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**Special Issue on Inequality and Class in New Zealand**

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## Editorial Introduction: Special Issue on Inequality and Class in New Zealand

Charles Crothers

### (1) The Need for A Special Issue and its Configuration

Despite the much-vaunted supposed fascination of sociologists with class, and perhaps their also supposedly-renowned focus on surveys (particularly relevant to class analyses) the last book on social class in post-Second World War New Zealand was published 30 years ago in 1983 (Pearson and Thorns). Of course, a steady trickle of theses, articles, chapters etc. has kept the topic alive (Crothers, 2008a, 2008b). This lacuna is of major significance since during the interim New Zealand has experienced the obvious upheavals associated with Rogernomics and the sharply shifting social patterns reverberating from that, but also huge shifts in employment and other aspects of inequality which have changed the contours of social class in New Zealand.

Recently, however, there seems to be an emerging tide of interest and concern about inequality in New Zealand. There are several immediately precipitating factors (mid-2013) which propel this special issue:

- The launch of the *Inequalities* book edited by Max Rashbrooke (2013) and the associated speaking tour by Robert Wade (see his article below in this special issue) and VUW one-day seminar (see Michael Forster's presentation for the Wellington seminar which was based on recent work published already at OECD over the last two years, namely in the frame of our report "Divided we Stand"<sup>1</sup>;
- Ongoing concerns with child poverty and more generally various recent government benefit 'reforms': see discussion of former by Crothers (2012);
- Lurking, unpublished (or insufficiently cited) analyses on class (including several being published in this special issue);

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<sup>1</sup> <http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm>, and a recent update available at <http://www.oecd.org/els/soc/OECD2013-Inequality-and-Poverty-8p.pdf>. A video of his presentation is available at <http://video.oecd.org/?action=video&id=709>. See also other presentations at [http://igps.victoria.ac.nz/events/previous\\_events-2013.html#Jul](http://igps.victoria.ac.nz/events/previous_events-2013.html#Jul). Websites contained further material concerning Inequalities are <http://www.maxrashbrooke.org.nz/inequality/> and [www.bwb.co.nz/books/inequality](http://www.bwb.co.nz/books/inequality)

- Advent of the latest 2013 Brian Perry/Ministry of Social Development update;
- Recent issuing of the 2012 wave of the Statistics NZ *General Social Survey (GSS)* and other relevant data-sets;
- An Antipodean echo of the 'UK Big Class Debate' (Savage et al. 2013) in the form of Du Fresnes's 2013 *Listener* article;
- Screening in August of Bryan Bruce's recent television documentary *Mind the Gap* on Inequality<sup>2</sup>;
- US class analyst Erik O Wright's collegial visit to New Zealand in July<sup>3</sup>;
- Continuing concern with the causes and social impacts of the immediate conjuncture with New Zealand (along with much of the rest of the world) falteringly emerging from the fairly long drawn out 'Global Financial Crisis' which commentators have seen as the largest period of difficulty in the world economy for many decades (eg. OECD, 2011);
- Ongoing interest in depiction of the changed configuration of capitalism over the last few decades under the ideological driver of 'neo-liberalism' and variously involving massive technological developments, globalisation and the very considerable rise of inequalities.

Sociologists have been but little involved in these various most recent issues - except where, for example, ethnicity (and maybe gender and gay/queer studies) is seen to have a class dimension: Tracey McIntosh and Evan Poata-Smith have chapters in Rashbrooke, 2013. Moreover, the various exercises have varied in the extent to which they have drawn down on appropriate evidence or engaged with relevant theory. In particular, sociologists are concerned to frame inequality within a wider understanding of social class, and the layerings of meanings involved with this. There has been a rise in more abstract theorising using overseas theorists but with little attempt to finesse how local conditions are directly comparable to these models. Moreover, a wider array of important sources of analysis on New Zealand inequality and social class seem to have been overlooked in the intellectual material in recent circulation, and these need to be drawn on (see also Crothers, 2008a; 2008b which plot the contours of New Zealand sociology). In too much of the writing (see Easton's critique in his *Listener* review (2013) of Rashbrooke and his article in this issue) there is a leap

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<sup>2</sup> <http://www.nzonscreen.com/person/bryan-bruce> <http://www.tv3.co.nz/INSIDE-NEW-ZEALAND-Mind-The-Gap/tabid/3692/articleID/94816/MCat/3061/Default.aspx>

<sup>3</sup> Perhaps rather more tangentially related, but nevertheless of symbolic significance!

from immediate experiences with some backing data to policy prescriptions, without filtering the thinking through a drive to develop explanations (including links to further studies) about why things are shaping up the way they are. Moreover, explorations of policy alternatives need to be coupled with examination of the extent of societal support for these alternatives. So the special issue is concerned with mobilising appropriate academic resources.

While the origins of this special issue lie in a felt need to organise an appropriate review of the *Inequality* book, it made some sense also to bring into it some relevant articles already in hand. Because it is a collective effort some editorial attempt to reduce repetition has been made. It is intended this special issue will further an ongoing debate.

The special issue canvassed appropriate authors (known to the editor and his contacts) and is organised as follows:

- Reactions to the *Inequality* book and related debates: Brian Easton (below provides a synoptic constructive overview of the studies by Perry and others while also commenting on Rashbrooke (ed.), and Peter Skilling reviews the Rashbrooke volume within the context of other literature on inequalities;
- Ideological dimensions of Class/Inequality: e.g. see Pearson's substantive article below;
- Material dimensions of Class/Inequality;
- More particular aspects of Class/Inequality (e.g. food security);
- Sub-group involvement in Class/Inequality (e.g. ethnic differences);
- and to conclude: Issues concerning New Zealand Class/Inequality in Comparative Perspective: see in particular Robert Wade's essay in this issue.

To set the context for the articles and research notes included in the special issue, this editorial introduction will provide brief comments on recent sociological (and wider social science) conceptualisations of Social Class/Inequality and an appendix provides a review of the scope of the New Zealand literature on Class/Inequality.

## **(2) The Conceptualisation of Social Class/Inequality**

There is little attempt here to review class studies in Sociology as a whole, which would be a momentous task. However, I briefly endeavour to draw on appropriate conceptual and comparative material in order to provide some guidance in reading the material of the special issue. This whole area of study is too often bedevilled by lack of clear conceptualisation and by muddled

terminology and these notes may help untangle some of the complexities. In particular, there have been major developments in the last couple of decades, particularly following the interest in cultural dimensions of class and in the usefulness of ‘field theory’ inspired by Bourdieu’s writings. This has expanded the analytical repertoire of class researchers perhaps at some cost of neglect of macro-level issues although most recently there has been rather more interest, too, in re-capturing the wider political economic dimensions of class.

As well as conceptual analysis, class research can benefit from inventories (or better still meta-analyses) of the assemblage of studies deploying class-related variables, although this more empirically-based approach is not discussed further in this introduction (see Reid, 1999 for a UK example of an inventory of social class differences across many domains).

In this introduction, inequality is seen as a particular aspect of the more generic interest in social differentiation, concerning much of the more materially-grounded aspects of the broader term. Inequality and class have been bracketed, as they clearly overlap. The common element concerns understandings about how (the social distribution involved in) society’s goods etc are produced, distributed and consumed. Whereas inequality particularly refers to study of the more immediately apparent issues of income, nonmaterial deprivations and hardships, and also affluence, the conception of class is seen as rather more structural and general lying behind this immediate appearance. A somewhat related distinction is between descriptive and explanatory components in study, although again there are overlaps. In turn, the study of inequality can have various foci. Inequality refers to the overall distribution of resources. However, some studies are more focused on particular ranges of the income distribution: the Rich; the Poor; the Middle class and perhaps other groupings. Sometimes, such foci are pursued separately, but they all belong to the study of inequality and the various aspects all need to be covered.

Inequality is a central area of interest which necessarily focuses on income. However, attention to income needs to be supplemented by interest in other related topics which include:

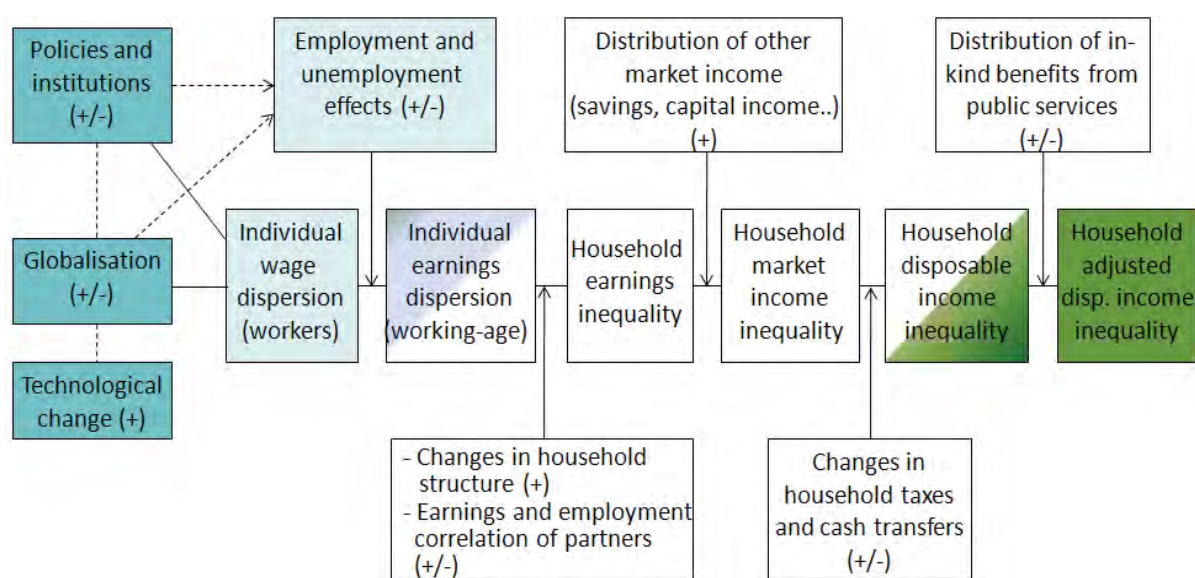
- Sources of income/market etc.
- Non-income/material hardship/affluence
- Wealth/Assets
- Education
- Cultural resources/life-style/status/prestige
- Short-term mobility and change



- Inter-generational ‘inheritances’ and long-term mobility
- Intra-household arrangements
- Collective social mobility
- Class awareness/consciousness
- Political action (where class-based or class-mobilising)
- Locality and other spatial and environmental aspects.

In examining inequality, the framework used by OECD in its studies is particularly useful. See the very useful conceptual framework below: taken from OECD, 2011: 21 (for a wider perspective see Therborn, 2006):

**Chart: Identifying key drivers of income inequality: a partial and “step-wise” approach**



(Source: OECD, 2011: 21)

Stepping back now from inequality to consider class analysis, a wider framework is required which more actively brings in both human and structural dimensions. Class analysis is often best seen as a level of analysis sandwiched between, and embedded within:

- a political economic framework on the broader side, and
- at a more detailed level, studies of occupations, sectors, workplaces, industries, beneficiary situations etc. on the other more detailed side.

In both these other levels class is at least indirectly implicated, so there is some necessity to include or refer to this material as well, although it also necessary to avoid being overwhelmed by becoming too caught up in considerations of the general trajectory of the economy, state and society on the one hand or in the detailed configurations on the other. From a political economy viewpoint classes are amongst actors or potential actors shaping competitions and conflicts

and from a more detailed sociological level classes are essentially alliances or configurations of groupings of occupations etc.

At the heart of much contemporary thinking about social class various capitals are placed. However, as Carroll (2010:1) argues: "...the nature of capital does not dictate a specific form of capitalist class organisation since capitalism is divided into competing units, so sociological analysis is needed to understand how these are embedded in socio-political relations".

Class has both objective and subjective aspects. To provide some preliminary guidance recourse is made to Sayer (quoting EP. Thompson) on the perils, when discussing class, of:

..beginning with particular classes, for class is not this or that part of the machine, but the way the machine works once it is set in motion .. not this interest and that interest, but the friction of interests ..by a class we are thinking of a very loosely defined body of people who share the same categories of interests, social experiences, traditions and value-system, who have a disposition to behave as a class, to define themselves in their actions and in their consciousness in relation to other groups of people in class ways. But class itself is not a thing, it is a happening.

The conclusion of this editorial returns to this viewpoint of classes in activity and action. Thompson's account is useful in drawing attention to the end-point of class analyses which are often considered (in Weber's terms) to provide explanations of differences in differential (objective) life chances and different life-styles (ways in which resources are used). Thompson's account also raises the issue about whether classes are seen as graduated (spread across a range) or entities (with more distinct boundaries and which can engage in relationships with each other). Level of activity is another aspect in his and others' thinking about class in which (latent) class structure can result in the expression of class interests which results in (or is accompanied by) class consciousness which results in class formation which results in class struggle, although movement up and down these levels of activity needs to be seen as interactive and dynamic, with feedback loops.

To begin with, Erik Olin Wright can provide useful guidance (for example, 2009). He sees three main sociological approaches to class analysis:

- Marxist
- Weberian, and
- mainstream stratification research.



He argues that these different ways of analysing class can all potentially contribute to a fuller understanding by identifying different causal processes at work in shaping the micro- and macro- aspects of inequality in capitalist societies and that a ‘pragmatist realism’ should, and hopefully has, replaced the ‘grand battle of paradigms’. Classes as seen from these perspectives involve:

- attributes and material life conditions of individuals;
- ways in which social positions afford some people control over economic resources while excluding others—defining classes relative to processes of ‘opportunity hoarding’;
- structure by mechanisms of domination and exploitation in which economic positions accord some people power over the lives and activities of others.

In the stratification approach, people can be categorised by age, gender etc. but also by their material conditions. ‘Class’ is those economically important attributes that shape people’s opportunities and choices in their material conditions of living. Such attributes include education in particular, but also more elusive attributes such as cultural resources, social connections and even individual motivations. Broad clusters of these different attributes and life conditions are termed ‘classes’:

- The ‘middle class’ denotes people who have enough education and money to participate fully in ‘mainstream’ way of life (which might include particular consumption patterns, for example);
- The ‘upper class’ designates people whose wealth, high income and social connections enable them to live their lives apart from ‘ordinary’ people; while
- the ‘lower class’ refers to those who lack the necessary educational and cultural resources to live securely above the poverty line;
- finally, the ‘underclass’ are those who live in extreme poverty, marginalised from the mainstream of society by a lack of basic education and skills needed for stable employment.

Since for most people “... economic status and rewards are mainly acquired through employment in paid jobs, the central focus of research in this tradition has been the process through which people obtain the cultural, motivational and educational resources that affect their occupations in the labour market” (p. 103). Since childhood is the platform for later developments much attention needs to be accorded to ‘class background’—the family and other settings in which key attributes are acquired. But this approach focuses more on the people in the ‘class slots’ rather than the relationship amongst the positions in the first place.

Certain high income jobs (often also suffuse with other special advantages) can be sustained only if their incumbents have mechanisms for excluding others from access (i.e. 'social closure'). Costly entry requirements, such as high educational credentials, is one such mechanism but so are tight admission procedures, high tuition costs and avoidance of making large loans to low-income people. Thus higher status groups 'opportunity-hoard'. Three broad categories of opportunity-hoarding are:

... capitalists, defined by private-property rights in the ownership of means of production; the middle class, defined by mechanisms of exclusion over the acquisition of education and skills; and the working class, defined by their exclusion from both higher educational credentials and capital. That segment of the working class that is protected by unions is seen either as a privileged stratum within the working class, or sometimes as a component of the middle class (p. 106).

A more Marxist approach involves consideration of 'domination' (the ability to control the activities of others) and 'exploitation' (the acquisition of economic benefits from the labour of those who are dominated) although these are set within an ongoing wider framework of cooperation and tension.

Taking all of these processes together yields the following general picture of the American (although New Zealand's would be very similar) class structure at the beginning of the 21st century (p. 114):

- At the top, an extremely rich capitalist class and corporate managerial class, living at extraordinarily high consumption standards, with relatively weak constraints on their exercise of economic power;
- An historically large and relatively stable middle class, anchored in an expansive and flexible system of higher education and technical training connected to jobs requiring credentials of various sorts, but whose security and future prosperity is now uncertain;
- A working class which once was characterised by a relatively large unionized segment with a standard of living and security similar to that of the middle class, but which now largely lacks these protections;
- A poor and precarious segment of the working class, characterized by low wages and relatively insecure employment, subjected to unconstrained job competition in the labour market, and with minimal protection from the state; and
- A marginalised, impoverished part of the population, without the skills and education needed for jobs that would enable them to live

above the poverty line, and living in conditions which make it extremely difficult to acquire those skills.

Wright also notes that there is “a pattern of interaction between race and class in which the working poor and the marginalized population are disproportionately made up of racial minorities” (p.140).

A range of recent developments in class analysis have variously been generated in the UK, USA, Europe and Australia and the work of Mike Savage, who has been a leader in several of these, can provide a useful map. Savage et al. (2013) depict three phases in the analysis of class and stratification.

- Up to the 1980s there was a dominance of ‘moralising’ official measures of class in which ‘standing within the community’ (replaced by ‘skill’ in the 1980s) was used to portray a six-fold class schema, with professionals at the top, and unskilled manual workers at the bottom – with this approach being accompanied by sociological critiquing in favour of more rigorous sociologically informed class schemas, variously deploying theoretical frameworks from Marx and Weber;

- from the 1970s, this sociological critique triumphed, especially with the model of social class developed by John Goldthorpe et al. which was more widespread adopted than the rival Marxist framework of Erik Olin Wright. What is termed the Erikson–Goldthorpe–Portocarero (EGP) model defined seven classes in relation to an individual’s employment position: differentiating between employees and employers and, amongst employees between those on a labour contract (routine, semi-routine, technical employees) and those in a more diffuse ‘service relationship’ (professionals and managers). This class schema also proved influential in the overhaul of official class schema, and in cross-national schemes for comparative analysis.

Five main lines of criticism of this class analytical platform point to ways in which it is limited:

- its validation as a deductive class schema predominantly focuses on the extent to which it measures postulated class-related features of the employment relations, but it is of less use in linking to wider cultural and social activities and identities;

- a major appeal is its usefulness in placing individuals into social classes using standard nationally representative surveys with a moderate sample size (with appropriate data analysis strategies) - so that an ‘elite’ was not distinguished and (visible only in surveys with larger samples) and distinctive differences between ‘micro-classes’ could not be investigated;

- class is based on employment rather than income and wealth and so examining income and wealth variation within and amongst categories was not carried out;
- a focus on occupations occludes consideration of the more complex ways that class operates symbolically and culturally;
- the comparative and contemporary validity of the scheme is thrown into doubt since it does not take highly important horizontal cleavages into account: for example it provides a too homogenous description of the salaried middle class and overemphasises the manual/non-manual divide in separating 'male' production workers and 'female' routine sales and service occupations. Neither does it capture the considerable cross-national differences with qualification levels, job autonomy, career prospects (i.e. social mobility), organisation of production, etc.

Recent approaches often draw on Pierre Bourdieu who argues that there are three *main* different kinds of capital, each of which conveys certain advantages:

- (1) economic capital (wealth and income),
- (2) cultural capital (the ability to appreciate and engage with cultural goods, and credentials institutionalised through educational success),
- and
- (3) social capital (contacts and connections which allow people to draw on their social networks).

Bourdieu's point is that although these capitals may overlap, they are also different, and that it is possible to draw distinctions between people with different stocks of each of the three capitals, which then allows the provision of a more complex model of social class. Comprehensive questions on cultural and social capital are recently being asked on national surveys so these dimensions can now be explored. The social linkages framework advanced by Prandy: see Stewart et al., 1980.) looking at the array of social contacts reported by respondents is also seen as important in tracing the social texture of class relations.

Various of these ideas have been tested out in a variety of empirical studies. One which is of particular interest, because of its public dimension, was the Great British Class Survey (GBCS) - sponsored by the BBC's *Lab UK* which commissioned in 2009 a major web survey on social class which generated, because of very considerable public interest in the topic, a large scale dataset (n=160k), with a wide range of information, and was supplemented by a nationally representative sample. The GBCS includes detailed measures of economic, cultural and social capitals and might be taken as providing a 'state of the art' class measurement tool. Questions on cultural capital asked about

people's leisure interests, musical tastes, use of the media, and food preferences. Questions on social capital mainly take the form of 'position generator' which measures the range of people's social ties by asking respondents whether they knew anyone in 37 different occupations. Questions on economic capital asked about household income, savings and the value of owner-occupied housing. Finally extensive information was obtained about household composition, education, social mobility and political attitudes, to contextualise the measures of cultural, economic and social capital. Complex statistical analysis was then applied which led to the postulation of a 7-category class schema summarised in Table 1 (together with an estimate of the size of each).

**Table 1. Summary of UK social classes according to Savage et al., 2013. (including % of UK population)**

|                           |                                                                                                                                                          |    |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Elite                     | Very high economic capital (especially savings), high social capital, very high highbrow cultural capital                                                | 6  |
| Established middle class  | High economic capital, high status of mean contacts, high highbrow and emerging cultural capital                                                         | 25 |
| Technical middle class    | High economic capital, very high mean social contacts, but relatively few contacts reported, moderate cultural capital                                   | 6  |
| New affluent workers      | Moderately good economic capital, moderately poor mean score of social contacts, though high range, moderate highbrow but good emerging cultural capital | 15 |
| Traditional working class | Moderately poor economic capital, though with reasonable house price, few social contacts, low highbrow and emerging cultural capital                    | 14 |
| Emergent service workers  | Moderately poor economic capital, though with reasonable household income, moderate social contacts, high emerging (but low highbrow) cultural capital   | 19 |
| Precariat                 | Poor economic capital, and the lowest                                                                                                                    | 15 |

Oesch's work (e.g. 2006) was mentioned in passing while summarising Savage's account above: separate attention is warranted. He points out that the current generation of class schema are based on analyses which are at least three decades old and that major changes to the workforce and capitalism have since intervened, and the effects of these changes on class formation needs to be attended to. The major changes include the expansion of service occupations, often particularly occupied by women and a decline of the (often male) industrial workforce. Oesch endeavours to extend more usually hierarchical

schema along a horizontal axis which better represents cleavages in the employment structure. He distinguishes between three different ‘work logics’:

- technical:
- organisational and
- interpersonal.

In turn, these comprise 4 dimensions (see Table 2):

- how the work process is set
- the degree of authority relations
- the primary orientation, and
- skill requirements.

**Table 2: The dimensions at the basis of three different work logics of employees (Oesch, 2006)**

|                                    | <i>Interpersonal work logic</i>                                                               | <i>Technical work logic</i>                                                      | <i>Organizational work logic</i>                                                      |
|------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <i>(a) Setting of work process</i> | Service setting based on face- to-face exchange                                               | Work process determined by technical production parameters                       | Bureaucratic division of labour                                                       |
| <i>(b) Relations of authority</i>  | Working largely outside the lines of command                                                  | command for higher grades, working within a clear-cut com                        | Working within a bureaucratic command structure that corresponds to a career sequence |
| <i>(c) Primary orientation</i>     | Orientation towards the client, student, patient or petitioner                                | Orientation towards the professional community or group of trades                | Primary orientation towards the employing organization                                |
| <i>(d) Skill requirements</i>      | Expertise and social (communicative) skills for higher grades, social skills for lower grades | Scientific expertise for higher grades, craft and manual skills for lower grades | Coordination and control skills for higher grades, clerical skills for lower grades   |

As an example, comparing similarly ‘ranked’ occupations along the horizontal dimension of the three work logics, he contrasts the middle class examples of (he also provides examples of similar discrepancies in work situations amongst working class occupations):

- *Associate managers* who coordinate/control others, are embedded in a career sequence and who must display a high degree of organisational loyalty;
- *Semi-professionals* who focus on (social and technical) skills with considerable work autonomy which can include some advocacy of clients’ interests since their job tasks require client cooperation;
- *Technicians* who are in an intermediate situation.

Oesch also argues that class analysts need to bring institutions into their analysis since these can confer rights or grant resources that affect inequality – three key



such institutions are Welfare states, Trade Unions and Political citizenship. From this framework, Oesch then generates a 17-category class schema which can be readily reduced.

Hypotheses are proposed about the link between class locations and socio-economic characteristics which Oesch argues should be correlated to at least three different sets of characteristics:

- to material advantage;
- to the work setting;
- to political preferences.

Individuals in hierarchically higher classes – that is individuals in class locations where occupational skill requirements are more demanding – are expected to benefit from more advantageous employment relationships and thus to receive higher compensation for their work effort than individuals in hierarchically lower class locations. The notion of compensation encompasses both present compensation in the job, work income, and potential compensation and in the future, promotion prospects. This latter aspect corresponds to Erikson and Goldthorpe's emphasis on the long-term dimension of the bureaucratic employment.

Nor should an earlier class analysis developed by Dunleavy (e.g. Dowding and Dunleavy, 1996) be entirely ignored. This schema widened the coverage of class-relevant social categories to include consumption more generally (e.g. the potential 'class' interests which might be generated by sharing 'social housing' or private renting or being dependent on public transport or of housing ownership perhaps leading to 'housing classes') as well as to the potential 'class'-related differences in interests which might emerge as a result of employment in particular 'sectors': private enterprise, the state or the non-profit sectors.

There are a few other necessary complicating aspects of class analysis which must be noted and considered:

- Multinationality;
- Intersectionality (the interaction amongst class, gender and ethnicity which is often complex);
- Unequal intra-household asset-sharing.

Each of these points signals attention that is needed to significantly extend class analysis. That a national framing of inequality and social class no longer suffices is clearly evident. As Carroll (2010) states: "Rising volumes of trade and foreign investment, the growing share of the world economy claimed by the

largest transnational corporations (TNCs), the expansion of global transportation and communication flows and the formation of integrated global financial markets are all indicative..” of globalisation of the forces and relations of production. And class is strongly embedded in other social dimensions: particularly ethnicity and gender. Moreover, these topics are in turn entwined with the brute fact that we are each not just individual agents but share assets and trajectories with various social units that we are embedded in: particularly our families and households.

Some literature has focused on inequality per se rather than the more hierarchical distribution of assets. In particular, in their *The Spirit Level* Wilkinson and Pickett (2009) (together with a large supporting literature) has shown a convincing link between inequality and a range of unfortunate societal outcomes, although there is also some stringent critique of this work, in particular focusing on the lack of convincing causal mechanisms linking inequality levels to the outcomes. Further empirical testing and theoretical development is needed.

Penultimately, it is not enough to assemble the analytical apparatus but sociological accounts need to show it at work. The fate of particular class groupings depends on the nexus of alliance/competition/conflict amongst the classes, bearing in mind that their organisational and ideological capacities for such interrelationships may vary considerably. In the most recent conjuncture some of the changing crucial capacities include (according to Wade, 2013 in Rashbrooke, but extended – see also Hacker and Pierson, 2010):

- Concentration of financial power
- Interests of the rich/upper class
- Interests of the middle class
- Conservative ideology and its links to ‘non-negotiable’ values
- Economists’ defence of inequality
- Declining capacity of the working class
- Globalisation.

Needless to say, understanding of the ways in which an array of forces shape and are shaped by class and other competition and conflict is a topic requiring much further attention.

Finally, a widening ethical dimension is emerging which involves a turn to wider consideration of the ethics of asset distribution - extending the contemporary moral concern with poverty to also consider the moral worth of the situation of more wealthy people (e.g. Sayer, 2005). (In past decades – as

Sayer notes in Atkinson et al., 2012 – a moral vocabulary was deployed in relation to such people which is now apparently obsolete. See also Jones 2011 for a thorough critique of the UK situation.) Alongside this, economists (and other social scientists) are increasingly turning attention to the viability of alternative ways of delivering policy which would ameliorate (or even repair) inequalities and class divisions. To these analytical efforts, political sociologists (and social marketers) need to add consideration for the levels of political support such strategies might gain.

Hopefully, some of this conceptual mapping will provide useful guidance in perusing the complexities that arise with the subject-matter of this special issue, and a provocation to further reading for those readers who have not been closely following trends in class analysis. Moreover, it may form a benchmark against which the provision and the lacks of New Zealand class analysis can be assayed.

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## **Economic Inequality In New Zealand: A User's Guide**

*Brian Easton*

“When inequality is the common law of a society, the greatest inequalities do not call attention to themselves.” *Democracy in America*, A. de Tocqueville.

### **Prologue**

This survey is a response to two recently published works on inequality in New Zealand. The first, a report by Bryan Perry (2013), although published in a government department, is an extensive scholarly study bringing together much material. The second, a book edited by Max Rashbrooke (2013), although with contributions by academics, is a popular exposition which offers a starting point for a discussion on inequality but both undersells the issue by not being up-to-date with the research, and oversells it – if we are in crisis we have been in it for over two decades.<sup>1</sup>

Reporting on either presents a reviewer with a considerable challenge. The Perry study is so marvellously detailed that one could well end up with a review as long as its 242 pages; tackling the Rashbrooke book at the same level would involve tediously correcting or elaborating a plethora of statements.

Instead, this has been written as a survey of what we know – and don't know – about economic (mainly income and wealth) inequality in New Zealand. The works are referred to where they are a part of the exposition.

A surprising conclusion of the survey is just how much New Zealand research on economic inequality there has been. The incomplete list of references at the end cites more than 70 empirical studies. It is not practical to mention them all in this survey, even if those writing on the topic should be aware of these.

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<sup>1</sup> Rhetoricians with policy agendas will claim there is a crisis and propose their policy as a solution or partial solution to, say, the change in the level of inequality even though there is no apparent connection between the two. The classic political analysis of crisis politics is *Democracy in Crisis* (Jensen & Meckling, 1983) which explains how crises are manufactured to pursue policy ends. Ironically, as their title indicates, the writers use exactly the same political strategy themselves.

Reading the Rashbrooke book, though, one recalls the story of the drunk who uses a lamppost for support rather than illumination. So it is for too many public policy rhetoricians.<sup>2</sup> This survey is consciously explanatory about the underlying analytics. In each case the test is whether those who contributed to the Rashbrooke book would have benefited from having a better grasp of them.

## **Key Messages**

### *Section 1: Why is Economic Inequality Important?*

1. The section identifies four main issues as to why inequality may be important
  - equity
  - plutocracy
  - efficiency
  - inequality may contribute to economic instability.

### *Section 2: Measuring Inequality*

2. There is no single perfect measure of inequality. There are numerous imperfect measures which may be used for different purposes. Sometimes they contradict one another.
3. The exact variable which is being measured matters. Among the options for measuring income (or wealth) are that of persons (adults with or without children) or of households and, in the case of income, before or after tax and transfers. Always check definitions (and don't trust that inexperienced writers have). Be aware that the measures may not be comprehensive.

### *Section 3: The Census Income Distribution (Table 1)*

4. Total personal income of adults as measured by the census (which is - before tax - market income only to 1981 and includes social security from 1981) shows relatively stable inequality from 1926 to the 1950s and then falling to 1986, followed by rises.

### *Section 4: Household Income Inequality (Table 2.3)*

5. There is an unequal distribution of (equivalised) household income distribution. In 2012 about two-thirds of New Zealanders were in households with an annual household income of between \$29,000 and \$48,400 per (equivalised) person. A sixth were in higher income households; a sixth were in poorer households.
6. Today New Zealand is a more unequal society than it was three decades ago.

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<sup>2</sup> The comparable story about some researchers is of the drunk who looked for the car keys under a lamppost light, despite having lost them elsewhere, because the light was better there.



However most of the increase in inequality occurred in the period between the mid-1980s and the mid-1990s. The width of the distribution (as measured by the Coefficient of Variation) increased by over a half. The trend after the mid-1990s is more ambiguous. The best interpretation is that the income distribution has remained at roughly the same level of inequality over the last two decades.

*Section 5: Household Market Incomes (Table 4)*

7. It is difficult to interpret changes in the household market income distribution. It probably follows much the same pattern as household disposable income. It may not be a particularly relevant indicator.

*Section 6: Explaining Changes in the Level of Inequality: Market Influences*

8. The rise in structural unemployment seems to have increased income inequality. Cyclical unemployment is important.

9. A major influence was a rise in the income share of the top 1 percent of adults. Their share rose from about 6 percent in the early 1980s (that is 6 times the adult average) to 10 percent today (10 times the adult average). Most of the shift occurred in the period between 1998 and 2003. The two major influences seem to have been a change in the tax treatment of dividends and an increase in margins for management and professionals over average workers.

10. There is not much evidence on the impact of prices and wage relativities (other than the margins mentioned in paragraph 9).

*Section 7: Explaining Changes in the Level of Inequality: Social Influences*

11. Changes in the family and household structure and in the socio-demographic attributes of households had some impact - raising the level of inequality.

*Section 8: Explaining Changes in the Level of Inequality: Redistribution*

12. A major reason for the rise in equivalised household disposable income inequality between 1985 and 1993 is partly explained by the dramatic changes in redistribution between income levels that New Zealand experienced. The income tax scale was flattened and the introduction of GST imposed more heavily upon those on lower incomes. There were savage cuts to benefit levels in 1991 and more user-pays for health and education so that more costs were pushed onto households, which the poorer ones found harder to bear.

13. While there was relative stability in the household income distribution after 1993, the relative share of the bottom quintile fell from the late 1990s. The group's real incomes rose, but less than average, probably because benefits were increased in line with prices rather than wages, so beneficiaries did not share in

the rising real wages. Beneficiaries were not entitled to the child tax credit, which was later expanded and called the 'in work tax credit' under working-for-families, and because many beneficiaries were unable to take advantage of the booming labour market.

*Sections 9, 10.11: International Comparisons (Tables 5, 6)*

14. New Zealand was 9th out of 34 in the OECD ranking of inequality in about 2009, after adjustment for population and per capita GDP. It was about 20th in 1985, so it moved from being in the bottom half of the OECD to the top half. (The measure used here is internationally comparable Gini coefficients.)

15. Over the whole three decades between 1982 and 2012 the increase in New Zealand income inequality was not the greatest. (The Swedish change seems to have been much higher.) But it had the greatest increase in income inequality in the decade to 1995.

*Section 12: What Happened Before 1985?*

17. We do not know what happened to household incomes before the 1980s because there are no data.

18. However personal market income seems to have been stable in the interwar period and declined in the early post-war period to 1981.

*Section 13: What Happened After the Global Financial Crisis?*

19. The preliminary indication is that the Global Financial Crisis impacted more on top disposable incomes than bottom ones, so that there was some reduction in income inequality. This was despite the post-GFC income tax changes being biased towards the rich and despite some tightening of benefit entitlements. The probable explanation is that returns on investment fell while unemployment in New Zealand has not been too heavily affected by the downturn. (The Canterbury Earthquakes add to the difficulties of interpreting the short data series.)

20. While the 1972 Royal Commission on Social Security pointed towards a notion of relative poverty, official policy since 1991 seems to be concerned with absolute poverty only.

*Section 14: Poverty Measurement*

21. Poverty lines based on median incomes are flawed, because poverty can be reduced by transferring income from the middle to the top.

22. A higher proportion of the population experienced relative poverty after 2000 than in the 1980s. - perhaps 2 to 4 percentage points.

23. The majority of the poor are parents with jobs and their children (although they may have had only one or two), living in their own home albeit usually with a mortgage. The proportion in poverty is higher among solo parents, those without jobs, living in rental accommodation and with a brown ethnicity (but there are fewer of each category). More women than men are poor. While the incidence of poverty is higher among Māori and Pasifika, there are more poor who are not of their ethnicity.

24. The salient conclusion from the research is that over 80 percent of the poor are children and their parents (and others in their households) and that proportionally more children are in poverty than adults (especially those adults who are not parents).

#### *Section 15: Distribution by Social Groups (Table 7)*

25. Mean Māori equivalised household incomes were 90 percent of average in 2012 and Pasifika ones were 89 percent. European/Pākehā ones were 107.5 percent.

#### *Section 16: The Dynamics of Inequality*

26. Although there is considerable dynamism in the income distribution as some people and households shift their relative locations over time, there is also considerable inertia.

27. One study found about half of those below the study's poverty threshold at a point in time were in chronic ('permanent') poverty - the figure for children was 60 percent. The proportions will be higher if a higher poverty threshold is used.

#### *Section 17: Income and Health (Table 8)*

28. In any given age group, those in the lower income quintiles are in poorer health than those in the higher income quintiles. Some infectious diseases seem to be associated with poverty.

#### *Section 18: Wealth*

29. Physical and financial wealth is much more concentrated than personal income. While there is a life cycle to wealth holdings (peaking at about the age of 60), within each age cohort, wealth is also very unequally distributed. The main form of this wealth holding is housing.

30. The vast majority of the adult population had little physical and financial wealth. In 2003/4 6.5 percent had negative net worth, although this may be dominated by those with student debt. Conversely 1 percent of adults had 16.4 percent of total wealth, about the same share as the bottom 70 percent of the

population. There is not a lot of gender inequality, but each European/Pākehā owns about 2.6 times that of the other ethnic groups. Larger families (with more than two children) have less wealth.

#### *Section 19: Housing*

31. Very little is known systematically about the impact of housing on inequality but from what is known differences in housing outgoings tend to increase effective income inequality.

#### *Section 20: Inequality and Growth*

32. While per capita National Income in constant expenditure prices rose at a trend rate of 1.7 percent p.a. between 1982 and 2012, Sen's real national income - which is more sensitive to distributional change - rose only 1.3 percent p.a. because of the rise in income inequality. In effect on Sen's measure the additional inequality cost New Zealand economic growth almost a fifth.

#### *Section 21: Epilogue: Towards Policy Responses*

33. While the focus of the survey is on the facts and related analytics rather than policy - on getting things right - there is a preliminary discussion of predistribution and redistribution policies.

#### *34. This survey of economic inequality concludes*

Those who command policy - whether effectively or ineffectively - have to decide to what extent reducing (or increasing) economic inequality is a policy objective. Is New Zealand satisfied with shifting from a low inequality to a high inequality society? What would its founding nineteenth century migrants have thought about the fact that, after allowing for each country's size and affluence, New Zealand is now more unequal than the countries they left? And what would those who invited them here have thought had they known their descendants would be firmly in the bottom end of the unequal distributions?

#### *References*

The bibliography includes over 70 items of New Zealand empirical research plus some international ones and some of a more philosophic nature. Readers are invited to submit further New Zealand work which has been inadvertently overlooked.

### **1. Why is Economic Inequality Important?**

Public concern over economic inequality is rising both internationally and in New Zealand. It probably reflects four main themes which are inextricably

mixed together.

### *1. The Equity Argument*

Many people judge that inequality (or, more often, severe inequality) is morally wrong per se. Their arguments as to why this is so can be tortuous or simple. One of the most sophisticated is that of philosopher John Rawls whose ‘second principle of justice’ is that social and economic inequalities should be arranged to be of the greatest benefit to the least-advantaged members of society and that offices and positions should be open to everyone under conditions of fair equality of opportunity (Rawls, 1971/1999).<sup>3</sup>

Implicit in this formulation is a belief that some inequality benefits the poorest. A simple version of it is that a society with perfect equality would give the poorest a lower quality of life than one with some inequality, because there would not be the economic incentives to improve oneself, thereby benefiting others too, while the costs of enforcing such perfect equality are high.

However this does not tell us how much inequality is ideal. Such evidence, as there is, indicates that inequality tends to be lower in higher income societies, while high inequality societies do not seem to grow any faster. These are but correlations; there is not a lot of systematic evidence to explain what the underlying causal processes might be.

There are two main subsidiaries of the equity argument. The first arises from the need for ‘social coherence’ – an unequal society is a divided one. It has an efficiency dimension since a divided society is likely to require more public spending on justice, policing and corrections and on private security measures.

The second argument is that while there is nothing wrong with social inequality at a point in time, it has long term consequences in terms of loss of opportunity for future generations. Sometimes it is said that the purely ethical case against inequality does not carry much weight (in the mind of the exponent) but there is a concern that children (in particular) in deprived homes will be denied life chances. (Someone who holds such a view may also be concerned about the three non-equity arguments which follow.) Note that it also has an efficiency dimension, because arguably an unequal society is wasting talents.

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<sup>3</sup> There is a caveat. The ‘just savings principle’ requires that justice be maintained through time. The first principle is that each person has an equal right to the most extensive basic liberty compatible with a similar liberty for others. Sen (2009) presents a critique of the Rawlsian Theory of Justice which does not affect this exposition.

## 2. *The Plutocracy Argument*

There is a concern that if there is great inequality then those at the top of the (income, say) distribution have an unfair influence in the direction of the governing of society. While the rich always have more political leverage than the poor, the amount varies depending on institutional arrangements and the degree of inequality. It is possible that while a political system may have the formal appearance of a democracy, it may in practice be a plutocracy in which its effective rulers are its rich.

Plutocracy undermines the claim of a democratic society. Where the economic disparities outweigh the formal structures of democracy, the practical operation of the democratic principle suffers – and with it the rights and voice of the underprivileged. The unequal distribution of national resources is consequently affected and with it the denial of opportunities for the disadvantaged sectors of the population. Stiglitz's point about the cumulative effects through unequal media and national dialogue is especially relevant.

Where a particular system settles on the democracy-plutocracy spectrum is partly a matter of institutional arrangements (such as the degree to which money can influence elections) but inequality is also relevant because it affects how much various groups can afford for influencing purposes. Indeed the successful ones may use that influence to bias the institutional arrangements in their favour (such as the laws which control contributions to elections). This influence is not confined only to elections and the policies of the elected governments; it may also affect the media and the national dialogue. (Stiglitz, 2012; Wade, 2013)

The plutocracy issue is sharper in America and Britain, where the top 1 percent of income recipients have double the share they have in New Zealand. In any case any such class analysis in New Zealand has to pay more attention to offshore influence.

## 3. *The Efficiency Argument*

Recently *The Spirit Level* has argued that unequal societies are more likely to have poorer social performance (Wilkinson & Pickett, 2009). It finds a relationship between inequality, on the one hand, and, on the other, various variables: drug and alcohol infant mortality, educational performance, homicides, imprisonment rates, life expectancy, mental illness, obesity, social mobility, suicide, teenage births and trust.

Some of the relationships are empirically stronger than others. Thus far,



the research provides but a correlation and every scientist knows that correlation is not causation – that two events are associated does not prove that one causes the other. There are various hypotheses about the mechanisms which might cause the social distress, but none are yet proven in a scientific court.<sup>4</sup> Any inefficiency would mean that a society with higher inequality has to spend more – whether publicly or privately does not matter here – on its health and justice systems to attain its desired outcomes.

A related issue is that the greater the economic inequality, the lower the intergenerational mobility. Even if economic inequality at a point in time were not to matter, it seems likely to affect life chances over time. A child who comes from a deprived background is likely to have poorer health throughout the rest of their life, to have less access to educational and vocational opportunities and to be more likely to experience social delinquency. The equity argument says this is wrong; for efficiency concerns it makes measures to correct the effect more expensive.<sup>5</sup>

#### *4. The Macroeconomic Argument*

One element of the Global Financial Crisis may have been that the increasing incomes among rich Americans were saved and lent to those below for housing purchase, which led to the sub-prime loans and the resulting financial instability (Stiglitz, 2013). This argument applies to the American economy only, and does not seem to apply to New Zealand. It is mentioned here as one part of the main issues in the world debate.

In summary, there are a number of reasons why we might be concerned with economic equality. Aside from moral concerns, there is good reason to believe that inequality impacts on the way in which a society functions. If some of the impacts are unattractive, reducing inequality may result in some social gains.

## **2. Measuring Inequality**

There is no unequivocal measure of inequality or changes in inequality. While what is happening to inequality is clear when only two individuals are involved – either their incomes are closer or further apart – the addition of just one extra person can lead to ambiguities. It is only possible to make unequivocal

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<sup>4</sup> The causal hypothesis Wilkinson and Pickett offer involves psychological phenomenon like anxiety and lower self-esteem in higher inequality societies.

<sup>5</sup> Even so, honesty requires acknowledging that a lot of the social expenditure on responding to inequality is not very effective.

comparisons where the ‘Lorenz’ curves do not cross<sup>6</sup> (Atkinson, 1975: Ch 3; Easton, 1983: Ch 2).<sup>7</sup>

The core of the problem is that economic distributions are typically complex and cannot be characterised by a few parameters. Students are introduced to simple statistical distributions; the commonest of which is the normal (or Gaussian) distribution which requires but two parameters (a mean and standard deviation) which may be compacted for many comparative purposes into a single parameter of the coefficient of variation – the ratio of the two.<sup>8</sup> Commonly there is not a sole parameter to compare two economic distributions. That is why there can be no authoritative index of inequality.

This is illustrated by the following simple example. Suppose there are three people who have incomes of 3, 10 and 17 respectively. If there is a transfer of one unit from the middle income person to the bottom and one unit to the top the distribution is now 4, 8, 18.

Observing the bottom person has had an increase in their income one might assume there has been a reduction in inequality. But, paradoxically, observing the top person has also had an increase, the conclusion seems to be there has been an increase in inequality.

A widely used measure is the ‘Gini’ coefficient which measures the average difference between the incomes of the individuals in the distribution (scaled by the overall average income). It ranges from 1 when there is total equality, to 0 when all the income is received by a single individual. (Sometimes it is reported as a percentage/out of 100.)

Because it is not well understood the Gini coefficient has a mystique. For the general user a measure of the ‘width’ of a distribution – such as the coefficient of variation – may be more intelligible.<sup>9</sup> A CV of 1 is equivalent to the standard deviation equalling the mean; of 2, twice the mean; and so on. A doubling of the CV is equivalent to a doubling of the width of a distribution.

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<sup>6</sup> A Lorenz curve plots the cumulative share of people from lowest to highest income on the horizontal axis against the cumulative share of income earned on the vertical axis.

<sup>7</sup> There are many other measures than the ones used in this survey – e.g. percentile ratios, such as 80 to 20. None resolve the basic problem that no single measure can capture all the change in a distribution, while a plethora of partial measures adds to the confusion.

<sup>8</sup> The same applies to the log-normal distribution. A useful first approximation to many income distributions is to treat the logarithm of the income as normal. However the approximation is usually crude for actual distributions.

<sup>9</sup> The coefficient of variation of the distribution is its standard deviation (a measure of the dispersion or width) divided by the mean (so that it is scaled).

Unfortunately it is rare for a research study to provide the CV. However there is a simple conversion of a Gini coefficient to a CV when the variable has a lognormal distribution – which many economic distributions approximately follow.<sup>10</sup> To assist understanding the magnitude of the Gini coefficient – and even more to assist understanding the meaning of a change in inequality between two distributions – whenever the Gini coefficient is reported the CV equivalent for the lognormal is also reported.

To add to the paradox, the Gini coefficients for the two distributions we considered at the beginning of the section are identical ( $GC = 0.655$ ;  $CV = 6.2$ ), which might lead one to conclude there has been no change in inequality.

So the three measures tell different stories, illustrating the difficulty of judging changes of inequality (or comparing them) when the changes are small. Fortunately in practice where there have been substantial changes in the income distribution, the measures of inequality have been consistent. But when the changes in the distribution are small they can contradict one another.

The counsel of perfection is to give ‘income shares’. Space means that is not always possible and, in any case, much of the public finds the resulting tables too complicated.

A recent development at the OECD has been the use of disparity indexes rather than the Gini Coefficient. Essentially a disparity index is the coefficient of variation scaled so that the mean of the group (say of countries) is unity. It is the main indicator in the OECD paper discussed at end of Section 7.

### 3. The Census Income Distribution

The Population Census asks respondents to report their incomes for the previous year. Until 1981 they asked only for market incomes, but from 1981 they asked for total income including social security benefits. (Conveniently in 1981 they asked both.) The request is for before tax income but it is likely some (especially social security beneficiaries) report their after-tax income. In any case their recall is not always accurate.

The advantage of the series is its length, although it is less valuable since superior series have become available. Census data is also useful for tracing social groups such as Māori. The available series is shown in Table 1. (The interwar data is discussed in section 11.)

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<sup>10</sup> A reasonable approximation for the lognormal distribution for GC in the 0.1 to 0.8 range is  $CV = 0.15 \cdot \exp(9.2 \cdot GC)$  (Easton 1983, *ibid.*: .22-230, Skeptic’s Play 2013) However few distributions are exactly lognormal, certainly not the ones discussed in this survey.

**Table 1: Income Reported by Adult Deciles in New Zealand Censuses 1945-2013<sup>11</sup>**  
Percent of Reported Income

| March Year                                      | Bottom 3 Deciles | 7th  | 6th | 5th | 4th  | 3rd  | 2nd  | Top  | Gini Coeff |
|-------------------------------------------------|------------------|------|-----|-----|------|------|------|------|------------|
| Market Incomes (Non-Māori)                      |                  |      |     |     |      |      |      |      |            |
| 1926                                            | 0.0              | 0.1  | 5.1 | 7.8 | 13.0 | 16.9 | 20.6 | 35.6 | 0.62       |
| 1936                                            | 0.0              | 2.2  | 2.9 | 7.6 | 9.5  | 15.1 | 22.4 | 40.3 | 0.59       |
| 1945                                            | 0.0              | 2.7  | 4.8 | 7.9 | 11.2 | 15.4 | 20.0 | 37.8 | 0.59       |
| 1951                                            | 0.0              | .2.5 | 4.5 | 9.2 | 13.4 | 16.4 | 20.7 | 35.7 | 0.60       |
| Market Incomes (Total Population)               |                  |      |     |     |      |      |      |      |            |
| 1951                                            | 0.0              | 0.1  | 3.9 | 8.5 | 14.0 | 15.1 | 20.1 | 38.5 | 0.61       |
| 1956                                            | 0.0              | 0.2  | 3.9 | 8.9 | 13.1 | 15.8 | 20.2 | 38.3 | 0.61       |
| 1961                                            | 0.0              | 0.4  | 4.7 | 8.2 | 13.9 | 16.0 | 19.7 | 37.1 | 0.60       |
| 1966                                            | 0.0              | 1.2  | 5.2 | 9.4 | 12.6 | 15.4 | 18.7 | 37.5 | 0.58       |
| 1971                                            | 0.1              | 1.5  | 5.1 | 9.9 | 12.2 | 16.1 | 19.5 | 35.6 | 0.57       |
| 1976                                            | 0.3              | 1.6  | 5.8 | 9.6 | 12.7 | 15.7 | 19.8 | 34.6 | 0.56       |
| 1981                                            | 0.4              | 1.4  | 5.9 | 9.6 | 12.7 | 15.6 | 19.6 | 34.9 | 0.56       |
| Total Income Including Social Security Benefits |                  |      |     |     |      |      |      |      |            |
| 1981                                            | 4.4              | 4.5  | 6.6 | 9.5 | 11.7 | 14.2 | 17.7 | 31.3 | 0.48       |
| 1986                                            | 6.9              | 5.5  | 7.2 | 9.1 | 11.3 | 13.8 | 17.6 | 28.7 | 0.43       |
| 1991                                            | 7.5              | 4.8  | 6.6 | 8.6 | 11.6 | 13.3 | 17.4 | 30.3 | 0.45       |
| 1996                                            | 5.9              | 5.1  | 5.9 | 8.2 | 10.7 | 13.7 | 17.1 | 33.4 | 0.48       |
| 2001                                            | 5.7              | 4.8  | 6.1 | 8.1 | 10.6 | 13.3 | 17.5 | 33.9 | 0.49       |
| 2006                                            | 5.8              | 4.8  | 6.5 | 8.7 | 10.9 | 13.1 | 17.7 | 32.4 | 0.47       |
| 2013                                            |                  |      |     |     |      |      |      |      |            |

(Sources: Statistics New Zealand Population Censuses).

The inconsistencies of measurement (and inaccuracies of recall) over time mean that it is not always easy to identify exactly what is going on. However the pattern seems to have been that market income was becoming less unequal in the post war era up to 1986 (Easton, 1983). An important factor was increased market income to those at the bottom of the distribution. The probable main reason is women (especially mothers) entering the paid labour force.

The post-1981 series is complicated by the addition of social security to market income, so some of the changes are the result of changes in the levels of

<sup>11</sup> The 1945 Census was in September 1945. It did not include overseas personnel. This data corrects an error in Easton (1996).

benefits and the numbers of recipients. Even so, it shows what is a characteristic feature of the post-war New Zealand income distribution. There is a very large increase in inequality between 1986 and 1996, equivalent to a 50 percent increase in the coefficient of variation.<sup>12</sup>

After 1996 the inequality as measured by the Gini Coefficient is reasonably constant and may not reflect structural change. We await the 2013 Census data before drawing any structural conclusions.

The income shares reported in this section are before taxes are levied. The next section discusses the impact of taxation but this has to be at a household level and the data is only from 1981.

#### **4. Household Income Inequality**

Inequality is a multidimensional phenomenon, including inequality of income, or wealth, or inequality of access to health care, justice and educational opportunity.

Moreover there are sub-dimensions within the categories. Income may refer to market income, or to disposable income, in which taxes are deducted and government transfers (generally described as ‘benefits’ in this review) are added, or it may refer to taxable income, which often adds public transfers to market income.<sup>13</sup> It may be on the basis of individuals, typically excluding children<sup>14</sup>; or it may be the income of households which include children. The population under consideration usually matters.<sup>15</sup> Most of the other dimensions have similar complications.

We shall focus here mainly on the ‘equivalised household income’ data base, which is at the centre of New Zealand analysis. The method was introduced in 1974 when the first Statistics New Zealand household survey

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<sup>12</sup> The insertion is actually greater because in 1987 most social security benefits were grossed up (NZ superannuation and its predecessors always had been). Insofar as beneficiaries report their pre-tax benefit, some of the increase in low incomes between 1986 and 1991 was spurious and the inequality increase was even greater.

<sup>13</sup> While taxable income has included most transfer incomes since 1987, inclusion was not as comprehensive before then.

<sup>14</sup> Sometimes the data base forces the treatment of trusts as individuals.

<sup>15</sup> In the 1970s it mattered whether the measurement of income inequality covered all adults or just taxpayers. The former showed a fall in inequality over the period; the latter a rise. This was because women who had not been earning entered the paid labour force. Because they generally worked part-time and their pay rates were lower, they were at the bottom of the taxpayer distributions which appeared more unequal, yet their additional earnings boosted lower adult incomes so that the adult income distribution was less unequal. (Easton, 1983: Ch. 4).

became available (Easton, 1976). There have been steady improvements over the years, including the ability to access data at unit record level, and steady improvements in the quality and consistency of the records.

The basic procedure is to take the reported (annual) income – which may be adjusted for under-reporting – deducting income tax and adding government-provided benefits (if they are not included in the reported income). The income is then adjusted for the household's composition.<sup>16</sup> The result is called 'equivalised' income. The purpose is to treat households of different size and composition equivalently. For most purposes the notion may be as if it is 'per capita'. (A variation is to focus on spending rather than on disposable income. The income focus arises because dis-saving in one period is likely to lead to lower spending in future ones.)

The household equivalence scales which are used for the adjustment usually allow for the economies of scale for larger household, and often treat adults and children differently. There may be adjustments for housing circumstances (discussed later) and other differences.

The scales are fraught with complications not always appreciated by their users (Easton, 2004). Some will mentioned later when they become important for interpretation.

Since each household has different numbers of individuals and, especially, larger households tend to be poorer ones, each person (including any children) in a household is assigned the equivalised household income.<sup>17</sup> All individuals are then ranked by the equivalised incomes of the household they belong to into deciles.<sup>18</sup>

Table 2 shows the resulting tabulation for the 2012 year.<sup>19</sup> The second column shows each decile's average equivalised income (it may best be treated as the income of a couple; in April 2012 their New Zealand Superannuation

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<sup>16</sup> Among the complications is how to handle households with negative income (typically they are those with self-employed occupants) and what to do with households whose expenditures far exceed their income. A common practice is to eliminate households with negative incomes or to set their incomes at zero.

<sup>17</sup> This assumes that households share their income equally. It may not be true even in families (mothers may deny spending on themselves to protect their children). Furthermore all households are not families (e.g. a student flat) and have no reason to share income equally.

<sup>18</sup> Smaller quantiles (e.g. percentiles) are not generally practical because of the Household Survey's sample size.

<sup>19</sup> The 2012 year refers to the year ending June 2012. From 1998 and earlier the year ends in March.



would have been at least \$25,953 p.a.). The third column shows the decile share of total equivalised income.

The basic message is that there is considerable income inequality in New Zealand, with the top decile receiving about 2.4 times the average income and 7.5 times as much as the bottom decile. The Gini Coefficient is 0.306, equivalent to a Coefficient of Variation of 0.25 and a standard deviation of around \$9,700. Roughly two-thirds of New Zealanders in 2012 were in households with an annual income of between \$29,000 and \$48,400 per (equivalised) person.

**Table 2: Decile Mean of Equivalised Household Income**

| DECILE     | Average Income<br>\$p.a.2012 prices | Share %    |
|------------|-------------------------------------|------------|
| Top        | 97300                               | 24.3       |
| 2          | 60200                               | 15.1       |
| 3          | 49300                               | 12.3       |
| 4          | 41700                               | 10.4       |
| 5          | 35800                               | 9.0        |
| 6          | 31400                               | 7.8        |
| 7          | 28000                               | 7.0        |
| 8          | 23800                               | 6.0        |
| 9          | 19500                               | 4.9        |
| Bottom     | 12900                               | 3.2        |
| <b>ALL</b> | <b>38700</b>                        | <b>100</b> |

(Source: Perry, 2013:238; Negative incomes set at zero).

The income shares can also be constructed for many years since 1982. To simplify, Table 3 provides the share of the top 10 percent (decile) of households, the Gini coefficient (with CoV) and the bottom 20 percent (quintile). The third indicator reflects that estimates of poverty (discussed later) usually conclude about a fifth of the population are in poverty. Columns five and six are poverty-based estimates to be discussed later. The final column gives the average income for a couple measured in 2012 prices.

Broadly all the indicators show increasing inequality over the three decades between 1982 and 2012. The income share of the top decile rises, that of the bottom quintile falls, while the Gini coefficient rises. The year-to-year

fluctuations are generally small.<sup>20</sup>

**Table 3: Summary Indicators of Household Inequality 1982-2012**

| <b>Year</b> | <b>Top Decile Share %</b> | <b>Gini Coefficient (CoV)</b> | <b>Bottom Quintile Share %</b> | <b>Absolute Poverty %</b> | <b>Relative Poverty %</b> | <b>Average Income (2012 Prices)</b> |
|-------------|---------------------------|-------------------------------|--------------------------------|---------------------------|---------------------------|-------------------------------------|
| 1982        | 19.9                      | .268 (.18)                    | 8.9                            | 12                        | 12                        | 30000                               |
| 1984        | 20.2                      | .270 (.18)                    | 9.0                            | 13                        | 13                        | 29400                               |
| 1986        | 20.3                      | .265 (.17)                    | 9.2                            | 14                        | 14                        | 28400                               |
| 1988        | 20.1                      | .262 (.17)                    | 9.1                            | 12                        | 12                        | 28900                               |
| 1990        | 23.1                      | .300 (.24)                    | 9.0                            | 14                        | 14                        | 30700                               |
| 1992        | 23.3                      | .311 (.26)                    | 8.1                            | 24                        | 24                        | 27500                               |
| 1994        | 23.8                      | .318 (.28)                    | 8.1                            | 26                        | 26                        | 27000                               |
| 1996        | 25.0                      | .325 (.30)                    | 8.1                            | 20                        | 20                        | 29100                               |
| 1998        | 25.0                      | .327 (.30)                    | 8.0                            | 16                        | 15                        | 31200                               |
| 2001        | 25.4                      | .334 (.32)                    | 7.5                            | 16                        | 17                        | 32600                               |
| 2004        | 24.5                      | .329 (.31)                    | 7.7                            | 13                        | 20                        | 34400                               |
| 2007        | 24.6                      | .328 (.31)                    | 7.8                            | 11                        | 18                        | 36200                               |
| 2009        | 25.8                      | .331 (.32)                    | 7.9                            | 7                         | 18                        | 39800                               |
| 2010        | 24.6                      | .318 (.28)                    | 7.9                            | 8                         | 18                        | 39300                               |
| 2011        | 26.7                      | .343 (.35)                    | 7.6                            | 8                         | 16                        | 39800                               |
| 2012        | 24.3                      | .317 (.28)                    | 8.1                            | 6                         | 15                        | 40000                               |

(Source: Perry, 2013, *ibid.* pp.70, 87, 110, 238).

In particular, on all indicators most of the change in inequality occurred in the period between the mid-1980s and the mid-1990s. The width of the distribution (as measured by the Coefficient of Variation) increased by over a half.

The trend after the mid-1990s is more ambiguous. The share of the bottom quintile tended to fall, the share of the top decile was roughly stable and the Gini coefficient was probably stable, possibly declining. In my view the best interpretation is that the income distribution has remained at roughly the same

<sup>20</sup> There is a major fluctuation in 2011, due to the impact of the Christchurch earthquakes because insurance receipts are treated as income. This limits the ability to assess the effect of the macroeconomic turmoil which followed the Global Financial Crisis.

level of inequality over the last two decades, although different groups experienced gains and losses.

### 5. Household Market Incomes

In the course of examining the impact of fiscal measures on household material standards of living, Aziz *et al.* calculated Gini Coefficients for different measures of income for the four years for which they had data (1988, 1998, 2007, 2010). Their work is reproduced as Table 4. A comparable series from Perry (2013) is added. The researcher's primary interest is the final row of the table, which adds to household income the services provided by the government (such as education and health) and suggests the government has been less supportive to those with low incomes in recent decades.

