

New Zealand working class faces deepening social crisis

John Braddock
23 February 2024

New Zealand's National Party Prime Minister Christopher Luxon used his first "state of the nation" speech on February 18 to bluntly warn that he will need to make unpopular decisions to turn around the country's "fragile" state.

Luxon heads a far-right coalition consisting of National and two highly unpopular minor partners, the libertarian ACT and the anti-immigrant populist NZ First. The three parties took office after five weeks of secretive horse-trading following the general election last October.

The incumbent Labour government saw its support plummet from 50 percent in the 2020 poll to just 26.9 percent. This result was not a popular endorsement of National but was primarily due to mass abstention and anger towards Labour after years of rising homelessness, soaring living costs, and the decision in late 2021 to let the COVID-19 pandemic rip across the country.

Throughout his speech, Luxon referred to "tough choices," repeatedly coming back to attack so-called welfare dependency, pointing to the additional 70,000 on the unemployment benefit compared to 2017. The government will be targeting those who have been on welfare for many years, he said, declaring: "the free ride is over."

At a subsequent press briefing, Social Development Minister Louise Upston said that the full force of benefit sanctions will be imposed. The Ministry for Social Development (MSD) already has the ability to cut the incomes of beneficiaries if they fail to meet certain "work ready" or "social" obligations.

The existing sanctions are bitterly opposed in the working class. Research from MSD said there was little evidence that sanctions were an effective tool for getting people into work faster. Charities, anti-poverty organisations and the Children's Commission have criticised them being imposed on parents, saying it ultimately harms children.

Even more draconian measures are looming. Upston has foreshadowed "more comprehensive" sanctions, particularly aimed at young people. They will include mandatory reapplication for Jobseeker Support every six months instead of each year, "job coaching," needs assessments, a "traffic light" warning system, new non-financial sanctions, and "consequences" for those who repeatedly fail to comply with "work obligations." National plans to slash the welfare budget by \$2 billion.

The attacks on the most vulnerable sections of the working class are an expansion of vindictive measures activated during the government's first 100 days of office. These include a cut to the minimum wage by lifting the annual adjustment by just 2 percent, less than half the current inflation rate of 4.7 percent, the reinstatement of 90-day work "trials" for all businesses, enabling bosses to sack new employees without any excuse, and major cuts to public services, including thousands of sackings.

Labour Party social development spokesperson Carmel Sepuloni told the media: "Rather than being stingy on the minimum wage and bashing beneficiaries, the coalition government should be focused on lifting incomes for the poorest New Zealanders." The Greens' Ricardo Menéndez March said the new rules "confirms the government's goal of pushing more people into poverty via benefit sanctions."

This is sheer hypocrisy. The latest assault comes after six years of attacks on living standards under Labour-led governments, which included both the Greens and NZ First. Labour maintained poverty-level welfare benefits and oversaw soaring reliance on foodbanks and homelessness. The number of applicants for public housing increased fivefold under Labour from 5,000 to 25,000.

Wages for workers in the public and private sector failed to keep up with rising living costs. The trade unions

played a crucial role in imposing the burden of the economic crisis on workers by suppressing any struggle against austerity, shutting down and selling out strikes involving thousands of healthcare workers, teachers and others.

Research published last August showed 55 percent of New Zealanders struggling with their financial situation. New child poverty figures from Statistics NZ (Stats NZ) show that in the year to June 2023—i.e. while Labour was in office—the proportion of children living in households below the poverty line increased from 14.4 to 17.5 percent (an increase of 36,000 children).

The full-frontal assault on living standards is the product of deliberate class policies, overseen by the Reserve Bank (RBNZ). In November 2021 the RBNZ told a parliamentary committee that it was deliberately engineering a recession and lifted the official cash rate to 5.5 percent through 12 consecutive rises over the next year.

RBNZ's high interest rate regime is set to continue, with unemployment used as a battering ram against any wages push by the working class. Unemployment officially lifted to 4 percent in the December quarter and is expected to increase to more than 5 percent this year.

The Salvation Army last week released its latest "State of the Nation" report, highlighting growing problems for the lowest-income households. The number of children in households receiving a benefit has now reached 222,500, the highest since 2012. Nearly one in five children are in households relying on welfare support. Households with children reporting some level of food insecurity rose sharply last year, including 40 percent of Pacific households. People are also facing rapidly rising rents, of up to 15 percent a year in some places.

The Child Poverty Action Group (CPAG) meanwhile has released a report revealing that over 15,000 high school students, mainly in working class areas, are putting their education on hold in order to feed their families. Using data from the Education Review Office, CPAG calculated students were working 20 to 50 hours a week on top of study.

Students from Otahuhu College in South Auckland told Radio NZ of working long and unsociable hours, including night shifts, to "put food on the table." One Year 10 student, River, said she worked from 4.00 p.m. -10.00 p.m. every day plus all weekend—a full 40 hour week. Another said her family was struggling even though her father was working 12-hour shifts, seven days a week.

As the working class deals with an escalating cost-of-

living crisis, the National-ACT-NZ First government has unveiled a series of measures designed to transfer millions into the pockets of the wealthy, particularly "mega landlords."

According to figures released by the Council of Trade Unions, over the next five years National's tax cuts will give \$1.3 million to every landlord owning more than 200 properties. A tiny privileged group of 346 property owners will collectively gain nearly half a billion dollars in tax breaks. Luxon himself is a private sector landlord, owning seven rental properties.

National's overall tax policy favours the wealthy. Those on higher incomes will benefit from a change in the tax brackets. For example, a household on a combined income of \$200,000 with two children will get \$40 a week more. Meanwhile anyone earning less than \$45,000 a year gets only \$2 a week in tax relief.

During the election campaign, National claimed its tax cuts would deliver \$250 a fortnight to the average household, but later it was revealed that just 3,000 households would get the much-vaunted benefit. Meagre tax cuts will moreover be paid for by a raft of cuts to public services and sweeping "user pays" policies, such as the removal of public transport subsidies; including those that apply to people on low incomes or with disabilities. If a family relies on the bus and has children travelling to school and back, such extra costs will cancel out any tax "relief."

Above all, spending on militarism and war is increasing exponentially. Last week the government announced further support of nearly \$26 million for Ukraine to mark the second anniversary of the US-NATO war against Russia. Foreign Minister Winston Peters and Defence Minister Judith Collins marked the occasion with a package of support and sanctions that brings New Zealand's total support over the last two years to more than \$NZ100 million.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact