

**State of the  
Nation  
New Zealand**

FIRST EDITION



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Jennifer Buckingham  
Nicole Billante

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# Foreword

**F**or many national economies, developments over the last 50 years have been evolutionary and incremental. Where changes have been dramatic, they have been a function of world events—the Great Depression, the emergence of the European Union, or September 11th. New Zealand, however, presents a more unusual case. Its most wrenching recent economic changes were the Fourth Labour Government's reactions to the unsustainable policies of Robert Muldoon. This overdue modernisation of the economy carried out from 1984 is still the subject of bitter dispute in New Zealand.

The information assembled here by Jennifer Buckingham and Nicole Billante and presented by The Centre for Independent Studies is especially useful because it allows a long-term view of the condition of New Zealand society. This can help place in broad perspective the steps taken in the 1980s and 1990s to deregulate economic activity in New Zealand. These facts may not settle every argument, but they will provide a sound starting point.

The general picture of life in our islands is clear: New Zealanders are living longer and are healthier than ever before. They make their way in a society which offers more wealth to everyone than at any time in its history. Education and training levels are at all-time highs. New Zealand exports an increased variety of products and services to more countries and buys an immense range of manufacturing, agricultural, medical, and consumer goods from around the world.

More sobering news, however, involves New Zealanders' domestic arrangements and the country's crime rate. Single-parent families as a proportion of all families with children grew from 10% in 1976 to nearly 30% in recent years. While there is no denying the heroic efforts of many single parents in raising children on their own, often with wonderful results, the statistical reality is that most children are disadvantaged by not having two parents, one or both working, to create a family.

The recent drop in crime could be seen as good news, were it not for the enormous increase—sixfold—in the crime rate between 1950 and the late 1980s. That this has happened in a period not only of increases in personal wealth but also of high taxation and social welfare expenditure is a puzzle for anyone who wants to blame the crime rate on unfulfilled needs. New Zealanders value freedom, but perhaps so much that personal behavioural responsibility has now become an optional lifestyle choice.

There are many statistical revelations to be enjoyed here. For instance, compare the health statistics (pp.21-24) with government expenditure on health (p.49). It is an achievement that health and longevity have improved so much at a time when medical costs, even with new drugs and technology, have been fairly stable. The newspapers may be full of health misadventures, and the doctors and health bean-counters may be forever at each others' throats, but these statistics show that overall, the health sector is actually effective and well managed.

As long as academics and citizens continue to debate the free market reforms that Finance Minister Roger Douglas initiated in 1984, I'll continue to play a favourite dinner party game. Wait for some bitter remark about 'Rogernomics' and the 1980s, then innocently ask for a list of three things Roger Douglas and his reforming successors did that the speaker would want to reverse. Bring back the 66% income tax? The prohibition on weekend shopping? Bring back tariffs to abolish affordable imported clothing, cars, crockery, toys, and power tools? Let us again have beer and toilet paper monopolies, or a featherbedded rail system that ensured it was twice as expensive to ship a case of wine from Auckland to Dunedin as from Auckland to London?

Some people believe New Zealand's Golden Age lies in the past. In terms of some of the social statistics, it may look that way, but let's not be too nostalgic. A more lively, open economy may take us to our best years yet.

**Denis Dutton**

*University of Canterbury, New Zealand*



# **1. Population and Population Change**

## Population Growth

Population growth has fluctuated greatly since 1878. Migration patterns have been influential but natural increase (births outnumbering deaths) has been the major contributor to overall population growth during the 20th century.

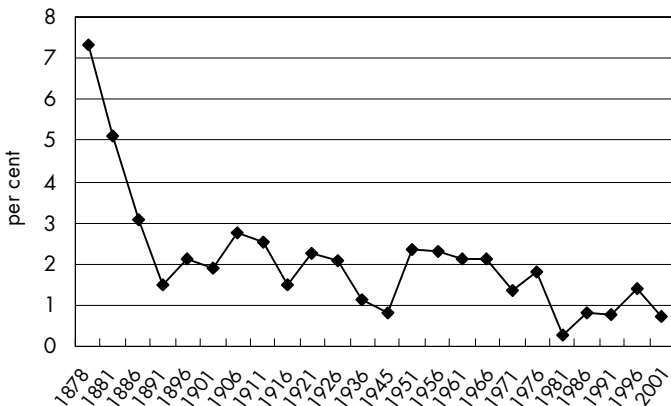
Early exceptionally high annual increases reflect early Pakeha, mainly British, settlement. From World War I through the Depression and into World War II, growth decelerated. Immigration again contributed to the higher annual increase of the 1950s, combined with the postwar baby boom. The low rate of increase from 1970s onwards is the result of both high numbers of emigrants leaving New Zealand and the declining fertility rate (see Figure 1.3).

### New Zealand's Population 1858-2001<sup>1</sup>

	1858	1901	1951	2001
Population	115,462	815,862	1,939,472	3,792,654

### 1.1 Population Growth, 1878-2001

per cent average annual increase in population



Sources: Statistics New Zealand, *New Zealand Official Yearbook 1998*; Statistics New Zealand, *2001 Census of Population and Dwellings*.

Sources for Figure 1.2 (p.11): Statistics New Zealand, *New Zealand Official Yearbook on the Web 1999*; Statistics New Zealand, *Hot off the Press: External Migration* (March 2002); Statistics New Zealand, *Hot off the Press: Population Estimates* (March 2002).

## Components of Population Change

New Zealand immigration policy has been dominated since early settlement by concerns about the country's capacity to absorb settlers. Selective immigration policy from the late 19th century was used to control migration numbers and ethnicity.<sup>2</sup>

The 'free and assisted passage' policy of 1947 to 1974 provided state-sponsored immigration for British settlers, with migration peaking in the early 1970s. From then until the early 1990s, total departures often exceeded arrivals (negative net migration). The most probable explanation for such high emigration during this period was the poor economic situation. New Zealand experienced extremely high inflation levels and interest rates along with rising unemployment (see Figure 6.3, p.35).

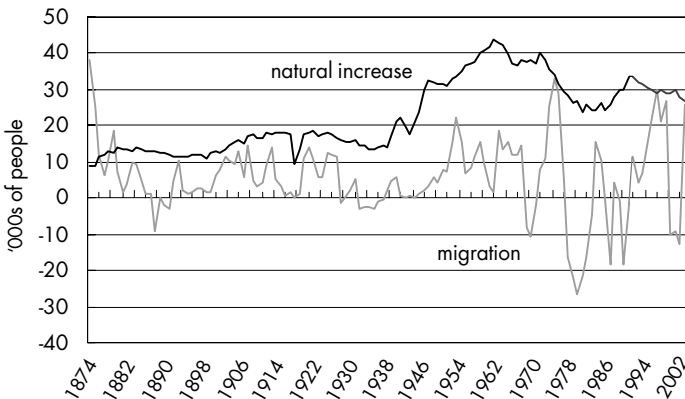
In the 1990s, arrivals increased and departures decreased, possibly reflecting a change in immigration policy in 1991. A new points system was introduced, replacing the previous list of preferred occupations. Over the 20th century there was a net inflow of 5,000 people per annum.

### Net Permanent Long-Term Migration, 1961-2000

	1961-1970	1971-1980	1981-1990	1991-2000
Number	10,860	-3,725	-11,489	9,434

### 1.2. Components of Population Growth, 1874-2002

annual net migration and natural increase (000's of people)



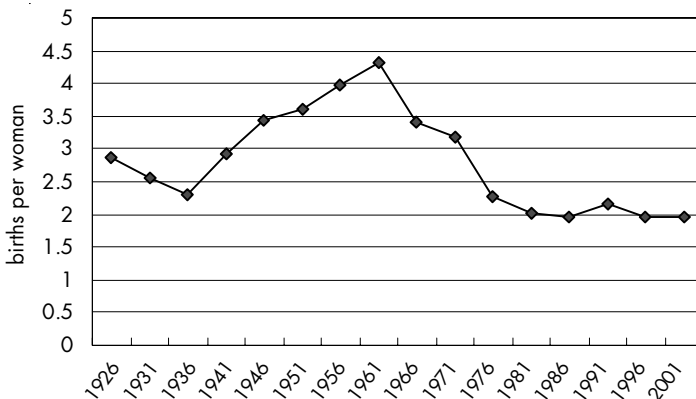
## Fertility

The fertility rate—number of children each woman is expected to have in her lifetime—reached a low in the 1930s, reflecting the economic conditions of the Depression. The rise in fertility towards the early 1960s represents the postwar baby boom. New Zealand’s peak fertility rate in 1961 of 4.3 births per woman was significantly higher than other developed countries.<sup>3</sup>

Following this, the rate fell steadily to below the replacement level of 2.1 in 1981 and has remained below this level ever since, with the exception of an increase to just above replacement level in the early 1990s. Increased availability and use of contraceptives, a move away from early marriage, and greater participation by women in education and the labour force are the most likely influences on lower fertility levels.<sup>4</sup>

Maori, however, have fertility levels higher than the total population and above replacement level. This is expected to affect the ethnic composition of the New Zealand population. By 2051, it is projected 21% of the population will be of Maori descent compared to 15% of the population in 1996. Likewise, Pacific Islanders are expected to comprise 13% of the population in 2051, up from 6% in 1996.