**Table 4: Gini Coefficients for Different Measures of Household Equivalised Income**

|                           | 1988 | 1998 | 2007 | 2010 |
|---------------------------|------|------|------|------|
| Market Income             | 0.42 | 0.49 | 0.54 | 0.52 |
| Disposable Income (Aziz)  | 0.3  | 0.35 | 0.38 | 0.36 |
| Disposable Income (Perry) | 0.26 | 0.33 | 0.33 | 0.32 |
| Final Income.             | 0.27 | 0.3  | 0.35 | 0.35 |

(Source: Aziz *et al.*, 2012, Table 3; Perry, 2013; see Table 3 above).

Unfortunately the four years come from two data studies which may not be exactly aligned. Crawford & Johnston (2004) provide the first two observations; Aziz *et al.* (2012) the last two. The consistency problem is illustrated by comparing the Aziz household equivalised disposable income Gini Coefficients with the Perry calculated ones which are constructed to be consistent over time.

The concern here is not the different levels – which is both puzzling and disappointing – but the different patterns. The Perry series shows a leap between 1988 and 1998 and then remaining at roughly the same level; the Aziz one has a continuing rise from 1998 to 2007 and then the flattening out. This could be reconciled with the Perry pattern if we assume that the Aziz and Crawford estimates are not on the same basis. If that it is true for household equivalised disposable income it must also be true for household equivalised market income.

But even if the series are consistent we need to be careful interpreting household equivalised market income. Economists are interested in personal

market income because it reflects the factors of production held by individuals and the (factor) prices that reward them. However equivalised household market income is not as interesting from this perspective, because household formation is also relevant.

If a couple of workers marry that will change the distribution of household equivalised market income but not the personal market income. If they have a child that again changes the household market equivalised distribution even if they continue to work. As we report below Hyslop & Maré (2001) observe one of the causes of increase in inequality is changes in household structure.

Ultimately, it is unclear why we should be interested household equivalised market income except as a step on the way from personal market income to household disposable income.

Is the same true for household disposable income? No, because the variable has a meaning as an indicator of the material standard of living of the inhabitants of a household. The challenge is to explain what are the determinants of that measure. We begin with the determinants of market income.

## **6. Explaining Changes in the Level of Inequality: Market Influences**

While it is true that income inequality has been increasing over the last three decades, almost all the significant change occurred in the first decade. This is not a trivial issue. What serious policy needs is an analytic account of what determines the inequality, preferably with an indication of the magnitude of each effect; getting the right story to analyse is important.

Methodologically it is easier to explain changes in the level of inequality than to explain the level of inequality itself. The latter usually needs cross-country comparisons or heavy use of theory with some microeconomic analysis (which rarely gives an indication of magnitudes).

The available explanations for changes in economic inequality are centred on two general economic areas. The first involves changes in the macro-economic (or market) environment – especially unemployment, remuneration and investment income; the second, redistribution policies discussed in the next section.

### *Unemployment*

Changes in the level of unemployment level affect just about everyone but apparently those in the second-to-bottom quintile are affected most (Easton,

1995). Unemployment rose to unprecedented post-war heights in the early 1990s, reflecting the major industry restructuring going on at the time (plus some loss of aggregate demand). It may well be half of the labour force was unemployed over four years 1988/9 to 1992/3, albeit in most cases for a short period as they shifted between jobs, but usually sufficiently long for them to register with the employment service of the Department of Labour (Easton, 1996:110-112). This suggests that part of the rise in inequality in the 1985 to 1993 period could have been due to the weaker labour market.

Unemployment levels fell from the mid-1990s, especially after 2000. The effect on income inequality is evident in the falling Gini coefficient (but less so in the top decile and bottom quintile which are less affected by unemployment) (Perry 2013:56, 163). However the effect is small, at most equivalent to a 20 percent fall in the width of the distribution (the CoV) between 2001 and 2011. (Moreover, some of that fall must be attributed to the introduction of Working for Families.) It appears the lift in unemployment between the early 1980s and early 1990s cannot have made a major change to income inequality in the period.

More generally, there is a case that the structural (i.e. cyclically-corrected) rate of unemployment rose about 2 to 3 percentage points between the 1960s and the 1980s (Easton, 2012). This would have added to inequality but the shift occurred outside the period of main focus.

### *Top Market Incomes*

What happened to top of the income distribution measured before tax? Analysis is treacherous because it is based on an administrative data base which changes over time as law and administrative practices change. (Additionally it is based on income reported for tax purposes which is subject to tax avoidance and excludes capital gains.)

To reduce some of these complications the analysis is based on all adults (over 15) and not just those who are recorded in the tax statistics. The income in the denominator is the primary income receivable as reported in the System of National Accounts. Four measures from 1981 to 2011 are available: the share of the top 0.1 percent, the share of the top 1 percent the share of the top 10 percent and the Pareto coefficient. The discussion below is confined to the top 1 percent. The other indicators are of different magnitudes but show generally the same pattern (Easton, 2013T).

The top 1 percent's share of total income was around 6 percent of total

income until 1989, or 6 times that of the adult average. It then rose rapidly to just over 10 percent by 1993, or 10 times the average. After this jump of 4 percentage points (or two thirds) the share remains broadly constant.<sup>21</sup> Arguably the share increased by, say, 0.3 percentage points in the early 2000s; if so it fell by roughly the same amount in the following decade. There is no evidence of the sharply rising income share at the top since 2000 we see in jurisdictions with a more sophisticated financial sector.

Why did the share of the incomes at the top rise? Part, perhaps a third, is explained by the ending of the double taxation on dividends in 1989 which led to more being recorded as taxable income.<sup>22</sup> (This would mean that unrecorded capital gains probably fell.)

The best explanation for the remainder seems to be that margins for management and professionals (i.e. over average workers) rose both in the public and private sectors. The big shift occurred in the early 1990s (probably as a consequence of legislative change and changed private sector attitudes following the market reforms); the structural explanation is probably the opening up of the global labour market for these skills.

Unfortunately, we cannot simply map individual adult market income shares onto households. Those with top decile incomes are likely have more adults – some of who may, or may not, have incomes in the top decile – and they are more likely to be larger and have more dependants. Even so, it seems safe that perhaps 2.5 or 4 percentage points of the top decile households probably came from higher market receipts in the early 1990s.

### *Prices and Wages*<sup>23</sup>

Little is known about the effect of other changes in relative market prices. Did market liberalisation period benefit the rich more than the poor? The short answer is that there is little evidence that they had a marked effect.<sup>24</sup> There may have been some, but it seems to have been minor in comparison to the impact of the effects we are about to describe (Easton, 1996).

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<sup>21</sup> After allowing for a blip up due to some tax avoidance in the 2000 tax year and a recovery down phase thereafter.

<sup>22</sup> Once dividends were taxed as a part of the corporation tax regime and then taxed in the hands of the dividend recipient. Tax changes in the 1980s had (roughly) the corporation tax being treated as a prepayment of income tax.

<sup>23</sup> See also Hyslop and Maré (2003)

<sup>24</sup> It might, however, be worth exploring whether there has been an increase in margins for skill and management, which have widened the income distribution.



There is some evidence that the wage distribution became more unequal. However its impact on the household distribution is unclear<sup>25</sup> (Dixon, 1998).

### **7: Explaining Changes in the Level of Inequality: Social Influences**

Dean Hyslop and David Maré (2003) carried out a careful analysis of changes in the distribution of Gross Household Income (that is before income taxes are deducted).<sup>26</sup> They use five indicators of inequality for three periods: 1983-6, 1989-93, 1995-98.

They examined five effects whose change might be expected to impact on the level of inequality: household structure, National Superannuation, household attributes employment outcomes and economic returns to factors of production. Collectively they explain about half the total change.<sup>27</sup> Here is (part of) Hyslop and Maré's conclusion:

Our analysis shows that the changes in the distribution of income involved a complex set of factors which are difficult to summarise using a single measure of inequality. Examining income inequality across all households, we find that the main factors which contributed to the change in inequality were changes in family and household structure (primarily a pronounced drop in the fraction of two parent households and a rise in the fraction of sole parent households), and changes in the socio-demographic attributes of households. These factors each explain one-sixth of the total increase in the Gini coefficient [of Gross income] over the period, and up to one-third and one-half (respectively) of other measures of inequality. ... our results show that changes in the employment outcomes of households had a more modest impact on income inequality. However, within household types, we find that employment changes do have a large effect on the observed change in income inequality. Finally, we find little evidence of any systematic effects of changes in the economic returns to socio-demographic attributes on the distribution of household income and inequality. (The failure to get purchase from

<sup>25</sup> It is true that the employee share in domestic income has fallen but this is in part due to shifts between employee status and self-employment and an increasing share going to foreign owners of capital (Easton, 2010). Earlier in the 1970s, real wages had risen faster than productivity and then stagnated from about 1985 (Easton, 1996).

<sup>26</sup> This caveat is especially important given the social security benefits were 'grossed up' in 1987 – that is increased so they were taxed back to the same net level. This almost certainly means that the study did not capture the reductions in the effective levels of benefits as well as the reductions in income tax on upper incomes.

<sup>27</sup> Measured by changes in the Gini Coefficient. The levels for the three periods were 1983-6 = 0.347; 1989-92 = 0.386, 1996-98 = 0.398. They represent a change in the CV of 43percent and 12 percent between the two periods.

the unemployment variable may be surprising, but may reflect timing.)

### **8. Explaining Changes in the Level of Inequality: Redistribution**

As it happens, the rise in income inequality between 1985 and 1993 is associated with some of the most dramatic changes in redistribution between income levels that New Zealand has experienced.<sup>28</sup> Top income tax rates were cut, while the removal of tax exemptions and the introduction of GST imposed more heavily upon those on lower incomes. Additionally there were savage cuts in benefit levels in 1991 while union power to maintain and increase real wages was weakened. These largely explain the change in inequality in that period.

There have been subsequent changes in tax and benefit levels, but none apparently dramatic enough to disturb greatly the income distribution. There is one exception.

It is clear from Table 2 that the relative share of the bottom quintile fell from the late 1990s. Their real incomes rose, but more slowly than average incomes. There seem to have been three reasons. First, benefits were increased in line with prices rather than wages, so beneficiaries did not share in the rising real wages. Second, they were not entitled to the working-for-families in work tax credit, which benefited those in immediately higher deciles.<sup>29</sup> Third, many beneficiaries were unable to take advantage of the booming labour market of the late 1990s and early 2000 to find jobs. It is true that the level of top income taxes fell further, but apparently not enough to markedly change the after-tax share of the rich.

In summary, we know that the change in redistributive policies had the major impact on income inequality, but so did changes in the market income of the top 1 percent. Probably they contributed about equally to the rise in the share of the top 10 percent of households. Cyclical changes in unemployment levels had some smaller but perceptible effect (unfortunately they are most important at the very time the biggest changes in redistribution and top income rising shares happened, and they may obscure the length of the transition). We don't have a lot of evidence about the effects of market prices including wages.

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<sup>28</sup> The other candidates for the claim are a series of incremental changes over a longish period (the Great Inflation from 1968 to 1990 might be an example) or possibly the introduction of social security in 1939. However the latter involved horizontal redistribution more than vertical redistribution.

<sup>29</sup> In any case it was an extension of earlier tax credits and partly compensated for their loss of value from inflation.

## 9. International Comparisons: 2009

In recent years the OECD has compiled comparable Gini coefficients for all its members, although not for every year.<sup>30</sup> Table 5 shows the ranking for the average of the 2008 to 2010 years (recall the coefficient is not an ideal measure of inequality – none exists).<sup>31</sup> (The adjusting is explained and interpreted below.)

There is a major caveat to the tabulations for they use exactly the same equivalence scales for all countries. However true equivalence scales will reflect differences in market prices. The differences can be dramatic as I found when I valued the same basket of goods and services in New York and New Zealand prices. It generates quite different equivalence scales. The most obvious reasons for this was the cost of housing with additional rooms (for children) in New York being far more expensive than New Zealand, so that the New York scale showed weaker economies of scale for household expenditures<sup>32</sup> (Easton 1973N). We do not know what the effect of using country specific equivalence scales would be on the rankings in Table 5.

The third column shows that in about 2009 New Zealand was 14th to most unequal among the 34 countries on the OECD list. Thus it is in the top half of the list. While the country may appear to be only a little above the average Gini coefficient score (0.317 versus 0.313), that amounts to almost an 11 percent larger coefficient of variation.

The ranking in the list is higgledy-piggledy, not least because the level of inequality is affected by population size (a population of one has no inequality) and affluence (high income economies tend to be more equal than low income ones). The fifth column adjusts for this – in effect assuming that all countries have the same sized population and GDP per capita.<sup>33</sup>

We can now see a pattern in the column. At the bottom are the five East-Central economies which had been in the Soviet sphere of influence before

<sup>30</sup> While Israel is not a member of the OECD, it is included in the data base (and here).

<sup>31</sup> Rankings can be sensitive to the imprecise third decimal place of the Gini coefficient..

<sup>32</sup> Using the New York priced equivalence scale is the reason that some of my very early estimates of poverty in New Zealand were much higher than the refined ones.

<sup>33</sup> The adjustment equation is based on the equilibrium equation (standard errors are shown below) that

$$\text{the Gini coefficient} = 0.032 \text{ Log(Population)} - 0.164 \text{ Log (GDP per cap)} - 0.170$$

(0.013)                      (0.055)

**Table 5: Gini Coefficient for Household Income Distribution: 2008-2010**

| Rank by    | Unadjusted         |              | Adjusted           |              |
|------------|--------------------|--------------|--------------------|--------------|
| Inequality | Country            | Gini Score   | Country            | Gini Score   |
| Most       | Chile              | 0.508        | Chile              | 0.459        |
| 2          | Mexico             | 0.471        | Luxembourg         | 0.392        |
| 3          | Turkey             | 0.411        | Mexico             | 0.389        |
| 4          | United States      | 0.379        | Israel             | 0.369        |
| 5          | Israel             | 0.373        | United States      | 0.362        |
| 6          | Portugal           | 0.345        | Australia          | 0.348        |
| 7          | United Kingdom     | 0.343        | Ireland            | 0.345        |
| 8          | Japan              | 0.336        | Iceland            | 0.336        |
| 9          | Australia          | 0.335        | <u>New Zealand</u> | <u>0.336</u> |
| 10         | Greece             | 0.332        | Switzerland        | 0.333        |
| 11         | Spain              | 0.329        | Portugal           | 0.333        |
| 12         | <u>New Zealand</u> | <u>0.317</u> | Turkey             | 0.333        |
| 13         | Canada             | 0.320        | Greece             | 0.331        |
| 14         | Estonia            | 0.316        | United Kingdom     | 0.329        |
| 15         | Italy              | 0.315        | Canada             | 0.322        |
| 16-17      | <b>Average</b>     | <b>0.313</b> | Estonia            | 0.315        |
|            | Korea              | 0.313        | Spain              | 0.315        |
|            | Ireland            | 0.312        | <b>Average</b>     | <b>0.313</b> |
| 18         | Poland             | 0.305        | Japan              | 0.306        |
| 19         | Switzerland        | 0.298        | Norway             | 0.303        |
| 20         | France             | 0.296        | Netherlands        | 0.303        |
| 21         | Germany            | 0.287        | Italy              | 0.297        |
| 22         | Netherlands        | 0.286        | Austria            | 0.289        |
| 23         | Luxembourg         | 0.278        | Sweden             | 0.284        |
| 24         | Hungary            | 0.272        | Korea              | 0.284        |
| 25         | Iceland            | 0.270        | France             | 0.281        |
| 26         | Sweden             | 0.266        | Finland            | 0.281        |
| 27         | Austria            | 0.265        | Belgium            | 0.276        |
| 28         | Belgium            | 0.261        | Denmark            | 0.272        |
| 29         | Slovak Republic    | 0.260        | Germany            | 0.272        |
| 30         | Finland            | 0.258        | Slovenia           | 0.260        |
| 31         | Czech Republic     | 0.255        | Poland             | 0.254        |
| 32         | Norway             | 0.248        | Slovak Republic    | 0.250        |
| 33         | Denmark            | 0.244        | Hungary            | 0.246        |
| Least      | Slovenia           | 0.243        | Czech Republic     | 0.245        |

(Source: *OECD Income Distribution and Poverty* <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>)

1991.<sup>34</sup> Above them are the remaining continental Europeans with the ‘Club Meds’ more unequal. Scattered among them are Japan and Korea. Higher (more unequal) are the Anglos – Canada, United Kingdom, New Zealand, Ireland, Australia and United States mainly above the average and at the top in inequality terms are the Latinos and Middle East.<sup>35</sup> In summary:

MORE UNEQUAL

Latinos & Middle East

Anglos

Club Meds

Northern Continental Europeans & North East Asia

East-Central Europeans.

LESS UNEQUAL

New Zealand is the middle of the Anglos, more unequal than Canada and the United Kingdom. In 2009 it was certainly in the top half of the OECD (as it was in the unadjusted ranking).

#### *9. Distributional Measures in a National Account Framework*

A new, and potentially fruitful, development has been the OECD’s Working Party on National Accounts developing ‘Distributional Measures Across Household Groups in A National Accounts Framework’ published in September 2013.<sup>36</sup>

A major effort has been to ensure international comparability in income and expenditure measure by anchoring them into national accounts concept. This involves realigning the numbers reported in household surveys. The surveys are known to under-report some items (notoriously alcohol consumption).<sup>37</sup> National Accounts estimate usually estimate the items

<sup>34</sup> Estonia, which had been a part of the USSR, is in the middle of the rankings. The other two Baltics are not members of the OECD. The OECD also provides an estimate for the Russian Federation of 0.428 unadjusted, placing it third most unequal between Mexico and Turkey. Adjusting it for being large and poor its Gini would have been 0.360 or seventh, between the United States and Australia.

<sup>35</sup> Not quite fitting into any pattern at the top are Iceland, Switzerland and Luxembourg. Ad hoc reasons may be advanced in each case. (Luxembourg GDP per cap is always problematic because a substantial part of its workforce resides outside its boundaries.) Note also that the Latinos, the Middle East and North East Asia have only two countries each in the dataset.

<sup>36</sup> STD/CSTAT/WPNA(2013)10/RD

<sup>37</sup> While it is easier to illustrate the point with alcohol consumption, the issue also applies to income aggregates which may be more important for distributional purposes. Even so the distribution of expenditure aggregates are of interest.

independently (say from production, imports and sales in the case of alcoholic beverages). They do so based on agreed international standards. In principle then the aggregates are more comparable internationally and so would be the household distributions following realignment.<sup>38</sup> However the adjustments probably may not have a lot of impact on domestic comparisons over time, although they may affect levels (shares).<sup>39</sup>

The preliminary work involves only eight countries: France, Italy, Korea, Mexico, Netherlands, New Zealand and Slovenia (for various years between 2003 to 2010). This is really too few to make much of an assessment but the basic impression is that New Zealand's ranking is similar to that in Table 5, a little above the middle.<sup>40</sup> Interestingly, in the small sample New Zealand's poor seem to have relatively high expenditures on health and housing.<sup>41</sup>

### **10. Changes in Inequality Internationally 1985-2009**

Unfortunately there are Gini coefficients for only 17 countries in about 1985 (Table 6). New Zealand proves to be below average among these 17 countries in about 1985.<sup>42</sup> Making the reasonable assumptions that those for which we have not got data behave similarly to those for which we have, New Zealand income inequality was in the bottom half of the OECD.

Perhaps we can be more precise. The likelihood is that New Zealand was about 20th out of the current 34 in the mid-1980s. Twenty-five years later it was 9th.<sup>43</sup> Its Gini coefficient moved from an adjusted 0.294 to 0.336 equivalent to a 47 percent increase in the coefficient of variation. The other 16 countries moved an average of 31 percent.

It is true that on the available data, New Zealand had the greatest increase

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<sup>38</sup> Not perfectly though, because it is possible that the ratio of under-reporting varies by household characteristics.

<sup>39</sup> For an early example of the measurement problem see Easton (2000). SNZ promptly addressed it when their attention was drawn to it.

<sup>40</sup> A caution about primary (i.e. market) income. New Zealand has largely a non-contributory system so its social security payments are not included in primary income with the result that its primary income seems particularly widespread (See *Op. Cit.* 35).

<sup>41</sup> *Op. Cit.* 43-4.

<sup>42</sup> The adjusted uses the same equation and variables as for the 1989 period. The population and GDP per cap will definitely have changed and the parameters may have (but probably not by much). However, given the limited number of data points it was not worthwhile doing the re-estimation.

<sup>43</sup> As well as New Zealand inequality overtaking that of Canada, Greece, Japan and the United Kingdom (which are in the 17), it may also have overtaken Estonia, Portugal, Spain and Switzerland.



in income inequality in the decade to 1995 (among rich countries for which we have data), but it would be foolish to assume that was true over the next two decades. Sweden's coefficient of variation more than doubled over the period, but this was from an exceptionally low level in 1983 to a low-to-moderate one in 2009 (when Sweden was ranked 23rd on the list, which now included the East-Central European economies).<sup>44</sup>

**Table 6: Gini Coefficient for Household Income Distribution: 1983-1987**

| Rank by<br>Inequality | Unadjusted         |              | Adjusted           |              |
|-----------------------|--------------------|--------------|--------------------|--------------|
|                       | Country            | Gini Score   | Country            | Gini Score   |
| Most                  | Mexico             | 0.452        | Mexico             | 0.528        |
| 2                     | Turkey             | 0.434        | Turkey             | 0.454        |
| 3                     | Greece             | 0.345        | United States      | 0.387        |
| 4                     | United States      | 0.338        | Israel             | 0.382        |
| 5                     | Israel             | 0.326        | Greece             | 0.362        |
| 6                     | United Kingdom     | 0.309        | Luxembourg         | 0.325        |
| 7                     | Japan              | 0.304        | United Kingdom     | 0.325        |
| 8                     | Canada             | 0.294        | Canada             | 0.302        |
|                       | <b>Average</b>     | 0.293        | <b>Average</b>     | 0.301        |
| 9                     | Italy              | 0.287        | Japan              | 0.297        |
| 10                    | Netherlands        | 0.272        | <u>New Zealand</u> | <u>0.294</u> |
| 11                    | <u>New Zealand</u> | <u>0.271</u> | Italy              | 0.271        |
| 12                    | Germany            | 0.251        | Netherlands        | 0.262        |
| 13                    | Luxembourg         | 0.247        | Germany            | 0.209        |
| 14                    | Denmark            | 0.223        | Norway             | 0.212        |
| 15                    | Norway             | 0.222        | Denmark            | 0.182        |
| 16                    | Finland            | 0.209        | Finland            | 0.177        |
| Least                 | Sweden             | 0.198        | Sweden             | 0.169        |

(Source: *OECD Income Distribution and Poverty* <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>)

<sup>44</sup> Sweden's Gini coefficient is so exceptionally low in 1983 that Moser's Law suggests we should be cautious when using it.

Indeed as already reported in regard to the 17 countries and confirmed by a more detailed OECD study, the general level of income inequality in the OECD has been trending (roughly linearly) upward over the period (Perry 2013:171). The New Zealand income inequality (measured by the Gini coefficient) has been broadly steady since the mid-1990s. As a result its level has been converging towards the OECD mean (from above) but has yet to reach it.

Why the trend increase in OECD mean inequality? Three reasons come readily to mind. One is that the increasing political power of the plutocracy has resulted in blunting the application of redistributive policies. A second is that globalisation has increased the international mobility of (especially) higher paid labour and countries have felt compelled to lower top tax rates to discourage their movement. Given the middle class hunger for public goods, such as public health care, any government spending cuts consequent on the lower tax-take result in lower benefits for the poor. Additionally the financial sector boom has increased inequality in those countries with a significant international financial sector.

## **12. What Happened Before 1985?**

We do not know what happened to the household income distribution before 1982 because there is no suitable data base.<sup>45</sup>

There is more data on the personal income distribution. The census data reported in Table 3 suggests there was a tendency for inequality in personal market incomes of non-Māori to be stable in the interwar period (at least in the handful of years which are available for the story during the Great Depression may be different).

After 1951 market (and subsequently market plus social security) incomes fell through until 1981. The census data is consistent with Easton (1983) which explored a wide range of data from various sources, which concluded that the evidence points to the personal income distribution narrowing in the post-war era to 1981.

However, the personal income distribution does not map simply into the household distribution. Among the important complications in the post-war era are the diminishing size of households as the fertility rate fell, the greater variation in household size and composition (including the rising share of single adult with children families) and the increasing proportion of mothers in the

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<sup>45</sup> The handful of spot surveys is not sufficiently consistent to enable comparisons.

paid workforce.<sup>46</sup>

An attempt has been made to estimate an indicator of inequality going as far back as 1921 based on the shares of income among taxpayers, especially of the top 1 percent (Atkinson & Leigh 2007a, 2007b). Unfortunately, the series is not consistent over time.<sup>47</sup> Not all personal income was taxed (especially before 1938), while the rising numbers of earning women in the post-war era changes the proportion of adults who are taxpayers.

Historical narratives based on the series can be very unsatisfactory.<sup>48</sup> However, as Robert Solow observed, addicted gamblers will play a roulette wheel they know to be biased because it is the only one available.

### **13. What Happened After the Global Financial Crisis?**

Suppose that the data distortions from the Canterbury earthquakes occur only in the 2011 year.<sup>49</sup> The preliminary indication is that the Global Financial Crisis impacted more on top disposable incomes than bottom ones, so that there was some reduction in household income inequality.

This was despite the post GFC income tax changes being biased towards the rich and despite some tightening of benefit entitlements. The probable explanation is that returns on investment fell (or alternately that they were over-elevated before the crisis struck) while unemployment has not been too heavily affected by the downturn (in New Zealand, but not everywhere).

### **14. Poverty Measurement**

Systematic studies in poverty in New Zealand began in the 1970s with Peter Cuttance's pioneering survey of large families (Cuttance, 1974). A comprehensive survey of the state of poverty research would be bigger than this survey on economic inequality. This section focuses on the insights the measurement of poverty sheds onto economic inequality generally.

The proportion of the population in poverty below some (equivalised)

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<sup>46</sup> Much popular commentary remains, implicitly or explicitly, based on the notion of a standard household of a couple with two children. In 2006, however, only 30.8 percent of households consisted of a couple and some children.

<sup>47</sup> A clear indication of the unreliability of the series is the dramatic fall in the share of the top decile in the late 1930s, when the tax base was extended as a result of the introduction of social security tax. For a cleaner series – albeit it over a shorter (post-war) period, see Easton (1983) Chapter 10.

<sup>48</sup> E.g. Rashbrooke (2013:25-27).

<sup>49</sup> As already footnoted the Canterbury earthquakes distorted measurement of household income inequality because insurance payments are treated as income receipts rather than offsets for capital losses.

income level can be thought of as a measure of inequality. It is, of course, no more definitive than any other indicator and, like each of the others, it reflects the purpose for which it is being used. If the concern is the power of the plutocracy, a measure such as the share of the top one percent is more useful; if the concern is the deprivation of opportunities for future generations, the proportion of the young in poverty is more relevant.

Defining the poverty threshold has not been easy, in part because of the New Zealand tendency to ignore what has gone on before rather than engage in a scholarly dialogue of research and analysis.<sup>50</sup> A useful foundation for discussing poverty is the report of the 1972 Royal Commission on Social Security. While it did not directly address a suitable level, its deliberations while setting the social security benefit level apply.

The Commission argued that the aims of the social security system should be:

- (i) First, to enable everyone *to sustain life and health*;
- (ii) Second, to ensure, within limitations which may be imposed by physical or other disabilities, that everyone is able to enjoy a standard of living much like that of the rest of the community, and thus is able to feel *a sense of participation in and belonging to the community* (Royal Commission, 1972:65, original's italics.)<sup>51</sup>

The first aim is a statement that people should not be in 'absolute' poverty. The second is that they should not be in 'relative' poverty, a version of the moral argument that the need for social coherence requires that those at the bottom should share in the rising prosperity of the community as a whole.

A poverty threshold can be derived from the empathetic but frugal Commission's deliberations, since it would have set the benefit level close to, if not on, the threshold. In practice early research used the benefit level for a married couple as the benchmark.

How to update a relative poverty threshold? Obviously it needs to be increased with inflation but what to do about changing living standards? The first known attempt to do this argued for increasing the poverty threshold as mean incomes increased (Easton, 1980). But for some reason, the median

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<sup>50</sup> The Expert Advisory Group on Solutions to Child Poverty (2012) is a recent example of using a superficial definition with little attention to past scholarship.

<sup>51</sup> There was a third aim: 'where income maintenance alone is insufficient (for example, for a physically disabled person), to improve by other means, and as far as possible, the quality of life available.'

income became more popular because – it was claimed – it was more reliable when the upper tail of the distribution was poorly measured.<sup>52</sup> Unfortunately, the resulting poverty threshold is sensitive to redistributive policy, sometimes in paradoxical ways.

Consider the following income distribution for three individuals: 4, 10, 16. Suppose the poverty threshold (the proportion in poverty is another measure of inequality) is defined as 50 percent of the median. The median income is 10 in this case, so the poverty threshold is 5 and one of the three individuals is in poverty.

Now suppose that 2 units are transferred from the middle individual to the top individual; the distribution is now 4, 8, 18. The median income falls to 8, the poverty threshold is now 4 and nobody is below it. Paradoxically an increase in inequality by transferring income from the middle to the rich eliminates poverty according to a definition based on median incomes.

This is not just a theoretical possibility. The changes in tax and benefits in the late 1980s and early 1990s had exactly this impact so, according to the median-based measure, poverty fell – much to the public delight of the egalitarians – despite objective evidence that New Zealand's poor were suffering from greater economic stress as their incomes fell (Easton, 2002).

There have been attempts to provide other measures of poverty thresholds. One involved asking focus groups (selections of people with chosen characteristics) from lower incomes what they thought the thresholds should be.<sup>53</sup> One would like to report that the conclusion was a level similar to that recommended by the Royal Commission. That was true in the case of two adult-three child households but not for the one adult-two child group. In fact the proposed thresholds for the two groups were not rationally coherent (Stephens, Waldegrave & Frater, 1995; Easton, 1997). This may explain why subsequently the research group seems to have abandoned the focus group approach and used a proportion of the median instead. (From the frying pan into the fire.)

One other significant attempt to estimate a poverty threshold, albeit implicitly, was by a visiting American scholar who used American-based methods that had been abandoned by the Royal Commission almost two decades earlier. The proposed 'minimum adequate' income for benefit levels,

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<sup>52</sup> The standard error of the estimate of a median is larger than of a mean by about 25 percent (for a big sample from a normally-distributed population).

<sup>53</sup> Groups on higher incomes are likely to recommend an even higher level.

funded by Treasury, became the foundation for the savage budget cuts of 1991 (Brashares, 1993; Easton, 1995).

The cuts heralded a new way of thinking about benefit levels and hence of poverty (or perhaps a reversion to a very old way). In effect the Royal Commission's principle of relative poverty was abandoned to be replaced by absolute poverty, sufficient to enable the sustaining of life and health (some would argue that even that is not met by current benefit levels) but not sufficient to enable people to feel a sense of participation in and belonging to the community. Since 1991 the benefit level has been increased with consumer prices but not with real incomes.<sup>54</sup> Inevitably, as we saw from Table 1, the income share of the bottom quintile fell.

To analyse this a little more closely we use the poverty threshold in the MSD study – 60% of the 1998 median which is constant in real terms over time. (Many would think this threshold is too low.<sup>55</sup>) The estimate is shown in column 5 of Table 2 (Perry, 2013). In the 1980s the percentage below the threshold was in the low teens. The 1991 benefit cuts almost doubled the percentage to the mid-20s, but from the mid-1990s it fell back to below the 1980s level; in 2012 (the last available year) it was about 6 percent.

However this is conceptually an absolute level of poverty; a threshold that is fixed in real terms does not allow for the poor sharing in prosperity. Column 6 of Table 2 illustrates what happens with a relative poverty threshold which parallels changes in average standards of living. In the period from 1982 to 1997 the mean of equivalised household income was broadly flat albeit with some decline to 1994. It is assumed that in such depressed circumstances the threshold is not changed, that is, the poor do not share the pressure of a short downturn<sup>56</sup> (Easton, 1980). After 1997 living standards, as measured by equivalised household income, rose steadily through to 2009 (by about 2.4% p.a.). A relative poverty level assumes that the poverty threshold rose in parallel. Average incomes have been broadly stagnant since 2009 so the

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<sup>54</sup> This assessment is based upon work being carried out by the author, but not yet publicly available for confidentiality reasons.

<sup>55</sup> Because the numbers near the threshold are high, a small change in its level can change dramatically the proportions in poverty and the pattern over time. For instance, setting the poverty threshold just above rather than below, the basic New Zealand Superannuation benefit level has the numbers leap.

<sup>56</sup> Of course, if overall living standards faced a prolonged decline the relative poverty threshold should decline too (to some extent). This does not change markedly the paragraph's overall story.



threshold is maintained at its 2009 level.

The story of proportions in poverty, told in column 6 of Table 2, remains the same until 1997 because the threshold is the same.<sup>57</sup> After that the relative poverty proportions do not fall as much as in the absolute poverty case, and remain in the high (rather than low) teens. One might conclude that on this measure there was higher (relative) poverty after 2000 than there was before 1990. On that measure income inequality also increased.

The next step is to ask whether it matters to be in poverty. In what way do those on low incomes have life experiences different from those with higher incomes? Any answer requires an analysis of the whole of the distribution. Data bases which assist answering such questions have only recently come available and are yet to be fully exploited (Perry, 2012: Sections K, L). They are likely to show that disposable income is a useful indicator of life experiences and hardship, but there are other important factors (some of which can be influenced by policy) including education, health, household assets, housing and urban/rural location.

## **15. Distribution by Social Groups**

Social groups are not randomly scattered through the income distribution but tend to cluster in particular parts of it. The New Zealand research has focussed on who the poor are and on the ethnic distributions.<sup>58</sup>

In addition to drawing attention to the poverty issue and to tracing changes in the income distribution over time, a significant analytic use of poverty numbers is to identify who are among the poor. The conclusion, first identified in the mid-1970s and elaborated since, still has not been entirely absorbed by the conventional wisdom. It tends to think of the typical poor as a brown solo mother, with many children, living on the benefit in rental accommodation.

In fact the majority of the poor are couples with jobs, with some – but not a lot of – children living in their own home albeit with a mortgage. (Because the New Zealand Superannuation benefit level has tended to be above the poverty threshold, the stereotype that the New Zealand poor contain a lot of elderly has almost disappeared; overseas the minimum public provision for the elderly is

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<sup>57</sup> The proportion are estimated by the author using a linear interpolation procedure based on the numbers in Table F3 of Perry (2013:110). The method is similar to that used in Easton (1994).

<sup>58</sup> Perry (2012) has numerous tables which can be used to place a variety of groups in the context of the whole distribution.

often less generous.<sup>59</sup>) The proportion in poverty is higher among solo parents, those without jobs, living in rental accommodation; the proportion of the poor with a brown ethnicity is higher but there are fewer of them. (More women than men are poor.)

What the conventional wisdom has confused is that while a higher proportion of a particular category, say solo mothers, may be in poverty, the numbers of poor are this proportion times the total numbers in the category. Thus there may be more poor in a group with a lower prevalence but a larger total number.

The salient conclusion from the research is that over 80 percent of the poor are children and their parents (and others in their households) and that proportionately more children are in poverty than adults (especially excluding parents).<sup>60</sup>

It is well established that the brown ethnicities tend to be over represented among the poor.<sup>61</sup> Mean Māori equivalised household incomes were 90 percent of average incomes in 2012 and Pasifika ones were 89 percent. (European/Pākehā ones were 107.5 percent.) However there may well be factors other than ethnicity which explain whole or part of the differences. For instance, a high proportion of the incarcerated are Māori, but this is in part due to their younger age distribution. Allow for that and the proportion comes down (but is still higher than the Pākehā incarceration rate). The same applies to unemployment, which like incarceration is more concentrated among young adults.<sup>62</sup> Part, but not all, of the lower incomes of those with brown ethnicity may be due to the population being younger and having more children. This is rarely investigated.

There is a curious feature of income trends over time, summarised in Table 5. Apparently over the 24 years the median income of each group has risen faster than the median for all ethnic groups. This may be a peculiarity of

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<sup>59</sup> Because New Zealand superannuation is indexed to average wages and more adults are working, superannuitants may not share in prosperity arising from increasing labour force participation. As a result their benefit level may decline below the poverty threshold because it is set on average household incomes not average worker incomes.

<sup>60</sup> The effect of the working for families tax credit has yet to be assessed.

<sup>61</sup> This survey does not cover the 'other' (none of European/Pākehā, Māori or Pasifika) group which is very heterogeneous. Often the sample size is small and the estimates subject to a large standard error.

<sup>62</sup> Educational attainment (say PISA scores) also illustrates the point. It is affected by socioeconomic status. That Māori have a lower SES than Pākehā explains about one third of the difference between their educational attainment levels (Easton 2013E).

medians. But it also may reflect the changing shares of the categories if, say, the brown share of the population had risen relative to the Pākehā one.<sup>63</sup>

**Table 7: Equivalised Median Household Income by Ethnicity**

|                  | <b>\$2012 prices</b> |              |               |
|------------------|----------------------|--------------|---------------|
| <b>Ethnicity</b> | <b>1988</b>          | <b>2012</b>  | <b>Change</b> |
| European/Pākehā  | 28000                | 35800        | 27.9%         |
| Māori            | 23200                | 30000        | 29.3%         |
| Pasifika         | 22700                | 29800        | 31.3%         |
| <b>ALL</b>       | <b>26700</b>         | <b>33300</b> | <b>24.7%</b>  |

(Source: Perry *op cit*, p.80).

Discussions on ethnic inequality are disappointing.<sup>64</sup> They tend to draw attention to some aspects of the inter-ethnic inequality but do little deeper analysis.<sup>65</sup>

A particular problem for analysts arises from changes in pricing. To illustrate suppose free schooling for children was withdrawn but families were given exactly the same allowance as an income grant. They would not be markedly better off, but their disposable income would seem to have risen. Their equivalised income should not.<sup>66</sup>

Over time, the household equivalence scales should be regularly updated. They are not (Easton, 2006). An even trickier problem arises when the government subsidises the service for some groups rather than others (e.g. free visits to general practitioners for the young). Ad hoc attempts to assess their

<sup>63</sup> Ethnic identity is self-categorization, which may change over time (and is also affected by the way the statistician aggregates the various responses). If some households were to categorize themselves as Pākehā in 1988 and Māori in 2012 the medians of both groups could go up.

<sup>64</sup> I have looked at income inequality within Māori, finding that it was less (say measured by the coefficient of variation) than for the population as a whole. The reason seems to be that social security benefit levels for Māori are higher relative to the mean than for the non-Māori (because benefits levels do not ethnically discriminate), thereby pushing up the bottom of the distribution.

<sup>65</sup> Recent examples are Chapters 6 (by K. Mila) and 10 (by E. T. Poata-Smith) in M. Rashbrooke (2013). Incidentally Figure 6.1 on page 97 is mislabeled. The Pasifika unemployment rate is certainly not a third of the overall rate.

<sup>66</sup> The impact of the student tertiary funding in the early 1990s probably undermines comparisons of their standards of living over time using the methods described here (unless there is a specific adjustment). Rising school fees have a similar effect, but they have not been as big.

overall impact suggest the effect is not great although they matter a lot to those in need<sup>67</sup> (Easton, 1996; 1999).

## **16. The Dynamics of Inequality**

Income inequality would not matter so much if for each period one was randomly assigned to an income level so that, for instance, those in the bottom decile had as good a chance as anyone else of being in the top one next time. In reality a major determinant of income in one period is the past record of income. But to what extent is this the case?

A study by John Creedy (1997b) based on personal income tax data came to the conclusion that ‘the present value, over the age 20 to age 65, displays less inequality than in any single year’. One would be surprised if this was not true, although it is well to be reminded. However the result arises from simulation – the data base is for only three years – whereas it is possible – if unable to be tested – that the auto-correlations of incomes involve much longer lags. So the specific quantitative results are not decisive.

Also using income tax data, Harry Smith and Robert Templeton (1990) found that 25 percent of those in the bottom quintile were in a higher quintile a year later, while seven years later some 45 percent were. Note, however, this includes shifts from being a low-paid student to full-time well-paid employment. It also includes those who moved from the very top of the bottom quintile to the very bottom of the second bottom quintile. The relative income gains may be trivial.

The Survey of Family, Income and Employment (SoFIE) followed a sample of households over seven ‘waves’ (years), so it is possible to track the change in relative income over the period.

Kirstie Carter and Fiona Imlach Gunasekara (2012: Table 5) measure the shifts between quintiles. Some 45 percent of those in the bottom quintile remain there six years later. Over 80 percent were below the median income. In contrast 54 percent of those in the top were still there, and 84 percent of them were above the median income six years later. Whether this is a high or low level of immobility is a value judgement but, given all the potential life events that can occur in six years which might have the potential to disturb an (equivalised) household income, one is inclined to think there is considerable inertia.

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<sup>67</sup> Housing is particularly tricky. Housing grants are included in income but not cheap housing for state tenants. There is a separate section on housing below.

Bryan Perry (2013:194-197) points out the New Zealand experience is not greatly different from that of other rich countries. His calculations suggest that about two-thirds of the change occurs in the first year, and shifts over the following years are much smaller. This may suggest that while some households temporarily change quintiles to revert the following year, longer term change is not great, and often the result of a life event.

Perry distinguishes those in ‘current’ poverty from those in ‘chronic’ poverty with average annual income over the seven waves being below the poverty line. He concludes there is considerable persistence:

- in any wave, around half are in both chronic poverty and current poverty, the other half being only in current poverty (i.e. more temporary or transient poverty);
- the people in this more transient group change a lot over seven waves, which is why it turns out that the number in low income at least once in seven waves is more than double the number in low income at any one time;
- in addition to those identified as being in current poverty in a wave there is another one in five (i.e. 3% of the whole population (20% of 15%)) who are in chronic but not current poverty;
- for children, 60% of those in current poverty are also in chronic poverty, and there are another one in five in chronic but not current poverty at each wave;
- very similar findings have been produced for the UK and Australia (Perry, 2013:199-201).

If a higher poverty threshold than the 50 percent of median equivalised income is used here (60 percent is preferred by some commentators), the proportions quoted here will be on the low side.

The issue of intergenerational dynamics is hardly explored. We know that children from homes with lower incomes are likely to be sicker and get inferior education and training than those from homes with higher incomes. The quantitative extent to which this translates into inferior life opportunities is not known.

## **17. Income and Health**

Suzie Ballantyne (Carson) and the author found an association between health status and income, illustrated by Table 8. The general pattern is that in any given age group, those in the lower income quintiles are in poorer health than those in the higher income quintiles.

Note that as age increases health status deteriorates, and that after the age of 15 women tend to report being in poorer health than do men. This generates an apparent anomaly in the aggregate pattern, with those in a household in the second to bottom and middle quintiles prone to poorer health than those at the bottom.

**Table 8: Proportions in Quintiles Who Rate Themselves as ‘Fair’ or ‘Poor’ Health**

| Age Group       | Household Quintiles |             |             |            |            | ALL        |
|-----------------|---------------------|-------------|-------------|------------|------------|------------|
|                 | Bottom              | 2           | Middle      | 4          | Top        |            |
| 15 Under Female | 7.4                 | 3.6         | 2.9         | 3.1        | 1.2        | 4.5        |
| Under 15 Male   | 5.8                 | 5.8         | 3.4         | 3.0        | 3.1        | 4.7        |
| 15-64 Female    | 10.7                | 11.0        | 8.7         | 7.2        | 3.9        | 7.9        |
| 15-64 Male      | 10.2                | 8.3         | 7.4         | 4.2        | 3.8        | 6.2        |
| Over 65 Female  | 42.5                | 29.4        | 27.5        | 22.3       | 21.2       | 26.5       |
| Over 65 Male    | 40.2                | 29.8        | 25.2        | 21.3       | 19.4       | 25.5       |
| <b>ALL</b>      | <b>9.3</b>          | <b>11.0</b> | <b>11.0</b> | <b>7.0</b> | <b>4.8</b> | <b>8.6</b> |

(Source: Easton & Ballantyne 2002, Chapter 9).

This is because the age groups are not equally distributed through the quintiles. Because the elderly are concentrated more in the second and middle quintiles, and because they are more likely to be sick, those quintiles report the highest incidence of sickness for the population as a whole.

That there is an association does not prove causation. Indeed it is possible that the causation is in either direction. A history of poor health may reduce current income. On the other hand low income may cause poor health via inadequate spending on food and other health-promoting but standard consumer products (especially inadequate housing) or on health care. This data does not tell us which mechanism is working – probably both are.

Research at the University of Otago’s Wellington School of Medicine has observed that the incidence of tuberculosis, other infection diseases and acute rheumatic fever and TB is higher in areas (Census Area Unit) with lower incomes. (Baker *et al.*, 2008; Baker *et al.*, 2012; Jaine *et al.*, 2004).

## 18. Wealth

Wealth is the stock which generates the flow of income. The focus tends to be on physical assets (such as housing) and financial assets (such as shares and



bank deposits). Additionally there is human capital which generates labour market income; there may also be state entitlements such as eligibility for social security and New Zealand superannuation, which also generate a flow of income for some.<sup>68</sup>

Measuring the distribution of wealth is not easy; once more it depends on the data sources. An early attempt to measure physical and financial wealth used returns of estates reported for death duties, treating the wealth of those who have died as a random sample of the living. Since wealth varies over the life cycle it is necessary to treat each age group separately; ideally there needs also to be an adjustment for those with wealth having a lower mortality than those without, although that has not been practical. In any case the growing practice of exempting the joint family home wrecked the method, since it meant the reported dead person was not representative of the living whenever there was a surviving spouse.

The estimates which may be least criticised give the following general conclusions for 1956 and 1966:

- physical and financial wealth is much more concentrated than personal income;
- there is a life cycle to wealth holdings, but even within each age cohort, wealth is very unequally distributed;
- the main form of this wealth holding is housing.

None of these conclusions are particularly surprising (Easton 1983: Ch. 7).<sup>69</sup>

A more recent and refined estimate came from SoFIE which in 2003/04 asked individuals the value of their assets, liabilities and net worth<sup>70</sup> (Cheung 2007).

Again it found that the vast majority of the adult population had little physical and financial wealth – about 6.5 percent of them had negative net worth, although this may be dominated by student debt. Conversely 1 percent of adults had 16.4 percent of total wealth, the same as about 70 percent of the

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<sup>68</sup> None of the estimates reported below include private (including GSF) pension entitlements.

<sup>69</sup> It was not possible to provide estimates for later dates because of the increasing importance of joint family homes.

<sup>70</sup> Another source of data is the Statistics New Zealand 2001 Household Savings Survey. There is a publicly available synthetic unit-record file of 300 unit records which is not about real people, but was generated using statistical techniques to have similar characteristics as respondents to the survey.

population.<sup>71</sup> Again the study shows a marked life cycle in net worth, peaking at about the age of 60.

There is not a lot of gender inequality, but each Pākehā owns about 2.6 times that of the other ethnic groups. One of the report's curious findings is that Auckland wealth levels are markedly below those of the rest of the country; we do not know the extent to which age and ethnic factors drag them down. The report illustrates that a lot of material is available at the unit record level, but alas it has not been exploited, so we cannot be sure the extent to which other variables mask the true correlations.<sup>72</sup>

A subsequent publication adds to the earlier report (Statistics New Zealand, 2008). While a couple with two dependent children has higher median net worth than a family with one dependent child, those with three or more children have less than those with two. The same applies for one parent families. Because of the way the data is presented it is not possible to make an exact comparison but a family with two parents certainly averages more than twice as much net worth as a single adult family – probably four times as much (SNZ, 2008: Tables 2 & 3, pp.7 & 8). The pattern for the mean (average) is not quite as regular. However there may be intervening variables.

## **19. Housing**

While owner-occupied housing is a part of total wealth, it is unusual because it does not generate cash income for the owner (and hence its income effect is not directly measured). Instead it saves expenditure. Thus two otherwise identical households with the same cash income may have very different standards of living if one is servicing a crushingly heavy mortgage while the other is mortgage free. How to allow for this?

A common adjustment is to deduct housing costs from the income. Since one element constitutes expenditure and the other constitutes income, this must be conceptually confused. Moreover the same household equivalent scale is applied whether the measure is before or after housing costs. That is surely

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<sup>71</sup> Inferred from Cheung (2007: Figure 2). The comparable figures for the 1966 adult distribution were 19 percent and about 75 percent; this might suggest the wealth distribution had become more equal over the 38 years, but the difference may reflect definitional differences and measurement errors.

<sup>72</sup> For instance a simple correlation between income categories and their average wealth suggests that an extra \$1000 of the former (before tax) is associated with an extra \$3700 of the latter (the correlation is high but not linear). However, the retired may be high in wealth and low in income, so there is a need to control for age.

nonsensical since the main reason for economies of scale that the household equivalence scale is adjusting for is housing; a larger family does not need proportionally as much housing – double its size and one does not double the number of kitchens, laundries and so on.

Suzie Ballantyne and the author suggested an alternative conceptually robust procedure in which an income was imputed to a household reflecting the difference between average household outlays (based on household characteristics) and actual outlays. We concluded:

... adjusting for housing circumstance reinforces the inequalities in household type, benefiting the groups who are generally better off. This is not surprising. Because of the taxation advantages – the return on capital invested in owner-occupied housing is not taxed to the extent of other investments, including rental housing – the wealthy are likely to invest in their own accommodation. Additionally, there is a life cycle effect. Households with children owning a house are likely to have higher outlays than if they were renting because they are still paying off a mortgage. The households benefit later in life on the lower outlays of freehold owner-occupier housing (by which time the children will have probably left) (Easton & Ballantyne, 2002: Chs. 3,7).

While this approach has not been generally taken up, neither have the conceptual inadequacies of ignoring differences in housing circumstances or of deducting housing expenditure for income been addressed.

Housing well illustrates the lamppost problem. There is considerable anxiety about house ownership, the proportion of which has been falling. Despite it being obvious that there is a home ownership life cycle, until recently there was no data. Too often researchers and commentators have been left with the lamppost of the aggregate proportion across the life cycle.

The historical experience has been that since the Great Depression, proportionally more homes have been owned (with and without mortgage) by their occupiers (Schrader, 2013). However the proportion has been falling off since the 1986 census. It is too easy to attribute this to the rising income inequality. However there has been demographic change and there may well have been a shift to people owning a home in one location but living elsewhere while renting. There has also been social change. The impression is that the younger generation is generally settling down later than their parents and

grandparents, more often in their thirties.<sup>73</sup> That probably means they prefer renting to ownership in their twenties. We do not know how much this (and the changing accommodation choices of the elderly<sup>74</sup>) explain the falling proportion of ownership.<sup>75</sup>

## **20. Inequality and Growth**

It is conventional to interpret per capita constant price GDP (or better still national income) in welfare terms, ignoring the distributional impact of any gains (or losses) of output. Thus there is exactly the same outcome if all the gains go to the very rich as if the gains are shared equally among everybody. Sen suggested an alternative measure which he called 'real national income', which takes into account the distributional impact of changes (Sen, 1976; 1979). Ultimately it deducts from national income a share, measured by the Gini coefficient, to reflect the degree of inequality.

Thus while per capita National Income in constant prices (adjusted for the additional spending power arising from improving terms of trade) rose at a trend rate of 1.66 percent p.a. between 1982 and 2012, Sen's real national income rose only 1.34 percent p.a. because of the rise in income inequality. In effect the additional inequality cost New Zealand almost a fifth on Sen's measure (Easton, 2013c).

More generally, there is little evidence that inequality generates faster growth (on the conventional measure of output or GDP). High per capita economies tend to have lower inequality although the causal processes and directions are not well understood.

## **21. Epilogue: Towards Policy Responses**

Those who were not there may find the extremism of the New Zealand government's economic and social policy in the 1980s almost unbelievable. It had many aspects to it but relevant to this article was a seminal shift away from the egalitarianism of the post-war era as the basis for policy to downgrading fairness and hence accepting considerably higher levels of inequality. It is unclear how conscious this abandonment was.

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<sup>73</sup> Between 1986 and 2006 the (media and mean) age of first nuptial birth rose 4 years. There is not comparable data for ex-nuptial births.

<sup>74</sup> In 2006 home ownership peaked at near 80 percent in the 60 to 74 age group (the proportion for the entire population is 53 percent) and then fell off to 59 percent for those over 85. The percentages do not cover the institutionalised.

<sup>75</sup> Instead the aggregate ownership and far-from-rigorous measures of housing affordability are used by policy rhetoricians to draw conclusions about accessibility to home ownership.

The New Zealand way tends to be policy without analysis. As André Siegfried (1992:54) said a century ago:

New Zealanders' outlook, not too carefully reasoned, and no doubtful scornful of scientific thought, makes them incapable of self-distrust. Like almost all men of action they have a contempt for theories: yet they are often captured by the first theory that turns up, if it is demonstrated to them with an appearance of logic sufficient to impose upon them. In most cases they do not seem to see difficulties, and they propose simple solutions for the most complex problems with astonishing audacity.

Too often the simple solution fails, but by that time the proponent has retired, been promoted or moved on to another complex problem so that no one is ever held to account for the failure (especially given that retrospective evaluation of policy is rare, so policy makers cannot learn from failure).

Rather than propose some simple solutions to poorly formulated problems, this epilogue draws attention to two classes of policy responses if excessive economic inequality is judged to be requiring attention.

The classical policy response is *redistribution*, that is, the use of taxation, transfers and subsidies to move resources from those with more to those with less. Since the rise in inequality a quarter of a century ago can be mainly attributed to regressive changes in distributional policy, the simple policy is to reverse those changes. It is, of course more complex than that.

The second policy response is *predistribution*, which is the notion that the state should try to prevent inequalities in market incomes occurring in the first place rather than ameliorate inequalities through redistribution (Hacker, 2011). Although the term has only come into prominence recently, the idea is a long held one, insofar as numerous traditional interventions in education, health care, housing and training, can be seen as precursors. It can be extended to wages, as British Labour leader Ed Miliband has recently proposed; it could be applied to the current government's proposals to shift beneficiaries into the labour force. Indeed, the term is so loose it may be used for just about any policy with distributional implications, effective or otherwise (and therefore is an ideal notion for New Zealand policy pragmatists).

However, we have seen that there is not a simple relationship between personal market incomes and household market incomes. The relationship is so complex that it is not impossible that reducing inequality in personal incomes could increase inequality in household incomes partly because children may not



be a beneficiary and partly because higher incomes for supplementary earners which would add to already well off households.

Nevertheless, predistribution focuses on the options when distributional policy has been fine tuned as much as practicalities allow. Over the last quarter century we have become more alert to the disincentive and perverse incentive effects of redistribution (which seem to have been magnified by globalisation – the greater international mobility of capital and skilled labour). Other measures which shift social inequality in the desired direction should not be ignored.

But predistributional policies need to work with effective distributional policies not replace them, especially as they often have an investment element which makes them fiscally expensive in the short run.

Prior to that, those who command policy – whether effectively or ineffectively – have to decide to what extent reducing (or increasing) economic inequality is a policy objective. Is New Zealand satisfied with shifting from a low inequality to a high inequality society? What would its founding nineteenth century migrants have thought about the fact that, after allowing for each country's size and affluence, New Zealand is now more unequal than the countries they left? And what would those who invited them here have thought had they known their descendants would be firmly at the bottom end of the unequal distributions?

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<sup>76</sup> This list is preliminary. Additions of NZ publications will be gratefully received. Despite the popularity of the practice, it is not my intention to omit any paper because I don't like the author or can't understand it. That is why the list is on the generous side of inclusion. Those which have been overlooked will be added to a list on the author's website when his attention is drawn to them; possibly with a note explaining how they modify the survey conclusions.



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**Recent work on inequality: thoughts on audience, analysis, advocacy and the role of the academic with particular reference to Max Rashbrooke's (ed.) *Inequality: a New Zealand Crisis* and Joseph Stiglitz's *The Price of Inequality***

*Peter Skilling*

**Introduction**

Recent years have seen an explosion of academic work exploring the increase in economic inequality in western, developed countries over the last thirty years. This work gives accounts of the *extent* of this increase (Atkinson & Leigh, 2005; OECD, 2011; Perry, 2013), its possible *causes* (Autor, Katz & Kearney, 2006; OECD, 2008) and its various *consequences*. Accounts of these consequences may be divided (somewhat arbitrarily) into those that focus on broadly-experienced social consequences (Wilkinson, 1996; Jencks, 2002; Rothstein & Uslander, 2005); political consequences (OECD, 2011; Bartels, 2008) and economic consequences (Persson & Tabellini, 1994; Piketty & Saez, 2003). Other work takes a more explicitly normative approach, or a focus on public attitudes towards rising inequality (Humpage, 2008; Bamfield and Horton 2009; Jost & Major, 2001). Academic work on inequality is thus a massive and massively complex field, even without mentioning work by such important authors as Bernd Wegener, Martin Gilens, Alberto Allesina, Peter Taylor-Gooby, Morton Deutsch, Christopher Jencks or David Miller). One might also note the increasing concern about inequality expressed by politicians and media sources. A non-exhaustive list would include figures hardly associated with the political left, such as David Cameron, the World Economic Forum, the *Financial Times*, and the *Economist*.

One thing that might be noted about the strictly academic literature in this area is that it has been strikingly unsuccessful (thus far, at least) in effecting policy change, or even attitudinal change. In this context it is understandable and – in my view – admirable that many of the academics listed above have sought to engage a broader audience. My interest here is on this specific sub-genre of the recent inequality literature: books on the issue written *by* academics but written *for* an audience beyond academia. Perhaps the best-known example

of this type is Wilkinson and Pickett's *The Spirit Level* from 2009. Since then, we might add Stewart Lansley's 2011 *The Cost of Inequality*, Jacob Hacker and Paul Pierson's 2010 *Winner-Take-All Politics*, Andrew Leigh's *Billionaires and Batters* from 2012, Joseph Stiglitz's *The Price of Inequality* from 2012 and Max Rashbrooke's edited volume *Inequality: a New Zealand Crisis*.<sup>1</sup> All of these works seek to bring together academic analysis with a committed, polemical intent that, for the most part, is made explicit from their title onwards.

To keep this review within reasonable bounds, I focus here on Stiglitz's *The Price of Inequality* (a popular treatment of the issue by an esteemed, Nobel Prize-winning academic) and Rashbrooke's *Inequality: a New Zealand Crisis* (for its obvious local relevance). It is a guiding principle in this review that it is not reasonable to critique books for failing to be or do what they do not set out to do. I do, however, seek to understand and evaluate the nature of what it is that they set out to do. In assessing the "by academics, for non-academics" genre, I consider the problems that inevitably confront popular treatments of contentious issues, including the tension between analysis and advocacy.

## Two brief reviews

### *Inequality: A New Zealand Crisis*

Rashbrooke's edited volume spreads its net wide: it features fifteen different chapters from seventeen different contributors, with fourteen "viewpoints" from a range of non-academic voices interspersed between those chapters. As a result, it brings together a variety of aspects of contemporary inequality (housing, education, political influence, skills training, and workplace relations, for example) that are more often viewed in isolation. This range of coverage is one of the book's great strengths although – as I will argue later – more could perhaps have been done to engage with the divergences and convergences between the various contributions.

Being an edited collection also constrains the editor to set the scene and cover some necessary background rather quickly. Within the book's first, introductory section, Rashbrooke authors two chapters in which he defends the book's central thesis that 'inequality is a crisis that affects us all' (back cover),

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<sup>1</sup> It's reasonable, I think, to classify *A New Zealand Crisis* in this way. While Rashbrooke is from a journalistic rather than an academic background, the bulk of the chapters are authored by academics. At the same time, it is clearly designed to be accessible to a broader audience. The chapters are short (10-15 pages, typically under 5000 words) and are more propositional than a typical journal article.



notes and rejects prominent counter-arguments to the effect that inequality is not a pressing problem, and explores the extent and causes of inequality in New Zealand. In setting out the case for viewing current levels of inequality as a national crisis, he focuses on the negative social consequences associated with such high levels, and on the growing divergence between the super-rich and ‘the struggling middle’. This introductory task is done within 32 pages. In my judgment, it is done well. In covering such a large field, it skirts - by necessity - over much of the nuance and debate within the literature it surveys. Certainly there were moments of frustration where particular aspects were skated over or left alone. For instance: the book’s emphasis on income rather than wealth inequality was not really explained, finer points of the implications of various metrics not explored, and criticisms of *The Spirit Level* set aside. But to summarise the literature comprehensively would take an entire book, or more.

