

## Addressing our social deficits

SPEECH BY MAJOR CAMPBELL ROBERTS TO NEW ZEALAND FIRST PARTY CONFERENCE 19<sup>th</sup> JULY 2014

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Greetings to you all today and thank you for this opportunity to be part of your 2014 conference.

The Salvation Army as you may know is an evangelical Christian church established in New Zealand in 1883. During most of our history here in Aotearoa we Salvationists have not been afraid to be political - to say the public things and to take the political positions which our conscience has required of us. We have however always taken care to be apolitical rather than non-political - to be non-partisan in our political stances. We have tried as best we can to have open and frank dialogue with all political parties - we believe that such dialogue is essential for a free open and tolerant society which I believe New Zealand is today.

It is this desire for dialogue which brings me here today and I would like to thank the Party leadership and you conference delegates for giving me the opportunity to discuss an incredibly important political challenge facing us as New Zealanders - the challenge of addressing our many social deficits.

Many of you can no doubt remember a time when the current economic orthodoxy of neo-liberalism was not literally the only show in town. When the idea that markets are the superior and even sacrosanct, when freedom is narrowly defined in terms of economic property rights. Where the role of Government is simply to mediate and lightly regulate markets for fear of being interventionist.

Neo-liberalism was ushered into New Zealand's economic and social life without a mandate by the Lange-Douglas government in 1984 and then more keenly embraced - again without mandate by the following Bolger-Richardson administration. Every Government since has

continued with the orthodoxy of neoliberalism in an unquestioning and indeed unquestionable way - this is simply the way things are done.

And for a while neoliberalism seemed to be delivering the goods - at least in terms of material progress and if you discount the persistent social inequality and growing indebtedness which it also produced. Neo-liberalism delivered the goods until the global financial crisis of late 2007 - the biggest economic crisis since the Great Depression of the 1930's . The global financial crisis or GFC as it is now commonly known has also been called the Great Recession.

In January 2011 the Prime Minister Mr Key told a Herald reporter that the 2011 election would be challenging because *'essentially there is no money - there won't be money for us and there won't be money for Labour'*<sup>i</sup>

Then in February 2011 we had the most severe of the Christchurch earthquakes. Following this in April 2011 at an event with the Wellington Employers' Chamber of Commerce the Finance Minister Mr English announced that the earthquakes would likely cost Government around \$8.5 billion. In doing so he said *'the earthquakes do not fundamentally change our economic situation or the Government's programme. They simply make the task of returning to surplus a little more difficult.'*<sup>ii</sup>

As we know the 2011 Budget faced up to the challenge of funding the earthquakes' damage. Yet despite these costs, the Government will by most predictions manage to return to surplus this financial year - one year ahead of the date predicted for a surplus back in 2010<sup>iii</sup>. This return to surplus is testimony both to the Government's fiscal resolve to cut back on spending as well as lower than anticipated interest costs<sup>iv</sup>.

There are probably two lessons to draw from this experience. We all know that Treasury's forecasts are not always reliable so we cannot honestly take this as a lesson.

Perhaps the first lesson is around how easily the costs of the Christchurch earthquakes have been covered. Granted much of the \$8 billion to \$9 billion bill has been covered by debt but still the total cost of interest on Government debt in 2013 was \$1.5 billion less than was predicted prior to the earthquakes in 2010.

The second lesson is perhaps around how easy it was to accommodate additional spending and new priorities when the need for these arose. We did not hear much rhetoric around the focus on the deficit and debt or the need for fiscal responsibility as the dust settled from the earthquakes and it is of course entirely appropriate that we didn't. As New Zealanders we all knew the Christchurch recovery was a matter of national priority and we should expect to make a contribution to this priority.

The question not being asked here is who missed out. Soon after the February 2011 earthquake the Green's co-leader Russell Norman suggested that a temporary additional income tax be levied on middle and high income earners as a way of paying for the earthquakes<sup>v</sup>. This suggestion was never picked up the Government which instead stuck to its path of fiscal conservatism.

In fact tax revenue in 2013 was nearly \$3 billion less than was predicted in 2010 so an unexpected tax windfall is not the reason for our progress toward surplus. Rather it has been reduced spending that will bring us back to surplus in 2015. Spending in 2013 was \$4 billion less than was forecast in 2010<sup>vi</sup>

It is in my view good news that New Zealand appears to have weathered the financial storm of the Global Financial Crisis fairly well and that we are firmly on the pathway to an operating surplus. It is

also important that future Government's work hard at reducing the debts accumulated over the past six years due to the GFC and the Christchurch earthquakes. Such a reduction is clearly part of maintaining our financial credibility with world capital markets and will ensure that New Zealand Inc is able to weather the next economic storm as well.

