

# Unemployment sharply escalates in New Zealand

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Figures released in August showed 33,000 more New Zealanders are unemployed compared to the same time last year. Total unemployment at the end of June stood at 143,000, the highest since March 2021.

Stats NZ data showed the annual unemployment rate rose to 4.6 percent in the June quarter, from 4.4 percent in the previous quarter. The level of underutilisation, a measure of “slack” in the jobs market, rose to 11.8 percent from 11.2 percent.

According to Radio NZ (RNZ), Auckland University of Technology economics professor Tim Maloney says that based on data on benefits and filled jobs, unemployment very likely had hit 4.8 percent in July. The Reserve Bank expects the rate to peak at 5.4 percent in a year’s time but Maloney predicts, with possible recessions looming in New Zealand and internationally, it could reach that level far sooner.

The jobs carnage has continued throughout August with 1,000 more people pushed onto welfare every week, including 250 from the beleaguered construction sector. In the biggest city Auckland, there are currently 11 jobseekers for every vacancy. In the Manawatu-Whanganui region the number is 17 jobseekers for every vacancy.

Last week the farmer-owned dairy co-op Fonterra, the country’s major exporter, announced 80 finance jobs will be cut in the Hamilton office as it outsources work to existing partner accounting firm, Accenture which has offices in the Philippines and India.

The economic crisis is exacerbated by an electricity shortage and soaring prices. Winstone Pulp International declared recently that it can no longer afford the energy bill for its Karioi Pulpmill and Tangiwai Sawmill. The closures scheduled for mid-September will make 230 workers redundant in the rural Ruapehu district where there are few other job options. Dozens more contractors who depend on the mills will also be driven out of work,

and nearby towns such as Raetihi, Ohakune and Waiouru face further depopulation.

Another paper milling company, Oji Fibre Solutions in Penrose, has also threatened to close, which would result in 75 job cuts.

The four semi-privatised energy companies—Meridian, Mercury, Genesis and Contact (fully privatised in 1999)—meanwhile made a combined \$NZ512.4 million in profits since July 1. According to *Newsroom*, since the privatisations began the companies paid out \$10.8 billion in dividends to shareholders, while total generating capacity increased by just one percent.

Young people are bearing the brunt of the escalating jobs crisis. Those aged between 15 and 24 make up almost half of the newly unemployed. Aaron Hendry of youth charity Kick Back told RNZ there are widespread feelings of “hopelessness.” When young people do get jobs, he said, they are more likely to be insecure, with worse conditions than those of older workers.

The deepening joblessness crisis is a product of deliberate policies of the ruling elite to make the working class bear the brunt of the crisis of capitalism. Drastic austerity measures are being imposed along with increased military spending, as New Zealand is integrated more closely into US-led imperialist operations against Russia, China and in the Middle East.

The Reserve Bank reduced the official cash rate (OCR) by 0.25 percent to 5.25 percent on August 14, after official annual inflation slowed to 3.3 percent in the second quarter of 2024 from 4 percent. It was the first cut to the OCR since March 2020. Rates had progressively risen from 0.25 percent three years ago, when inflation was running at 7.3 percent.

The central bank’s stated aim was to engineer a recession using high interest rates to drive up unemployment and put downward pressure on wages. Private sector wages rose just 3.6 percent in the 12

months to June, well below the 5.4 percent increase in household living costs. Average wages are forecast to rise in real terms by just 0.2 percent over the next year.

Public sector wages rose 6.9 percent in the same period, only marginally ahead of inflation, following years of effective pay freezes enforced by the trade union bureaucracy.

The National Party-ACT-NZ First coalition government has now launched a scorched earth assault on jobs and services across the public sector. Finance Minister Nicola Willis has imposed ruthless funding cuts of 7.5 percent across most ministries. Since January over 6,500 jobs have been axed.

Health NZ is calling on administrative workers to volunteer for redundancy as the government seeks to slash \$1.4 billion and 2,500 jobs in the grossly understaffed public health system by 2025. The Aotearoa NZ national committee of the Royal Australian College of Surgeons has warned that waiting times for surgeries will inevitably continue to blow out.

The assault on public sector jobs is rippling through the private sector, particularly in the capital, Wellington. Two popular bars in the capital's entertainment strip, Rubix and SugarWoods, have closed down, and an up-market restaurant, Concord, is also about to shut its doors, further fueling warnings that Wellington is becoming a "ghost town."

Public sector cuts and deferred private sector investment have had a significant impact on IT revenues. The major IT and telecommunications company Spark is planning to cut its labour costs by \$50 million (10 percent) in the current financial year, with job losses in the hundreds looming. Profits fell 72 percent to \$316 million for the year to June. Spark's 5,291 staff is already down by 141 from last year.

Growing numbers of people are emigrating in search of work. In the year to June, 131,200 people departed New Zealand, the highest annual figure on record.

Commenting on the wave of job losses, NZ Council of Trade Unions economist Craig Renney wrote on X/Twitter that the government "should be taking urgent action to get ahead of what could become a much deeper crisis.... Right now there is no plan."

The trade unions, however, have made clear that they will do nothing to defend any jobs. Far from mobilising an industrial and political campaign across the working class, they are enforcing the cuts, including by corralling workers behind whatever paltry exit provisions may be on offer as they are ushered out the doors.

The Public Service Association and E t?, the principal unions in the public sector, have channeled widespread opposition into the legal system claiming that the sackings have been executed outside employment contract provisions. These legal cases change nothing: the sackings still proceed but now with the collaboration of union bureaucrats who ensure that the correct "process" is followed, while each group of workers is kept isolated from others.

There is deep hostility and anger over the government's attack on the social position of working people and its billions of dollars in tax cuts for the rich. When Willis presented the budget in May, thousands protested in major centres and outside parliament.

The Labour Party and its allies, however, do not have any fundamental differences with the government's agenda. Labour governed in coalition with the right-wing nationalist NZ First from 2017-2020, and with the Greens from 2020-2023. During these six years Labour-led governments produced a further increase in social inequality, poverty and homelessness while public services were starved of funds.

Labour contested the 2023 election promising to slash public service budgets by up to 4 percent—a proposal which was praised as "a prudent move to tighten the belt" by Public Service Association leader Duane Leo in a Radio NZ interview in August last year. Labour also made clear that it supports billions more in military spending, which is being funded at the expense of social programs.

The struggle against austerity and militarism can only proceed in opposition to all the capitalist parties and the union apparatus. It requires a new party to lead the working class in the fight for the socialist reorganisation of society. This includes the nationalisation of power companies and all major industries, under workers' control, so they are run not for profit, but to meet the urgent needs of the population.



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