The book’s second section (Issues and Debates) contains a classic PPE combination of chapters by Robert Wade, Ganesh Nana and Jonathon Boston. Wade focuses heavily on what Jacob Hacker and Paul Pierson (2010) term the ‘hyper-concentration’ of wealth and income, and the capacity of the very rich to translate their economic power into political influence, both directly (through their contributions to politicians and political parties) and indirectly (through the normalisation of preferred values as “common-sense”). Nana offers a slightly puzzled *mea culpa* on behalf of the economics profession, arguing that the mainstream of the discipline has subordinated its historical focus on people and their well-being to ‘narrow financial analysis focused ... [only on] monetary gains’ (p. 56). He advocates, instead, for inequality to be assessed in terms of its inefficiencies and to be viewed as an instance of market failure and – therefore - as a central concern of economics. Boston takes a philosophical approach that discusses the different sorts of things (liberties, opportunities, outcomes, etc.) that might be equalised, and the practical and normative limits on pursuing each kind of equality.

For me, the third section (Consequences) offers the best example of the productive bringing together of diverse aspects of the broad issue of inequality. The chapters on inequality and housing (Philippe Howden-Chapman, Sara Pierre and Chris Cunningham), inequality, crime and imprisonment (Kim Workman and Tracey McIntosh) and inequality and education (Cathy Wylie) demonstrate the ways in which inequalities in one sphere have flow-on effects into others. In the absence of meaningful housing assistance policies, for

example, economic disadvantage is easily translated into sub-optimal housing outcomes. These outcomes, in turn, might manifest as health problems and/or as a high level of housing transience, both of which strongly effect educational outcomes. Housing and educational inequalities, in turn, are related to crime statistics, with imprisonment figures also having strong connections to the ethnic dimensions of inequality explored by Karlo Mila (with respect to Pasifika peoples) and Evan Poata-Smith (within Māori communities).

The fourth and final section (Looking Ahead) contains chapters by Paul Barber (which, in its setting out of the case for reducing inequality and some of the arguments against that case tended to repeat earlier sections of the book), Paul Dalziel (on the need to better align the skills and industry training infrastructure with the labour market and with social goals), Nigel Haworth (on improving the efficiency and distributional aspects of workplaces through greater workplace democracy and greater worker empowerment), Mike O'Brien (on designing a more redistributive tax and welfare system) and Linda Tuhiwai Smith (on the need to think carefully about the power effects of language use, and of attending to what counts as "truth" in a given context). Designating this as the 'looking ahead' section is somewhat arbitrary, in that many of the other authors (especially Wade, Howden-Chapman et al. and Wylie) had offered policy proposals to address inequality, and in that some of the authors here are also dealing with the consequences of inequality. More deeply, the different (although probably not contradictory) ways forward offered in this section (and throughout the book) are not explicitly evaluated, compared or contrasted, and the book does not offer a clear sense of conclusion at its end.

The strengths of the book include its coverage of a wide range of issues and its accessibility to a wide readership. By bringing together issues such as housing, education and employment relations, the reader can see common themes emerging: most obviously, in the post-1980s New Zealand context, the effects of a laissez-faire approach to policy-making and regulation or, put otherwise, a bias against central co-ordination in the pursuit of socially-desirable goals. Ironically, the book itself suffers from a slightly laissez-faire approach. Moments of convergence between the different contributions that might have been profitably explored were left as separate insights. For example, Michael Walzer's notion of complex equality – the proposition that advantage in one sphere of social life (such as market performance) should not be translatable into advantage into another (access to healthcare, say) – is

introduced by Boston and could have offered a useful lens in better understanding the trends outlined by, for example, Wade or Wylie. In a similar vein, the neo-pluralism implicit in Wade's account of the disproportionate political influence of the wealthy might have helped to account for the policy changes noted elsewhere. It might also have been used to highlight the obstacles likely to confront the proposals offered in other chapters.

Similarly, there were some moments of divergence between the contributors. This is not necessarily a problem. It would have been impractical and intellectually dishonest to impose a uniformity of voice upon the authors represented here, who are united only by a 'shared concern' about the issues raised in the book and a 'desire to see [them] properly debated.' And the book is explicit from the outset that it has made 'no attempt to frame the discussion within a single unified philosophical approach or advocate an agreed set of conclusions' (p. xi). This – to my mind – is perfectly valid. But it might have added more to the ongoing conversation about inequality in New Zealand if an attempt had been made to be more explicit about these points of tension. For example: Nana sees the New Zealand Treasury's inclusion of 'equity' within its Living Standards Framework as an 'encouraging development' (p. 58): Rashbrooke (2013; in his blog rather than in the book) is rather more sceptical, describing Treasury's approach as 'very weak, and in places incoherent.' Howden-Chapman et al. and Wylie call for public policy to be based on evidence-based best practice; Smith sounds a note of caution about the hegemony of 'evidence-based public policy' (p. 228). Poata-Smith wonders whether the activities of tribal elites are exacerbating inequality within Māori communities; former CEO of Te Runanga o Ngai Tahu Anake Goodall (in a 'viewpoint' immediately following Poata-Smith's chapter) offers a more positive (albeit nuanced) account of the work of tribal organisations.

What are the implications of these points of divergence and tension? Do they constitute a problem? The book offers little guidance, as it does not have a structural mechanism to acknowledge them, let alone address them. I wondered whether a short Introduction to each of the book's four sections, or a separate Conclusion, might have helped to translate the book's diversity of views into a more productive and engaging dialogue.

### *The Price of Inequality*

The most obvious thing to say about Stiglitz's book is that it is the work of a single author. Compared to Rashbrooke, who gives himself 32 pages to cover

the necessary background and context before handing over to a wide range of authors, Stiglitz has 423 pages (if you include the 107 pages of endnotes that include a fair bit of commentary and argumentation, and the 26 page preface) to develop his own argument. As such, his book is a more elegant presentation of a more coherent thesis. Equally obviously, his single viewpoint cannot offer the diversity of perspectives and the range of expertise of an edited collection.

Indeed, Stiglitz's thesis is simple enough and, naturally, one that emphasises the economic causes and the economic consequences of current high levels of inequality. His argument builds on a re-statement of economic theory. Markets fail, he reminds us, in predictable ways under certain conditions. They will allocate resources in socially sub-optimal ways in the presence of monopoly conditions, asymmetries of information, externalities and public goods. Unfettered markets, then, are not conducive to efficient or equitable outcomes. Worse still is the situation where markets are further distorted by malign interference: when rent-seeking behaviour is allowed, encouraged or facilitated by the state, for example.

Like Ganesh Nana, Stiglitz views high levels of inequality as the result in part - of the inefficient operation of markets and he sees such levels of inequality as perpetuating further market failure, insofar as they mean that many members of society are not contributing to the extent that they could. Like Robert Wade, Stiglitz views high levels of inequality as the result of a captured political system and argues in turn that such levels will perpetuate further market failure as they deliver yet more political power to those at the top of the economic distribution. Like Rashbrooke, Stiglitz also sees high levels of inequality as a moral issue, both on consequentialist grounds and on the basis that much inequality is not the just result of differential effort or contribution. Stiglitz vigorously rejects the notion that one's "earned desert" based on market performance reflects one's social contribution. Compared to the modest rewards that went to many of those who made major contributions to human progress.

A closer look at the successes of those at the top of the wealth distribution shows that more than a small part of their genius resides in devising better ways of exploiting better ways of exploiting market power and other market imperfections – and, in many cases, finding better ways of ensuring that politics works for them rather than for society more generally (p. 41).<sup>2</sup>

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<sup>2</sup> This part of Stiglitz's argument might be read alongside Rashbrooke's (2013: 10) summary of the disconnect between remuneration and social value.

Stiglitz begins (as Rashbrooke does) by defending the basic proposition that high levels of inequality are a pressing problem, and by countering (a similar list of) arguments against this proposition. Having more space to conduct these tasks, Stiglitz can be more thorough in his treatment of the relationship between wealth and income inequalities, of issues of measurement, and of the links between inequalities of outcome and of opportunity. He can take longer, also, to set out and counter the arguments commonly raised against his position. It is in this section, however, that the reader gets the first and clearest idea of Stiglitz's polemical intent. His approach is not so much to discuss the various arguments as to demolish the opposing side (see Finegold Catalán, 2012).

On the relationship between markets and politics, Stiglitz observes that one's market performance is based – in part – on one's ability to acquire skills and training (c.f. here Dalziel's chapter in *A New Zealand Crisis*) and on the way in which the 'rewards of work' are distributed (c.f. Haworth's). This latter distribution is dependant in part on the legal status of unions, on the laws surrounding corporate governance and compensation committees, on political decisions around the tax code, and on the ways in which government chooses to support business. Stiglitz elaborates this last point at length, to highlight what he sees as the hypocrisy of those who argue that individuals should be left to rise or fall according to their own merit. He notes the many ways in which this logic is not applied to government's treatment of business interests. Beyond the standard list of things provided by government that allow business to operate (physical infrastructure, a legal system, a healthy and educated citizenry) Stiglitz notes effective subsidies for business embedded in – *inter alia* – patent law, financial deregulation, agricultural support, arrangements with private defence contractors, and limitations on the state's ability to negotiate with pharmaceutical companies.

The myth of the heroic, individual wealth-creator is, Stiglitz insists, precisely that: a myth, and a poor foundation on which to build public policy. He rejects the small government mantra espoused by the American economic right from Milton Friedman to Paul Ryan. Tax cuts for the rich, in Stiglitz's argument, exacerbate inequality not only in the short term but also in the long term, by constraining the sort of productive long-term investments that the state has historically made in research, education and healthcare. Inequality, here, is seen as self-reinforcing:



The more divided a society becomes in terms of wealth, the more reluctant the wealthy are to spend money on common needs... The wealthy also worry about a strong government – one that could use its power to adjust the imbalances in our society by taking some of their wealth and devoting it to public investment that would contribute to the common good or that would help those at the bottom.’ (93-94, see also p. 82)

Elsewhere, Stiglitz elaborates on (1) his quarrel with the proposition that society ought to pursue equality opportunities rather than equal outcomes (this idea, he says, mistakenly implies *both* that society is currently providing equality of opportunity, *and* that progressive voices are actually calling for equality of outcome); (2) the corrosive effect of extreme wealth concentration on the prospects for meaningfully democratic government and (3) the ways in which the battle for ideas is conducted through careful control of how things are named and described (elements of extremely high compensation packages for top executives are couched in the more acceptable terms of “performance” or “incentive” pay; estate taxes are presented as “death duties”, for example).

There is, in short, very little that will come as news to those who are familiar with earlier debates around the issue of inequality, or with Stiglitz’s prior work. His style here is urgent and passionate. In his preface he traces his concern for inequality, discrimination and inequity to his childhood in ‘the heartland of industrial American’ and to the values cherished by his family (p. xxv). The book is partisan and has been criticised (see Finegold Catalán, 2012) as such.<sup>3</sup> His treatment of divergent views is, at times, cursory and dismissive. Stiglitz is relying on his personal credibility developed over his decades as a high-profile and respected economist, and in his years acting in political roles within Bill Clinton’s administration and at the World Bank. He is, in effect, saying “trust me” rather than setting out an objective account of competing theories to facilitate a rigorous evaluation. Considering, for example, different theories as to the cause of inequality Stiglitz (p. 80) concludes thus: ‘To me, much of this debate is beside the point. The point is that inequality in America ... has grown to where it can no longer be ignored.’ Addressing a problem without a sophisticated understanding of that problem’s causes might not be the most intellectually satisfactory approach. Stiglitz’s contention is that it is

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<sup>3</sup> By contrast, Rashbrooke’s book is not so overtly partisan, partly because it is an edited collection with a range of views that, as we have seen, does not ‘advocate an agreed set of conclusions’.



nonetheless necessary. Refusing to act until a complete theoretical understanding had been achieved, he suggests, would be morally wrong.

The book's policy agenda (curbing the financial sector, strengthening competition laws, improving corporate governance, ending corporate welfare, a more progressive tax system, improving access to healthcare and education, tempering globalisation, pursuing full employment, supporting collective action, public investment for sustainable growth) is defended and promoted. As with his list of seven steps by which we could 'easily raise trillions of dollars' to help balance the budget (p. 215), however, little detail is given. Still, the policy prescriptions (along with an acknowledgment of the political challenges that will inevitably confront them) presented in the final chapter bring the book to a natural conclusion. Whether readers find the conclusion satisfying will depend – I suspect – very much on their political leanings and their capacity to trust the credibility of the author.

### **Assessing analysis and activism: genre and 'communicative purpose'**

Traditional theories conceptualise genre according to the characteristics of the thing to be classified. Typically, relevant characteristics have been taken to include *substance* or *form*, but sometimes also the *strategies* employed or the intended *audience*. The 'new genre' movement (see Martin, 1985, Miller, 1984, Swales, 1990), however, has focussed on the idea of 'communicative purpose' (Askehave & Swales, 2001). In determining how to assess and evaluate the two books reviewed here, it's useful to employ the characteristics of purpose, audience and strategy. If we take – as does the new genre school – the communicative purpose of a text as primary, we would expect this purpose to strongly determine the other characteristics of the text, including its content, its intended audience and its rhetorical strategies.

The communicative purpose of the 'by academics, for non-academics' genre is twofold. It is not simply – as might be the case for a standard piece of academic work – to convince a reader through rational means. Rather, it is also to motivate that reader to action. Accordingly, these two books seek to communicate their message to a broad interested-but-non-specialist audience. More specifically, they might be expected to focus their message at the uncommitted reader, analogous to the undecided voter or the wavering consumer (no book is likely to convince a reader strongly opposed to the book's thesis; no book is necessary to convince a reader strongly sympathetic to it).

Their books' strategies include deploying (rather than developing or debating) empirical evidence and theoretical arguments: evidence and arguments that are selected for their expected resonance with this imagined broad audience. I have noted above instances in both books where divergent perspectives are summarily dismissed, and nuances of argument ignored. In a purely academic work, this would provide ground for censure. For reasons of space and for clarity of message (highly salient considerations, given the books' purpose and intended audience) it might well be acceptable in the context of a 'by academics, for non-academics' work to gloss over divergence and detail.

That said, it is not enough to simply describe the conventions of certain genres. Certain standards of evaluation can – and must – be applied. Clearly, there should be no blatant falsehoods (certain frustrations in Rashbrooke's book – around the definitions of decile rankings on p.98, and a slippage between income and wealth on p. 20 – seem more like oversights than confusions than anything more serious). Important opposing viewpoints should be acknowledged, and not wilfully misrepresented. (This criterion is admittedly vague. Both books engage directly with opposing viewpoints. Given that the books are more-or-less explicit about their own positions (and, perhaps, given my own sympathy for these positions) I did not construe the treatment these dissenting views received as wilful misrepresentation, although it should be allowed that they were structurally set up as straw people to be accounted for). A mechanism should be deployed to direct interested readers to primary material, and to provide qualifications to the arguments presented in the main text. (Both works have a lot of endnotes, though Stiglitz's are used chiefly to further develop his argument, and the primary sources he cites are almost always those that support his thesis. Rashbrooke, in his opening chapters, goes slightly further and offers qualifications and notes on measures used, and – on occasion – references to work that contests his thesis).

For some readers, this will not be sufficient. Still, given the broad intended audience of these works, and their (to varying degrees) activist purpose, it is hard to know what more they could have done. It is best, perhaps, to think of these books not as definitive documents, but as strategic interventions in ongoing conversations. Stiglitz's book grew out of a *Vanity Fair* article (Stiglitz, 2011)<sup>4</sup> and is part of his ongoing attempt to influence public debates

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<sup>4</sup> Entitled 'Of the 1%, for the 1%, by the 1%', of which title I could never work out what the clause 'of the 1%' was doing, since the central claim of the article was that precious little

on important policy issues in the United States. Rashbrooke's book can also be seen as one move in a wider public dialogue. The book was presaged by public events at Te Papa, accompanied by well-attended book launches and a speaking tour by Robert Wade, and reinforced by a one-day symposium in Wellington, and by a blog: *Inequality: A New Zealand Conversation*. The book also continues to serve as a starting point for Rashbrooke's ongoing attempts to develop public dialogue about inequality through a series of public meetings. It thus takes its place alongside Bryan Bruce's recent television documentary *Mind the Gap*, and the ongoing work of the Child Poverty Action Group, Living Wage Aotearoa and others in what I take to be an increasingly vibrant national conversation.

Certain conventions of the 'by academics, for non-academics' genre end up generating some tensions. Basic principles of psychology dictate that to achieve their motivational purpose, the books (or, in the case of *A New Zealand Crisis*, the various chapters) need to conclude on at least a tentatively optimistic note. A pessimistic or fatalistic conclusion - invoking an intractable problem or an insurmountable obstacle - is simply not in keeping with their motivational intent. This presents a problem, because most major social problems are not easily solved, and optimistic conclusions run the risk of seeming naïve or unrealistic (consider here the unsatisfactory endings to (generally commendable) advocacy-type documentaries such as *Food, Inc.* ('you can save the world, one bite at a time') and *Inside Job* (Matt Damon intoning that 'some things are worth fighting for' over a sweeping aerial shot of the Statue of Liberty). Both of these closing statements reduce complex issues (that have been shown to have deep structural causes) to a question of the simple choices of individual consumers and voters. Likewise, the two books considered here, having noted the ways in which politics and power are implicated in the increase in inequality over the last thirty years, struggle to show how public opinion can effect policy change. (Although, to be fair, I cannot think of a recent academic treatment that convincingly addresses this point.)

Both books, that is to say, offer little on the question of political strategy. In the case of *A New Zealand Crisis*, this follows from the initial rejection of a shared set of prescriptions. Stiglitz gets as far as suggesting that either (a) the 99% will need to cast off the shackles of the myth that the interests of the 1% are

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governing of the 1% was going on. That clause is missing from the title of Chapter 9 in the book.

also their interests and/or (b) the 1% will need to re-apprehend the idea of ‘self-interest properly understood’ (p. 288): that their fate is inextricably linked with that of the rest of society. His engagement with strategy ends up as probably the more disappointing, if only because he promises more. Devoting an entire chapter to ‘the battle of ideas’, Stiglitz doesn’t move much beyond noting that (variously) ‘they’, ‘the right’ and ‘the 1%’ have been successful at framing the debate on their terms, having taken on board key lessons from the practice of advertising. Here, again, the conventions of the genre are limiting. The pursuit of a broad interested-but-non-specialist audience means that complex and unsettling ideas don’t get much of an airing. If, however, as Linda Tuhiwai Smith asserts, ‘the master’s tools will never dismantle the master’s house’ (p. 231, citing Audre Lorde), then some new and unsettling concepts might be necessary.

Of course, many potentially unsettling and useful concepts are quite old. It is hardly new to suggest that one element of social power is the capacity to convince the dominated that their domination is in their own interests (see Lukes, 2005). Or that people only prefer the ‘market justice’ of earned desert over the ‘political justice’ of need and equality because they misunderstand how markets and governments contribute to society’s wellbeing (see Lane, 1986). It is hardly new to note the dangers inherent in allowing land and money to become commodities to be traded and exchanged for profit (see Polanyi, 1949, and Jesson, 1999). Or that a meaningful policy response to inequality might not be compatible with the continuation of free markets. A proper treatment of these and other claims may sit uneasily with the demands of the genre. But if we accept the constitutive power of elite discourse, then they might well contribute something useful to a fuller discussion of how a hegemonic common-sense has been constructed, and how it might be contested. (Or, if we leave questions of discourse and concepts to one side, it might still have been interesting to evaluate the relative merits of major political parties, minor parties, community coalitions, advocacy groups and direct action as potential vehicles for change).

In this more practical vein, both Stiglitz and (in the Rashbrooke volume) Wade call for greater control over the financing of politicians and political parties. But it is worth recalling that the last attempt in New Zealand to regulate political party electoral financing resulted in a media outcry, led by the *New Zealand Herald’s* ‘Democracy under Attack’ campaign (New Zealand Herald, 2007). (It is also worth noting that the democratic deficit caused by high levels

of inequality has not provoked a similar campaign). To me, more might have been said of the role and the control of the media in the context of democratic debate within the public sphere. Doing so would have reiterated the ways in which the disproportionate political influence of the rich makes it difficult to maintain a healthy and democratic public sphere, while also reminding us of Neil Postman's (1985: 8) maxim that '[t]he clearest way to see through a culture is to attend to its tools for conversation'. Some sort of consideration of the political economy of mass communication (or of the implications of social media networks) might have added something useful on the challenges of developing a public consensus to address inequality.

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## Comparing Cultures of Decline? Class Perceptions among English Migrants in New Zealand<sup>1</sup>

*David Pearson*

### **Abstract**

There has been very little research on English migrants in New Zealand, especially over the last few decades, and even less attention to their class perceptions. Drawing upon in-depth interview data, this article makes a contribution to both research lacunae. It outlines some key background issues relating to class and national narratives, within and between England and New Zealand, and describes the research design of this study. It then draws on selected migrant accounts to illustrate the views of English persons on class relations, or the lack of them, in their countries of origin and destination, and the changes, if any, they discern in both contexts since settling in New Zealand. Finally, it analyses the links between the life trajectories of different categories of migrants and, if and how, their sentiments about social hierarchy relate to what has been called a ‘culture of decline’ in England; and to what extent a comparable phenomenon might be observable locally.

### **Introduction**

There is considerable agreement among social historians on both sides of the Tasman that most English and other British migrants arriving in New Zealand and Australia in the nineteenth and early twentieth century saw themselves migrating to overseas ‘Better Britains’ (Belich, 2009; Phillips & Hearn, 2008; Ward, 2001; Phillips, 2012). In both countries, the ambitions of achieving material improvement and an enhanced life style were frequently described by settlers as being more easily achieved ‘Down Under’ than within the stratified constraints of the country they were leaving. As a result, it is argued, new ideals of ‘classlessness’ and ‘mateship’ were directly contrasted to perceived class divisions and linked status distinctions experienced within Britain (Kapferer, 1986; Olssen, et al, 2011; Phillips, 1996). Such differences did not undermine a general sense of transnational connectedness; given most British migrants saw themselves moving from one home to another, rather than into foreign

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<sup>1</sup> I should like to thank Charles Crothers, Steve Fenton, Robin Mann and Charles Sedgwick for their comments on earlier drafts of this article.

territories. These perceptions are seen as continuing well into the twentieth century (see Belich, 2009; Ward, 2007), but whether such ‘home thoughts’ remain influential in more recent times is hard to evaluate given the very limited empirical research on English migrants to New Zealand per se (Bueltmann, Gleeson & Macrailld, 2012; Fraser & McCarthy, 2012; Hutchings, 1999), and an even more marked absence of studies of their class awareness.<sup>2</sup>

The findings reported on in this article contribute to both research lacunae by drawing on the comparative sentiments of migrants from England arriving in New Zealand since the 1960s, and also, in many cases, their observations from visits back to Britain. The article is organised as follows. Firstly, it briefly outlines some key background issues relating to class and national narratives within and between England and New Zealand. Secondly, it describes the qualitative research design of this study. The third section then draws on selected migrant accounts to illustrate the sentiments of English persons on class relations, or the lack of them, in their countries of origin and destination, and the changes, if any, they discern in both contexts since settling in New Zealand. Contrasts are highlighted between the accounts of older, earlier arrivals, who mainly represent state-assisted migrant workers of the 1960s and 1970s, and younger, more recent, often managerial and professional arrivals, who often landed under their own steam after the 1980s. Finally, a concluding discussion analyses the linkages between the life trajectories of different categories of migrants and the extent to which varying forms and degrees of class and status sentiments relate to what has been called a ‘culture of decline’ in England (Fenton, 2008). It also considers whether a comparable phenomenon is discernible in New Zealand.

### **National class narratives**

New senses of Britishness were created in places like New Zealand through the processes of what Belich (2009) calls *settlerism*. In his view, this set of ideals and mentalitiés underpinned a distinct pattern of colonisation in which Britain’s far-flung dominions actively sought to clone many of their public institutions using metropolitan templates (Belich, 2010). While simultaneously seeking to stamp their own ‘unforced dependent’ (Denoon, 1983) imprint on nation-building. Another aspect of settlerism, barely mentioned by Belich in his most

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<sup>2</sup> The New Zealand research is almost exclusively historical, pre-1970s. There is a more recent, but still limited Australian literature; see, for example, Hammerton & Thompson (2006) and Hammerton (2011).

recent work,<sup>3</sup> is the extent to which relatively classless narratives were a key component of the dynamics of state/nation making and remaking; since they served a crucial role in inventing and reinventing distinctive imaginings of comparative national similarity and difference (Smith, 1991; Pearson, 2001). The neo-Weberian and neo-Marxist inspired perspectives that have tended to dominate local sociological analyses<sup>4</sup> have critiqued these elite and mass settler ideologies and national mythologising. Both approaches stress that New Zealand, like all capitalist settler states, was stratified from its inception, by virtue of being driven by competitive economic forces within which different ranks of people had distinct interests, resources and rewards. Hence class relations in classic *abstract* terms were inevitable. Nonetheless, in both approaches, the degree to which objective analytic differences between classes/strata shaped the day to day subjective perceptions and relations of persons within these hierarchical categories is seen as problematic. Glossing over disagreements within as well as between standpoints, this mismatch is primarily viewed, in Marxist parlance, as attributable to the distorting effects of hegemonic influences on class perceptions; whereas, in Weberian informed terms, status (life style) divisions are seen as complicating views on stratified life chances. This archetypal lack of congruence between what Atkinson (2011:160) calls *theoretical* and *constructed* classes is hardly peculiar to settler societies, but several factors contribute to an argument about distinctive differences between Old and New World constructs of class, status and hierarchy. Firstly, one can point to historical evidence of perceived comparative differences between England and New Zealand being supported, albeit regionally and temporally unevenly, by evidence of higher rates of social mobility, lower levels of residential and occupational segregation, and relatively less inequitable distributions of material wealth and income in the Antipodes (Pearson & Thorns, 1983; Olssen et al, 2011). Secondly, such trends were reinforced by earlier state intervention to ameliorate the worst excesses of inequalities perceived in the “Old” country (Martin, 2010). Thirdly, the greater prominence of local ethnic and gender differences are seen as reducing the primacy of class divisions in everyday settler lives (James & Saville-Smith, 1994). Finally, notwithstanding debates about the historical intensity of

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<sup>3</sup> There is lengthier discussion of class in Belich (1996).

<sup>4</sup> See, for example, Bedggood, 1980; Pearson, 1980; Pearson & Thorns, 1983; Jones & Davis, 1986; Wilkes, 1994; Hayes, 2005; Roper, 2005; Ongley, 2011.

perceptions of class differences in England (see Joyce, 1991; Cannadine, 1999), a consistent influx of British migrants and the parallel influence of English class representations in various forms of media are seen as ‘carriers’ of comparative hierarchical images that highlighted locally perceived relative classless narratives in New Zealand (Phillips, 2012). But can we assume this received wisdom among many social historians and sociologists about past developments is still relevant, given the major sociocultural, economic and political changes over recent decades evident in both England and New Zealand?

On the one hand, the general significance of class divisions in late or postmodern capitalist times has been widely critiqued in Europe, America and Australia (Bottero, 2005; Lareau & Dalton, 2008; Pakulski & Waters, 1996). For example, as Savage has recently noted, there appears to be widespread acceptance that class identities have changed in recent decades as the result of the cultural fragmentation linked with individualization and the decline of ‘sunset’ industries, like mining and shipbuilding, traditionally associated with solidaristic class communities (Savage, 2007: 3). Nevertheless, as he stresses, calls for the complete abandonment of the concept (see Pakulski & Waters, 1996; Clark & Lipset, 1991) seemed excessive given several, primarily Bourdieusian-inspired, English studies of the persistence of economic discourses and interaction relating to social ranking and visible inequality (Atkinson, 2011; Savage, 2010; Bottero, 2009). Such, predominantly qualitative research, suggests that linkages between the abstract forces of class location and personal sociocultural identifications have not been severed; they have become attenuated and, often subtly, realigned. This becomes particularly evident when examining the fluid uses of class labels; the tendency for people to ‘disidentify’ with class associations (Bottero, 2005; 2009); or their penchant for placing themselves within vague middle range strata (Evans and Kelley, 2004).<sup>5</sup> With these trends being further complicated by the way class was seen as intersecting with gender, age and ethnic divisions (see Anthias, 2013; Devine, 2004); as a result, as Bottero emphasises, in Britain:

Class’ in the 21st century presents us with a very complex picture of the continuity of inequality in the face of widespread social change. But this story – of relative *degrees* of inequality, uneven *chances* of success, and different *rates* of movement – is a very hard story to sell (Bottero, 2009:12, original emphases).

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<sup>5</sup> This research, using recent cross-national ISSP survey data, found a high level of convergence across ‘Anglo-Celtic’ countries, including England and New Zealand.

An interesting comparative counterpoint is illustrated by a marked upsurge in social inequality in New Zealand since the 1970s, which has raised questions about the resilience of historical egalitarian traditions. For example, in Rashbrooke's (2013) recent book on inequality the gaps between rich and poor are seen as reaching 'crisis point'. But whether these more visible distinctions should be viewed in class terms remains contentious. Widening disparities in income, employment, housing and health, for example, tend to be discussed in socioeconomic status terms or 'class' is used as an ill-defined descriptor (see *Ibid*; and Ministry of Social Development, 2010), even though the same data continue to bolster the claims of, mainly Marxist, class adherents (Hayes, 2005; Roper, 2005; Ongley, 2011). An increase in popular media commentaries using 'class' language is also noticeable (Caldwell & Brown, 2007; Black, 2005). Yet the degree to which this marks a substantive change in the actions and perceptions of New Zealanders in general is uncertain. Questions are left begging because of a lack of recent historical and sociological research on local class imagery and relations (McAloon, 2004) and a conspicuous absence of comparative research on Britain and Australasia. So, for example, any relationship between an arguable perceived decline in England's historical 'classed' reputation and parallel signs of more observable flaws in New Zealand's 'classless' character remains unexamined. Study of recent English migrants to New Zealand provides a useful avenue for starting to explore these intriguing questions since it allows us to ask, if and how, cross-societal class and stratification differences were, and remain, meaningful in the everyday lives of persons who have moved between the two countries. Not only by analysing the accounts of the comparative experiences of such persons since their arrival in New Zealand over the last few decades, but also, in many cases, recording their observations from visits back to England over this period. Before doing so, let us turn to a description of the research design of the study from which my findings are drawn.

### **The research study**

The research reported here forms part of a larger project examining the experiences of English migrants who arrived in New Zealand before and after the 1980s. The study was designed to produce two cohorts who would reflect the potential effects of the major alterations in immigration legislation introduced in 1986 (Farmer, 1996). These changes, echoing those introduced earlier in Canada and Australia, abolished longstanding national origin policies



favouring 'European' migrants and replaced them with criteria more in keeping with the market-led neo-liberal economic policies and labour market imperatives that were vigorously adopted by the New Zealand state in 1984 (Roper, 2005). Consequently, at least formally, British migrants no longer received preferential treatment and had to compete with well qualified applicants from other sources.<sup>6</sup> This major change in the make-up of historical immigration flows from England was fully illustrated in the 'samples' of research subjects. Thus, many migrants in the earlier cohort of arrivals were apocryphal 'ten pound poms',<sup>7</sup> comprising mainly skilled workers who came to New Zealand through British state-assisted passage programmes in place until 1974 (see Hutchings, 1999). In contrast, the post-1980s English migrants, with the exception of those still being assisted by the private companies or state employers who recruited them, were predominantly qualified, professional persons who, like most family reunion retirees, paid their own way to New Zealand (Masgoret et al., 2009).<sup>8</sup>

Interviewees were selected through a variety of occupational and recreational sites, including workplaces, pubs, soccer clubs and voluntary associations, including Morris Dancers, and then 'snowballing' from these initial contact points. Eighty six interviews of approximately 1 to 2 hours were completed between 2009 and 2011 with migrants who were at least 18 years of age on arrival. The ages of interviewees ranged from 22 to 93 years, the majority being in their 30s to 60s, with an almost equal gender balance: 42 males and 44 females. Two thirds of the interviews were conducted by the author and the remainder by a very experienced research assistant (Charles Sedgwick), both of whom are British migrants. They were mainly conducted in the homes of research subjects and interview recordings were professionally transcribed. Interviewees were currently residing in the Wellington (43) and Auckland (28) regions in the North Island, the remainder being drawn from

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<sup>6</sup> The language, education and skills requirements in recent immigration legislation still gave British migrants an advantage over many other nationalities, but there is clear evidence of a diversification of immigration flows over the past few decades, see Spoonley and Bedford (2012).

<sup>7</sup> For comparable Australian studies, see Hammerton and Thompson (2006).

<sup>8</sup> Many studies generally refer to British or United Kingdom migrants (including Hutchings 1999; and Masgoret et al., 2009), so to what degree their findings relate particularly to English persons hidden within these labels is problematic. Neither of these studies, moreover, analysed migrant class perceptions.



smaller towns in the north of the South Island (15); although many had been geographically mobile within New Zealand. They were asked a range of questions about their experiences in, and comparative sentiments about, England and New Zealand, before and after arrival; and, for the majority, after revisits to Britain. In all but five cases, both parents were English, with the exceptions having one parent of Scottish, Irish, or 'Asian' background respectively. Only three migrants described themselves as 'non-white'. Interviews followed a topic guide and were as conversational as possible.<sup>9</sup> Interviewees were not asked questions about class directly since it was not assumed *a priori* that interviewees would necessarily express class sentiments. But, in fact, the word was frequently used by subjects when questions were asked about any perceived differences between their countries of origin and settlement; including what changes they may have discerned since arriving in New Zealand and, in many cases, on return journeys to England. As one can see from the illustrative quotes below, the majority of migrants, unprompted, readily described their impressions of New Zealand in comparative class terms, although this was most evident among those who arrived prior to the 1980s.

### **Pre 1980s migrant class comparisons**

Frank, a retired teacher in his 70s, who first arrived in New Zealand in 1972, was atypical in having a clearly articulated definition of class when asked to compare his experiences in England and his current place of settlement. The bookshelves in the room where he was interviewed contained lots of political and social historical studies, including E. P. Thompson's seminal work on the English working class, and he confirmed his views on class grew out of his interest in political economic questions and wide reading, plus his own East End of London childhood. Nodding at his books, he remarked, pithily:

Yeah, well, class is an attitude and a way of life. People with money have a way of life but they don't necessarily have the attitude.

Few migrants explicitly drew on academic theoretical ideas about class to underline their own constructions of what this concept might mean to them. But, Frank's thoughts, when asked to expand on the above comment, were very much in keeping with many of the sentiments of other English migrants who arrived in this time period – most of whom had similar class upbringings, if different regional origins and current occupations. Frank observed:

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<sup>9</sup> The interviews were primarily seen as 'situated conversations' in Condor's (2012) terms.

I think there is far more upward mobility [in New Zealand] than in the UK. Where you call the boss Fred and where you call the boss sir, there is a whole different sort of perception. Britain still seems to have a thing about knowing your place and accepting your position in life... I suppose if you live in a crowded society you've got to have rules like that...New Zealanders don't have to, I mean some of them do, but they don't have to...

Some of his feelings were shared by Joan, a secretary in her sixties from Lancashire, who arrived in New Zealand a couple of years after Frank. She too mentioned money and mobility, but Joan also stressed the importance of her accent and northern working class roots:

Here I think class is based on money, but it's probably true that here it's fairly easy to move. You don't have the whole thing about accent. Now there are accents. I mean, everyone has an accent. But, you know, if I go to, you know, immediately I talk to someone from the Home Counties in England, they know I come from a different background, because of the way that I speak. Whereas here it doesn't matter, you see.

Although, as she noted later in our conversation, echoing the views of virtually all the migrants interviewed, her accent *did* matter in marking her out as English in New Zealand, since the moment she opened her mouth her migrant origins were openly displayed (see Pearson & Sedgwick, 2010).<sup>10</sup> Yet, from her perspective, the way she spoke had a different resonance in her birthplace than New Zealand. There she was 'a working class Northerner', here she was a 'Pom' or 'Brit', and class only ever came into the conversational equation if it was connected to some news issue or TV programme – like an English trade unionist's utterances or the latest scandal on 'Coro Street' or 'Eastenders'. The language of class was also used, more directly, to draw contrasts between English and New Zealand social mores by Tim, an electrician now in his sixties, who came out from Cornwall in 1977. For him:

I pretty much felt it (New Zealand) was classless. When I went back in '84 and I worked in a company doing similar work to what I had here I noticed it. I mean over here you'd go on a shop floor or an office, you talked to anybody and you called them by their first name probably. And there were no barriers. Over there it was very much you could only talk to somebody at your level...I hadn't noticed so

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<sup>10</sup> Accent has often been noted as one of the key markers of national difference between the 'English' and others in, for example, Australia, Scotland and Wales: see Hammerton & Thompson (2006); Bond et al (2010); and Day et al (2010), respectively.

much when I lived there earlier. I suppose I just thought it was natural.

The above quotes are illustrative glimpses of the widespread tendency for migrants who arrived prior to the 1980s to observe contrasting class differences between England and New Zealand. This was particularly evident to them in the early years of settling into their new surroundings, although the degree of difference varied according to their own class and regional backgrounds. Those from self-perceived close-knit working class communities in England being particularly struck on arrival by a variety of subtle and less subtle indications that New Zealand was, in some ways, socially as well as geographically distant from their homeland. As Fred, a carpenter from Yorkshire in his sixties, recounted:

I immediately couldn't get over how casual everyone was. They hardly bothered to check my bags in Auckland and everyone called me mate. I remember going to speak to a bank manager about my finances soon after and this bloke was wearing shorts and was on first names within minutes. I was quite taken aback really, it wasn't what I was used to at home...mind you he did have a tie on...

The marked informality of dress and use of Christian or nicknames by both the "educated classes" and "ordinary folk" in New Zealand, as Fred described them, were frequently remarked on by migrants, especially in terms of situations where they usually expected more formality – at work, in church, dealing with "professional" people, and when politicians and other public figures were named in everyday conversation and in the media. This apparent lack of status barriers was cemented by the common experiences of the social intermixing of different occupational groups in a variety of residential and social settings. Some "pluty" and "poorer" housing areas were visible, as several migrants noted, but there was a general sense of less obvious perceived contrasts between strata than were noticeable in a more classed England where norms of social and residential distance were far more strictly adhered to. As Don, a fitter in his sixties, who arrived in 1976, remarked:

Oh yes. That was something I couldn't get over when I first came to New Zealand. The girlfriend got a job in a law firm and we got invited to after hour functions. We were mixing with QCs. You'd never do that in England, wouldn't be allowed. There they've got clear ideas about why we are going to invite these people, we're up here and they are beneath us. There must be a class system (in New Zealand) as you've still got the haves and have nots, but it's not as obvious here as it is in England. Mind you it took some getting used

to, I wasn't really comfortable in these kinds of situations for some time.

Paradoxically, as the above comment illustrates, 'softer' hierarchical lines in New Zealand, posed challenges for many migrants about coming to terms with new expectations and what to think and do in everyday places. A lack of firm boundaries could, at one and the same time, be liberating and disconcerting. Positive levels of acceptance or disinterest in national or class origins often meant a sense of independence from the stratified controls of being 'put in your place' in England. Yet this freedom often belied the hazards or fears of how different English accents, subtle conventions, and cultural differences could be misinterpreted. As several subjects commented, and this was not confined to pre-1980s arrivals or age and gender differences, some New Zealanders were seen as very sensitive to any implied criticism of 'their country' or openly negative about, what was seen, stereotypically, as 'English whinging' and/or being 'stuck up', depending on which lower or high status bracket was assigned to you. Frequent allusions to how 'Poms' or 'Brits' were portrayed on TV, especially in class and regional terms, were also frequently raised by interviewees as a source of irritation and/or amusement insofar as the media images of England were often used (by New Zealanders) as yardsticks for categorising themselves as well as English migrants in general. As Colin, a factory manager in his 50s, from the Midlands, who arrived in 1997, noted:

I suppose it's mainly at the level of joshing and to be expected, but you get kind of tired of being taken as if you've just come straight out of Coronation Street or Eastenders or some other bloody soap or whatever... the laugh is all the locals watch these programmes but I never do...

Nonetheless, the very same programmes were often used by other, often older working class migrants, to illustrate a nostalgic and possibly romanticised loss of a feeling of class community in England that suburban New Zealand could not provide. Memories of nearby pubs, the corner shop, neighbourliness, and the work camaraderie of mates and kin depicted in these programmes, were readily drawn upon to maintain and revive reminiscences of the solidarities and benefits of shared class backgrounds. Such recollections were rarely evoked by younger migrants who arrived since the 1980s, although they occasionally attributed them to their parents; but, they too, unprompted, often noticed comparative class differences.

## Post 1980s migrants

Mary, in her 30s, who arrived from East Anglia in 2006, and employed as a graphics designer, remarked:

I don't know...I don't get the sense of people trying to think of me here in those terms. My sense is if I was in Britain, they might position me as middle class. I suppose the... the kind of things I talk about, the kind of job I have, the paper I read, they're all markers. You see here most people read the same local paper, so it wouldn't mark you. In Britain if you read the Guardian you are probably bleeding heart liberal...those values have never been quite that important to me, although they still are to my parents, who are solid working class and always take the Mirror (laugh)...and there is still a lot of them in me despite the kind of work I do now.

In a similar vein, Jonathan, a surveyor from Lancashire who arrived in 2004, also in his 30s, mused:

I suppose it's a bit hard here to really categorise yourself. I don't know if that should be based on money or upbringing or what. I was probably working to maybe middle, at home, but here I don't know... I just feel like you are aware that there are people with a bit more money here and some less. But it's definitely less noticeable, so I don't think I feel as if I am in a class here really, no...

Nicholas, a market researcher who had lived in Auckland since arriving from London in 2007, expressed comparable sentiments about his lack of class awareness, although with some ambivalence:

We probably... look we live in quite a nice area and we own our own house and we both have professional jobs. However, I don't think that makes us middle class here because I think your class is defined by the circles you mix in...and you know we're going for swimming lessons later with friends, and she's a secretary and he's a warehouse manager. I think our friends are so varied that we, you know, we tend not... we don't restrict ourselves to people who are like us. And I think that is one of the nice things about New Zealand that there is none of the pretension that, you know, you get in the UK, which is limiting...so, I think, no, I don't think personally we're middle class, although some might say we are because of where we live.

While, Ben, another Londoner, again in his thirties, and employed as a community college lecturer, touched on another aspect of difference that many subjects mentioned:

There is an equivalent of class here, but dare I say fixed upon racial lines...which I was used to back home of course. I wouldn't say it [New Zealand] was completely classless, there is a bit of



snobbishness with the, you know, clear differences between someone from South Auckland and those on the North Shore. There are different social groups, but it's more based around race than old school class that I'm used to in the UK. It isn't something I think about day to day. It doesn't really affect me...

The above sentiments were mainly expressed by younger (in their 30s and 40s) more recently arrived migrants who, as noted earlier, were usually better qualified than previous generations of migrants. Most had degrees and/or professional qualifications instead of the apprenticeships and technical certificates obtained by their predecessors. Several of these post-1980s migrants had working class parents and often made comments about remembering an upbringing whose lifestyles gelled with the class sentiments of earlier arrived migrants of the same generation. Some of them saw these early years as instilling certain social and political values that remained important to them, so they occasionally espoused working class identifications, despite a self-acknowledgement that their current standard of living and occupations might indicate a higher stratum. But more commonly, as the above post 1980s accounts convey, most migrants in this cohort saw themselves as middle class, or expressed little interest in class position or differences. For these migrants, New Zealand was generally still seen as less classless than England, but there was little sense of drawing strong contrasts between the two countries, despite acknowledging worsening economic conditions in both settings. And very few saw their migration as a major factor in promoting career mobility or improving their standards of living. Far more evident, and in keeping with other research on recent migrants to New Zealand, British and otherwise (Masgoret et al., 2009), lifestyle factors were seen as outweighing employment opportunities and economic conditions as key reasons for moving to NZ, and possibly staying.

Such sentiments were even more evident among recent arrivals in their 20s or early 30s who rarely used the 'class' word spontaneously nor gave it any prominence as a self-identification or meaningful aspect of their lives to date, when prompted to do so. Much like their sentiments when asked about their national orientations (see Pearson & Sedgwick, 2011), and echoing English research findings on this age group (see Fenton, 2007), a common reply was – 'I'm just me' or 'I don't have much interest in that sort of thing'. For example, when asked if she thought there were any class differences between England



and New Zealand, Sharon, a web developer from Buckinghamshire, in her 20s, who arrived in 2007, replied, hesitantly:

I dunno... I'm not sure...the people I mixed with in London didn't really care about it...I don't think it's all that relevant to me here, is it...

### **Changes in class and inequality**

Not surprisingly, many younger recent migrants also had far less to say when asked whether they thought the country had changed since their arrival just a few years ago – 'I've not really lived here long enough to say much about that' – was a common response. But older, long settled subjects, with thirty or forty years New Zealand residence to reflect on, consistently remarked on differences experienced in recent decades, with varying thoughts on class and inequality. Maude, from Cheshire, in her 70s and retired from her job as a secretary, commented:

I think if anything I have noticed the gap between the haves and have nots has widened. Before it was kind of flat if you like when we came, so you might say that everybody was on an even keel and nobody was really outstanding and nobody was, you know, really down here – and now it is different. So whether that is a bad thing or not, I don't know...

Ray, in his 60s, from the Midlands, and still employed as a public servant, was similarly philosophical:

The lack of class was relatively obvious to me when I first came here. I would say it is gradually changing and I suppose that's how societies develop or mature, I don't know what the right word is. So I would say it is less egalitarian now than when I first came here...and I am part of it, because I was very reluctant when it was suggested my daughter go to a private school. I don't like private schools, but that's me, that's my history where I've come from and who I was and where I was...but I want the best for my daughter... I bit my tongue and it was good for her.

In contrast, Eric, a carpenter from Yorkshire, in his 60s, was typical of those migrants who were far less sanguine and more forthright about perceived changes in both countries. He recalled his initial experiences in Wellington and the pleasing contrast between old and new locales and the opportunities for self-employment that had opened up for him since migrating. But he was fearful that his adopted country was showing signs of following the same downward path that he observed in the one he had been born and brought up in:

I've been back several times in the past couple of decades and I just couldn't believe how far my neighbourhood had gone backwards. It's been overrun by all kinds of people and everyone I knew is just waiting to die or retire and guarding their own patch. The tragedy is I can see this place going the same way in lots of ways. The amount of money you see people spraying around in Wellington now and lots of them keep to themselves...not like the old days, and you see people begging on the streets, which was unheard of when we first came here... I still love the place but it seems to have lost the, how do you say...a lot of ...the things that I like here ....

### **Discussion and conclusion**

Eric's comments above are not only illustrative of the sentiments of many persons from similar class backgrounds who arrived in New Zealand, mainly prior to the 1980s, but they also appear reminiscent of the opinions voiced by some of his class and generation contemporaries remaining in England (see, for example, Bottero, 2009; Fenton, 2008; Ware, 2008). These parallels underscore the importance of on-going links between working class communities in England with kin and friends overseas, including in New Zealand. The effects of recent immigration trends on the majority's perceptions of changes to 'their nation', especially the white working class, are well documented (see Modood & Salt, 2011), but there is a less prominent, but growing interest in the effects of English *emigration* on discursive narratives of change, inequality and decline among different strata in Britain and British migrants abroad (McGlynn et al., 2011). Recent calls, for example, from Rogaly and Taylor (2009) for greater awareness of what they describe as the 'moving histories' of the white working class in and beyond England, and Mann's (2012) plea for more comparative attention to the English/British diaspora in less ranked societies overseas are illustrative of this so far ill-developed comparative literature. As Rogaly & Taylor's (2009: chap. 5) ethnography shows, transnational emigration plays a crucial role in shaping how constituent and holistic senses of 'Britishness/Englishness' are made and remade at home and abroad; as awareness of national difference becomes more visible among those who move outside their borders (Pearson, 2013) and this is communicated back to their kin and friends who remain in situ. Mann (2012) and Fenton's (2012) research findings, both individually and jointly (see, for example, Fenton & Mann, 2011), also offer insights that merit close attention for New Zealand-based

researchers.<sup>11</sup> Fenton, for example, describing a ‘culture of decline’ observable, to varying degrees, in the accounts of the ‘white majority’ persons interviewed (Fenton, 2012:479), distinguishes between two distinct types of national orientation that reflect the contrasting views of many working and middle class research subjects in his study. The former, displaying what he calls ‘resentful’ sentiments, voiced their concerns about what they perceive as the waning fortunes of persons living in declining neighbourhoods and regions in England. Their experiences of being ‘stuck’, ‘left out’ and feeling impotent in the face of fateful adversity, contrast with the more ‘liberal or moderate’ responses of professional, middle class persons, who see themselves as challenged by events and ‘others’ (including the resentful), but still retain some control over more chosen life pathways.

To a degree, these attitudes are observable in the above accounts of English migrants in New Zealand reflecting on their impressions of England, particularly on recent return visits to their origins. But, in many cases, moving to New Zealand had altered their perspectives on individual and collective life and class trajectories in varying ways, at least partly dependent on their class backgrounds prior to and after migration. This equates with forms of perceived achieved social mobility and enhanced life style (status) that often deflects the insecurity or resentment that might have been experienced had working class migrants remained in their country of origin. Conversely, these processes cement an already accomplished material and sociocultural middle class position that might have been endangered by staying in England. But this is to ignore many subjects’ accounts of the difficulties of acquiring standards and styles of living that were not necessarily easily achieved, the common negative experiences of migrant isolation from family and friends in Britain and other places, and ambivalence about perceived widening inequalities in New Zealand; all of which tempered potentially rose coloured views of their past and present situations. One should also be alert to the dangers of over-stressing the differences between our cohorts of earlier and later arriving English migrants to New Zealand, despite a general trend of them illustrating different class backgrounds. Three themes can be re-emphasised here, which sound a cautionary note about the need for sensitivity to the complex interdependence of the changing lived experiences of persons in at least two countries and their

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<sup>11</sup> There was collaboration between this study and Fenton and Mann’s research in England, including the use of some identical items relating to perceptions of class divisions.

varying degrees of awareness of the theoretical and constructed processes, class, status and otherwise, alluded to above, which impact on their sentiments about social and geographical places – ranked and unranked.

Firstly, being and *remaining* working class was a meaningful concept to most English migrants who arrived in New Zealand prior to the 1980s (then aged in their 20s and 30s), and several older migrants who entered since 1990 with similar backgrounds. This generation, now in their 60s and 70s, readily responded to indirect questions about ‘getting on’ and ‘comparing countries’ in these terms. In short, notions of class, or its perceived absence, were freely drawn upon as a ‘tool for making sense of one’s ‘place’ vis-à-vis others’(Atkinson: 2011:185), with the locus of comparison becoming transnational. Thus, for pre ‘80s migrants, sentiments of difference had explicit geographical and temporal dimensions within and across their societies of origin and destination. Usage of class not only located oneself within England, as belonging to part of a city, town or region distinct from elsewhere, for example, as a Geordie or Cockney across a marked northern/southern divide, but also continued to provide a means of drawing comparisons with New Zealand and the area currently resided within.

These assessments of changing localities were closely linked to life and status trajectories, often with contradictory and ambivalent overtones. For example, an achieved better standard of living since migration – “New Zealand has been good to me” - was frequently contrasted with a perceived erosion of the local ‘classlessness’ they once clearly associated with their own success; for most, still within working class parameters. Yet visible local signs of widening inequalities were often still offset by views of changing circumstances in England/Britain. With these images becoming far more immediate to them from now affordable, more frequent return trips ‘home’, and various forms of increasingly accessible English media coverage. Many of these sentiments were echoed by older, more recent post-1980s migrants, particularly those who came to New Zealand under family reunion immigration provisions as retirees. Understandably, however, they lacked the historical depth of memories of nostalgia and loss of ‘earlier times’ in the Antipodes that previous generations of migrant had experienced. They therefore did not share any sense of a recent culture of decline in New Zealand that many earlier arrivals saw matching some aspects of parallel changes in England. This complex mix of class and status

sentiments defies neat linkages between ages, times of arrival and varied senses of place across our cohorts, in shaping types of class and national orientations.

A second theme relates to the class orientations voiced by many younger (40s to 50s) post '80s migrants, whose accounts had some points of similarity with the perceptions of their longer resident, older counterparts described above. They too, frequently observed class differences between England and New Zealand and several noted the contrasts between their own class circumstances and those of their working class parents. But many of these migrants saw themselves as middle class, in keeping with their current educational and employment statuses, and/or their relatively advantaged past circumstances in England. As noted earlier, these migrants had either commonly experienced intergenerational class mobility prior to their arrival, or they and their parents already came from higher strata. Consequently, they exhibited different sets of class memories and senses of accomplishment to their migrant predecessors, even if the latter saw themselves achieving material betterment in New Zealand.

A third, and equally striking theme, was sentiments of class indifference or rejection among the youngest post-80s migrants. Few recent arrivals in their 20s or early 30s used the 'class' word spontaneously, and rarely gave it any prominence as a self-identification or meaningful aspect of their lives to date; even when prompted to do so. Which suggests that feelings of class disidentification in England (Bottero, 2009) noted earlier, are echoed among this latest and youngest generation of movers, who no longer see their migration as a shift from 'home to home', nor an escape from traditional class divisions like their predecessors; although there is an observable continuity in a common pursuit of enhanced life style and sense of adventure that mirrors the motivations of earlier English arrivals (see Pearson, 2012). Thus, there is still some similarity in viewing one's migration as circumventing forms of constraint that stimulated histories of movement across lives and places for their predecessors, but status rather than class divisions are clearly discursively predominant.

The research findings reported and discussed above contribute to wider debates about the relationship between class and national sentiments in England and a British World that is fast receding, if not completely gone, as well as beginning to fill specific research gaps relating to English migrant persons in New Zealand. Their experiences of social mobility, or its absence, across still linked places, and the various ways this affects diverse class and national



sentiments, widen our understanding of how major recent changes, in and between both countries, are seen by ‘ordinary people’ in their everyday lives. But there are still major omissions in our knowledge about, if and how, recent transformations in inequality have affected the day to day perceptions and relations of people in New Zealand in general. Several key issues therefore remain unexamined or require further exploration. Firstly, building on the tentative conclusions of this study, is there any wider sense of a local ‘culture of decline’ observable in New Zealand that partly resembles its British counterpart; bearing in mind each society has its own distinctive socio-historical trajectories? Secondly, if so, in what ways, if any, has this ‘culture’ demonstrably strengthened or newly cultivated perceptions of social distance and hierarchical relations among immigrants (English/British or otherwise) and local born persons? Finally, these wide-ranging queries, relate back to a specific central theme of this article: namely, whether class distinctions have become a more salient mode of social expression and means of organising private and public lives in societies like New Zealand? Whatever the answers, sociologists ought to be fully engaged in researching and debating these questions.

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## **Pathways to economic outcomes at age 30: Income and living standards in a New Zealand birth cohort**

*Joseph M. Boden; David M. Fergusson and L John Horwood*

### **Abstract**

The present study examined linkages between income and living standards in adulthood and a series of childhood and adult factors and family circumstances using data from the Christchurch Health and Development Study, a longitudinal cohort studied from birth to age 30. Results showed that while the cohort was relatively advantaged, there was still considerable economic inequality at age 30. Analyses suggested that factors influencing income at age 30 included household characteristics related to earning power, educational achievement/cognitive ability, and childhood living standards, while living standards were influenced by income, earning power, mental health and substance use, and childhood living standards.

### **Introduction**

In recent decades there has been increasing interest and concern regarding inequality in economic outcomes. A range of research has examined the issue of economic inequality, with a growing consensus that economic inequality (the “rich-poor divide”) in Western industrialised economies has been increasing for the past 30 years or so (DeBacker, Heim, Panousi & Vidangos, 2012; OECD, 2011a; Wang & Caminada, 2011). This concern is reflected in New Zealand, with commentary from a variety of quarters suggesting that increasing levels of economic inequality may pose significant difficulties for the prosperity and wellbeing of New Zealanders (Barber, 2011; Ministry of Social Development, 2013; Rashbrooke, 2013).

While numerous studies have examined the factors leading to economic inequality in macroeconomic terms (Bertola, Foellmi & Zweimüller, 2005; Jäntti & Jenkins, 2010; Lim & McNelis, 2012; Yamada, 2012), relatively few studies have examined the social, individual and personal factors that contribute to differences in economic outcomes at the individual or household level. It could be argued that there are a range of household, family and individual factors across the life span from childhood to adulthood that play a key role in influencing economic outcomes in adulthood (OECD, 2011c). Furthermore, it could also be argued that, because economic conditions vary even amongst

industrialised Western countries, local data concerning the linkages between predictors and economic outcomes is of critical importance (OECD, 2013). The purpose of the present investigation is to use data from a New Zealand longitudinal birth cohort studied to age 30 to examine the role of family background and individual factors, education/cognitive ability, mental health and substance use, and family/household characteristics in predicting economic outcomes – net disposable income and living standards – in early adulthood (age 30). The study will examine patterns of associations between predictors and each economic outcome, and the pathways via which economic outcomes are influenced.

#### *Household and family characteristics*

Research has suggested that one important class of predictors of economic outcomes include demographic characteristics and household composition, which generally reflect the overall earning power available in a household. One important predictor is the number of earners in the household (Lee, Lee & Chang, 2011; New Zealand Parliament, 2011; OECD, 2011b; Thomas & Sawhill, 2005b; White & Rogers, 2000). For example, the US Census bureau estimated that, amongst those household in the top 5% of income distribution, 75% of households had two or more earners, whereas only 5% of households in the bottom 20% of income distribution had at least two earners (Lee, et al., 2011; U.S. Census Bureau, 2006).

Another key characteristic is the presence of dependent children. Several studies suggest that having children reduces the earning power of a household, generally by reducing the number of hours one parent (usually the mother) is able or willing to devote to paid employment (Gibb, Fergusson, Horwood & Boden, 2013b; Joshi, Paci & Waldfogel, 1999; Thomas & Sawhill, 2005b; Waldfogel, 1998). A study by Evers and Sieverding (2013) using data from a highly-educated German sample found that career interruptions were related to lower salary levels, and in turn the number of dependent children was positively related to career interruptions for women in the sample.

An additional factor related to the presence of dependent children is early parenthood. A number of studies have shown that earlier parenthood is associated with lower levels of educational attainment and lower wages as compared to those individuals who did not become parents at an early age (Boden, Fergusson & Horwood, 2008; Swann, Bowe, McCormick & Kosmin, 2003; Teti & Lamb, 1989; Thomas & Sawhill, 2005a).



Similarly, single parenthood has also been identified as an important indicator of economic outcomes (Amato, 2005; Cherlin, 2005; Thomas & Sawhill, 2005a). For example, a recent report on social conditions in New Zealand (Statistics New Zealand, 2012b) found that single-parent families were more likely to be in the higher categories of risk, with economic hardship being one of the primary risk indicators.

Finally, from the perspective of a New Zealand-based study, international comparisons suggest an international wealth disparity, in that that overall levels of income and wealth are lower in New Zealand than in other English-language nations such as Australia, the United Kingdom, Canada, or the United States (OECD, 2011d). Given that a substantial minority of New Zealanders spend at least part of their lives living and working in these nations (Statistics New Zealand, 2012a), it may be particularly important to estimate the magnitude of the effect of overseas residence on economic outcomes.

#### *Educational achievement*

A second key predictor is educational achievement, which is thought to reflect an important effect of human capital on economic outcomes (Hanushek, in press). A wide range of research has established linkages between educational achievement/cognitive skills development and improved economic outcomes both at the national level and the individual level (Campbell, Haveman, Sandefur & Wolfe, 2005; Greenstone, Looney & Shevlin, 2011; Hanushek & Woessmann, 2008; Khatiwada, McLaughlin, Sum & Palma, 2007; OECD, 2010). For example, Khatiwada et al. , using data from economic surveys in the United States, suggested that rates of employment in the year 2005 for individuals without secondary school qualifications was approximately 45%, as compared with 30% for individuals with only secondary school qualifications, and 16% for those with postgraduate qualifications. Furthermore, they reported that average earnings for individuals with secondary school qualifications only were USD\$23,300 as compared with USD\$50, 700 for those with a university degree.

#### *Mental health*

Another factor that may contribute to economic outcomes is the extent to which the mental health and wellbeing of individuals contributes to their ability to participate fully in gainful employment. A number of findings have emerged from the mental health literature demonstrating that common mental disorders



such as depression, anxiety disorder and suicidal behaviour can severely impair an individual's functioning, reducing their productivity and effectiveness at work, and making it difficult for individuals who are out of work to find employment (Barrera & Norton, 2009; Dewa, Goering, Lin & Paterson, 2002; Gilmour & Patten, 2007; Henning, Turk, Mennin, Fresco & Heimberg, 2007; Lam, Michalak, & Yatham, 2009; Lim, Jacobs, Ohinmaa, Schopflocher & Dewa, 2008; Norberg, Diefenbach & Tolin, 2008; Sobocki, Jonsson, Angst & Rehnberg, 2006; Stewart, Ricci, Chee, Hahn & Morganstein, 2003). For example, Dewa et al (Dewa, et al., 2002), using national employment and disability data from Canada, found that 25% of short-term disability claims were related to mental disorders, with the majority of these being related to work. Furthermore, individuals in the youngest age group (< 26 years) were significantly less likely to return to work after a disability claim due to mental health problems. A less common mental disorder, anti-social personality disorder, has also been implicated in reducing the individual's fitness for work, as individuals with the disorder may be generally less reliable as employees, and may be prone to violence both in the workplace and out (Lang & Hellweg, 2006; Sansone & Sansone, 2010).

