

# Deepening social crisis in New Zealand

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The latest Child Poverty Monitor report, released on December 14 by New Zealand Children's Commissioner Russell Wills, paints a grim picture of New Zealand society, with 305,000 children now living in poverty.

Using a poverty threshold based on 60 percent of median disposable household income after housing costs, the child poverty rate was 11 percent in 1986. The most recent data, from 2014, has child poverty at 29 percent, or nearly one in three New Zealand children. Previous measures have seen child poverty run consistently at 25 percent, following the 2008 financial crisis, with a spike in 2010 to 30 percent.

The report points out that of those children in poverty, 37 percent live in households with at least one adult in paid employment. For these families, simply getting a job is not a way out of poverty.

On December 15, Treasury released its half-year economic and fiscal update. While it purports to provide a positive long-term outlook, unemployment is forecast to increase to 6.5 percent next year. Almost invariably since 2008, Treasury forecasts have proven to be too optimistic. The economic "rebound" predicted by Treasury depends on a rosy scenario of stability in the global economy, especially China, and a recovery in dairy prices.

In September, Reserve Bank Governor Graeme Wheeler warned that a dramatic slowdown in China or a serious drought resulting from the current El Niño weather pattern could push New Zealand into recession. On December 10, he emphasised that "in the primary sector, there are risks that dairy prices remain weak for longer, and the current El Niño results in drought conditions and weaker output." Dairy products currently account for more than 20 percent of the country's exports. This year dairy prices fell to historically low levels and in December still remained lower than in any other year since 2009.

The slowdown in rebuilding after the 2010–2011 Christchurch earthquakes will exacerbate any economic downturn. Up to 14,000 construction jobs are expected to be lost in the South Island city during the coming period.

As elsewhere around the globe, the rich continue to increase their share of wealth, even under conditions of reduced economic growth. The *National Business Review* Rich List, released in July, revealed that the collective wealth of New Zealand's richest 184 individuals and families increased by \$3.8 billion 2014–2015 to an estimated \$55 billion. This is the biggest proportional increase since the Rich List first appeared in 1986. Last year saw the founding of at least four elite social clubs for the young rich.

The recent book *Wealth and New Zealand* by journalist Max Rashbrooke illustrates the growing gap between rich and poor. The richest one percent of the country hold nearly a fifth of all the wealth (18.1 percent). The top 10 percent own 53.4 percent, while the poorest half of the country—about 1.7 million adults—have just 3.8 percent.

A relentless onslaught on working conditions, wages, social welfare and housing affordability over the past 25 years has resulted in a massive transfer of wealth from the working class to the wealthiest echelons of society. Rashbrooke notes that the average New Zealand worker earns \$10,000 less today than if they had maintained the share of national income from the early 1990s.

During 2004–2010, with Labour in power for four of those years, almost all gains went to the upper 50 percent. This was largely a result of the uncontrolled property boom, with about half of wealth in NZ locked into housing. Interviewed on TV3 economist Shamubeel Eaqub said there was a "massive divide opening up in New Zealand between the landed gentry and the rest." The "rest" is the more than 50 percent of

the voting-age population who now live in rented properties (57 percent in Auckland).

Exorbitant house price inflation along with stagnant, increasingly insecure wages means there is a whole generation of New Zealanders trapped outside the property market. “That is going to spell financial trouble for them as New Zealand Super [superannuation] was designed to be just enough for people who own their own homes,” Eaqub said. A Salvation Army report, published December 1, warned that the number of pensioners who need an accommodation supplement to help pay their rent could triple to 100,000 by 2025.

For the wealthy, investing in rental property is a lucrative business, with few regulations on the quality of rental housing stock. A Unicef New Zealand press release on December 9 reported that 12 percent of children live in homes with serious cold, damp and mould problems. “Every year there are 40,000 hospitalisations linked to socio-economic status and much of this is due to poor quality housing and the inability to heat homes,” the report concludes.

An increasing number of people are unable to find any accommodation at all. The Citizens Advice Bureau reported in November that it received more than 3,000 emergency housing enquiries nationwide in the year to June, double what it received five years ago. “These are inquiries from families, pregnant women, and children living in cars or garages even after seeking help from the Ministry of Social Development and Housing New Zealand,” the report notes.

While the government touted its May budget as focusing on alleviating poverty, with an increase of some welfare payments above the rate of inflation, in reality, the budget continued to deepen the austerity measures that have been imposed on the working class since the 2008 financial crisis. Thousands of welfare beneficiaries have been removed from benefit lists as a result of the government’s stringent new “work test” regulations. A layer of young workers has been forced into low-wage, part-time employment on “zero hour” contracts—that is, with no guaranteed hours of work.

All the establishment parties are culpable for the deepening social disaster. The policies of market liberalisation that initiated the assault on the social position of working people were brought in by the 1984–89 Lange government. During its last term in

office from 1999–2008, when it was propped up by the “left wing” Alliance and supported by the Greens, Labour continued the attacks on the living standards of working people. Its 2004 Working For Families package, which has been kept in place by National, subsidised employers by topping up the low wages of working families and pushing people to remain in the workforce, while discriminating against benefit-dependent children.

Labour has exploited the present social crisis to whip up hostility towards immigrants, particularly those from China, who it has scapegoated for soaring house prices. The party has formed a de facto alliance with the anti-Asian racist New Zealand First Party.

The end result of the sustained attack on the social position of the working class by successive National and Labour governments was evident in the increasing numbers of people this Christmas queuing at foodbanks and social welfare agencies for emergency support. Over Christmas week, more people than ever were lining up outside the Auckland City Mission at dawn every day, waiting for up to six hours for emergency food parcels and children’s gifts. The charity helped over 3,000 people during the week. City Mission head Diane Robertson told TV3 that what most alarmed her was that a third of the people seeking assistance had not been to a food bank before.



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