Inequality deepens in New Zealand

John Braddock
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A report on global inequality, published last month by Oxfam, highlighted that not only is the difference in wealth between people in different countries extreme, the growing gap between the rich and the poor *within* the same countries is also "alarming."

Oxfam reported that eight billionaires, six of them from the US, own as much combined wealth as the bottom half of the world's population, some 3.6 billion people.

In New Zealand, the report found that the two richest individuals have more wealth combined than the poorest 30 percent of the adult population. Graeme Hart and Richard Chandler have an estimated $US6.4 billion and $2.7 billion respectively. Hart owns a swathe of global packaging and consumer goods firms, while the Singapore-based Chandler runs a personal investment fund. The gap is wider than in Australia, where two individuals own more than the bottom 20 percent.

Oxfam's figures belie the current media spin about an economic recovery. A *New Zealand Herald* editorial on February 6 celebrated the national holiday by proclaiming the country was "thriving" and brushing aside any "despondency" caused by the US Trump's administration's looming protectionist measures.

The richest 1 percent of New Zealanders own 20 percent of the wealth, while 90 percent of the population have less than half. The number of individuals with more than $NZ50 million surged from 212 in October 2015 to 252 in June 2016—an increase of almost 20 percent. Figures from Inland Revenue (IRD) show more than a third of this group declared income of less than $70,000 in 2015. The 252 individuals were linked to 7,500 financial and business entities, some in dispute with IRD over nearly $111 million in tax.

Fairfax Media reported on January 17 that the top 20 percent of households hold 70 percent of the wealth. The top 10 percent of households have 53 percent of total wealth, a higher concentration than the average in the 35 industrialised countries of the Organisation for Economic Co-operation and Development (OECD). There are just 140,000 households in this bracket, each with more than $1.5 million. The bottom 40 percent account for just 3 percent of total wealth. More than 86,000 households have negative worth, nearly 10,000 with debts over $100,000.

These figures do not account for housing costs. In Auckland, the largest city, the average house price is over $1 million and over half of all adults are renting. According to a new Salvation Army report, average rents in the city jumped from $392 to $490 a week in the five years to December. An average Auckland wage-earner works 16 hours just to pay rent, compared with 14.2 hours a week five years ago.

The Salvation Army points to homelessness "unseen in more than a generation," persistent child poverty and a record imprisonment rate. Radio Newstalk ZB earlier this month found a dozen sites around Auckland where "villages" of people are regularly living in cars, tents, trees and huts. At most sites, in the city's working class western suburbs, half the inhabitants are young people. Meanwhile the latest *National Business Review* Rich List showed the fortunes of the wealthy elite are increasingly derived from property speculation.

The National Party government last year dismissed as "sensationalist rubbish" reports that almost one third of children, more than 300,000, are living in poverty. However, the numbers living below the poverty line increased by 45,000 in a year and are now double the number in 1984. A Unicef spokesman told the *Guardian* child poverty was becoming "normalised" in the country of 4.5 million people.

A major factor in growing child poverty is the government's deepening attack on welfare entitlements. Draconian work requirements have cut the numbers on sole-parent benefits from 3.1 percent of the working age group in 2008 to 2.3 percent last

December—the lowest since 1983. An estimated 50,000 children have been adversely affected. Welfare numbers have dropped faster than official unemployment, indicating that many of those pushed off benefits have not found jobs.

Inequality widened markedly in the late 1980s and 1990s under both Labour and National Party governments. The Gini co-efficient, one measure of household income inequality, has risen from 0.27 in the mid-1980s to 0.35 today.

The increase is the result of two interconnected factors: the boom in financial parasitism and the relentless assault on the living standards of the working class.

Over the past 30 years the economy has gone from being one of the most tightly regulated in the OECD to one of the least regulated. There are no exchange controls or restrictions on bringing in or repatriating funds. In 2015, the World Bank ranked New Zealand as the second easiest country in which to do business and the easiest place to start a business.

The beneficiaries have been a social layer many of whom enriched themselves through the privatisation of public assets begun by the Lange Labour government of 1984–89. Between 1982 and 2011, gross domestic product grew by 35 percent. Almost half of that increase went to the tiny richest group.

Among them were Maori tribal-based businesses, now worth around $42 billion. These were created through multi-million dollar Treaty of Waitangi settlements with successive governments, purportedly in recompense for the crimes of British colonialism. While a small elite has been enriched, the vast majority of Maori remain among the most impoverished layers of the working class.

The wider economy is dominated by parasitic activities related to finance, banking and currency trading, which are equivalent in importance for the capitalist class to dairying, the country's major export industry. The New Zealand dollar is listed among the world's 10 most traded currencies. The stock market soared 121 percent from April 2009 to June 2015.

The working class, meanwhile, has suffered an historic social reversal, imposed by successive governments with the close collaboration of the trade unions. Income levels, which used to exceed those of many Western European countries before the 1970s, have dropped in relative terms and never recovered.

The official unemployment rate rose to 5.2 percent at the end of 2016. The unreported figures, including people who want to work or are seeking more work, are far higher. According to economist Rob Stock in the *Sunday Star Times*, the "underutilisation rate" has been "stubbornly high," remaining at 13 percent since the 2008 financial crisis. Compared to the 132,000 jobless, there were 342,000 workers classed as underutilised.

Stock noted that for people in this situation the labour market "could feel more like a Portugal or a Greece." Some 12 percent of youth aged 15–24 are not in employment, education or training, down from a recession peak of 14.1 percent in 2009 but still above the 2007 rate of 10.9 percent.