**1.3 Fertility, 1926-2001**  
average number of births per woman



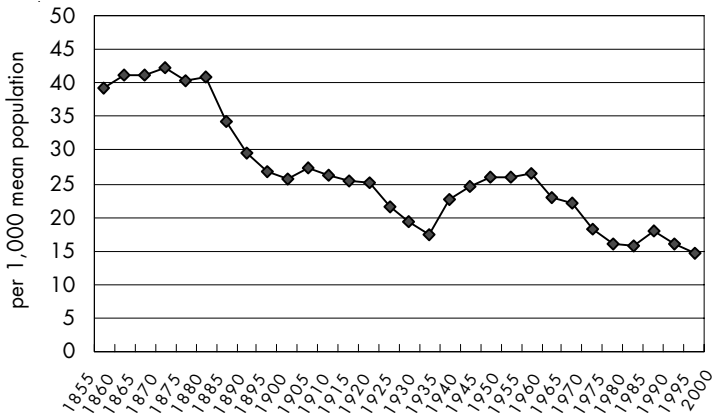
Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Births and Deaths* (December 2002).

## Births

Lows in the birth rate can be linked to political and economic climates. A decline in the birth rate commenced with the depression of the 1880s and 1890s. The birth rate again started to fall post-World War I (despite a spike in marriage) and fell further with the Great Depression of the early 1930s.

The postwar baby boom of the 1950s brought the birth rate back to near pre-World War I levels. With the introduction of contraception, however, as well as a period of tougher economic conditions in the 1970s and 1980s, the rate again declined. Improved economic conditions in the 1990s failed to reverse this downturn. The long term decline in the birth rate in New Zealand, as with many other western countries, is resulting in an ageing population with economic and social ramifications.

**1.4 Births, 1855-2000**  
rate per 1,000 mean population



Sources: G.T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *Demographic Trends*, various years; Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Births and Deaths* (December 2000).

## **2. The Fragmenting Family**

## Marriages

In the early colonial period (circa 1840-1880), there was a surplus of males in the population. This high ratio of men to women resulted in an erratic marriage rate in the late 19th century.

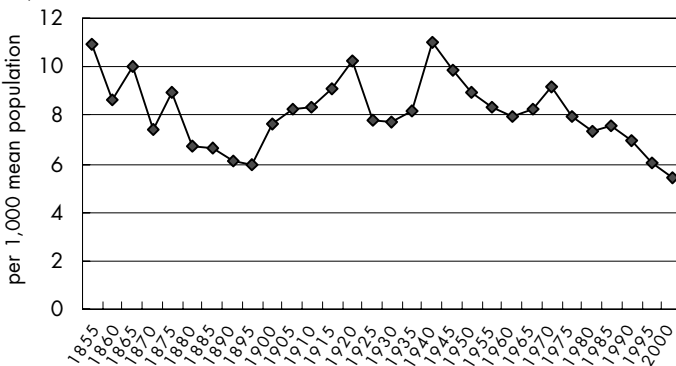
Economic conditions produced various periods of low marriage rates. The decline in marriage in the 1880s and 1890s coincides with the depression of that time and the Great Depression coincides with the low of the 1930s.

The peaks on either side of the Great Depression were most likely in response to the World Wars. The first peak follows the end of World War I and the second peak is just prior to New Zealand's commitment of troops to World War II.

The steady decline in marriage rates in the latter half of the 20th century, particularly after 1970, is representative of a changing view of marriage in New Zealand. The number of people not marrying but living together in de facto relationships increased during this period. In the 2001 census, 18% of people in relationships were de facto (excluding same sex couples) as opposed to 10% in the 1991 census.

### 2.1 Marriages, 1855-2000

rate per 1,000 mean population



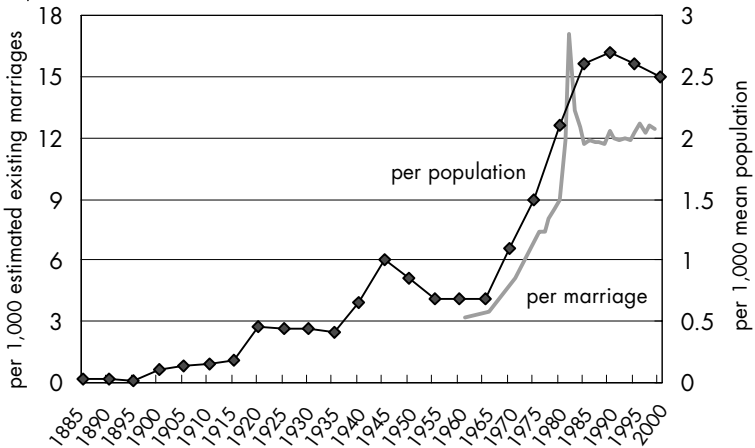
Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *Demographic Trends*, various years; Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Marriages and Divorces* (December 2000).

## Divorces

In 1981, the Family Proceedings Act changed the context of divorce in New Zealand. Prior to 1981, divorce was processed through the general court system and was contingent on the fault of one of the parties for the marriage breakdown, for example adultery. With the law change in 1981, the only grounds for divorce became the irreconcilable breakdown of the marriage, with no fault attributed to either party. The breakdown of marriage is deemed proven by living apart for a period of two years or more.

The effect on the divorce rate is notable. While there appeared to be a general loosening of interpretation prior to 1981 to allow a greater number of divorces in the 1970s, the no fault divorce system has created a large increase in numbers of divorces by making the process easier. In the late 1990s, the rate appears to have stabilised with the family courts processing similar numbers each year.

### 2.2 Divorces, 1885-2000 rate per marriage and population



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *Demographic Trends*; Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Marriages and Divorces* (December 2000).



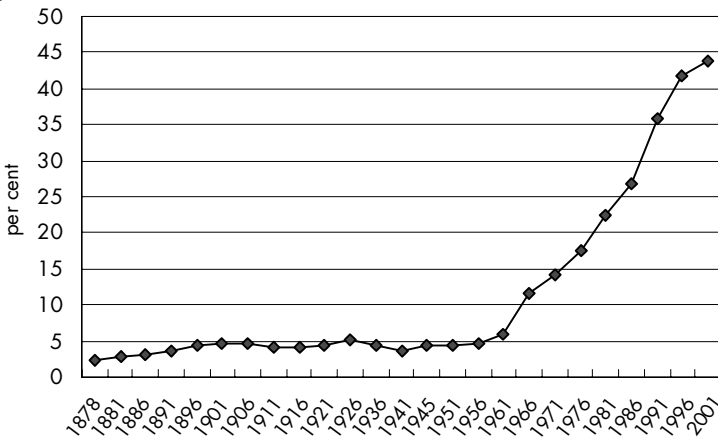
## Ex-Nuptial Births

Before the 1960s, ex-nuptial births showed very little significant increase either in number or as a percentage of live births. The subsequent significant increase can be partly explained by Maori ex-nuptial births. Prior to 1966, Maori ex-nuptial births were not included in the *Yearbook* statistics. After this time, a large percentage of the births are to Maori (for example, 73% in 1990) but this is not entirely indicative of Maori family situations. Maori customary marriages are not legally recognised, and therefore births within those marriages are legally classified as ex-nuptial.

Nonetheless, a large part of the increase genuinely represents greater numbers of births outside of marriage, both to Pakeha and Maori. Changing attitudes to marriage as discussed above, with larger numbers of births in de facto relationships, and a declining stigma attached to births to single mothers, are the major contributing factors.

### 2.3 Ex-Nuptial Births, 1878-2001

per cent of all live births

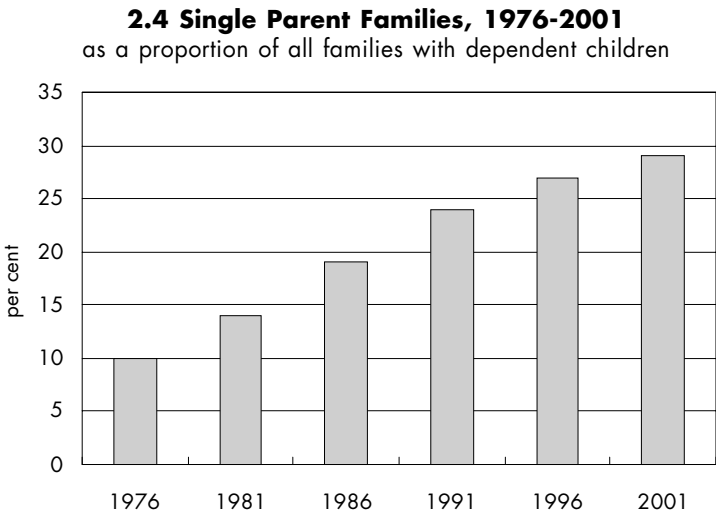


Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Demographic Trends*, various years.

## Single Parent Families

The high divorce rate and exceptional growth in the ex-nuptial birth rate has seen a corresponding increase in the number of single parent families. Single parent families have risen from 10% of all families with dependent children in 1976 to 29% in 2001.

Of the single parents in 2001, nearly 82% were women. Just over 21% of single parent households were as a result of divorce, with around a further 20% currently separated from their spouse. The high ex-nuptial birth rate is reflected in over 34% of single parent households reporting they have never been married.<sup>5</sup>



Sources: Ministry of Social Development, *Social Environment Scan 1999*; Statistics New Zealand, *2001 Census of Population and Dwellings*.

