

Deepening social inequality and poverty in New Zealand

By John Braddock
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Two reports published in New Zealand last month showed that the gap between rich and poor widened in 2010-11, taking inequality to its highest-ever level. Middle and lower paid workers saw their incomes fall sharply, while those of the rich increased. Child poverty, which under both National and Labour-led governments has more than doubled since 1985, remains entrenched at 25 percent.

The Ministry of Social Development's (MSD) *Household Incomes Report* revealed a fall in average take-home pay for the first time since the early 1990s. It recorded a drop in real household incomes of 2.7 percent between 2010 and 2011 at the median, or midpoint, of the distribution.

The report highlights the sea-change underway in the lives of working people under the global economic crisis. In just one year, the incomes of households at the 30th percentile, that is three-tenths from the bottom, fell by as much as 5.5 percent. From 2010 to 2011, the Gini coefficient—a common measure of social inequality—reached its highest level in 30 years.

New Zealand has no official measure of poverty or material hardship. The MSD report used indices related to median household income that are recognised internationally. According to this data, an average of 15 percent of the population lived in poverty at any given time in 2010-11. The proportion of households with a single person of working-age in poverty trebled from 10 to 30 percent for the period from the 1980s to 2007, and accelerated again in 2011 to 35 percent. Two out of five poor children came from families with at least one adult in full-time work—evidence of the deteriorating situation facing the “working poor.”

For a quarter of the population, housing costs swallow up more than 30 percent of their income, compared with one in five in the mid-1990s and one in

ten in the 1980s. After mortgage and debt repayments, real household disposable income fell even further in 2010-11. The drop was 4 percent at the median, while for three of the lowest four deciles the fall was more than 7 percent. The disposable incomes of the bottom 30 percent of the population were on average only slightly better in real terms than 30 years ago. By contrast, a household in the top decile, i.e., the wealthiest ten percent of society, boosted their incomes by 40 percent over the same period.

A second report by an Expert Advisory Group convened by the Children's Commissioner found that approximately 25 percent of children, or 270,000, live in poverty. Many of these experience “significant material deprivation” and many remain poor for long periods of time.

While poverty rates among children remained relatively static between 2009 and 2011, there was a rise in the proportion experiencing “measurable hardship”, from 15 percent in 2007 to 21 percent in 2011. Many households with incomes above the official poverty line have been plunged into hardship through increasing housing costs, forcing them to cut back on food, clothing, transport, medical care and education. Half of all poor children are either Maori or Polynesian, who are among the most oppressed layers of the working class.

The reports have triggered public concern, prompting the main opposition parties, Labour and the Greens, to opportunistically advocate for free school meals for students in schools in economically oppressed areas. TV3's “Campbell Live” program turned a week of prime time shows over to the issue, culminating in a fund-raising drive for the KidsCan charity. Two public meetings convened by a Wellington journalist, purporting to advance solutions to poverty, attracted

several hundred people.

None of the limited measures advocated in any way address the root causes, in the profit system itself, of the rapid social reversal confronting working people. Rather, the proposals are designed to contain growing social tensions within the existing parliamentary set-up, major political parties and the trade unions.

Labour Party and Greens posturing over child poverty is particularly hypocritical. When Labour held office between 1999 and 2008 with the support of the Greens, it presided over worsening social inequality. It refused to raise unemployment benefits, which had already been savagely cut by National in the early 1990s. Now the Labour Party has ruled out reversing other regressive National government policies, such as the increase in the Goods and Services Tax.

The government has made it clear that the austerity measures demanded by the corporate elite will be stepped up. Prime Minister John Key scathingly dismissed as “dopey” a recommendation from the Children’s Commissioner’s panel to reinstitute the universal child benefit, which was once paid to all parents of children under the age of 6, but abolished in 1991.

The government is initiating a series of harsh “welfare reforms” to cut expenditure by \$1 billion over four years. Around 125,000 parents on welfare benefits, who support more than 220,000 children, will be subject to a raft of punitive “social obligations” to qualify for payments. They face losing 50 percent of their benefit if they fail to meet “work obligations”, such as attending job interviews.

Sole mothers are required to be available for work. Under a “one strike” rule, anyone who turns down any offer of “suitable employment” will have their benefit cancelled and will be barred for 13 weeks from applying to get it back.

Nelson Civics Education Action Group initiator Sharyn Black told the *World Socialist Web Site* that the government is getting tens of thousands of women “work ready” by ordering them to find 15 hours’ work per week, in order to drop them off the benefit. Middle-aged beneficiaries are being forced into dubious intensive training courses, in industries like hospitality.

Savings limits are being imposed to restrict applications for Accommodation Support. According to

Black, “WINZ [Work and Income New Zealand] says if you can afford to save you shouldn’t be on a benefit.” Black also pointed to changes to the Local Government Act which will remove from local councils the power to fund measures intended to support the “social or economic wellbeing” of residents.

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Socialist Equality Party visit:

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