

Talking Cents

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Talking Cents is an ecumenical group charged by the Auckland Anglican Diocesan Council to promote an alternative to current economic and political thought, and to encourage debate within the church. Ministry units are encouraged to distribute these articles. This article is contributed by Mary Betz, Catholic spiritual director and writer on ecology, justice, scripture and spirituality.

New Zealand: Country of Wellbeing or Inequality?

In recent months, several reports and articles have once again highlighted inequality. This article will explore the manifestations of economic inequality in our country; why inequality matters; inequality's multiple, complex and interwoven causes; and how New Zealand is and could be addressing inequality.

We only need look around us to see the great disparity in the way New Zealanders live. Some of us have good jobs, homes, cars, health care and education; take regular overseas trips and think nothing of tickets to the orchestra, theatre, professional sports games or eating out frequently. Others of us are homeless; living in overcrowded or mouldy homes; never able to afford a dentist and rarely a doctor; working many hours at minimum wage jobs or struggling on benefit rates that have never recovered since the cuts of 1991; cannot afford enough meals for their children, decent shoes, money for school trips or electronic devices, or even the time to spend caring for their children.

Some level of inequality is acceptable in most democracies. We value the different ways in which people choose to live and work and spend their time and money. But higher levels of inequality bring decreases in health, happiness and social connectedness¹ – more particularly, increases in imprisonment rates, mental illness, substance abuse, domestic violence, child poverty, and punitive attitudes toward those in difficulty. That is why dealing with inequality is targeted in the UN's 2030 Sustainable Development Goals², along with its many contributors – poverty, hunger, gender

inequality, and poor access to health, education, clean water, sanitation and decent work.

Paul Barber's December 2019 report, 'Progress Towards Equality', highlights inequalities in New Zealand.³ These include the Māori imprisonment rate, which he traces to social and economic policies that marginalise Māori. The rate is more than 700 per 100,000, compared to the overall imprisonment rate of 234 per 100,000. Educational and employment disparities for Māori include a 'stand-down from school' rate which is twice that for non-Māori, earnings which are \$10,000 lower than the rest of New Zealand, and an unemployment rate that is 2.5 times higher. He also cites home ownership, and says that for Pasifika peoples, less than one in five over the age of 15 live in a house they own.

Such disparities were also criticised by an NGO report in July 2019 on New Zealand's progress towards meeting the UN's 2030 Sustainable Development Goals.⁴ Author Bryan Perry noted that progress in reducing inequality in New Zealand is "not on track to meet the 2030 targets. Significant disparities remain in outcomes for Māori and Pacific people and for those living with disabilities." Perry acknowledged recent policy changes that would bring improvement, such as Māori and Pasifika provisions in the 2019 Wellbeing Budget.

In November 2019, the Ministry of Social Development (MSD) reported on incomes and inequality,⁵ and Max Rashbrooke highlighted some of MSD's findings.⁶ New Zealand had the largest increase in income inequality in the

¹ Richard Wilkinson and Kate Pickett. *The Spirit Level: Why Greater Equality Makes Societies Stronger* (New York: Bloomsbury, 2009).

² <https://sustainabledevelopment.un.org/?menu=1300>

³ Paul Barber, 'Progress Towards Equality', Salvation Army Social Policy and Parliamentary Unit, <https://www.salvationarmy.org.nz/article/towardsequality>

⁴ https://www.sdg.org.nz/wp-content/uploads/2019/12/Final_PeopleReport-2019-Dec-2019_for-web.pdf

⁵ Bryan Perry, 'Household Incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2018', <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/household-incomes-1982-to-2018.html>

⁶ <http://www.goodsociety.nz/inequality-and-poverty-a-summary-of-the-2019-household-incomes-in-new-zealand-report/> December 2019.

world between the mid-1980s and the late 1990s, an increase which set the stage for where we are today. In the early 1980s, someone in the richest tenth of the population earned (after tax) 5 to 6 times as much as someone in the poorest tenth. The ratio is now more than 9 times. While incomes in the poorest tenth have increased roughly 30 percent, the incomes of those in the richest tenth have doubled. Internationally, “the latest rankings have put New Zealand at 22nd out of 34 OECD countries in terms of most inequality”, above the OECD average, and “on the edge of the poorest-performing one-third of rich countries.”

Rashbrooke notes that material hardship here has fallen. After the global financial crisis (2008ff) the percentage of children without 6 or more of 17 basic items was up to 25 percent but by 2018 this had reduced to 13 percent. Still, our child poverty rate is among the worst half in the developed world, at 4 to 5 times the rate of the best global performer, Denmark.

In February 2020, Statistics NZ published recent findings appearing to show a very slight decrease in child poverty over the past year by two of three measures of child poverty, with the disappointing result due to continued rising housing costs. The income-basis figures confirmed that one in five Māori/Pasifika children lives in poverty, compared with one in nine European children.⁷

According to Barber, some of these inequality markers may improve as the minimum wage continues to rise – to \$20 per hour by April 2021. The current minimum wage of \$17.70 is a real increase of 57 percent since 2000, and the increases puts more income in the hands of the poorest working people.

The struggle of beneficiaries in the poorest tenth of our population to meet their basic needs remains an indictment on our country. Beginning in April 2020, welfare rates will be indexed to wage increases, which was a recommendation of the May 2019 WEAG report.⁸ This will increase main weekly benefits by \$26 to \$46 per week by 2023, and this year by \$10 to \$17

⁷ Thomas Manch, ‘Child poverty: Rising housing costs punish children as more kids in “material hardship”’, <https://www.stuff.co.nz/national/politics/119777431/child-poverty-numbers-show-marginal-change-but-more-children-in-material-hardship>

⁸ Welfare Expert Advisory Group Report, MSD, <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/weag/index.html>

above the rates which are currently aligned with the cost-price index. The changes will increase incomes of the poorest in our country – 310,000 working age people and their families.⁹ Some other recommendations of the WEAG report are also being implemented, including a slight increase in abatement thresholds (\$115 in income can be earned before it affects a benefit, instead of \$100).

One important tool in reducing inequality is the tax system. Paul Barber notes the Government-appointed Tax Working Group (TWG)’s February 2019 observation that New Zealand’s tax system has been weakened as a redistributive tool over the past 30 years. The TWG suggested possible forms of capital gains taxes, inheritance or gift taxes or a wealth tax, all of which are commonly used internationally and would help reduce wealth inequality. It also suggested using some of this revenue to reduce income tax on lower income earners. The Government ruled out capital gains taxes, and no progress has been made on lower tax thresholds for those who earn the least.¹⁰

Among Barber’s overall recommendations for decreasing inequality are: specifically targeting inequality in government policy; lifting core benefit rates higher than the government has – up 12 to 47 percent; improving the way subsidies for housing are calculated; replacing approaches to how housing and services are provided with ones designed by Māori and Pasifika, including a Te Ao Māori approach to wellbeing across government policy; and implementing a more progressive income tax structure as well as a wealth tax.

The Government’s five main 2020 May budget priorities have been identified as follows: transitioning to a sustainable economy; preparing for future work through technology and innovation; lifting Māori and Pasifika incomes, skills and opportunities; improving child wellbeing and improving physical and mental health.¹¹ Let us hope – and ensure – that inequality and all its contributors will be addressed in substantial ways in the interests of wellbeing for all.

⁹ https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1%20&objectid=12311309

¹⁰ See note 3.

¹¹ <https://www.beehive.govt.nz/release/priorities-2020-wellbeing-budget-outlined>