



# State of the Family – a Report Card

*New Zealand: The Best Place to  
Live, Work and Raise a Family?*

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**Introduction:** How good a place is New Zealand to live in today? From infancy to adulthood to life as a senior citizen, what does living in New Zealand look like and feel like in 2011, and how well are we doing as a nation?

UnitedFuture leader Peter Dunne runs a ruler over 10 key indicators that people go through on their life journeys as New Zealanders and takes a look at how we stack up as a nation. They are simple – but not exclusive – indicators that most New Zealanders would have as life priorities, milestones or goals at various stages of life. They range from things that are important for children, in young and mid-life, and as we age.

Each indicator is given a grade on how it is achieved or otherwise, and some recommendations are made on how we can do better.

## **Ten Indicators of Living Life Well in New Zealand...**

- **Housing Affordability**
- **Parental Leave**
- **Cost of Raising a Child**
- **Household Income**
- **Access to Healthcare**
- **Educational Outcomes – Early Childhood, Primary and Secondary**
- **Work / Life Balance**
- **The Kiwi Lifestyle**
- **Fathers in Children's Lives**
- **Retirement and Superannuation**

## Housing affordability

### Housing affordability

Stable families need stable housing. Servicing a mortgage on a median priced house represents 55-60% of a median single income. For many families, that is simply not possible. Even taking account of the income of the entire 'household', it takes 37% of the median take-home household pay to pay the mortgage on a median-priced house. It is only in the recent recession, that this figure has fallen below 40%, which is considered 'affordable'. Provisions within KiwiSaver allow those with at least five years of contributions to draw down on their savings for a deposit on their first home, but that does not take effect until 2012. Recent changes to the treatment of residential housing in tax regulation have also improved housing affordability however trends suggest that this may not last long.

**Grade: C–**

**UnitedFuture recommends:** Families should be able to 'capitalise' their Working for Families entitlement as a lump sum to buy a home, or extend their existing home. Those doing this would be entitled to a small additional incentive to acknowledge the savings in administrative costs for the government. In addition, high-value state houses (some are valued in excess of \$1 million) should be sold to fund the purchase of more reasonably priced new state houses.

### Parental leave

New Zealand was a late starter in joining other developed countries in introducing paid parental leave, when it implemented a 12-week policy in 2002. This was lifted to 14 weeks in 2005. While New Zealand couples can transfer parental leave between them, we still lag behind most European countries which offer up to 52 weeks paid parental leave, often at 100% of income. New Zealand's maximum entitlement of \$402.36 a week is less than the minimum wage.

**Grade: C–**

**UnitedFuture recommends:** In 2007, the Families Commission recommended that paid parental leave be extended to 13 months, including one month for fathers. UnitedFuture endorses this recommendation. This would enable infants to be cared for by their parents during the crucial first year of childhood, which has been shown to improve family stability, reduce child poverty and lay a foundation that reduces the incidence of child abuse.

## Cost of raising a child

It costs parents between 17 and 20% of the average weekly income to raise a single child. The move from a dual-income young couple without children, to a single income family with children actually puts many people below the poverty line. Given that New Zealand actually needs parents to produce the next generation of our citizens, this can never be an acceptable situation. While *Working for Families* has improved the lot of such families, the choice made by many parents to act as stay-at-home carers goes largely unrecognised and unrewarded.

**Grade: C**

**UnitedFuture Recommends:** Quite simply, Income Sharing. Couples with children often face a choice between both parents working full-time, employing others to care for their children, and one parent working full-time and the other staying home to care for the children, possibly on a part-time basis. Introducing an income-sharing tax credit would give parents greater choice in their work and caring roles, and more choice around their work and home-life balance. UnitedFuture currently has the Income-sharing (Tax Credit) Bill due to be reported back by the Finance and Expenditure Select Committee.

