

New Zealand sinks into recession amid escalating assault on jobs, social conditions

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A blunt headline reading “Austerity bites” was emblazoned across the front page of the *Post* newspaper in New Zealand’s capital city, Wellington, on March 22. Referencing an aggressive tactic used in rugby union scrums, the subhead declared: “Rolling maul of public service job cuts begins.”

A day earlier Statistics NZ revealed that the country slid into recession in the December 2023 quarter. The economy contracted 0.3 percent in the three months ended September, followed by another 0.1 percent in December. The inflation figure was 4.7 percent.

The economy has shrunk in four of the past five quarters, driven by the Reserve Bank’s policy to ramp up unemployment as a battering ram against any wages push by workers who face soaring living costs. The official unemployment rate rose 0.6 percentage points during 2023, from 3.4 to 4.0 percent, and is projected to exceed 5 percent this year.

The *Post* article appeared at the end of a week dominated by announcements from the far-right National Party-ACT-NZ First coalition government of mass sackings, cuts to public services and attacks on working conditions.

Impending public service job cuts “could be in the thousands” according to the *Post*. In just one day, two key ministries—the Ministry of Health and Ministry for Primary Industries (MPI)—announced a total of 550 losses. The Ministry of Business, Innovation and Employment (MBIE) opened a second round of “voluntary” redundancies covering expanded work areas.

Finance Minister Nicola Willis has ordered savings of 6.5 or 7.5 percent across the public sector, requiring departmental heads to determine how to execute the brutal measures. The Health Ministry is looking at a 25 percent reduction of staff, around 180 jobs, while MPI

is proposing a 9 percent cut of 384 jobs.

Wellington, with a metropolitan population of 422,000 and an economy depending largely on its public sector workforce, will be hard hit. A spokesperson for recruitment agency Robert Walters said it was already seeing skilled workers looking to move to Auckland and Australia.

Underscoring the government’s vindictive attitude towards the entire working class, the far-right ACT Party leader and cabinet minister David Seymour posted on Twitter/X in response to the MPI job losses: “Good.” Willis airily dismissed widespread anger over the cuts, saying: “I am sure there will be other job opportunities.”

Public services are being scrapped or deferred to fund the government’s tax cuts to benefit the wealthy. Some of the most vulnerable layers of the working class are in the firing line.

Last week the disabled community found out via a Facebook post that funding was being reduced for a wide range of support payments, including for equipment such as wheelchairs, communication devices and housing and motor vehicle modifications. School lunch programs are facing cuts of up to 50 percent; and free bus fares for 5–12 year-olds and half fares for 13–24 year-olds will be scrapped, increasing the financial burden on already struggling families.

Large scale cuts to infrastructure and essential services are being foreshadowed as a wedge for privatisations. Education Minister Erica Stanford announced that 20 school building projects have been paused and another 350, ranging from design to pre-construction, could be scaled down or scrapped. She indicated that private-public partnerships could be used to build new schools.

A similar situation faces the ageing Cook Strait inter-

island ferries whose scheduled replacement has now been cancelled. Half a billion dollars is also being cut from public science funding.

The sweeping austerity program is designed to underpin a massive transfer of wealth to the rich. The central promise of National's campaign in last year's election was for \$NZ9 billion in income tax cuts over four years, heavily favouring top income earners.

According to *Newsroom*, after increased costs from a \$2.9 billion tax cut for landlords, the government faces a \$1.5 billion fiscal gap. In unprecedented criticism of the government of which he is part, NZ First leader and Deputy Prime Minister Winston Peters signalled last week that there is in fact a "fiscal hole" of \$5.6 billion in National's budget figures and he could not see how Willis was going to fix it.

The tax cuts will be paid for with even deeper spending cuts, reallocation of revenues, or borrowing. The last option raises the spectre of a crisis similar to that triggered by former UK Prime Minister Liz Truss, who proposed to cover unfunded tax cuts with large-scale borrowing, triggering financial chaos and her rapid political demise in 2022.

The International Monetary Fund (IMF) on March 20 warned that New Zealand's tax cuts would be inflationary, called on the government to keep spending low and opposed more borrowing. The IMF repeated previous calls for a comprehensive capital gains tax and a land tax, which the government has rejected.

Sections of the ruling elite fear an upsurge of class struggles. The social crisis—for which the last Labour government was equally responsible—is pushing workers to the left and fueling hostility towards all the major political parties. The political establishment's support for US imperialism against Russia and China, and the US-backed genocide in Gaza, is also radicalising workers and young people.

The corporatist trade unions are doing everything they can to block any struggle by workers against the far-right government. Apart from a handful of pleading press releases, not one union has announced any plans to fight the onslaught. The Public Service Association simply called MPI cuts a "reckless gamble" and complained that promises to generally restrict cuts to "backroom staff" were not being kept.

The National-led government was scrabbled together after October's election, which was characterised by

mass disaffection. Labour's share of the vote collapsed amid widespread anger in the working class over its austerity program. After just over 100 days in office, the coalition is already in an escalating crisis. Willis, who had boasted last September, "I'd quit as finance minister if my tax cut plan fails," is facing demands for exactly that.

Business commentator Fran O'Sullivan wrote in the *Weekend Herald* on March 23 that former National Party Prime Minister John Key had met with Prime Minister Christopher Luxon and urged him to pull back. Key warned Luxon against "risking plunging the country into so much discontent their program has to be abandoned and they don't get re-elected."

Right-wing commentator for the *New Zealand Herald*, Matthew Hooton, derided National's "ludicrous" tax plan, saying it was "largely written by lobbyists, doesn't add up and would cause higher inflation and higher interest rates than even Labour, despite the full benefits going to only 0.18 percent of households."

The Labour opposition is now embroiled in its own crisis over tax policy. In a desperate attempt to recover ground from the party's drubbing at the election, leader and former Prime Minister Chris Hipkins last week hypocritically called for a public debate on a new "progressive" tax system. In fact, after six years in government during which Labor did nothing to change the "unfair" tax system, Hipkins entered last year's election declaring wealth taxes were off the table.



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