# **3. Health and Mortality**

## Abortions

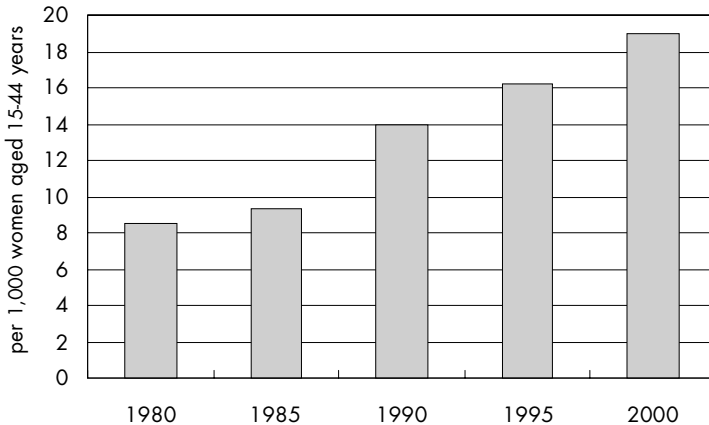
Despite the legal parameters and access to fully and partly subsidised contraception, the rate of abortions has continued to rise since 1980.

Abortion has been legal in New Zealand since 1977 under certain conditions. The primary reason that an abortion may be performed is if the pregnancy constitutes a serious danger to the life or the physical or mental health of the mother, or in the event that the child would be physically or mentally abnormal when born.<sup>6</sup>

As part of the National coalition government's Strategy on Sexual and Reproductive Health, contraceptive pills have been fully subsidised (the only cost being a \$3 prescription fee) since 1997. Condoms (since at least the early 1990s) and the emergency contraceptive pill (since June 2002) are also available for \$3 with a prescription.

### 3.1 Abortions, 1980-2000

rate per 1,000 women aged 15-44



Source: Statistics New Zealand, *Hot off the Press: Abortions* (December 2000).

## Life Expectancy at Birth

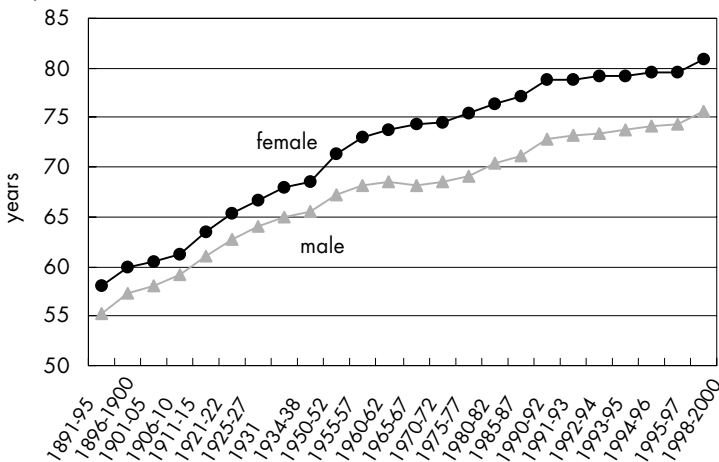
Life expectancy is an important indicator of society's progress. Improved technologies, greater access to healthcare, and general improvements in standards of living have all resulted in a significant increase in New Zealanders' life expectancy over the past 100 years.

The gap between male and female life expectancy has become wider throughout the century. In 1891, women were expected to live 2.8 years longer than men. The difference was largest in 1975 at 6.4 years, and narrowed to 5.1 years in 1998.

New Zealand's life expectancy is lower than many other OECD countries—over a year behind the leading countries of Japan, Australia and Sweden. However, New Zealanders' life expectancy is still greater than in the United States, United Kingdom, Germany, Denmark, and Ireland.

### 3.2 Life Expectancy at Birth, 1891-2000

expected years of life by period of birth



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Life Tables (1997-1998)*; Statistics New Zealand, *Demographic Trends*, various years.

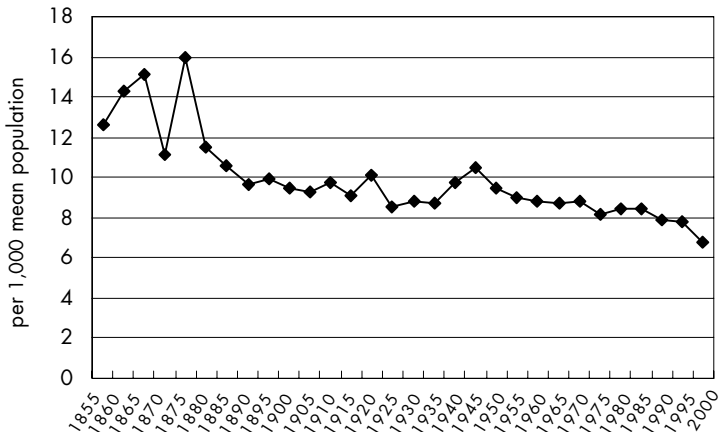
## Deaths

The death rate is the number of deaths as a proportion of the population in a given year, and is a function of life expectancy and the age structure of the population. A higher death rate can mean more people dying at younger ages and/or that the population is ageing, while a fall in the death rate generally means greater longevity.

Peaks in New Zealand's death rate occurred during the World Wars, but the general pattern of steady decline reflects increased life expectancy (Figure 3.2) as the median age at death has slowly risen. It was also influenced by the significant decrease in infant mortality (Figure 3.5).

The ageing population is expected to become apparent in the death rates in the medium-term future, with an overall rise in mortality as the cohorts reaching life expectancy exceed younger cohorts.

**3.3 Deaths, 1855-2000**  
deaths per 1,000 mean population



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *Demographic Trends*, various years; Statistics New Zealand, *Hot off the Press: Births and Deaths* (December 2000).

## Causes of Death

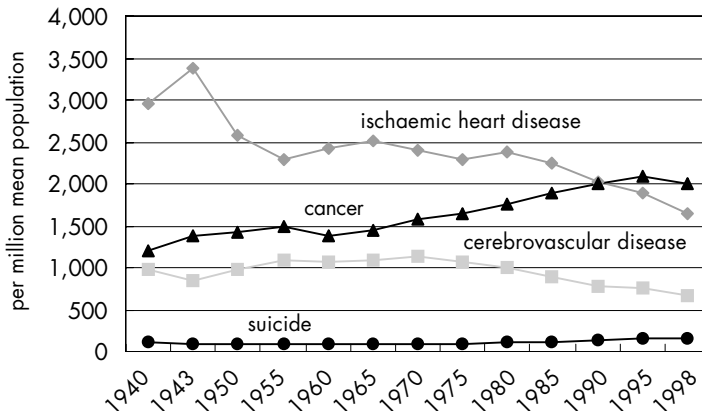
Cancer and heart disease are the two foremost causes of death in New Zealand. In 1997, 26% and 23% of all deaths were attributed to cancer and heart disease respectively. Cancer is now the leading cause of death for both men and women.

Prior to 1990, heart disease was the leading cause of death. The decline in the number of deaths due to heart disease since 1980 is presumed to be a result of increased awareness about the causes of heart disease—fatty diets and cholesterol—and public education campaigns in prevention through a healthy lifestyle. Medical advancements, namely bypass surgery, have also certainly played a part in this decline.

Cerebrovascular disease has consistently been the third major cause of death in New Zealand. Cerebrovascular disease include acute strokes and other conditions that may lead to strokes, such as aneurysms.

### 3.4 Causes of Death, 1940-1998

rates of death by leading causes



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; United Nations, *1999 Demographic Yearbook*, (New York: Department of Economic and Social Affairs, 2001).

## Infant Deaths

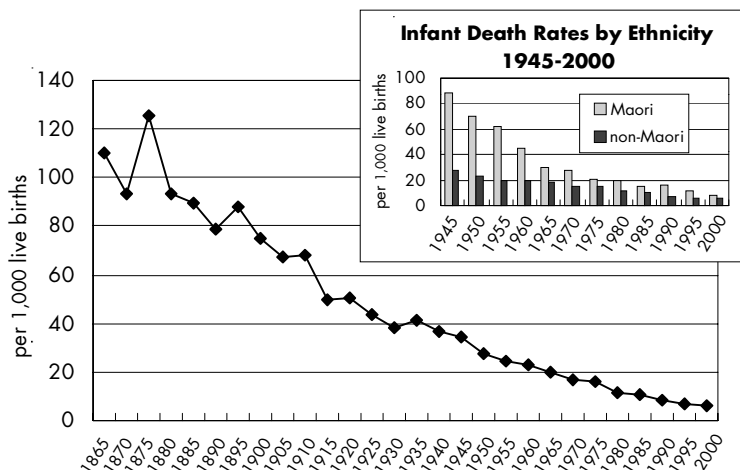
Infant mortality is an important indicator of the general level of health in the population. It reflects the pervasiveness of infectious disease to which infants are susceptible, as well as the quality of antenatal and postnatal care for women and children. The decline in infant deaths since the early colonial period is directly related to improvements in these conditions and services.

