

Social inequality widens in New Zealand

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Recent reports underscore the widening social gulf in New Zealand. Like its counterparts in the US and Europe, the National Party-led government is imposing sweeping cuts to essential services and overseeing the destruction of jobs, wages and conditions, while engineering a transfer of wealth to the rich.

A recent book, *Inequality: A New Zealand Crisis*, edited by journalist Max Rashbrooke, notes that workers' share of gross domestic product is lower in New Zealand than in 28 other OECD countries and higher than only four: Luxembourg, Mexico, Slovakia and Turkey. Half the population, including beneficiaries and pensioners, earn less than \$24,000. The bottom 10 percent of single-person households received an average of just \$11,000 in 2011. After housing costs are deducted, these households have less money to spend than they did in the early 1980s.

The book reports that anyone earning more than \$72,000 is in the top 10 percent of income earners. The top 1 percent of the adult population own 16 percent of the country's total wealth, three times as much as the poorest 50 percent. In 2010, New Zealand was ranked 20th among 34 OECD countries in terms of income inequality.

Real wages have been falling behind labour productivity increases since the mid-1980s, indicating a sharp increase in the rate of exploitation of the working class. According to economist Bill Rosenberg, working people have received only a quarter of labour productivity gains over the past decade, resulting in a progressively lower labour share of total economic output.

The latest pay figures released by Statistics NZ last month show that average hourly earnings rose by only 2.1 percent over the year, the smallest increase since December 2000. Some 45 percent of workers did not receive any pay rise at all. The paltry gain comes off an extremely low wages base: the adult minimum wage is just \$13.75 an hour, with the "starting-out" wage for young workers, instituted by the National-led government in May, set at 80 percent of the adult rate. A third of all workers receive less than \$18.40 per hour.

A glimpse of the social crisis among broad layers of working people is provided in an Otago University study, released last month, which gives the first accurate picture of homelessness. Some 34,000 people suffer "severe housing deprivation." More than half are aged under 25, and a quarter are children. About half are homeless despite working or studying, and about one in five are working full-time.

In response to the study, Children's Commissioner Russell Wills admitted that an "alarming" number of children have "no fixed abode." At many working-class schools, this leads to a yearly student turnover of more than 50 percent, as families move from house to house. These children usually do not have a doctor and spend long periods not attending school as they move. "These are low-income working families that can only get accommodation in a garage or in a shed. It leads to terrible outcomes for children," Wills said.

While the Otago study is based on 2006 census data, researchers say that the problem has worsened. The figures do not include those people made homeless by the government's austerity measures or the 2011 Christchurch earthquake—which according to one study number more than 3,000.

There is a deepening housing shortage and rising demand for support services. According to the *Otago Daily Times*, the Christchurch City Mission and YWCA are "inundated" with women and children desperately seeking emergency housing at levels never seen before. Both say they have to turn away people. The YWCA, on average, has a regular waiting list of 50 women plus their children.

Meanwhile, the *National Business Review* (NBR) 2013 "Rich List," published in July, reported that the "rich continue to get richer." The NBR boasted that the 2013 list is "bigger and richer than ever before." The total net worth of list members is over \$NZ47.8 billion, an increase of \$3.5 billion on last year. If New Zealand-based international billionaires are included, the figure climbs to a record \$60.4 billion.

When the list was started in 1986, \$6.8 million was enough to earn a place. By 2010, a net worth of \$50 million was needed. This year, there are 12 newcomers and six billionaires topping the list. Two notable inclusions are Prime Minister John Key, net worth \$50 million, and National Party president Peter Goodfellow, whose family's worth is \$500 million.

Graeme Hart, the country's richest man and world's largest packing supplier, is worth \$6.4 billion. He is currently extending a \$30 million cliff-top home in Auckland. Hart also owns property on Waiheke Island, two super yachts, a property in Aspen and an island in Fiji.

NBR editor Neville Gibson said the surge in wealth was mainly due to record profitability across investment classes. The equity market returned 25.9 percent in 2012 and added another 10 percent in the first half of this year. The property market, according to Gibson, "has been white hot."

The wealth accumulated by this tiny elite has been at the expense of the working class. Beginning with the Lange-led Labour Party administration in 1984, governments of all stripes implemented sweeping pro-market restructuring that has redistributed wealth to the richest layers of society. Fire sales of government assets took place, and are continuing, corporate taxes were slashed, the top marginal tax rate was halved, the regressive Goods and Services Tax introduced, and the financial markets deregulated.

Under both Labour and National governments, the trade unions have suppressed the opposition of the working class to the onslaught on jobs, wages and essential services such as education, health and welfare. Now in opposition, the Labour Party is attempting to posture as a defender of the poor, but like the National government, is committed to imposing the burden of the worsening global capitalist crisis on the working class.



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