New Zealand bosses on the rampage

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For the last year the industrial scene has been dominated by struggles under the Employment Contracts Act. Here, in two articles, Leo Brown of Workers Power (New Zealand/Aotearoa) looks at why New Zealand bosses insisted on this legislation and its repercussions on the labour movement.

New Zealand is a small, relatively advanced, but declining, semi-colony. Twenty years ago it boasted a high standard of living for its population. Today, it is in the throes of a profound economic and political transformation.

New Zealand originated as one of the Australasian white settler colonies and, until the 1930s, functioned as a pastoral and raw material provider and consumer of imported manufactures. Protected development enabled it to become a relatively rich semi-colony during the post-war boom years.

But the end of this boom in the early 1970s exposed the limits of New Zealand?s situation. The entry of Britain into the EEC (1973) and growing protection within the EEC blocked New Zealand?s access to high export earnings.

The import substitution firms that existed soon outgrew the small (3.3 million) internal market. Attempts by the state to overcome these limitations failed: indeed they worsened the problems by boosting inflation and creating huge foreign debts.

By the early 1980s the combination of local and international crises forced the bourgeosie to attempt a dramatic restructuring of the economy. Their aim was to achieve export competitiveness by a drastic reduction in domestic costs (wages and social expenditure).

With the election of the Labour government in 1984 the scene was set for a savage neo-liberal programme of deregulation of protectionism. Farming and forestry have been regulated and subsidies lifted. The manufacturing sector has had most important controls lifted and this has resulted in the virtual destruction of the textile, rubber, electronic and automobile assembly sectors.

Complete demoralisation with Labour led to its defeat in the 1990 election; people hoped they would get a respite under the National Party! But they were soon disabused of this. National pushed through even more counter-reforms.

It sold off more state assets, such as Telecom, and has plans to sell off electricity production and distribution.

Most significantly, in May 1991 National passed the Employment Contracts Act (ECA) which aimed to deregulate the labour market.

Sponsored by the Business Roundtable, this legislation aimed to end national and sector pay bargaining by giving the employer the choice over whether to negotiate contracts at enterprise (i.e. several workplaces in a firm) or individual workplace, level. They did not even have to bargain with a trade union at all. Many bosses plumped for derecognition.

Their aim was to slash labour costs and in this they are succeeding. An August 1992 survey of ECA contracts reported that 54% of all workers under new contracts have accepted real wage cuts in the last pay round.

Some 78% of the new contracts have been signed at enterprise level and another 8% at workplace level. Over 43%of new agreements have introduced some element of performance related pay and overtime rates have taken a hammering.

The annual NZ$3 billion spent on social welfare, health and education was National?s other main target ? to reduce the tax burden on business.

New Zealand?s welfare state predated the Second World War but was comparable in scope to that in Britain. It is now in an advanced state of dismantling and has become a model for right wing governments everywhere.

The Finance Minister, Ruth Richardson, has said that her basic goal is that ?the top third of all income earners can be expected to meet most of the costs of their social services?. This hits the better paid workers but those on lower pay are also forced to pay a substantial amount too.

Universal free health care has been abolished. Those on average incomes now have to pay for GP visits as well as dental and opticians? charges. Those families that receive more than New Zealand$30,000 a year (£10,000) have to pay up to $50 a night for stays in hospital.

The government aims to cover about 23% of national health spending from charges. Moreover, all other universal benefits, including family allowances, have been abolished and conditions for eligibility raised. The retirement age has been raised from 60 to 65 and, at the same time, pensions have been cut and become means-tested.

Unemployment benefit has been lowered by 10% and is only fully available to those over 25. Schools are being forced down the road of self-funding and competition, even publishing their annual accounts!

These attacks have resulted in 11% unemployment and a big drop in living standards for New Zealand workers and, after eight years of economic stagnation, they have resulted in only a slight revival of capitalism in New Zealand.

There has been some renewed capital investment in the export sector. Domestic costs of raw materials and labour have been reduced in line with international prices and a recovery based on good prices for timber, fish, energy and wool is appearing, but even now the export volume is less than the 1986 level.

In addition there has been no revival of investment in domestic manufacturing sectors, where costs of production are still to high and a further dismantling of the automobile, clothing and footwear sectors is likely as cheaper imports from the Pacific predominate.