Presently, the major causes of death among infants under one year old are perinatal conditions (conditions occurring within the first 28 days of an infant's life), sudden infant death syndrome (commonly known as cot death), congenital anomalies, and pneumonia and influenza.<sup>7</sup>

The large drop in Maori infant deaths is attributed to a significant drop in the rate of sudden infant death syndrome, but the rate of infant mortality for Maori remains higher than for non-Maori.<sup>8</sup>

### 3.5 Infant Deaths, 1865-2000

death rate of children aged less than one year



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *New Zealand Official Yearbook*, various years; Ministry of Health, *Children in New Zealand: Report on Cross-Sectional Outcome Measures and Targets* (Wellington: Ministry of Health, 2000); New Zealand Health Information Service, *Fetal and Infant Deaths 1997*, (Wellington: Ministry of Health, 2000); Statistics New Zealand, *Demographic Trends*, various years.



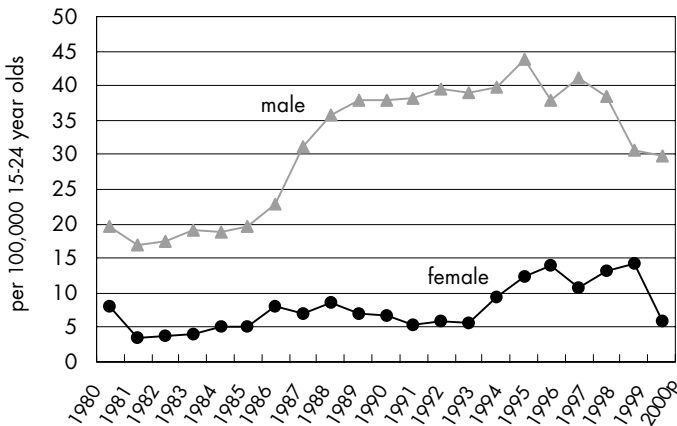
## Youth Suicide

New Zealand has one of the highest youth suicide rates in the world. In 2000, New Zealand was second highest for male suicides and fourth highest for female suicides among twelve OECD countries reviewed.

Young males commit suicide at rates much higher than their female counterparts. During the 1990s, higher female suicide rates emerged while male rates declined. Positively though, female youth suicides dropped in 2000, reversing the increase.

New Zealand has had a Youth Suicide Prevention Strategy in place since 1998. This has enabled greater co-ordination in prevention initiatives with two components—one for the general population and one specifically targeted at Maori youths. Youth suicide rates, although still high, have dropped significantly during this period.

**3.6 Youth Suicide, 1980-2000**  
15-24 year old male and female population



Sources: New Zealand Health Information Service, *New Zealand Youth Suicide Statistics 1999*, [www.nzhis.govt.nz/stats/youthsuicide.html](http://www.nzhis.govt.nz/stats/youthsuicide.html); Ministry of Health, *Youth Suicide Facts: Provisional 2000 Statistics*, (Wellington: Ministry of Health, 2002).

## **4. Education**

## Students

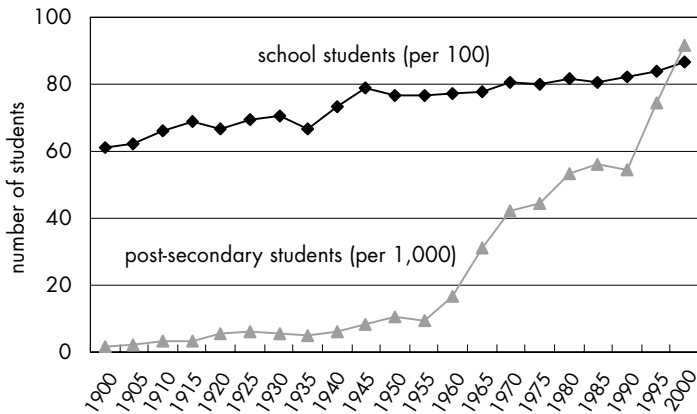
State-provided education was introduced in New Zealand in 1877 under the Education Act. The Act stipulated that primary education was to be free, secular, and compulsory between the ages of seven to 13. In 1936, free education was extended to include anyone under the age of 19. The compulsory school age was subsequently raised to 15 in 1944.

Attendance at school is currently compulsory between the ages of six and 16 (since 1993). Extensions of compulsory schooling combined with more post-compulsory students have resulted in the rate of school attendance increasing steadily.

The increase in numbers of students attending post-secondary education institutions has been a fairly recent phenomenon. Post-secondary education increased steadily from the 1960s under generous state funding. The state paid for 90% of fees for students who successfully obtained University Entrance, and students who completed Seventh Form had access to bursaries and scholarships. With the introduction of the Student Loan Scheme in 1992, tertiary institutions experienced a further significant increase in student numbers as the scheme is open to any full-time student of an approved institution.

### 4.1 Students, 1900-2000

number of students in schools per 100 x 5-19 year olds and number of students in post-secondary institutions per 1,000 working age population



Sources: Statistics New Zealand, *New Zealand Official Yearbook 1998*; Statistics New Zealand, *New Zealand Official Yearbook on the Web 1999*; Ministry of Education, *School Statistics* and *Tertiary Statistics*, various years, see [www.minedu.govt.nz/](http://www.minedu.govt.nz/)

## Educational Attainment of School Leavers

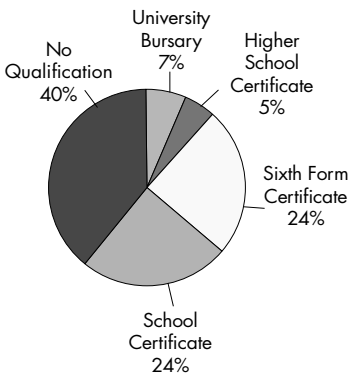
New Zealand is becoming a more highly educated society. The number of students leaving school with no qualification or with only the School Certificate (Fifth Form/Year 11) has dropped significantly, halving between 1974 and 2000. Importantly, the raising of the school leaving age from 15 to 16 in 1993 was not the main influencing factor, as the rates had changed to around current levels by the late 1980s.

A much larger proportion of students (37% of the school population) now stay to complete Seventh Form/Year 13. The proportions of students gaining Higher School Certificate and University Bursary have tripled since 1974. This rise most likely reflects the growing numbers of students pursuing tertiary study, increasingly necessary in a professionalised New Zealand labour market (see Figure 6.4, p.36).

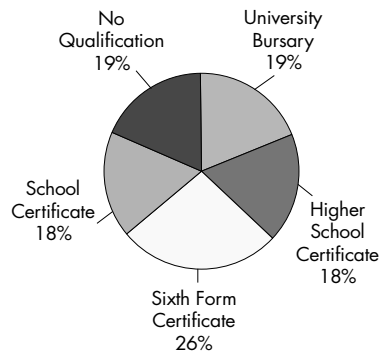
From 2002 the National Certificate of Educational Achievement (NCEA) qualification was introduced, replacing School Certificate, Sixth Form Certificate and Bursary qualifications with NCEA Levels 1, 2 and 3 respectively.

### 4.2 Educational Attainment of School Leavers, 1974 & 2000 per cent of school leavers by educational attainment

a. 1974



b. 2000



Sources: Ministry of Education, *School Statistics* and *Tertiary Statistics*, various years, see [www.minedu.govt.nz/](http://www.minedu.govt.nz/)

## **5. Crime and Justice**

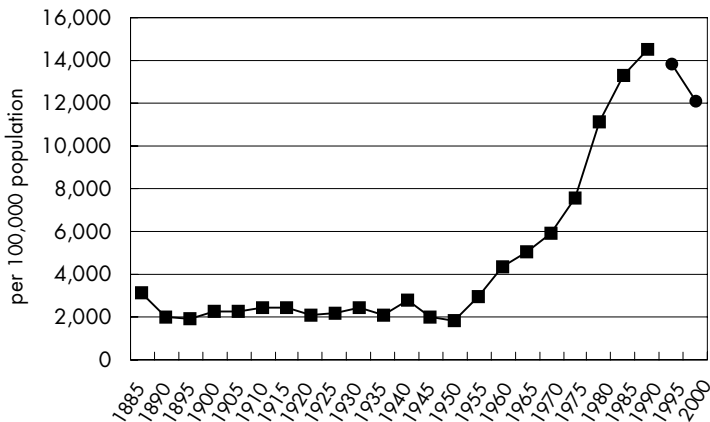
## Reported Crime

Variations in reported crime figures may reflect changes in people's propensity to report crime or the police's method of recording crimes rather than actual changes in crime rates. Minor fluctuations may therefore not always be meaningful.

Even so, New Zealand has seen a sharp increase in the number of reported crimes since 1950, after a relatively stable crime rate for the first half of the 20th century. Such a persistently strong increase indicates a real jump in crime and cannot be dismissed as changes in reporting or recording behaviour. New Zealand, along with many other western countries such as the United States, England and Wales, experienced a notable decrease in crime during the 1990s, but in New Zealand this can be attributed at least in part to the omission of traffic offences in recent years data. Rates nonetheless remain six times higher than early to mid century levels.

### 5.1 Reported Crime, 1885-2000

crimes reported to police per 100,000 mean population  
 ■ 1885-1990 all offences ● 1995-2000 excluding traffic offences



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years.

