

# CHiLD POVERTY ACTION GROUP

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September, 2008

## Introduction

The Ministry of Social Development has released its 2008 *Social Report*. According to the press release “income inequality between the top 20 percent of earners and the lowest 20 percent has dropped - the first decrease since 1988.” As well, “over the longer term, Maori and Pacific peoples have made significant advances in three areas; unemployment rates have reduced substantially, far more Maori and Pacific peoples are gaining access to early childhood and tertiary education and Maori life expectancy has also improved considerably.” This is welcome news but, the official release goes on, “in most areas reported on, significant gaps remain.” This note outlines some of those gaps.

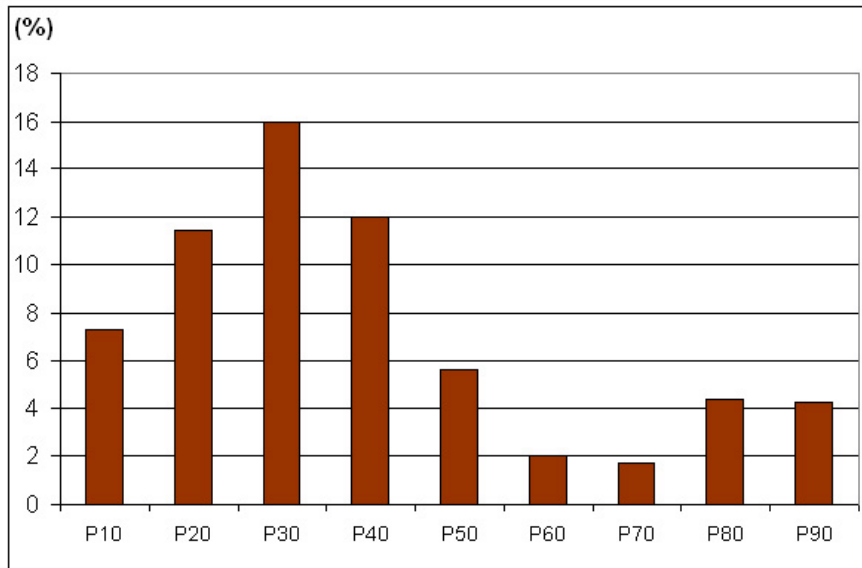
## Income, living standards and work

There is no doubt that Working for Families (WFF) has delivered gains to middle income groups (see Figure 1). This explains the reduction in income inequality noted in the *Social Report* for the ratio of the 80<sup>th</sup> percentile of equivalised disposable household income to the 20<sup>th</sup> percentile.

WFF specifically targeted middle- and low-income working families, leaving beneficiary families on very low incomes. This policy emphasis is reflected in the measure of income inequality that compares the 90<sup>th</sup> to 10<sup>th</sup> percentile of equivalised disposable household income. Inequality using this measure actually increased slightly between 2004-2007, and was higher in 2007 than it has ever been. MSD notes that this measure shows greater volatility but gives a greater measure of the spread of income distribution.

The *Social Report* notes that the Gini coefficient, an internationally accepted measure of income dispersion, did not change between 2004-2007 and remains at 34. Yet with middle- and some low-income households clearly having made gains, this figure is puzzling. In a report released in June 2008 MSD noted that using both before-housing-costs and after-housing-costs measures the Gini fell, from 32.3 to 31.7 (BHC), and from 37.0 to 36.7 (AHC) during this period. This confirms that income distribution has moved away from the top income earners.

**Figure 1: % changes in real equivalised household income at decile border, 2004-2007 (P10 is the lowest income, P90 the highest)**



*Source: MSD, 2007*

These trends are also reflected in the report's proxy measure for relative income poverty. While the proportion of the population living in households with incomes below 60% of the median has fallen from 17% to 13%, the proportion living below the 50% median has fallen only slightly, as expected from a policy package that minimised gains to beneficiary families. In 2007 16% of children were living in households with incomes less than 60% of the median, and 12% lived in households with median incomes less than 50% (all after housing costs). If a current median is used, the figures are 22% and 16% respectively.

In a policy environment that stresses work as the way out of poverty, the persistence of lower employment figures for Maori and Pacific peoples is a concern. Unemployment rates for Maori are the highest of any group at about 8%, with Pacific people close behind at 6.5%. Disturbingly, between 2005-2007 unemployment rates for Pacific peoples went up slightly. This is the only group to exhibit this trend.

Real household incomes have improved, although for Maori they have *fallen* very slightly since 2004. Indeed, Pacific peoples' incomes have now overtaken them. Maori now have real incomes of about what they were back in 1988, Pasifika are doing slightly better. Both groups' incomes are still well below that of other groups. Median hourly earnings for Maori and Pacific peoples are \$15.34 and \$15.00 respectively. High rates of unemployment and low earnings for Maori can be partly explained by regional differences in employment rates and earnings, with Gisborne-Hawkes Bay and Manawatu-Wanganui having the lowest median hourly wages.