But in working to maintain an operating surplus and to retire debt we need also to place at the centre of our political priorities the various social deficits which we have allowed to accumulate over the past six years. Addressing such deficits is not in my view amongst the 'nice to haves' which Mr English has talked about as he justified his new 'mechanism for reducing the size of government' <sup>vii</sup>

There are at least two reasons why reducing social deficits are not amongst the 'nice to haves'. The first reason is a fairly pragmatic one - social deficits last. Social deficits cannot simply be repaid like we might repay a mortgage or overdraft.

Social deficits can inflict long-term and perhaps lasting damage on the people who suffer from them. As we know a child who has been abused or neglected has a far greater chance of becoming an abusive or neglectful parent than children who have been properly cared for and nurtured. A child who fails to get the necessary remedial assistance to meet their learning needs is more likely to fail school and to then slip into a life of unemployment or poorly paid work. A child who contracts Rheumatic fever because they live in damp cold and overcrowded housing is most unlikely to become a healthy adult who is able to make a full contribution to society.

These are the well-known and enduring impacts of social deficits.

The second reason why social deficits are important is one of basic social justice. If we want to build a New Zealand where every child has every opportunity to succeed, where people are not forced to beg on

the street and where old people can live in dignity and security then we need to look at the social deficits which we have allowed to grow since the GFC.

I would like to close today with a brief overview of some of the social deficits which I believe need to be addressed by the next Government

## Housing

As you may know around 7,000 to 8,000 houses were destroyed by the Christchurch earthquakes and it appears that many of the people displaced by this destruction will struggle to regain a place in the housing market which is emerging in a rebuilt and to some extent re-located Christchurch.

However over the past five years there have perhaps been as many as 15,000 dwellings not built in Auckland.

Over the past five years population growth in Auckland has been around 22,000 to 24,000 people per year. Slightly more than half of this growth is due to natural increase ( an excess of births over deaths) while the remainder is due to net migration - most often from overseas. In the face of this population growth on average each year just 4,500 new dwellings have been built.

This has created a housing shortfall of between 12,000 and 16,000 dwellings. This shortage is particularly acute in South Auckland where the rate of overcrowding is now five times the New Zealand rate.<sup>viii</sup>

At the Salvation Army's community ministry in Manukau we are seeing the result of this shortage on a daily basis. It is now not uncommon for a mother and her young children to be living in a car in carpark before they come and ask us for assistance. All we can do is put them in a motel for a few nights and plead to Government agencies for assistance.

In the face of this crisis the Government allocated just \$20 million in this year's Budget for the provision of additional social housing unit.

### **Child poverty**

While we continue to argue about how many New Zealand children live in relative poverty and even about how we should measure such things, two things to me are clear - there are many tens of thousands of such children and the numbers are not reducing under the current policy settings. Income top ups for beneficiary families with children will clearly help but the necessary interventions here extend beyond income assistance. Ensuring that people have access to decent affordable housing will help in order to limit higher incomes simply leaking out in higher rents. As well we need to look at more effective services to wrap around young mothers to ensure that neither they nor their children are at risk of enduring poverty.

### **Our youth**

There are 40,000 fewer 15 to 19 year olds in work today than there was prior to the GFC and the actual unemployment rate amongst 15 to 19 year olds, if we took discouraged workers into account, would be over 35%<sup>ix</sup> Yet the numbers of people in tertiary education, industry training programmes and apprenticeships appears to be falling<sup>x</sup>. At the same time suicide rates amongst males aged 15 to 25 years remains at two and half times the national rate.

It appears to me as though we are selling our young people short and we need to do better in terms of ensuring that all students leave school with a qualification. At present we are importing skilled labour to meet labour shortages in the Christchurch rebuild while we have tens of thousands of young people idle.

In closing I think it is important that as New Zealanders we see the 2014 elections as a chance for a new direction - a new start. While the economic recovery remains fragile we appear to have escaped the economic carnage of Europe and the United States. In doing so we have sustained most of the social contract around social protection and public health and education. That contract appears to me to be frayed around the edges and in need of revision and recasting.