## Prisoners

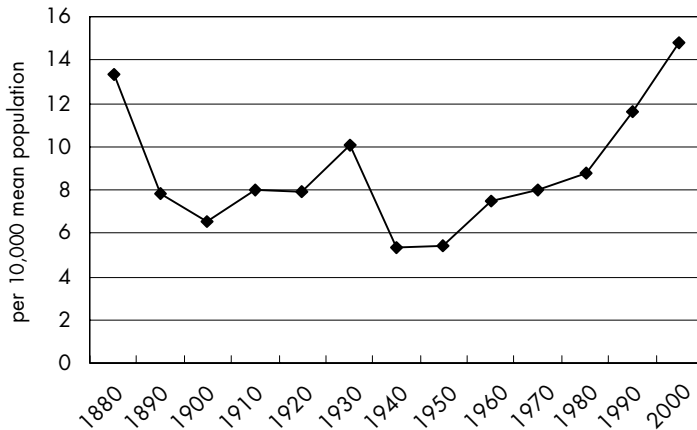
New Zealand's prison population has not changed in the same way as the crime rate in Figure 5.1. During a time of a relatively stable crime rates, the number of prisoners per population fluctuated greatly—lowering at the turn of the century, spiking in 1930 and lowering again leading up to 1950.

Interestingly, while the post-1950s imprisonment rate showed a general trend upward, as per the crime rate, the imprisonment rate (per population) in 2000 was still only slightly above the imprisonment rate of 1880. Therefore during a period when crime went up fourfold, the imprisonment rate showed no overall increase.

The imprisonment rate shown here is relative to population, not to crimes committed, and has not shown a commensurate increase to the crime rate. Even if one only looks at the period from the 1950s onward, crime rates increased more than sixfold, compared with a threefold increase in imprisonment rates.

### 5.2 Prisoners, 1880-2000

number of prisoners per 10,000 mean population



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years.

## **6. Labour Force**



## Labour Force

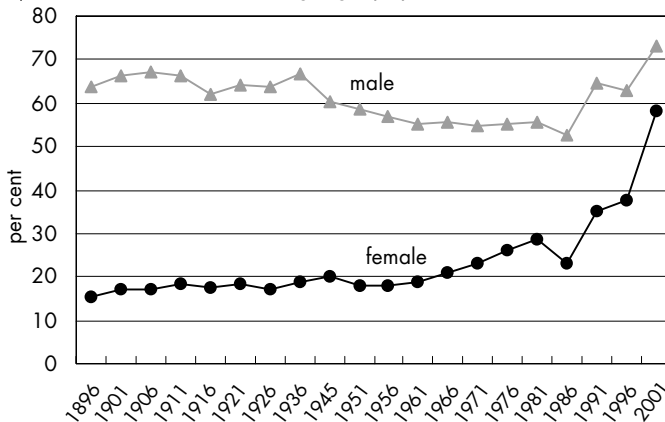
The labour force is the ratio of economically active population to the working age population (defined as over 15 years of age). Economically active includes both employed and unemployed persons (unemployed being defined as a person not in paid employment but looking for work or about to start work).

The current labour force in New Zealand as a proportion of the working age population is the largest since the labour force was first recorded. The impact of the women's liberation movement is evident. From 1961 to 2001 the percentage of women who were economically active tripled.

The period of low male labour force participation in the 1950s, 1960s and early 1970s was also a period of low unemployment (see Figure 6.3). This means that there were large numbers of people not in the labour force, rather than unemployed. Reasons a person would not be in the labour force include studying at an educational institution, retired, family responsibilities such as childcare, or permanently unable to work due to physical disabilities. Low labour force participation is also due to generous welfare policies creating disincentives, and for a time, superannuation encouraging early retirement.

### 6.1 Labour Force, 1896-2001

economically active population as a percentage of male and female working age population



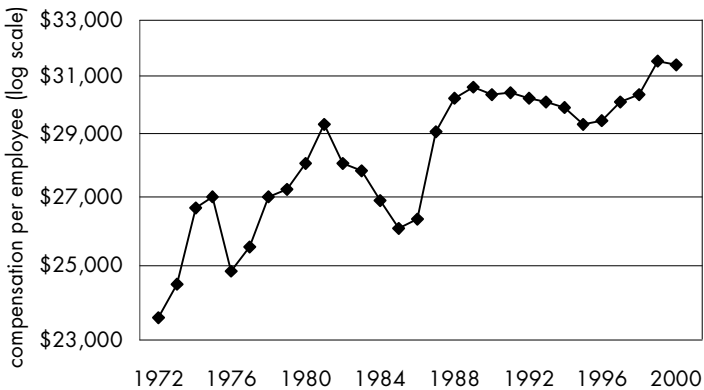
Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Household Labour Force Survey* (June 2001).

## Compensation per Employee

Wages are an important indicator of stability in the economy. Major fluctuations, particularly rapid increases, can negatively affect inflation, production costs, and general consumer demand.

Compensation per employee experienced huge fluctuations through the 1970s and 1980s, reflecting the difficult economic conditions and the volatility of the reform period. There were no great fluctuations in the early 1990s, however, demonstrating the relative stability in the labour market liberalisation of the New Zealand economy, but strong recovery in the late 1990s.

### 6.2 Average Compensation per Employee, 1972-2000 1995 dollars



Source: OECD, *Labour Market Statistics 2001*.

## Unemployment

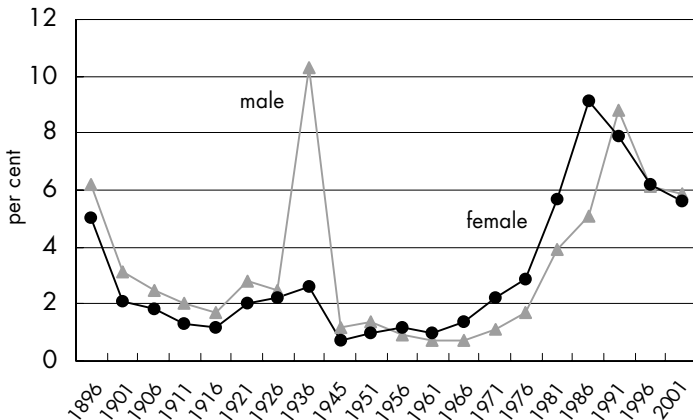
With the exception of the Great Depression, unemployment was historically low in New Zealand until the 1970s, compared to the United States, Australia, or the United Kingdom.

Unemployment began to rise in the 1970s. New Zealand was hit hard by the first oil price shock and did not adjust well, so that by the early 1980s, the unemployment rate was the highest since the 1930s. This occurred amidst other symptoms of an inflexible economy—high inflation, large fiscal deficits and high public debt.

The long period of disinflation and fiscal stabilisation that followed, in conjunction with the downsizing of feather-bedded industries and a highly regulated labour market, saw unemployment peak at more than 10% in the 1980s. The end of that transition period, along with the introduction of the Employment Contracts Act 1991 (ECA) was followed by a marked fall in unemployment in the late 1990s.

### 6.3 Unemployment, 1896-2001

per cent of male and female labour force currently unemployed



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Labour Market Statistics*, various years.

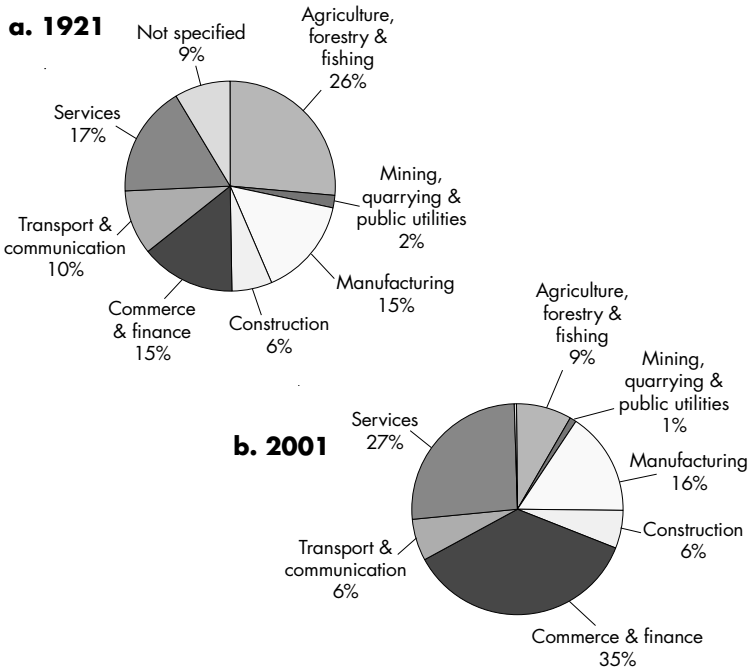
## Employment by Industry

Changes in employment by industry in New Zealand over the last 80 years demonstrate the move away from an agriculture based economy. In 1921, agriculture, forestry and fishing accounted for over one quarter of all employment in New Zealand, whereas in 2001 those industries provided only 9% of employment.

The liberalisation of the New Zealand economy, and therefore greater participation in world markets, has resulted in a larger proportion of professional services in 2001. Commerce and finance grew substantially over the same time period, more than doubling to now account for over one third of all employment in New Zealand.