### *Substance use*

Similarly to mental health, substance use disorders may play a critical role in influencing an individual's ability to obtain and maintain gainful employment. Alcohol use disorders have been linked to decreased task and job performance, absenteeism, legal problems that reduce employment opportunities, and unemployment (Bauld et al., 2013; Booth & Feng, 2002; Bray, Zarkin, Dennis & French, 2000; Claussen, 1999; Rehm & Gmel, 1999; Upmark, Lundberg, Sadigh, Allebeck & Bigert, 1999). Cannabis use disorders have also been shown to be related to increased risk of unemployment and financial instability (Brook, Lee, Finch, Seltzer & Brook, 2013; Fergusson & Boden, 2008; Teesson et al., 2012). Other illicit drug use disorders have also been shown to play a role in decreasing reliability and increasing the risk of unemployment, or termination of employment in cases where individuals are subject to drug testing at work (Alexandre & French, 2004; Desimone, 2002; French, Roebuck & Alexandre, 2001; Richardson, Wood, Li, & Kerr, 2010). In addition, the use of cannabis and other illicit drugs may result in arrest and conviction, reducing the individual's ability to obtain and maintain gainful employment (Pedersen, 2011).

*Individual background and family of origin factors*

It is also clear that individual factors such as gender and minority ethnicity, and family background factors in childhood play a role in determining adult economic outcomes. There is abundant research showing that, despite some convergence in recent years, females currently have lower levels of earning power as compared to males, even when employed in equivalent positions and with similar skill sets (Arulampalam, Alison & Bryan, 2007; Castilla, 2012; England, 2005; Manning & Swaffield, 2008; O'Neill & O'Neill, 2006; Preston, 2003; Prokos & Padavic, 2005). Ethnic minority status is also associated with less favourable employment and economic outcomes (Barth, Bratsberg & Raaum, 2012; Brynin & Güveli, 2012; Castilla, 2012; Hou & Coulombe, 2010; Pendakur & Woodcock, 2010). While this has been observed across numerous countries, this has also been demonstrated consistently in data from New Zealand, where Māori have significantly lower levels of income and living standards than non-Māori (Chapple, 2000; Ministry of Health, 2010; Statistics New Zealand, 2007; Tobias, Bhattacharya & White, 2008).

Childhood socioeconomic status, family income and family living standards are also related to adult economic outcomes (Ganzach, 2011; Harding, Jencks, Lopoo & Mayer, 2004; Mazumder, 2005; Strenze, 2007). A number of studies have examined the intergenerational nature of poverty, demonstrating that growing up in an impoverished household significantly increases the risk of adult poverty (Musick & Mare, 2004; Serbin & Karp, 2004; Wagmiller & Adelman, 2009; Whelan, Nolan & Maître, 2012). Additional factors related to adult economic outcomes are maternal and paternal education (Dubow, Boxer & Huesmann, 2009; Dubow, Huesmann, Boxer, Pulkkinen & Kokko, 2006; Pettit, Yu, Dodge, & Bates, 2009). Because parental education is related to the overall socioeconomic standing of the family of origin (Davis-Kean, 2005), it seems clear that this may also play a role in determining economic outcomes for individuals.

*The present investigation*

As noted above, there are a wide range of factors that influence economic outcomes. Some of these are proximal and relate directly to earning power, including the number of earners in a household, geographic location, and responsibilities such as childcare that may reduce or restrict access to employment. Other factors are related to human capital including education and skill development, with better educated and prepared individuals having greater access to both employment and advancement at work. Additional factors

include barriers to being effective at work or in the job market, including mental health disorders and substance use disorders. Finally, individual factors such as gender and ethnicity, and childhood family background factors may influence later employment opportunities.

One critical issue in understanding the role of these factors in determining economic outcomes is that many of these factors are strongly correlated. This inter-correlation between predictors demonstrates the importance of using multivariate regression and path modelling to identify the key pathways linking predictors to economic outcomes. A second important issue is the varying nature of economic outcomes themselves. It is clear that while both income and living standards may be regarded as economic outcomes, they are not necessarily equivalent (Perry, 2002), and the same set of predictors may not be related to both outcomes. Furthermore, it is clear that while income plays a strong role in contributing to relative material wellbeing as measured by living standards, income is not the sole determinant of overall living standards (Perry, 2002; Ringen, 1991). These considerations suggest that path analysis may be a particularly useful tool in understanding the relationships between predictors and outcomes, and between the two economic outcomes.

Against this background, the present study examines the relationships between the predictors identified above and both income and living standards in early adulthood (age 30), using data from a study of a large New Zealand longitudinal birth cohort (the Christchurch Health and Development Study). The availability of prospectively-collected data from childhood onward, as well as extensive measurement of mental health, substance use, family and household circumstances and related outcomes in adulthood allow for the use of multivariate regression and path analytic techniques to identify the specific role of a range of predictors in determining economic outcomes. The general aims of this analysis are to:

1. Describe the distribution of economic outcomes (income; living standards) in the CHDS cohort at age 30;
2. Examine the pattern of correlations between predictors and each economic outcome;
3. Use multivariate regression models to examine the associations between predictors and each economic outcome;
4. Employ path modelling techniques to show the linkages between predictors and outcomes, and between the two economic outcomes.

## Methods

### *Participants*

The data were gathered during the course of the Christchurch Health and Development Study (CHDS). In this study a birth cohort of 1265 children (635 males, 630 females) born in the Christchurch (New Zealand) urban region in mid-1977 has been studied at birth, 4 months, 1 year and annually to age 16 years, and again at ages 18, 21, 25 and 30 years (Fergusson & Horwood, 2001; Fergusson, Horwood, Shannon, & Lawton, 1989). The age 30 assessment was conducted in the year 2007. All study information was collected on the basis of signed consent from study participants and all information is fully confidential. All aspects of the study have been approved by the Canterbury (NZ) Ethics Committee.

The sample consisted of the 987 respondents who completed the age 30 assessment, representing 80% of the surviving members of the original cohort ( $n = 1265$ ). Of these individuals, 21 were unwilling or unable to provide full information regarding income, reducing the effective sample size for the analyses involving equivalised net family income to  $n = 966$ .

### *Measures of socioeconomic outcomes (age 30)*

*Equivalised disposable (net) family income (age 30).* At the interview at age 30, participants were asked to provide information concerning their personal income and the income of their relationship partner (if applicable). The net (after-tax) income from all sources for both the cohort member and partner were summed to create a measure of total net family income at age 30. Incomes reported in currencies other than New Zealand dollars were converted to New Zealand dollars using Purchasing Power Parities (OECD, 2007). Following this, incomes were truncated to a maximum of \$150,000 to avoid the influence of outliers. This estimate was then equivalised for household size and composition using the method described by Jensen (Jensen, 1988). The mean equivalised net family income for the CHDS cohort at age 30 was \$40,690 ( $sd = \$24600$ ).

For the purposes of the present investigation, the measure of equivalised net family income was used to create a dichotomous measure representing whether family income level was below or above the poverty line, defined as being 60% or less of the median equivalised net family income for New Zealand for the year 2007 (the year of the age 30 observations). The median equivalised net family income for New Zealand for that year was \$26,500 (Perry, 2008), resulting in a poverty line demarcation of \$15,900.

*Living standards (age 30).* As part of the interview at age 30, participants completed the Economic Living Standards Index Short Form (Jensen, Spittal, & Krishnan, 2005), which measures the material aspects of well-being that are reflected in a person's consumption and personal possessions. Higher scores on this index indicate higher economic living standards. The mean score was 24.9 (sd = 5.2).

For the purposes of the present investigation, participants were categorised into seven levels, as indicated by the ELSI Short Form scoring manual, according to their total scores on the ELSI scale. This information was used to create a dichotomous classification representing hardship. Those participants whose households fell into one of the lowest three categories (some hardship; significant hardship; severe hardship) were classified as being exposed to at least some hardship at age 30, while those cohort members whose household living standards placed them in the upper four categories were classified as not being exposed to hardship at age 30.

*Predictors of economic outcomes at age 30.* A number of predictors of economic outcomes at age 30 were abstracted from the study database and considered for inclusion in the analyses. In addition to the predictors identified below, a range of predictors pertaining to: adult criminal offending; and childhood behaviour disorders; were employed in preliminary data analyses. Below are described only those predictors which were featured in the analyses reported in the Results section of the manuscript.

#### *Family/household characteristics (at age 30)*

*Number of earners.* As part of the interview at age 30, cohort members were asked a series of questions about their employment and the employment of their partner (if applicable). This information was used to create a three-level variable representing the number of persons earning via paid employment in the household (0 = no earners; 1 = single earner; 2 = two earners).

*Number of dependent children.* Cohort members were questioned as to the nature and composition of their household at age 30, including the number of dependent children. This information was used to create a count measure of the number of dependent children living in the household.

*Parent prior to age 20.* Information from the CHDS database that had been collected at earlier assessments was used to create a dichotomous variable indicating whether cohort members had become parents prior to age 20.



*Single parenthood.* The information concerning household composition was used to create a dichotomous measure indicating single parenthood at age 30. Cohort members who indicated living in a household with dependent children, but who did not have a partner, were classified as single parents.

*Welfare dependence.* A dichotomous measure of welfare dependence at age 30 was created using responses to questions concerning the cohort member and partner's receipt of welfare benefits at the time of assessment. These benefits included unemployment benefit, domestic purposes benefit, and sickness/invalid benefit. Cohort members who reported receipt of one or more types of welfare benefit were classified as being welfare dependent at age 30.

*Living in New Zealand.* Cohort members were questioned at age 30 as to their usual country of residence. This information was used to classify cohort members using a dichotomous variable indicating New Zealand residence.

#### *Educational achievement*

*Educational qualifications.* As part of assessments at ages 18, 21, 25, and 30, cohort members were questioned as to their attainment of educational qualifications. For the purposes of this investigation, this information was used to create a three-level variable representing educational achievement (0 = no qualifications; 1 = secondary school qualifications/tertiary qualifications below degree level; 2 = university degree).

#### *Mental health (ages 25-30)*

*Major depression/anxiety disorder.* At age 30 years participants were questioned regarding symptoms of major depression and a range of anxiety disorders (including generalized anxiety disorder, panic disorder, agoraphobia, social phobia, and specific phobia) using CIDI (World Health Organization, 1993) items and DSM-IV (American Psychiatric Association, 1994) diagnostic criteria. Sample members who met DSM diagnostic criteria for a major depressive episode or one or more anxiety disorders at any time during since the previous assessment at age 25 were classified using a pair of dichotomous measures as having major depression or anxiety disorder during that period.

*Suicidal ideation.* Suicidal behaviour since the previous assessment at age 25 was assessed via self-report by asking sample members whether they had ever thought about killing themselves or had attempted suicide during the period since the previous assessment. Participants were classified using a dichotomous measure as having suicidal ideation during these years if they had reported at least one instance of thinking about killing themselves.

*Anti-social personality disorder.* At age 30, participants were interviewed using custom-written survey items to assess DSM-IV (American Psychiatric Association, 1994) diagnostic criteria for anti-social personality disorder during the period since the previous assessment at age 25. For the purposes of the present analysis, sample members who met diagnostic criteria for anti-social personality disorder during the period 25-30 years were classified as having the disorder (1.3% of the sample).

*Count measure of mental disorders (ages 25-30 years).* For the purposes of the present analyses, the four dichotomous mental health measures described above were used to create a count measure of the number of mental disorders experienced by the cohort member during the period 25-30 years.

#### *Substance use (ages 25-30)*

*Alcohol use disorder/cannabis dependence/other illicit drug use disorder.* At the assessment at age 30, study participants were interviewed concerning alcohol use and the use of illicit substances (cannabis and a range of other illicit substances) using both custom-written survey items to assess substance use, and components of the Composite International Diagnostic Interview (CIDI)(World Health Organization, 1993) to assess DSM-IV (American Psychiatric Association, 1994) symptom criteria for alcohol abuse/dependence (AAD), cannabis abuse/dependence, and other illicit substance abuse/dependence during each year since the previous assessment. Those individuals who met criteria for AAD during any given year were classified using a dichotomous measure as having AAD during the period 25-30 years. Those who met criteria for cannabis abuse/dependence were classified using a dichotomous measure as having cannabis abuse/dependence during that period. Finally, those participants who met criteria for other illicit substance abuse/dependence since the previous assessment were classified using a dichotomous measure as having illicit substance abuse/dependence during that period.

*Partner alcohol problems/illicit drug problems.* As part of the questioning at age 30, cohort members were asked a series of questions regarding the behaviour of their relationship partner. As part of this questioning, cohort members were asked to indicate whether their partner had (in the cohort member's estimation) a problem with: a) alcohol; and b) illicit drugs (including cannabis). This information was used to create a pair of dichotomous measures indicating whether the cohort member's partner had alcohol problems or illicit drug problems when the cohort member was aged 30.

*Summary measure of substance use problems.* For the purposes of the present investigation, a summary measure of substance use problems was created by combining the cohort member and partner information described above. This information was used to create a three-level variable indicating exposure to substance use problems during the period 25-30 years (0 = neither partner nor cohort member had substance use problems/met criteria for disorder; 1 = either partner or cohort member had substance use problems/met criteria for disorder; 2 = partner had substance use problems and cohort member met criteria for at least one substance use disorder).

*Individual background and family of origin factors*

*Gender.* Measured at birth (scored as 1 = male; 2 = female).

*Family socio-economic status (at birth).* This was assessed at the time of the survey child's birth using the Elley-Irving (Elley & Irving, 1976) scale of socioeconomic status for New Zealand. This scale classifies SES into 6 levels on the basis of paternal occupation ranging from 1 = professional occupations to 6 = unskilled occupations. For the purposes of the present analysis scores were reversed so that higher scores represented higher SES levels.

*Average family living standards (ages 0-10).* At each year a global assessment of the material living standards of the family was obtained by means of an interviewer rating. Ratings were made on a five point scale that ranged from 1 = "very good" to 5 = "very poor". These ratings were summed over the 10 year period and divided by 10 to give a measure of typical family living standards during this period. For the purposes of the present analysis scores were reversed so that higher scores represented more favourable living standards.

*Averaged family income rank.* At each assessment from when the survey child was aged 1 to age 10 years estimates were obtained of the family's gross annual income from all sources for the previous 12 month period. This information was used to derive measures reflecting the average income level available to the family during childhood. For each period 1 to 10 years the gross income estimates were first classified into deciles of family income, and the resulting decile levels were then averaged over the period to obtain an averaged income decile rank for the family during the period.

*Maternal and paternal education.* Maternal and paternal education level was assessed at the time of the survey child's birth using a three point scale which reflected the highest level of educational achievement attained. This scale was: 1 = parent lacked formal educational qualifications (had not

graduated from high school); 2 = parent had secondary level educational qualifications (had graduated from high school); 3 = parent had tertiary level qualifications (had obtained a university degree or tertiary technical qualification).

*Māori ethnicity.* Participants were classified as either Māori or non-Māori on the basis of self-reported ethnic identification obtained at age 21 years.

### *Statistical analyses*

*Regression analyses.* The data described above were used to fit two ordinary least squares multiple regression analyses. These analyses were of the form:

$$Y_i = B_0 + \sum B_i X_i + U_i$$

(EQ1)

where  $Y_i$  represented either equivalised net family income at age 30, or ELSI score at age 30,  $X_i$  was the individual's score for each particular predictor and  $U_i$  was the model disturbance. In order to simplify the regression models, terms representing: a) a count measure of mental health disorders; and b) and a summary measure of substance use problems; were used in the analyses in place of the four individual measures of mental health disorders and five individual measures of substance use problems. These models were then refined using forwards and backwards methods of variable substitution to arrive at the set of statistically significant predictors for both equivalised net family income and ELSI score at age 30. In addition, for the regression model using ELSI score as the outcome, equivalised family income at age 30 was used as a predictor. Both models were then extended to include terms representing gender x predictor interactions. Regression models were fitted using SAS v9.3.

*Path analysis.* In the next step of the analyses, the outcome variables and those predictors which were found to be statistically significant in the ordinary least squares regression analyses described above were entered into a recursive path analysis model. In this model, equivalised net family income and ELSI score served as the dependent variables, while the independent variables which included the seven statistically significant predictors identified in the ordinary least squares regression models (see Results), were treated as correlated exogenous variables. In addition, the path model included a path from equivalised net family income to ELSI score, as in the least squares regression model described above. Standardised model parameters were estimated using maximum likelihood methods. The path model was fitted using Mplus v7.11.

*Supplementary analyses.* In order to examine further the applicability of the results to a New Zealand context, the above regression analyses were repeated (omitting the variable pertaining to New Zealand residence) using only those sample members resident in New Zealand at age 30 ( $n = 759$ ).

## Results

### *Economic outcomes in the CHDS cohort households at age 30*

Table 1 reports on two measures of economic outcomes in the CHDS cohort at the age of 30. The first measure is a measure of equivalised disposable (net) income using the weighting procedure suggested by Jensen (Jensen, 1988). The equivalised income measure provides a measure of income that takes into account family size and composition. The second measure is a measure of the families' material living standards using a short form of the ELSI (Jensen, et al., 2005) measure (see Methods).

For each outcome a measure of relative poverty is provided. For the equivalised income measure this was based on the conventional measure of 60% of the median net income for the year 2007 in New Zealand (NZD\$26,500). For the ELSI scale the measure of relative poverty was the fraction of families reporting at least "some hardship". The Table shows that on the basis of the equivalised income measure, 10.3% of families fell below the poverty line (NZD\$15,900) whereas using the ELSI measure only 8% of families fell below the poverty level.

These findings suggest that levels of poverty in the CHDS cohort were lower than rates that have been reported for similar populations. For example, population estimates suggest that 18% of NZ households with adults in the 29-45 age range fell below the equivalised income poverty line in the year 2007 (Perry, 2008), compared with 10.3% in the CHDS sample. Examination of the distribution of the ELSI score showed that 8% of the cohort fell into the more disadvantaged categories of the ELSI. This rate is lower than would be expected from population estimates. For example population data from 2008 showed that 25% of adults aged 25-44 years were living in household subject to this degree of deprivation (Perry, 2009). There appear to be several reasons for the rates of poverty defined by income and ELSI being lower in the CHDS cohort.

1. First, the cohort was at a stage of the life cycle at which rates of poverty were likely to be low since the majority (64.3%) of the cohort did not have children and a substantial proportion (32.3%) were living in two income families with a partner and no children. Further examination revealed that rates of poverty varied marked with household type with households having



one income and dependent children having rates of ELSI hardship of 17.8% compared to 2.2% for two income households with no children. Similarly, rates of below poverty level income were 15.2% for households with one income and dependent children, while there were no households in the CHDS cohort that had two incomes that were below the income poverty threshold. In addition, it should be noted that rates of welfare dependence in the cohort (8.4%) were slightly lower than estimates of the population rate of welfare dependence in New Zealand in 2007 (10.1%) (Ministry of Social Development, 2007), though the latter figure includes a somewhat wider variety of benefit than assessed in the CHDS cohort.

2. Second, the ELSI scale figures reported for the New Zealand population in 2008 applied to New Zealand residents, whereas 23.1% of the CHDS cohort were living overseas at age 30. Those living overseas had lower levels of deprivation on the ELSI measure (2.6%) than those living in New Zealand (9.6%;  $X^2(1) = 11.6, p < .001$ ). Similarly, those cohort members who lived overseas were significantly less likely to have an income below the New Zealand poverty level (3.2%) than those cohort members who resided in New Zealand (12.3%;  $X^2(1) = 15.5, p < .0001$ ).

In summary the low rate of relative poverty found in the CHDS using the ELSI score and income is likely to reflect the net effects of: a) household composition; and b) country of residence.

A further statistic of interest concerns the rate of poverty amongst New Zealand-based households in the CHDS with dependent children. On the basis of equivalised income estimates 14.1% of New Zealand-based families with dependent children fell below the poverty line, compared to 11.2% of households without dependent children. On the basis of ELSI score, 15.5% of families with dependent children were in hardship compared to 5.7% of households with no dependent children.

#### *Associations between economic circumstances (at age 30) and predictors*

Table 2 shows the Pearson product-moment correlations between the measures of economic circumstances at age 30 (equivalised family income; ELSI score) and a series of predictors spanning a range of areas pertaining both to the cohort member and to the family/household that the cohort member resided with. These predictors included: family/household characteristics; cohort member's educational achievement; cohort member's mental health; cohort member's and partner substance use problems; and individual/family background factors for the cohort member.

**Table 1. Indicators of economic circumstances amongst the CHDS cohort at age 30.**

| a) Equivalised family disposable income bracket                     |                      | % of sample |
|---------------------------------------------------------------------|----------------------|-------------|
| \$100,000+                                                          |                      | 1.2         |
| \$80,000-\$99,999                                                   |                      | 7.6         |
| \$60,000-\$79,999                                                   |                      | 9.8         |
| \$40,000-\$59,999                                                   |                      | 22.9        |
| \$20,000-\$39,999                                                   |                      | 39.4        |
| \$15,901-\$19,999                                                   |                      | 8.8         |
| \$0-\$15,900 (under poverty threshold)                              |                      | 10.3        |
| Mean equivalised disposable family income = 40687.44; SD = 24604.07 |                      |             |
| b) ELSI living standards brackets                                   |                      |             |
| Score                                                               | Level                | % of sample |
| 29-31                                                               | Very good            | 24.4        |
| 25-28                                                               | Good                 | 41.2        |
| 21-24                                                               | Comfortable          | 18.3        |
| 17-20                                                               | Fairly comfortable   | 8.1         |
| 13-16                                                               | Some hardship        | 4.2         |
| 9-12                                                                | Significant hardship | 2.5         |
| 0-8                                                                 | Severe hardship      | 1.3         |
| Mean ELSI score = 24.9; SD = 5.2                                    |                      |             |

In summary the low rate of relative poverty found in the CHDS using the ELSI score and income is likely to reflect the net effects of: a) household composition; and b) country of residence.

A further statistic of interest concerns the rate of poverty amongst New Zealand-based households in the CHDS with dependent children. On the basis of equivalised income estimates 14.1% of New Zealand-based families with dependent children fell below the poverty line, compared to 11.2% of households without dependent children. On the basis of ELSI score, 15.5% of

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1. Both the measure of equivalised income and ELSI score had strong and statistically significant ( $p < .0001$ ) correlations with the predictors related to family/household characteristics. Absolute values for the correlations ranged from .19 to .46, with a median value of .28.
2. Both economic measures were also strongly and significantly correlated ( $p < .0001$ ) with the cohort member's education level, with correlations of .24 for income and .36 for ELSI score.
3. The predictors related to the cohort member's mental health outcomes (25-30 years) were strongly and significantly correlated ( $p < .0001$ ) with the measure of equivalised family income, ranging in absolute value from .20 to .25. However, the correlations between mental health outcomes and ELSI score were weaker, though statistically significant ( $p < .05$ ), ranging from .08 to .11.
4. Both economic measures were modestly correlated with the majority of measures of the cohort member's and partner's problems with substance use (during the period 25-30 years). Two correlations failed to reach statistical significance with the ELSI measure: cohort member's alcohol use disorder; and cohort member's other illicit drug use disorder. Absolute values for the correlations ranged from .01 to .19, with a median value of .09.
5. The two economic outcome measures were moderately correlated (all  $p$  values  $< .001$ ) with the majority of predictors related to the cohort member's family background and individual factors. The one exception to this was the correlation between gender and income ( $-.03$ ,  $p > .30$ ). Absolute values for these correlations ranged from .03 to .29, with a median value of .15.

**Table 2. Correlations between predictors and measures of economic outcomes at age 30.**

| Predictors                                                | Economic outcomes measure |        |            |        |
|-----------------------------------------------------------|---------------------------|--------|------------|--------|
|                                                           | Equivalised family income |        | ELSI score |        |
|                                                           | r                         | p      | r          | p      |
| <u>Family/household characteristics (at age 30)</u>       |                           |        |            |        |
| Equivalised family income                                 | --                        | --     | .47        | <.0001 |
| Number of earners                                         | .29                       | <.0001 | .42        | <.0001 |
| Number of dependent children                              | -.38                      | <.0001 | -.26       | <.0001 |
| Becoming a parent <age 20                                 | -.19                      | <.0001 | -.20       | <.0001 |
| Single parent                                             | -.28                      | <.0001 | -.23       | <.0001 |
| Welfare dependent                                         | -.32                      | <.0001 | -.41       | <.0001 |
| New Zealand residence                                     | -.46                      | <.0001 | -.26       | <.0001 |
| <u>Educational achievement</u>                            |                           |        |            |        |
| Qualifications (none/secondary/tertiary)                  | .24                       | <.0001 | .36        | <.0001 |
| <u>Mental health (ages 25-30)</u>                         |                           |        |            |        |
| Major depression                                          | -.25                      | <.0001 | -.11       | <.001  |
| Anxiety disorder                                          | -.25                      | <.0001 | -.08       | <.05   |
| Suicidal ideation                                         | -.20                      | <.0001 | -.09       | <.01   |
| Antisocial personality disorder                           | -.20                      | <.0001 | -.10       | <.01   |
| <u>Substance use disorders (ages 25-30)</u>               |                           |        |            |        |
| Alcohol use disorder                                      | -.09                      | <.01   | -.01       | >.70   |
| Cannabis use disorder                                     | -.14                      | <.0001 | -.14       | <.0001 |
| Other illicit drug use disorder                           | -.08                      | <.05   | -.05       | <.10   |
| Partner alcohol problems (age 29-30)                      | -.07                      | <.05   | -.17       | <.0001 |
| Partner cannabis/other drug problems (age 29-30)          | -.07                      | <.05   | -.19       | <.0001 |
| <u>Individual background and family of origin factors</u> |                           |        |            |        |
| Female gender                                             | -.03                      | >.30   | -.08       | <.05   |
| Family socioeconomic status at birth                      | .16                       | <.0001 | .20        | <.0001 |
| Family living standards (ages 0-10)                       | .27                       | <.0001 | .29        | <.0001 |
| Family income (ages 0-10)                                 | .21                       | <.0001 | .22        | <.0001 |
| Maternal education level                                  | .14                       | <.0001 | .19        | <.0001 |
| Paternal education level                                  | .11                       | <.001  | .11        | <.001  |
| Māori ethnicity (at age 21)                               | .10                       | <.001  | .11        | <.001  |

The results of these analyses suggest that both income and living standards are associated with a wide variety of indicators measured in both adulthood and childhood, and pertaining not only to the individual (in this case the cohort member), but also to the cohort member's partner and family unit in general.

*Multivariate regression models of the associations between measures of economic circumstances (at age 30) and predictors*

In the next step of the analyses, the predictors noted in Table 2 above were entered into multivariate ordinary least squares regression models using: equivalised family income; and ELSI score as the outcome measures. For the model of the association between ELSI and predictors, equivalised family income was used as a predictor. Also, as noted in Methods, in order to simplify these models the measures of cohort member's mental health outcomes were transformed into a single variable, representing the total burden of mental health disorders when the cohort member was aged 25-30 years. Also, the measure of cohort member's and partner's substance use problems were transformed into a single variable, representing the total household burden of substance use problems. Finally, because of the strong collinearity between the variables of welfare benefit receipt and number of earners, the measure of welfare benefit receipt was dropped from the multivariate regression analyses. In conducting these analyses, forward and backward methods of variable selection were used to arrive at a set of stable and parsimonious models. As a result of this process, several predictors were found to be no longer statistically significantly ( $p < .05$ ) associated with either equivalised income or ELSI score. These predictors included: becoming a parent < age 20; single parent; gender; family socioeconomic status at birth; family income (ages 0-10); maternal and paternal education level; and Māori ethnicity.

The results of these analyses are given in Table 3, which shows the standardised regression coefficients and tests of significance for each predictor, for those predictors that were statistically significant in one or both analyses. The Table also displays the estimates of  $R^2$  for each model. The Table shows:

1. The measure of equivalised income was strongly and significantly ( $p < .0001$ ) associated with three measures of family/household characteristics, including: number of earners; number of dependent children; and living in New Zealand. Standardised coefficients ranged in absolute value from .25 to .37. On the other hand, the associations between the measure of equivalised income and education and family living standards were more modest, with standardised coefficients ranging from .09 to .15.



2. The results of this analysis suggested that income was largely a function of earning power (number of earners; New Zealand residence) and family commitments (number of children), with education and family living standards in childhood playing a relatively modest role. Together these variables accounted for approximately 50% of the variance in equivalised net family income at age 30.

3. The ELSI measure showed a somewhat different pattern of statistically significant ( $p < .01$ ) associations with predictors after model fitting. The association between ELSI and equivalised family income was strong ( $\beta = .27$ ), whereas the other family/household characteristics measures were more weakly associated with ELSI score, ranging in absolute value from .09 to .10. In addition, there was a strong association ( $\beta = -.22$ ) between the mental health disorder score and ELSI score, and a moderate association between substance use disorders score and ELSI score ( $\beta = -.15$ ). The measure of family living standards was relatively weakly associated with ELSI score ( $\beta = -.12$ ). The results of this analysis suggested that while a large component of living standards was accounted for by income, living standards were also predicted by family characteristics, mental and behavioural disorders, and living standards in childhood. Together these variables accounted for approximately 34% of the variance in living standards scores at age 30.

As noted in Methods, the models described above were extended to include terms representing gender x predictor interactions, to examine whether the strength of associations between predictors and economic outcomes differed according to gender. Of the 11 interaction terms tested (five for the model of equivalised family income, six for the model of living standards) only a single interaction term (for the interaction between gender and New Zealand residence for the model of equivalised income) was found to be statistically significant ( $p < .05$ ). However, the use of a Sidak-corrected p-value ( $p = .025$ ) to account for multiple tests of significance resulted in the interaction term being reduced to statistical non-significance.

*Path modelling of the associations between measures of economic circumstances at age 30 and predictors*

Finally, in order to examine in more detail the potential causal pathways predicting income and living standards, the predictors identified in Table 3 were entered into a recursive path model equation using MPlus, in which the significant predictor variables were treated as correlated exogenous variables which influence both equivalised income and ELSI score.

**Table 3. Multivariate regression models for the associations between predictors and measures of economic outcomes at age 30.**

| Predictors                                          | Economic outcomes measure                     |        |                                               |        |
|-----------------------------------------------------|-----------------------------------------------|--------|-----------------------------------------------|--------|
|                                                     | Equivalised family income                     |        | ELSI Score                                    |        |
|                                                     | Standardised regression parameter ( $\beta$ ) | p      | Standardised regression parameter ( $\beta$ ) | p      |
| <u>Family/household characteristics (at age 30)</u> |                                               |        |                                               |        |
| Equivalised family income                           | --                                            | --     | .27                                           | <.0001 |
| Number of earners                                   | .37                                           | <.0001 | .09                                           | <.01   |
| Number of dependent children                        | -.25                                          | <.0001 | -.10                                          | <.001  |
| New Zealand residence                               | -.37                                          | <.0001 | -.10                                          | <.001  |
| <u>Education/IQ</u>                                 |                                               |        |                                               |        |
| Qualifications (none/secondary/tertiary)            | .15                                           | <.0001 | --                                            | --     |
| <u>Mental health (ages 25-30)</u>                   |                                               |        |                                               |        |
| Total mental health disorders score                 | --                                            | --     | -.22                                          | <.0001 |
| <u>Substance use (ages 25-30)</u>                   |                                               |        |                                               |        |
| Total substance use disorders score                 | --                                            | --     | -.15                                          | <.0001 |
| <u>Individual and family background factors</u>     |                                               |        |                                               |        |
| Family living standards (ages 0-10)                 | .09                                           | <.01   | .12                                           | <.0001 |
| Model R <sup>2</sup>                                | .50                                           | <.0001 | .34                                           | <.0001 |

In addition, the model included a pathway from equivalised income to ELSI (see Methods). A representation of the model is shown in Figure 1, which depicts the common pathways to both outcomes from: number of earners; number of dependent children; living in New Zealand; and family living standards (ages 0-10). The model also includes specific pathways to equivalised income from educational qualifications, and specific pathways to ELSI score from mental health disorders, substance use disorders, and equivalised income. The Figure also displays the standardised parameter estimates for each path, and tests of statistical significance. The results of the path model showed:

1. Several variables had a direct effect on the measure of equivalised income, including: number of earners ( $\beta = .36$ ); number of dependent children ( $\beta = -.26$ ); New Zealand residence ( $\beta = -.37$ ); education qualification level ( $\beta = .15$ ); and childhood family living standards ( $\beta = .10$ ).
2. A number of variables also had a direct effect on the ELSI measure of living standards, including: net equivalised income ( $\beta = .27$ ); number of earners ( $\beta = .09$ ); number of dependent children ( $\beta = -.09$ ); New Zealand residence ( $\beta = -.09$ ); overall burden of mental disorders ( $\beta = -.23$ ); substance use problems ( $\beta = -.15$ ); and childhood family living standards ( $\beta = .13$ ).
3. One variable, education qualification level, was not directly related to ELSI score at age 30 but had an indirect influence ( $\beta = .04$ ; not shown) via its association with net equivalised income. Several other variables had both a direct effect on ELSI score, and an indirect effect on ELSI that was mediated via equivalised income, including: number of earners (indirect effect  $\beta = .10$ ; not shown); number of dependent children (indirect effect  $\beta = -.07$ ; not shown); New Zealand residence (indirect effect  $\beta = -.10$ ; not shown); and childhood family living standards (indirect effect  $\beta = .03$ ; not shown).
4. Two variables, mental health disorders and substance use problems, had specific effects on ELSI scores but were unrelated to equivalised net income.

### *Supplementary analyses*

In order to examine whether the results reported above varied as a function of New Zealand residence, the regression analyses above were repeated using only that portion of the cohort ( $n = 759$ ) who were resident in New Zealand at age 30 (New Zealand residence was therefore omitted from the models; see Methods). The pattern of results for these analyses was largely congruent with those reported above, with the resultant  $R^2$  estimates for the multivariate regression models being 0.39 for equivalised income and 0.33 for ELSI score. These results suggested that the linkages between predictors and economic outcomes did not differ as a function of New Zealand residence.

### **Discussion**

In this article we have used data gathered over the course of 30-year study of a New Zealand birth cohort to examine the linkages between a range of predictors and economic outcomes (income and living standards) at age 30. The results of these analyses have led to several general conclusions.

*Economic inequality in the CHDS cohort*

One of the unexpected findings of this study was the relatively low level of poverty in this cohort. On the basis of existing evidence we expected approximately 20-25% of the cohort to be in relative poverty using existing measures based on equivalised income (Perry, 2008) and the ELSI scale (Perry, 2009). In fact, in the region of 8% to 10% of the cohort were classified as being in relative poverty. This raises important issues about the reasons for the CHDS cohort findings being discrepant with existing estimates. We are of the view that three factors may explain the lower than expected level of poverty within the cohort.

1. The first and probably the most important factor is the life stage of the cohort in which a substantial fraction (32.3%) of the cohort were in two income households with no dependent children. These households had high income as a result of two incomes, with household gross incomes ranging (in unadjusted New Zealand dollars) from \$26,900 to \$240,000 with a median of \$105,000. The large proportion of two income households with no children is probably the reflection of two population trends which have resulted in placing a substantial number of young adult households in a position of relative economic advantage. The first trend has been an increase in the age of first parenthood in New Zealand. In 1993 the age of first pregnancy for women was 28.4 years, whereas in 2009 the age of first pregnancy for women was 30.5 (Statistics New Zealand, 2010). This trend has also been accompanied by increases in female workforce participation (Johnston, 2005). In combination these trends appear to have had a substantial impact on the earnings of the young adult population and a consequent reduction in risks of poverty.

2. A second explanation is that the rate of poverty in the cohort was reduced by the fact that over 1 in 5 cohort members lived outside New Zealand and rates of poverty were lower for overseas residents. When rates of poverty were recalculated for the sample resident in New Zealand it was found that > 12% were below the poverty line using the equivalised income measure and 9.6% below the poverty line using the ELSI scale.

3. A further consideration that applies to the ELSI scale is that the scale may be becoming increasingly out of date as a result of changes in population level living standards and ownership patterns. In particular, since the standardisation of ELSI in 2000 it is likely there have been substantial changes in population levels of ownership of such consumer durables as personal computers and cellular phones, which is an issue noted by the authors of the original report (Krishnan, Jensen, & Ballantyne, 2002). These changes may have

reduced the discriminating power of the scale and led to an underestimation of the rate of hardship within the CHDS cohort.

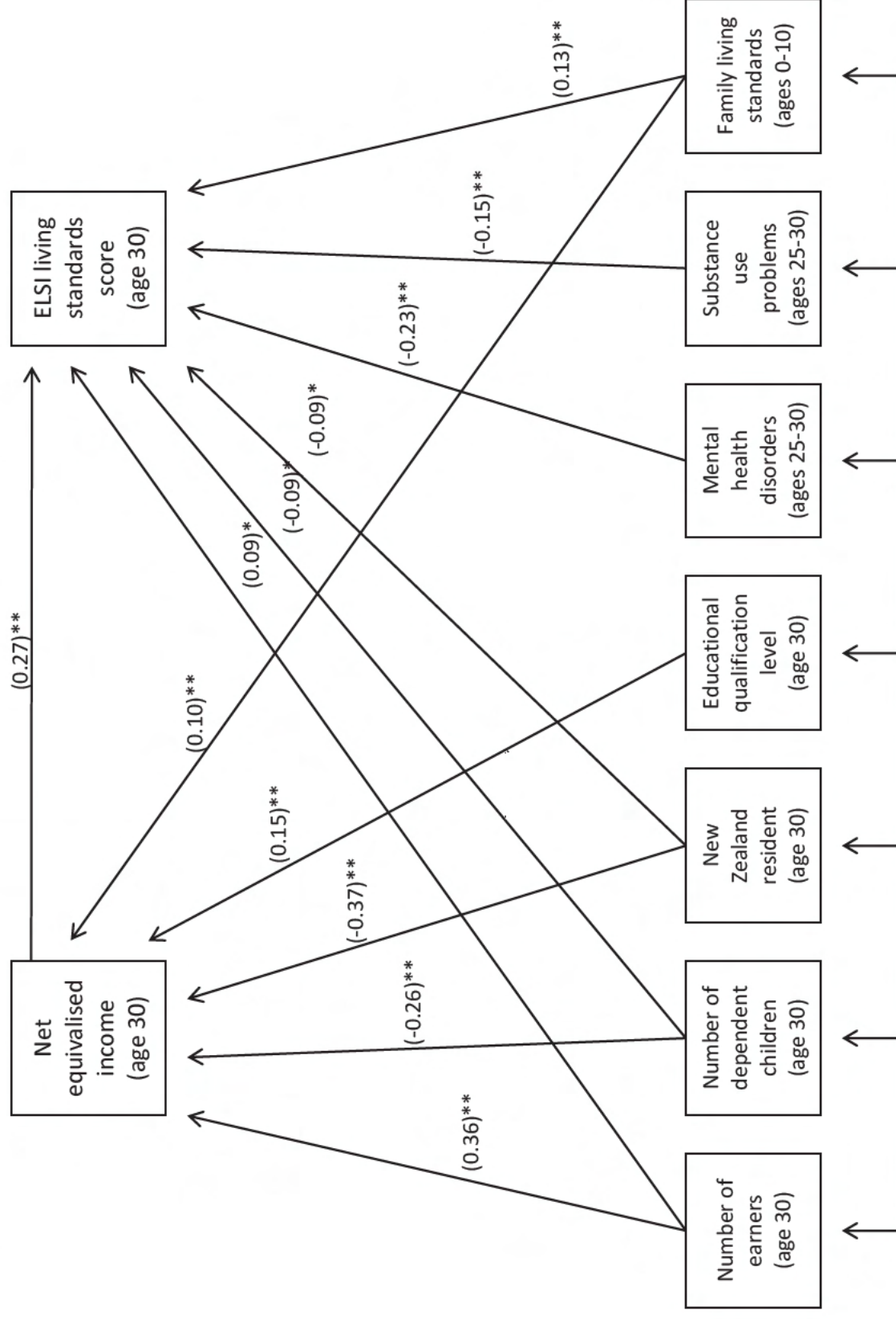
Irrespective of issues of comparison with New Zealand population estimates, however, there remained evidence of substantial economic inequality in the CHDS cohort. Those cohort members in the highest decile for equivalised income had mean equivalised incomes that were 2.75 times greater than the mean equivalised income for cohort members in the nine other income deciles (NZD\$95170 for the highest decile, as compared to NZD\$34,610 for all others).

### *The predictors of economic inequality*

The next stage of the analysis examined the extent to which variations in equivalised income and ELSI scores at age 30 could be predicted from the family, social and individual factors. Bivariate analyses (see Table 2) showed that variations in measures of economic outcomes were significantly associated with a wide range of factors including: number of earners ( $p < .0001$ ); welfare dependence ( $p < .0001$ ); number of dependent children ( $p < .0001$ ); becoming a parent before age 20 years ( $p < .0001$ ); single parenthood ( $p < .0001$ ); New Zealand residence ( $p < .0001$ ); education qualification level ( $p < .0001$ ); mental health problems including major depression, anxiety disorder; suicidal ideation; anti-social personality disorder ( $p < .05$ ); substance use problems including alcohol use disorder, cannabis use disorder, other illicit drug use disorder, partner alcohol problems, and partner illicit drug problems ( $p < .05$ ); gender ( $p < .05$  for ELSI); family socioeconomic status at birth ( $p < .0001$ ); childhood family living standards ( $p < .0001$ ); childhood family income ( $p < .0001$ ); maternal and paternal education ( $p < .001$ ); and Māori ethnicity ( $p < .001$ ). This is in general agreement with a range of research suggesting that economic outcomes are at least in part determined not only by earning power (Gibb, et al., 2013b; OECD, 2011b; Thomas & Sawhill, 2005b; White & Rogers, 2000), but also preparation for the workforce via education (Hanushek & Woessmann, 2008; Khatiwada, et al., 2007; OECD, 2010), reliability and dependability as influenced by levels of mental health and substance use disorders (Barrera & Norton, 2009; Bray, et al., 2000; Lim, et al., 2008; Rehm & Gmel, 1999; Sansone & Sansone, 2010; Stewart, et al., 2003), and family background and individual factors that influence both the choice of work undertaken and expectations regarding adequate living standards (Castilla, 2012; Chapple, 2000; Manning & Swaffield, 2008; Wagmiller & Adelman, 2009).



**Figure 1: Path model for the associations between measures of economic outcomes at age 30 and predictors**



These variables were then entered into a two-stage multivariate analysis. In the first stage single regression equations were fitted to the measures of economic outcomes. These analyses were then extended to fitting a recursive path model in which the significant predictor variables were treated as correlated exogenous variables that influenced both equivalised income and ELSI score, with equivalised income having a direct effect on ELSI. This analysis led to the following conclusions:

1. The variables having a direct influence on equivalised income included: number of earners; number of dependent children; New Zealand residence; educational qualification level; and childhood family living standards; with absolute values of estimates of  $\beta$  ranging from .10 to .37. Together these variables explained 50% of the variance in equivalised income at age 30.
2. The variables having a direct influence on ELSI score included: equivalised income; number of earners; number of dependent children; New Zealand residence; mental disorders; substance use problems; and childhood family living standards with absolute values of estimates of  $\beta$  ranging from .09 to .27. Together these variables explained 34% of the variance in ELSI scores at age 30.
3. One variable (educational qualification level) was not directly related to ELSI scores but nonetheless had indirect influence via its association with equivalised income.
4. Two variables had specific effects on ELSI scores but were unrelated to equivalised income. These measures included mental health disorders and substance use problems.

A number of implications of these findings are considered below.

#### *Evidence for an intergenerational transmission of inequality*

An interesting finding was that independently of other factors in the regression models (earning power; education; mental health; substance use), exposure to socioeconomic disadvantage during childhood, as measured by average family living standards, was a predictor of economic inequality at age 30. These findings clearly hint at processes of intergenerational transmission in which, independently of other factors, the individual's level of exposure to economic advantage/disadvantage during childhood carries over into adult life (Musick & Mare, 2004; Serbin & Karp, 2004; Wagmiller & Adelman, 2009; Whelan, et al., 2012). These findings hint at the presence of a series of non-observed socialisation processes in which advantage begets advantage and disadvantage begets disadvantage. The nature of these processes is unknown but it can be

conjectured that childhood family economic conditions are associated with a range of factors including exposure to parental role models, the development of life course expectations and aspiration which lead to an intergenerational transmission of economic advantage and disadvantage.

### *Issues of geographic location*

Also of interest was the finding that New Zealand-based cohort members were relatively less advantaged than their overseas counterparts, and that New Zealand residence was strongly predictive of lower income at age 30, and also associated with lower living standards at age 30 in the final fitted models. There may be a number of reasons for this particular pattern of findings. First, it may be the case that individuals who were relatively advantaged in childhood, or who had higher levels of educational achievement were more likely to have travelled or moved overseas for the purposes of education or work, suggesting the possibility of a self-selection process (Milne, Poulton, Caspi, & Moffitt, 2001). Second, as has been noted previously, wages and living standards in New Zealand are thought to be somewhat lower than in countries to which the majority of those cohort members who emigrated overseas had gone, such as Australia, the United Kingdom, Canada, and the United States (OECD, 2011d). Indeed, it is likely that both possibilities are true for the present cohort, but it is unclear the extent to which either contributes specifically to the strength of the associations between New Zealand residence and income and living standards at age 30.

### *Implications for Māori*

As would be expected from previous research (Chapple, 2000; Ministry of Health, 2010; Statistics New Zealand, 2007; Tobias, et al., 2008), families of Māori cohort members had lower living standards as measured by both equivalised income and ELSI than families of non-Māori cohort members. Supplementary analyses showed that, for example, on the basis of equivalised income scores, 21.6% of families of Māori cohort members were classified as being in poverty compared 8.8% of non-Māori ( $p < .0001$ ). However in the final fitted model Māori ethnicity was not a predictor of economic wellbeing. The reason for this was that Māori ethnicity was correlated with a number of factors that were predictive of living standards. For example, Māori respondents: a) more often lived in household with dependent children (49.5% for Māori, 33.8% for non-Māori;  $p < .01$ ); and b) had greater exposure to socioeconomic

disadvantage in childhood (Māori  $M = 2.8$ ,  $SD = 0.5$ ; non-Māori  $M = 3.1$ ,  $SD = 0.4$ ;  $p < .0001$ ). These factors (dependent children; childhood social disadvantage) appear to have combined to place Māori at greater disadvantage.

#### *Implications for the CHDS cohort*

The observed demographic characteristics of the CHDS cohort (largely childless; more likely to be living in partnership and have two incomes) lead to the general conclusion that the sample is relatively advantaged. However, it is quite likely that a larger proportion of the cohort will become (or have become) parents in the five to ten years following the age 30 assessment. The findings of the present study, as well as earlier studies of the present cohort (Gibb, Fergusson, & Boden, 2013a), suggest that this increase in parenthood will likely have the effect of reducing the overall economic standing of the cohort, perhaps bringing it more in line with the profile of the New Zealand population for this age group. Future analyses will examine changes in the economic circumstances in the cohort in order to illustrate the pathways by which economic circumstances change over the life course.

#### *Economic inequality and policy implications*

The present findings have a number of implications for issues of economic inequality. Unsurprisingly, higher living standards in childhood, education and ability emerge as important contributors to economic outcomes at age 30, with education being the malleable factor of this particular set of predictors. These findings suggest that wider access to educational opportunities will assist in improving economic outcomes in adulthood, particularly with regard to income (OECD, 2010). Also, efforts to improve population mental health and reduce substance use disorders will likely have at least a modest effect on increasing living standards as well (Dewa, et al., 2002; French, et al., 2001).

More importantly, however, the present findings suggest that a number of factors that exist contemporaneously with economic outcomes play a key role in determining economic outcomes. Those cohort members who were more economically advantaged at age 30 were those who: a) had two incomes in their household; and b) were childless. While these findings highlight the potential value of delayed parenthood and stable partnerships in increasing economic outcomes (Sonfield, Hasstedt, Kavanaugh & Anderson, 2013), the findings also suggest that efforts should be made to increase economic equality and opportunities to participate in the workforce for those individuals who have a

larger number of children or who were parents at a younger age (Welfare Working Group, 2011). These goals may perhaps be achieved through schemes such as increasing access to paid parental leave, flexible and family-friendly working hours, an extension of tax credit schemes to account for family circumstances, or other related initiatives (James, 2009).

### *Limitations and conclusions*

While the present study has a number of strengths, such as a large sample size and prospectively-collected data to age 30, there are a number of limitations to the study that should be acknowledged. First, because data were largely self-reported, they may be subject to the usual errors and biases inherent in self-report data. Second, the study used data pertaining to both cohort members and their partners (including income and substance use), and the measures of economic outcomes were household-based rather than individual-based. However, no information was available concerning the childhood family background and mental health status of relationship partners. Consequently, while these factors undoubtedly played some role in the economic outcomes of the household when cohort members were aged 30, it was not possible to quantify the role these factors played. Finally, it should also be noted that the findings pertain to this particular cohort at a particular time and location, and the findings may be of only limited generalisability.

Notwithstanding these limitations, the present study suggests that economic outcomes are strongly linked to earning power, educational achievement, mental health and substance use disorders, and the lingering influence of family living standards in childhood. Approaches to addressing economic inequality in New Zealand will require the development of approaches that address barriers to effective participation in the workforce, increase educational opportunities, and ameliorate the effects of mental health and substance use disorders on living standards in adulthood.

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## **Work and Inequality in Neoliberal New Zealand**

*Patrick Ongley*

### **Abstract**

Developed capitalist economies have experienced considerable changes in labour markets, the nature of work, and work-related inequalities over recent decades. Changes in New Zealand have paralleled those in other countries which adopted the neoliberal prescription of a market-oriented economic model. This has produced relatively high levels of joblessness and greater flexibility and insecurity in employment than in the past. The decline in manual production work and growing demand for professional and managerial skills has also caused some significant shifts in class structure. The benefits of economic restructuring and reform have not been evenly shared, favouring capital at the expense of labour, and skilled workers at the expense of the less skilled. This article uses official data sources to examine these changes in the context of New Zealand's economic transformation since the 1980s.

### **Introduction**

The radical transformation of New Zealand's economy in the 1980s and 1990s entailed major upheavals in production and employment. The post-War decades had been a time of industrialisation, full employment and wage growth, under the direction of an interventionist state and abetted by an expedient compromise between capital and labour. But the global crisis of the 1970s undermined the foundations of this economic model and gave impetus to the gathering forces of neoliberalism and its advocacy of free-market capitalism. New Zealand was a relatively late convert to the neoliberal doctrine that was already transforming other developed capitalist economies, but from 1984 onwards it embraced it with unparalleled zeal as it embarked on a comprehensive project of restructuring and reform. The effects on the labour market were severe as production industries withered from exposure to global competition, domestic demand slumped and unemployment soared. It was a process of creative destruction and in time the economy and employment recovered, but what emerged from the wreckage was a very different economic model and a very

different labour market. Job growth was in different industries and occupations from those which had borne the brunt of restructuring, the labour market was characterised by greater labour surpluses and more flexibility and insecurity, and organised labour had been severely weakened. The result was a more inequitable relationship between capital and labour and between workers who had been either the victims or beneficiaries of the restructuring project.

This article explores the changes in New Zealand's labour market and employment structures in the context of the economic transformations occurring locally and globally since the 1980s. It begins with an overview of the restructuring process, drawing out key distinctions between the before and after economic models and their implications for the capital–labour relationship and labour market. It then looks at three particular aspects of change in the labour market and employment structures with consequences for inequality: the co-existence of labour surpluses and skills shortages, the trend towards more flexible and insecure forms of employment, and changes in class structure resulting from shifts in relations of production and divisions of labour. There are some limitations in the scope of the article given the constraints of space: it does not include any empirical analysis of the relationship between labour market change and income inequality, and nor does it examine the consequences for gender and ethnic inequalities in any detail. These are obviously important dimensions of the story and are touched on at various points of the narrative, but they warrant more detailed analysis than can be given here.<sup>1</sup>

### **A new mode of development**

The story of New Zealand's neoliberal revolution of the 1980s and 1990s is well known and does not need to be recounted in any detail here (Kelsey, 1995; Roper, 2005). However, to understand its transformative effects on the labour market and employment structures it is helpful to place it in some historical and global context. The restructuring and reforms carried out by the fourth Labour and fourth National governments can only be partially understood in terms of the actions and motivations of politicians, bureaucrats and capitalists. Their efforts to reshape New Zealand's political economy were an instance of broader

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<sup>1</sup> These subjects, along with the arguments and analysis presented in the following pages, are explored more fully in the doctoral thesis on which this article is based: Ongley (2011).

transformations occurring across the developed capitalist world in response to the crisis and stagnation afflicting capitalism since the early 1970s.

We can interpret these transformations using the conceptual tools of regulation theory (Boyer & Saillard, 2002; Jessop & Sum, 2006). Very broadly, the regulation approach explains the evolution of capitalism in terms of cycles of growth, crisis and restructuring. Capitalism is seen to be inherently prone to structural crises, which may be resolved or averted through restructuring of production and reform of institutions. These episodes give rise to new modes of development consisting of distinctive combinations of accumulation and regulation. A regime of accumulation involves a particular pattern of production and consumption, often based on a distinctive technological paradigm utilising new technologies and labour processes. It is supported by a mode of regulation which comprises institutionalised norms and behaviours in spheres such as capital–labour relations, market competition, monetary regimes, activities of the state, and international integration. Modes of development can vary from country to country in any given era, reflecting different economic, cultural and political contexts. They also have varying degrees of success in averting crises and enabling periods of stability and growth.

The period since the depression of the 1930s has seen two predominant modes of development in advanced capitalist economies, of contrasting characteristics and success. The first was the Fordist mode which originated in attempts to recover from the 1930s Depression and enabled an extraordinary period of stability and growth from the end of the Second World War until the global crisis of the 1970s. It centred on an accumulation regime of mass production and mass consumption, utilising intensive labour processes and machine technologies to deliver relatively standardised goods and services for predominantly domestic markets. This was supported by a monopolistic mode of regulation characterised by restricted market competition and a high level of state intervention, from which workers benefitted through full employment, real wage growth and an expanding welfare state, thereby sustaining consumer demand for the products of Fordist industry (Harvey, 1990: 125–140; Jessop & Sum, 2006: 58–75).

The Fordist growth model began to falter in the late 1960s and early 1970s as productivity gains slowed, while continued wage demands generated inflationary pressures and threatened profitability, developing into a deeper crisis when the oil shock of 1973 further destabilised global markets. After

several years of stagnation, the crisis eventually led to restructuring and reform and the emergence of new modes of development in most developed capitalist economies. Post-Fordist accumulation regimes were typically based on more flexible production and fragmented consumption, utilising microelectronic and information technologies together with flexible labour processes to produce more innovative and diversified ranges of goods and services for increasingly differentiated and competitive global markets (Harvey, 1990). Modes of regulation varied, depending on the outcomes of political struggles in different countries, but there was typically a shift from monopolistic to competitive regulation with significant liberalisation of product, financial and labour markets and a reduced role for the state in economic management and social spending (Boyer, 2005). This model proved far less successful than Fordism in stabilising the crisis tendencies of capitalism, providing only intermittent periods of growth based on debt-fuelled consumption and speculative bubbles, punctuated with successive crises which culminated in the global financial crisis of 2007–08 (Foster & Magdoff, 2009; Harvey, 2010).

New Zealand's economic development since the Second World War broadly conforms to this general pattern, but with some distinctive characteristics. New Zealand's was an atypical Fordist economy in that it remained heavily dependent on agricultural exports while the possibilities for mass production were constrained by its fledgling manufacturing sector and small domestic market (O'Brien & Wilkes, 1993). Accumulation was based on a circuit of mass production and mass consumption, but rather than being domestically contained it was tied into Fordist growth in its export markets, particularly the UK. Consumption growth in those markets fuelled demand for New Zealand's mass produced primary products, in turn funding the importation of manufacturing inputs for its own import substitution industries. These industries employed mass production techniques to assemble consumer durables for the domestic market, in which consumer demand was driven by productivity-linked wage growth and Keynesian fiscal and monetary policies. The mode of regulation was typically Fordist, based on a high level of state intervention, an expanding welfare state and a capital–labour compromise built on centralised bargaining between unions and employers, mediated by the state. This model delivered steady economic growth, along with full employment and rising wages, for most of the post-War period until the onset of global crisis in



the 1970s, which for New Zealand was exacerbated by Britain's entry into the EEC (Easton, 1997).

Here as in other developed economies, the crisis ushered in years of stagnation and failed Keynesian interventions which made more fundamental restructuring and reform increasingly inevitable – although the nature of those changes was not so inevitable. In New Zealand, they reflected the outcome of political struggles in which certain fractions of capital in alliance with key bureaucratic and political actors secured the adoption of a neoliberal strategy by the incoming Labour Government in 1984 (Jesson, 1989). The neoliberal project represented an abrupt and complete abandonment of the Fordist-Keynesian model. Production industries which had driven the growth of the 1950s and 1960s under the umbrella of government protection were abandoned to global market forces; the state rationalised its own economic activities through a programme of privatisation, corporatisation and fiscal retrenchment; and it adopted a contractionary monetary policy prioritising inflation control over economic growth and full employment (Kelsey, 1995). While the Labour Government shied away from comprehensive welfare and labour market reforms, these were completed by the subsequent National Government, with sweeping cuts to benefit entitlements and passing of the Employment Contracts Act which sought to individualise employment relations, thereby weakening organised labour and strengthening the hand of employers (Roper, 2005: 195–218). The employment relations legislation was among some reforms which were partially rolled back by the Clark Labour Government after 1999, but for the most part their policies only sought to alleviate some of the harsher consequences of the market reforms while leaving the fundamentals of the economic model substantially intact (Roper, 2005: 221–238).

The mode of regulation which emerged in New Zealand resembled that in the US and UK and can best be described as market-oriented, in that its core principle was the privileging of market competition over state intervention (Boyer, 2005). Its institutional forms were oriented towards the efficient functioning of markets: a state concentrating on providing the conditions for market competition rather than intervening or participating in the market; business models focused on achieving competitiveness through efficiency and innovation; an employment relations system prioritising the needs of capital to utilise labour flexibly and cheaply; a financial and monetary regime enabling the free flow of capital while maintaining price stability; and an international

orientation favouring the relatively free movement of goods and capital across national boundaries. This supported an accumulation regime built around flexible production and fragmented consumption. With import protections removed, demand for mass produced goods was increasingly satisfied by cheap imports, while the focus of local manufacturing shifted to leaner and more flexible operations catering to niche export and domestic markets, where competitiveness depended on innovations in product lines and production processes. Agricultural products remained the mainstay of New Zealand's export trade but here too there was a shift away from simple bulk production to adding value and diversifying product ranges to enhance marketability. Overall, however, goods production accounted for a declining share of economic activity as investment was diverted into the expanding producer and consumer service sectors and speculation in financial and property markets.

In New Zealand as elsewhere, the market-oriented mode of development failed to deliver the generalised prosperity of the Fordist period. The economy began to recover from the destructive effects of the restructuring project by the early 1990s and benefitted from favourable international conditions in the years leading up to the global financial crisis. But by comparison with the Fordist period, growth was relatively slow and unsteady, labour surpluses remained relatively high and income growth went disproportionately to capital and high-income earners, resulting in significantly greater levels of inequality and poverty (Rashbrooke, 2013). The global financial crisis dramatically exposed the failings of the market-oriented model but failed to put neoliberalism in its grave. In New Zealand the Key National Government has continued to steer a resolutely neoliberal course in its fiscal, monetary, labour and welfare policies (Roper, 2011). This mirrors the larger market-oriented economies such as the US and UK where – notwithstanding some expedient Keynesian measures adopted at the height of the crisis – the fundamentals of the market-oriented model remain firmly in place and neoliberal ideas continue to guide the policy agenda, despite their complicity in the crisis and their evident failure to resolve it (Quiggin, 2010; Crouch, 2011). As with the crises of the 1930s and 1970s, more fundamental reform and restructuring may be necessary to revitalise capitalist economies, but it could take several years of political struggle and economic adjustment for a new mode of development to emerge.

The transition to the market-oriented mode of development had profound implications for labour markets, the nature of work, and associated inequalities.

Fordism had been built around a compromise between capital, labour and the state which saw workers secure significant advances in employment protections, collective bargaining power and wage growth. Neoliberalism not only revoked that compromise but in many ways represented a reassertion of capitalist class power (Harvey, 2005). The interests of workers were subordinated to those of capital on the premise that businesses required more compliant, flexible and affordable labour in order to succeed in highly competitive global markets. This entailed a number of shifts in the nature of the capital–labour relationship and the operation of the labour market, which can be briefly summarised as follows:

1. *Abandoning full employment.* Under Fordism full employment was a key objective of monetary, fiscal and labour policy and was largely achieved, with very low rates of unemployment until the early 1970s. In market-oriented post-Fordism, the goal of full employment was effectively abandoned, and labour surpluses in the form of joblessness and underemployment were not only tolerated but seen as advantageous in constraining wage demands and inflationary pressures, as well as maintaining flexibility in the labour supply.
2. *Individualising employment relations:* The capital–labour relationship in the Fordist era had been built around collectivised employment relations, in which highly unionised workforces bargained collectively with employers. Labour market deregulation weakened the collective organisation and bargaining power of workers, encouraging individualised employment relationships which gave employers more power to dictate wage levels and conditions of employment, particularly when there were large reserves of jobless workers available.
3. *Reducing labour costs.* At the heart of the capitalist wage relation there is a fundamental contradiction that workers are both costs of production and consumers of products. Under the Fordist growth model the emphasis was on workers as consumers, with full employment and wage growth seen as essential to stimulating mass consumption. In the post-Fordist model, the emphasis was on workers as costs of production, and in the interests of competitiveness those costs were to be reduced by deregulating labour markets and finding cheaper sources of labour internationally.
4. *Destandardising work.* Under Fordism the prevailing employment model was one of permanent and full-time waged or salaried employment. Workforces were relatively stable and jobs relatively secure. In the post-Fordist world of flexible production models, highly competitive markets and uncertain economic

conditions, employers sought more flexibility in the volume and type of labour they employed so they could adapt to changing labour requirements. The result was less job security and increasing incidence of non-standard working arrangements such as temporary and part-time work and self-employment.

