

# Alternative Economic Strategy

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## Tetahi Atu Ōhanga Rautaki

### An economy that works for everyone

People are the heart of the real economy and it is our needs that the economy should work to provide. We want a society that is fairer, that tolerates neither poverty nor the human costs of high inequality, and where people are no longer economically disadvantaged by being women, Māori or Pasefika.

We deserve improving living standards through decent wages, quality public services, and security from the constant threat of unemployment, booms and busts. We need to invest in people and we must sustainably protect the needs of future generations. And we strive for a democracy that gives people an active voice in decision making.

The New Zealand economy has failed to achieve these in crucial ways for several decades.

Workers are not receiving the benefits of economic growth in their wages. Poverty is blighting a society that produces enough for everyone but fails to share it fairly. The economy is failing to thrive and is badly unbalanced. It fails to make best use of the skills and experience of its workforce by excluding most of them from meaningful participation in the decisions that shape their work, industry and economy. Internationally, the use of the Earth's limited resources and misuse of many natural resources are unsustainable.

In response to the need for a real change in economic policies, a new framework that addresses fairness and economic, social, environmental and cultural sustainability, and sets out steps to prevent another economic and financial crisis, the CTU has created the Alternative Economic Strategy.

It includes over 100 specific policy recommendations across many areas. Examples are highlighted on the following pages.

The full document is available on our website [www.union.org.nz](http://www.union.org.nz). Printed copies are available on request.

The Alternative Economic Strategy is based on six principles:

- Fairness
- Participation
- Security
- Improving Living Standards
- Sustainability
- Sovereignty

It is framed around three pillars:

- Sustainable economic development
- Decent work and a good life
- Voice: real participation in decisions in the workplace, economy and community.



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*



# Key Policies from the Alternative Economic Strategy

*For details see the full document*

## **Sustainable economic development**

### ***Economic Development***

- A strategic approach to sustainable economic development
- Priority to chosen sectors such as ICT, high level processing of agricultural products
- Cross-sectoral themes such as being environmentally beneficial or high productivity
- Targeted support for firms through tax credits, share purchases, development finance
- Support to be conditional on consistency with the national strategy and decent work
- Competition rules right for viability of firms and clusters, and efficient infrastructure
- Strong powers preventing or regulating market power that is not in the public interest
- Strengthen Buy Kiwi Made
- Support the development of co-operatives, especially worker co-operatives

### ***Infrastructure***

- National and regional infrastructural plans
- National physical telecommunications network owned by central or local government
- Buy back Telecom's physical network priced to reflect its short life and long neglect
- Begin to buy back the privatised electricity system to optimise it in the public interest
- Port and shipping strategies for better use of ports, and coastal shipping's survival
- Develop urban public transport and support local suppliers of bus and rail equipment
- A "human infrastructure" fund for tertiary education and workplace training

### ***Innovation, Research and Development (R&D)***

- Support for R&D through shareholding, intellectual property ownership, or tax credits
- Encourage open ownership of intellectual property or co-ownership with researchers
- Preference for centres of research excellence and capability funds over contestability
- Extension services to form a knowledge bridge between researchers and firms

### ***Government Procurement***

- Use government and state owned enterprise procurement to develop local industry
- Tender conditions to reflect national benefit rather than narrow "value for money"
- Commission products in sufficient numbers to support firms to develop scale
- Responsible contracting policies to encourage adoption of good practice

### ***Māori***

- Continuing support for Treaty settlements including capacity building and training
- Support Māori co-operatives such as in the seafood industry
- Greater support for housing on Māori land and assistance for community housing

### ***Education and skill development***

- National network of high quality publicly owned early childhood education centres
- Continuing professional development for teachers to maintain top educational practice
- Tertiary education available to all with a reasonable likelihood of benefitting from it
- Lower fees for learners willing to be bonded to work in New Zealand
- Employer workplace training funding conditional on skill recognition in pay scales
- Support life-long learning by right to one year of fees and allowances in every five

## **Financial System**

### ***Stability***

- Require regulatory approval for high risk financial services, sourced locally or abroad
- A Financial Activities Tax (FAT) on profits and high-level remuneration
- Reduce reliance on foreign funding; stop other risky behaviour demonstrated overseas
- Define bailouts and deposit guarantees in statute; fund by a levy on institutions
- Scale up Kiwibank to same size as the big four; move government accounts to it
- Ban offshore outsourcing of financial system infrastructure