### 6.4 Employment by Industry, 1921 & 2000

number of persons employed



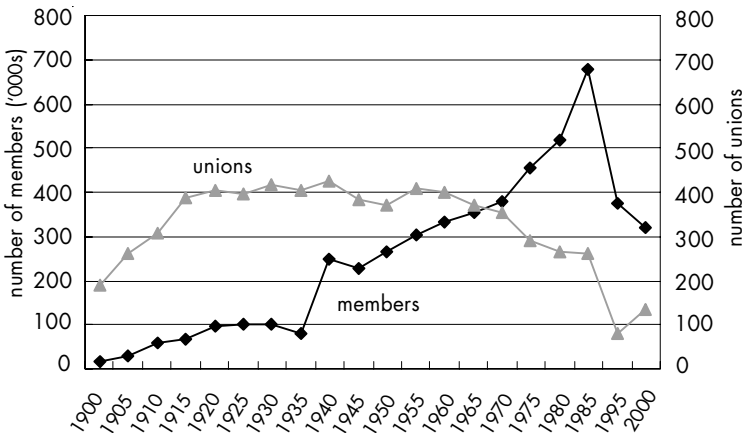
Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Household Labour Force Survey* (June 2001).

## Unions

Compulsory union membership for most groups of workers was imposed in 1936, and remained in place until the system of centralised wage determination ceased in 1979, and compulsion was abolished in 1983. Compulsion was reintroduced in 1984 by the incoming Labour government, which proposed to combine the deregulation of product and financial markets with a re-regulation of labour markets and the maintenance of the welfare state. Compulsory unionism was again removed in 1991 by the Employment Contracts Act (ECA).

However, the Clark Labour administration replaced the successful ECA with the Employment Relations Act (ERA) in 2000, reinstating strong incentives for workers to rejoin trade unions. The ERA also introduced many direct government interventions and inspectors into the work sphere, enhancing the role of union intermediaries.

**6.5 Unions, 1900-2000**  
number of members and number of unions



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *New Zealand Official Yearbook*, various years; Robyn May, Pat Walsh, Glen Thickett, and Raymond Harbridge, 'Unions and Union Membership in New Zealand: Annual Review for 2000', *New Zealand Journal of Industrial Relations* 26:3 (2001).

# 7. Trade

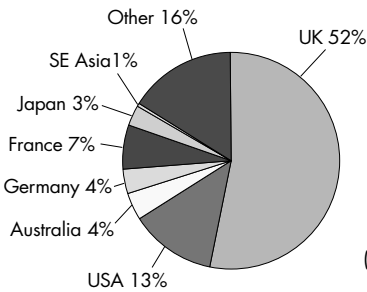
## Exports by Country of Destination

Exports by country of destination clearly illustrate the changing role of New Zealand as a colony of the United Kingdom. The dominance of the United Kingdom in 1960 shows the strength of colonial ties in trading practices. Postwar, the New Zealand Government had trade agreements with the United Kingdom for set prices for some export goods, and tariff and licensing concessions for British manufactured imports.<sup>10</sup>

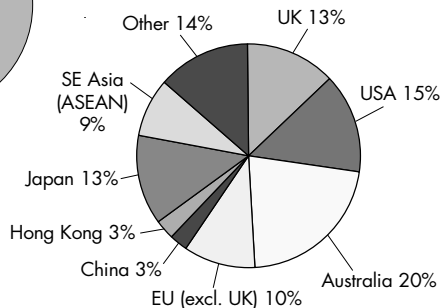
The move away from the United Kingdom in the years to 2000 was part choice and part necessity. With the United Kingdom's membership in the EU in 1972, and consequent participation in the European Common Agricultural Policy, New Zealand's special trading ties were seriously hindered. New Zealand had, however, taken steps prior to this to expand its trading partners. A trade agreement with Australia (Closer Economic Relations) was signed in 1966 and trade with Asian countries became more important as the region's economic power significantly developed.<sup>11</sup>

### 7.1 Exports by Destination, 1960 & 2000 per cent of exports to selected main trading countries

#### a. 1960



#### b. 2000



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Overseas Merchandise Trade—Exports* (June 2001).

## Imports by Country of Origin

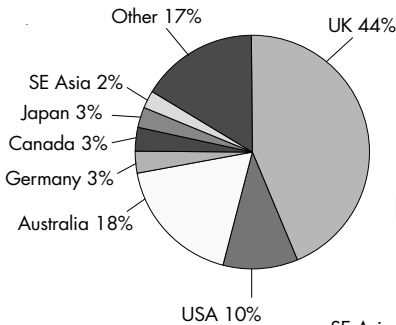
Imports by country of origin tell a similar story to exports. As New Zealand moved away from its colonial ties to the United Kingdom, a stronger focus on trading partners within the Asia Pacific region emerged. Asian countries now account for around a quarter of New Zealand's imports.

New Zealand's trading relationships have not only diversified but have become more evenly distributed. While the United Kingdom had earlier been the recipient and contributor of around half of New Zealand's imports and exports, now no single country accounts for more than a quarter of New Zealand's trade.

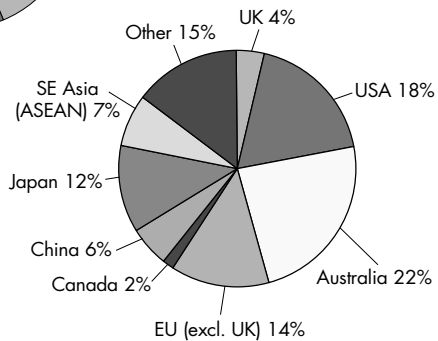
### 7.2 Imports by Country of Origin, 1960 & 2000

per cent of imports from selected main trading countries

#### a. 1960



#### b. 2000



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Overseas Merchandise Trade—Imports* (June 2001).



## Exports by Commodity

Exports by commodity demonstrate the agricultural roots of New Zealand's economy. Dairy, meat and wool products comprised over 85% of New Zealand's exports in 1960.

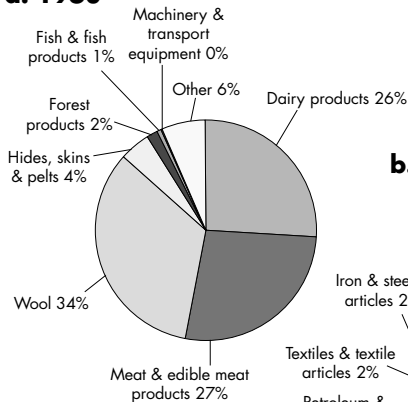
The agricultural industry was built on the large number of family owned and run farms, which relied on low labour costs (mostly unpaid labour by family members) and low intensity farming through grass fed, rather than grain fed, stock. Farmers also enjoyed state subsidies in forms of periodic fixed prices, lower interest rates, tax concessions, and free services for some pastoral activities (such as rabbit control).

As with the change in exporting destinations, the entrance of the United Kingdom into the European Union forced New Zealand to change its economic focus. New Zealand no longer had a guaranteed market for agricultural goods. Consequently, New Zealand was forced to develop other industries and by 2000 pastoral products accounted for just over a third of exports.

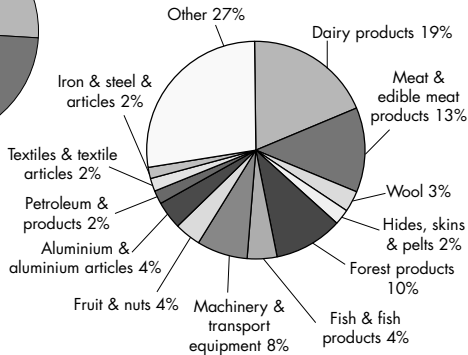
### 7.3 Exports by Commodity, 1960 & 2000

per cent of exports by main commodity group

#### a. 1960



#### b. 2000



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Overseas Merchandise Trade—Exports* (June 2001).

## Imports by Commodity

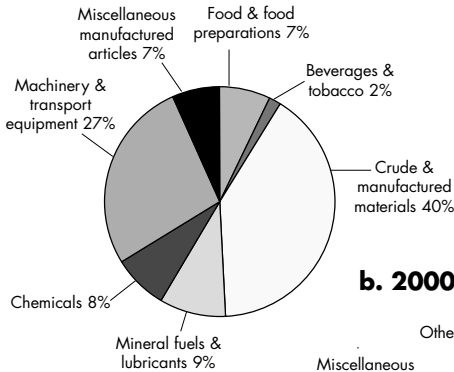
There are only two significant changes to the composition of New Zealand imports by commodity group between 1960 and 2000.

The importation of machinery and transport equipment has notably increased. Tariffs on motor vehicles have been significantly reduced since the mid-1980s. This has allowed manufacturers to import greater numbers of vehicles into New Zealand, with the benefit to consumers of lower car prices.

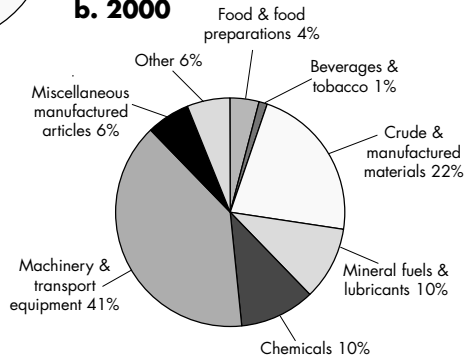
Conversely, the level of imported crude and manufactured materials has notably decreased. New Zealand sought to build up its manufacturing sector under generous state subsidies until the mid-1980s. Consequently reliance on imports for crude and manufactured materials has fallen slightly.