In undertaking such a review it is in my opinion important that we don't throw the baby out with the bath water speak. To use the recent economic downturn to justify austerity and radical reforms such as is being done in the UK and to a lesser extent in Australia.

Sure we face some looming challenges around an aging population. But it appears to be that the best investment we can make to address this challenge is to invest in our children, our youth and our families.

If we fail to do this it may be the case that the progress we do achieve is not widely shared and that in a generation from now our children and grandchildren will reap a more divided and perhaps socially poorer New Zealand

Thank you

## ENDNOTES

<sup>i</sup> New Zealand Herald article by Audrey Young of 3<sup>rd</sup> January 2011 'Key says he'll quit politics if National loses election' available at [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10697623](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10697623)

<sup>ii</sup> New Zealand Herald article by Audrey Young of 13<sup>th</sup> April 2011 'Quake repair estimate revised to \$8.5 billion' available at [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10718887](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10718887)

<sup>iii</sup> See Bill English's 2010 Budget Speech p.29

<sup>iv</sup> The 2010 and 2014 Budget Economic & Fiscal Update's provide the following projections and results

|                                   | Projection for 2013 in 2010 BEFU | Actual in 2013 from 2014 BEFU |
|-----------------------------------|----------------------------------|-------------------------------|
| Taxation revenue                  | 60,911                           | 58,134                        |
| Total revenue (excluding gains)   | 92,342                           | 86,655                        |
| Welfare benefit expenses          | 21,538                           | 20,789                        |
| Interest expenses                 | 5,934                            | 4,358                         |
| Total expenses (excluding losses) | 97,739                           | 91,007                        |
| OBEGAL                            | -4,394                           | -4,414                        |
| Operating balance                 | -2,402                           | 6,925                         |

<sup>v</sup> See <http://www.interest.co.nz/news/52429/greens-call-small-temporary-earthquake-levy-those-earning-over-nz48000-help-pay-rebuild-your-view> and <http://tvnz.co.nz/national-news/call-quake-tax-after-4b-blowout-4373147>

<sup>vi</sup> BEFU 2010 forecast Core Crown expenses of \$74.224 billion by 2013 while the actual for 2013 was \$70.306 billion. Savings or expense reduction were achieved from welfare (-\$1.0 billion) economic & industrial services (-\$0.8 billion) heritage, culture & recreation (-\$0.8 billion) and finance costs (-\$0.7 billion)

<sup>vii</sup> Bill English's address to Institute of Public Administration on 29/03/2011 Available at <http://www.billenglish.co.nz/archives/687-Speech-to-the-Institute-of-Public-Administration-New-Zealand.html>. This mechanism is reducing the size of Government is a \$1.1 billion per annum cap on new spending - a cap which appears to include allowances for inflation, population growth and demographic change and economic growth.

<sup>viii</sup> These estimates of overcrowding are taken from data from the 2013 Census and use the Canadian Crowding measure to estimate overcrowding

|                           | Estimates number of overcrowded dwellings | Total number of occupied dwellings | Overcrowding rate |
|---------------------------|---|------------------------------------|-------------------|
| South Auckland            | 5,000                                     | 74,901                             | 6.7%              |
| Rest of Auckland          | 6,000                                     | 394,599                            | 1.5%              |
| New Zealand               | 20,200                                    | 1,549,890                          | 1.3%              |
| New Zealand excl Auckland | 9,300                                     | 1,080,393                          | 0.9%              |

<sup>ix</sup> This estimate is based on applying the participation rate of 15 to 19 years olds prior to the GFC of around 57% to the number of 15-19 years in the population in 2014 to work out how many people in the age group would seek work if it was available. In March 2014 the participation rate was 46% while the official

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unemployment rate was 22% . At the higher participation rate of 57% the unemployment rate would rise to 37% - Source of date Statistics NZ's Household Labour Force Survey

<sup>x</sup> The following data is from the Tertiary Education Commission's annual reports 2010 to 2013

| Year ending June                        | 2010    | 2011    | 2013    |
|---|---------|---------|---------|
| Students in tertiary education EFTS's   | 242,278 | 237,381 | 234,835 |
| Participants in industry training STM's | 56,789  | 45,616  | 39,351  |
| Modern Apprenticeships - individuals    | 11,980  | 10,434  | 10,985  |