5. *Internationalising production.* The mass production industries at the heart of Fordism were undermined by liberalisation of barriers to the global movement of goods and capital, and technological advances which facilitated those movements. Production became more internationalised, in terms of both the old international division of labour based on trade, and the new international division of labour involving transnational production networks dividing integrated production processes across different countries offering distinct comparative advantages. The result was that more of the manual production work was done in low-wage countries, while the more developed countries focused on corporate activities, service provision and financial speculation.

The benefits of restructuring were inequitably shared not just between capital and labour, but also between different types of labour. As goods-producing industries which had thrived under Fordism struggled in the face of international competition and depressed domestic markets, vast numbers of manual production workers lost their jobs. Lacking the skills and credentials required in the growing producer and consumer service industries and professional and technical occupations, many faced prolonged periods of joblessness or intermittent spells of insecure and poorly paid employment. At the same time, however, many workers benefitted from these shifts, particularly those with professional and managerial skills for which there was excess demand and which were therefore well remunerated. This inequity was not just an immediate consequence of the restructuring project but has persisted throughout subsequent years.

### **Labour surpluses and skills shortages**

The market-oriented mode of development produced a labour market characterised by much greater levels of joblessness and underemployment than in the Fordist era – even in the relatively buoyant period preceding the global financial crisis. There were several reasons for this. One was the abandonment of full employment as an economic policy objective, so that monetary and fiscal policy were no longer used as a means to stimulate labour demand and create employment – in fact monetary policy was used to dampen economic activity

whenever it threatened to stimulate inflation. Another reason was that there were higher levels of frictional unemployment than in the past – that is transitional spells of joblessness as people move between jobs or enter or re-enter the labour market. This reflected the demise of the stable long-term employment model of Fordism as labour turnover increased due to greater use of temporary workers and more redundancies and business closures in what was a very competitive and uncertain economic environment. There was also more voluntary movement in and out of the labour force for lifestyle, family or educational reasons. More significant though, in terms of both its contribution to unemployment and its human costs, was the structural unemployment resulting from mismatches between labour supply and demand. This included both regional and skills mismatches. Regional mismatches developed as employment declined in some regions and grew in others, resulting in pools of surplus labour located in different parts of the country from the available jobs. Skills mismatches resulted initially from sectoral changes in employment as manual production workers lost jobs in the declining primary and secondary industries, and often lacked the skills to compete for jobs in the growing service industries and white-collar occupations. Additionally, large numbers of new workers continued to emerge from the education system without the skills required to succeed in the contemporary labour market (Dalziel, 2013). This resulted in the seemingly paradoxical situation of skills shortages emerging while there were still significant labour surpluses available.

Figure 1 shows trends in joblessness in New Zealand since the neoliberal project commenced in the mid-1980s.<sup>2</sup> It uses both the official unemployment rate and an expanded or underlying measure including jobless workers who don't meet the restrictive criteria of the official count, such as those who aren't immediately available for work or have become discouraged from active job hunting.<sup>3</sup> The 1970s and early 1980s had seen steady increases in unemployment as a result of the global crisis and the government's increasingly unsuccessful struggle to absorb labour surpluses by means of Keynesian

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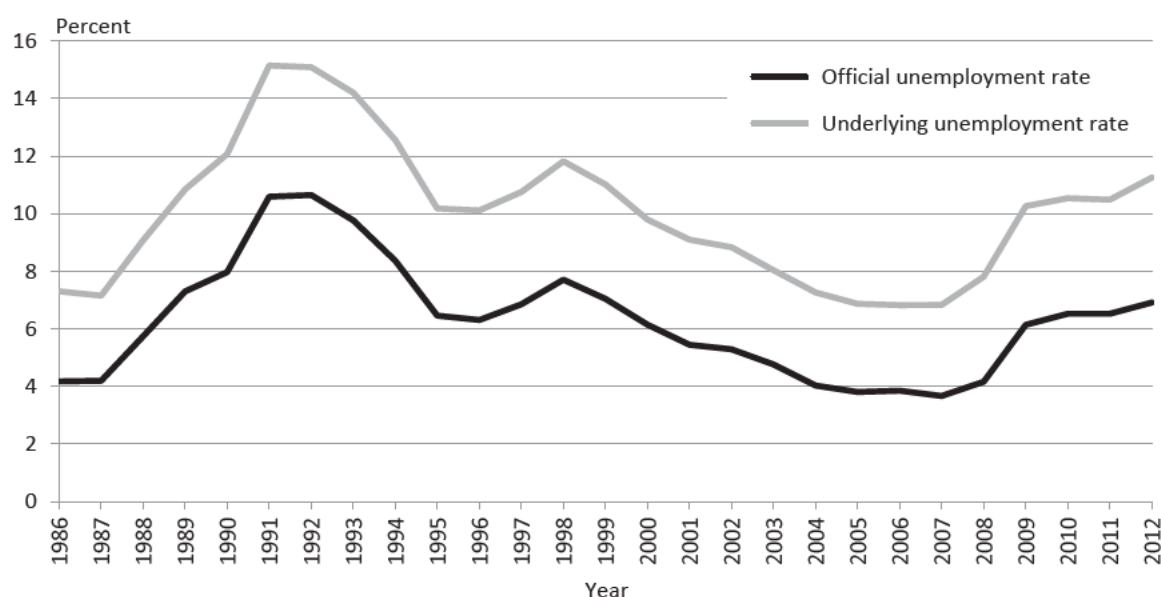
<sup>2</sup> Data in this and the following section are drawn from Statistics New Zealand's Household Labour Force Survey (HLFS) unless otherwise stated.

<sup>3</sup> The official unemployment figures include only those who are available for work in the survey reference week and have *actively* sought work during a four week period, using methods other than looking at job advertisements. The expanded measure includes those who are available for but not actively seeking work or actively seeking but not immediately available for work. It results in an unemployment rate on average 1.6 times higher than the official rate.



demand management, job creation schemes and state-sector employment. But much sharper increases occurred as the effects of restructuring were felt in the late 1980s and early 1990s, sending unemployment soaring to peaks of around 11 percent in the official rate and 15 percent in the underlying rate in 1991–92, representing a rise of almost 150,000 in the number of jobless workers over six years. While unemployment in the early 1990s was exacerbated by global recession, much of the increase before that was attributable to neoliberal reforms: market liberalisation which exposed production industries to international competition; state sector reform which privatised and corporatised publicly owned enterprises; tight fiscal and monetary policy which stifled domestic demand; and deregulation of financial markets which made New Zealand highly vulnerable to the effects of the 1987 share market crash. By far the greatest job losses in the late 1980s and early 1990s occurred in manufacturing industries, which suffered from both the removal of import protections and depressed domestic markets. There were also significant losses

**Figure 1: Official and underlying unemployment rates, 1986–2012**



(Source: Statistics New Zealand, Household Labour Force Survey) (*December year averages*).

in agriculture, forestry, construction, transport and communications. Those worst affected were Māori and Pacific workers who had been disproportionately concentrated in the industries worst hit by restructuring – over a quarter of Māori and Pacific workers were officially unemployed by 1991, which was more than three times the rate for European workers. Young workers were also badly affected, as is typically the case in labour market downturns, with the

official unemployment rate for 15–24 year olds reaching 20 percent in 1991 and 1992.

As the economy began to recover from the initial shock of restructuring and recession there was a significant resurgence in job growth and a corresponding fall in unemployment – trends which were only interrupted by the Asian financial crisis in 1997–98 and ended with the more telling blow of the global financial crisis a decade later. In the 15 years before the global financial crisis, the number of people in paid work grew by over 650,000. However, this was not just a matter of the victims of restructuring being absorbed back into the workforce – the labour supply was also increasing due to growing labour force participation by women and older people, along with a surge in immigration following liberalisation of immigration policy in the late 1980s and early 1990s. Moreover, the resurgence in employment was in quite different types of work from those which had been most adversely affected by restructuring. Employment in production industries over this period generally remained fairly stagnant, with the notable exception of construction which enjoyed a boom in the 2000s. Instead, most of the job growth was in producer and consumer service industries – predominantly in professional, technical and managerial occupations, but also in low-skilled sales and service work.

As a result of this renewed job growth, the official unemployment rate fell to a low of just under four percent between 2004 and 2007. This was widely hailed as something of an economic triumph, but in fact it only returned unemployment to the levels of the mid-1980s when the economy was considered to be in such a parlous state that it was in need of radical restructuring. And with an underlying unemployment rate of around seven percent, and an underemployment rate of around four percent,<sup>4</sup> labour surpluses were still very high by comparison with the virtually full employment of the Fordist era. Moreover, this supposedly healthy labour market was a short-lived phenomenon as the global financial crisis caused unemployment to surge again from 2008, reaching seven percent in the official rate and 11 percent in the underlying rate by 2012. As in the restructuring period, production industries bore the brunt of job losses, with manufacturing and construction hardest hit, while retailing also experienced considerable losses. And with the job losses

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<sup>4</sup> The underemployment rate used here is the percentage of employed people working part-time and wanting to work more hours. It does not include full-time workers wanting to work more hours.

disproportionately concentrated among lower-skilled workers, it again had particularly severe effects on Māori and Pacific workers and young people – although their unemployment rates did not approach the peaks of the early 1990s.

Before the onset of the global financial crisis significant skills shortages were emerging in certain types of work. In the six years before the crisis an average of 40 percent of firms reported difficulty finding skilled workers and 21 percent had difficulty finding unskilled labour, with almost one in five firms citing labour shortages as the main factor preventing expansion of their business.<sup>5</sup> The skills in shortest supply were predominantly in professional occupations, but also in some technical and trades occupations.<sup>6</sup> Superficially it seems paradoxical that there should be shortages of workers at a time when there were also significant labour surpluses, but whereas the unmet labour demand was mostly for skilled workers, the excess labour supply consisted predominantly of low-skilled workers. Of those officially unemployed at this time, on average six in every ten had no post-school qualifications, seven in ten were looking for jobs in low-skilled occupations, and four in ten were aged under 25 so would tend to have little work experience. Others who were jobless but not officially unemployed may have been even more disadvantaged, as many would have been discouraged from active job seeking due to a lack of marketable skills or prolonged spells of joblessness.

There was therefore a fundamental skills mismatch which meant that the fruits of the recovery were not evenly shared. Those possessing the skills in short supply benefited from enhanced job opportunities and growing incomes, but many of those made jobless from production industries or emerging from the education system with few or no qualifications lacked the skills and credentials to compete for those jobs. The declining opportunities in production work were to some extent offset by expansion in low-skilled service work, but this was clearly insufficient to absorb all the surplus labour, and many were consigned to long-term joblessness or intermittent periods of short-term and low-standard employment. The existence of large reserves of unskilled or low-skilled labour also exerted downward pressure on wages at the lower end of the labour market, exacerbating income inequalities at a time when those at the upper end of the market were able to command high premiums for scarce skills.

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<sup>5</sup> NZIER, Quarterly Survey of Business Opinion.

<sup>6</sup> Based on Immigration New Zealand's Long-Term Skill Shortage List.

The global financial crisis has only served to further limit the employment opportunities and bargaining power of low-skilled workers. Improving their circumstances will require more than just a recovery in economic activity and labour demand, as that would only mean a return to the pre-crisis situation of skills shortages and labour surpluses. It will also require institutional changes and policy settings designed to equip workers with the skills required in the labour market, and to provide suitable employment for those who are not inclined to professional careers but aspire to something more than low-skilled and insecure service jobs (Dalziel, 2013; Haworth, 2013).

### **Flexibility and insecurity**

The labour markets that have emerged in countries adopting a market-oriented mode of development are characterised not just by greater levels of joblessness than in the past, but also by more flexible use of labour and therefore greater insecurity for workers. Under Fordism, a standardised employment model prevailed, based on full-time and long-term waged or salaried employment offering workers relative security and employers stable workforces. This model has eroded due to increasing labour turnover and a shift to non-standard or flexible forms of employment such as casual, temporary and part-time work, independent contracting, multiple-job holding and homeworking (Houseman & Osawa, 2003). This is not new in the annals of capitalism but represents something of a return to the pre-Fordist situation when work was also less standardised and secure (Quinlan, 2012). A number of inter-related factors have contributed to the destandardisation of work in the post-Fordist economy. More flexible production models and more competitive markets have required more flexible workforces, so that the volume and type of labour can be adjusted to meet changing production demands. Temporary labour offers not just flexibility but also savings on labour costs, as workers can be more easily dispensed with when surplus to requirements and often receive fewer entitlements such as paid leave, superannuation, training, and redundancy payments. Destandardisation is also related to structural employment shifts from goods-production to service industries where non-standard work is more common, particularly in sectors such as retailing, hospitality and tourism where labour requirements can be highly variable and employment is often insecure and irregular. The destandardisation of work has been enabled by labour market deregulation which reduced employment protections and gave employers more latitude in how they hired, utilised and disposed of labour. In New Zealand, employers'

calls for labour market flexibility were instrumental in the introduction of the Employment Contracts Act in 1991 (Morrison, 2003).

The flipside of flexibility for employers is insecurity for workers. Much non-standard work is precarious, with very little job security, few legal protections, and low and uncertain incomes. The growth of this type of work has led some to suggest the emergence of a precariat, a class of highly insecure, poorly protected and lowly paid workers with a tenuous attachment to the labour force and little opportunity for advancement (Standing, 2011). This is, however, only a subset of non-standard workers. There are also those who have relatively secure jobs such as permanent part-time employees, those for whom insecurity is recompensed by higher earnings such as independent consultants, and those for whom non-standard work provides the flexibility to combine paid employment with other activities including students, caregivers and retirees. It should also be noted that insecurity is not confined to non-standard workers. Permanent employees have also faced greater threat of job loss from redundancies or business closures in the volatile environment of the market economy. And perhaps as a consequence many have a weaker sense of attachment to their jobs, and are more likely to move voluntarily between employers and pursue more varied career paths.

The growth of flexible and insecure employment as capitalist economies were restructured in the 1980s and 1990s led some prominent social theorists and commentators to suggest we were witnessing a terminal decline in stable long-term employment, with flexible and precarious work becoming the norm (Bauman, 2005; Beck, 2000; Castells, 2000; Sennett, 1999). Their critics have argued that this is not supported by the empirical evidence and reflects an uncritical acceptance of the narrative of employers who have exaggerated the need for an increasingly flexible labour supply in order to impose unfavourable conditions on workers (Doogan, 2009; Fevre, 2007). The truth, unsurprisingly, may lie somewhere between these polarised positions. While there have undoubtedly been increases in flexible and insecure employment, with serious economic and personal consequences for many workers, it is far from becoming the norm. The trends were most pronounced as economies were restructured in the 1980s and 1990s, reflecting a period of economic uncertainty and structural adjustment, and have since slowed or even reversed. Today the majority of workers in most developed capitalist economies are still conventionally employed in permanent and full-time waged or salaried jobs.



The available evidence from New Zealand supports this contention. While there are some inadequacies in the official data sources, we can get a reasonable picture of the extent of non-standard work from data on self-employment, part-time work and temporary employment. Data from the HLFS shows a moderate increase in self-employment during the 1980s and 1990s which was largely reversed during the more buoyant conditions of the 2000s. The proportion of workers who were self-employed without employees increased from under 10 percent to almost 13 percent between 1986 and 2000, but has since fallen back to 10 percent. Unfortunately we do not know how many people in this category are traditional working proprietors such as tradespeople, retailers and farmers, or what proportion are independent contractors. The latter often perform similar functions to employees but on a different legal footing – they are engaged under a contract for services rather than an employment contract and charge fees rather than receiving a wage or salary. It is generally considered that independent contracting has increased since the 1980s, providing employers with more flexibility, transferring risks and liabilities to workers, and saving on some of the costs associated with permanent staff – and for these reasons employers have been known to lay off employees and re-engage them as contractors (Greene, 2000). We can only speculate as to how widely this has occurred, but given that overall growth in self-employment has been moderate and unsustained, it does not seem to amount to a major trend. To this, however, we should add the caveat that the official data may undercount self-employment, as the ambiguous status of some self-employed people may cause them to be misclassified as employees.

Part-time work is not necessarily insecure employment – the vast majority of part-timers are permanent employees. But it does provide flexibility, both for workers who want to combine paid jobs with other activities or commitments, and for employers who may require particular types of labour for a limited number of hours rather than having underemployed full-time workers on their books – particularly during economic downturns. Growth in part-time employment has followed a similar trend to self-employment, being most pronounced in the late 1980s and 1990s before levelling off in subsequent years. The proportion of all employed people in part-time work grew from 17 to 23 percent between 1986 and 1999, then dropped slightly in the 2000s before lifting to around 23 percent again following the global financial crisis. While much of the growth was due to increasing labour force participation by women,

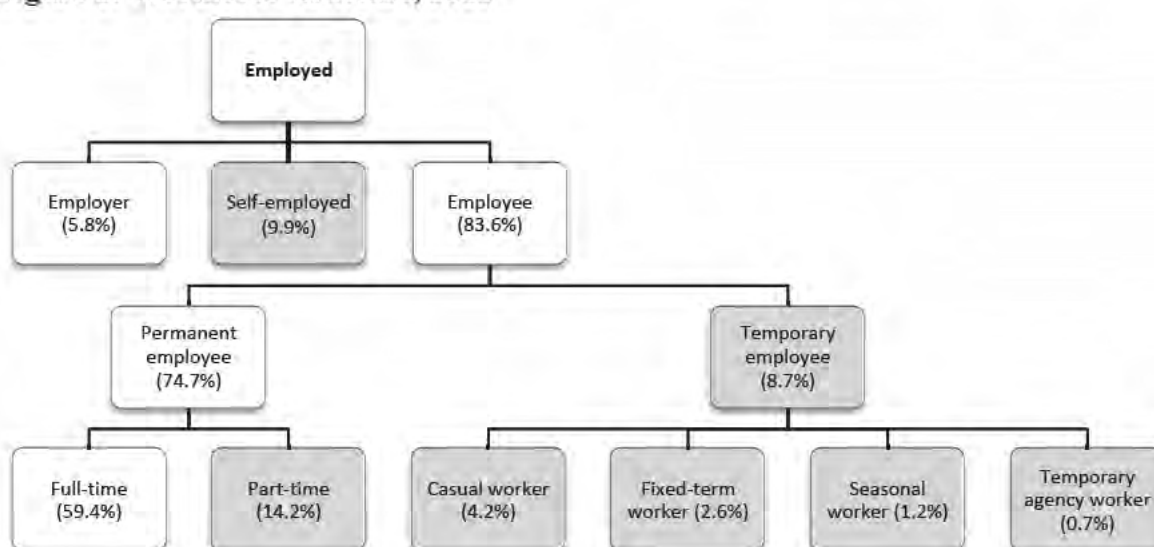
part-time employment also became more common for men, almost doubling from six percent to nearly 12 percent of the male workforce between 1986 and 1999 – although remaining well below the female rate of 37 percent. Some of the increase for both sexes was undoubtedly due to reduced opportunities for full-time work, but another factor was increasing numbers of people in the labour force for whom part-time work was a preferred option, including mothers of dependent children, tertiary students, and people around retirement age. This may help to explain why part-time employment did not fall greatly in the more buoyant labour market of the 2000s. By this time the vast majority of people working part-time were doing so as a matter of preference – fewer than five percent on average wanted to work full-time. However, around one in five part-timers would have preferred more hours, suggesting that a shortage of work was still an issue for many.

Temporary employment – which includes casual, fixed-term and seasonal work – is probably the most flexible type of labour for employers and the most insecure form of work for employees. It too is generally considered to have increased as a consequence of labour market deregulation and restructuring, but unfortunately there has been no official data on this type of work until recently. Surveys of employers in the mid-1990s indicated that around a tenth of their workforces were temporary employees, but whether this had changed significantly over preceding years is difficult to gauge (Allan et al., 2001). The first large-scale survey of employees to gather information on temporary work was Statistics New Zealand's Survey of Working Life, which found that just over nine percent of employees were in temporary jobs in 2008, and just over 10 percent in 2012. Comparing data from the two surveys is problematic as they were conducted in different quarters and there is a strong seasonality factor in temporary employment. However, it is safe to say there had been little change over the four years, despite the onset of the global financial crisis which might have been expected to encourage greater use of temporary labour.

The 2012 survey showed that almost half of all temporary employees were casual workers, with fixed-term employees making up the majority of the remainder, followed by seasonal workers and temporary agency workers. Casual workers are also the most vulnerable and precarious of all employees. They have the least security of employment and the survey showed them to have the most variable hours, the least notice of their work schedule, the lowest levels of unionisation, the lowest coverage by collective employment contracts,

and the lowest rates of pay. Despite this, many were doing casual work out of preference, including many young people for whom casual jobs provide a means of combining work with study. Taken overall, the level of temporary employment seems to be determined by a combination of supply and demand factors.

**Figure 2: Workforce structure, 2012**



(Source: Statistics New Zealand, Survey of Working Life, December 2012 quarter).

Note: Shaded cells are categories of non-standard work. Percentages do not add to totals due to the exclusion of residual categories from the diagram.

Just over half of all temporary workers said they would prefer permanent or ongoing jobs and just under half said they were doing temporary work because of employment or industry conditions, with others citing a variety of factors including family, health, lifestyle, financial and educational reasons.

So as with other types of non-standard work temporary employment is not just dictated by the needs of employers, but for many it does reflect a lack of opportunities for permanent employment.

Despite the increases in non-standard work, the standard model of permanent and full-time waged or salaried employment is still the norm – accounting for six in every ten employed people. As figure 2 shows, in 2012 one-third of all employed people in New Zealand were non-standard workers, if we confine the definition to the self-employed (10 percent), temporary employees (9 percent) and permanent part-time employees (14 percent).<sup>7</sup> We

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<sup>7</sup> Definitions of non-standard work are, like the labour supply, flexible. A more expansive definition might include permanent full-time employees who work non-standard hours, those who work from home, those who have more than one job and those who don't have formal

are therefore a long way from the point where non-standard work may become standard (Spoonley, 2004), particularly given the apparent slowing of the trends in recent times. Nonetheless, this should not diminish the fact that a third of employed people, or 723,000 workers, is a sizeable proportion of New Zealand's workforce. It is undoubtedly a considerably larger proportion than would have been in these forms of work before the transition to the market-oriented mode of development with its flexible production models, volatile product markets and deregulated labour markets. And while non-standard employment may suit many workers, there are significant numbers who are compelled to accept such work because of a lack of alternatives, and for whom it can constitute a precarious economic existence (McLaren et al., 2004; New Zealand Council of Trade Unions, 2013).

### **Class structure**

Changes in production and employment in developed capitalist economies have also wrought considerable change in class structures, the composition of classes and the possibilities for class formation or collective organisation. With the decline of traditional working-class jobs in the production industries which had underpinned the Fordist boom, working-class employment has not only contracted but also changed in character. Manual production jobs have increasingly been replaced by service jobs, often characterised by greater insecurity and weaker collective organisation, with a consequent diminishing of class consciousness and class action. Conversely, middle-class employment has grown, but it too has changed in character. The traditional petty-bourgeoisie of working proprietors has stagnated while the professional and managerial fractions of the middle class have expanded as a consequence of growing demand for technical skills, credentialed knowledge and organisational expertise. Meanwhile, the capitalist class has remained a small elite grouping, but the power within that elite has shifted as the dominance of agrarian and manufacturing fractions has waned in favour of finance capital.

Many social theorists have argued that changes in class structures and consciousness have been of such a magnitude that traditional conceptions of class have become outmoded. Class, at least as conventionally understood, has been viewed as a relic of a vanishing industrial capitalism and a vestige of outmoded social theory, with little relevance in a world whose novelty has been

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employment agreements. However, there is a risk of over-inflating the category by including anything that deviates from a very restrictively defined norm.

variously signalled by the prefix of 'post'. Post-industrial theory has asserted that old class divisions based on relations of production have been superseded by divisions around informational skills and knowledge (Castells, 2000). Post-modernists have pronounced the death of class, arguing that economic classes have decomposed, to be replaced by fluid and multi-dimensional differences of lifestyle and culture (Pakulski & Waters, 1996). Even post-Marxists have rejected the primacy of class in orthodox Marxism and sought to refocus socialist strategy from its concern with working class struggle to a pluralism embracing the diverse goals of new social movements (Laclau & Mouffe, 2001). And among those who maintain that class still matters, there has been a shift from economic to cultural conceptions of class – from Marxist and Weberian approaches focussing on structured material inequality and its consequences, to approaches inspired by Bourdieu (1984) which are more concerned with the cultural dimensions of class differentiation manifested in distinctions of lifestyle, consumption and identity.

There are some valid criticisms to be made of conventional economic class analysis: generally speaking it has struggled to adequately capture changes in capitalist class relations, the intersections between class and other forms of inequality such as gender and ethnicity, and the role of cultural distinctions in class formation. But while these shortcomings may provide challenges to rethink and reinvigorate class analysis, they do not mean that class itself is no longer relevant (Crompton et al., 2000; Devine et al., 2005). Class continues to play a critical role in shaping material inequalities, life chances, political relations, social affiliations and personal identities, and therefore should continue to be a focus of sociological investigation (Scott, 2002). While class may have become less visible with the decline of the traditional manual working class and the weakening of the labour movement, the material inequalities associated with class have if anything become more pronounced as capital has reasserted its power and income has been redistributed from the lower to the higher reaches of the class structure. And those inequalities are still based in relations of production and divisions of labour – the wage relation which allows capital to appropriate the surplus product of labour, and the inequitable redistribution of that surplus within hierarchical divisions of labour. This tends to be obscured by post-industrial theory with its emphasis on the control of knowledge rather than control of the means of production, and by cultural class



analysis with its focus on the sphere of consumption rather than the sphere of production.

There are of course many different ways to approach class analysis and to conceptualise class structure, and these have been the subject of vigorous and generally fruitless debate within the sociology of class (Crompton, 2008). Rather than enter into those debates here, we can simply outline one model which seeks to identify the key lines of cleavage within capitalist class relations and which can be operationalised to analyse structural changes in class over time. The starting point is the work of Erik Olin Wright (1985, 1997),<sup>8</sup> who identifies three axes of class inequality: ownership, authority and skills. Ownership of the means of production still constitutes the fundamental class divide within capitalism, enabling capitalists to exploit workers by appropriating the surplus produced by their labour. But non-owners of the means of production also occupy unequal positions based on their position in hierarchies of authority and skill. The higher their position of authority and the more scarce and valued their skills, the greater the claim they can make on a share of the surplus in the form of higher remuneration or economic rents paid to retain their skills and loyalty. Clusters of similar positions in the matrix of ownership, authority and skills constitute class locations, and together these class locations constitute a class structure. People who occupy similar class locations are not necessarily social classes in the sense of subjectively aware social groups, but class structure does condition the possibilities for the formation of social classes. In other words, people in similar class locations will tend to share similar material interests and experiences and are therefore more likely to develop a subjective awareness of shared interests and the potential to act collectively to advance those interests.

The model of class structure used in the following analysis applies Wright's criteria of ownership, authority and skills to delineate class locations, but identifies somewhat different categories from Wright's model. This is partly because of practical considerations involved in operationalising the model using census data, and partly in order to identify categories which are more meaningful for the purposes of analysis.<sup>9</sup> The model consists of eight locations

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<sup>8</sup> Wright's perspective on class has evolved considerably over a long period of time. The approach outlined here is based on his major empirical study (1997), which utilises a modified version of the approach developed in an earlier work (1985).

<sup>9</sup> For more detailed discussion of the rationale behind the model and the procedure for operationalising it, see Ongley (2011: 144–155; 235–237). The categories are populated

which can be aggregated into capitalist, middle and working class groupings:

*Capitalist-class locations* include two groups at the helm of capitalist enterprises: *executive employers* who both own and control the means of production, occupying the top executive positions in their own enterprises; and *higher managers* who have executive control but not ownership of the means of production.

*Middle-class locations* include three groups who neither own nor run capitalist enterprises but who are materially advantaged in terms of either authority, skills or ownership. *Lower managers* occupy positions of authority below those of higher managers; *professionals* possess expertise and scarce skills but aren't in management positions; and *working proprietors* possess their own means of production but utilise only their own labour or that of a small number of others.

*Working class locations* include three groups who lack the advantages of ownership, managerial authority or professional skills, but who can be differentiated from each other in terms of skill levels. *Skilled workers* require specialised sets of skills below professional level but involving some element of formal learning; *semi-skilled workers* require non-credentialed and task-specific skills acquired through on-the-job training; and *routine workers* can typically perform their roles to an adequate standard with no prior experience and minimal on-the-job training.

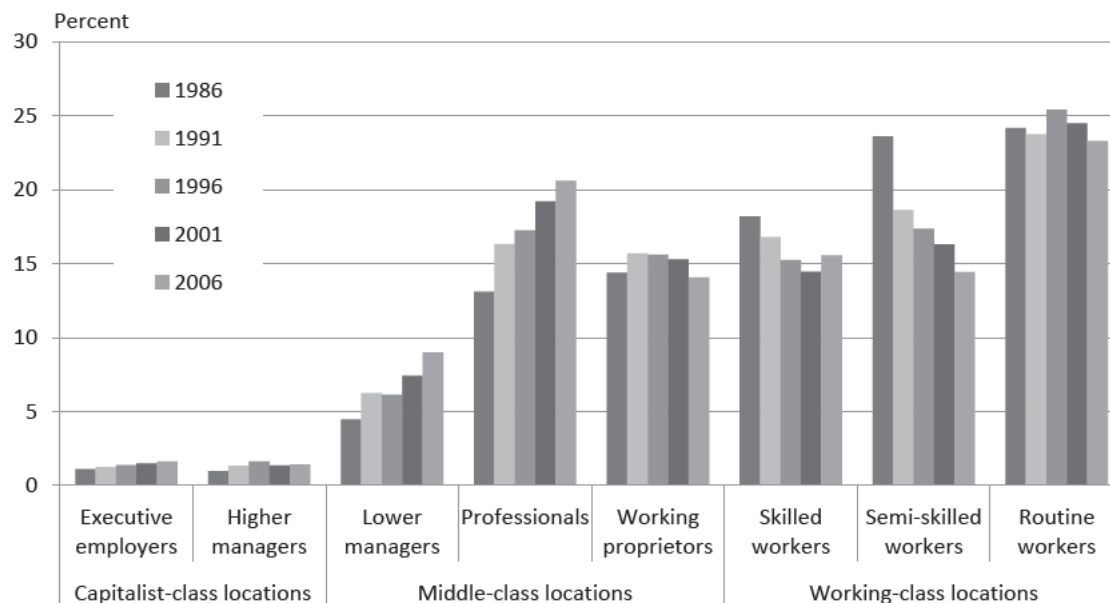
There are some limitations with this type of model. Firstly, the boundaries between class locations are not hard and fast, so there is a degree of arbitrariness involved in the classification process. Secondly, it classifies individuals rather than households so is not necessarily a true indicator of every person's material circumstances – for instance someone may work in a lower-skilled job but be materially advantaged by living with a spouse or parent in a different class position. And thirdly, it excludes people who are not currently in paid employment, either because they are unemployed or not engaged in the labour force for various reasons. Nonetheless, it provides an adequate approximation for the purpose at hand, which is to depict the employment structure in terms of relations of production and divisions of labour. As such, it represents a classification of jobs rather than people – those enumerated within a class location are employed in jobs which meet the objective criteria by which that category is defined, although as individuals there will be other factors

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using cross-classifications of census data on employment status and occupation, at the most detailed level of the occupational classification.

affecting their material situation or subjective class orientations. Hence the terminology of class locations rather than classes.

**Figure 3: Employment by class location, 1986–2006**



(Source: Statistics New Zealand, Census of Population and Dwellings; reclassified data)

Figure 3 uses census data to show changes in New Zealand's class structure over two decades, from early in the restructuring period in 1986 to the last census in 2006.<sup>10</sup> Three main features are readily apparent. Firstly, there continues to be a very small number of people in capitalist class locations – the number of executive employers and higher managers rose from just over two percent of the workforce in 1986 to three percent in 2006. Secondly, middle-class jobs have accounted for a growing share of the workforce, increasing from 32 to 44 percent over the two decades. Initially, this was due less to growth in the numbers of middle-class jobs than to the huge loss of working-class jobs resulting from restructuring, but the return of job growth in the 1990s saw significant increases in professional and lower managerial employment. The third feature is the decline of working-class employment, which fell from 66 to 53 percent of the workforce over 20 years. Much of this fall occurred at the start of the period when deregulation and falling domestic demand devastated production industries, and particularly semi-skilled jobs in manufacturing and processing. While the economic recovery in the 1990s brought some growth in

<sup>10</sup> The series ends in 2006 because the 2011 Census was postponed until 2013 due to the Canterbury earthquakes. The 2013 data was not available at the time of writing.

working-class employment, it was relatively modest by comparison with middle-class growth, meaning that the shift from working-class to middle-class employment continued. Whereas in 1986 people in working-class jobs outnumbered those in middle-class jobs by more than two to one, by 2006 the ratio was just 1.2 to one. This was not an entirely new trend – managerial and professional employment had been growing faster than lower-skilled jobs even during the industrialisation of the Fordist period – but it was certainly accentuated by the subjection of production industries to global market forces, the diversion of investment from production to service industries, and the rise of new technologies and production models which increased demand for professional and managerial workers across all sectors. However, this certainly does not signal the imminent demise of the working class. At the end of the period the majority of the workforce were still in jobs which could be objectively defined as working-class positions in that they lacked ownership of the means of production and authority over other workers and did not require professional skills.

As well as the shift from working-class to middle-class employment we can also identify some significant changes within each of these groups. Within the middle class there has been a shift from self-employment to professional and managerial work. At the start of the period working proprietors (the petty bourgeoisie in Marxist terms) made up the largest middle-class group. But their numbers stagnated or fell for most of the period while there was strong growth in lower management and professional occupations, with professionals becoming the predominant fraction of the middle class by the early 1990s. Within each of these groups there have also been some important occupational shifts. Among working proprietors there has been a shift from traditional areas of self-employment such as farming, manual trades and retailing towards independent contracting and provision of household and personal services. Among lower managers there has been a shift from operations managers – who run production, supply and distribution activities – towards corporate managers who administer services such as finance, human resources, marketing and communications. Among professionals there has been a shift from lower professional occupations to the more highly credentialed and highly remunerated professions such as doctors, lawyers, accountants and engineers. While lower professionals still make up the greater proportion of the professional category, higher professional jobs have been growing at faster rate.

So within middle-class employment we see a reflection of the upward movement within the class structure as a whole. Just as there has been a shift from working-class to middle-class employment, within the middle-class there has been a shift towards managerial and professional jobs, and within that movements from operational to corporate management and from lower to higher professional jobs.

Working-class employment has also changed considerably within its overall trend of decline. As we saw in figure 3, semi-skilled employment fell dramatically between 1986 and 2006, while skilled employment declined more gradually (with a slight lift due to the construction boom at the end of the period), and the least skilled or routine jobs remained relatively stable as a proportion of the workforce. As a result, routine jobs accounted for an increasing share of working-class employment for most of the period and came to make up by far the largest proportion of jobs in that category. We can get another perspective on working-class employment by breaking it down into blue-, grey- and white-collar jobs. The traditional divide between blue- and white-collar or manual and non-manual work is well understood, but there is also a significant and growing category of employment which straddles the boundary between those groups. This grey-collar work includes much of the low-skilled service work in areas such as hospitality, health care and household services which have been among the growth areas in working-class employment over recent times. As grey-collar jobs have grown, white-collar employment has generally stagnated and blue-collar work has diminished due to the decline of production industries. Consequently, grey-collar work accounts for an increasing share of working-class employment – growing to around a quarter by 2006 – although this is still smaller than the blue- and white-collar categories, which each accounted for almost one in four working-class jobs in 2006. Along with the shift toward routine and grey-collar work there is likely to have been a decline in the quality of working-class employment, as these jobs are often characterised by insecurity, low pay and lack of employment protections. This is, however, difficult to quantify with the available data.

Changes in the composition of working-class employment also affect the possibilities for class consciousness and class formation – the subjective awareness of common material interests and the development of formal or informal collectivities with the potential to advance those interests. Lack of research on the subject means this is largely a matter of conjecture but it seems



likely that while economic transformation in New Zealand has accentuated class inequalities it has paradoxically lessened the likelihood of class formation. The overall decline in working-class employment has been accompanied by a structural shift away from blue-collar production jobs which formerly provided a basis for the development of solidaristic relations and collective organisation. This is less likely in white- and grey-collar jobs which tend to be in smaller workplaces with less stable workforces and lower rates of unionisation. In addition to structural changes, possibilities for collective organisation have been detrimentally affected by institutional changes encouraging individualisation of employment relations, with consequent declines in union membership, collective bargaining and industrial action. There has also been a fragmentation of identities and interests within the working class as it has become increasingly diverse in terms of gender and ethnicity. Gender and ethnic inequality intersect with class to produce complex structures of inequality, so people who share similar positions in class relations may have divergent positions in gender or ethnic relations, and conversely people divided by class may be bound by gender or ethnicity. For some, the divisions of gender and ethnicity are more significant than class in terms of their subjective orientations and affiliations, and so may act against class consciousness and class formation (Bradley, 1996).

### **Conclusion**

The extent of economic and social change in developed capitalist economies over recent decades has been sufficient to evoke prophecies of an epochal transformation – the idea that we are leaving industrial capitalism behind and entering a new period of history conceived variously as post-industrialism, postmodernity, the information age, the new capitalism and so on. In fact, capitalism has been evolving in much the same manner as it always has. Over the long course of its history there have been incremental developments in production, employment and social structures driven by technological change, rationalisation and the imperatives of capital accumulation. And periodically the course of this evolution has been disrupted by crises which have led to episodes of restructuring and the emergence of new modes of development based on new patterns of accumulation and regulation. The restructuring of capitalist economies following the crisis of the 1970s was the latest such episode. It was not the first and will not be the last.

In countries such as New Zealand which adopted the neoliberal solution and moved to a market-oriented mode of development in the 1980s and 1990s,

there were some radical changes impacting on the labour market, employment structures and work-related inequalities. Gone was the interventionist state, the fostering of productive industries, the collective strength of organised labour, the goals of full employment and wage growth, and for many the stability of secure full-time employment. The changes benefitted capital at the expense of labour, allowing employers to utilise labour more flexibly and cheaply, which meant insecurity and stagnating wages for many workers. They also benefitted those workers who had the opportunity and aptitude to compete in the growth areas of professional, technical and managerial employment, where scarce skills could command healthy remuneration. But many did not have those opportunities, including those who lost semi-skilled or unskilled jobs as a consequence of restructuring, and those who continued to emerge from the education system with a lack of marketable skills. The fruits of the neoliberal revolution were not evenly shared.

While these changes had very real economic and social consequences for many workers, we should be wary of overstating the extent of change. Prophecies of the end of industrial capitalism, an inexorable trend towards endemic insecurity at work and the fundamental transformation of class relations appear exaggerated and unfounded. The changes that have occurred are not symptomatic of an epochal and irrevocable rupture in capitalism and the nature of work, but are the product of a particular economic model which was adopted in response to one of capitalism's periodic crises. That model has proved unsuccessful and we now find ourselves in the midst of another crisis which may in time lead to further restructuring and reform which sets the course for a new mode of development. Therein lies an opportunity to choose a path of greater inclusiveness and equity which better utilises the productive capacity of all workers and rewards them accordingly.

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## **Variation in health and social equity in the spaces where we live: A review of previous literature from the GeoHealth Laboratory**

*Christopher Bowie, Paul Beere, Edward Griffin,  
Malcolm Campbell & Simon Kingham*

### **Abstract**

The previous decade has given rise to the importance of Geographic Information Systems (GIS) in explaining inequalities in health outcomes between groups based on their spatial location and social background. The GeoHealth Laboratory, based at the University of Canterbury, is a joint venture with the Health and Disability Intelligence unit within the Ministry of Health (MoH). The aims of this relationship are to add analytical capacity to MoH data collections and increase academic outputs of geospatial health research in New Zealand. GeoHealth research has often been a joint venture between Laboratory staff and students as well as collaboration with local and international researchers. These partnerships along with widely varied research interests have resulted in a large contribution of spatial health research in the field of health geography.

This article reports on research undertaken by the GeoHealth Laboratory that has focused on access to neighbourhood determinants of health. An overview of key neighbourhoods and health research areas are outlined within the over-arching themes of indices of access to neighbourhood factors, access to undesirable neighbourhood destinations, health promoting neighbourhood factors, access to and utilisation of health services, and complementary data collection and research groups within New Zealand.

### **Introduction**

In 2004, the GeoHealth Laboratory was established as a means to increase geospatial health research capacity in New Zealand (Pearce, 2007). A joint venture between the Ministry of Health's (MOH) Public Health Intelligence group (PHI) and the University of Canterbury's Department of Geography, the aim of Geohealth Laboratory is to increase academic output of geospatial health research in New Zealand and to add analytical capacity to the data collected and held by the MOH. With an emphasis on how neighbourhood and national contexts shape health outcomes and inequalities, the Geohealth Laboratory



undertakes applied research in the fields of health geography, spatial epidemiology, and Geographical Information Systems (GIS). The strategic partnership with the PHI has offered rich opportunities help inform health policy research and decision making processes, particularly through the use of GIS to examine the environmental and social determinants of health and healthcare.

Up until relatively recently, GIS analysis of the inequalities in health outcomes at a neighbourhood scale were often generalised by social strata, such as socio-economic and/or ethnic groups. However, an increased awareness of the utility of GIS in the health sector, improved access to data, and the growth of more sophisticated health GIS methodologies, has made it possible for researchers to examine the contextual effects of neighbourhood composition on the health outcomes of individuals, and of wider populations more generally. The ability to focus on the places where people live and the characteristics of the local environment has become important in understanding inequalities in a range of health related behaviour, and health outcomes, within confined geographic environments such as urban areas. In New Zealand, research incorporating individual and population data has provided clear evidence of geographic inequalities in health between groups at varying spatial scales, from regional right down to neighbourhood levels.

At the scale of the neighbourhood, (Pearce, 2007) theorises that there are three contextual categories from which neighbourhoods might influence health: neighbourhood physical characteristics, social characteristics, and community resource access. These categorisations can, through plausible pathways, drive inequalities between individuals, social and ethnic groups, and between spatial/geographic groups (Pearce, 2007). GIS technology allows health geographers to integrate any number of spatial data, and increasing awareness of the effects of the built environment on health outcomes (Pearce, 2007) has required researchers to incorporate both physical and social datasets when analyzing the effects of neighbourhoods on health. Aspects of the built environment such as parks ('green space'), hospitals (health service provision), and shopping centres (amenities) are combined with underlying social demographics of specific areas and also the health outcomes of individuals living in these communities. In doing so, GIS has provided the opportunity to examine causal pathways between the physical and social attributes of neighbourhoods, and health behaviours and outcomes. Through this type of

integrated approach, GIS is able to produce more-representative estimates of community resource and health service access inequalities and barriers at varying spatial scales. Such research is key to producing effective health provision policy and has been a major focus of research output from the GeoHealth Laboratory since its inception.

This review article looks at the current body of research from the Geohealth Laboratory that has drawn on the contextual categories outlined by (Pearce, 2007) and examined neighbourhood access to factors in the built environment that can affect health outcomes. The first section focuses on methodology-based work that has sought ways to quantify inequality and to produce indices of accessibility. Second, work that has explored the relationship between how health-affecting factors in the built environment may drive socioeconomic and ethnic inequality is examined. Neighbourhood access to tobacco outlets, alcohol outlets, gambling opportunities, and food retailers are drawn on to tease out some of the complexities relating to neighbourhoods and health. Third, previously mentioned themes of neighbourhood inequality are explored further in the context of the physical environment, such as access to 'green space' and exposure to air pollution. Fourth, research into the relationship between travel time and secondary health service provision is reviewed to highlight inequalities that exist in health service accessibility and utilisation in New Zealand. Finally, we conclude by locating the literature reviewed in this article within the current objectives of the MOH.

### **Creating indices of access to factors in the built environment**

The development of suitable metrics to assess geographical access to a range of health-related community resources is a key part of geospatial health research. As such, GeoHealth researchers, in conjunction with collaborators from external research groups, have been proactive in producing refining and benchmark indices to measure health inequalities. Pearce *et al.* (2006) created an index of key resources that are important in the local New Zealand context, and that have a plausible biological pathway to influencing health. Five domains were identified with specific sub-domains in most: 'recreational amenities' including parks, sports and leisure facilities, and beaches; 'shopping facilities' including supermarkets, dairies, fruit and vegetable stores, and service stations; 'educational facilities' including kindergartens, daycare/playcentres, primary schools, and intermediate/full primary schools; 'health facilities' including

general practitioners, pharmacies, accident and emergency, Plunket,<sup>1</sup> ambulance, and fire stations; and Marae.<sup>2</sup> For all of the 38,350 Census 2006 Meshblocks<sup>3</sup> in New Zealand, accessibility to community resources was calculated using the travel time in minutes through the road network from the population weighted centroid within each meshblock to each sub-domain feature.

Nationally, beaches were the least accessible community resource, while parks were the most accessible. Both provide opportunities for exercise, and have been linked to positive physical and mental health outcomes. Access to shopping facilities was found to be better in urban compared to rural areas, while outdoor sport and leisure facilities were, as might be expected, more accessible in rural areas. Pearce *et al.* (2006) also demonstrated that variations exist between neighbourhoods in urban areas. For instance, there is greater access to shopping facilities sub-domains, such as fresh food retailers, near city centres. This pattern of access exists along major transport thoroughfares also. However, compared to central-city dwellers, those on the semi-rural periphery have much poorer access. Intra-urban variations in access to facilities such as daycare centres also followed this trend.

Building on this work, Pearce *et al.* (2007) drew on the New Zealand Deprivation Index (NZDep2006) - an area-level index of social deprivation - in combination with their prior community resource access indices to identify whether access inequalities exist across socioeconomic strata. With the exception of beaches, travel times to each sub-domain were shorter in the most deprived neighbourhoods compared to the least deprived. The ratio of travel time between the most deprived and least deprived neighbourhoods for each domain were as follows: 'recreational amenities' 0.70 ( $p < 0.001$ ), that is total travel time in the most deprived areas was 30% shorter compared to the least deprived; 'shopping facilities' 0.47 ( $p < 0.001$ ); 'educational facilities' 0.55 ( $p < 0.001$ ); 'health facilities' 0.54 ( $p < 0.001$ ); and Marae 0.48 ( $p < 0.001$ ). This work was an important step in examining neighbourhood accessibility to resources in New Zealand, however the authors cited a number of limitations

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<sup>1</sup> Plunket is an incorporated society formed in 1907, and is New Zealand's largest provider of care for children under the age of five.

<sup>2</sup> For Māori, the indigenous/first-nation people of New Zealand, Marae are ancestral village-type spaces integral to their mana (identity/pride/strength/respect).

<sup>3</sup> Meshblocks are the smallest Census enumeration unit in New Zealand, each capturing a population of approximately 100 people.

that require attention in order to improve the assessment. In New Zealand, there is poor provision of public transport in many urban areas, and access to buses, taxis, and trains is largely non-existent in many rural areas. Further, because transport using private vehicles is itself patterned by socioeconomic status, the use of travel time as a determinant of access is not a uniform measure across groups. The index also did not take into account the quality, service capacity, and the population that was served by each resource. The fact that areas of high deprivation typically have higher population density,<sup>4</sup> and therefore may require more community resources than less deprived areas, was also a limitation of the index.

Witten *et al.* (2011) subsequently developed a Neighbourhood Destination Accessibility Index (NDAI) for meshblock units in four New Zealand cities: North Shore City; Waitakere City; Wellington; and Christchurch. These four cities were selected due to their relatively high socioeconomic and built environment diversity. Witten *et al.* (2011) increased the number of domains developed by Pearce *et al.* (2007) to include: Education; Transport; Recreation; Social and Cultural; Food Retail; Financial; Health; and Other Retail. Each sub-domain destination was an everyday activity or community resource that, through close proximity, may encourage local residents from a range of ages and life stages to walk for leisure and/or transport.

The NDAI has applications for three main areas of social policy and planning: first, identifying resources in the built environment that increase activity levels, have the potential to improve health outcomes of community residents, and that may reduce health inequalities between geographic areas and social groups; second, transport planning can use this information to inform strategies targeted at increasing active transport (for example walking and cycling) and reducing the reliance on vehicles for relatively short trips; and third, the NDAI is a starting point for evaluating differences between neighbourhoods in access to community resources and the transport behaviour of local residents. Between neighbourhood variations in resource accessibility in the NDAI were consistent with previous work (Pearce *et al.*, 2006; Pearce *et al.*, 2007) as Witten *et al.* (2011) found that there is increased access to most

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<sup>4</sup> At the 2006 Census, population density was 3.3 times higher in the most deprived compared to the least deprived quintile.

resources in the index in more deprived areas compared to less deprived, after controlling for population density.

The previous indices focused on elements of the built environment, without being able to account for variations in underlying social factors that may influence the location of services, or how individuals will access and utilise them. Pearson *et al.* (2011), in their development of the Resilience Index New Zealand (RINZ), further emphasised the need to better understand the social cohesion of communities. In particular, attention was paid to the interactions between individuals and their neighbourhoods, instead of simply identifying the presence, or lack of, specific neighbourhood resources. RINZ was created with the aim of identifying characteristics in the built environment that may explain why some neighbourhoods have unexpectedly good health outcomes in the context of a relatively deprived socioeconomic setting. These are considered to be resilient neighbourhoods and the authors found they could be generally be typified as being in main urban areas, and having lower overall environmental deprivation, better access to safe drinking water, and lower access to gambling and alcohol outlets. Higher population density and a potentially protective factor attributed to Māori population density, both aspects of neighbourhood social composition, were also evident in the findings. The authors highlighted the importance of interactions between individuals and their neighbourhood, the perceptions residents have towards their local environment, and the role of social networks as important for understanding the role that social constructs play in promoting neighbourhood resilience.

Elements of social cohesion were explored further by Pearson *et al.* (2013) in their analysis of how socioeconomic isolation is associated with mental health outcomes among the most deprived neighbourhoods in Auckland. The authors created a spatial isolation index which quantified isolated areas that were deprived, yet surrounded by, affluent areas. These areas were believed to have high levels of ‘social comparison’ present where individuals are exposed to people of lower relative deprivation, which may in turn may affect negative views of the circumstances of their own lives. This is in contrast to residents of deprived neighbourhoods that are surrounded by areas with similar level of deprivation, which arguably may result in higher levels of social cohesion.

Among deprived neighbourhoods in Auckland, the most isolated deprived areas had 36% higher rates of anxiety/mood disorder compared to the least isolated deprived areas. The most isolated deprived areas also had 8% higher



rates of individuals with anxiety/mood disorder who were also receiving secondary treatment for alcohol/drug abuse. After adjusting for percent male, percent Māori, percent Pacific Peoples, and access to general practitioners (GPs), 56% higher levels of anxiety/mood disorder treatment were found in the most compared to the least isolated deprived neighbourhoods. This work has provided evidence to support the application of previous neighbourhood indices: communities with higher levels of social cohesion and interactions may improve the health outcomes and behaviours of those living there.

While not a complete solution in itself, the creation of indices in geospatial health research has enhanced our understanding of the patterns and processes that generate differences between neighbourhoods in New Zealand. The ability to identify and model spatial health inequality more effectively offers, among other things, more options for informing policy designed to increase the social capital within communities. Further, enhanced indices-based modelling techniques may assist in more cost-effective means to identify at-risk communities. Better understanding of where to target funding will help initiatives aimed at empowering communities to shape the future of their neighbourhood based on the collective attitudes, beliefs, and behaviours of the residents. In doing so, it is hoped cohesion and resilience can be improved at the community/neighbourhood level.

### **Inequalities in access to undesirable neighbourhood destinations**

A major focus of neighbourhoods and health research conducted through the GeoHealth Laboratory has directed attention towards the role that factors in the built environment may play in contributing to inequalities between social and ethnic groups in New Zealand. In particular, access to neighbourhood provision of tobacco, alcohol, food sources, and gambling opportunities have been explored using a range of GIS techniques.

#### *Tobacco outlets*

Barnett *et al.* (2004) and Pearce *et al.* (2011) describe three major elements of the built and social environment within neighbourhoods that may influence individual smoking behaviour. First, material influences in healthy or unhealthy infrastructure and provision or lack of tobacco availability, may serve to increase or reduce smoking behaviour by influencing community norms. Second, social capital and neighbourhood social practices can serve to reinforce particular behaviours among residents. By example, neighbourhoods with low

social capital and social practices that see smoking as an acceptable behaviour are less likely to prevent initiation or encourage cessation among individuals. Third, place based regulation and policy targeting the retail tobacco environment by restricting availability and presence of tobacco products in outlets, and banning advertising of tobacco products in neighbourhoods and stores, is also strongly attributed to individual smoking behaviour at the neighbourhood level.

Pearce *et al.* (2008), in their analysis of retail tobacco outlets and individual smoking behaviour in New Zealand, found higher access to, and concentration of, tobacco outlets in more deprived areas. However, increased neighbourhood access to tobacco products in supermarkets and convenience stores was only moderately associated with higher levels of individual smoking. The authors state that effects may be different across groups, and that young people and sole parents who are more likely to lack adequate transport, may benefit most from restrictions on retail tobacco sales. Conversely, greater neighbourhood access and exposure to tobacco outlets may serve to normalise smoking behaviour, and in turn facilitate addiction and decrease the ability of individuals to quit.

Bowie (2011) examined adolescent smoking behaviour in relation to neighbourhood access to tobacco outlets, as well as the density of outlets around high schools. There was evidence of increased outlets in deprived neighbourhoods, but no evidence of variation in the number of outlets around deprived compared to affluent schools. Higher rates of adolescent smoking were associated with more outlets within 800m of neighbourhoods, however adjustment for area-level deprivation attenuated this relationship. Within 3000m of neighbourhoods, and after adjustment for deprivation, a positive association between outlet counts and female smoking rates remained. There was a negative association between outlet counts within 3000m and adolescent males and females who had never smoked. Because access to retail tobacco outlets is often high in both deprived and affluent neighbourhoods throughout New Zealand, it has been difficult to conclusively link access to smoking behaviour.

#### *Alcohol outlets*

Pearce *et al.* (2008) examined access to off-license alcohol outlets in New Zealand and found a clear social gradient when neighbourhoods were stratified by deprivation. The most deprived neighbourhoods had 4.99 more outlets per 100,000 residents compared to the least deprived. Variation in access was

demonstrated for all outlet types: hotels, taverns, or clubs (with an outlet per capita ratio between least and most deprived of 7.07); bottle stores (3.51); and supermarket/grocery stores (2.76). Within an 800m buffer from neighbourhood meshblock centroids, similar results were found. The most deprived neighbourhoods were 2.98 times more likely to have six or more outlets close by compared to the least deprived. This inequality in access to alcohol outlets is expected to drive inequalities in both drinking behaviour, and related health outcomes, between areas of high and low deprivation.

Pearson *et al.* (2013) used multiple GIS techniques to determine if socioeconomic inequalities in neighbourhood access to alcohol outlets were associated with alcohol/drug abuse treatment among individuals previously diagnosed with anxiety/mood disorder. Alcohol consumption is often used by individuals with anxiety/mood disorder as a self-coping strategy (Thomas *et al.*, 2005). This may lead to alcohol abuse among already vulnerable individuals, a behaviour that may be driven by greater access to alcohol outlets. Pearson *et al.* (2013) found that road network distance to the nearest outlet was associated with dual anxiety/mood disorder and with alcohol/substance abuse diagnosis. Areas in the quintile of best access had 37% higher rates of dual diagnosis than those with the worst access. Density of outlets within a 3000m road network buffer was also associated with dual diagnosis. Rates of dual diagnosis were 76% higher in areas with the best compared to the worst access. This research suggests that health and urban policy should enable Liquor Licensing Authorities to take into account access to existing outlets when granting new licenses.

Day *et al.* (2012) provides further support for measures that reduce the density of alcohol outlets, particularly in low socioeconomic neighbourhoods, as these areas are often home to vulnerable populations. Their work examined the relationship between outlet density and serious violent crime in New Zealand. After adjusting for neighbourhood deprivation, access to alcohol outlets was associated with higher levels of serious violence. In relation to Police station catchments, the quintile of areas that have the highest violent offences rates had 2-2.5 times more alcohol outlets compared to areas with the lowest rates. Low socioeconomic areas are already over-represented in violent crime statistics, and Day *et al.* (2012) demonstrate that the clustering of alcohol outlets in these areas may be an important driver of this.

*Gambling opportunities*

In New Zealand, there is a strong social gradient in problem gambling, with a much higher prevalence among low socioeconomic groups, as well as among Māori and Pacific populations. Rates of gambling have been shown to be approximately three times higher in the most deprived neighbourhoods compared to the least deprived, and gaming machines are also more prevalent in these areas. Pearce *et al.* (2008) examined neighbourhood access to gambling opportunities and individual gambling and problem gambling behaviour in New Zealand. They found that travel distance to the nearest gambling destination was typically double in the least deprived compared to the most deprived neighbourhoods. The median number of outlets within 5000m of neighbourhoods was also higher in the most (n=26) compared to the least (n=17) deprived neighbourhoods.

Pearce *et al.* (2008) identified that individual gambling behaviour was associated with neighbourhood access to gambling opportunities. After adjusting for individual and neighbourhood socioeconomic status and urban/rural status, closer proximity to any gambling venue type was positively associated with individual gambling, with an odds ratio of 1.51 between neighbourhoods with the greatest compared to the worst access. The same was true for density of outlets within a 5000m buffer, where an odds ratio of 1.67 was found for neighbourhoods with the greatest number of venues compared to neighbourhoods with no venues. Neighbourhood access to gambling venues was also positively associated with problem gambling among individuals. Neighbourhoods with the shortest distance to any type of gambling venue had a 2.05 times higher odds of problem gambling than those with the furthest distance. Such evidence supports recent local government moves to restrict the number of Class 4 (non-casino) gambling venue gaming machines, which are often in close proximity to residential areas.

#### *Food retailers*

Unlike alcohol, tobacco, and gambling opportunities, which all are identified as having negative impacts on neighbourhood health outcomes, access to food retailers has the potential to either promote or inhibit health outcomes, depending on the type of outlet. By example, fast-food outlets and convenience stores are locations where the availability of healthy food options is often limited. Clustering of unhealthy food outlets has led to the term ‘obesogenic environments’, an umbrella term coined to help frame research into how locational access to these retailers may affect weight related health

outcomes of local residents. In contrast with fast-food outlets, within the obesogenic literature, supermarkets, grocery stores, and produce vendors are most often regarded as providing consumers with the opportunity to make healthy food choices (Lovasi et al., 2009; Giskes et al., 2011).

In New Zealand, obesity rates have doubled in the past 25 years, and the nation now has the world's third highest rate of obesity. There is evidence of large social inequalities of obesity, with much higher rates among deprived groups, and these inequalities are evident between ethnic groups also (Pearce et al., 2007). Obesogenic environments have been suggested as a contextual factor in explaining the unequal social distribution of this growing epidemic. Obesogenic environments surrounding and within schools have received particular attention due to the high rates of obesity emerging among children and adolescents.

Pearce *et al.* (2007) found that exposure to unhealthy food options in school areas where children spend much of their time may influence the diet of students. Shorter travel distance to fast-food outlets was also evident around the most deprived schools across New Zealand. Spatial cluster analysis of this relationship from Day and Pearce (2011) found that there were three times more convenience stores and fast-food outlets within 800m of the most deprived schools compared to the least deprived. There was also evidence of school clustering of outlets nationwide, with higher than would be expected numbers of both fast-food and convenience stores within 1.5km of schools. Of concern is the higher ratio of outlets within a road network distance of 400m and 800m from schools, compared to the 1,200m and 1,500m buffers that were measured, as this indicates better access to unhealthy food outlets within relatively close walking distance from schools.

Pearce *et al.* (2007) also examined neighbourhood access to fast-food and healthy food retailing in New Zealand in relation to socioeconomic status. Nationally, significantly shorter travel distance to both international and locally operated fast-food outlets was found in the most deprived compared to the least deprived neighbourhoods. Distances to the nearest fast-food outlet were at least twice as far in the most compared to the least deprived areas. After adjusting for population density, the results were statistically significant. Access to supermarkets and other food retailers selling potentially healthier options was also better in the most deprived neighbourhoods. These findings were repeated in a follow up study from Pearce *et al.* (2008), which examined the density of



supermarkets, convenience stores, and fast-food outlets within 800m of New Zealand neighbourhoods.

