New Zealand

1. Summary

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<th>Country</th>
<th>New Zealand</th>
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<tr>
<td>GDP change 2009</td>
<td>-2.0</td>
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<td>GDP declines further: -4.5% in 2010, -3.8% in 2011</td>
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<td>Stimulus: % of GDP</td>
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<td>Support for banks etc: % of GDP</td>
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<tr>
<td>Government austerity cuts: % of GDP</td>
<td>-6%</td>
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<td>Reduced spending from 36% to 30.7% of GDP in 2014/15</td>
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<tr>
<td>Public sector job cut</td>
<td>3,400</td>
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<td>2,400 by June 2011, 1,087 planned by 2013</td>
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<td>Public sector pay cut</td>
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<td>New privatisation</td>
<td>Partial sale of Air NZ, four electricity companies</td>
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<td>Other cuts</td>
<td>Deregulation has led to mining accidents, crises with private savings, and thousands of leaky and damaged homes</td>
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Links:
- The Dominion Post (Wellington, New Zealand) August 20, 2011 Legacy of Rogernomics: less red tape but.. by John McCrone http://www.eastonbh.ac.nz/?p=1522
- New Zealand Public Services Association www.psa.org.nz

2. Austerity package

The 2011 budget of the conservative government of New Zealand made cuts in public spending of $5.2 billion over 5 years, and announced plans to sell state shares in energy companies and the airline to try and raise $5-7 billion.¹

This is despite the fact that government debt, deficit and spending figures are already very low by international standards. New Zealand’s public debt was 32% of GDP in 2010 – third lowest of all advanced economies, and far below the average of 98%. The government deficit was 6% of GDP – again below the average for advanced economies. And the level of public spending is lower than any other advanced economies except Hong Kong and Singapore.²

3. Jobs and pay

The NZ government is cutting nearly 3,500 jobs from public services – a total cut of nearly 10%. The number of jobs fell by 2,400 between December 2008 and June 2011, and a further 1,087 jobs will be cut by June 2013. Most are in the Foreign Affairs and Trade Ministry, which will cut 200 positions; Inland Revenue, which will see a reduction of 346; and Work and Income, which will lose more than 100. It has set a maximum limit of 38,859 on the numbers that can be employed.³
There are already 3,543 unfilled vacancies. Research in June 2011 showed that women workers in public services in NZ “gift nearly two-and-a-half million hours of work annually. The monetary value of this unremunerated work, based on the average wage for PSA women members, is around $54.5 million – that’s the equivalent of 1360 full-time jobs....If based on the public sector average hourly overtime rate the gift would amount to $90.3 million.”

As part of this process, the government is restructuring and centralising departments such as Inland Revenue and department of Conservancy. This centralisation of work means the decentralisation of cuts. PSA national secretary Richard Wagstaff said the policy was “ripping badly-needed work out of the regions.....the scarcity of work in provincial New Zealand makes them particularly difficult for those communities. Good jobs in the provinces bring benefits for the whole community, so local businesses feel the impact when jobs go.” Mergers are also part of the process: the Fisheries Ministry was merged with the Agriculture and Forestry Ministry, eliminating 241 jobs; local councils are also merging – in the proposed merger of Nelson Vity and Tasman District councils, for example, 68 jobs are due to be lost.

4. Impacts on community, women, homes

4.1. Community and women’s groups, family benefits

The cuts include an 11% cut in a $14m. fund , the Communities Organisations Grants Scheme, which is distributed to grassroots and voluntary organisations. Anti-poverty groups, rape crisis groups, and women’s resource centres have expressed concern about the effects of having to cut back on staff and other resources.

The government is also preparing to implement a major policy review of benefits, one of whose aims is to reduce the number of people receiving benefits in New Zealand by over two-thirds, from 360,000 to 100,000. It is also planning to privatise the long-established ‘no-fault’ accident compensation scheme by allowing private insurers into the market.

4.2. Removing red tape: deaths, bankruptcies, and leaking roofs

Some of these cuts are justified by the government as ‘removing red tape’ from businesses. But previous de-regulation by governments to remove ‘red tape’ has proved very expensive for people in terms of money and lives, as summarised in an article by John McCrone.

An explosion at the Pike River mine in 2010 killed 29 miners: the official enquiry has found that, after health and safety rules were relaxed in 1992, government inspectors were told that “it’s the employer’s responsibility, not yours, to identify their own hazards. You just go and audit them.”

