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Summary of latest HLFS, August 2009

D Wynd and M. Claire Dale

Child Poverty Action Group (Inc)
Backgrounder 01/09
September 2009

Child Poverty Action Group (Inc) (CPAG) is a non-profit group formed in 1994, and made up of academics, activists, practitioners and supporters. CPAG has a strong education and research role which enables it to contribute to better informed social policy to support children in Aotearoa New Zealand, specifically children who live in poverty. CPAG believes that our high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in. **If you are not already supporting CPAG and you would like to make a donation to assist with ongoing work, please contact us at the address below or through our website:** www.cpag.org.nz.

This is part of Child Poverty Action Group's series of background papers.

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P. O. Box 56 150
Dominion Road, Auckland.

The latest Household Labour Force Survey (HLFS) shows New Zealand has a national unemployment rate of 6%, the highest level since September 2000. The survey contains a number of other disturbing trends:

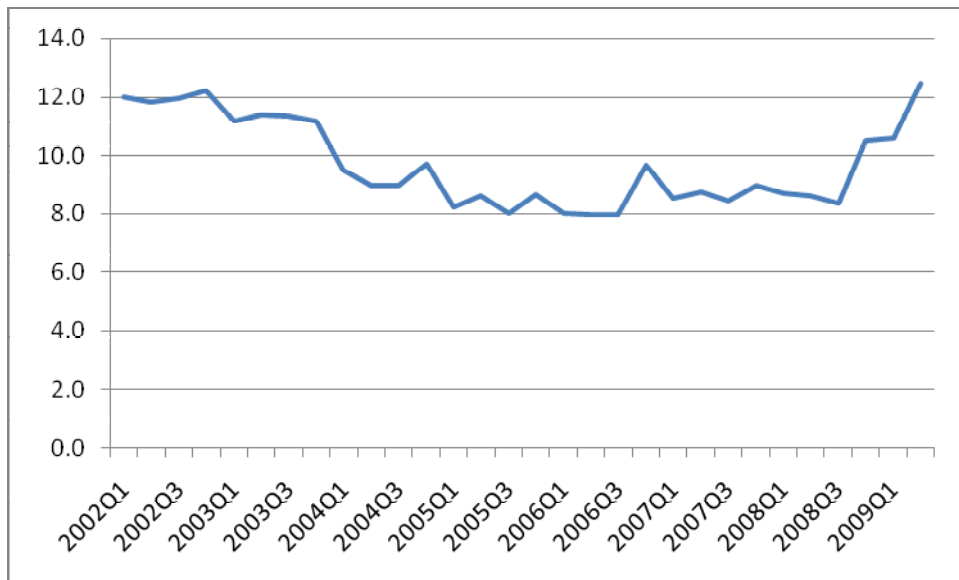
- Unemployment has almost doubled in nine months, a dramatic reversal for a country that thought it had attained the “new economy” only a couple of years ago.
- Unemployment increased by 24,000 in the June quarter (to a total of 138,000 people), largely driven by increased unemployment (15,000) among females. Employment in the 15-19 year age group decreased by 23,400.
- Maori unemployment is 12.6%; Pasifika unemployment is 12.8% (up from 8.1% and 6.7% respectively in the June 2008 quarter).
- 12,000 fewer people were employed in agriculture, forestry and fishing in the June quarter than the March quarter.
- Manufacturing employment is holding steady at 65,000 people. The big losses here appear to have already happened, from March 08 – March 09. Wholesale and retail employment also held steady.
- The number employed in “other services” fell by 12,000 in the last quarter alone, possibly reflecting redundancies in the state sector.
- On an annual basis, actual hours worked per week has fallen by 3.5 percent, offsetting any hourly rate increases.
- Short-term unemployment (those unemployed for 26 weeks or less) increased by 50.3 % to 97,100 in the year to June; and the number of long-term unemployed (unemployed for 26+ weeks) more than doubled to 22,100.

The numbers alone suggest that things might not be that awful. The unemployment rate, labour force participation rate, and underemployment data (those working part-time but who would like to work more hours or full-time), all suggest the economy is only back where it was as recently as 2003. Yet clearly, there is a great deal more economic distress in the community, as indicated by foodbanks and budgeting agencies reporting record demand for their services.

The figures suggest that women, and workers aged 15 to 19 comprise most of the new unemployed. They also suggest the reversal has been sudden and shocking. Arguably, it is the effects of this dramatic drop in employment on a population where household debt is about \$1.60 for every dollar earned that has been contributed to householder pain. This is consistent with the observations of budgeting services, and also accounts for a substantial drop in consumer

spending. Consumer spending has been falling since the third quarter of 2007 (with a respite in the second quarter of this year), about the time the world's sharemarkets, and New Zealand's own poorly regulated finance companies, started collapsing.

Unemployment plus those working part-time but who would like to work more hours or full-time. Note figure is only slightly above that of June 2002, but that it has risen by 50% in a year.



The reversal seen in the employment data reflects what can be observed in the DPB figures: a long downward trend in the number of DPBs, followed by a sudden increase that has undone any gains since 2006 that might have been attributed to incentivising effects of the In Work Tax Credit.

of the last three years. For almost all the indicators considered here it is not the quantum of the backward trend that is significant, but the suddenness of the reversal – almost all since mid-2008. The question now is whether the so-called green shoots of recovery will halt this decline, or if that green is just astroturf?

Sadly, the government appears to be taking advantage of the crisis to push through what might otherwise be unpopular cuts in social spending. Notable among these is reduced funding of and access to education, a quick fix that lacks both vision and wisdom, and is counter-productive in the long term. It has also deferred increasing the earnings threshold for beneficiaries. Unemployment is tipped to go up to 8%; others suspect it will be higher. As more manufacturing jobs disappear, New Zealand is increasingly dependent on price-volatile commodities to earn its keep. Milk biscuits, anyone?