Following this proximity analysis, Pearce *et al.* (2008) researched the effect of neighbourhood access to supermarkets and convenience stores on the fruit and vegetable consumption of local residents. Using travel time as the access measure, consumption of fruit was not associated with access to supermarkets or convenience stores in New Zealand. No association between consumption of vegetables and supermarkets was evident, however individuals in neighbourhoods with the best access to convenience stores had 25% lower odds of eating the recommended daily vegetable intake compared to those with the worst access. This may be representative of convenience stores being a source of generally unhealthy food choices, such as ready to eat foods and high sugar content drinks.

Using BMI data from the New Zealand Health Survey (2002/03), Pearce *et al.* (2009) subsequently examined the relationship between neighbourhood access to fast-food outlets and the diet related health outcomes of individuals. Compared to the findings relating to convenience store access in the previous study (Pearce *et al.*, 2008), recommended daily vegetable, but not fruit intake, was lower among residents of neighbourhoods with better access to fast-food outlets. In contrast to the expected outcome, the odds of being overweight were higher in neighbourhoods with the worst access to fast-food outlets. Based on this research, the authors concluded that neighbourhood access to fast-food outlets is unlikely to be a contextual driver of social inequalities in obesity in New Zealand.

In each of these studies, the authors note that while access may be better in deprived areas, the increased distance from affluent neighbourhoods is not large. Retailers selling both healthy and unhealthy food options may be attracted to low socioeconomic areas for reasons already outlined in this article, such as low land/rent costs, and a lack of community resistance. Despite a higher concentration of fast-food outlets being located in poorer neighbourhoods, these services are still highly accessible to individuals living in more affluent neighbourhoods.

### **The influence of neighbourhood physical environments on health inequalities**

There are elements of the physical environment of neighbourhoods that may promote or inhibit health outcomes of the local community. Previous GeoHealth

Laboratory work has focused on access to green spaces, such as parks and reserves, which are believed to be associated with better physical and mental health outcomes. Inequalities and themes of social injustice relating to air pollution exposure, which is associated with ill-health, have also been explored.

*Access to 'green space'*

Access to recreational amenities in the neighbourhood environment has increasingly been studied in health geography literature. Neighbourhood environmental factors can be grouped into four categories: functional factors, such as street and path design and traffic flows; safety factors; neighbourhood aesthetics; and destinations (Pikora et al., 2003). Previous work has found that physical activity among residents increases with the number of recreational amenities nearby. The relationship varied by amenity type, use of sporting and recreational venues was less sensitive to distance than open spaces (Giles-Corti and Donovan, 2002; Giles-Corti et al., 2005). Higher rates of physical activity and lower obesity were observed in neighbourhoods with better access to leisure facilities, open green space, and beaches.

Witten *et al.* (2008), in their study of neighbourhood access to open spaces and the physical activity of residents, found little variation in BMI and physical activity and park accessibility. There was evidence of lower BMI among residents with the best access to the beach, after adjusting for socioeconomic status and urban/rural status. Respondents with the best access to the beach were also more likely to carry out recommended levels of physical activity and were less likely to be sedentary.

The role of green space and the effect on mental health has received considerable attention by health geographers. There are three proposed mechanisms for how green space can influence health: first, by providing increased opportunities for physical activity, improving both physical and mental health outcomes (Barton and Petty, 2012); second, increasing the opportunities for social interaction to occur (Zhou and Rana, 2012); and third, exposure to green space can provide restorative effects and reduce stress which has an etiologic association with chronic physical and mental illness (Ward Thompson et al., 2012). Internationally, low socioeconomic neighbourhoods have been shown to have poorer access to urban green space, and this may contribute to inequalities in physical activity and health outcomes between more and less deprived communities (Comber et al., 2008). As stated, more deprived neighbourhoods in New Zealand have been shown to have better access to green

space than less deprived areas (Pearce et al., 2007; Pearce et al., 2008). Subsequently, local literature has focused on the usable qualities of green space in relation to neighbourhood access and health outcomes.

Richardson *et al.* (2013) calculated the percentage coverage of total and usable green space within New Zealand Census Area Units<sup>5</sup>. Usable green space was defined as urban parkland; open spaces; beaches; and non-commercial, accessible forestry. The authors examined the association between the proportion of neighbourhood green space and two causes of mortality: Cardiovascular disease (CVD), which might be associated with green space through effects on physical activity and stress; and lung cancer, which was not expected to be associated with green space due to a very small link to physical activity. There was a contrasting socioeconomic gradient in neighbourhood green space coverage, where increasing deprivation was associated with lower total, but higher usable, green space coverage. This research found no association between CVD and either total or usable green space after adjusting for area level demographics, deprivation, smoking rates, and air pollution. The authors considered that a lack of variation in exposure to green space between New Zealand neighbourhoods, together with the high amount of green space in private gardens that were not included in the model, were limiting factors in their research into neighbourhood green space on health. Richardson *et al.* (2013) argue that focusing on the quality of green space and the neighbourhood environment may be a better predictor of health than green space quantity alone.

Further to this work, Richardson *et al.* (2013) examined the association between total neighbourhood green space and four health outcomes: CVD, overweight/obese, poor general health, and poor mental health. The role of physical activity as a mediator in these associations was also investigated. After adjusting for individual-level covariates, neighbourhood green space coverage was associated with lower risk of both CVD and poor mental health. Individuals living in the quintile of neighbourhoods with the highest proportion of green space had higher levels of physical activity, including physical activity. Although Richardson *et al.* (2013) argue that their findings only partially explained the relationship between green space and health, this work was the first to find positive associations between green space and health in New Zealand.

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<sup>5</sup> Statistical boundaries that usually have a population between 3000 to 5000 individuals and that vary in geographic size.

Nutsford *et al.* (2013) derived a range of neighbourhood to green space access measures to examine the relationship with anxiety/mood disorder treatment in Auckland, New Zealand. For both total and usable green space, the authors calculated road network distance to the nearest green space, proportion of green space within 300 meters, and proportion green space within 3000 meters from each meshblock. Distance to the nearest usable green space was associated with anxiety/mood disorder treatment counts. Nutsford *et al.* (2013) found that every 100m decrease in distance to usable green space resulted in 3% lower treatment counts. The proportion of green space within 3000m was also associated with mental health. For each 1% increase in both total and usable green space, anxiety/mood disorder treatment dropped by 4%. This research supports two hypotheses of how green space can influence health outcomes: first, through exposure to a restorative and stress-reducing environment and; second, the authors suggest a physical activity component based on the relationship between distance to nearest usable green space.

Richardson *et al.* (2013) and Nutsford *et al.* (2013) have identified the potential for future work to further explore the role green space plays in improving mental health, particularly in light of conflicting and negative associations with some physical health outcomes. Given that deprived neighbourhoods have been demonstrated to have relatively good access to green space in New Zealand, future work should focus on the role that quality of these spaces and the surrounding neighbourhood environment, along with measures of private green space. Such work could incorporate potential barriers to using recreational amenities, such as fear and safety, particularly around age, and gender and ethnic preferences.

### **Exposure to air pollution**

Air pollution and health has been a long established area of research in the GeoHealth Laboratory, research outputs have included a series of reviews and commentaries that contribute both to local (Kingham, 2011; Kingham and Dorset, 2011) and international (Wilson *et al.*, 2005; Wilson *et al.*, 2006) understanding of air quality and health issues. The research projects have included a series of papers that would broadly be classified as environmental epidemiology. This includes work that has attempted to assess population exposure to poor quality air both spatially (Kingham *et al.*, 2008) and temporally (Kingham *et al.*, 2006). The results of this work have then been used

to relate to various spatial (Kingham et al., 2008) and temporal (Cavanagh et al., 2006; Epton et al., 2008) health outcomes while a further temporal analysis paper included the air quality methods within the health paper from Wilson et al. (2010). Rarely are relationships between air quality and health straightforward with a range of confounders and challenging methodological issues. Some of these have been the specific focus of research including a study by Sabel et al. (2007) that examined the role of confounders within an intra-urban context and Fukuda et al. (2010) which found that the effect of spatial variation in air pollution on adverse health outcomes in winter can be identified more accurately if viral infection data is accounted for.

Inequalities in exposure to air pollution and rates of related health outcomes have become increasingly polarised in New Zealand over the past 25 years with lower socioeconomic neighbourhoods tending to have higher rates of air pollution related illness compared to more affluent areas. However, research suggests that these areas may suffer a disproportionate burden of harm. This theme of environmental justice has been applied in air pollution research, with studies increasingly showing that neighbourhoods with the most sources of emission have the lowest levels of pollution Kingham *et al.* (2007).

Pearce *et al.* (2006) suggest four reasons why environmental harm is unequally distributed spatially throughout the population. First, low socioeconomic groups may have a lower overall demand for environmental quality; second, disadvantaged groups tend to be less educated and less aware of the potentially adverse effects; third, disadvantaged communities lack the social cohesion to resist corporate and political influences; and last, institutional discrimination may have influence over the location of pollution sources. From within this framework, Pearce *et al.* (2006; 2007) examined social and geographic inequities in domestic heating-related air pollution in Christchurch, New Zealand. In these studies, the most deprived neighbourhoods suffered more than areas of average to high socioeconomic status. In addition, air pollution levels were significantly lower in areas with more domestic wood burners. The effects of the inequality in the distribution of air pollution are exacerbated by the fact that individuals living in areas with the greatest exposure (low socioeconomic status) are predisposed to be vulnerable to the health effects of air pollution because of underlying health conditions, more barriers in access to healthcare, and poor housing conditions. Following these studies, Kingham *et al.* (2007) examined inequalities in exposure to vehicle related air pollution in



Christchurch. Like sources of domestic heating, the most deprived neighbourhoods had 1.5-2.0 times more vehicle related air pollution compared to more affluent areas. Areas with the highest level of vehicle ownership had the lowest levels of vehicle pollution, suggesting that those responsible for producing the most suffer the least.

With social and geographic inequalities in air pollution sources and exposure well documented, Richardson *et al.* (2011) studied this association by comparing air pollution levels and associated respiratory illness in New Zealand. The authors examined if air pollution is associated with respiratory disease mortality, and if individuals living in low socioeconomic areas suffer a greater predisposition to air pollution exposure. Richardson *et al.* (2011) found that exposure to air pollution was associated with respiratory disease mortality, as areas with the highest levels of air pollution had an 18% greater risk of respiratory disease mortality compared to areas with the lowest levels of exposure. Significant inequalities in respiratory disease mortality existed between low and high socioeconomic areas, however the role of socioeconomic status was not a significant modifier in the relationship between mortality and pollution. This study suggests that disadvantaged communities are not more susceptible to the effects of air pollution, but they do suffer a greater burden pollution related disease. In order for air pollution related health inequalities to be reduced, initiatives to reduce air pollution levels must be targeted towards achieving reductions in low socioeconomic areas.

### **Inequalities in access to and utilisation of health services**

Patterns of inequality of healthcare utilisation were highlighted by Barnett and Lauer (2003) in their study of neighbourhood deprivation and hospital admissions in Christchurch for the period 1990-1997. The authors found that total admission rates rose during the study period, however there was evidence of social polarization in their results. The likelihood of hospitalisation for individuals living in the most deprived, compared the least deprived neighbourhoods, rose from 1.67:1 in 1990 to 2.21 in 1997. The socioeconomic gradient in admissions changed markedly as well: for every one decile unit rise in deprivation in 1990, hospital admission rates rose by 2.86/1,000 people. By 1997, this had increased to 7.38/1,000. Socioeconomic polarisation in multiple admissions increased during the study period also. The rate of admission from

the most deprived neighbourhoods was 3.26 times higher than from the least deprived neighbourhoods in 1997, compared to 1990.

There was evidence of inequalities in length of stay between groups, with patients from the most deprived neighbourhoods staying, on average, 6.5% or 0.34 fewer days than individuals from the least deprived. A lower length of stay is likely to be reflective of poorer quality of care, and this may result in higher readmission rates. The authors found evidence that readmission was higher among more deprived groups and that there was a widening of the gap between deprived and affluent neighbourhoods over time. In 1990, an increase of one decile of neighbourhood deprivation was associated with an increase in readmission rates of 1.16/1,000. By 1997, this had risen to 3.77/1,000. Just as lower length of stay may result in higher readmission rates, these high rates may in turn lead to pressure on bed space and force higher turnover of patients. It is possible that individuals with particular illnesses may be more likely to be discharged sooner, and there was evidence in this study of differences between socioeconomic groups in the causes of admission. Individuals from the most deprived areas were more likely to be readmitted with asthma and other respiratory diseases, chronic airway obstruction, and pneumonia, while the least deprived patients were more likely to be readmitted for ongoing treatment of various forms of heart disease.

Barnett and Barnett (2004) subsequently examined the role of socioeconomic status in utilisation of general practitioners (GPs), the main source of primary care in New Zealand. Unlike many hospital admissions, there is a cost associated with consultation and treatment from GPs. This is believed to be significant enough to deter individuals, particularly from low socioeconomic groups, from seeking prompt and adequate care. The financial barrier that GP fees present for some people may increase pressure on hospital services, with avoidable admissions tying up resources that should otherwise be treated in a GP setting. The authors found that patients who are faced with financial difficulties were more likely to delay seeking care and medication, and were also more likely to seek financial help from their GP. From a practice setting, GPs in deprived neighbourhoods were more likely to charge lower fees than those in affluent areas, however they were generally less flexible in the provision of financial options to patients. Beyond direct costs to GPs, Barnett and Barnett (2004) cited direct correlations between distance and the utilisation of GP and hospital services. There is also evidence of an undersupply of GPs

located in low socioeconomic neighbourhoods, and an oversupply in more affluent areas. Individual perceptions of access to care in deprived, high need areas are likely to be low if there is significant travel distance required and few providers serving the population.

The effect of neighbourhood access to GPs was further explored by Hiscock *et al.* (2008) to determine if travel time is a predictor of utilisation and patient satisfaction. Residents living in neighbourhoods with the longest travel time to GPs were less likely to have visited a GP in the previous year (Odds Ratio 0.74). However, this relationship was present only in rural and secondary urban areas, with no relationship in urban areas after adjustment. There was no evidence that travel time was associated with healthcare service satisfaction, and as the relationship with utilisation was not consistent, the authors concluded that access to GPs could not explain health inequalities in New Zealand. The association with travel time and utilisation in rural communities should also be set within the wider challenges faced by health care providers serving rural communities that cover large geographic areas and that correspondingly have isolated residents.

Brewer *et al.* (2012) set their analysis of access to healthcare services in the context of travel time and distance to services and inequalities between ethnic groups in cervical cancer diagnosis and mortality trends in New Zealand. Previously in New Zealand, marked ethnic inequalities in cervical cancer incidence and mortality have been found, with Māori and Pacific women at higher risk compared to European women (Ministry of Health, 2010). Māori and Pacific women were also comparatively under-screened (Smith *et al.*, 2011), and there is evidence of large differences between groups in the stage of cervical cancer at diagnosis (Brewer *et al.*, 2009). This study found weak associations between travel time/distance and cervical cancer screening, stage at diagnosis, and mortality among New Zealand women. The primary effects of travel time, though weak, were associated with ethnic variation in cervical cancer stage at diagnosis but not the subsequent survival rates.

### **Beyond the GeoHealth Laboratory: spatial health data and research in New Zealand**

The previously discussed indices and measurements of access to neighbourhood resources and subsequent population level health outcomes and behaviours have set the scene for research focused at smaller spatial scales. Aggregated datasets have been useful in identifying potential health promoters or barriers in the

natural and urban environment however the underlying causal pathways cannot be fully understood using these methods. Emerging research has begun to focus on how individuals interact with their physical environment on a daily basis to examine how behaviours and perceptions of residents vary between and within neighbourhoods. A large aspect of this work has been raw data collection to better understand and explain the processes of interest and answer more specific research questions that have developed out of previous work, such as that discussed in this article, that has been largely ecological in nature. Two major goals are clear from this data collection and research: to better inform policy makers and provide benefits to local communities through tangible solutions and outcomes.

#### *Spatial health data*

Health data in New Zealand is collected at a local (practitioner), regional (District Health Board (DHB)), and national level, however, most primary care services are private and are not under statute to provide data for national collection. Data for primary health care services can be sought directly through DHBs or through local health care providers: Public Health Organizations (PHOs). DHBs are funded and monitored by the MOH and this provides the basis for collection of data at a national level. The MOH collects individual records for hospital inpatients and non-admitted hospital patients (e.g. Emergency presentations), laboratory tests conducted, prescriptions collected, and primary care enrolment. In addition to this core data the MOH also collects data on directly funded services (e.g. telephone lines, national initiatives (immunization, well-child checks) and pilot schemes).

Almost all individual health data collected centrally has a unique identifier attached to it, known as the National Health Index (NHI), and a spatial component, meshblock of domicile. Having the NHI means that datasets can easily be joined together and used to form supplementary, enhanced information. For example a virtual diabetes register has been made using laboratory, hospital and pharmaceutical records.

Lastly, the MOH conducts a continuous, National Health Survey, which consists of a set of core questions combined with a flexible programme of rotating topic areas/modules – for example health surface utilization (Ministry of Health, 2013). The survey is rich in robust data which cannot be collected elsewhere, for example information on weight, exercise, Health service utilization and health behaviours. Survey data can be linked to geography

through the respondents Meshblocks or domicile and it is this ability that has enabled the development of indices of access to factors in the built environment.

*Neighbourhoods and health research groups*

The University of Otago's Department of Public Health is a major contributor in the field of neighbourhood effects on health. The Neighbourhoods and Health project, running since 2004, has focused on measuring community resources and both social cohesion and social fragmentation to examine the association with morbidity and mortality. This has been achieved through analysis of existing data as well as the collection of new information (University of Otago, 2013). Alongside this work is He Kainga Oranga, the Housing and Health research programme. Links to ill-health as a result of poor housing stock are well known in a New Zealand context however the causal pathway of this relationship is not well understood. The multi-disciplinary research team working on this project is furthering knowledge in this field and has a strong policy focus. By utilizing existing data and carrying out new studies they aim to introduce housing-related interventions that will improve the health of individuals, families, communities and the population as a whole (University of Otago, 2013).

The New Zealand Centre for Sustainable Cities has brought together multi-disciplinary experts, including current and ex-GeoHealth staff, to investigate solutions that provide for cities that a built foundations of resilience, live-ability and competitiveness. There are a number of core project strands in their Resilient Urban Features Programme that cover urban change and development, community form and social development, infrastructure and transportation, environmental exposures and effects. This work has a strong focus on policy outcomes and has experimented with local trials, such as rental housing Warrant of Fitness and cycleways, to better realize the opportunity for wider implementation. Funding is provided by the Ministry of Business, Innovation and Employment (Centre for Sustainable Cities, 2013).

SHORE, based at Massey University, undertakes research spread across a range of health and social topics. Neighbourhood determinants of health and wellbeing and sustainable cities are two key themes of this research. Access to tobacco, alcohol and gambling opportunities at a community level and the associated behaviours and health outcomes have also received attention from this group. This research draws on qualitative and quantitative techniques to



inform policy makers and carry out community based research (Massey University, 2013).

### **Concluding remarks in light of current health sector priorities**

The Geohealth Laboratory work reviewed in this article represent research priorities relating to neighbourhood access to factors in the built environment that can affect health outcomes, demonstrating the wide range of research that we have done in this space. Although overseen by and aligned to the current priorities and objectives of the Ministry of Health, the GeoHealth Laboratory remains a status as an independent research entity. As a consequence, a number of publications have generated sector and media interest and debate (Todd, 2011). In the context of the current health sector there are several debates that our work has been able to contribute to.

First, work outlined in the inequalities in factors of the built neighbourhood environment section has contributed to debates relating to the degree to which government control over health behaviour should take precedence over personal choice.. For example, left uncontrolled we have shown fast-food, tobacco and alcohol outlets are more likely to locate next to deprived areas than next to affluent areas. Recently, the New Zealand Burden of Disease study, a systematic analysis of health loss by cause for New Zealanders, highlighted key risk factors for health loss i.e. poor health (Ministry of Health, 2013), among these were substance use (tobacco, alcohol and illicit drugs) and dietary risk factors.

Second, research by the GeoHealth Laboratory relating to the equity/efficiency models of health service provision has provided evidence of the inequalities in access to, and utilisation of, health services. We have shown that an undersupply of health services in deprived neighbourhoods, significant travel distances, and financial barriers, whether perceived or real (co-payments have largely reduced costs to zero for low SES groups) all affect health service use by deprived groups (Hiscock et al., 2008). This was confirmed recently by the New Zealand Health survey which showed that rates of unmet need were higher in deprived areas (Ministry of Health, 2012). Undertaking work of this nature has helped to inform policy for delivering health services ‘closer to home’ in an economic climate where health funding has focused on centralised, co-located services.

Lastly, it should be noted that New Zealand is not unique in experiencing the health issues identified above. For instance, the recent global burden of disease study highlighted an increase in non-communicable diseases such as ischemic heart disease and diabetes, and a shift towards disabling causes rather than fatal causes in developed countries. This is mainly due to population aging and to a lesser extent, population growth. In Australia, New Zealand, Japan, and richer countries in Western Europe and North America, health loss for non-communicable diseases contributed to more than 80% of all health loss (IHME, 2013). Thus our research is applicable to and has influences wider than just New Zealand, but can be applied globally.

There is still a significant amount of research to undertake. The geospatial and health landscape is constantly changing. New health priorities, further improvements in health data quality, and new technologies in GIS, are all allowing us to progress research which hitherto, was never possible. The New Zealand Burden of Disease study, which highlighted some recent major areas of health concern such as cancer, vascular and blood, and mental disorders, coupled with rising health care costs and the need for better local regional and national planning, is fuelling recognition of the importance of geospatial research. The continuous New Zealand Health survey, previously held every four years (and annually since 2011), allows the opportunity to explore robust spatial data on specific topics such as patient choices and health behaviours over time. Health sector-wide geocoding of patient addresses at point of entry will improve the accuracy of administrative health data and improve the confidence of results. Further, sophisticated geographical techniques such as spatial micro simulation (Campbell and Ballas, 2013), hill shading (Llobera, 2003), can be juxtaposed against simple online applications to display and disseminate research results, making a wide range of data available to policy and decision makers.

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## **Financialisation of Media Ownership in New Zealand**

*Wayne Hope and Merja Myllylahti*

### **Abstract**

From the early 2000s, the financialisation of global capitalism reshaped the strategies of transnational media conglomerates. As financial institutions expanded their operations, non-financial corporations became seen as an assemblage of business units that ought to be continuously restructured to maximise share price performance and profit rates. Media corporations thereby moved away from conglomeration toward a strategy of rationalizing holdings around strong market positions in certain sectors. Aggressive, unlisted financial operators, such as financial equity companies, regard media holdings as a lucrative source of revenue by means of acquisition and/or a leveraged buyout. In this context, we argue that those transnational media corporates that have colonized the New Zealand mediascape are themselves becoming colonized by listed and unlisted financial institutions. This process is well-advanced in the cases of MediaWorks, Fairfax and APN and News Media. Their difficulties have been exacerbated by an historic decline in print news readership and concerns about the commercial viability of on-line news provision. More recently, financial interests have increased their ownership stake in Sky Television. Together, these developments point to an uncertain future for commercial media organizations and media professionals alike. Meanwhile, mainstream news media coverage continues to thin out as advertising culture prevails.

### **Introduction: financialisation and global media**

From about 1980 media-communication conglomerates with lucrative holdings across key media markets took over stand-alone businesses. Major players such as Time Warner, Bertelsmann, Viacom, Disney, NBC Universal and News Corporation subsequently acquired worldwide cross-media portfolios. During the 1990s and early 2000s a global oligopoly of media entertainment corporations established a dominating presence across core areas of cultural

production and leisure activity (film, television, recorded music, print media, hotels, resorts, theme parks) Each corporation sought to control the production and distribution of cultural content through vertical integration. Within the media entertainment system as such, advances in internet applications, digital television and mobile telephony blurred traditional separations between broadcasting, computing, telecommunications and consumer electronics (Murdock & Golding, 2002; McChesney, 1999; Fitzgerald, 2012).

At the same time, however, media entertainment corporations operated within business conditions shaped by the financialisation of the global economy. The general process was enabled by the proliferation of neo-liberal policy regimes requiring the dismantling of international currency agreements and the deregulation of nationally centred financial sectors. At the same time digital convergences between information and communication technologies provided necessary infrastructure for the globalisation of financial institutions and financial flows. These developments effectively changed the structure and strategy of corporate governance. The process dates from the 1980's when new kinds of financial activity reshaped the American corporation. Hostile takeover firms were then growing in number and activity. They broke up conglomerates so that component parts could be sold for more than the previous market valuation. Individual investors gave way to institutional investors who gained major control over corporate stock. Such investors did not simply value conglomerates as a whole; priority was given to divisional profit performance and the establishment of 'focused' firms. Consequently, share analysts grew in number and developed specialisations. Corporations eager to attract favourable analyst coverage were obliged to sell off businesses unrelated to core competencies. The core competency-shareholder value priorities of institutional investors and analysts began to shape corporate governance and strategy. The CEO worked with the Chief Financial Officer (CFO) to generate profits from core competencies and to manage the share price, in accordance with the preferences and estimates of institutional investors and analysts. Correspondingly, specialist teams of analysts announced buy and sell recommendations on a real time basis. The net result was share price volatility and a short-termist culture of corporate governance. (Zorn & Dobbin, 2005) Financialisation has compelled media corporates to move away from conglomeration and diversification toward a strategy of rationalizing holdings around strong market positions in certain sectors. Non-core holdings are

divested and sold. For example, Time Warner divested Warner Music Group (2003) and Time Warner Book Group (2006) Viacom divested CBS group (2006) and News Corporation divested DirectV (2000) and Gemstar TV-Guide International (2008) (Fitzgerald, 2012). Financial institutions themselves regard media holdings with strong market positions as revenue streams and acquisition targets. This is especially true for financial equity firms. In North America, Western Europe and Australasia, they have acquired or bought into publicly traded media companies via leveraged buyouts. This strategy involves the use of debt financing to takeover and restructure undervalued companies. Private equity operators then exit their investments by selling the restructured assets at high profit margins. The original debt financing obtained from investment banks, hedge funds and/or other institutional investors is collateralised against the targeted assets (Crain, 2009).

Since about 2004 such deals have affected commercial broadcasting in different national settings (most notably, Clear Channel's radio network in the United States and Germany's Sat1 commercial television network) (Crain, 2009; Rosenberg & Mollgaard, 2010). Private equity buyers and investment banks have also restructured Hollywood film studio Metro Goldwyn Meyer along with major US theatre chains. Private equity activity has also been evident in music publishing, video game publishing, digital media, telecommunications as well as the cable and satellite industries (Crain, 2009). Newspapers and other print media have been especially affected. Between 2004 and 2007 private equity syndicates bought out Readers Digest, Dutch publishing conglomerate VNU and various public listed US newspaper chains (Crain, 2009). After 2008, financial crisis and worldwide recession coincided with the spread of on-line news consumption and on-line advertising. Newspapers have thus become especially vulnerable to private equity takeovers and other financial incursions. During 2011, 71 daily newspapers in the US were sold as part of 11 different financial transactions (Pew, 2012). In May 2012, billionaire Warren Buffett's investment vehicle Berkshire Hathaway announced that it was buying 63 US newspapers, including 23 dailies, from the Media General Company for \$142 million (Ng & Hagey, 2012).

Financialisation of media ownership prioritises short-term returns over long-term viability of media institutions. Within news organizations restructuring processes inevitably entail redundancies, a loss of journalistic expertise and a thinning of news content. With these thoughts in mind, we will



trace the emergence and growth of media financialisation in New Zealand against the backdrop of transnational media ownership.

### **From National to Transnational Media Ownership in New Zealand**

During the 1940s and 1950s in New Zealand, public spheres of communication were dominated by an insular, family-owned provincial press and a paternal state-regulated radio system with commercial and non-commercial stations. In the four main centres – Auckland, Wellington, Christchurch and Dunedin – daily papers and local stations widened their commercial influence as urban populations increased. During the 1960s and 1970s, old family configurations of agrarian and mercantile capital became supplanted by interlocking corporate ownership. In 1980, Fletchers, Tasman and Challenge merged to become New Zealand's largest company. The nine outside directors who made up the board collectively sat on the boards of over 60 companies (Jesson, 1980). The growth of corporate capitalism opened up business opportunities in the media sector. When Fletchers, Tasman and Challenge merged 31 of New Zealand's 33 daily papers were owned by major news conglomerates. Additionally 70 percent of all individual papers were owned by Independent Newspapers Ltd (INL), New Zealand News and Wilson and Horton. Ron Brierley had gained a four percent shareholding in New Zealand News and was in the process of buying up a stable of private radio stations through Hauraki enterprises (Street, 1983). Television remained publicly administered but there were tentative challenges against the TVNZ monopoly. In 1980, Wilson and Horton formed Northern Television while Independent News Ltd/New Zealand News/Hauraki enterprises gave both to Alternative Television Ltd bidders for the proposed third channel.

Labour's election victory in 1984 unleashed a comprehensive neo-liberal policy agenda. Consequently, upper reaches of the national economy were absorbed into global rhythms of capital circulation and investment. Foreign ownership of stock exchange listed companies rose from 21.4 percent in 1980 to 32.6 percent in 1986. In the aftermath of the October 1987 stock market crash, New Zealand listed companies were bankrupted and this increased further the proportion of foreign shareholdings on the stock exchange (to 51 percent by 1994) (Le Heron and Pawson, 1996: 31-36). Over the same period under Labour and National governments, infrastructures of energy, power, telecommunications and rail transport were incorporated within the balance sheets of transnational corporations. And, by 1996, six of the seven major

banks and nine of the top 10 insurance companies were overseas-owned (Rosenberg, 1998: 47). In this context, local media owners forged connections with transnational media conglomerates. As of March 1987, Rupert Murdoch's News Corporation assumed a 40 percent interest in INL. During 1989, NewsCorp holdings increased to 49 percent. Most significantly, in August of the following year, the *National Business Review* announced Commerce Commission approval of a rapid expansion in INL holdings. This resulted from NZ News (Brierleys) selling its Auckland suburban newspapers plus the *Sunday Star Times*. The *Auckland Star* was closed down permanently. New Zealand had shifted from a triopoly to a duopoly of newspaper ownership. By 1991 Wilson and Horton had 45.5 percent of metropolitan press circulation and INL 45 percent (McGregor, 1992: 30).

The broader picture at that time can be sketched as follows. New Zealand's media system was being hollowed out by transnational corporations with cross-media holdings. Four pivotal events accelerated this process; the deregulation and corporatization of broadcasting (1989): the entry of private and pay television (1989); the sale of Telecom (1990); and the removal of all restrictions on foreign media ownership (1991). By 2001, TV3 (and, subsequently, TV4) was owned by Canada's largest private television broadcaster, Canwest Global Communications Corporation. Satellite operator Sky Television was owned by Telecom (12 percent) and INL (66 percent) News Corp's 45 percent share of INL ensured that satellite digital services in New Zealand would be incorporated within the Murdoch empire (Rosenberg, 2002: 78-80). Independent Newspapers Ltd also owned 49 percent of New Zealand's daily newspaper circulation along with extensive holdings in magazines, national weeklies, community titles and websites. Wilson and Horton, the other major print and web media holding company, was purchased by Irish billionaire Tony O'Reilly through Independent Newspapers Plc (INP). Local titles included Auckland's *New Zealand Herald*, the *New Zealand Listener*, the *New Zealand Woman's Weekly* and 32 community newspapers as well as various publishing operations. Subsequently, INP sold its shareholding to APN News and Media, a company in which INP had a 40 percent holding (Rosenberg, 2002: 67-69). In 1996 Radio New Zealand's commercial stations were sold for NZ \$89million to three O'Reilly associated companies, and by 2001 the Radio Works stable of FM private radio stations was 71 percent owned by CanWest (Rosenberg, 2002: 84-850.)

After 2001, global absorption of New Zealand media assumed a trans-Tasman dimension. In June 2003, John Fairfax Holdings purchased INL's press and magazine holdings for A\$1.2 billion (at the time INL was 45 percent owned by NewsCorp). In March 2006, Fairfax purchased the online auction site Trade Me for NZ\$700 million) (Rosenberg, 2008: 2). And APN News and Media was also an Australian registered company, albeit controlled by Tony O'Reilly's Independent News and Media. APN was in its own right, a fully-fledged multi-media conglomerate. It had business interests in newspapers, magazines, radio and outdoor advertising in Australia, New Zealand, Hong Kong, Indonesia and Malaysia.

Independent Newspapers Ltd (INL) used cash from the sale of print holdings to Fairfax to purchase the total shares of Sky Television (at that time INL already controlled 66 percent of shares) Effectively, therefore, INL's majority-owned NewsCorp increased its commercial influence over Sky operations and its commercial share of Sky revenues. NewsCorp's dominance was extended when INL merged with Sky in 2005.

## **Financialisation of Transnational Media Ownership in New Zealand**

### *Initial forays of private equity firms*

At the end of 2006, four overseas corporations dominated the national mediascape – Fairfax, News Corporation/Sky TV, APN News and Media and Media Works. Financialisation of their New Zealand holdings began in the first half of 2007 when APN News and Media became the target of a failed offer from a consortium of the parent company Independent News Media (ANM) along with private equity investors Providence Equity Partners and the Carlyle Group. Meanwhile, Ironbridge Capital purchased MediaWorks' assets including those held by CanWest (Rosenberg, Mollgaard, 2010: 100). At the time, Ironbridge also owned one of the largest aged care chains in New Zealand, Qualcare Holdings and Enviro Waste Services Ltd (acquired in 2005 and 2006 respectively). In response to the charge that Ironbridge had no media experience, New Zealand representative Kerry McIntosh stated that "Ironbridge did not know much about waste either before buying Enviro Waste" (Vaughn, 2007: C4 as cited in Rosenberg, 2008). In May 2007, Australia's James Packer split his major investment vehicle PBL into internet/gaming and media holdings groups. Within PBL media 75 percent of ACP magazines was sold to private equity fund CVC Asia Pacific. Fifty five titles were involved, including Metro,

North and South, Women's Day and the Australian Women's Weekly (New Zealand edition) (Rosenberg, 2008: 10).

*Media financialisation spreads 2010 – 2013*

Between 2010 and 2013 listed and unlisted financial institutions increased their share of media ownership in New Zealand. Unlisted financial institutions are privately held and include companies such as private equity and venture capital firms, investment funds and fund management companies. These privately owned companies are responsible to their owners and executives. They don't have the same disclosure rules as the financial companies listed on stock markets, such as commercial banks. Stock market listed companies are publicly traded and they need to provide regular financial information for their shareholders. These companies are regulated by certain authorities and stock market operators such as New Zealand stock market operator NZX. According to Crain (2009), private equity funds are "exclusive high-stakes investment groups that manage and deploy massive amounts of private capital" (Crain, 2009: 209). Crain points out that publicly traded companies, such as commercial banks, have more financial transparency which "helps potential investors and shareholders make investment decisions and calculate risks." (Crain, 2009: 229). Generally speaking, private equity funds and venture capital firms aim for a quick return on their investment whereas other investors such as media corporations seem to have longer term investment objectives. For example, INM has been a long term investor in APN News and Media, and Rupert Murdoch's News Corporation was a major shareholder in Sky TV for years before selling its stake earlier this year.

In trans-Tasman context, APN News and Media exemplifies the spread of ownership financialisation. In 2010, 22.6 percent of their substantial shareholders were listed or unlisted financial institutions (5.9 percent and 16.7 percent respectively). By 2012 55.6 percent of APN and Media's substantial shareholders were in the latter category (table 1). Unlisted entities include private equity firms, unlisted fund management companies, hedge funds and advisory businesses. Within APN and Media, such firms included Allan Gray Australia, Maple-Brown Abbot, Dimensional Fund Advisors and Baycliffe Limited (table 2). Perpetual Investments is a listed entity, MLC Investment Management is part of National Australian Bank and NBIM is an investment arm of Norway's central bank, Norges Bank Investment Management (table 2).

**Table 1: APN News & Media substantial shareholders (owning more than 5% of company's shares)**

|                                 | 2010  | 2011       | 2012       |
|---------------------------------|-------|------------|------------|
| Listed financial institutions   | 5.9%  | None named | None named |
| Unlisted financial institutions | 16.7% | 55.5%      | 55.6%      |
| Other corporations, individuals | 31.6% | 30.4%      | 28.9%      |

(Source: APN News & Media Investor Relations, APN News & Media Annual Reports: 2010, 2011, 2012)

The shifting ownership structure of trans-Tasman Fairfax Media has been detailed elsewhere (Myllylahti, 2011; 2012; Hope & Myllylahti, 2013). For our purposes here two current trends are identifiable: the growing corporate influence of Gina Rinehart and the continuing significance of listed and unlisted financial shareholders. In 2011, the Fairfax family cut its ties with Fairfax Media when John Fairfax's company Marinya Media sold its 9.7 percent stake in the company. This sale paved the way for Rinehart's ownership, and in 2012 she took a substantial shareholding in Fairfax Media. In July 2012 she owned 14.99 percent of Fairfax Media's shares through her company Hancock Prospecting.

**Table 2: APN major shareholders as at June 2013**

|                              |       |
|------------------------------|-------|
| Allan Gray Australia Pty Ltd | 19.9% |
| Independent News & Media     | 17.6% |
| News& Media NZ               | 11.3% |
| Maple-Brown Abbot            | 5.5%  |
| Perpetual Investments        | 4.7%  |
| MLC Investment Management    | 3.3.% |
| NBIM                         | 2.4%  |
| Dimensional Fund Advisors    | 1.8%  |
| Baycliffe Limited            | 1.3%  |
| Argo Investments Limited     | 0.6   |

(Source: APN, 2013).



**Table 3: Fairfax Media shareholders**

|                                    | 2010  | 2011  | 2012  |
|------------------------------------|-------|-------|-------|
| Financial owners                   | 70.4% | 73.9% | 56.5% |
| Other corporations,<br>individuals | 9.7%  | 9.7%  | 25.6% |
| Top 20 holders                     | 80%   | 83.6% | 82.4% |

(Source: Fairfax Media Annual Reports 2010, 2011, 2012).

Although financial ownership of Fairfax shrunk from 70 percent in 2010 to 56.5 percent in 2012, the latter figure is still a strong indicator of media financialisation (table 3). Although the ownership share of unlisted institutions peaked in 2011 they still constituted a marginally higher ownership percentage than listed entities in 2012 (table 4). As of August 2012 the major shareholders of Fairfax Media included unlisted financial owners such as Allan Gray Australia, Maple-Brown Abbot and IOOF Holdings alongside listed entities such as AXA Group, National Australian Bank (NAB) and Lazard Asset Management (table 5). In February 2013 a small Australian fund management company, Ausbil Dextia, obtained 5.3 percent of Fairfax's shares.

**Table 4: Fairfax Media substantial shareholders (owning more than five per cent of company's shares)**

|                                       | 2010  | 2011  | 2012  |
|---------------------------------------|-------|-------|-------|
| Listed financial<br>institutions      | 18.3% | 21.2% | 26.1% |
| Unlisted financial<br>institutions    | 5.8%  | 55.5% | 26.6% |
| Other<br>corporations,<br>individuals | 9.7%  | 9.7%  | 14.9% |

(Source: Fairfax Media Annual Reports 2010, 2011, 2012)

In 2011 as a part of a debt reduction drive Fairfax started to sell down its stake in Trade Me. The remaining 51 percent of the company was divested in December 2012 for A\$616 million (Fickling & Haigh, 2012) Trade Me, which is the largest Internet-auction site in New Zealand, was founded in 1999 by Sam Morgan who sold his company to Fairfax in 2006 for NZ\$700 million. After the 2012 sell off business columnist Brian Gaynor (2013a) observed that “we have bought back Trade Me to New Zealand.” In fact, however, ownership of the company has shifted from one corporate owner to multiple financial institutions. In 2013, Westpac bank and its associates announced that its ownership of Trade Me had increased to 11.8 percent. Baillie Gifford disclosed ownership of 7.9 percent and Hyperion Asset Management announced that it had acquired 12.5 per cent of the company’s shares (Westpac, 2013a; Westpac, 2013b, Baillie Gifford, 2013, Hyperion Asset Management, 2013).

**Table 5: Fairfax Media major shareholders as at 31 August 2012**

|                                |       |
|--------------------------------|-------|
| Hancock Prospecting            | 14.9% |
| Allan Gray Australia           | 8.3%  |
| Commonwealth Bank of Australia | 7.5%  |
| AXA Group                      | 7.1%  |
| NAB                            | 6.5%  |
| Maple-Brown Abbot Ltd          | 5.8%  |
| Lazard Asset Management        | 5.1%  |
| IOOF Holdings Ltd              | 5.0%  |

(Source: Fairfax Media Annual Report 2012)

Sky TV experienced substantial changes in its ownership structure during 2012 and 2013. Before then major stakes in the company were owned by Todd Communications (a company owned by the Todd family) and the media corporation News Limited which is part of Rupert Murdoch’s News Corporation. During 2012-2013 ownership shifted towards financial holdings. In November 2012, the New Zealand based Todd Communications announced that it had sold its entire 11 percent stake in Sky TV for NZ\$218 million (Myllylahti, 2012). The shares were sold as a block investment to Credit Suisse bank; later they were divested to other financial holders. Additionally, in March 2013, Rupert Murdoch’s News Limited confirmed that it was selling its 44 ten percent stake in Sky TV for \$815.3 million (McBeth, 2013).

**Table 6: Sky TV shareholders**

|                                 | 2010  | 2011  | 2012  |
|---------------------------------|-------|-------|-------|
| Financial owners                | 32.9% | 29.9% | 29.3% |
| Other corporations, individuals | 54.8% | 54.8% | 54.8% |
| Top 20 holders                  | 87.7% | 84.8% | 84.1% |

(Source: Sky TV Annual Reports 2010, 2011, 2012)

The deal was underwritten by Deutsche Bank and Craigs Investment Partners, and the shares ended up in the hands of new financial owners. Hyperion Asset Management and JCP Investment Partners are unlisted companies and hold 14 percent of Sky TV's shares whereas Lazard Asset Management Pacific (part of the listed Lazard Asset Management) and the global bank UBS AG own 12 percent of the pay-TV company's shares (table 7).

**Table 7: Sky TV major shareholders as at May 2013**

|                                         |       |
|-----------------------------------------|-------|
| Hyperion Asset Management               | 6.2%  |
| Lazard Asset Management Pacific         | 5.2%  |
| JCP Investment Partners Limited         | 7.9%  |
| UBS AG and its related bodies corporate | 6.8%% |

(Source: Sky TV, 2013)

As of July 2013, APN News and Media was the only major New Zealand news media corporation left with a media corporate (INM) as its substantial owner. However INM has previously stated that it would consider divesting its stake in the company. Also, APN's financial owners are pushing to sell assets as part of the strategy to reduce debt. APN has already started to sell some of its New Zealand assets. In April 2013 it sold the Christchurch Star and Oamaru Mail newspapers to the Christchurch-based independent media company Mainland Media. The company is privately owned by Pier and Charlotte Smulders, and chaired by Nick Smith who is the director of Allied Press (Wood, 2013). Allied Press is another independent publisher owning the *Otago Daily Times* as well as *Hurunui News*, *Ashburton Courier* and CTV in Canterbury.

MediaWorks, the company that owns TV3, TV4 and half of New Zealand's radio stations, was primarily owned by unlisted American and Australian private equity firms until June 2013. The major owner had been the private equity firm Ironbridge Capital. As we have noted, it bought all the media company's shares from Canadian CanWest in 2007. In 2012, MediaWorks obtained two new venture capital owners - Texan private equity company TPG and American private equity company Oaktree Capital Management as part of its debt restructuring (Myllylahti, 2012). In June 2013 MediaWorks was placed in receivership to "reduce its debt burden". In a media release MediaWorks' Managing Director Susan Turner commented that the company's debt structure had been "unsustainable" since its purchase by Ironbridge Capital in 2007 (MediaWorks, 2013). As Brian Gaynor pointed out, the "MediaWorks saga shows the high-risk nature of leveraged private equity acquisitions." (Gaynor, 2013b). Under Ironbridge Capital's ownership, the total debt burden of MediaWorks went from NZ\$165 to NZ\$769 million. Interest costs soared from \$13.8 million in 2006/7 to \$92.8 million the following year (Gaynor, 2013b). Once in receivership, MediaWorks sought to cut its debts from NZ\$ 700 million to less than NZ\$100 million. The company's assets were transferred to a new company whose primary owners are major lenders. These included Westpac Banking Group, Rabobank, RBS Group, TPG Capital, Oaktree Capital and JP Morgan.

**Consequences and concerns:**

New Zealand's mediascape is rapidly evolving as media corporations search for viable business models. The financial owners of media companies are likely to demand further asset sales from media corporations who need to further reduce their substantial debts. Media companies are thereby poised to cut more jobs, further restructure their operations and divest portfolios (in certain cases they may allow takeovers and mergers). It is important to note that the financialisation of New Zealand media corporations has occurred at the same time as the media industry is going through an historical transformation from print to digital. This has caused most news print companies to lose advertising dollars and income from print subscriptions. Thus, the intensification of financial ownership has taken place at the same time as the media corporates' business models are faltering and their profitability is under serious pressure. Although most New Zealand media companies are still turning profits, they are

not at the same level as they were ten years ago when print newspapers could rely upon substantial income from advertising.

As observed, unlisted financial players such as private equity and venture capital firms have become increasingly involved in media corporations, largely because of lucrative restructuring opportunities. During 2012 the share prices of New Zealand news media companies plummeted, making them ideal takeover targets. Yet, as the MediaWorks case exemplifies, media companies don't necessarily offer a quick return: Ironbridge Capital has allegedly lost its \$700 million investment in the company. As the ownership structures of Fairfax Media and APN News and Media reveal, financial institution Allan Gray Australia is a substantial shareholder. It therefore wields substantial power over the two companies. The financial shareholders are not just passive investors in media corporates; they are increasingly involved in operational decisions. For example, in June 2013, APN News and Media announced that it had appointed Australian Westpac's executive Anne-Templeman Jones to its board (Davidson, 2013). She is a director of corporate and institutional banking at Australian Westpac Bank and holds a directorship in the financial firm Cuscal Limited. The chairman of APN, Peter Cosgrove, commented that Templeman-Jones was chosen for her expertise in "strategy, finance and banking, risk management, compliance, and governance" (Davidson, 2013). Prior to the MediaWorks receivership, all three directors were Ironbridge Capital appointees including Brent Harman, Michael Hill and Kerry McIntosh (MediaWorks, 2013). It is highly likely that any new board will be occupied by the representatives of different banks. Similarly, Fairfax's director James Millar serves as consultant at Ernst & Young, and he is a specialist in corporate finance restructuring. Another director Peter Young is the Chairman of Barclay Banks Australian operations (Businessweek, 2013).

The financialisation of transnational media ownership in New Zealand is of historic importance. Financial institutions, especially unlisted ones, have no inherent interest in any particular media industry or sector. Instead they seek to maximise investment returns before moving on toward a more attractive target. Since 2007, these short-term commercial imperatives have prevailed at the expense of journalists' livelihoods, media content diversity and public debate on issues of national importance. By December 2012, financialisation had destabilised the prospects of three major media players: Fairfax Media, APN News and Media and MediaWorks. By mid-2013, MediaWorks was in



receivership and financial holdings had assumed control of Sky TV. Clearly, we are experiencing the recolonisation and desiccation of the New Zealand commercial mediascape.

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## Capitalism and Democracy at Cross-Purposes

Robert H. Wade <sup>1</sup>

Mainstream politicians and mainstream economists in Anglophone countries have been very relaxed about people becoming “filthy rich”, as though a structure of income distribution with high concentration at the top has no society-wide costs. In the words of University of Chicago professor of economics and Nobel Prize winner Robert Lucas, “[O]f the tendencies that are harmful to sound economics, the most seductive and ... poisonous is to focus on questions of distribution” (2004). In the words of Willem Buiter, former professor of economics at the London School of Economics and currently chief economist of Citigroup, “Poverty bothers me. Inequality does not. I just don’t care” (2007).

This essay begins by describing the neoliberal thinking that sanctions a relaxed attitude to income inequality; next it describes why the discipline of economics has failed to provide a critical focus on income inequality; and then it summarizes evidence on the society-wide costs of inequality, especially the underemphasised political costs. The essay ends with some basic points for a centre-left strategy of reform.

The central argument is that neoliberal thinking has helped to produce a rising degree of income concentration at the top both directly and indirectly through its contribution to the transformation of the Anglophone state into a “plutocratic” state. The plutocratic state has a structure of laws and policy settings which – net -- channels income upwards, even as some parts of the residual welfare state counter these tendencies by channelling income and

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<sup>1</sup> The essay is based on talks I gave about income inequality in New Zealand in July 2013, at the invitation of Bridget Williams of Bridget Williams Books, Wellington and with financial support from the J.R. McKenzie Trust. The talks were linked to the publication of *Inequality: a New Zealand Crisis*, edited by Max Rashbrooke. My earlier relevant essays include Wade, 2011a; 2012; 2011b. I am a New Zealand citizen, based in London at the London School of Economics where I teach and research in the broad subject of global political economy. As the son of one of the first generation of New Zealand diplomats after the Second World War, much of my growing up was overseas; but I attended primary and secondary school in Wellington, and Otago University and then Victoria University of Wellington where I did a BA Honours degree in the Economics Department headed by Professor Frank Holmes. I left in 1967 for the Institute of Development Studies, Sussex University to do a PhD; became a Fellow of the Institute, and have made only short visits since.

services downwards. The combination of high-inequality capitalism and a plutocratic state undermines the democratic political system.

### Neoliberalism

People born in western countries before the 1960s came to maturity during the post-war consensus around ideas of social planning and welfarism (University of Chicago economics department and a few others excepted). Governments followed full employment strategies, unions were strong, and governments believed that rising wages and job security were good for capitalism. Since the 1980s that consensus has been thoroughly displaced by another known as “neoliberalism”, especially in the Anglo countries and in international organizations those states control, including the World Bank and the IMF (Wade, 2009a; 2009b; 2010; Vestergaard and Wade, R., 2012; 2013).

There are many strands of neoliberalism, but they share the core idea that “the (private) market” is the best mechanism for meeting human aspirations, and better, in particular, than “the state”, which is inefficient and a constraint on freedom, though necessary for certain limited purposes like national defence and law and order.

This is how neoliberalism is generally presented. But the presentation actually conceals what neoliberalism is about. “The market” is the polite way of referring to “the owners and managers of capital, especially financial capital”. To say that “the market” is the best mechanism for meeting human aspirations is to say that the state and public policy should reflect what the owners and managers of capital want – “should reflect” because their preferences for state institutions and policies will benefit the whole society more than the preferences of other categories (workers organized in trade unions, for example). This is the sentiment behind slogans such as “a rising tide lifts all boats”, and “what is good for General Motors, and Goldman Sachs, is good for you and me”.

Alan Budd, Special Advisor at the UK Treasury in 1979-81, explained how the Thatcher government sought to create such a neoliberal structure in Britain by first creating mass unemployment, disguising the strategy as an anti-inflation strategy. Interviewed in 1991 he said:

The nightmare I sometimes have ... is that there may have been people making the actual policy decisions, or people behind them, or people behind them, who *never believed for a moment that this was the correct way to bring down inflation. They did, however, see that it*



*would be a very, very good way to raise unemployment, and raising unemployment was an extremely desirable way of reducing the strength of the working classes.... What was engineered there in Marxist terms was a crisis of capitalism which re-created a reserve army of labour and has allowed the capitalists to make high profits ever since”.*

He said this a month after Tory Chancellor Norman Lamont stated in parliament (6 May 1991): “Rising unemployment and the recession have been the price that we have had to pay to get inflation down. That price is well worth paying”. In fact, the rate of retail price inflation when Mrs. Thatcher left office in November 1990 was identical to the rate when she took office in May 1979, at 9.2%.<sup>2</sup>

The neoliberal microeconomic formula prescribes:

- low tax rates on high incomes and capital gains, so as to incentivize value creation – and hence generate economic growth and employment;
- low state benefits to people on low incomes, so as to incentivize job search, training and hard work;
- profit-seeking private firms or charities (not publicly-owned agencies) for supplying goods and services, which translates into the imperative to privatize and outsource government services to the maximum extent possible;
- employment on short-term contracts, linked to performance targets and regular monitoring – because a highly “flexible” labour market is a mark of an economy’s strength (and not at all to be described as Marx’s “reserve army of labour”);
- employment on short-term task-related contracts is especially important in the public sector, where the efficiency-inducing discipline of private profit-seeking competition is lacking;
- freedom for savings and loans, or building societies, to become consumed by national or multinational banks with no regional roots.

The paradox is that this agenda is particularly favoured by political parties which describe themselves as “conservative” yet have little interest in conserving institutions which block opportunities for private profit-making. The reconciliation is effected by claiming that when applied comprehensively, neoliberalism produces more prosperous and more moral societies, composed of adults who are self-reliant, hard-working, and law-abiding citizens, and

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<sup>2</sup> Alan Budd, interviewed by Adam Curtis, June 1991, <http://cheltenham-gloucesteragaincuts.org/2013/04/09/former-thatcher-adviser-alan-budd-spills-the-beans-on-the-use-of-unemployment-to-weaken-the-working-class-sound-familiar/>. Emphasis added.

children who follow rules set by their strict fathers – or more so than societies with more state and less market (Lakoff, 2002).

Contrary to the pattern in earlier bouts of hard times, elites in western countries have even strengthened their commitment to neoliberalism since the global financial crisis of 2008 and subsequent long slump. Neoliberalism supports the macroeconomic agenda known as “expansionary austerity” or “fiscal consolidation” applied through much of the western world and now increasingly in developing countries too (amplifying recessionary and unequalising tendencies on a world scale). It rests on the claim that fiscal contraction at a time of recession (mainly through public spending cuts) will *boost* economic growth; or conversely, that above a certain threshold (generally believed to be around 90%) further increase in the amount of public debt to GDP will stunt growth. E.U. policy makers and central bankers have been particularly zealous in insisting that there is no alternative to public spending cuts and shrinking the state, however unpalatable that may be. “Growth is the key to getting out of the crisis, we all agree on that”, said Jens Weidmann, head of the German central bank recently. “But renouncing budget consolidation will not bring us closer to that objective” (quoted in Taylor, 2013: 22).

A simple – and no doubt simplistic – way to see the fallacies of a lot of neoliberal economic thinking is to consider the situation where 100 dogs are ushered into a room in which 95 bones have been hidden. The macro (or Keynesian) problem is that there are not enough bones for the dogs; five must go without. But neoliberals reduce it to microeconomics and morality. Neoliberals of the compassionate conservative kind say: the problem is that the five dogs lack hunting skills, they must be sent to bone-hunting school, the state may even subsidize their education. Neoliberals of the normal conservative kind say: the five dogs are lazy, they must be incentivized by withdrawing their income support, as in Norman Tebbit’s “get on your bike”.

Meanwhile, the Western finance industry has effectively blocked government efforts to strengthen financial regulation (which could moderate neoliberalism). Banking is the most heavily subsidized industry in the world, by far, especially through the invisible subsidy of an implicit guarantee that if one of them collapses the relevant taxpayers will save it – which allows the banks to take bigger financial risks than otherwise, grow bigger than otherwise, and become too big to fail – or jail, or manage effectively. The balance sheet of one British-based bank, Barclays, is bigger than Britain’s entire GDP. Andy

Haldane of the Bank of England calculated the taxpayer subsidy to the world's largest banks at \$70bn every year between 2002 and 2007, the subsidy accounting for roughly half the average post-tax profits enjoyed by these banks over that period.

On top of the subsidies, governments authorize big tax advantages to the use of debt financing, as compared with equity financing, even as they complain that the economy is handicapped by too much debt and too little equity. The tax advantages of debt boost the demand for debt, and hence bank profits. And the tax advantages of debt mean that multinational companies like Google keep their profits in low-tax jurisdictions and *borrow* to pay out dividends rather than repatriate profits (on which they would pay tax); so squeezing western tax bases.

Understandably the industry is doing everything it can to protect these built-in advantages, including all possible lobbying of governments against efforts to make the banks safer. Robert Rubin, the Democratic kingmaker on Wall Street and Treasury Secretary under Bill Clinton, recently gave a remarkable defence of the necessity of having some banks which are too big to fail. Asked by an interviewer whether he thought that "too big to fail" was a problem, Rubin replied "No, don't you see? Too big to fail isn't a problem with the system. It *is* the system. You can't be a competitive financial institution serving global corporations of scale without having a certain scale yourself. The bigger the multinationals get, the bigger financial institutions will have to get" (quoted in Sharpe, 2012: 141). In other words, the system requires that the biggest private banks are propped up regardless of their performance.

Separately from finance industry lobbying, governments have recently taken the initiative to scale down their financial regulatory efforts in the hope that this will encourage the banks to lend more to households, that households will increase consumption, and that consumption will again boost economic growth -- and improve their re-election prospects.

The upshot is that the effort at a Great-Re-regulation in the wake of the Crash has become, instead, the Great Escape. The sprawling Dodd-Frank Act in the US has generated endless rule rewriting by regulators, leaving holes big enough to drive a coach and horses through. Almost three years into the euro crisis the European Union is still in the early stages of figuring out how it might regulate banks across borders.

More favouritism to the banks comes via the monetary policy known as Quantitative Easing. It is presented to the public as a means of keeping interest rates low to stimulate business investment and the housing market. But it is at least as much about making banks *appear* more solvent or less insolvent. Low interest rates raise the price of debt instruments, and higher prices of debt instruments raise the value of banks' balance sheets. In this way their collapse or radical restructuring is postponed in the hope that they can trade their way out of trouble, at least up to the next election. And while the policy has substantially failed in stimulating investment it has worked to boost the stock market and the housing market – and thereby channel income up towards the top.

Neoliberal ideas have penetrated every nook and cranny of western societies. In British universities they shape operations all the way from undergraduate recruitment to fees to the content of courses to research agendas and to promotions. Not that this is all bad. For example, the periodic programs to evaluate the research output of every British academic and every academic department (known as the Research Assessment Exercise, RAE, though the current one, whose census date is December 31 2013, is known as the Research Excellence Framework, REF) have helped to break the Oxbridge-dominated old-boys networks and the leisurely academic life style that could earlier be enjoyed. On the other hand, the exercise produces a homogenization of thinking discipline by discipline, because the assessment panels tend to be readily captured by people representing the current orthodoxy, who judge others' research by the standards of that orthodoxy.

Moreover, the intense performance-management justified by neoliberal ideas (and impelled by liability under employment law) produces, in universities, gross inefficiencies, such as a proliferation of managers and very time-consuming managerial demands on academics; an erosion of intellectual collegiality; and a “bottom line” criterion for measuring the value of courses.

Far from wanting to conserve the BBC as a landmark of Britishness, ministers in the Conservative Party-led government, and the radical 2010 intake of Tory MPs, want to reduce the BBC to the insignificance of US public broadcasting, seeing it as an affront to the profit-seeking private sector media companies. The government has also been very helpful to private health firms wanting to divert tax-financed revenue flows away from that other landmark of Britishness, the British National Health Service (NHS). The government boosts

a narrative of NHS failure (nurses too busy to care for their patients, is one of the perennials) in order to justify privatization, including care for older people. And it downplays recurrent evidence of private firms making over-ambitious bids and under-fulfilling contracts. The biggest company is Serco, whose *modus operandi* includes steep job cuts when it takes over from a local NHS trust, providing false data on its response to emergency calls, and even (according to a current investigation) charging the Ministry of Justice for tagging dead people.

The privatization or “opening up” of public services has fuelled the process of casualization of employment. Local authorities respond to cuts in funding by driving through tighter tenders on outsourced contracts, whose contractors respond by offering employment on “zero hours”, such that employees are tied to the company with no guarantee of work. Agency working, temporary work and enforced part-time working have mushroomed since 2008; nearly half of the jobs created have been temporary, as half a million permanent jobs have been lost. In early August 2013 the Conservative-Liberal Democratic coalition introduced a prohibitive £1,200 fee for anyone going to an employment tribunal to protect their legal rights (Milne, 2013). The obvious next step in “flexibility” is child labour.

Mainstream media content reinforces the neoliberal bias. Media ownership by profit-maximizing firms (as distinct from firms in the legal category of low-profit, or in cross-subsidizing trusts, as in the case of *The Guardian*) means that content is driven towards crime, sex, celebrity and scandal and towards political and economic commentary in line with the preferences of the owners and managers of capital. The result, in Britain, is that the readership of national newspapers is about 75% for “right-wing” papers and 25% for “not right-wing” (including *Financial Times*). Scarcely an edition in the 75% leaves the presses without a hit against the BBC or the NHS. The British public is surrounded by a fog-horn of right-wing opinion.