In addition, workplace injuries are much higher for Maori and Pacific peoples than Europeans (165,149 and 114 injury claims per 1,000 FTEs, respectively). There is also a regional dimension to this. Workers in Gisborne-Hawkes Bay are not only

likely to be paid less than anywhere else in the country, they are also more likely to be injured on the job.

But there is good news, too. Maori and Pasifika lead the work-life balance cheerfulness stakes, with Maori recording the highest proportion of those “very satisfied” with their work-life balance, and Pacific peoples recording the highest satisfaction rates overall. Even more surprising, the lowest income group is the most likely to be satisfied. Whether this is because they are less likely to be employed or have lower expectations than their higher-earning cousins is unknown.

## Population

A couple of background facts. First, New Zealand has the most urbanised population in the world. Whatever we may believe about our essential rural-ness, 86% of us live in cities and towns. Second, Maori and Pasifika peoples have been the most rapidly urbanised populations in the world. In the space of one generation many families have gone from living in rural areas and island villages to internet dating. This is a huge social change, one often overlooked by social policy makers and planners.

This is especially important given the relative youth of New Zealand’s Maori and Pasifika populations. Many of the country’s children with low living standards, poor health and low educational attainment are Maori or Pasifika. Raising these children’s standard of living and helping them achieve equitable outcomes will require a great deal more effort and investment than has been evident to date.

New Zealand’s Asian population has also increased significantly since 1991 (see Table 1). While the dominant public perception of “Asians” is of wealthy Chinese, there is a great deal of poverty in the Asian community, which includes Indians, Vietnamese, Indonesians, etc. Sadly, there is a huge gap in the research in this area, one that should be filled as a matter of priority.

**Table 1: Ethnic distribution of the population, 1991 & 2006**

	<b>1991</b>	<b>2006</b>
<b>European</b>	83.2	77.6
<b>Maori</b>	13	14.6
<b>Pasifika</b>	5	6.9
<b>Asian</b>	3	9.2
<b>Other</b>	0.2	0.9

*Source: Ministry of Social Development*

Of families with dependent children, 28% are one-parent families. Of these 23.5% are headed by mothers, and 4.5% by fathers – in other words 16% of sole-parent households are headed by fathers. These figures are not reflected in the benefit data as lone fathers have a higher rate of workforce participation. The difference in benefit

use rates may explain why the focus of “benefit dependence” rhetoric is invariably female but sole fathers are generally treated much more sympathetically.

## Health

The good news is that the life expectancy gap between Maori and non-Maori has reduced. The bad news is that there remains a great deal of work to do in reducing it further. Life expectancy for Pacific peoples is slightly better than Maori (see Table 2), but still well below that of the general population.

**Table 2: Life expectancy by ethnicity (years)**

	Male	Female
<b>Non-Maori</b>	77	82
<b>Maori</b>	69	73
<b>Pasifika</b>	71	77
<b>Asian/Other</b>	78	82

*Source: MSD; CMDHB*

Maori women still have the highest rates of smoking (an astonishing 47%). Rates for Maori men are lower at 40%, while rates for Pasifika men and women are 35% and 22% respectively. Rates of hazardous drinking for all sectors of the population have changed little since 1996/97, with Maori and Pasifika still more likely to drink hazardously.

Obesity also shows marked ethnic differences. While the population as a whole is stacking on the pounds, Pasifika people are most likely to be obese, and their obesity rates are increasing at a greater rate than other sectors of the population. The *Social Report* notes that obesity is higher in relatively deprived neighbourhoods. For Pacific peoples, this statistic – reflecting their socio-economic status – has got worse, not better.

## Education

As the official press release notes, Pacific peoples’ participation in early childhood education has improved. However, at 84% it remains well below participation rates for every other ethnic group. Moreover, the participation rate for Pasifika children actually dropped slightly between 2004-2007. The *Social Report* notes that since 2004 ECE participation rates for Maori and Pacific children improved at a greater rate than for European children, but with a starting point of 97%, European children didn’t have much ground to make up.

At the other end of the education system, both Maori and Pasifika have increased participation in tertiary education. Again, however, they started from a low base, and participation remains well below that of Europeans. One interesting trend is the high rates of 40+ year-old Maori tertiary students. With a rate of 15%, this is higher than any other ethnic group.

## Conclusion

Yes, there have been improvements but they're not as great as they need to be, and in some cases the numbers have gone backwards. The next government must cement these improvements in place, and start filling the numerous gaps that remain.