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Deepening social inequality in New Zealand

By Tom Peters and Chris Ross

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Two recent reports point to growing social inequality, with poverty affecting hundreds of thousands of people, as a result of the austerity measures imposed by New Zealand's government since the 2008 financial crisis.

Statistics NZ revealed last month that, as of July 2015, the wealthiest 10 percent of people controlled 60 percent of the country's wealth, up from 55 percent between 2003 and 2010. Around 45 percent of the wealth was concentrated in the top 5 percent. The richest 1 percent held 22 percent.

By contrast, the bottom 40 percent of households held just 3 percent of all household wealth. While the country's property bubble is a major source of profit for the ruling elite, it has contributed to an immense burden of debt for working-class families. Three out of five homeowners has a mortgage, with a median value of \$172,000. According to the Treasury, household debt has risen by 26.2 percent in five years to a total of \$246 billion. The ratio of debt to disposable income has risen to 163 percent.

Meanwhile, state support for the poorest members of society has been largely stripped away. A "Vulnerability Report" published on June 15 by the Council of Christian Social Services (CCSS) outlined the impact of cuts to welfare services, combined with the soaring cost of housing and stagnant wages, over the past six years. CCSS executive officer Trevor McGlinchey said a "new

normal' of desperation to find housing, food and sufficient income to survive has emerged for many families.”

Median weekly earnings increased by just \$82 (15.2 percent) from 2009 to 2015, while rent for a four-bedroom house in the cheapest quartile in Auckland's working-class suburbs of Otahuhu and Mangere went up by \$115 and \$94 (32 and 24 percent) respectively. House prices in the city have soared 64 percent. Over the same period, the government has pushed thousands of people off the public housing waiting list, which has dropped from 10,341 to 3,476.

More than 41,000 people (1 in 100) were homeless in 2013, a 19 percent increase compared with 2006, according to recent analysis of Census data. A growing number of people are in debt to government departments, including Work and Income (WINZ) and Housing New Zealand, which offers loans for emergency accommodation. From 2009 to 2015, total debt owed to government departments increased by 144 percent, from \$25.9 to \$63.2 million.

WINZ has reduced its emergency food grants by 28 percent over the past six years, while charities have reported skyrocketing demand for food parcels. The agency routinely cuts benefits as punishment, for instance if a recipient misses an appointment. Between July 2013 and September 2014, there were 80,202 of these “financial sanctions,” including 27,778 benefit cuts to households with children.

In response to these reports, the political establishment is seeking to wash its hands of any responsibility for the deepening social crisis.

Radio NZ recently interviewed Porirua resident Situa Tangatauli, who does three cleaning shifts a day on the minimum wage. She and her husband together work 80 hours a week but still struggle to provide adequate food for their family. Their children are often sent to school with nothing more than a biscuit for lunch.

Asked what was being done to help families like the Tangataulis, Finance Minister Bill English touted grossly inadequate increases to the minimum wage (from \$12.50 in 2009 to \$15.25 in 2016) and an extra \$25 for some welfare recipients. He said it was “pretty challenging” to reduce inequality “apart from confiscating people's assets,” which he ruled out.

In fact, the National Party government's austerity measures since 2008 have “confiscated” billions of dollars from the poor and transferred this wealth to the rich. It has cut taxes for top income earners and corporations, increased the regressive Goods and Services Tax and pushed thousands of people, including single parents, off welfare payments. Spending on healthcare and education has been effectively cut, and thousands of jobs have been shed in government departments and publicly-owned companies, including Solid Energy, NZ Post and KiwiRail.

With the support of the opposition Labour Party, New Zealand First and the Greens, the government has allocated \$20 billion for new military hardware over the next 15 years. The spending, aimed at incorporating New Zealand into the US-led war preparations against China, will be funded at the expense of social programs.

Labour's finance spokesman Grant Robertson expressed nervousness about rising alienation from the political establishment as a result of the crisis. He told Radio NZ: “The ramifications of inequality have become clear in recent days in the Brexit vote and also in the way the US presidential primaries have played out... [Inequality] creates a large group of disenfranchised

people who feel forgotten and alienated. They then become easy targets for peddlers of fear and hate.”

Such statements are completely hypocritical. Labour has joined the right-wing populist New Zealand First in whipping up xenophobia and nationalism. Both parties have scapegoated immigrants, particularly Chinese people, for supposedly taking jobs and for the housing shortage.

Labour, which received its lowest vote in 92 years in the 2014 election, is far less concerned about the growth of right-wing nationalism than the prospect that the leftward movement of the working class could come into conflict with all the established parties.

In a July 3 press release, Labour leader Andrew Little declared: “National’s economy is not delivering for most New Zealanders, because they are too focused on looking after the few at the top. This is not the New Zealand we want. The only way to turn it around is to change the government.”

In reality, the onslaught against the working class began with the pro-market “reforms” of the Labour government of Prime Minister David Lange between 1984 and 1990. Labour transformed government departments into profit-driven State Owned Enterprises, halved the top income tax rate and oversaw the destruction of tens of thousands of jobs. It imposed substantial deindustrialisation and a rapid increase in social inequality. From 1980 to 1990, the share of gross domestic product going to income earners dropped from 60 percent to 50 percent.

The 1990s National government continued the attacks, including brutal reductions in unemployment and sickness benefits. The 1999–2008 Labour government did not reverse any of these cuts. The Labour Party essentially agrees with the current government’s austerity measures and will only deepen them if it wins the 2017 election.