### 7.4 Imports by Commodity, 1960 & 2000 per cent of exports by main commodity group

#### a. 1960



#### b. 2000



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Overseas Merchandise Trade—Imports* (June 2001).

## **8. Economy**

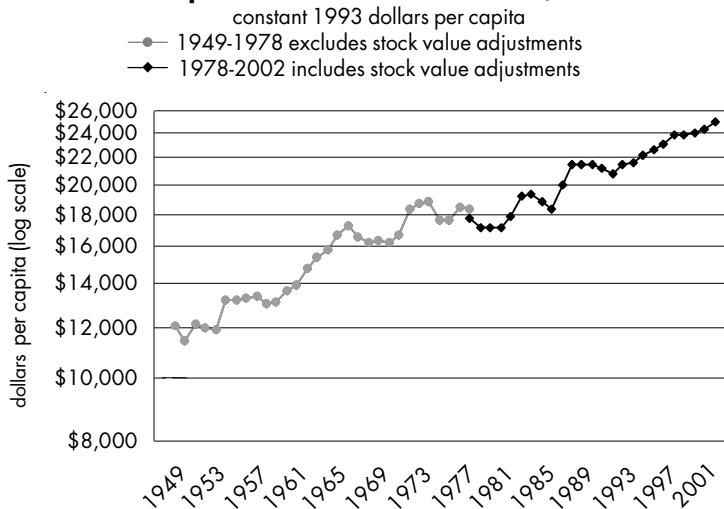
## Gross Domestic Product

GDP is the measure of a country's total production of goods and services. When divided by the resident population, it is a widely used expression of the growth of living standards.

The moderate growth in New Zealand's per capita GDP was slowing when the United Kingdom joined the European Economic Community, and the New Zealand economy failed to adjust. In the wake of the first global oil recession in the early 1970s, per-capita GDP even declined. When the reformist Labour government was elected in the early 1980s, living standards had stagnated.

The first wave of reform led to a recovery, but it did not last through the second half of the 1980s, because important parts of the economy were exempted from reforms (for example, labour markets). When a second wave of reforms was instituted in the early 1990s, growth resumed at an annual average of about 2.6% (per capita output).

### 8.1 Per Capita Gross Domestic Product, 1949-2002



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984).

It is understandable that the normal, steady growth of the economy was disrupted by New Zealand's economic reforms. Many previously protected or subsidised capacities were no longer competitive and disappeared. Gradually, and in particular when labour markets were forced up, new productive capacities were born. In aggregate, this led to the renewed growth of the supply potential and the re-emergence of the business cycle. There were recessions in 1997-98 and 2000.

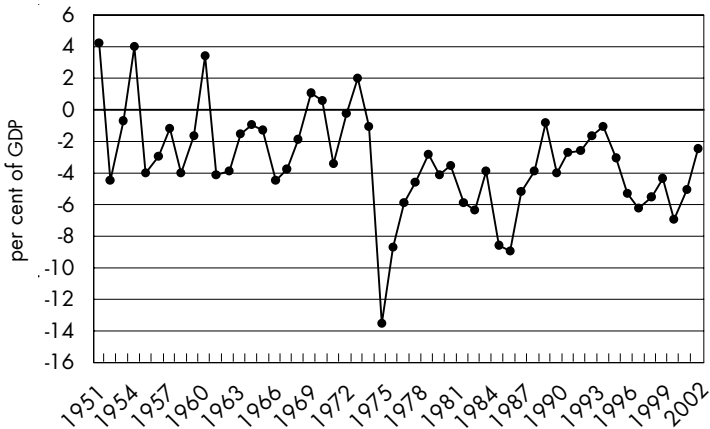
By international comparison, New Zealand's growth trend of about 2.6% seems modest. It could be lifted by a more consistent pursuit of reforming economic and social policies.

## Current Account Balance

The Balance of Payments on Current Accounts is the net balance of the value of exports less imports. A positive balance shows a surplus income from exports, while a negative balance shows a deficit—a country imported more goods than it exported.

New Zealand has frequently been in deficit over the past 50 years. The current account has been in surplus only six times since 1951, with the last surplus in 1973. The large deficits of the late 1970s and 1980s resulted in significant overseas debt for New Zealand.

**8.2 Current Account Balance, 1951-2002**  
per cent of GDP (negative=deficit)



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Balance of Payments* (December 2002).

## Inflation

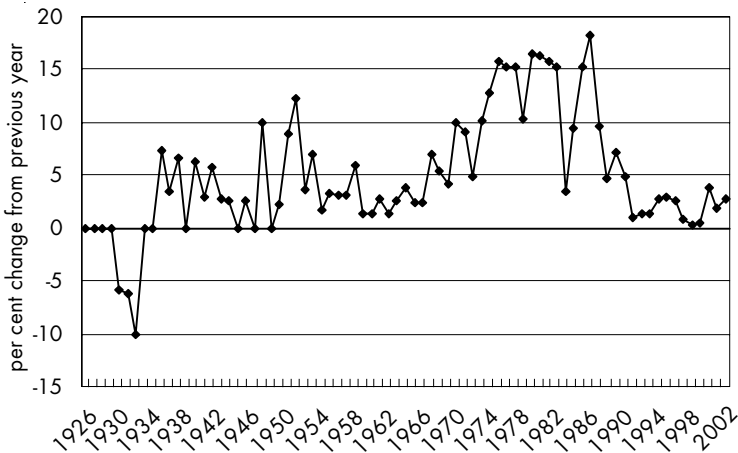
Inflation is defined to be in a general rise in the price of goods and services. As prices increase, the value of any fixed, nominal wages, salaries and pensions diminishes, with the attendant pressures to maintain real incomes. Inflation undermines savings and distorts investment decisions, exacerbating uncertainty and hindering economic growth.

New Zealand experienced volatile inflation in the 1970s and 1980s. The period of very high inflation in the 1970s is a major indicator of the weakening New Zealand economy at that time. The 1974 oil price shock reduced the terms of trade to levels not experienced since the early 1930s.

With the introduction of the Reserve Bank Act 1989, New Zealand set a target to maintain inflation within a band of 0-2% over any 12 month period (although this constraint has been subsequently weakened). Reforms made it possible to achieve low inflation throughout the 1990s.

### 8.3 Inflation, 1926-2002

annual per cent change in consumer price index

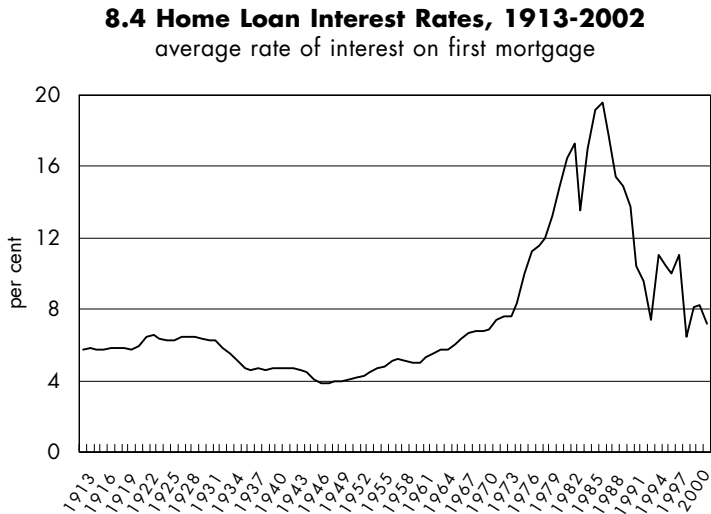


Sources: Statistics New Zealand, *New Zealand Official Yearbook*; Statistics New Zealand, *Hot off the Press: Consumer Price Index* (December 2000 and 2002).

## Home Loan Interest Rates

After years of relative stability, the rise in inflation during the 1970s resulted in a major increase in home loan interest rates. With high home ownership levels, this increase affected the household finances of a large proportion of the New Zealand population.

After inflation was brought under control, interest rates dropped. Under the Reserve Bank's monetary policy of maintaining low inflation, interest rates increased in the mid-1990s as inflationary pressures grew, but were lowered again in the late 1990s.



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Reserve Bank of New Zealand, *Historical Series*, various years.



## Government Expenditure

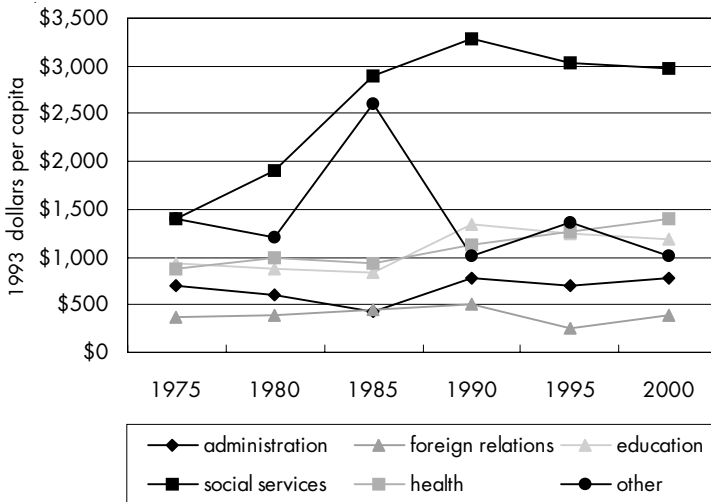
Since 1975, government expenditure clearly reflects escalating costs of social services, including health and education, and particularly welfare. While social services have traditionally accounted for the largest amount of government expenditure, the cost per capita is now far in excess (around double) of any other category of expenditure. Welfare reform in the early 1990s saw the cost per capita of social services decrease slightly, but the cost still remains high—13% of GDP in 2003.

