New Zealand a country valuing fairness and equity. Dream or Reality?

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Thank you for the opportunity to speak today. I am very conscious you represent organisations and people who over years in some cases have endeavored to make New Zealand a more fair and equitable for all Kiwis to live in. Thank you for that contribution.

Sadly however today's truth is that despite all the effort of yourselves and others New Zealand is still not a fair and equitable place for everyone. And there are indications that inequity may be getting worse.

Two 11 year old boys I connect with illustrate for me some of the problem..

In many ways these two boys are remarkably similar, highly intelligent, rugby loving, full of life and fun, strong personalities and socially apt. Two delightful Kiwi kids. But in reality their lives are very different.

The first eleven old:

Hardly ever ill

PlayStation 4, IPad, Computer and IPhone

His own bedroom

The family go out for a restaurant meal at least once a week

He always has a packed lunch for school

He's never missed a school outings or camps

His school has a swimming pool a gymnasium and everyone gets an IPad

The Family has a holiday house by the beach and they go every year on a holiday overseas.

For his colleague 11 year old things are a little different

He's been in hospital with rheumatic fever

Fifteen people live in his house, he shares a cold damp and mouldy bedroom room with three others siblings and cousins.

In two years the families had to move four times. He's been to four schools in two years.

Usually there isn't enough food for everyone to have lunch to take to school

They rely monthly for a food parcel from The Salvation Army

Last year he wanted to go to school camp. His Mum and Dad saved and planned for him to go but then he found if he went to camp there wouldn't be enough money for everyone else in the family to have meals every day

No pool or gymnasium at any of his schools, six computers in the school to share but no electronics at home

The reality of the New Zealand these two boys represents a challenge to any vision of fairness and equity we might have for New Zealand.

For the last 45 years I have had the great privilege of working alongside individuals and organisations like your own that have been intent on bringing more fairness and equity to New Zealand communities. I have found a great variety of things drive people in New Zealand to care for justice and fairness. It will not surprise you that being part of a New Zealand faith organisation has impacted my personal motivation to work for social justice. My motivation has been an attempt to incorporate a Christian faith and value set into my living.

Part of that Christian faith tradition is discovered in the Sermon on the Mount of Jesus, told in Chapters 5, 6 and 7 of Matthew's Gospel. Central to this sermon are the Beatitudes.

- Blessed are the poor in spirit: for theirs is the kingdom of Heaven.
- Blessed are those who mourn: for they will be comforted.
- Blessed are the meek: for they will inherit the earth.
- Blessed are those who hunger and thirst for righteousness: for they will be filled.
- Blessed are the merciful: for they will be shown mercy.
- Blessed are the peacemakers: for they will be called children of God.
- Blessed are those who are persecuted for righteousness sake: for theirs is the kingdom of heaven

Christian scholar James Hastings suggests that 'together the Beatitudes present a new set of ideals that focus on love and humility rather than force and exaction; they echo the highest ideals of compassion'[i].

The example that Jesus sets in this sermon is clear. A call to be willing to act against injustice, and to be counter-cultural even anti-establishment if that is what it requires to achieve social justice.

Politics is frequently commanded by a dominant idea. This idea becomes the organising idea around which political discourse is constructed and against which the realms of the possible and impossible are decided. In the 1940's, 50's and 60's this dominant idea was insecurity and the fear of want, which inevitably led to a paternalistic state including the welfare state, state housing and macro-economic policies to provide full employment. Over the past 30 years the dominant idea has been that of market competition – the idea that markets should determine both the value of things and allocation of resources. The big idea of market competitiveness seems to have delivered deeper inequality.

But we should be encouraged market competition isn't the last of the big political ideas. There will be another big idea and most likely it will stand in contradiction to the current big idea. Some would say that the end of the present big idea and the adoption of something new is taking shape in this present decade.

I want suggest to you that the new big idea may be addressing inequality. That's just not my idea, some intellectual heavy- weights like British sociologists Wilkinson and Pickett, French economist Thomas Piketty and Nobel laureate and American economist Joseph Stiglitz have said so.

And the reason inequality might well become the next big organising idea is because we as a country like most of the world are quickly becoming more and more unequal with a resultant social and economic dislocation.

Two things need to be identified as issues right at the start. Firstly, the greatest emerging inequality is around wealth and not incomes an inequality hidden by a lack of interest in measuring it. Secondly, this inequality is in my view responsible for a number of social ills including the incidence of child poverty, the disappointing failure of Maori youth at school, and the simply appalling rates of their imprisonment as young men and their early deaths[ii].

