

Dr Susan St John
Economics Department, University of Auckland
Economics spokesperson for CPAG

Re the MSD 2004 living standards report

New Zealand's wake up call

One of the standout features of the report is the different fortunes of the young and the old

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The Economic Living Standards Index (ELSI) for 2004 should be New Zealand's 'shock horror' wake-up call. Forget about 'social inclusion' and 'opportunities for all'. Such Third Way rhetoric is a hollow reminder of all the good Labour promised but failed to deliver. It expected that the rising tide of economic prosperity would lift all boats. Instead, more families are sinking without a life raft.

Between 2000 and 2004, on Labour's watch, the proportion of Maori families with dependent children falling into the lowest category of severe hardship more than doubled from 11% to 20%. The figures for Pacific Island families are even more stark, 16 % to 30%. The proportion of all New Zealand children in the two lowest categories of severe and significant hardship rose from 18% to a staggering 26%.

Business people should be paying close attention. The prospects of improving New Zealand's productivity depend on the health and well being of workers, and that depends on the living standards of families who nurture those workers.

The kind of hardship measured by the index may not be the absolute poverty of the Sudan or Ethiopia, but it has serious economic implications for a country like New Zealand. Stunted development and lifelong problems are likely to follow when children eat poor food, don't see the doctor when they are sick, or the dentist, lack proper footwear, can't afford to go on school trips, suffer overcrowding, and don't engage in normal social activities. How can these children develop into fully functioning members of a technologically sophisticated society? How can they help New Zealand to compete in a global economy and serve the needs of an ageing population?

The high costs of neglect are reflected daily in an overworked police force, and the courts and prisons. Spillovers of social distress extend to over-stretched food banks, addiction centres and hospitals coping with preventable disease and injuries. The saddest thing is that the social costs seem to have to become obvious before arguments about prevention by appropriate investment in the young are heard. Even sadder, while money may have prevented poverty in the first place, now family dysfunction is so entrenched that money alone can't cure it.

Lest anyone thinks that this is all inevitable, only about 1% of those over 65 live in severe hardship and only another 3% in significant hardship. New Zealand can be very proud of its record in largely preventing elderly poverty. In numerical terms, on 2004 figures, approximately 280,000 children experience severe and significant but only 20,000 of those aged over 65.

So how come we have been much more successful with the old? Poverty prevention rather than alleviation has been the answer, through commitment to a secure, simple universal basic pension indexed to wages as well as prices. We do not tell a 65 year-old that work is the way out of poverty. We don't make the pension conditional on meeting arbitrary criteria. We do not judge whether the old spend their pensions wisely. We just pay it and it works, no blaming, no fuss.

One of the reasons poverty among children increased between 2000 and 2004 is acknowledged in the report. Family supplements were unadjusted for inflation while costs and family debt rose. New Zealand had a massive amount of catching up to do so that a dramatic redistribution was inevitable if New Zealand was not to look like a socially backward country on a par with Mexico and the US. Even so the Working for Families package did not deliver any extra income until 2005; there was nothing at all for the poorest in 2006 with only a tiny increase in Family Support promised for 2007.

What a pity this package and its expensive pre-election extension were not aimed at poverty prevention. Like the old, children need a secure and adequate income that does not disappear when jobs are lost. Instead a large part of Working for Families is based on the flawed logic that all families need to escape poverty is an incentive to get off benefits. No matter that the capacity to work may be severely limited, or that creating a large gap between benefits and work just intensifies the poverty of the worst off. Or that parenting itself may be the best 'work' for the child's needs.

CPAG estimates that at least 175,000 children have been left behind. They can be expected to sink down still further in the mire of hardship. These children's needs have been discounted because of the source of their parents' income. Maori and Pacific Island populations are younger and poorer than other New Zealanders, and so they are disproportionately affected. The systemic injustice and racial bias in the In Work Payment will be highlighted when CPAG's case is heard in the Human Rights Tribunal.

Universal pensions on the other hand are highly favourable to the older and wealthier pakeha demographic profile. As time goes on, the old will reap the price of the failure to invest in the young. The quality of their care in old age depends on the health and skill of a largely brown, young workforce. These structural issues need to be exposed for their corrosive effect on the social fabric.

842 words