Reforms to the health system during the 1990s contributed to a relatively stable expenditure, which is noteworthy in a time when new technologies and drug treatments resulted in escalating costs in healthcare.

Also notable is the spike in ‘other’ spending in the mid-1980s, when government expenditure was dominated by debt servicing. New Zealand had high levels of foreign public debt—used to fund government spending on such things as the ‘Think Big’ projects of the early 1980s—which privatisation in the late 1980s was able to repay in part.

### 8.5 Government Expenditure, 1975-2000

real net per capita government expenditure by purpose



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Crown Accounts Analysis* (June 2000).

## Tax Freedom Day

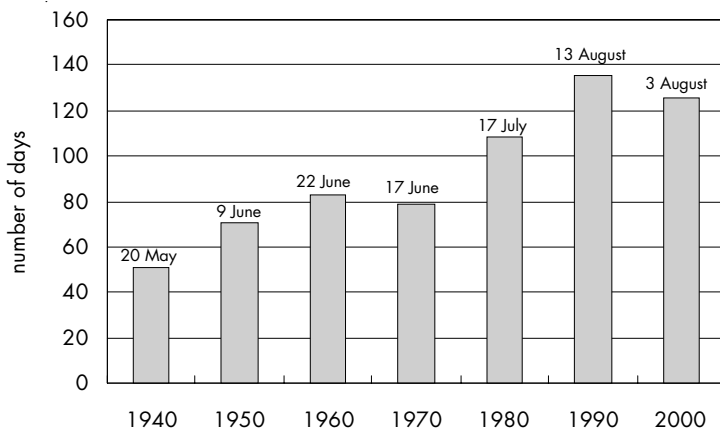
New Zealanders have experienced rising taxation since 1940. Although the highest marginal tax rate was cut by half in the 1980s from 66% to 33%, taxation continued to rise. The introduction of the Goods and Services Tax in 1986 added to taxation levels otherwise lowered with the decrease in the marginal tax rate. Two further marginal tax rate cuts in the 1990s had some effect in lowering taxation levels, but this was countered by increases in the highest marginal tax rate in 1999.

In 2000, the ‘average’ taxpayer had to work for 125 days to pay their proportion of the national tax bill. In 1940 it was only 50 days. Of course, there is no ‘average’ taxpayer, some individuals and households have such low incomes they pay no tax, while others work beyond 125 days to fulfil their tax obligation.

By comparison, Australia’s Tax Freedom Day has preceded New Zealand’s since the 1980s (111 days in 2000), despite a higher top income tax rate of 47%.

### 8.6 Tax Freedom Day, 1940-2000

symbolic day of the financial year (starting 1 April) when total national tax bill has been paid



Sources: Statistics New Zealand, *New Zealand Official Yearbook*, various years.

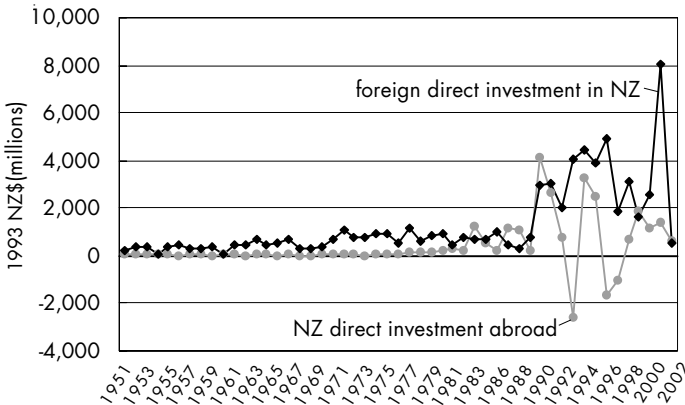
## Direct Investment

Prior to the reforms of the 1980s, New Zealand foreign investment was one of the most highly regulated in the world. Investment abroad was almost non-existent prior to 1983, and remained at fairly low levels up to the 1990s.

As part of overall economic reforms starting with the 1984 Labour Government, foreign investment into and out of New Zealand was liberalised. New Zealand now has a policy of actively welcoming foreign investment, with no limit to the equity holding a foreigner can have in a New Zealand enterprise (with some exceptions for fishing, Telecom, Air New Zealand, and some restrictions on land ownership). An application to the Overseas Investment Commission is required for high investment amounts and for certain investment types, but these conditions are very liberal by international standards. Likewise there are no restrictions on movement of funds out of New Zealand.

### 8.7 Direct Investment, 1951-2002

NZ direct investment abroad and foreign direct investment in NZ  
constant 1993 dollars



Sources: G. T. Bloomfield, *New Zealand: A Handbook of Historical Statistics* (Boston: G.K. Hall, 1984); Statistics New Zealand, *New Zealand Official Yearbook*, various years; Statistics New Zealand, *Hot off the Press: Balance of Payments* (June 2002).

## Economic Freedom

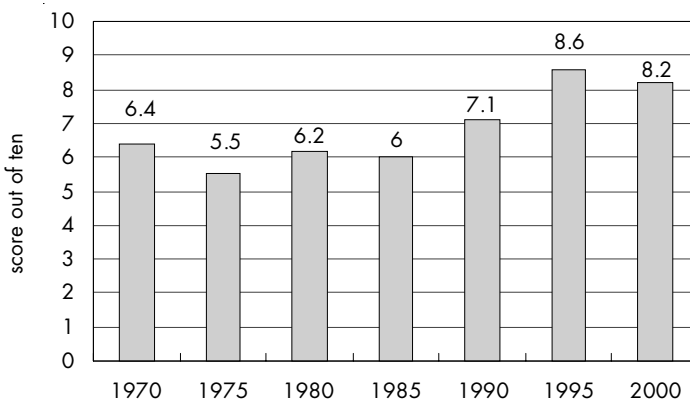
Economic reforms under the fourth Labour government and subsequent National government have ensured that New Zealand receives a high international ranking for economic freedom.

New Zealand's previously highly regulated economy gave it relatively low economic freedom rankings in the 1970s. The more liberal economic environment of the 1990s saw New Zealand's rating rise above that of Australia. In 1995, New Zealand's rating was also higher than the United States and the United Kingdom, ranking third most free of the 123 countries reviewed (following the consistently placed first and second countries of Hong Kong and Singapore). More recently, New Zealand has slipped in both rating and ranking to fifth out of 123 countries.

Advocates of liberalisation argue that it achieves more rapid growth, higher employment and high incomes in the long term. Reforms often have costs in the short run, but these can be minimised by careful policy formation. International comparisons clearly demonstrate that countries with the most freedom have the highest per capita incomes, while the least free countries are the poorest.

### 8.8 Economic Freedom, 1970-2000

score out of ten (ten is most free, one is least free)



Source: The Fraser Institute, *Free the World.com: The Website of the Economic Freedom Network*, see [www.freetheworld.com](http://www.freetheworld.com).

## Endnotes

- <sup>1</sup> 1858 and 1901 supposedly include the Maori population, but there is some doubt over the figures due to discrepancies between various sources. These figures probably underestimate the true population.
- <sup>2</sup> Ian Pool and Richard Bedford, 'Population Change and the Role of Immigration', *The Population Conference* (Wellington: Statistics New Zealand, 1997), [http://www.executive.govt.nz/96-99/minister/bradford/population/content/plenary3/plnry3\\_4.htm](http://www.executive.govt.nz/96-99/minister/bradford/population/content/plenary3/plnry3_4.htm)
- <sup>3</sup> Statistics New Zealand, *New Zealand Official Yearbook on the Web 1999* (Wellington: Statistics New Zealand, 1999).
- <sup>4</sup> As above.
- <sup>5</sup> Percentages of single parent households with a valid response to marital status of parent in 2001 census (11,742 of 182,919 households not classified).
- <sup>6</sup> Statistics New Zealand, *New Zealand Official Yearbook on the Web 1999*.
- <sup>7</sup> Statistics New Zealand, *Children in New Zealand* (Wellington: Statistics New Zealand, 1998).
- <sup>8</sup> Statistics New Zealand, *Looking Past the 20th Century* (Wellington: Statistics New Zealand, 2000).
- <sup>9</sup> Colin James, *New Territory* (Wellington: Allen and Unwin 1992), p.16.
- <sup>10</sup> As above, p.25.
- <sup>11</sup> As above.

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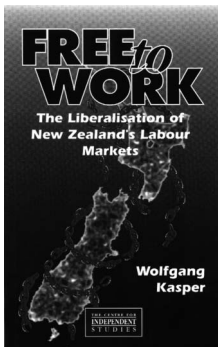
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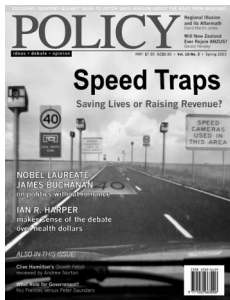
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