At the time of the last general election in late 2014 we witnessed a fairly uninspiring debate between the two major political parties over whether or not New Zealand had become more unequal under the present Government. Minister of Finance Bill English rejected Labour's claims that NZ had become more unequal as a country and the truth was the evidence in this respect was at best mixed[iii].

But in this debate we really missed an essential part of the argument – It shouldn't have been an argument on whether things had got worse in the equality stakes over the past six or seven years. But rather why over the last 25 years under successive Labour and National lead governments has inequality been allowed to grow unchecked in New Zealand? Sadly in accepting current levels as OK this inequality has simply become the new normal for politics in New Zealand.

What I find most disappointing about the current political discourse as well as the media representations and the public debate which stems from it, is the acceptance of inequality. In essence what we have now in terms of the inequality is often seen as good as it gets and the best we can hope for as citizens is minimal piecemeal change.

Let us look at what evidence we have about wealth inequality here in Aotearoa.

The most recent comprehensive assessment of wealth distribution is disturbingly old news. It comes from the Survey of Family Income and Expenditure or SoFIE which was conducted in 2003/04. While this was only a sample survey it identified that the wealthiest 1% of adult New Zealanders owned over 16% of the wealth which was three times more than the poorest 50% of adults who collectively owned just over 5% of the wealth. At that time half the wealth was owned by less than 10% of the adult population[iv].

While these disparities are common across much of the western world and especially in Anglophone countries the extent of the differences should, in my opinion, negate any claim that New Zealand is a country which values fairness and equity.

SoFIE also identified that wealth disparities across ethnic lines and here as well the disparities are stark. In 2004/04 the estimated median net worth of adult New Zealanders of European descent was almost $87,000 while that for Maori was $18,00 and for Pacific Island adults it was less than $7000 – just one thirteenth of that of Europeans[v].

Two things stand out in developments since then –firstly the lack of policy interest on wealth distribution and secondly the impact of housing markets in probably worsening these disparities. There is perhaps even a third significant feature of our policy landscape which is related to both these developments and that is the complete lack of interest in addressing the housing bubble and the imbalances – both economic and social which this is creating.

To me it seems quite astonishing that the only information we have on wealth distribution is more than a decade old. The Government seems well able to spend significant sums of money building actuarial models to identify those most at risk of benefit dependency and the likely future costs of such people to taxpayers, but appears quite indifferent about the wealth disparities and the skewing of advantage and opportunity which these in turn present.

For example in 2011 Statistics New Zealand led a review of economic standard of living statistics. This review identified as a priority the need for 'longitudinal income and wealth data' and a need to compare 'macro and micro-economic measures of income saving and wealth'[vi]. Yet five years later we are still none the wiser about recent trends in wealth distribution.

The good news here is that in 2015 Statistics New Zealand expanded its Household Economic Survey both in terms of sample size and the range of questions now includes some around assets and liabilities. These results have yet to be published but they may give us some important insights into changing wealth distributions in New Zealand[vii].

Around 60% of New Zealanders' wealth is held in housing. At the end of 2015 this was about $650 billion of New Zealand households' total wealth of over $1.1 trillion[viii]. Since 2003 the total wealth of New Zealand households has increased by 125% in nominal terms while the value of New Zealanders' housing wealth has grown by 145%. In other words more than 60% of our increase in wealth is on account of increases in housing wealth. Those of you who own housing – especially in and around Auckland, will no doubt appreciate the significance of these changes.

These changes are however making things worse from a fairness and equity point of view. In 2003 around 46% of adults did not own their home while today that proportion is probably around 52%[ix]. At the same time that housing is appreciating in value and becoming relatively more important as a form and source of wealth fewer people have access to it.

There is of course is still the question of what is happening to the other 40% of New Zealanders' wealth which is mainly held in bank deposits and small and median sized businesses[x]. It seems unlikely that the distribution of these assets will adequately compensate for the trend of concentrating ownership of housing. This is even allowing for the widespread popularity of KiwiSaver[xi].

This means of course that the house price boom in Auckland and several other regions is largely only benefiting wealthier New Zealanders. In my view the Government has taken a very hands off attitude to the house price boom although the Reserve Bank has taken modest steps to rein it in[xii]. The house price boom is clearly a zero sum game – there are clear winners and loosers and in effect no net gain. The Government's failure to act here has clearly worked to the advantage of the winners who by and large are the already wealthy and most likely its supporters.