## Household Income

Over the recession of the past two or three years, average annual household income fell slightly from \$78,019 in 2008/09 to \$76,584 in 2009/10. Compared with 2006/07 however, average annual household income rose significantly, up 11.5% from \$68,710. So it can be said that New Zealand is generally heading in the right direction. However, by far the greatest change to household incomes has been the impact of the Budget 2010 tax changes that came into effect last October. Using the example of a family earning the average household income of \$76,000, with two children (and receiving Working for Families) and repaying a mortgage of \$300 per week, this household is better off by \$45 a week under the new tax rates. Even with last year's increase in GST costing them an extra \$21 per week, this typical household is still almost \$25 a week better off, or \$1300 per year.

**Grade B+**

**UnitedFuture recommends:** The recent tax changes are a welcome step in the right direction for household incomes, however further changes could be even more

positive, specifically the introduction of Income Sharing for families. Income Sharing specifically recognises the costs of raising a family, and in particular, those situations where one parent is either a full-time carer for their children or works part-time. For tax purposes, the income of both parents would be combined and divided equally, which can mean that they pay less tax since it is levied at a lower rate under our progressive taxation system. As well as reducing the tax burden and elevating the household income of families, Income Sharing would provide choice and freedom to parents. It could be the 'tipping point' that allows a parent to stay home and care for a child, or on the other hand provide the financial incentive for a parent to return to part-time or full-time work.

## **Access to Healthcare**

In real dollar terms, health spending per capita in New Zealand is lower than the OECD average. Despite this, New Zealand spends a greater proportion of GDP on health, than the OECD average. New Zealand – along with most developed countries in recent decades – has improved life expectancy, reduced infant mortality and recorded a decline in the rate of smoking. However, New Zealand faces an obesity epidemic, with 26.5% of adults being clinically obese (the third highest rate in the OECD). This will have huge flow on effects with regard to diabetes, asthma and cardiovascular disease. Access to Medicines is a critical part of healthcare. Since its establishment in 2007, the new National Medicine Strategy, *Medicines New Zealand* has provided a far more clear and coherent approach to managing access to and funding of new and innovative medicinal outcomes for New Zealanders. An additional \$60 million has been invested over the past two years, which means some 250,000 Kiwis are receiving subsidised medicines they would not have got two years ago. In the same period, Pharmac has funded 24 new medicines and increased access to another 24 medicines, benefiting more than a quarter of a million patients.

**Grade: C+**

**UnitedFuture recommends:** To cope with the increasing healthcare demands of an increasingly obese and ageing population, New Zealand must really put action behind the truth that prevention is better (and cheaper) than the cure. To that end, a free annual 'warrant of fitness' check-up should be offered to all New Zealanders. Most other OECD countries spend a greater proportion of their healthcare dollars privately. While a modern, accessible and free universal healthcare system is a cornerstone of New Zealand society, under-utilised surgical capacity in private hospitals could help cut surgical waiting lists. New Zealand should make use of this capacity in the private health sector by requiring DHBs to contract out work to private hospitals.

The *Medicines New Zealand* strategy has ensured that since 2007, we have had a world-class framework to deliver medicines to New Zealanders. Given the gains that have been made in this area that has been directly and successfully pushed by UnitedFuture, we will be seeking to have the strategy continued and built upon, as outlined in the April 2010 *Medicines New Zealand Action Plan*.

## Education Outcomes – Early Childhood, Primary and Secondary

### Early Childhood:

Since July 2007, the government has provided 20 hours of free early childhood education or care for three and four year olds. However, the sudden increase in demand for places in centres that offer 20 hours per week for free, has resulted in insufficient capacity and in many cases, waiting lists, even though the government is spending more than ever in this area. Recent funding cuts will impact financially on early childhood education centres and, down the line, potentially on the cost to parents.

**Grade: B**

**UnitedFuture recommends:** Closely monitor the impact of recent changes to early childhood education funding levels. Support lifting over time of the qualifications of early childhood caregivers. As a pilot, UnitedFuture would also trial the use of early childhood education centres as contact points for family support services, such as parenting courses, budget advice, health and counselling services.

