Escalating assault on jobs and living standards in New Zealand

John Braddock
1 June 2023

Following international trends, New Zealand's Reserve Bank (RBNZ) on May 24 raised the official cash rate by 25 basis points to 5.5 percent. The decision was seen as "finely balanced" between a rise of either 25 or 50 basis points.

The lesser rise is regarded as favourable to the Labour government as it faces an election in October. "Labour feared the worst but got the best it could hope for," *Stuff* reported.

The bank's Monetary Policy Committee assessed that its 12 consecutive rate rises since October 2021 had taken the "sting" out of inflation. It falsely claimed inflation pressures, including internationally, have been easing. New Zealand's official annual rate slowed to 6.7 percent in the first quarter, but food inflation, particularly hitting the working class, has ramped-up to 12.4 percent.

The RBNZ is positively glowing about the success of its purported "anti-inflation" agenda. Last November, RBNZ governor Adrian Orr was asked in parliament whether he was "deliberately engineering a recession." He replied: "I think that is correct. We are deliberately trying to slow aggregate spending in the economy."

The RBNZ pointed to slowing consumer spending and a falling housing market and took indications of deteriorating business conditions as "positives." It forecast the official cash rate would stay at 5.5 percent until the end of next year, with no prospect of a rate cut before early 2025, and also forecast two quarters of negative growth, i.e., a recession, in the middle of the year.

No sooner had the announcement hit the media than one of the major banks, the ASB, lifted its mortgage rates. The bank's housing variable rate shifts from 8.39 to 8.64 percent and another rate will rise from 8.49 to 8.74 percent. The average monthly mortgage repayment in Auckland, the country's major city, is already $NZ4,425.

Orr has predicted that homeowners can expect to be paying an average 22 percent of their income in interest payments by the end of the year—up from 9 percent in 2021. Meanwhile, banks are creaming profits. Westpac's income interest spiraled to $2.85 billion?? in the six months to the end of March, compared to $1.61b? for the same period a year ago. ANZ Bank collected $4.67b? over the same six months, up from $2.454b the previous year.

With the cost of living crisis battering working people, more and more are sinking into debt. The use of "buy now pay later" (BNPL) schemes and credit cards for basic items is escalating.

According to Consumer NZ over 25 percent of the population have a BNPL account, with 20 percent accumulating debt on groceries, bills and fuel, while 35 percent of credit card users are doing the same. Charity organisations including food banks have seen a tripling of demand compared with three years ago when COVID first hit.

The Labour-led government has responded with a campaign offering tips on how to save money. Titled "Find Money in Weird Places," it focuses on energy costs with suggestions such as changing washing machines to cold wash and shortening showers to five minutes. The campaign, costing $2.8 million, will feature on television, social media, in print and on bus stops and malls throughout winter.

A fresh onslaught against jobs is meanwhile underway. On May 25, Victoria University of Wellington (VUW) announced that over 200 academics, 10 percent of its 2,468 staff, will lose their jobs with nearly 60 teaching programs up for "review." Vice Chancellor Nic Smith said the university is in "survival mode," facing a $33 million deficit for 2023. It is predicted to run out of money completely by the end of next year.

Falling enrolments see the university only holding a 13.9 percent share of domestic students. Chronic government underfunding has not met inflation "for the better part of 15 years," Smith said. In 2021 large-scale sackings at VUW were only avoided when a "voluntary" redundancy scheme, which around 60 staff took up, was used to reduce debt.

The assault at VUW follows similar cuts at Otago University, hitting over 200 staff, and between 200 and 1,000 jobs under threat at the national polytechnic, Te P?kenga. Auckland University of Technology is currently working through 170 "voluntary" and compulsory redundancies announced late last year.

While falling enrolments related to COVID, particularly among high fee-paying international students, is being blamed, prime responsibility lies with the 1984–90 Lange Labour government's "Learning for Life" agenda. This opened the door to waves of government funding cuts, abolished free tertiary education, introduced student fees and forced universities to run as competitive businesses. Subsequent governments have all followed suit.

Last week a swathe of job cuts was also announced by the Auckland Council. More than 500 job losses have been confirmed as part of right-wing Mayor Wayne Brown's cost-cutting to address a $325 million budget shortfall. Another 200 more jobs could go once the budget is finalised next month.

Deputy mayor Desley Simpson declared that Auckland must "trim the fat" to balance its books, falsely claiming this would simply mean losing some "nice-to-have" services. Elected councillors had left it up to each organisation's executive to decide where the savings required of them would come from, she said.

Preparations are being made to sell the council's 18 percent stake in Auckland Airport, the country's largest. International investment banks will be interviewed and assessed over coming weeks for the role of "adviser" in the sale process, which would attract significant attention. However, Brown reportedly does not yet have sufficient votes on the council to proceed with the sale.

The RBNZ's imposition of recessionary conditions is hitting private sector employment hard. According to the *New Zealand Herald* on May 10 economists are tipping that the unemployment rate will start escalating from here. BusinessDesk deputy head Rebecca Howard said forecasts predict up to 80,000 people could lose their jobs. The RBNZ has unemployment "peaking" at 5.7 per cent in the March quarter of 2025.

The Master Builders Association notes construction is entering a "bust cycle" as the easy credit of the COVID era dries up, and the cost of materials and labour increases. According to the Ministry of Business, Innovation and Employment (MBIE), 183 construction companies had already gone bust between last August and the end of January.

One liquidator told *Stuff* that in 2019 construction industry failures made up about a quarter of his firm's insolvency work. Today, they account for around 70 percent. In March, Construct Civil with 75 staff went into liquidation, along with A H Construction, which went into voluntary administration in February with over 100 staff, and Jacksco Civil with another 100 workers.

The Labour government is depending on the trade unions to keep emerging working class resistance in check. On the Auckland Council cuts, a Public Service Association spokesperson declared that the union was "concerned for the livelihoods of members who will lose their jobs. And we're concerned for the livelihood of members who will now have to do even more work with even less support"—but made no commitment to fight for anything.

Tertiary Education Union (TEU) branch president at VUW Dougal McNeill, a leading member of the pseudo-left International Socialist Organisation (ISO), said: "We will campaign hard to stop these cuts. University management, government ministers and MPs should be on notice that our members are not about to go quietly."

In fact the TEU, in which the ISO is embedded, has already presided over more than a thousand job cuts nationwide since the onset of the pandemic, seeking only to be involved in "consultation" over how to best implement them. The union has only requested that Labour and the VUW vice chancellor "think very carefully about the implications of these cuts and rethink their plans."