I would like to liken our social progress to glacial speed but with climate change and glacial retreat this would simply serve as an injustice to glaciers and their rapid demise. Our social progress across many fronts is far too slow and in some areas the progress is intermittent and variable. Take child poverty for example.

We have various measures of child poverty and it seems to me that we spend more time arguing over the best definition than we do looking at how we might reduce poverty rates – however these are measured. But whatever measure you use the overall trend is very clear. Child poverty rates are not declining despite the apparent political commitments and accompanying rhetoric. For example the most commonly used relative income measure of 60% of equivalent households' median income based on constant values and after housing costs shows that the in 2014 there were 175,000 living in relative poverty. This is around 17% of New Zealand children. In 2007 under the same measure there were 170,000 children in this position [xiii].

Yet over this period – 2007 to 2014, our economy grew by 12% and per-capita GDP grew by 6.7% in real terms[xiv]. One of the best panaceas offered by reducing poverty is economic growth. So how much economic growth do we need before we will see a reduction in child poverty rates? 15%? 25%?

The reality is that while economic growth is important for our social and economic well-being, it cannot be relied upon to reduce inequality. In fact economic growth may even increase inequality without counter-balancing public policies to ensure that the dividends from this growth are shared. An important policy in this respect is the annual increases in the minimum wage. A more enlightened policy approach around welfare benefit settings would also be very helpful here.

No doubt many of you are familiar with the loaves and fishes story which is also told in Matthew's gospel. In this story Jesus said a blessing over five small barley loaves and two small fishes and subsequently a large crowd was fed. This is claimed as a miracle by many Christians.

It seems to me quite extraordinary that a large number of people wandered around the other side of a lake to hear this new maverick preacher and not think about lunch. I expect many if not most took some food with them but when asked if they had any food to share almost everyone denied having any food probably from fear of having to share it. Only one boy came forward with his lunch to share and it was perhaps his example as well as Jesus' blessing which inspired others to share their food as well. The result was an abundance. Perhaps that is the real miracle here – the abundance we have if we share our talents, resources and good fortunes.

Maori have a very similar lesson in a proverb which I am sure many of you are familiar with

Naku te rourou. Nau te rourou. Ka ora ia te iwi

With my basket and your basket the people will live.

I guess an important question you face within the philanthropic sector is who to align your basket to. A number of scenarios are possible here and I expect you are already familiar with most of them.

One scenario is that as your basket is offered the matching basket is withdrawn or at least emptied a little on the basis of your contribution. This scenario I expect relates well to arrangements where Government is a significant contributor and any offering from the philanthropic sector risks a similar withdrawal of state funding. This might be done in the name of partnership or so-called 'community solutions' but it almost certainly is cost shifting and responsibility shredding.

A classic example of this is around food banks and food aid. The Salvation Army operates a network of 68 foodbanks across New Zealand. During 2015 this network distributed more than 55,000 food parcels to almost 29,000 individuals and families. These food parcels are provided through a variety of sources including public donations, corporate sponsorships and the Army's own funds.

Most food parcels are provided to people who have run out of entitlements for supplementary assistance from Work and Income. The balance here is critical – it would not take much of a change in the Government's hardship assistance policy or more general income support policies to have a massive impact on demand for food parcels.

If the average value of a food parcel is $50 this would put the total value of The Salvation Army's food bank programme nation-wide at around $3.3 million annually.

While this $3.3 million is significant to the scale of the charitable and philanthropic sectors it is quite insignificant to the scale of the state. For example in the most recent financial year the Ministry of Social Development provided $277 million in hardship assistance. This budget is just a small part of the almost $19 billion which government will pay out in pensions and benefits this year. Viewed starkly government's hardship assistance programme is more than 80 times bigger than the Salvation Army's food bank programme.

This is not to say that food bank programmes are not important to people's welfare but that philanthropy and charity are not adequate replacements for the welfare state.   A greater contribution by the philanthropic sector to food banks is not the answer to addressing poverty – better public policy and more generous budgets are.

Another 'basket' scenario is of leverage . 'If you can contribute your basket then we will contribute ours and we can do wonderful things'.

The example of the boy in the loaves and fishes story is in my view quite instructive. His contribution was surely sacrificial. Given the proportion he would have received in return if it was shared out he was effectively giving away or sacrificing his lunch. His motivations for doing so are unknown but perhaps these are unimportant given that what he offered was a clear indication of his commitment to the greater good.

