



Pie Commentary 2026-2.

What does Intergenerational Equity require?

The concept of Intergenerational Equity underpins the work of PIE. But it means very different things to different people. At its heart it requires value judgements about what is fair and just.

Of particular interest to the pensions debate is the concept adopted by some, that intergenerational equity requires that each generation pays for themselves. It becomes somewhat circular if fairness is defined this way: each generation paying for themselves is fair, therefore fairness requires each generation pays for itself. It has nothing to say about adequacy.

In practice, this view of equity means advocating savings programs which determine the size of the pension for each generation as it retires. Sometimes referred to as 'save as you go' instead of 'pay as you go'.

This approach obscures the inherent unfairness for the transition generation now asked to pay for itself by saving more today as well as paying for pensions for the already retired.¹

Instead, PIE believes the appropriate concept of Intergenerational Equity is fairness **between** the generations at a given point in time, and into the future. It encompasses the concept of intragenerational equity which requires that **within** any particular generation the gap between the top decile and bottom decile is minimized, and, in particular, the bottom receives an adequate share and is protected from poverty.

Adequacy is judged to be more than simply poverty prevention, but a level of income for all that allows meaningful participation and belonging.

PIE reflects on this concept of Intergenerational Equity and is pleased to republish² - an article by Auckland Action Against Poverty coordinator Agnes Magele whose life story illustrates the development of inequity across the generations and explains what poverty in Aoteroa New Zealand actually means behind the bald statistics, PIE is grateful to Agnes for sharing her story.

¹ A republished 2013 PIE working paper *To Save or Save Not: The economics of SAYG and PAYG retirement income schemes: is there another view?* delves further into the technical debate.

² Based on an article first published by the Post

My Story

Agnes Magele

I grew up in a big Samoan family in South Auckland, wrapped in love, church on Sundays, sport during the week, aunties and uncles always around, the kind of home where respect and service were taught long before I ever heard the words “policy” or “legislation.” Then my dad got sick and couldn’t work. Overnight, we were pushed into a system that offered just enough to look supportive and never enough to live with dignity. I still remember my parents crying after being turned away from help because the forms weren’t right or the boxes weren’t ticked. English wasn’t their first language, Samoan was. The system didn’t understand us, and it didn’t try very hard to. I became the teenage translator for government letters that felt cold and confusing. That’s when I learned the system wasn’t built for families like mine.

Latest child poverty statistics released each February are the closest many New Zealanders are to the problem.

But understand this: those numbers reflect decisions made in warm offices with electricity and heaters — by people who have never sat in a cold, damp room streaked with mould, trying to keep a child warm.

Agencies will talk about margins of error and trend lines, but children don’t live in margins of error. They live in cold bedrooms, damp garages and overcrowded homes.

Here’s the truth that matters: a large share of our children are still growing up with too little. In the most recent nationwide figures, 12.7% of children lived in households with incomes below half the median (before housing costs) - a rate that has not meaningfully shifted in recent years despite public targets and promises. That is not statistical noise. That is policy failure.

Behind that sits another harsh fact: around one in nine children experience material hardship, and the burden is far heavier for Māori, Pacific and disabled children. For Pacific children like mine once were, the hardship rate is roughly three times that of Pākehā children. We have national targets to cut these rates further by 2028, but on current trajectories, too many tamariki will still be going without the basics.

I know what “going without” feels like. As a child I faced a trauma no eight-year-old should ever carry. Love kept me afloat, but trauma and poverty made every step heavier. At 17 I became a mum, certain that if I loved my baby enough, we would be okay. Love matters, but love doesn’t pay for power or lunches. Years of instability followed. I was in a relationship that turned violent. My kids watched me juggle bills we couldn’t cover. There were mornings with no food for school, days when uniforms didn’t fit, weeks when fees went unpaid and we stayed home because petrol money ran out. You don’t think clearly when you’re constantly choosing which necessity to skip. Survival fogs everything. And children carry that fog into classrooms, friendships and adulthood.

I made mistakes. I carry convictions from that time, and the weight of debt that ballooned when there was never enough to begin with. The punishment didn’t end with the sentence; stigma follows you into job interviews and loan applications. Debt becomes generational - not because children are irresponsible, but because they grow up thinking it’s normal to borrow from tomorrow to make it through today. Labels become generational too. You can serve your time and still find the door locked.

Poverty doesn't just empty your wallet. It narrows your future.

People like to say poverty is about personal responsibility. I've lived the opposite. Poverty is what happens when the system values earning power above wellbeing and then punishes those who can't work because of illness, disability, caregiving or crisis. It's what happens when the cost of a warm, dry home runs ahead of low wages or low benefits, and when benefit rules and sanctions make life harder instead of helping families get back on their feet. Those patterns show up again and again in the very data we release each year — the same data that tells us Māori, Pacific, disabled children and children in sole parent and benefit dependent households bear the sharpest edges of hardship.

No eight-year-old chooses poverty. No baby chooses a benefit sanction. These are adult policy decisions.

New Zealand didn't end up here by accident. We chose, as a country, to measure child poverty - and that was a vital first step under the Child Poverty Reduction Act 2018. We chose targets and public reporting so no government could hide failure. That transparency matters. But reports don't feed a child or make a home warm and healthy. Without the courage to invest at the scale needed to solve the problem, statistics are just a mirror showing us what we already know.

A mirror only helps if you are willing to change what you see.

What would real courage look like? It looks like lifting core benefit levels and keeping them indexed so families aren't pushed backwards by inflation. It looks like fixing Working for Families so the children who need support most get it in full. It looks like removing punitive sanctions that deepen hardship for tamariki who did nothing wrong. It looks like sustained investment in warm, affordable homes, with urgency for Māori and Pacific communities who face the worst of damp and mould. It looks like services that are trauma informed and culturally grounded, so families aren't forced to explain their pain to a different stranger every time they ask for help. These aren't radical ideas; they're the ABCs of raising the income floor and lowering the cost of a decent life.

The question isn't whether we know what to do. The question is whether we care enough to do it.

Some will say we can't afford it. I've heard that all my life, and I've watched the bill come due anyway, paid in poorer health outcomes, kids leaving school early to help with rent, and the endless churn through our justice system. The costs of child poverty show up in every part of the ledger, just not always under the same budget line.

We either pay now to give children stability, or we pay later for the damage instability creates.

We either pay to keep children in survival mode, or we invest so they can dream.

Despite everything, my family is rebuilding. My children, now adults, don't carry a criminal record. They are loving parents to my mokopuna. We are doing our best to give our little ones a childhood defined by hope, not fear. But love shouldn't have to fight this hard. No child's future should depend on their mum outlasting a system that was never designed for her.

So, when you read the poverty statistics , remember that behind every number is a child like I once was. Parents who tried. A cycle that repeats over and over again, unless we change it.

We already have the data, the targets, and the stories. What we need now is the political will to act on them. Invest in our children. Choose a system that helps families stand, not one that teaches them to live on their knees.

Our children are watching what we choose.

Comments

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