New Zealand has been an epicentre of neoliberal ideology since the reforms pushed through by the Labour government’s Finance Minister Roger Douglas after 1984. A story told by a former champion of neoliberal thinking in New Zealand, now senior policy advisor, illustrates how deeply neoliberalism took hold. He and colleagues were planning the privatisation of air traffic control. One of his colleagues suggested that firms should tender or auction for *each individual landing*. At this point the penny dropped. “We suddenly realised it wasn’t very practical”, he said, without joking. Such was the *zeitgeist*



when New Zealand was “a neoliberal model for the world”, and woe betide a New Zealand economist who argued against it.

New Zealand’s current labour law is among the weaker labour laws in OECD countries in terms of protecting and assisting workers, in line with neoliberal precepts. Most workers’ pay is now set unilaterally by the employer; only 9% of private sector workers are covered by a collective bargaining agreement, and about 25% of public sector workers. In the face of weak collective bargaining, labour productivity rose by almost 50% between 1989 and 2011 while the real average hourly wage rose just 14% -- a gap which directly sluiced income up towards the top.

Yet the National Party-led government is now proposing to pass a law weakening labour protection and assistance still more. The draft law gives employers close to *carte blanche* to apply to the Employment Relations Authority for an order declaring an existing collective bargaining agreement at an end. And it creates a “no rights” period of 60 days thereafter when employers are free to pressure workers to sign individual agreements or to threaten to contract out the work to no-union firms.

This is just what neoliberal economics prescribes, for it sees unions as (a) groups which concentrate on getting a bigger share of the pie for themselves at the expense of making it grow over time, and (b) groups which cause inefficiency of resource allocation. So the right policy is to limit or remove the unions’ ability to exercise their harmful monopoly power; just what the new NZ labour law aims to do. This ignores – in line with the tendency of neoliberal economics to justify the preferences of the owners and managers of capital, and ignore structures of power – the effect of weakening unions on income distribution and the balance of power in the political system. Weaker unions allow business lobbying to face less counterweight, which indirectly tips income distribution even more towards the top (Acemoglu and Robinson, 2013).

### **Economics**

The discipline of economics might have provided an evidence-based check on the application of neoliberal precepts. However, throughout the West the great majority of university economists teach fairly conventional neoliberal economics<sup>3</sup>. Indeed, they may not even teach much about real-world

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<sup>3</sup> For a case study of what happened when orthodox economists, backed by the university administration, tried – over three decades -- to marginalize or close down the teaching of

economies, as distinct from mathematical models. David Colander investigated the views of 231 graduate students at the seven top-rated US economics departments, and found that (in the early 2000s) only 9% thought that “a thorough knowledge of the economy” was “very important” for success. Broken down by year of study he found that 15% of first and second year graduate students thought it “very important”, while less than 1% of fourth and fifth year students thought it very important – suggesting that the already low level of interest in real-world economies among the first and second year students had been thoroughly beaten out of them by the fourth and fifth years (Colander, 2005).

Deep socialization into the mathematically-elegant world view of economics leads economists to see themselves as members of an elite group, superior to other social scientists. As Durkheim’s and Pierre Bourdieu’s researches would lead us to expect (Bourdieu, 1989), neoclassical economists are aware of their dominant position among economists and of the status of economics as queen of the social sciences, and fearful of abandoning the “normal” conceptual and normative ideas of the paradigm even in response to easily observable events – like frequent financial crises and collapses of output around the world -- lest they be alienated from the group. Robert Shiller, one of the few economists who spelled out the likelihood of a major crisis well in advance, admitted that, during his tenure on the advisory panel of the Federal Reserve Bank of New York from 1990 to 2004, he warned about the housing bubble “very gently and felt vulnerable expressing such quirky views. Deviating too far from consensus leaves one feeling potentially ostracized from the group, with the risk that one may be terminated” (Shiller, 2008: 5). Durkheim could not have put it better.

Young academics are often advised not to publish at all than to publish in low-ranked journals like the *Cambridge Journal of Economics* or the *Journal of Economic Issues* or the *Review of Keynesian Economics* – low ranked because they publish papers which are “heterodox” and may not use formal theory<sup>4</sup>.

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(left) political economy, despite strong student demand, see Butler, Jones & Stillwell, 2009. For neoliberal trends in the sub-discipline of international political economy see Phillips and Weaver (2011), including Wade (2011c).

<sup>4</sup> Lee, Pham and Gu, 2013. The journal now called *Review of Keynesian Economics* was founded when the new chief editor of the leading journal, *American Economic Review*, informed some leading Keynesians in the early 1970s that under his editorship the journal would be unlikely to publish papers written from the approach of Keynesian economics.

The discipline's epistemic certainty in the neoliberal core was expressed recently by one of the most highly respected academic-cum-policy-making economists in Britain, who has been central both to macroeconomic policy and control of entry to top economics journals. He exclaimed, "Keynes was a disaster. Skidelsky [a latter-day Keynesian] should be locked up. Krugman has lost all respect in the economics profession (Personal communication, November 2011)."

The discipline accepted largely at face value the study by Carmen Reinhart and Kenneth Rogoff which discovered the 90% threshold for public debt relative to GDP, above which subsequent growth falls sharply. Policy makers and politicians wanting to slash social programs even in the face of mass unemployment seized on the finding as support for "expansionary austerity". Soon after the paper was released some critics pointed out that a negative correlation between debt and subsequent growth does not mean that high debt causes lower growth; low growth could cause high debt, as in Japan following its growth collapse in the early 1990s. But only when a graduate student at one of the few US centres of "heterodox" economics tried to replicate the results and discovered coding errors did the study receive wider critique. It is now clear that the 90% threshold is not robust; and that the study fudges the important distinction between "failure to impose austerity amounting to a few percentage points of GDP might reduce GDP a decade from now by a fraction of a percent" and "failure to impose austerity is very likely to reduce future GDP by 10 percent", which is how the austerity champions have interpreted it (Krugman, 2013a; 2013b).

A new IMF research paper finds that *fiscal consolidation typically raises income inequality, raises long-term unemployment, and lowers the share of wage income; and that cuts in spending have bigger effects of these kinds than tax increases* – yet most of the burden in western countries has been placed on public spending cuts (Ball, Furceri, Leigh and Loungani, 2013. See also Fontana and Sawyer, 2011). Two things are striking about this paper, beyond its conclusions. First, it comes from the IMF – though it is a working paper from the IMF research department, which is quite separate from IMF operations; in its operations the IMF continues to push fiscal consolidation in most cases. Second, it is one of very few – in the economics literature as a whole -- to examine the *distributional* effects of the standard western policy prescription over the past several years. Few economists have been interested in

distributional effects, reflecting the general lack of interest in income and wealth distribution across the mainstream economics profession.

The conviction of epistemic certainty reflected in the above quote from the distinguished British economist helps to explain why the discipline has resisted – until a small concession by the American Economic Association very recently – all efforts at an organized discussion about professional ethics. Economics has far more influence over people's life chances than any other social science, up there with medicine and engineering. But while medicine and engineering give a great deal of attention to professional ethics, economics gives virtually none (DeMartino, 2011; Wade, 2013).

Anyone who thinks economists' allergy to ethics is not a serious problem should see the films *Inside Job* and *The Flaw*. The former includes the memorable exchange:

Charles Ferguson (director): "A medical researcher writes an article saying 'To treat this disease, you should prescribe this drug'. Turns out doctor makes 80% of personal income from the manufacturer of said drug. Doesn't that bother you?"

John Campbell (chair of Harvard University's economics department): "I think ... It's certainly important to disclose the, um...The, um... Um... Well, I think that's also a little different from the cases we're talking about here, because, um....Um...."

### **Income inequality**

Neoliberal ideas encourage a very relaxed attitude to inequality, seeing it both as inevitable and as necessary to provide incentives. So where neoliberal ideas reign one finds that substantial increases in inequality do not provoke much political attention or citizen concern (beyond talk-back radio). The standard reflex is to point to Steve Jobs, J.K. Rowling, Steven Spielberg, David Beckham and other contributors to the mass enhancement of life and say, "They obviously deserve their riches" – implying that the larger structure of income concentration carries no society-wide costs and that the government has no right to try to reduce income concentration at the top (except perhaps when an individual's riches are "undeserved").<sup>5</sup>

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<sup>5</sup> See Gregory Mankiw's defence of present US levels of income concentration, at <http://www.pbs.org/newshour/rundown/2013/07/former-bush-economist-defends-the-1-percent.html>.

Like other Anglo countries, New Zealand has experienced a substantial rise in income inequality over the past three decades. In the early 1980s the top 10 percent of population received about a fifth of disposable income. Ever since the mid 1990s its share has been more like a quarter. In the three decades to 2012 the average income of the top 10 percent grew (inflation-adjusted) by 63 percent or 1.6% per year, while the average income of the bottom 90 percent grew at less than half of that.<sup>6</sup> Most households in the bottom 90 percent experienced stagnant and falling real incomes for the first two decades, until economic policy began to abandon the most extreme forms of neoliberalism. But real top 10% incomes increased in just about every year.

The top 1 percent did even better. Precise figures are not available, but estimates suggest that their share of total disposable income has risen from a low of slightly under 6 percent in 1980 to a bit under 9 percent today. But this includes only reported incomes, not capital gains or the large amount of income shifted into trusts (which pays lower taxes). Nor does it include the incomes of those living outside the country for part of the year who avoid having to pay any income tax at all (which does not prevent many of them being actively involved in New Zealand politics: B. Perry, 2013: 236). With these several kinds of income included the share of the top 1 percent would be appreciably higher.

This degree of income concentration puts New Zealand well into the more unequal half of the OECD countries. By comparison, the share of the top 1% in Scandinavia is around 5-6% of national income, and has remained flat since the 1980s (Norway was an upper exception for a few years in the 2000s). Other northwest European countries are similar. These countries demonstrate that it is possible to have a prosperous capitalism without income concentration as high as in NZ and other Anglo countries.

On the other hand, NZ income concentration remains well below the US level, the US having the most concentrated distribution among the OECD countries (apart from new developing country members like Chile and Mexico). The share of the top 1% in US national income (including capital gains) fell from a peak of around 23% in 1929 to reach a low of around 9% by the late 1970s, and then, with globalization, technical change and Reagan, rose fast to

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<sup>6</sup> One should be wary of “inflation-adjusted”. Statistician John Williams (shadowstats.com) reports that recent US real GDP growth has been artificially boosted by an understated measure of inflation. If nominal GDP is deflated with the previous official methodology US GDP growth has actually been negative between 2007 and today. See also Paul Craig Roberts, *The Failure of Laissez Faire Capitalism*, Clarity Press, 2013.



re-gain the 1929 level by 2006, paving the way for the great Crash of 2008. Another measure is the share of the *increase* in national income accruing to the top 1%. During the Clinton years (1990s) the share was about 45%, during the Bush years (2000s) about 73%, and in 2010 (Obama) it was 93%. Still another measure is the ratio of the remuneration of chief executives to that of the average salary in the same company. Chief executives at Fortune 500 companies now earn on average 324 times the average salary. This is not a misprint.

British trends are similar to the US's, though not as extreme. Chief executives of the top 100 British companies now earn 185 times the average salary – making £4.8mn or US\$7.4mn a year with a mix of salary, bonuses and long-term share plans. So British chief executives are impoverished compared to American counterparts. On the other hand, they have gained very handsomely compared to 1979, when the executive pay ratio was only 15 times the average wage.<sup>7</sup> And today they do very well compared to German counterparts; executive pay at the DAX 30 companies is “only” 90 times the average salary.

### **Costs of income inequality: economic**

If higher inequality countries (among the developed countries) were more prosperous, and if one could plausibly argue that their inequality was a necessary condition for their higher prosperity, then one could shrug off worries about inequality as merely “the politics of envy”.

At first glance the US seems to suggest that inequality does go with prosperity: it is the most unequal of the developed countries, and also about the most prosperous by GDP per person (though below about seven European countries in terms of the more relevant measure of prosperity, GDP per hour worked). But by many non-income measures of performance the US looks backward. It has the highest rates of infant and maternal mortality in the developed world; and life expectancy at birth and at 60 is among the lowest. The inequalities cascade down the generations, as rich families invest more in their children's education and the state provides minimal pre-school education; so the prosperity of American children is more dependent on the prosperity of their parents than that of children in most other developed countries (Porter,

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<sup>7</sup> The top pay/average pay figures come from the UK High Pay Center. The 1979 ratio is based on five major companies.

2013). The US and Britain have the lowest rates of intergenerational social mobility of the core OECD member states; which is ironic, given that they present themselves as free market economies with open opportunities, unlike the nanny states of old Europe.

Overall there is no evidence that more unequal countries are more prosperous, even by the standard income measures. New Zealand, one of the more unequal of the developed countries, ranked number 21 in the OECD in terms of GDP per person (2005), and number 22 in terms of GDP per hour worked. This is hardly testimony to the economy-wide success of Roger Douglas' neoliberalism ("Rogernomics").

Most political attention to issues of inequality in the Anglo countries is actually about poverty and exclusion, such as the issue of the "living wage". What many advocates miss is the intimate connection between problems at the bottom and income concentration at the top. They are opposite ends of the same thought. Increasing income concentration squeezes the share of income and tax payments of those lower down the income hierarchy. While the share of the top 1% was soaring in the US over the 2000s the disposable income of families in the *middle* of the distribution *shrank* 4 percent between 2000 and 2010, according to OECD figures. So to focus only on problems of the bottom (as in, "stop cutting resources for people with disabilities") misses main causes of the problems at the bottom<sup>8</sup>.

### **Costs of income inequality: social and health**

The best summary of the social and health costs of inequality is the book by Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Countries Almost Always Do Better* (2009). Testifying to public concern about rising inequality, the book has sold since publication in 2009 about 250,000 copies in 23 languages.

The book pulls together a mass of evidence about the relationship between inequality, on the one hand, and, on the other, nine variables relating to social costs and health costs:

- level of trust;
- mental illness (including drug and alcohol addiction);
- life expectancy and infant mortality;

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<sup>8</sup> A fuller exposition of the economic costs of income concentration would include the effects on financial fragility and crashes. See Wade, 2011d; 2011e; Liang, 2012.

- obesity;
- children's educational performance;
- teenage births;
- homicides;
- imprisonment rates;
- social mobility.

It draws on data from two samples: one, around 23 developed countries; two, all 50 US states. It measures income inequality by the average income of the top 20% over that of the bottom 20% when comparing countries, and the Gini coefficient when comparing US states.

The bottom line is that the higher inequality entities (countries and US states) have higher frequencies of social and health problems of the kind measured by the above nine variables. The correlation between inequality and frequency of social and health problems is much stronger than between average income (of countries, US states) and the frequency of those problems; in particular, it is not the case that the frequency of the problems is higher in poorer entities and lower in richer entities. The US and Norway have similar average incomes, but are at almost opposite ends of the scale in terms of the index of social and health problems. The US has the worst performance in the sample by a long way.

Wilkinson and Pickett's argument has been criticised for relying largely on comparisons between countries and US states at one point in time, providing little evidence on trends across time. True, but not much longitudinal evidence exists. Also, if the cross-sectional correlations are found to hold at different times and places, that is evidence that the relationship between inequality and social and health problems also holds over time in any one society: as the society becomes more unequal performance on the above indicators deteriorates relative to what it would be if the society had not become more unequal. If you have photos of a man and a woman eating together in Wellington, London and Paris it is safe to assume that they are in a relationship<sup>9</sup>.

The best known correlations are those between inequality and health outcomes, though these are actually weaker than those between inequality and the social indicators. One major study concludes, "Our meta-analysis of cohort studies including around 60 million participants [and including studies across time] found that people living in regions with high income inequality have an

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<sup>9</sup> Thanks to Richard Wilkinson for this metaphor, 2 August 2013.

excess risk for premature mortality independent of their socioeconomic status, age and sex.... Although the size of the excess risk seems relatively ‘modest’, it has potentially important policy implications for population health as income inequality is an exposure that applies to society as a whole” (Kondo et al., 2009). Another major study concludes:

The death rate for U.S. adults 18 years and older continues declining... thanks to substantial socioeconomic development, medical advances and the public health movement. But increasing income inequality in the past three decades suppressed the overall improving health trend. We might have seen an even higher extent of improvement of health if income inequality had remained at a relatively low level (Zheng, 2012).

Then there is another whole debate about the likely causal pathways from levels of inequality and social and health outcomes. One is that higher income concentration is associated with a higher proportion of the population in relative poverty, and relative poverty is associated with poorer health and social outcomes. Wilkinson and Pickett go further, and argue that income inequality worsens health and social outcomes of not only the relatively poor but also the better off, through the mechanism of harmful effects of psychosocial stress. This latter is contested.

Wilkinson and Pickett show a strong positive correlation between the level of income inequality and the density of the prison population: more unequal countries and US states have more people in prison per 100,000 population. New Zealand’s figures are a lot worse than the average for countries with its level of inequality. The prison population rose from 91 per 100,000 in 1987 to 199 per 100,000 by 2011; and for the Māori it is now around 700 per 100,000. On a world scale the extremes are the US, with around 740 per 100,000, and Iceland, with around 50. Scandinavia has around 60-70, Germany 90, the UK around 135, the highest in Western Europe. *So the New Zealand figure is far higher than the highest in Western Europe.* Yet crime rates have fallen significantly in the last twenty years (see see Workman and McIntosh, 2013). Just how the rise in income concentration has helped to drive the New Zealand trends is not clear.

### **Costs of income inequality: political**

It is hardly surprising that elites in relatively unequal countries institute harsh penal regimes as a core defence of their superior position. Nor is it surprising

that once the technology permits they institute mass surveillance of their own populations' contacts with each other and with foreigners; and classify information about the mass surveillance as top secret, and brand whistleblowers such as Edward Snowden "traitors". In fact, the intelligence services of western governments have long known full well about the US and others' programs; Snowden's "crime" is that he revealed the programs to the public being surveilled, to whom governments are meant to be accountable. What is worrying is that large majorities of western populations have passively accepted the steady rise in income concentration, the proliferating number of super-rich, the harsh penal regimes, the cuts to social services in the name of spurious economics like "you can't cure a debt problem with more debt"; and now the passive acceptance of mass surveillance<sup>10</sup>. Passive and fearful acceptance

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<sup>10</sup> I asked several prominent New Zealanders whether the Snowden revelations about the US Justice Department scooping up data on telephone calls and internet communications had raised alarm bells in NZ, given that NZ and its GCSB is a member of the five-country sharing entity at the core of western intelligence (with US, UK, Canada, Australia). They seemed to know virtually nothing about it, and evidenced no concern. My question stems from my and many others' concern that the US Patriot Act section 215 allows the FBI and the NSA to obtain court orders for surveillance – from the highly secret Foreign Intelligence Surveillance Court – on grounds that it might produce evidence "relevant" to an investigation, and not just a present investigation but a possible future one; and they need not demonstrate probable connection to a crime or terrorism. The court can approve surveillance of whole categories of people or organizations, not just specific people. It has so far refused only about 10 out of 21,000 requests for approval. One of the architects of the Patriot Act, Representative James Sensenbrenner, has said, "Congress intended [with the Patriot Act] to allow the intelligence communities to access targeted information for specific investigations. How can every call that every American makes or receives be relevant to a specific investigation?" (quoted in Granick and Sprigman, 2013). But the Obama government is at full steam ahead in its mass surveillance activities, seemingly marginalizing the Fourth Amendment to the Constitution, which declares that "The Right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizure shall not be violated...".

The public passivity in response to the Snowden revelations can be compared with US public anger at "Obamacare", the effort to introduce a social insurance component into the private and very profitable US health care system. The anger helped propel von Hayek's *The Road to Serfdom* – about the consequences of Beveridge's proposed National Health Service in Britain, published in 1944 – to number 241 on the Amazon Best Seller's list in mid 2010. Conservative thinkers promoted the book as a guide to the "leftish" machinations of the Obama government. See Farrant and McPhail, 2010). Hayek expounded his overall argument as, "The trouble ... with partial planning is precisely that every step forces us to further steps ... and that it constantly reduces our freedom of action and makes us more and more the servants of the machinery we have created". Hayek, unpublished "Postscript" to *The Road to Serfdom*, quoted in Farrant and McPhail, 2009).



would not be surprising in a military dictatorship; but we in the west live in democracies.

The political costs of income concentration at the top include the erosion of the old understandings of the social compact binding states to citizens, as the resource flows based on these understandings are squeezed by the concentration of income at the top and by the ability of the rich to get their preferences translated into government policy when their preferences diverge from those of middle- and low-income voters (see below).

The upshot is a tendency for “establishment” elites to become “plutocratic” elites, the latter concerned mainly to use the levers of state power to create a structure of laws and markets which channels income and wealth upwards; and rely on a combination of penal institutions, Murdoch-like media, and neoliberal economists to obtain social compliance. As the income ladder stretches up, those high on the ladder tend to demonstrate a widening “money-empathy” gap, in the sense that their having far more money than everyone else itself tends to make them less empathetic, more prejudiced about categories of “other”, more selfish, more inclined to see others as either aids or obstacles to their own ambitions. This is one of the main conclusions from a body of recent research on the effects of social class by social psychologists such as Paul Piff at Berkeley (see Miller, 2012).

The spirit of the money-empathy gap is caught in the recent statement by Paul Ryan, chair of the Congressional Budget committee, one of the most powerful politicians in the US: social programs “turn the safety net into a *hammock* that lulls able-bodied people to lives of dependency and complacency”<sup>11</sup>.

New Zealand Prime Minister John Key gave his own gloss. The National Business Review reported, “Prime Minister John Key today stood by his comment that some people needed to use foodbanks because they had made poor choices “...Anyone on a benefit actually has *a lifestyle choice*. If one budgets properly, one can pay one's bills’, Mr. Key said” (*National Business Review*, 2011, emphasis added).

The money-empathy gap of the rich is all the more worrying in the light of recent research by Martin Gilens, among others, which shows that US

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<sup>11</sup> Krugman, 2013, emphasis added. For more on the money-empathy gap of billionaires, see Frank, 2012.

national politicians respond mainly to the wealthiest voters (not to the “median voter”). As Gilens summarizes:

When Americans with different income levels differ in their policy preferences, actual policy outcomes strongly reflect the preferences of the most affluent but bear virtually no relationship to the preferences of poor or middle-class Americans. The vast discrepancy ... in government responsiveness to citizens with different income levels stands in sharp contrast to the ideal of political equality that Americans hold dear....*representational biases of this magnitude call into question the very democratic character of our society* (Gilens, 2005: 778, emphasis added).

Research by Benjamin Page and colleagues comes to much the same conclusion about the preferences of ordinary Americans and those of the very wealthy (Page, Bartels and Seawright, 2013). The average American is somewhat worried about large budget deficits, unsurprisingly given the barrage of media focus on the deficit as the big problem. But the wealthy by a large margin regard the deficit as the most important problem, not unemployment or part-employment; and say that it must be cut by cutting welfare spending, not by raising taxes. The wealthy also say that the minimum wage should not be linked to the cost of living, contrary to the preferences of the majority. Actual policy reflects upper-class preferences. As Paul Krugman summarizes “What the top 1 percent wants becomes what economic science says we must do” (Krugman, 2013a).

Another study starts from the staple of democratic theory, the argument that active participation in associations and civic organizations is crucial to a vibrant democracy (Levin-Waldman, 2012). It examines the relationship between household income and civic participation (such as voting, visiting public officials, participating in school groups, civic and religious organizations) as the current recession developed from 2008 onwards. It finds that the already low level of civic participation by low-income households (under \$30,000 a year) fell; the higher level of participation by middle-income households also fell; and the level of participation of high-income households (over \$100,000 a year), which was initially lower than that of middle-income households, was sustained. These findings help to illuminate the mechanisms behind the representational biases discovered by Gilens and Page et al.

The large representational biases found in the US go with much evidence that the US middle-class, long the world's embodiment of optimism and upward mobility, has become fearful of falling out of the middle class over the next few years. This pervasive middle-class fear feeds into the polarization of US politics, including foreign policy.

In New Zealand, Finance Minister Bill English recently asserted, "Economic policy in NZ is *not* made by the top 1% for the top 1%"<sup>12</sup>. Nicky Hager's *The Hollow Men: a Study in the Politics of Deception* provides graphic details about the role of a dozen or so super-rich donors to the National Party in the first half of the 2000s, which point against the English hypothesis; but they are hardly conclusive. More comprehensive studies of the role of rich donors in New Zealand politics are lacking.

## Conclusions

All through the period since 2008 the centre-left has remained on the defensive, unable to cohere around alternatives beyond more or less diluted neoliberalism. This is good news for the top 1% and especially the top 0.1%.

The centre-left should take a leaf out of the strategy of the neoliberals. Milton Friedman summarized the right strategy for the neoliberals at the time when they were on the political and economic margins and the consensus was for social planning and welfarism: "Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until

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<sup>12</sup> English made the assertion in an interview on TVNZ's *Q&A*, Sunday 14 July 2013, in response to my summary statement that economic policy in high-inequality countries like the US, UK and NZ is being made by the top 1% for the top 1%. (I should have made a bit of distinction between NZ and the others, for reasons given earlier.) The irony is that, according to Hager, 2006: especially p. 213, English was replaced as National Party leader in 2003 by Don Brash because he advocated too *centrist* policies for the dozen or so Big Donors on whom the National Party depended; while Brash promised the party caucus that the donations would flow with him as leader and future prime minister – without spelling out the hard-right policies wanted by the money men. Hager's book describes in detail the deception of the electorate that went on in the run-up to the 2005 election, to keep the hard-right policies out of sight. So English himself had directly suffered from the influence of Big Donors on National party policy. Hager observes, "What is significant about National's main donors is not so much their wealth (and they are very wealthy) but their political beliefs. These are not well-heeled businesspeople who happen to lean a bit to the right. This small and distinct group comes mostly from the radical right of New Zealand politics and business" (223).

the politically impossible becomes the politically inevitable” (Friedman, 1962: xiv).

Hence the neoliberal movement through the 1940s to the 1970s concentrated on quietly building think-tanks and networks to develop the ideas and train cadres while awaiting the crisis. When it came in the later 1970s the movement had the blue-prints to put on the table and the cadres to implement them on behalf of the governments of Reagan, Thatcher, Lange/Douglas and others. The subsequent great achievement of the movement has been to make the core neoliberal ideas seem as natural as gravity, to which there is no alternative, whether the troublesome public likes them or not. The wealthy like them very much, for they have directly helped to raise their share of national income and political power. And as the research by Gilens, Page et al. cited earlier suggests, the wealthy are able to shape public policy in line with their preferences and marginalize the preferences of middle- and low-income people when their preferences differ from those at the top, thanks to the financial imperatives of modern democracy and the ease with which the wealthy can exit or threaten to exit from a political domain they do not like.

Since the 1980s the non-neoliberal left, which has been at least as marginal as the neoliberals through the 1940s to the 1970s, has done little to build corresponding organizations and networks – one obvious reason being that non-neoliberal financing is always more difficult. New Zealand has nothing close to a centre-left think-tank, and the few “heterodox” economists are scattered and disparate. The organizational weakness of the centre-left, combined with media ownership by profit-maximizing firms (the national radio station being the valuable exception), produces the parlous state of New Zealand newspapers and television, which allows much neoliberal policy to go unchallenged except at the edges.

The centre-left should be able to capitalize on the fact that high income concentration probably means that a majority of the population experience stagnant or falling incomes, and a squeeze on tax-financed social spending. Here are several points that should go into a centre-left strategy.

*All taxation and public spending should be scrutinized for distribution effects.*

One of the most important steps is to “normalize” the evaluation of all tax and public spending in terms of effects on the distribution of income and wealth. Too often many of these measures escape distributional scrutiny by being presented as good for “the economy”. The implicit government guarantee that

banks above a certain size will not be allowed to fail, and the tax advantages given to debt financing, are examples. And the most spectacular recent case of hidden income concentration effects is the combination of the fiscal policy of “expansionary austerity” or “fiscal consolidation” across the western world since 2008, and (in some countries, notably the US and the UK) the monetary policy of “quantitative easing”, both of which are discussed above.

*“Predistribution” is even more important than redistribution.*

Those concerned to rein in income concentration must pay attention to matters well beyond tax and spending—the latter having been the familiar battle ground for left-right fights. The key distinction is between *predistribution* of market incomes, and redistribution of market incomes by the state through taxation and public spending. The main determinant of inequality of “take home” income (after tax and spend) is not the magnitude of redistribution but the inequality of market incomes (before tax and spend); so to focus on lowering the concentration of income by tax and spending measures is to miss more than half the picture. One has to examine the whole array of state laws, regulations and policies for their effects on the distribution of market income, before taxes, particularly to show how, in high-inequality developed countries, many parts of the array (including corporate governance law, trade union law, patent law, monetary policy, exchange rate policy, and more) have the effect of sluicing market incomes upwards. If corporate governance law says, for example, that CEOs appoint the boards of directors, and that the directors decide the remuneration of CEOs, no prize for guessing what happens to CEO remuneration. Of course, we are told that top pay rises because firms compete globally for the best talent – and therefore whatever is paid is justified. In fact, only 1 percent of the chief executives of Fortune Global 500 companies were poached from another company in a foreign country.

It is largely through predistribution measures that the plutocratic elites of the US, the UK and some other western states have quietly built up a “conservative nanny state”, with income concentration as one of its expressions (Baker, 2006, 2012). The centre-left should press hard to reveal the mechanisms by which the conservative nanny state works.

*Insist on banks maintaining a high minimum capital-adequacy ratio.*

This is one issue that commands a lot of agreement across the political spectrum: banks typically borrow too much and the present regulations are too



confusing. The solution is to have a simple number indicating the extent to which a bank's owners could bear most losses without requiring a bailout. If a high ratio (15 percent or more) means that banks are smaller and lend less, that is the price of a more stable system.

*Stop talking down the state.* A further major change to be promoted by the centre-left begins by challenging the standard neoliberal opposition between "state and market", based on the idea that "the market" is natural and the state is "artificial"; which goes with a constant talking down of the state and talking up of the private sector, as though the latter is a caged lion just waiting to spring free from state regulations. For all its faults, the democratic state has an advantage over the private sector in that state actions do have to be justified in terms of societal values, as the actions of private firms do not; and the leaders of the state can be replaced (and their remuneration set) as a result of citizen preferences expressed in public forums – which is not the case for leaders of firms. The state can also exercise comprehensive foresight about the economy's future growth, in a way that private firms typically do not. These and other points are the basis for formulating a vision of more *complementary* roles of state and markets in capitalist society.

Stop talking down the state means that the question of privatization or outsourcing is to be answered pragmatically, not by an assumption that the private sector is always more productive than the public sector (or vice versa). The pragmatic answer is that a private company will probably out-perform a public agency when the goals are clear, when achieving them does not undermine other socially desirable outcomes, and when rewards to managers and employees can be aligned with the goals. When the goals are complex and diffuse the profit motive may make them more difficult to achieve, and privatization is probably not the solution (Porter, 2013).

*Industry policy can help achieve a "high productivity-high wage" growth path.*

The idea of a complementary relationship between state and market – and not just a "framework-providing" state -- is especially important in the case of industry policy, or economic development policy more broadly. In neoliberal economics the very phrase "industrial policy" is toxic and automatically equated with "picking winners", to be rejected with "the government cannot pick winners but can pick losers" (Wade, 2004; 2012). The centre-left has been far too willing to conduct the debate on the terrain favoured by the right -- the public sector -- and ignore how to reform the private sector.

That the US remains by far the most innovative economy in the world is due in no small part to an active industrial policy – but one kept below the radar to escape political censure (Wade, forthcoming; Lind, 2012). The Defence Advanced Research Projects Agency (DARPA), the National Institutes of Health, and several other federal agencies have been key to a swathe of US breakthroughs in “general purpose technologies”. To take only the information and communications revolution: The US National Science Foundation funded the algorithm that drove Google’s search engine. Early funding for Apple came from the US government’s Small Business Innovation Research Program. Moreover, in the words of Mariana Mazzucato, “All the technologies which make the iPhone ‘smart’ are also state-funded... the internet, wireless networks, the global positioning system, microelectronics, touchscreen displays and the latest voice-activated SIRI personal assistant”<sup>13</sup>.

The reason why the state role has been seminal is beyond the ken of neoliberal economics: it is that private companies will not bear the uncertainties, time spans and costs associated with fundamental innovation; and the more competitive, finance-driven the economy the less its firms will bear these risks<sup>14</sup>. (In another blow to neoliberal economics, the great breakthrough discoveries from the private sector – from Bell Laboratories, for one – came from monopolists, with money to spare.) The US state has not only born the costs of many breakthrough innovations; it has acted as an entrepreneur, providing directional thrust to entrepreneurship in the private sector. The problem is that the neoliberal conviction about the sanctity of private profit then kicks in, with the result that the public sector hands over innovations to the private sector for almost no return, while the private sector appropriates the credit and the profit -- so the neoliberal dictum “The government cannot pick winners but can pick losers” prevails, and state budgets (including for research) continue to be squeezed. The solution is to implement “taxpayer warrants”, such that the public sector earns royalties on innovations (in IT, pharmaceuticals, etc.) from which the private sector profits. This is all the more

<sup>13</sup> Mazzucato, 2013; Wolf, 2013: To describe the component technologies of the iPhone as entirely state-funded is an exaggeration.

<sup>14</sup> This statement now needs some qualification, as billionaire entrepreneurs like Jeff Bezos of Amazon and Sergey Brin, cofounder of Google, are pushing for the next big technological breakthroughs in space exploration, robotics, advanced materials and new forms of ground transportation.

imperative if societal challenges like climate change, renewable energy, healthy ageing and food security are to be met.

Germany too has long practiced active and successful industrial policy, also kept unadvertised; though in the past decade and more its government has limited the role of the state and the economy has failed to remain at the forefront of today's new technologies (TUC, 2012. For a NZ prospectus, see New Zealand Council of Trade Unions, 2010). Taiwan has long practiced both a "big scale" and centrally coordinated industrial policy and also a small-scale nudging kind of "industrial extension" policy carried out by the Industrial Development Bureau (see Wade, 2004: especially chapters 7 and 9).

Active industrial policy is all the more important to promote economic diversification in countries like New Zealand reliant on commodity exports to China, as China slows down; and all the more important for everyone as climate change and population aging speed up. Diversification and innovation left to "the free market" will be far too slow.<sup>15</sup> That the economics profession in developed countries operates within the ideological precepts of neoliberal economics and largely ignores the non-neoliberal programs of industrial policy is testimony to the epistemic certainty of the neoliberal core.

Of course, in a small open economy like New Zealand the constraints on an entrepreneurial role of the state are tighter than in a much larger and less open economy like the US. The owners and managers of large businesses can always threaten to exit, and exporters can put all their lobbying efforts into keeping labour costs as low as possible, ignoring the Keynesian mechanism of higher wages translating into higher demand. But it would be possible to counter these tendencies by a government talking up its entrepreneurial role in assisting firms to shift to a "high productivity-high wage" path; which entails more tripartite collaboration around the vision of a national project in forums like the old Planning Council, and more public effort at building up New Zealand-based supply chains, along the lines of what Taiwan's Industrial Development Bureau has done ever since the 1950s (Haworth, 2013).

*Rebalance power in the labour market.* Then there are a whole set of issues around the representational biases in democratic politics reported earlier, and the effects of the hollowing out of middle classes on civic participation. One

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<sup>15</sup> Pilling, 2013. The need for industrial policy also stems from the need to accelerate the switch to sustainable energy sources.

issue is to do with the “minimum wage”. Increases in the minimum wage tend to raise median wages, and increases in both can be expected to raise participation in democratic society. Plutocratic elite is likely to fear such an increase in participation and to resist wage increases not only for profit reasons but also for political reasons. But everyone who values a vibrant democracy should support efforts to rebalance power in the labour market, including through higher minimum and living wages and an expansion in the legitimate role of trade unions (drawing inspiration from their role in Germany and Scandinavia).

*Political financing.* A second issue under the heading of correcting representational biases is political party financing (for background on party financing see Hopkin, 2004.)

As long as political parties and candidates depend heavily on a relatively small number of donors and lenders – which goes up as income concentration rises -- their policies and commitments will incline towards the wealthy when the preferences of the wealthy differ from those of the rest. It is as simple as that. But political party financing is the “third rail” of politics, which none of the big players wish to touch. The UK Committee on Standards in Public Life published “*Political party financing: ending the Big Donor culture*” in November 2011. It identified three main routes for reform: (1) Restrict the amount any individual or organization (companies, trade unions) can give or loan; (2) limit party and candidate (campaign) spending; (3) provide public funding. Although long and careful, and launched with fanfare, the report died on the day of publication. Nothing more has been heard of it, to audible relief in the corridors of Westminster.

This short discussion has suggested several agenda items for a centre-left strategy. The starting point has to be the evidence that capitalism in much of the West has been working at cross-purposes to democracy. Yet the confluence of forces making for a conservative nanny state and rising income concentration at the top – and squeeze lower down – seems to be locked in, through mechanisms as varied as political party and candidate funding, tax advantages attached to debt finance, dependence of banks on proprietary trading for a major share of profits (almost a guarantee of imprudent banking), and the hegemony of neoliberal economics, with its nonchalance about income concentration and its antipathy to unions. The centre-left has its work cut out, but it can draw courage from Milton Friedman’s summary of the strategy for the neoliberal

movement at a time when it was on the fringes; and from the obvious electoral opportunities presented by the fact that large majorities find their standard of living stagnant or declining as income concentration rises. Hopefully the centre-left will draw in some far-sighted wealthy people and organizations equivalent to John Maynard Keynes, who while making fistfuls of money for himself and Kings College, Cambridge also worked seriously on solving the problems of mankind.

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## **Measuring Changes in Family Wellbeing in New Zealand 1981 to 2006**

*Charles Crothers, Martin von Randow and Gerard Cotterell*

### **Abstract**

Since the mid-1980s, New Zealand has experienced extensive economic, social and political reforms. The economic impact of these changes has been closely monitored and much commented upon. However, the social impacts of the reforms on different categories of families and households are less well understood. This article presents data from a project designed to monitor how the reforms have impacted upon these categories, via indicators of wellbeing constructed from census data. All of this reveals variable impacts by category, with single-parent family households faring worst over the 1981–2006 period.

### **Introduction**

The period from the early 1980s until the late 1990s in New Zealand was marked by extensive economic reforms, the outcomes of which have been much analysed and debated. The reforms also had considerable social impacts, most obviously rising levels of unemployment and inequality. Apart from the usual measures of unemployment and the use of poverty measures to assess the impact of these changes, the ability of researchers to monitor the social consequences of these reforms was limited. In the early 2000s, a series of measures were put in place to monitor social impacts, but the ability to similarly assess the earlier reforms remained limited (for example see Crothers, 2000; Big Cities Quality of Life, 2001–; Ministry of Social Development, 2001–; Roper, 2011).

COMPASS Research Centre at The University of Auckland undertook from 2002 to 2007 a project to develop measures to monitor more so the social impact of the reforms, and looking at how different types of families and households were affected. Measures of wellbeing were constructed using Statistics New Zealand (SNZ) census data for the 1981–2006 period. This article details the project, outlining the construction of indicators of wellbeing at the levels of the family and the household, and examining the results, updating

an article published in *Social Indicators Research* (Cotterell, et al., 2008a), which only covered the censuses up to 2001.

### **The reforms in New Zealand, 1981–2006**

New Zealand underwent a series of far-reaching economic, political and social reforms in the post-1984 period as a result of the election of the Fourth Labour Government in 1984. After taking office, Labour moved to deregulate and privatise large sectors of the economy, removed subsidies and tax exemptions in many areas, lowered overall rates of personal tax, allowed the New Zealand dollar to float, restructured some government departments along commercial lines, subsequently selling some, and prioritised inflation control as a primary policy objective (Dalziel and Lattimore, 2004). The economic reform process continued through the 1980s and was deepened with the election of the National Government in late 1990. Once in government, National moved to deregulate the labour market and reduce welfare spending by cutting payment levels for many beneficiaries and by increasing the use of means testing. These policies were partially reversed by the subsequent Labour-led coalition (1999–2008) but then the general policy direction reverted once again under the National-led coalition (2008–present), although this was hampered by the *Global Financial Crisis*.

### **Monitoring the impact of the reforms**

The immediate and long-term impacts of the earlier of these reforms on the economy have been much discussed and monitored (for example see Dalziel, 2002; Roper, 2005). The data needed to conduct these discussions are available from the well-established and generally agreed upon methodological approaches to collecting such data and their presentation in such formats as the System of National Accounts.

Data on the social impact of these reforms, especially in the late 1980s, but also through to the late 1990s, were less comprehensive. Measurement of the social impacts of reforms tended to focus largely upon rising levels of unemployment and economic inequality (for example see Stephens and Waldegrave, 2001; Waldegrave, et al., 2003; Perry, 2013; Statistics New Zealand, 1999).

Early in the 2000s, measures were introduced to overcome this inability to adequately monitor the social impacts of reforms. These measures revolved

around the development of sets of social indicators for the measurement of changes in the level of wellbeing for different groups and regions of the country. The two primary resources were the Ministry of Social Development's Social Report and the local government Big Cities Quality of Life project (see Cotterell and Crothers, 2011).

The Social Report, compiled by the Ministry of Social Development, is an annual report first published in 2001, with the latest available report published in 2011. It contains some 40–45 indicators grouped under ten domains – see [www.socialreport.msd.govt.nz](http://www.socialreport.msd.govt.nz). The Big Cities Quality of Life project contains information on a wide range of quality of life indicators in New Zealand's largest cities, with the first report having been published in 2001, and the most recent (partial) report in 2012 – see [www.bigcities.govt.nz](http://www.bigcities.govt.nz). It organises the data into 11 domains and there are 56 key indicators, along with an extensive range of lower level indicators.

These publications have two limitations. First is the extent of historical information provided. While for some indicators data are available back as far as 1986, in many cases the periods covered are more recent, rendering them inadequate for conducting an analysis of the earlier period of extensive reform. Second, for many of the indicators referred to are individual outcomes, and analysis of change for families and households is generally not conducted.

The indicators derived from the Family Whānau and Wellbeing project (FWWP) run by COMPASS were intended to fill this gap. FWWP was part of a five-year research programme supported by the Social Science funding pool of the then Foundation for Research, Science and Technology (FRST), which has ended up as part of the Ministry of Business, Innovation and Employment (MBIE). The project was extended so as to allow inclusion of figures from the 2006 Census, but the article that this one updates was written before those were available.

One of the goals of FWWP was to develop ways to use census data to examine and monitor the social and economic determinants of family and whānau wellbeing, and how these had changed over the period since 1981. More recently, 1976 Census unit record data have become available, and it is hoped that these might be added to the study in due course, as well as, of course, data from the 2013 Census.

The remainder of this research note examines the data used that were used to compile indicators to track these determinants, assesses the advantages



and disadvantages of the indicators, and presents the results of them for a set of household categories.

### **Measuring wellbeing using census data**

The data used to construct the wellbeing indicators were sourced from the formerly five-yearly New Zealand Census of Population and Dwellings conducted by SNZ. The census collects data on a range of individual and household variables including income, household and family structure, employment, housing, education and health. The use of census data to both construct indicators of family wellbeing and monitor changes over time has advantages and disadvantages (Errington, et al., 2008).

The primary advantage of using census data is that this allows for an assessment of continuity and change in societal patterns over a long segment of time – 25 years in this case. Second, information obtained from the census covers (almost) all members of the population, and therefore allows us to examine the wellbeing of all New Zealanders, and provides information on small population groupings, including at family and household levels. Third, while the census does not collect information on the subjective elements of wellbeing, many of the core outcomes (good jobs, adequate income, education and health) identified as promoting wellbeing are based on objective living conditions, data on which are captured (with the limitations outlined below) in the census.

Thus, in many instances, a strong link exists between objective and subjective measures of wellbeing, and although the census provides little direct information on the subjective intangible aspects, it can provide some indirect insights into these.

The disadvantages associated with using census data to measure changes in family and household wellbeing are linked to the limited range and depth of information collected, the frequency of collection for some questions, and the ways in which family types are defined and measured. The selection of indicators was constrained by the census data available. The wellbeing of a family or household may be influenced by other factors (e.g. the perceived quality of family relationships) for which no information is available. This lack of information also results in some of the constructed indicators rather being indirect measures of a particular attribute. For example, the only indicator for health examines changes in proportions of households with at least one person

receiving health-related benefits, rather than being an actual measure of the physical health of a household.

Lack of data availability may constrain time series analysis. Some census questions relevant to wellbeing are no longer asked, e.g. housing insulation, while others are included irregularly, e.g. smoking. This means that we cannot monitor changes in some domains as frequently as we wish.

A lack of in-depth information limits the ability to interpret change in some indicators. For example, because income data are in bands rather than discrete amounts, indicator construction requires some estimation – in this case band medians were made available, but this greatly diminishes variability and thus the ability to detect changes.

The census definition of family only incorporates members living within the same household. Census wellbeing measures may be particularly poor indicators for families whose members do not all reside within the one household. Particularly affected are parents who usually share custody of their children and children who live across two households. The ability to monitor the wellbeing of extended families is also constrained by this household-based definition of family.

After a comprehensive process of checking census data consistency over time, a set of indicators measuring family wellbeing was constructed and reported on (Milligan, et al., 2006), with 12 indicators under 5 domains in the original set. Table 1 below presents a streamlined set of indicators that will be reported on in the remainder of this research note. Note that for consistency with earlier outputs from FWWP, except for ‘median equivalised income’, the indicators are all presented negatively, so that high values always mean less wellbeing.

### **Household categories**

Four household categories are included and compared in this research note. These are different from the five family types used in the article herein updated (Cotterell, et al., 2008). The updated categorisation follows the lead of subgroup analysis reports produced in the intervening years (Sua’ali’i-Sauni, et al., 2008; Kiro, et al., 2010), changing to a simpler focus on households.

Statistics New Zealand notes that:

A ‘family nucleus’ is a couple, with or without children, or one parent and their child(ren) usually resident in the same dwelling. The children do not have partners or children of their own living in the same household. People who usually live in a particular dwelling, and

are members of a family nucleus in that dwelling, but who are absent on census night, are included, as long as they are reported as being absent by the reference person on the dwelling form.<sup>1</sup>

**Table 1: Wellbeing indicators examined in this research note**

| Domain               | Indicator                             | Definition                                                                                                                                                                                                                                                                                                                                 |
|----------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Income</b>        | Median equivalised income             | Median equivalised real household income. For the purposes of this report, median equivalised real income is median gross income adjusted for household composition using the Revised Jensen Scale (Jensen 1988) and expressed in 1999 dollars using the March quarter CPI (base 1999) for the relevant year (Statistics New Zealand 2005) |
|                      | Low income                            | The percentage of households where the equivalised gross income is less than 60% of the overall median equivalised gross household income                                                                                                                                                                                                  |
| <b>Education</b>     | Any educational attainment            | The percentage of households where no adult has any educational qualifications                                                                                                                                                                                                                                                             |
|                      | Post-secondary educational attainment | The percentage of households where no adult has any post-secondary educational qualification                                                                                                                                                                                                                                               |
| <b>Work</b>          | Parental employment                   | The percentage of households where no adult is in formal paid employment                                                                                                                                                                                                                                                                   |
|                      | Long working hours                    | The percentage of households where at least one adult works more than 48 hours per week                                                                                                                                                                                                                                                    |
| <b>Housing</b>       | Home ownership                        | The percentage of households that are not owner-occupied                                                                                                                                                                                                                                                                                   |
|                      | Rental affordability                  | The percentage of households, living in rented dwellings, where the weekly rent is greater than 25% of the gross equivalised household income                                                                                                                                                                                              |
|                      | Crowding                              | The percentage of households that are living in dwellings where they require at least one additional bedroom to meet their sleeping needs                                                                                                                                                                                                  |
| <b>Health</b>        | Health-related benefits               | The percentage of households where at least one adult receives either a sickness or an invalid's benefit                                                                                                                                                                                                                                   |
|                      | Smoking                               | The percentage of households where at least one adult regularly smokes cigarettes                                                                                                                                                                                                                                                          |
| <b>Connectedness</b> | Internet access                       | The percentage of households where there is no access to the Internet                                                                                                                                                                                                                                                                      |

In contrast, a household is defined as any group of families or individuals living in the same dwelling, regardless of their relationships to one another. Therefore, census families are wholly contained within households. However, it is important to note that not all households contain families and also that some households are made up of a family or families cohabiting with non-family members.

In this research note the primary focus is the household. Indicators are presented for four categories: *couple-only households*, *single-parent family*

<sup>1</sup> <http://www.stats.govt.nz/Census/about-2006-census/information-by-variable/family-type.aspx>

*households, other one-family households and multi-family households.* The makeup of these categories at each census point is presented in Table 2.

**Table 2: Household categories examined in this research note**

| Household composition                          | 1981           | 1986           | 1991           | 1996           | 2001           | 2006             |
|------------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Couple-only households</b>                  | <b>27.8%</b>   | <b>30.1%</b>   | <b>31.6%</b>   | <b>32.6%</b>   | <b>34.1%</b>   | <b>34.3%</b>     |
| Couple only                                    | 213,405        | 249,765        | 278,715        | 309,819        | 330,201        | 366,042          |
| <b>Single-parent family households</b>         | <b>10.7%</b>   | <b>12.5%</b>   | <b>15.3%</b>   | <b>15.0%</b>   | <b>16.7%</b>   | <b>15.6%</b>     |
| One-parent family                              | 68,904         | 85,377         | 108,435        | 114,957        | 126,840        | 134,517          |
| One-parent family plus others                  | 13,299         | 18,504         | 26,367         | 27,762         | 34,944         | 32,454           |
| <b>Other one-family households</b>             | <b>58.8%</b>   | <b>53.3%</b>   | <b>48.5%</b>   | <b>45.3%</b>   | <b>43.1%</b>   | <b>42.4%</b>     |
| Couple with children                           | 412,134        | 404,322        | 388,407        | 379,218        | 358,779        | 392,268          |
| Couple only plus others                        | 11,493         | 12,186         | 15,870         | 23,526         | 26,748         | 29,166           |
| Couple with children plus others               | 27,999         | 25,893         | 24,150         | 27,639         | 31,563         | 31,095           |
| <b>Multi-family households</b>                 | <b>2.6%</b>    | <b>4.1%</b>    | <b>4.6%</b>    | <b>7.0%</b>    | <b>6.1%</b>    | <b>7.7%</b>      |
| Two 2-parent families with or without children | 9,372          | 10,182         | 13,584         | 25,701         | 4,224          | 5,796            |
| Two-parent plus one-parent family              | 7,575          | 14,373         | 17,274         | 23,925         | 10,518         | 13,101           |
| Two 1-parent families                          | 2,286          | 5,916          | 6,738          | 10,701         | 8,514          | 10,095           |
| Other two-family households                    | -              | -              | -              | 102            | 30,537         | 45,168           |
| Three or more families                         | 1,281          | 3,459          | 3,057          | 6,117          | 4,749          | 7,794            |
| <b>Total households</b>                        | <b>767,748</b> | <b>829,977</b> | <b>882,597</b> | <b>949,467</b> | <b>967,617</b> | <b>1,067,496</b> |

The second and third categories have at least one child by definition, and as we did not break things down any further, there is no restriction in those categories on the age of children – the only requirement is to be living with parent(s) and thus identified as dependent/independent children by the census. In previous FWWP reports the family types were broken down into, for instance, *couples with dependent children* and *couples with only independent children* – defined based on considerations of age and employment status. Again, the terminology used here is consistent with the more recent reports on wellbeing from FWWP and associated projects.

The following analysis examines changes in wellbeing for the household categories described earlier. A selection of the indicators presented in Table 1 is covered below.

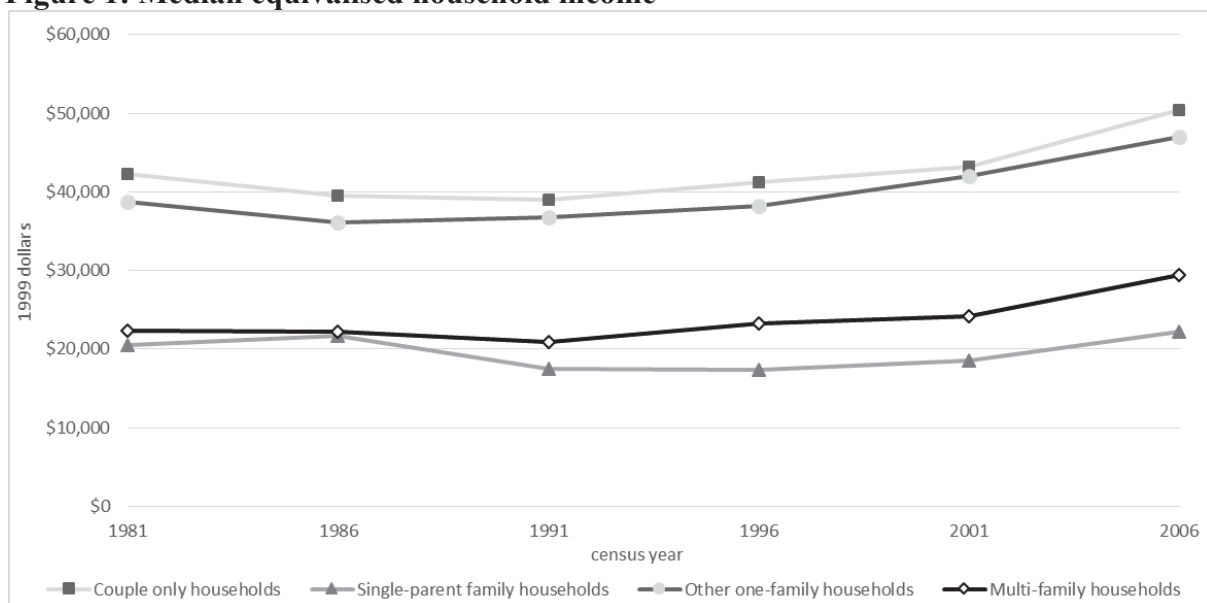
### **Median equivalised income**

The first income indicator measures median equivalised household income and Figure 1 below shows the shifts in income experienced by each of the household categories over the period under review. Equivalised income is gross income adjusted for family composition using the Revised Jensen Scale (Jensen, 1988). Income equivalences and the estimation of family expenditure on children are expressed in 1999 dollars using the Consumers Price Index with the base to 1999 for the relevant year.

For all four of the household categories, median equivalised income rose over the period, although for single-parent family households this was marginal. For most, income declined through the 1980s, a period marked by high inflation and rising unemployment, and then recovered partially thereafter.

Single-parent family households had the lowest median equivalised income over the period and while multi-family households were also low, their relative income increased more.

**Figure 1: Median equivalised household income**

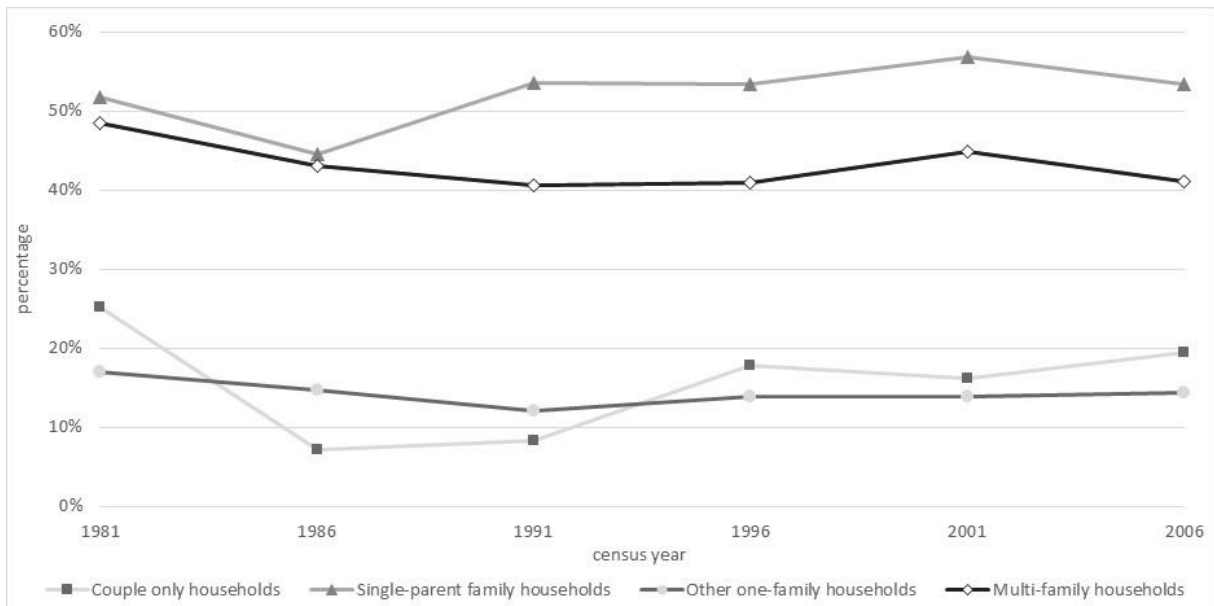


## **Low income**

The low income indicator captures the percentage of households in each category with less than 60% of the overall median equivalised household income for that category. The results are presented in Figure 2 below. Among our household categories, only single-parent family households saw a small increase over the period as a whole. They were also the most likely to experience low income at each time point, followed by multi-family households.

**Figure 2: Low income**

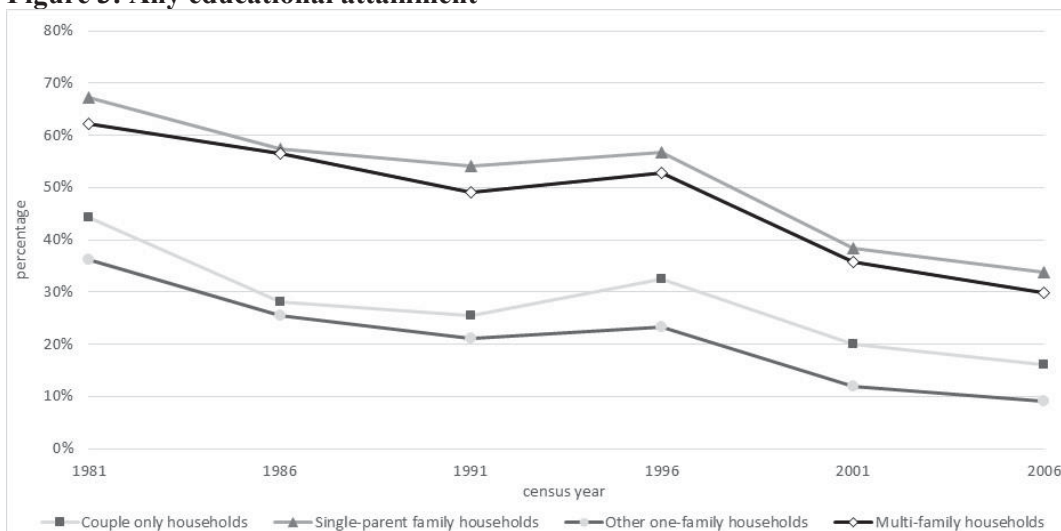




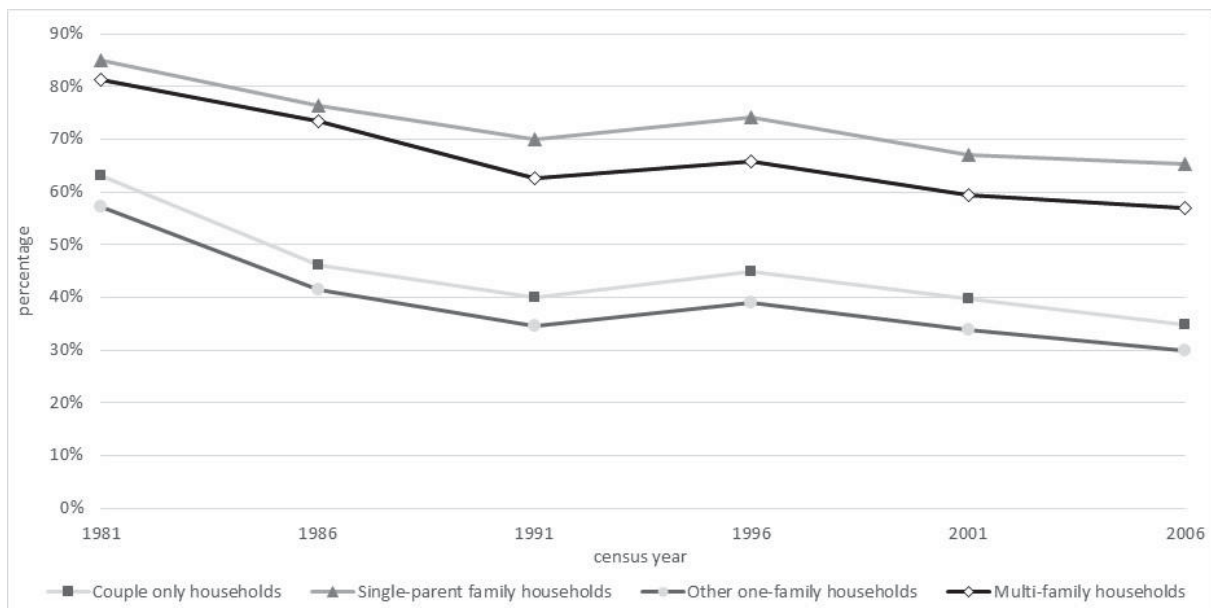
### Educational attainment

The any educational attainment indicator measures the percentage of households where no adult has any educational qualification. Figure 3 shows the results for this. All of our household categories saw declines in this indicator over the period, with the largest consistently occurring between 1981 and 1991. Other one-family households were the least likely to have an adult with no educational qualifications. This pattern is echoed in the post-secondary educational attainment indicator, which similarly shows the percentage of households where no adult has any post-secondary educational qualification. Figure 4 shows the results for this indicator.