It seems to me that as the philanthropic sector considers where it should direct its efforts and resource it needs to think about transformational change. The sort of change demonstrated in the loaves and fishes story which transformed peoples' behaviours and perspectives.

In my view to achieve transformational change which has fairness and equity at its base will require from the philanthropic sector a number of things

- Commitment to the big idea of creating a society that is tackling inequality.
- Investments made must enhance the common good and not just individuals, programmes or organisations.
- Investment should build wider community cohesion and enrichment.
- Investment should lead to transformation of social inequality rather than temporarily relieving social need.
- In New Zealand an investment that drives further community responsiveness to eliminate housing need and child poverty will be transformational.
- Backing for those visionaries whose motivation, insights and commitments show likelihood of transformation through often incremental but useful, meaningful change.

It's these things I would consider in making a $5m philanthropic investment. An investment bringing transformational change into life in New Zealand which results in greater fairness and equity for Kiwis currently left behind.

Real change happens in the hearts and minds of ordinary people - when they gain an imagination to see an alternative future and the courage to seek it. Such change does not happen by accident but rather by example. I pray that you will see your role as encouraging and supporting those visionaries whose example and leadership will change the hearts and minds of ordinary New Zealanders.

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[i] Hastings, J. (2004) *A Dictionary of the Bible* p.15

[ii] For example in 2014 76% of Maori 17 year olds and 49% of non-Maori 17 year olds did not achieve University Entrance. In 2015 the Maori imprisonment rates was 693 prisoners per 100,000 population against a rate of 100/100,000 for non-Maori. In 2013 the life expectancy at birth for Maori males was 73.0 years while that for non-Maori males was 80.3 years.

[iii] See for example the work of Treasury analysts John Creedy and Chris Ball which shows income inequality changed little between the 1990's and 2013/14 especially when at transfers were taken into account. Available at http://www.treasury.govt.nz/publications/research-policy/wp/2015/15-06/twp15-06.pdf. See also Brian Perry's estimates of Gini scores which show little change between 1996 and 2013. Perry, B. (2015) *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2014.* Table B.10 p42. Available at http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/

[iv] Cheung, J. (2007) Wealth disparities in New Zealand, Statistics New Zealand, Table 2 p.8. Available at http://www.stats.govt.nz/searchresults.aspx?q=wealth

[v] Ibid Table 4 p.10.

[vi] See Statistics New Zealand's website at http://www.stats.govt.nz/browse_for_stats/income-and-work/Income/review-economic-standard-living-stats-2011.aspx

[vii] See Statistics New Zealand's website at http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYeJun15/Data%20Quality.aspx

[viii] Source: Reserve Bank Household Financial Statistics which are available at http://www.rbnz.govt.nz/statistics/ .
[ix] These estimates are based on reported tenure of tenure holders from the 2001, 2006 and 2013 censuses updated to 2016 based on Statistics New Zealand's quarterly household and dwelling estimates and the tenure changes estimated in these.
[x] Of the 40% of New Zealanders' wealth held as financial assets almost one quarter are held as bank deposits, almost half as equity in small and median sized businesses and around 10% in superannuation funds such as KiwiSaver. Trends over the past decade are for an increasing share of wealth to held as deposits in registered banks or in superannuation funds and less to be held in equities in medium sized business.
[xi] In 2015 KiwiSaver had 2.5 million members of whom 1.4 million were contributing and 1.1 million were non-contributing. Source Financial Markets Authority (2015) Kiwisaver Annual Report 2014-2015 available at https://fma.govt.nz/assets/Reports/151005-FMA-KiwiSaver-Report-2015.pdf. The majority (54%) of members of KiwiSaver report having other savings of more than $50,000 suggesting that in general it is subscribed to by relatively wealthy individuals. In addition around 15% of members are aged under 17 and probably have been enrolled by parents to take advantage of the government contributions. Source Inland Revenue Department KiwiSaver evaluation reports available at http://www.ird.govt.nz/aboutir/reports/research/report-ks/.
[xii] See for example the Reserve Bank's fairly modest macro-prudential policies designed to rein in the housing market. The most notable of these were the imposition of tighter loan to value ratios on the mortgage lending of banks which were imposed in 2013 and limited the ability of first home buyers to enter the housing market. See Rogers, L. (2013) *A new approach to macro-prudential policy for New Zealand*, which is available at http://rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/2013/2013sep76-3rogers.pdf?la=en
[xiii] Perry, B. (2015) Table F.7 p.102.

[xiv] These estimates are based on Statistics New Zealand GDP data series.