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### Primary:

In international comparisons, New Zealand primary-age children are broadly strong in literacy, weak in science and average in mathematics. Despite achieving internationally credible outcomes in primary education, there is alarming evidence that too many children are still 'slipping through the cracks' and reaching secondary school without even the basic skills required to progress. A widely agreed method of improving primary educational outcomes is reporting the progress of a child's learning. The Government undertook prior to the last election to bring in just such a system, however the implementation of National Standards has caused considerable angst among various stakeholders.

**Grade: B–**

**UnitedFuture recommends:** Broadly supportive of a system of National Standards, however the current system has been poorly conceived, inaccurately portrayed, badly communicated and hastily implemented. This has generated no small amount of animosity and mistrust among the numerous stakeholders. Amid all this, outcomes for children must be the top priority. UnitedFuture wants to keep teachers, parents,

schools and the Ministry of Education on task to ensure that the overall objective of improved primary education is kept at the forefront, when taking the important step of implementing a system of National Standards.

### **Secondary:**

As with the discord in the Primary sector over National Standards, there is a level of ongoing discontent in the Secondary system over the NCEA system, with a number of schools opting to offer alternative systems to their pupils. The issues underpinning such moves are concerns about the perceived quality and competitiveness of NCEA. The arguments against NCEA and its strong reliance on internal assessment as opposed to more external exam-based models are also among the arguments raised when dealing with the difficult issue of boys continuing to fall behind girls in NCEA achievement and completion rates.

**Grade: B–**

### **UnitedFuture recommends:**

NCEA must continue to be focused on results to ensure that it best serves the educational needs of young New Zealanders. The reasons why some schools – and among them are some very good schools – are changing to other systems needs to be explored, and not dismissed on the basis of entrenched ideological positions, as is too often the case. UnitedFuture supports an equally pragmatic look at the raising of the school leaving age but only if it is accompanied by a range of options for students to use their years 12 and 13 for more career-focused learning options like trade training, and as long as students capable of moving on to tertiary opportunities during those years are not blocked from doing so.

## **Work/life Balance**

On average, New Zealanders work 1729 hours per year. That is slightly higher than Australia, but slightly lower than the OECD average. As with the rest of the developed world, New Zealanders have realised that flexible working hours hugely benefit individuals, families, communities and society as a whole. According to a Department of Labour survey, flexible start and finishing times are available on a regular basis to some or all staff in 63% of workplaces. The Employment Relations (Flexible Working Arrangements) Amendment Act 2007 was introduced to increase the availability and take-up of flexible working arrangements, however research shows that only about 64% of employers and 40% of employees are aware of the Act.

**Grade: B**

**UnitedFuture recommends:** Employment law cannot remove the ‘double-burden’ of paid work and unpaid parenting, but what is required is a fundamental financial recognition of the work involved in raising a family. Again, there is a ready made

answer in Income Sharing, whereby each partner in a relationship caring for children under 18 can be taxed on an equal share of their combined income, can ease the financial burden of parenthood. Income Sharing will give couples with children the option of having a parent work fewer or more flexible hours, be at home raising their children, and able to increase their combined after-tax income,

## **Access to the Great Kiwi Lifestyle**

We often hear about the ‘great Kiwi lifestyle’, but is it more myth than reality today? A small population and a huge conservation estate have allowed generations of Kiwis to enjoy access and opportunity to enjoy the coastline, lakes, rivers, mountains and forests that is the envy of countries the world over. However, bit by bit there has been incremental encroachment of corporate and government interests that have got to the point of threatening this way of life. While the media’s attention is firmly focused on the perceived threat to the foreshore and seabed, there is a far more real threat to our public right of access going largely unnoticed. It is the deliberate locking up of publicly owned resources, such as rivers and lakes, from public access. The most sinister representation of this is through the commercialisation of these public assets by way of ‘exclusive capture’. This term describes the actions of land occupiers using their occupier rights through the Trespass Act to lock the public out of publicly owned trout fisheries on or adjacent to their properties. They can then charge exclusive rights to guides and clients to access that fishery.

