

# New Zealand government predicts COVID-19 recession, gives billions to business

By Tom Peters  
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On Tuesday, New Zealand finance minister Grant Robertson announced a \$12.1 billion stimulus package, equal to 4 percent of gross domestic product, in response to the rapidly worsening global economic crisis triggered by the spread of the COVID-19 coronavirus.

The Labour Party-led government's measures, like similar ones internationally, are geared towards propping up big business. Working people will be made to shoulder the burden of a recession, which Prime Minister Jacinda Ardern stated on Monday will be worse than the 2008 global financial crisis that led to unemployment doubling.

New Zealand has 20 confirmed cases of COVID-19, all of whom entered the country from overseas. There could well be other, as yet undetected, cases.

While the government claims public healthcare is its priority, Tuesday's announcement does not provide enough funding for mass virus testing, let alone a possible major influx of severely ill patients. As of Tuesday only 571 people had been tested in addition to the positive cases. There have been reports of symptomatic people being denied tests due to stringent eligibility criteria.

Only \$500 million is earmarked for healthcare, a funding increase of about 2.5 percent. Tens of billions of dollars are needed urgently to hire thousands more workers and fund mass testing, medication, protective equipment and intensive care facilities.

Hospitals are already drastically under staffed and unable to cope with patient numbers after decades of austerity. If New Zealand experiences a major COVID-19 outbreak, thousands of people could die from lack of access to care.

Last weekend, Ardern announced more restrictions on travel, requiring anyone entering the country to

self-isolate for 14 days, in an attempt to contain the virus. Chinese and Iranian travellers are still being denied entry despite the virus now spreading in many countries, including Australia.

Finance minister Robertson admitted many people will lose their jobs. With an eye on the upcoming September election, he told Radio NZ the government remained focused on reducing poverty and homelessness. In fact, despite Labour's false promises, social inequality and the housing crisis have worsened over the last two-and-a-half years.

The stimulus package includes a meagre \$25 a week increase in welfare benefits and pensions, which is about an 11 percent raise for an unemployed person. This falls well short of the recommendation last year by the government's own Welfare Expert Advisory Group to lift the poverty-level payments by 47 percent.

The main components of the package are a \$5.1 billion handout to employers, described as a "wage subsidy" scheme, and \$2.8 billion worth of business tax reductions.

This is in addition to the Reserve Bank's "emergency" cut to official interest rates on Monday from 1 percent to a record low of 0.25 percent, to ensure the flow of cheap money into the financial system after a global crash in share values. The Reserve indicated it will introduce quantitative easing measures if needed, i.e. effectively print money by purchasing debt from the banks.

Business New Zealand chief executive Kirk Hope praised the government, telling Radio NZ it would be relatively easy for businesses to apply for a subsidy of \$585 a week per full-time worker up to a maximum of \$150,000 for 12 weeks. Companies are eligible if they experience a 30 percent decline in revenue for any month in the first half of 2020.

Funding of \$126 million is provided for businesses to give workers an additional 14 days of sick leave. Casual workers and self-employed people are eligible. But sick people may need to be isolated for much longer, and will need extra time off if they live with others who become sick.

Companies will not be required to pay workers to stay home if they fear contracting the virus. This means workers can be forced to keep going to work despite health risks.

The Council of Trade Unions joined big business in applauding the package, with President Richard Wagstaff telling Radio NZ, “there’s a real sense that we’re in this together as a nation.” The unions have accepted thousands of job cuts in forestry, tourism and other industries, and are preparing to enforce tens of thousands more, as they did following 2008 to defend corporate profits.

While the banks and super-rich investors will be protected, workers are being thrown on the scrap heap. Unemployment, currently 4 percent, will increase sharply.

Aviation businesses will get an initial \$600 million bailout, not including Air New Zealand, which is still in talks with the government, its majority shareholder. The airline will sack 30 percent of its workforce, about 3,750 people, after cancelling 85 percent of international flights.

The E t? union, which has 5,000 members at Air NZ, praised the money for businesses and accepted job losses as inevitable, only requesting to be consulted in the process.

This is the tip of the iceberg. Tourism, which directly and indirectly supports about 400,000 jobs—14 percent of the workforce—has ground to a halt. The Tourism Industry Association estimates 100,000 jobs could be lost.

Hundreds of concerts, festivals and other events have been cancelled following a government ban on gatherings of more than 500 people. Auckland’s SkyCity casino, which employs 5,000 people, has announced job cuts are possible.

About 30 percent of forestry businesses have shut since February, with an estimated 1,500 redundancies. The industry has been badly affected by supply chain problems exacerbated by coronavirus in China, New Zealand’s main export market.

The working class cannot remain passive in the face of this crisis, which the capitalist system has completely failed to prepare for. In opposition to the entire political establishment and the union bureaucracy—which insist workers must sacrifice their living standards and potentially endanger their health—workers must form new organisations, rank-and-file committees, to demand their basic rights.

No expense can be spared to protect human life and health. Tens of billions of dollars are needed for healthcare, including universal COVID-19 testing and increased hospital capacity. Schools must be closed and parents and caregivers fully paid to stay home. Those unable to work due to illness or because of the crisis must receive full pay, not poverty-level benefits.

Billions are required to end homelessness and overcrowding, which facilitates the spread of disease, with a massive public housing program and major rent and mortgage reductions.

The fight for these social rights requires an internationally co-ordinated campaign, consciously directed at ending the profit system and re-organising society along socialist lines. The vast wealth concentrated in the top 10 percent of society—the fortunes of the banks, speculators and big business—and the billions wasted on the military, must be redistributed to meet human need.

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