

Rising unemployment and poverty in New Zealand

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15 July 2024

There are numerous indications of deepening social inequality and collapsing living standards in New Zealand, as tens of thousands of people lose their jobs and the National Party-led coalition government imposes a drastic program of austerity to make workers pay for the economic crisis.

The economy is barely expanding at a rate of 0.3 percent in the 12 months to March, and most people's purchasing power has gone backwards. On a per capita basis, gross domestic product (GDP) contracted 2.3 percent in the past year and 4 percent since September 2022.

Unemployment was officially 4.3 percent in the March quarter, up from 3.4 percent a year earlier. The underutilisation rate—which includes unemployed people and those who cannot find enough work—rose by about twice as much, from 9.1 to 11.2 percent.

The situation is worse for young workers. For people aged 15 to 19, unemployment increased from 17 percent a year ago to 23 percent. For 20- to 24-year-olds, unemployment increased from 6 to almost 10 percent.

Stuff reports that in the week ending June 30, there were 113,415 people receiving the Jobseeker unemployment benefit, an increase of 14.9 percent or 14,709 from a year ago.

ANZ Bank is forecasting another 40,000 job losses nationwide by 2025. According to credit bureau Centrix, “There were 269 company insolvencies in May 2024—compared to 161 in May 2023.” Nearly a quarter of these were in the construction industry, which has shed thousands of jobs in recent months.

Significantly, the number of people receiving Jobseeker Support Health Condition or Disability benefits also increased by 11 percent in the past year, from 73,836 to 82,482—a sharp rise in the number of

people who are too sick to work. This undoubtedly includes many suffering from long-term illness due to COVID-19, after the removal of all public health measures to stop the spread of the virus in 2022.

Roughly one in five children—more than 200,000—are living in poverty. The Kindness Collective, one of the country's biggest charities, told the *New Zealand Herald* on June 23 it was aware of many children and teenagers “resorting to stealing to meet basic needs such as food and clothing.”

Food prices fell 0.3 percent in the 12 months to June 2024, but this negligible drop follows increases of 12.5 percent in the previous 12 months and 6.6 percent the year before that.

With about half a million people, 10 percent of the population, now dependent on food banks to survive, the government is cutting funding for these charities. One major provider, the Salvation Army, said on July 4 that it could no longer keep up with demand and has been forced to cut its food bank services by 25 percent. Auckland City Mission recently reported it would have to slash the number of food parcels it provides, from 50,000 to 20,000 a year.

The cuts to food banks were a particularly vicious component of the government's austerity budget in May, which also chopped funding for the school lunches program, resulting in lower-quality meals for hundreds of thousands of children.

Along with funding cuts for healthcare and education, the government has so far slashed more than 6,200 public sector jobs across dozens of departments, fuelling the rise in unemployment. These redundancies are being imposed with the crucial collaboration of the trade union bureaucracy, which acts as the enforcers for big business and the state, insisting that workers have no alternative but to sacrifice their jobs and living

conditions.

Growing numbers of people now face crippling levels of debt, made worse by the Reserve Bank's repeated increases to official interest rates, which have risen from 0.25 percent three years ago to 5.5 percent. The central bank's aim was to trigger a recession, drive up unemployment and put downward pressure on wages. According to credit bureau Centrix, in May there were 474,000 people in debt arrears—more than 1 in 10 adults—which is 8.2 percent more than last year and 25.9 percent more than in 2021.

While mortgage rates have increased, so has the national median rent, which rose 6.2 percent in 2023 to reach \$600 a week. Two percent of New Zealanders, about 100,000 people, are either homeless or living in severe housing insecurity.

Another sign of the financial crisis facing working people is the sharp increase in emergency withdrawals of retirement savings from the national KiwiSaver scheme. In April alone, 3,700 people withdrew savings for financial hardship reasons, compared with 1,820 such withdrawals last April.

Workers are making drastic spending cuts to make ends meet. According to Stats NZ, retail spending has fallen by 4.9 percent in the past year. Radio NZ reported on July 4 that, according to Infometrics, official figures show that since the last peak in the June 2021 quarter there has been a 12.6 percent decline in quarterly sales volumes per capita, seasonally adjusted. This is greater than the 10.3 percent drop in spending that followed the 2008 global financial crisis.

Consumer NZ estimates that in 2023, 40,000 households, about 2 percent of the population, had their electricity disconnected for non-payment. According to the *New Zealand Herald*, the four biggest power companies made a combined net profit after tax of \$520 million in the same period.

Dr Kimberley O'Sullivan of the University of Otago told the newspaper that her research had found that between 16 and 30 percent of households cannot afford to properly heat their homes during the winter, depending on the measure used. This is far higher than the government's official finding that 110,000 households, 5.8 percent, suffer from "energy hardship."

All the parliamentary parties bear responsibility for the worsening social disaster. The opposition Labour Party lost the October 2023 election by a landslide after

leading the government for six years, with the support of the Green Party, and overseeing an increase in child poverty. Labour's 2017 pledge to solve the housing crisis by building affordable homes was exposed as an utter fraud.

Labour repeatedly refused to raise taxes on the super-rich, who benefited from billions of dollars in subsidies, low interest rates and quantitative easing during the first years of the COVID-19 pandemic.

There is bipartisan agreement that New Zealand's military spending must substantially increase from the current 1.4 percent of GDP to 2 percent or more, to bring the country into line with Australia and other imperialist powers that are supporting the US-NATO war against Russia and preparing for war against China. This will be paid for with more cuts to public services.

This agenda of austerity and war—which is opposed by the vast majority of the population—can only be stopped through the fight to unify workers on the basis of a socialist program, against all the capitalist parties, including Labour and its allies, as well as the corporatist union bureaucracy.



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