### ***Social responsibility***

- Increase public accountability of the sector reflecting its dependence on government
- Require charges to be related to real costs; create a Financial Consumer Agency
- Encourage the expansion of trustee banks, mutuals and co-operatives

### ***Finance for economic development***

- Government owned development finance agency with public and private funds
- Long term Kiwi bonds for infrastructure
- Encourage NZ Super and Kiwisaver funds to invest more locally

### ***Monetary policy, exchange rate***

- Give the Reserve Bank the role and power to peg the exchange rate for stability
- Ensure the Reserve Bank has sufficient powers to manage international capital flows
- Review Reserve Bank Act, and Fiscal Responsibility part of the Public Finance Act
- Reduce reliance of monetary policy on interest rates (e.g. use capital ratios, liquidity)
- Terms of reference to take account of employment, living standards, exchange rate

### **International economic relationships**

- Support moves to increase international financial regulation and end tax havens
- Support an international Financial Transactions Tax (“Tobin Tax”)
- Controls on foreign direct investment to enable selection of beneficial investment
- No further concessions in international agreements that conflict with this Strategy
- Remove constraints on development and stability in international agreements
- Stronger international union collaboration and labour agreements

### **Taxation**

- A tax-free band and/or tax rebate for people on incomes under \$35,000
- Tax rates of 38% on income above \$100,000 and 45% on income above \$150,000
- Reduce GST to 12.5% and progressively replace it with other forms of tax
- Increase royalties on commercial use of resources; tax polluting/greenhouse emissions
- Ensure lower income people do not pay an unfair share of pollution taxes
- Change trust and company tax rules to cut tax dodging; restore company taxes to 30%
- Capital gains tax or a “Risk Free Rate of Return” assets tax, exempting primary home

### **Environment and measuring progress**

- Comprehensive approach to ensure a “just transition” to a more sustainable society
- Support for workers displaced as a result of the response to climate change
- Invest in skills for the new economy; research and information freely available
- Provision for assistance when a whole community is affected by climate change
- Participation by workers in the approaches taken to climate change in workplaces
- Adopt alternative measures of progress to use alongside GDP to guide priorities

## Decent work and a good life

### Employment and Unions

- Extend union coverage and collective bargaining to wider groups of workers
- Mechanisms for national and industry level standards setting
- Living Standards Review Authority reporting to a Tripartite Social/Economic Council
- Full employment a central objective of government policy
- “Flexicurity” providing security of employment alongside flexibility for firms
- Retain 90% of prior income for up to 12 months unemployment
- Conditional on commitment to acquire new skills and job search
- Fund through compulsory employer levies and taxation, underwritten by government
- Active support to acquire new skills and find new jobs including relocation assistance

### Social Security, Retirement, Housing, Equity, Inequality

- Review benefits to eliminate poverty; set base rates proportional to average wage
- Return ACC to a social compensation scheme funded on a pay as you go basis
- Maintain NZ Superannuation and resume Fund contributions as soon as practicable
- Kiwisaver enhancements after an appropriate inquiry could include:
  - Compulsory employer contributions of 6% phased in over 4 years
  - Compulsory employee contribution 2%; Government top-up 2%
  - Government contribution for women and others with low life time incomes
- Create National Housing Strategy
- Expand Housing New Zealand Corporation’s (HNZC) housing stock by 20%
- Encourage affordable housing in new developments
- Reform tenancy laws to give greater security to tenants
- Phase out accommodation supplements in favour of other assistance
- Support public rental and third sector housing programmes
- Subsidise home lending in tailored programmes for targeted and low income groups
- During downturns, consider low interest Reserve Bank funding for new housing
- Right for workers to require a workplace Pay and Employment Equity assessment
- Extend paid parental leave to 52 weeks, raise pay to 66% of average weekly earnings
- Increase the minimum wage rate to 66% of average ordinary time hourly earnings
- Electricity pricing entitling every household to a certain amount of low cost electricity

## Voice: real participation in decisions

### Consultative structures, Worker Participation, Media

- Government consultation with unions, business and others on all policy development
- Active citizenship in the workplace: access for community consultation with workers
- Recognise increased worker participation assists increased productivity
- Firm, industry and national participative structures to sustain worker participation:
- Involve unions in processes of change in workplaces and in skill development
- Consider worker representation on boards and on-line workplace consultation forums
- Encourage trust-owned “public service” non-profit newspapers and other media
- Fund investigative print journalism through the equivalent of “New Zealand On Air”

