote, compared with 46 percent for the conservative National Party’s Tama Potaka. The low turnout, estimated at 31.4 percent of enrolled voters, points to widespread disaffection and lack of support for any of the big business parties.

Major struggles are looming as workers seek to oppose state and corporate austerity. Earlier this month over 20,000 high school teachers voted to hold a one-day strike next year after rejecting a below-inflation pay offer. In recent months, healthcare workers, firefighters, university workers and manufacturing workers have all taken industrial action.

The main obstacle to the development of a unified movement for decent wages and conditions, is the trade unions, which enforce government and big business cuts, telling workers they have no choice but to sacrifice for the good of the economy.

The Socialist Equality Group calls for the establishment of rank-and-file workplace committees, independent of the unions, Labour and all the capitalist parties, and controlled by workers themselves. These must unite workers across the country and internationally in a common struggle against austerity, the murderous “let it rip” COVID policy and the drive towards war.

Above all, workers’ struggles must be linked to the political fight for a workers’ government with a socialist and internationalist program. The profit system must be abolished so that the immense wealth hoarded by the banks and big business can be placed under the control of the working class and used to improve living standards for all.



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