### **Grade: B (and falling)**

**UnitedFuture recommends:** Ensure that New Zealanders have clearly defined legal rights of access to public land, including the Queen’s Chain. This can be achieved by empowering the Walking Access Commission to actually enforce and resolve issues of access rather than just facilitate negotiation. In order to ensure that conservation priorities are not enforced at the expense of outdoor recreation considerations, it is important to restructure the Department of Conservation into two semi-autonomous divisions – one responsible for the “conservation” aspects such as scientific research, pest control, and native plant and animal stewardship; the other responsible for the “recreation” aspects such as land and waterway access, track and hut maintenance, game management and tourism.

## **Fathers in Children’s Lives**

The increasing prevalence of fatherless children as the result of relationship breakdown is an extremely concerning trend in New Zealand. Nearly one in three children grows up in a house without both biological parents. More often than not, it is dad who the children do without, while many do not even know who their father is.

This is not good for any child, but for boys in particular, research constantly confirms how important it is to have a strong male role model in their development.

**Grade: C+**

**UnitedFuture recommends:** While governments cannot control the causes of broken relationships, they can provide an environment that supports and incentivises keeping both parents fully engaged with their children once a break-up has occurred. Firstly, the Care of Children Act needs amending to make the presumption of shared care explicit when determining care arrangements for children when parents separate. Of course, this relies on the assumption that both parents are competent and willing, and that it is in the child or children's best interests. There also needs to be a full review of the Family Court system with a view to making it less adversarial and legalistic, and with better access to mediation services at the beginning of the process. Secondly, Compulsory DNA paternity testing would allow a man who believes he either is or is not the father of a child to apply for a paternity order. This would empower the Family Court to instruct that a sample be taken from the child and the man. The law currently holds that unless the mother agrees, an estranged father has no right to prove whether or not he is the biological parent. Equally, a woman should have the right to insist a man take a compulsory DNA paternity test if she believes him to be the father of her child. On a related matter of male role models, the Government must do more to encourage more men into teaching.

## **Superannuation and Retirement**

Financial security in retirement is a fundamental part of the New Zealand way of life. New Zealanders entitlement of 66% of average ordinary time wage from the age of 65 strikes the correct balance of being both adequate and affordable, and is comparable with rates in other developed countries. However, the introduction and support of KiwiSaver by both major parties should signal to New Zealanders that in the future, the government will play an increasingly reduced role in ensuring the financial security of New Zealanders in their retirement. The current system fails to take into account sharp increases in consumer prices, that is, entitlements are adjusted in the year following price increases. This lag cheats superannuitants out of their full entitlement and places the burden of inflation on retirees. Section 70 of the Social Security Act, allows the 56,000 foreign retirees in New Zealand to collect a New Zealand pension, which the government appropriates from their overseas retirement savings, in reciprocal arrangements. However, this applies to discretionary contributory retirement savings schemes abroad, which can result in huge loss of income for elderly immigrants that chose to retire in New Zealand.

**Grade: B-**



**UnitedFuture recommends:** Superannuation should be calculated on the basis of *forecast* changes to the consumer price index and increases in the average wage for the *following* 12 months. In addition, it is important to promote the continued engagement of retirees in their communities. This engagement can take many forms. It could be superannuitants working, possibly part-time, beyond the age of 65 to take advantage of their skills and experience. It could be business mentoring, voluntary charity work or involvement in SAGEs, which involves older people providing one-on-one life and home skills to young families. Regardless, we must recognise that at 65 most people are capable of making a valuable and valued contribution to society, as they enjoy their well-earned retirement years. With regard to Section 70 of the Social Security Act, the provisions should only apply where the overseas pension in question has been fully funded from general tax revenues. Overseas pensions that are based on either a compulsory individual contribution, or are in the form of a national insurance scheme, should be exempted from the requirements of Section 70.