“reforms to the Health and Safety in Employment Act 1992 resulted in the disappearance of specialist mine inspectors and mining- specific safety laws as New Zealand switched almost overnight to generic performance-based standards. The result was that in mining, New Zealand went from a seven- strong inspectorate of well-paid specialists to just a pair of Department of Labour inspectors having to deal with the whole country, gold mines and quarries included. The DOL’s head of health and safety policy, James Murphy, agreed the department had taken a hands-off attitude to the detail of mine safety - "and we're now thinking that actually we were too hands-off".

People’s savings were jeopardised, too:
“The same story with finance companies. Around $8.6 billion of life savings of 200,000 Kiwi investors frozen, and potential losses of perhaps $3b even with Government bail-outs and guarantees, following the domino collapse of some 60 weakly-regulated deposit-takers and investment trusts.....

.... The industry was largely self-regulated, relying heavily on the oversight of trustees and auditors the finance companies chose and paid for themselves. Their investment products were sold by financial advisors who needed no qualifications and worked on commission. It was all a cozy arrangement that for a few years generated spectacular growth until, from Bridgecorp to South Canterbury, they fell with a loud bang. When former chair of the Securities Commission Jane Diplock was asked why the agency had been so inactive, she replied: ‘The commission’s role is not and never has been to approve prospectuses or investment statements. The responsibility for the correctness of information contained in prospectuses lies with the promoters and directors themselves.’

Over 100,000 homes in New Zealand suffer from ‘leaky building syndrome, because of shoddy construction work in the last 20 years. This is a result of cutting regulation of the building industry in 1991, making it easier for firms to operate to lower standards without serious risk of inspection, and to use untreated timber, and a new kind of ‘monolithic cladding’ for roofs, both of which proved to be unsound and leaky.

“the 1991 Building Act was another case of an industry’s accumulated wisdom in the form of experienced inspectors and regulatory safeguards being stripped away so as supposedly to fast-track the economy. There was a shift to performance-based regulation where producer statements – paper promises that new building methods would work were allowed to replace detailed requirements on fixings and flashings. Even compliance became out-sourced to the market with private building inspectors starting to do the work certifications normally done by council housing departments. ..... Even the Governments Building Industry Authority, the supposed regulator that oversaw the use of untreated timber framing and plaster cladding without an internal ventilation gap, was hastily closed down and folded into the Department of Building and Housing as the writs began to fly....’

“The eventual price tag for rebuilding soggy houses and rotten apartment complexes is going to be anywhere between $11b and $33 billion”: that is between 6% and 18% of annual GDP for New Zealand – on the same scale as the expected cost of rebuilding Christchurch after the devastating earthquake in February 2011.

5. Privatisation

In the 1980s and 1990s New Zealand embarked on a large-scale privatisation programme. This has since been partly reversed, with both the airline and the railways renationalised in order to save the industries from collapse. The government nevertheless proposes to privatise four state-owned energy companies and sell shares in Air New Zealand, to try and raise $5-7 billion.

6. Notes

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i NZ Treasury 2011 Budget Minister’s Executive Summary 2011

ii IMF Fiscal Monitor September 2011 Table 5A

iii The Dominion Post (Wellington, New Zealand) September 10, 2011 ‘Timebomb’ set as public service jobs are slashed
... Women public sector workers gift millions of dollars in free labour 09 Jun 2011

v The Nelson Mail (New Zealand) September 8, 2011 19 I R jobs to go in Nelson

vi The Dominion Post (Wellington, New Zealand) August 25, 2011 Capital feels pain of state job cuts; New ministry functions to be outsourced, streamlined

vii The Dominion Post (Wellington, New Zealand) May 28, 2011 Turia defends cuts in voluntary fund

viii The Press (Christchurch, New Zealand) June 4, 2011 National takes cautious approach to welfare changes

ix The Dominion Post (Wellington, New Zealand) August 20, 2011 Legacy of Rogernomics: less red tape but.. by John McCrone  http://www.eastonbh.ac.nz/?p=1522

x The Dominion Post (Wellington, New Zealand) August 20, 2011 Legacy of Rogernomics: less red tape but.. by John McCrone  http://www.eastonbh.ac.nz/?p=1522

xi The Dominion Post (Wellington, New Zealand) August 20, 2011 Legacy of Rogernomics: less red tape but.. by John McCrone  http://www.eastonbh.ac.nz/?p=1522

xii See http://union.org.nz/sites/union.org.nz/files/Privatisation%20presentation_0.ppt

xiii NZ Treasury 2011 Budget Minister's Executive Summary 2011