**Figure 3: Any educational attainment**



**Figure 4: Post-secondary educational attainment**

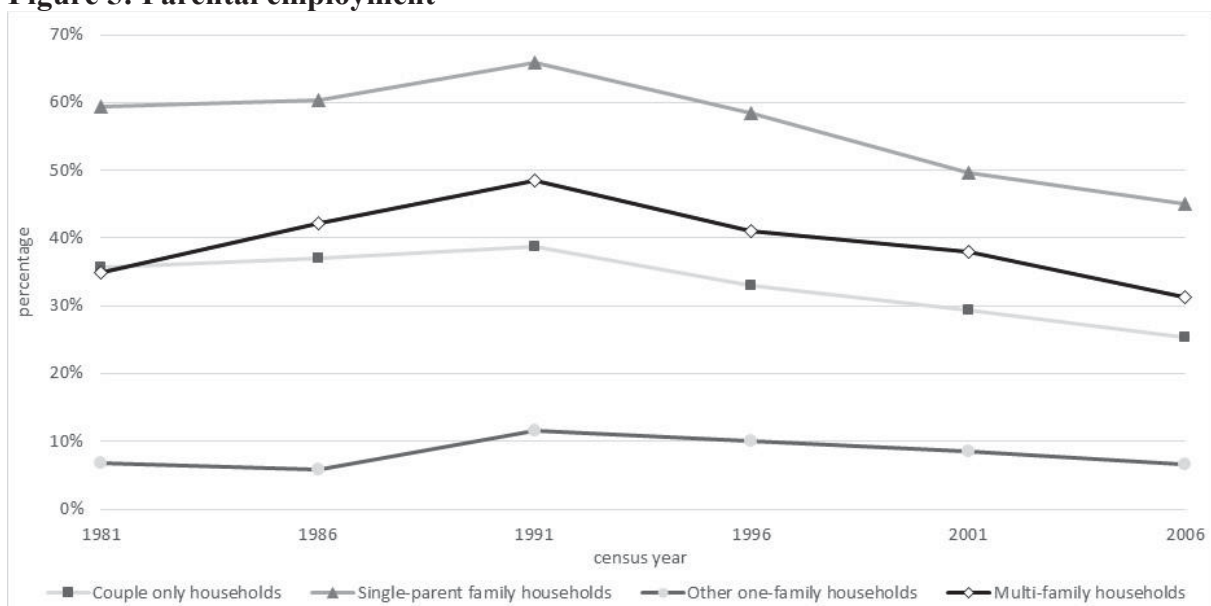


## Parental employment

This is calculated as the percentage of households where no adult is in formal paid employment. Figure 5 shows the results for this indicator.

For all household categories, the indicator peaked in 1991. Other one-family households were the least likely to have no adult in formal paid employment, while single-parent family households were the most likely, at more than 50% for most of the period.

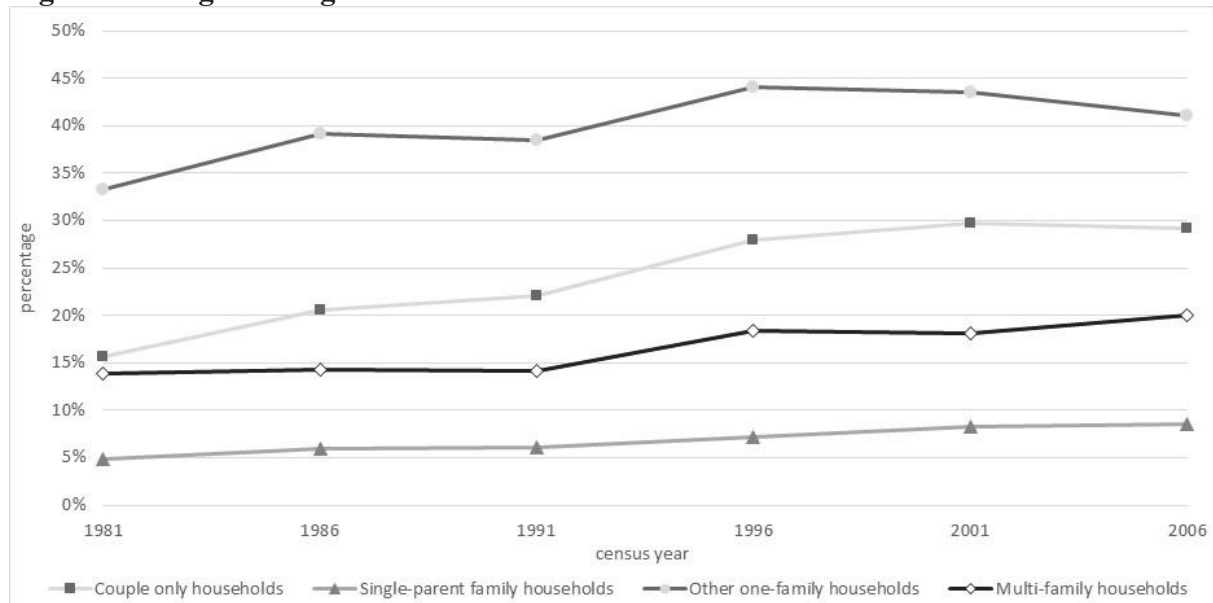
**Figure 5: Parental employment**



## Long working hours

This indicator specifies the percentage of households where at least one adult works more than 48 hours per week. Figure 6 shows the results. All household categories experienced an increase in the likelihood of their having at least one adult working more than 48 hours per week over the period. Single-parents were the least likely to be working long hours, at every census point.

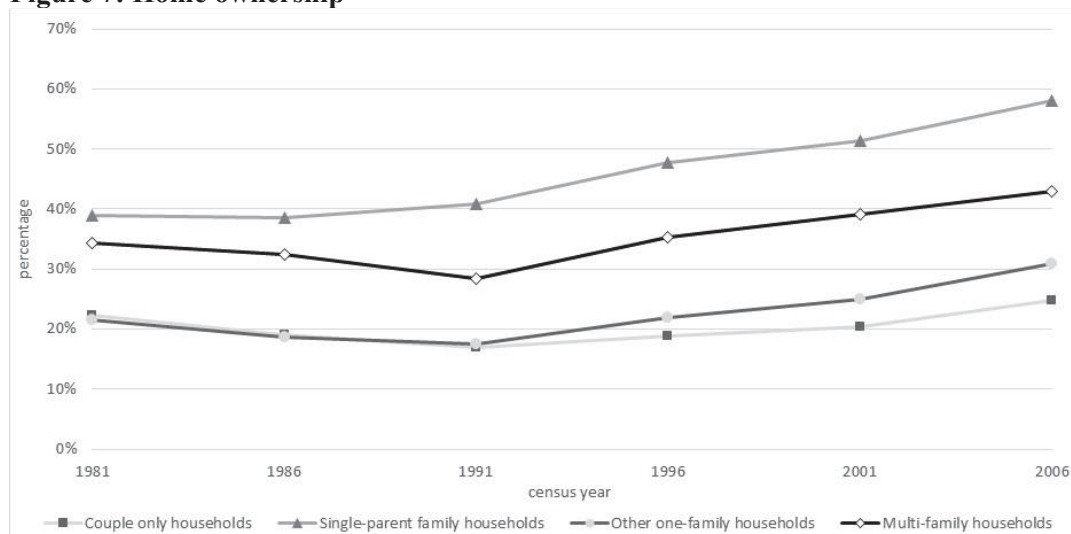
**Figure 6: Long working hours**



## Home ownership

This is the percentage of households that are not owner-occupied. Figure 7 shows the results. All household categories experienced an increase in the percentage not living in their own dwellings, over the period. Couples-only households were the most likely to own their dwellings, at every census point, while single-parent family households were consistently the least likely.

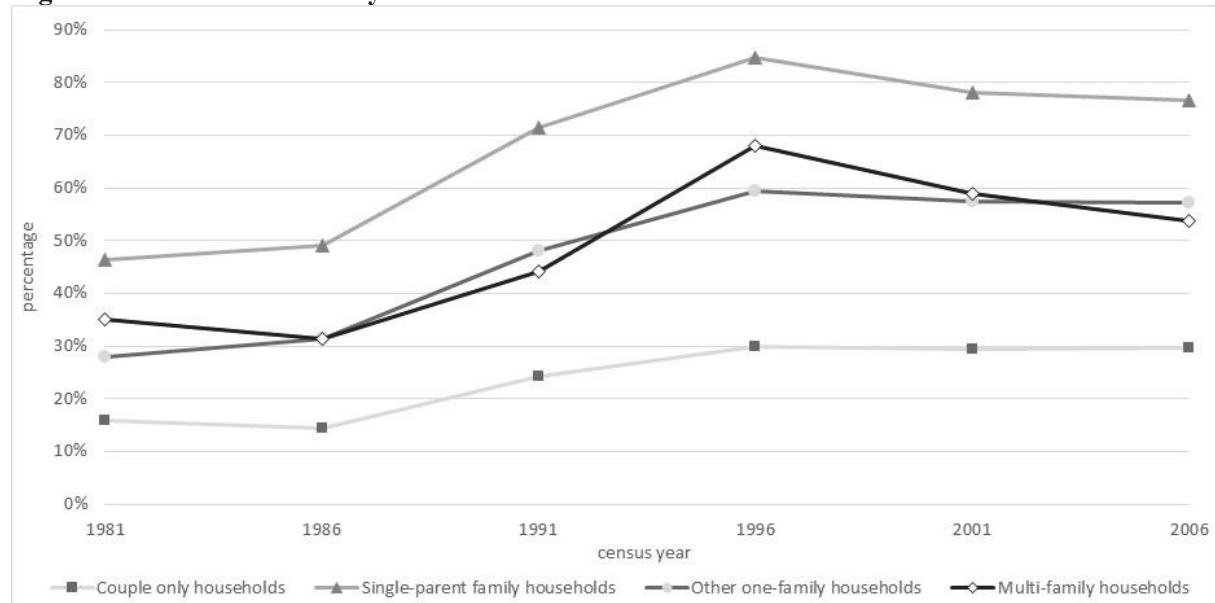
**Figure 7: Home ownership**



## Rental affordability

The rental affordability indicator shows the percentage of households, living in rented dwellings, where the weekly rent is greater than 25% of the gross equivalised household income. Figure 8 shows the results for this indicator. Over the period this indicator increased for all household categories, with the steepest increases occurring in the 1986-1996 period. Single-parent family households were the most likely to be paying more than 25% of their equivalised income in rent over the period.

**Figure 8: Rental affordability**



## Crowding

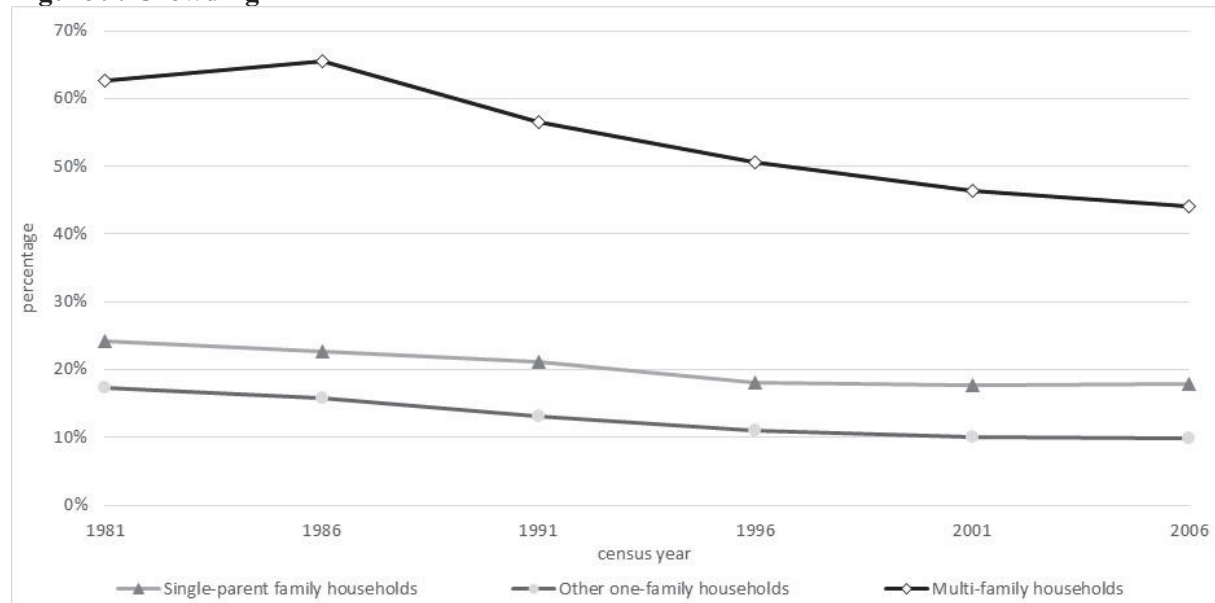
The household crowding indicator shows the percentage of households that are living in dwellings where they require at least one additional bedroom to meet their sleeping needs. (The number of bedrooms required by a household is calculated using the concept of the adult equivalent. The required number of bedrooms is calculated as:  $\frac{1}{2} \times$  the number of children under 10 years + the number of couples + the number of remaining householders aged 10 years and over (Morrison, 1994; Statistics New Zealand, 2004). All household categories saw decreases in this indicator over the period. Not too surprisingly, multi-family households were the most likely to be crowded, at each census point.

## Health-related benefits

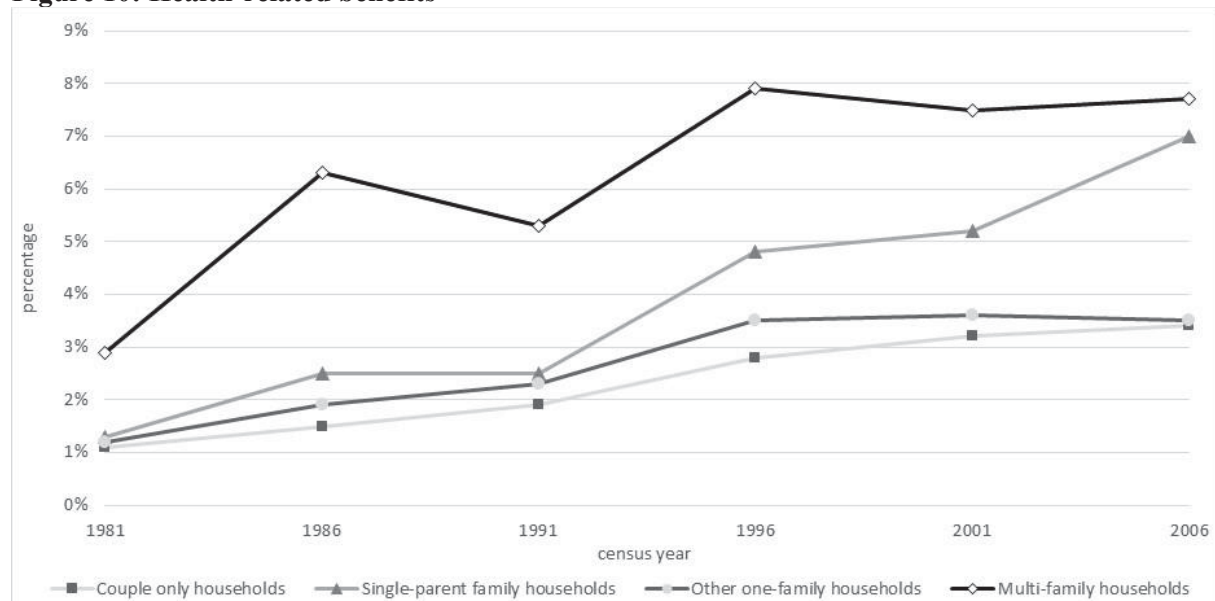
This indicator gives the percentage of households where at least one adult is receiving a sickness or invalid's benefit. Figure 10 shows the results. All household categories saw increases in this indicator over time. Multi-family households had the highest percentage at every census point, while single-

parent family households saw the biggest absolute percentage increase over the period.

**Figure 9: Crowding**



**Figure 10: Health-related benefits**

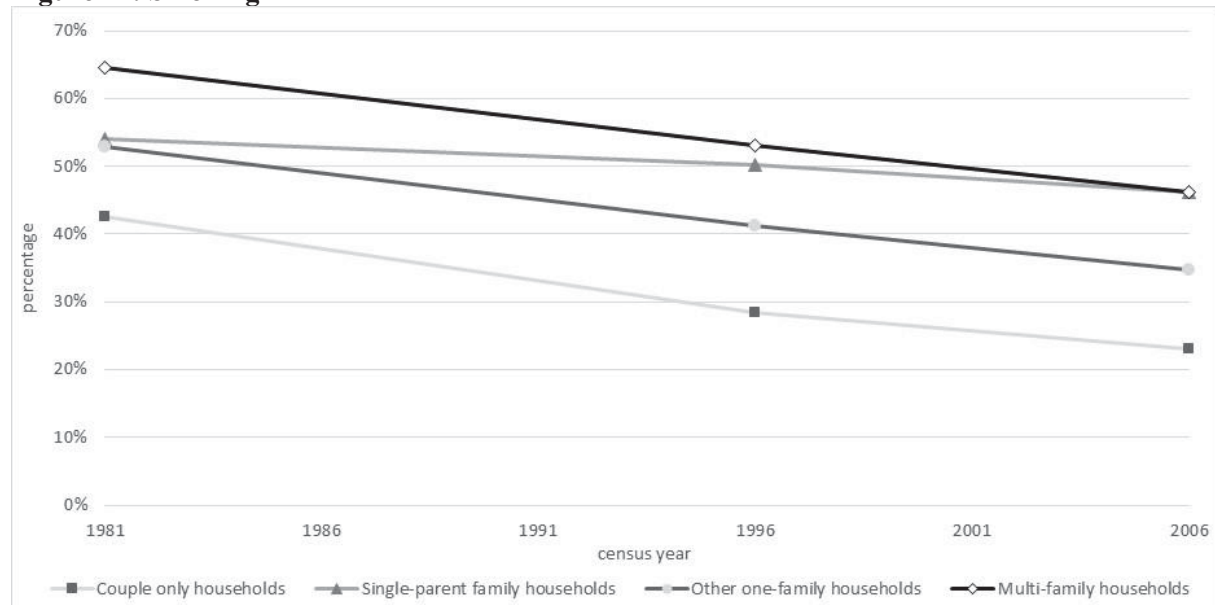


## Smoking

The smoking indicator reports the percentage of households where at least one adult regularly smokes cigarettes. Data on smoking were only captured in the 1981, 1996 and 2006 Censuses, so we do not have as good a time series as for the previous indicators. Figure 11 shows the three figures using the same scale on the graph. With these limitations in mind, the data available do suggest that there was a distinct and even decline in smoking rates over the period. Single-parent family households did not see nearly as big an absolute decrease as did the other household categories.



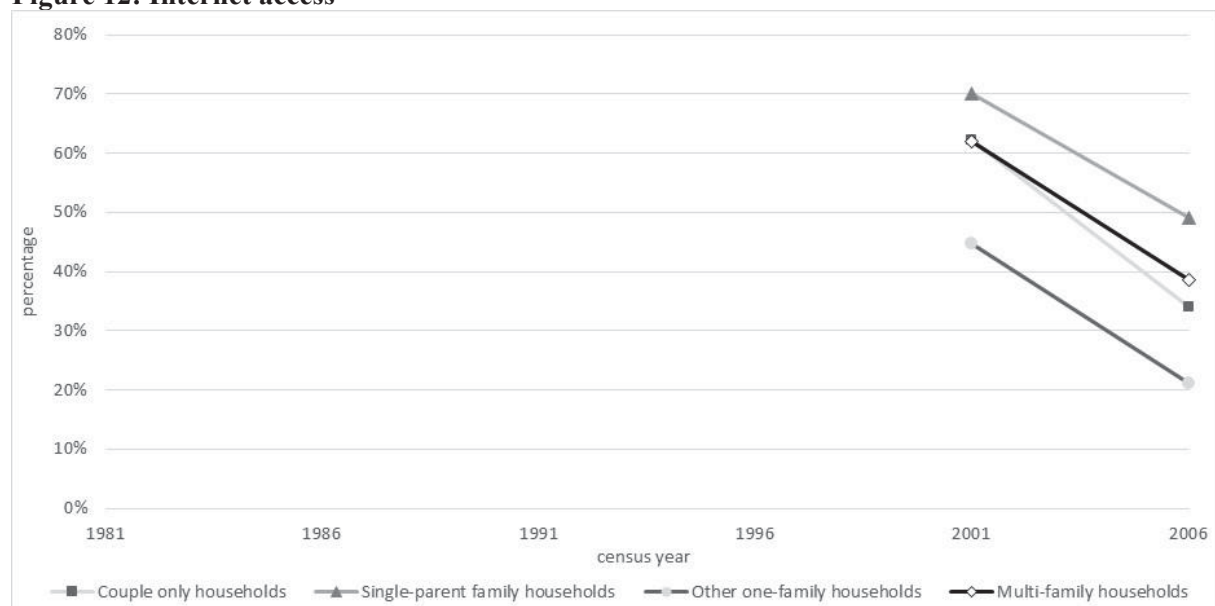
**Figure 11: Smoking**



## Internet access

Again reading negatively, this indicator gives the percentage of households where there is no access to the Internet. Data for this were only collected in the census from 2001, so we have only two measurement points. Figure 12 presents these on the same time scale as for the other graphs. All that can be said is that there were substantial increases in access to the Internet over the 2001–2006 periods for all household categories, and especially for couple-only households.

**Figure 12: Internet access**



## **Discussion**

The data displayed above show that single-parent family households fared worst over the twenty-five year period of reforms. In terms of income levels the gap between single-parent family households and the other household categories widened over the period, and the same was true for levels of home ownership. Even where they did see improvements in wellbeing, as in the education indicators, single-parent family households improved their positions at a slower rate than their couple equivalents.

These results have significant implications in the New Zealand context. The previous Labour-led government made building stronger families and improving outcomes for children an important part of its policy focus (Maharey, 2000). Indeed it went as far as to establish a Families Commission in 2004, charged with the role of acting as an advocate for the interests of families within the government and in the public arena.

Given that different household categories had different experiences during the reform period, any policy introduced to strengthen families and improve the wellbeing of children needs to take into account these different experiences. The evidence displayed above suggests that in most cases it is the single-parent family households upon whom policy needs to be focused if lifting levels of wellbeing is a priority. This is particularly the case in New Zealand where in a recent review of literature, Mackay noted that “children raised in lone-parent families have been found, on average, to do less well across a range of measures of wellbeing than their peers in two-parent families, while parental separation has been found to be associated with an array of adverse outcomes for children” (Mackay, 2005: 111).

## **Other and future research**

The wellbeing indicators developed have allowed further projects to examine changes in family and household wellbeing at a more detailed level of analysis. Central to this analysis is an examination of differences in the wellbeing of families with parents of different ethnicities. Wellbeing for ‘Pacific families’ (Sua’ali’i-Sauni, et al., 2009) and for ‘Māori families’ (Kiro, et al., 2010) have been examined since the original FWWP reports were produced. Other focuses have included wellbeing by education level (Cotterell, et al., 2008b) and attempts to track wellbeing for specific family groups across censuses (Davis, et al., 2012).

Furthermore, data from the 2013 Census will be available around mid-2014, and hopefully will be incorporated into the analysis to determine whether the economic growth experienced in New Zealand during the 2000s has translated into an improvement for all families/households or for perhaps just a subset of them.

## Conclusion

The wellbeing indicators of FWWP provide a unique way of assessing the impact of the economic reforms of the 1980s, 1990s and 2000s on a range of different household categories, filling a long neglected analytical gap. The data indicate that New Zealand households experienced considerable changes in their levels of wellbeing, with single-parent family households generally faring worst. The differences are important when taking into account the current government's concern with family wellbeing, and the strong suggestion that different family types or household categories will require different types and levels of resources in order to improve their wellbeing.

While analysis of the impact of the reforms on different household categories is limited to some extent by the nature of the data collected by the census, the results show that our indicators do offer a useful way to monitor ongoing changes in family and household wellbeing over time. In addition, with the inclusion of data for subsequent censuses the wellbeing indicators have the potential to become an established part of the social wellbeing monitoring programme and so to contribute to information-based policy in New Zealand.

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**Disclaimer**

Access to the data used in this study was provided by Statistics New Zealand under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the authors, not Statistics New Zealand.



## **Appendix: The New Zealand Literature on Social Class/Inequality**

*Charles Crothers*

A broad account of the New Zealand class system can be readily assembled from popularly-available sources such as the item in the official New Zealand online Encyclopaedia *Te Ara* or the Wikipedia entry, together with common knowledge. Having provided a sketch, this appendix then goes on to provide a brief overview and then listing of a bibliography on Social Class/Inequality in New Zealand.

Traditional Māori society was strongly based on rank, which derived from ancestry (whakapapa). There were three classes – chiefs, commoners and slaves - with very limited mobility between them. Chiefs were almost invariably descended from other chiefs, although those in line to take up a chieftainship would be bypassed in favour of a younger brother if they did not show aptitude. In some tribes exceptional women could emerge to take on leadership roles. Prisoners of war were usually enslaved with no rights and often a low life expectancy. However, children of slaves were free members of the tribe. Contemporary Māori society is far less hierarchical and there are a variety of routes to prominence.

European settlement of New Zealand came with a ready-made class structure imposed by the division between cabin and steerage passengers with the former mainly constituting middle class with a sprinkling of upper class ‘settlers’. This shipboard class division was reinforced by the Wakefield settlement system which endeavoured to reproduce a cross-section of UK society in the colony, with the mechanism that capital was needed by the middle/upper class to provide the frame in which the working class voyagers (they were only retrospectively entitled to be termed ‘settlers’) could be put to work. However, the rigidity of this imported framework did not entirely endure as it took time to get the intended structure up and running. Various accounts stress the continuing importance in various areas of colonial life of an imported educated and landed elite.

There quickly developed an ideology of ‘egalitarianism’ with its claim of (relative) classlessness. This still allowed some wriggle-room for language

concerning class groupings. Egalitarianism arose because of a desire for many immigrants to not reproduce their class-bound origins, an open frontier (access to land), high demand for labour and some difficulties in enacting a separation of the classes in the exigencies of early colonisation. Moreover, it is accompanied by difficulties, especially the intolerance of the 'tall poppy syndrome' and the exclusion of some groups. In fact, the ideology was broader and included some rejection of industrial and urban models as well as class ones, and Bill Sutch extended the concept to include a concern for security as well as aversion to both undue poverty and undue wealth. From the nineteenth century local writers and many intellectual visitors made this claim that New Zealand was a 'classless society' and this undoubtedly reinforced its hold. The fallback position was – as Keith Sinclair wrote in 1969 - that New Zealand "must be more nearly classless... than any advanced society in the world".

The evidence for a limited class structure included and reflected:

- the relatively small range of wealth (that is, the wealthiest did not earn hugely more than the poorest earners),
- lack of deference to authority figures,
- high levels of class mobility,
- a high standard of working class living compared to Britain, especially post-WW2,
- progressive labour laws which protected workers and encouraged unionism, and
- a welfare state which was developed in New Zealand before most other countries.

However, this view was increasingly contested by some writers and a widespread model was that class formation and political party alignment to represent this emerged during the 1890s and continued thereafter. Belich (2001) significantly develops a commonly held model when he includes a class analysis in his monumental history of New Zealand, placing his class analysis within his three-phase periodisation of New Zealand history. Four 'class cultures' are posited (each having "roots in a particular relationship of work and property, labour and capital" p. 126 but not necessarily binding everyone in that category):

- Genteel: upper class
- Respectable: middle class
- Decent: working class
- Disreputable: irregularly/illegally employed.

In turn the Middle Class was subdivided into:

- a petite bourgeoisies of small-medium urban proprietors
- a farming class of small-medium rural proprietors
- a lower middle class of white-collar workers.

Onto this general model he adds a development analysis in which various ‘tight classes’ (i.e. fairly conscious and socially-linked class communities) rose and fell (see his Chapter 4 “Social Harmony: the touch of class”).

By the 1870s there was the emergence of the New Zealand gentry as a nationwide class community and as a ruling class. This gentry had rural and urban wings, and emanated in large part from genteel cabin-class immigrants, of whom there may have been a higher proportion than the migrant streams to other British colonies. This class became established particularly on large-scale sheep runs (often on lease-held lands). Their decline (or considerable transformation) took place by mid-century. Causes of their demise include “..the economic circumstances of the recolonisation era; stagnation; the rise of the protein industry; close-settling sentiment; and the actions of the Liberal government” (predominantly middle class). From c1900 the gentry was swamped with rising numbers of (aggravated by their different attitudes) members of the higher professions and higher-level managers and industrialists who spanned respectability and gentility. As the 20<sup>th</sup> Century wore on, this ‘upper middle class’ increasingly merged with, even absorbed, the gentry. A large expansion of education fuelled change, servants became mutinous, and the officer corps they manned had a particularly high casualty rate in WW1. Moreover, the Gentry were vilified by Liberals as an aspect of their nationalist project – although there was less bite than bark. So the gentry disappeared into relative seclusion.

A New Zealand working class culture was of long standing but Belich claims was not a ‘tight class’ until 1906 or so. It covered both craft workers and working class workers: represented by different unions. Craft unions linked workmen to middle class ‘masters’. Around 1890 there was a big surge in unionism and again in 1912 – both combated by capitalists. Craft workers became strong supporters of the emerging arbitration system and the developing Labour Party actively represented their interests while strong linkages with Australian unions reinforced their local development. But, ‘Recolonial’ industries required bigger factories and therefore more organisation and so craft work became more sidelined and industrial education rather than apprenticeships grew. In the 1900s there was a shrinkage of opportunities for small businesses, but an expansion of working class jobs. Worker solidarity was

bolstered by sexism and racism. However, over a longer term affluent life styles (including home ownership and education) borrowed from the middle class became possible and this was another factor stunting their class action potential.

A newly emerging class of (small or medium) farmers reigned in the working class. This active grouping was able to span a range of different farming experiences and coalesce around a masculine and pro-farming ideology- a 'Sturdy Yeoman' image. Links were made to those providing supporting rural services etc. Belich's class analysis is not extended to the current de-colonisation period apart from noting the expansion of inequalities over the last decades.

### **Data sources and Scales**

One unfortunate effect of the New Zealand classlessness model is that it leads to resistance to studies on the topic. In the early 1950s, Congalton was attacked in newspapers for researching into class. This was reinforced with the conception that it was impolite ('not British') to raise such issues. So Vellekoop (1969) reports with relief that her then-recent study on vocational choices got a 75% response on occupation and income of head of family. Many researchers would agree with Caldwell & Brown's argument that in researching their book:

...we found that most New Zealanders will do a lot to avoid using the word class to describe their relationships with others. But they do recognise that there are some groups of people they identify with, and some they don't. They will talk at length about the differences in behaviour, the attitudes, even the dress that make them different from their embarrassing cousins or the schoolmates they've outgrown (2007: 7).

They also argue that while there are commonly expressed ideas about the typical New Zealander these have little analytical traction, since rather than one monolithic image there is a set of diverse social identities that summarise ways in which New Zealanders feel different from each other. These not overtly expressed but are readily recognisable and indicated by the typical areas of residence of such groupings.

Work on inequalities/class must be based on a firm measurement infrastructure. Official data can also be pressed into service. Such data sources include marriage, birth and death registers, probate data, tax returns, welfare records: but above all census data on income, occupation, education, labour force status, tenure and dwelling amenities, supported by other official surveys.

The ‘Official statistics apparatus’ in New Zealand has had an ambivalent relationship with measures of inequality and class. Because of its connotations (but also difficulties in assigning a clear meaning to it and measurement of it) the term ‘class’ is somewhat justifiably banished from any official publications.

On the other hand, as Perry, 2013: 91 reports, whereas “as recently as 1996, the government of the time in New Zealand was openly disapproving of any poverty discourse” by 2002 ‘poverty reduction’ was central in government and public discourse. Official recognition of what constitutes a ‘living wage’ was determined within the system (and this has been revisited recently by a widespread campaign) and monitoring of a semi-official ‘Poverty line’ has been carried out.

Since research work on inequalities/class in large part must be quantitative, it must therefore be based on a firm measurement infrastructure.

The basic data for analysis is derived from a variety of sources including:

- Census (Employment Status, Education, Income, Sources of Income, Tenure, Dwelling amenities),
- Household Economic Survey,
- Household Income Survey,
- Survey of Family Income and Expenditure (Sofie),
- The General Social Survey (GSS),
- MSD’s Standard of Living Surveys (last fielded in 2008),
- Inland Revenue data - see <http://www.ird.govt.nz/aboutir/external-stats/>
- Estates and Gift Duties data – since discontinued with the lapsing of death duties in 1991.

Further data on attitudes and characteristics of individuals and households in relation to Social Class/Inequality can be variously obtained from a range of other New Zealand non-governmental surveys such as Big City Quality of Life, International Social Science Programme (ISSP), New Zealand Values Survey (NZVS), New Zealand Election Survey (NZES), Office of the Children’s Commissioner material and the research work of a variety of action groups. Many of these add more subjective information (especially attitudes but also experiences and cases). However, irregularity of surveys being run and quality of data are issues detracting from some of these data sources.

The key data generated by these data-collection vehicles includes employment status, occupation, education, income, assets and tenure. Most of these have fairly well regularised coding frames although there are some difficulties (for a scale regularising educational qualification see Ministry of



Education: <http://www.nzqa.govt.nz/assets/Studying-in-NZ/New-Zealand-Qualification-Framework/requirements-nzqf.pdf>); StatsNZ revises the income categories it uses from time to time and also has definitions of income – see [http://www.stats.govt.nz/surveys\\_and\\_methods/methods/classifications-and-standards/classification-related-stats-standards/income-bands/definition.aspx](http://www.stats.govt.nz/surveys_and_methods/methods/classifications-and-standards/classification-related-stats-standards/income-bands/definition.aspx)) Occupation has been coded using a variety of scheme over time: most linked to appropriate international frameworks and now firmly ensconced in a Trans-Tasman common classification. Backwards linkage is possible through concordances. The rationale for the most recent coding schema is given on the website.

In turn, social researchers have endeavoured to construct occupation scales which will turn these official categories into a set of theorised categories or a continuous scale. Several early attempts (and others reported by Vellekoop, 1969) were prestige scales in which respondents were asked to rank a selected number of occupations. Over the last few decades increasingly sophisticated ‘objective’ scales of socio-economic status have been generated with the long-running Elley-Irving series being gradually replaced by the more sophisticated NZSEI scale (which is formally adopted by StatsNZ): see Milne et al, 2013. Methodological issues that need to be dealt with in such scales include (see also Perry, 2013: 40, 208 for discussion about these issues in relation to standard of living research):

- what measures to include and how to weight/combine each;
- what population base to use;
- how fine-grained the classification and its underlying units;
- whether adjustments needed for particular groupings;
- dealing with assigning mid-points for open-ended bottom and top categories;
- reporting of lower incomes self-employed workers than waged;
- the different labour market situation of women more generally, self-employed, part-timers and the economically inactive;
- developing justifiable cutting-points to convert into categories;
- validation against likely associated outcomes such as smoking, motor vehicle access, housing tenure, household overcrowding, and deprivation.

More recently, over the last two decades, this concern with measurement of inequalities has generated several streams of work including several projects:

- the NZSEI scale (Milne et al., 2013);
- NZDep: <http://www.health.govt.nz/publication/nzdep2006-index-deprivation>;

- MSD's SOL programme see <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/living-standards/index.html>;
- Poverty measurement program (see Waldegrave et al., 1996).

Earlier official classifications (e.g. of occupation or industry: see Olssen and Hickey, 2005) tended not to be well-theorised. A continuing demand from New Zealand social researchers has been for ways of classifying socio-economic groupings based particularly on occupation. This methodological demand led to a long series developed by educational researchers Warwick Elley and Jim Irving (and sometimes others) who over successive censuses categorised occupations into 6 s.e.s. groupings based on average education and income for each – from time to time gender or ethnicity variants were also developed or at least explored. These scales are developed on a limited age-range and usually only include full-time workers. More recently the COMPASS team has developed the NZSEI using the same general approach, while adding some degrees of sophistication. The NZSEI-06 scores are based on a path-analytic representation of the ‘returns to human capital’ model of stratification, in which occupation is viewed as the means by which human capital (education) is converted into material rewards (income).

There are several advantages of an occupation-based approach (cf. Milne et al, 2013):

- occupation is readily and accurately recalled (although there is some ‘status inflation’ in job titles);
- occupation can be retrospectively recalled with some accuracy (so retired respondents can be asked about their main occupation during their working years);
- occupation is often recorded in survey datasets and on administrative datasets (e.g., birth and death records, although not in recent health surveys in New Zealand);
- validation shows that expected stratification patterns across smoking prevalence and other socio-economic correlates are produced;
- because of long history of occupation-based socio-economic measures that have been frequently updated, socio-economic comparisons over time can be undertaken (including cohort samples having socio-economic status to be assessed at different life-stages using the ‘current’ occupation-based socio-economic measure at each point).
- proxy persons can be used to assess socio-economic status (e.g. for children).

The MSD has sponsored an internal Living Standards research programme since the late 1990s (see Perry, 2013: 183-187) which has produced:

- a 40-item material wellbeing and hardship/deprivation scale (Elsi)
- a short form version (Elsi\_SF)
- an experimental alternative (the Fixed Reference Index of Living Standards- FRILS and
- an updated/extended Material Wellbeing Index (MWI).

Concern about inequalities in health led from 1995 to the development of an area index of deprivation, which has the advantage of enabling an assignment of s.e.s. status as long as an address is available for a respondent. Meshblocks from censuses are combined into small areas of at least 100 people and the NZDep scale is developed based on census measures including - for 2006 in order of decreasing importance:

- being on a social welfare benefit
- household income below an acceptable threshold
- not owning own home
- a single-parent family
- unemployed
- lack of qualifications
- less living space
- no access to a telephone
- no access to a car.

Several atlases of deprivation have been produced which vividly present the results. Difficulties are that comparison over time is limited by fresh calculations of indices (largely because of differential availability of information) and there needs to be further work on which are the most casually pertinent characteristics within the scale. (A 'code red' issue is that it is possible that the high deprivation areas will be over-targeted for assistance rendering the pink (almost deprived areas) starved for attention and liable to regress.)

The Poverty Measurement Project carried out extensive work (mainly using focus groups, but also surveys) on respondent's conceptions of income needs and related issue. The work which was carried out in the late 1990s was recently updated (at least in part) at the behest of the Campaign for a Living Wage (King and Waldegrave, 2012).

In addition, models have to be set up to slot the incoming data into proper frameworks within which stocks and flows can be traced. Over time various tools have been deployed, including: see Perry, 2013: 27 which noted two Treasury tax-benefit micro stimulation models which estimate tax liabilities for

individuals and benefit units: the current model *Taxwell* and the previous *Taxmod*.

It is also important that national data be included in international databases which have been assembled on these topics so that rigorous cross-national analyses can be developed. New Zealand's record on this is not altogether good. Although New Zealand information has been included in the High income data base, it was not considered possible to provide unit record data for the Luxembourg Income Study (LIS). Nevertheless, the OECD has been able to include New Zealand in many of its data-bases and monitoring studies.

Despite the considerable resource and effort deployed to build up measures, the New Zealand situation faces many lacks (Rashbrooke, 2013: 19-23):

It is important to acknowledge that our understanding of income inequality in New Zealand is far from complete (especially compared with the domestic data available in many OECD countries) Despite committed and ongoing research by academics, commentators and various organisations and government departments (notably, the Ministry of Social Development), significant gaps in our knowledge remain.

One gap is the lack of detailed information on the top 10 per cent of incomes (especially the top 1 per cent), including the composition of those incomes and how they have been earned. No country has a complete record of top incomes, which are difficult to sample accurately and can be obscured by tax avoidance. In New Zealand, for example, family trusts are used to avoid an estimated \$300 million in tax each year. But New Zealand has less data than many countries, because we do not tax or record capital gains – an issue of policy as well as measurement. New Zealand researchers are also deprived of important income data because this country chooses not to participate in the flagship Luxembourg Income Study.

Only chief executive pay for the period 1997–2002 has been studied in-depth, and New Zealand has relatively little data about how much this pay has increased, what form it takes, and why it has risen. Slightly further down the income ladder, we know even less about pay for senior managers and company directors, and the means by which these salaries are set. The only significant analysis of wealth in New Zealand is based on 2003 data. We have relatively little information about long-term social mobility, and our research into attitudes towards inequality has been limited. Our reporting of social indicators, many of which are tied to inequality, could be improved.

The Ministry of Social Development's *Social Report*, for example, has been reduced in frequency from once a year to once every three years at most. New Zealand has recently been excluded from an international league table of children's health because our data are so poor.

One other, temporary limitation is that the delay of the New Zealand Census until 2013 leaves researchers reliant on data from the 2006 Census.

Further work on measurement is warranted with Milne et al. (2013: 122) concluding their report on s.e.s. scales with a useful challenge:

...given that researchers have a number of different options for assessing socio-economic status in New Zealand (e.g., NZDep, NZiDep, education, income, living standards, as well as the NZSEI-06), it would be worthwhile to assess the extent to which these different measures have independent as opposed to shared influences on outcomes of interest.

### **The Contribution of Historical Studies**

The attention of New Zealand social historians to class has been exemplary, although their interest mainly is only up to Second World War, with very few exceptions. Sociologists have also contributed to historical studies: especially the Canterbury department, John Martin, David Pearson and Claire Toynbee.

Some histories of New Zealand have passages suffuse with class vocabulary and/or analysis: a far wider field than there is space to attend to more than cursorily here. Some historians have produced portraits of class groupings: notably the Southern Gentry (Eldred-Grigg, 1980 & McAloon, 2002) and the rich more generally (Eldred-Grigg, 1996) but also the working class (Millen, 1984 for the 19<sup>th</sup> and Eldred-Grigg, 1990 for the 20<sup>th</sup> ) and recently portraits of the rich/ruling class have been advanced by Hunt, e.g. 2003; Jesson, eg. 1999 and Murray, 2007). Labour histories are sometimes too fine-grained to see underlying class structures but the Labour History Project has been important together with books such as Len Richardson's (1995) *Coal, Class, and Community: the United Mineworkers of New Zealand*. Some are important analyses of crucial events in Trade Union history (e.g. Green, 2001).

But the pertinence of class in the understanding of New Zealand's past is more problematic. In a long review article reacting to a major collection of New Zealand historical writing drawn from the pages of the *NZ Journal of History* Jim McAloon (2004) argued that "Class, once a fundamental organising category of social science, has disappeared from New Zealand (and more



generally Western) historiography...Gender and Māori themes abound, but there is absolutely nothing about class in that collection”. He argues that class in New Zealand has been central from the beginning of its settlement and certainly in the colonial period. A difficulty he sees is that New Zealand historians have often failed to deploy a sufficiently sophisticated model of class, and have over-emphasised the importance of class consciousness. Thus a common model, which began to be argued from Sinclair and Oliver’s work of the 1960s, was that class was irrelevant up until c1890 when working class consciousness and mobilisation began to develop. A major focus of debate concerns the extent to which New Zealanders were enmired in a grim world of deprivation required to shift often to track jobs or whether the abundance of land allowed escape.

McAlloon’s model of colonial class structure involves (p.70):

- the upper class [which] comprised the movers and shakers of the colonial export economy, whether as pastoralists or as merchants and financiers, complemented by a significant element of manufacturers and of large agricultural farmers;
- a very significant middle class of modestly-wealthy family farmers, reinforced by the plethora of comfortable country town merchants, and the self-employed urban business and manufacturing sector (facilitated by the fluidity of colonial society and the ready availability of land);
- Wage-earners .. ranged from the relatively secure artisans of the towns to the itinerant rural workers.

This model applied to the South Island situation, whereas the North Island varied from region to region:

- Rural Hawkes Bay and Wairarapa were similar to Canterbury and Otago in combining pastoralism with smaller-scale agricultural farming (p.71);
- A strong mercantile element clearly existed in Auckland and Wellington, while
- A later frontier in much of the North Island might well have meant a larger proportion both of reasonably substantial family farmers and country town merchants in places like Wanganui and Hamilton, as well as smaller centres like Martinborough.

Finally, Olssen and Scates’s (2008) reflective comments bring McAllon’s review more close to the present and contribute to the sociology of no sociology.

Just three decades ago, most scholars in New Zealand thought that the major social, cultural, and political fault-lines ran along a rural-urban

axis, but that within the towns, as if in a minor key, social class generated the most significant and enduring divisions” It was axiomatic, of course, that New Zealand was a capitalist society and that the stratification or class structure of all towns was rooted in the industrial division of labour. This was the conventional wisdom and nobody doubted that from 1840 onwards New Zealand had been but an outpost of British capitalism with a 'normal' class structure.<sup>5</sup> How to characterise family farmers occasionally caused a problem, but much of the best work ignored them and focused, as W.B. Sutch did in *The Quest for Security* (1966), on the colonists' attempts to remove the sources of insecurity and the consequences of poverty.

Across the period from the 1880s until the 1930s, class by itself, even in the main towns, only possessed explanatory power when we disentangle or disaggregate the following: the occupational structure; the degree of demographic class formation; the extent of occupational and social closure; the level of unionisation, if not the nature of those unions, itself not unrelated to the local or regional product and labour markets. All need to be kept analytically distinct while allowing for personal and ideological influence to affect outcomes, and indeed for events such as strikes, changes in government or public policy, and not least such global events as wars and depressions.

Review articles on aspects of New Zealand history are also valuable: e.g. Nolan (2009) draws attention to periods of increased social mobility and other phases of New Zealand history which were less amenable to social change.

### **Historical overview of Sociological/Social Science Attention to Class/Inequality in New Zealand:**

In the preface to his splendid *A Vision Betrayed* Tony Simpson (1984) makes some pointed comments concerning the New Zealand literature in this area which somewhat echoes comments applicable to the historical studies:

..the extraordinary amount of research undertaken in New Zealand, which, after its completion never sees the light of day or if it does is confined to a narrow and essentially academic audience. This is despite it often having broad general interest and arriving at conclusions which at a direct variance with generally received beliefs. In apparent contradiction of that there are clearly some subjects of research which have in the past and which to an extent remain taboo. The most important of these seems to be the subject of class division. It is rather too rare to find thorough examinations of the socio-economic determinants of phenomena; this is becoming less the case but suggests that the dominant mythologies of any society set the agenda in research as much as in much else. In some few examples

which were examined the data sustained a socio-economic variable as the principal available explanation but the researcher, inexplicably, looked elsewhere for a conclusion. Related to these two is the question of access to sources. Much of the research is buried in specialist library and is theoretically available to all but in practical terms available to very few.

The historical sketch presented here calls attention to studies rather than retrieving their details. The section is organised as follows:

- SOL/Distribution Studies
- Ethnographic or community-based studies
- Political economic treatments
- Social psychology studies of class in the 1950s and 1960s.
- Burgeoning of class studies in the 1970s and 1980s
- The 'long haul' of s.e.s. studies in the more applied areas - education, health, welfare, recreation studies etc.
- The inter-regnum of the 1990s and 2000s: tangential and small-scale studies.

The backbone of New Zealand Social Class/Inequality studies are those concerning SOL and distributions. SOL research in New Zealand goes back to a 1893 study of family budgets carried out by the then recently formed Dept. of Labour – involving a 'sample' of family budgets which were presented in some detail. (No doubt this emulated some of the poverty studies being carried out in the UK.) SOL has been revisited quite regularly from time to time since, often through investigative committees or Commissions. And determination of SOL was built into the heart of the Arbitration and Conciliation industrial relations system. Doig and fellow investigators carried out a field study of the SOL of dairy farmers in the late 1930s whose published findings shocked the nation and in part led to the closure of the unit carrying out a series of such studies before they were completed and published (see Robb, 1987). A little later Doig's left wing sympathies were even more openly expressed in probably the first systematic study of inequalities in New Zealand.

Since then a series of studies ensued with major investigations launched in the mid-1980s by the *NZ Planning Council* and continuing with work sponsored by VUW's IPS in the late 1990s and more recently work from several government and government-related analysts. The use of official statistics was complemented with field investigations to pin down measurements (as discussed above), and then – through StatsNZ several surveys to measure wealth as well as income. Related studies, such as on fiscal

distribution have also been carried out so that the costs and benefits of government transfer activities (taxes and benefits) can be reasonably assigned to different income and age groupings.

An interest in Class/Inequality accompanied the advent of 'proper' social science research in New Zealand: the ethnographic monograph on *Littledene*. This and later studies of Johnsonville, and are adequately discussed in Pearson and Thorns, 1983: chapter 9. Since then, only a couple of more recent ethnographic studies come to mind – Hatch's (1992) superb historical sociology of the Canterbury/Otago area in which he superbly deployed the imagery of one-table and two-tables lifestyles and Dominy's (2001) study of a particular class/occupational grouping of high country lease-holders which particularly explicated the cultural meanings of their properties.

However, recently several journal articles report studies in which the lived experiences of various class-related groupings are examined.

In the early 1950s quantitative work began – in the Wairarapa – to develop understandings of class and rankings of occupations through surveys. Congalton conducted several studies and developed the Congalton-Havighurst scale – although this was criticised for mainly applying a US categorisation onto the New Zealand situation without much finessing. In the early New Zealand sociology readers, appropriate chapters were able to report a busy mini-industry of studies on class-related topics. Vellekoop (1969) notes a range of studies including her own monograph into occupational mobility aspirations. And the first significant international sociological publication on New Zealand concerned the impact of occupational mobility on suicide rates. Over these few decades a 'community survey' tradition developed, particularly at VUW but also at other New Zealand universities' sociology departments such as Peter Davis's early work out of the Canterbury department and Barry Smith from the Auckland department. Occupations of respondents was a standard item in questionnaires and at least one publication on occupational mobility was one result.

These concerns with class were swept up shortly thereafter into Pitt's (1977) collection. This covered essays which nicely reflected then-current work on an extensive agenda:

- D. Pitt's "Are There Social Classes in New Zealand?"
- E. Olsen's account of nineteenth-century social classes
- J. Macrae's income distribution & poverty
- D. Thorns's urbanization & suburbanization

C. V. Baldock on occupational choice & parental social class.

C. Macpherson on ethclass, and

D. Bedggood's Working class self-awareness.

However, reviews were critical as well as appreciative.

Shortly after, Pearson & Thorns's (1983) book was published which provided a complete 'one-stop shop' review, and again leading to wider discussion (Crothers, 1985 provides reactions by Auckland sociologists).

Moreover, during the 1980s several authors essay a more Marxist approach (e.g. Stephen, 1975) while other authors provided a broader political economic interpretation. Several other empirical studies ensued, carrying this agenda forward. The culmination of this fairly active period of work on New Zealand class/inequality was the Wilkes et al. (1985) attempt to seriously invoke the EO. Wright schema in carrying out a large-scale survey of New Zealand, with some of the authors providing themselves as the foot-soldiers for the task of questionnaire delivery and collection: but a full report was never published.

Sociological attention then became orientated elsewhere, particularly into the issues concerning ethnicity and migration engendered by political and cultural developments. Academic class/inequality studies in New Zealand were then mainly reduced to a trickle of studies – many historical or chapter treatments in introductory texts – together with some applied sociological work.

'Rogernomics' (during the 1980s) involved a major shift of resources tilting against the working class in favour of allowing high class levels to accumulate more resources. In turn, this generated counteracting research work, both in government and from NGOs. The Ministry of Works & Development (MWD) set up a social impact unit which carried out studies of unemployment and related fallout from the 'reforms'. As already mentioned, the Ministry of Social Development (MSD) initiated a programme monitoring household inequality which gradually picked up momentum generating a series of Standard of Living surveys and scale development to measure deprivation etc. Alongside these was a disparate array of 'small studies' on aspects of poverty and hardship. Some of these were carried out by action groups or by Commissions and Committees of Inquiry. Medical social research generated a series of Deprivation atlases as well as the scales used to produce them. At one point a vigorous argument erupted which involved (or could be interpreted as) the possible reduction of ethnicity to social class when it was pointed out that Māori differences nearly disappeared statistically when controlled for measures



of social class. Extending the government programme of concern with poor social outcomes led to the emergence of Social Indicator studies, which attempted to measure a wider array of socioeconomic outcomes (see Cotterell and Crothers, 2011).

Utilising the various updated socio-economic (s.e.s.) scales a steadily accumulating array of applied social research routinely deployed s.e.s. as a measure in their studies – medical, education, welfare and even political – although such studies were carried out in several areas quite independent of each other and no overall inventory of findings has yet been attempted.

Roper (1995: 79, 80) summarised the scene in the mid-1990s. He begins by stressing the continuing importance of class more generally:

..the central argument...is that New Zealand society is fundamentally stratified by class and that class inequality, class interests, and class struggle are central both to the overall organisation of this society and its polity. Class matters. Whether we are conscious of it or not, it shapes our lives in profound ways.”

..and more specifically (p. 83) ...other important empirical manifestations of class inequality, including the growth of poverty during the 1980s and 1990s, the rise of unemployment, the deterioration of the housing conditions of the poor, the restriction of working class ‘life chances’ for health, education, and travel, alienation in the workplace and in society, the prevalence of competition, accumulation, and material acquisitiveness, and the extent of industrial accidents and violence in capitalist societies”.

He then provides an incisive critique of the lack of attention to class in New Zealand sociological writing (p. 79):

Although it is understandable that those on the political right, such as the Treasury, the Business RoundTable, and the National Party, seek to deny that society is characterised by class inequality, many of those on the left have also failed explicitly to discuss class inequality and conflict. E.g. the terms ‘class; and ‘class struggle’ appear no more frequently in Kelsey’s (1993, 1995) otherwise valuable critiques of Rogernomics than in the Treasury brief upon which that program of reform was based. The feminist literature in New Zealand pays scant regard to the interconnections between gender and class – even DuPlessis (1993) seem reluctant to conceptualise socio-economic inequality explicitly in terms of class. And Awatere (1984) in her seminal text on Māori nationalism, fails to provide a systematic consideration of the class dimension to Māori subordination.

..and more specifically he refers to New Zealand sociological writing (p.96):

Somewhat surprisingly, given the healthy size of the discipline of sociology in New Zealand, the empirical research and literature on class inequality is sparse and the quality of the available literature is highly uneven. Pearson and Thorns (1983, 1986) provide the most sophisticated neo-Weberian analysis of New Zealand's class structure during the post-war era, while Stevens (1978) remains the most sophisticated Marxist analysis. Bedggood (1980) provides a valuable analysis of the historical emergence of capitalist class relations during the 19<sup>th</sup> century, but his analysis of the changing class structure during the 20<sup>th</sup> century fails completely to deal systematically with the available statistical data. Wilkes (1990) attempts empirically to operationalise Wright's theoretical mode through a NZ survey but generated results that can be described as questionable at best.

Some studies in political economy have paralleled these developments. These include some case studies of political action from business interests (peak bodies) and considerable analysis of 'rich lists' and directorship and share ownership data, since the rich like (or have a commercial need) to obtain information about each other.

Finally, over the last couple of decades the study of class has been decked out through some diagonally/orthogonally couched attempts which it is worth noting in more detail.

James and Saville-Smith in their *Gender, Culture & Power* (1989) argue that there are three forms of inequality or oppressive relationship – sex, class and race – and that one should not be “.. presented as more basic, more important, and, consequently, as taking political priority or precedence in the struggle for the fair society (p.2). They review in their introduction proponents of the various key points and point out that each on their own is inadequate as an explanation (p.6). They argue that inequalities are more than emergent from ‘subjective individual interactions between oppressor and oppressed’ but rather “..inequalities of race, class and sex emerge out of the very material conditions of people's lives...out of the organisation of production and reproduction.”

Having raised the question of how the three dimensions relate together they intend in their book to: “...explore the notion that New Zealand is a ‘gendered culture’, a culture in which the structures of masculinity and femininity are central to the formation of society as a whole (p.6)” and that “.. the gender culture should be challenged because it enables hierarchies of sex, race, and class to be maintained”. Expanding further on this conception they suggest New Zealand is:

..a culture in which the intimate and structural expressions of social life are divided according to gender. Notions of masculinity and femininity are a pervasive metaphor which shape not merely relations between the sexes, but are integral to the systematic maintenance of other structures of inequality as well. Inequalities of sex, race, and class in New Zealand are tied together by and expressed at a cultural level through the organization of gender relations.

There is a constant struggle between the male world of mateship and the female world of kinship. Indeed, they see this culture as emerging from the social orders and problems of settling which required a collective societal response by the end of the 19<sup>th</sup> century. Whereas the female culture was constituted through the 'cult of domesticity' male culture integrated the two apparently contradictory constructions: 'Man Alone' and the 'Family Man'.

Howland (2004) provides a wittily presented anthropology of 'Middle New Zealand' entitled 'Lotto, long-Drops and Lolly Scrambles'. Middle New Zealand refers to the middle classes but also the geographical middle of New Zealand – the generalised experiences of New Zealand's predominantly Pākehā urban middle classes. This is seen as a shared culture which operates as a model against which differences can be compared. He assumes "...that most members will be relatively affluent, educated to tertiary level and generally employed in white-collar jobs. Yet many blue-collar workers similarly possess the necessary wealth, learning and social sensibilities to be middle class" (p.12). New Zealand's middle classes he sees as being characterised by ...an ethos that idealises individuality. The unfettered and vibrant expression of individualism is considered by many to be the ultimate goal of a healthy capitalist society, democracy and meritocracy... They also share the idea that education and wealth are the primary ways a person's individuality can be creatively nurtured and expressed". There is divergence "... on the relative merit they attach to schooling or lucre as the ideal method for asserting their individuality". Finally, in comparative terms New Zealand's middle class "... are still self-effacing about our social privilege. We often save our conspicuous displays of wealth and privilege for appropriate and compartmentalised occasions".

In the absence of comprehensive class analysis, two market researchers, Jill Caldwell and Christopher Brown, produced in 2006 another grouping of New Zealand society which they labelled the '8 tribes'. These were less a measure of material distinctions such as income, occupation or property

ownership, than they were distinctions of culture and ways of life. The ‘tribes’ were:

- the North Shore tribe: achieving – ambitious, heavily mortgaged and suburban
- the Grey Lynn tribe: intellectual – highly educated frequenters of inner-city cafés
- the Balclutha tribe: staunch – down-to-earth and provincial
- the Remuera tribe: entitled – children of privilege and breeding
- the Otara tribe: community – urban, Polynesian, and focused on the family and church
- the Raglan tribe: free-spirited – laid-back hedonists
- the Cuba Street tribe: avant-garde – trendy and bohemian
- the Papatoetoe tribe: unpretentious –urban working people who like a beer with their mates.

This was not a division that arose out of tight statistical analysis, but rather a set of judgements about style. However, it appealed precisely because in a diverse society the old distinctions of class no longer successfully explained the growing differences and inequalities of New Zealand society. Money is not all that important except for the North Shore (spending) and Remuera (old money) - together with interest in titles. Relatedly, market researchers have indulged in various lifestyle segmentation studies and some of these impinge on inequalities/class (cf. Lawson and Todd, 2002).

Finally, class is not limited to a national location: Australia is also implicated in the Australasian cross-Tasman and there are also some South Pacific formations of class. Some articles have been written on the former while the later topic was reviewed in the 1987 Hooper book. Although the book does not glimpse class formation in any part of the South Pacific except Fiji it is clear that modernisation is exerting pressures on island socio-political structures. Latter, a flurry of debate has concentrated on class (non) development in Tonga.

## **Conclusion**

We need a ‘sociology of no sociology’ (to use Harvey Franklin’s term). Because biculturalism and identity politics emerged in the 1970s and was then more generally put on the political agenda by Rogernomics as its area of ‘social conscience’ this locked-in these issues for consideration at the expense of adequate attention to Class/Inequality as an issue. Earlier, a focus on rurality had also subverted attention. On the whole in considering the literature it seems the glass is half empty rather than half full. There is a considerable scatter of

studies of social class in New Zealand, with some quite heavy concentrations at particular times. But with little cumulation. Inequality has been studied but not so much its embedding in social class. This is a difficult area leading to error and often valid critique has been aroused by studies. Much consolidation and updating are required. However, the recent emergence of interesting field studies on class and related topics (e.g. Stephens and Gillies, 2012) is encouraging. It is intended that this inventory of studies begins to outline the available stock of studies to assist in further work.

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The bibliography was garnered from a range of sources including the extant literature and updated thru on-line searches of sources including *Index New Zealand* and *Sociological Abstracts*. Because of the length of list references to some series of studies are consolidated. No dissertations/theses are included<sup>1</sup>: nor are reviews, and coverage of the grey literature is probably limited. Chapters in books (or special issues) are not separately identified. There is some coverage of Pacific. While I am confident that the coverage is quite definitive in terms of core literature, however related literatures only sampled. Over 350 items have been identified. They stretch back to the 1890s.

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<sup>1</sup> A partial list of these is available from the author.



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