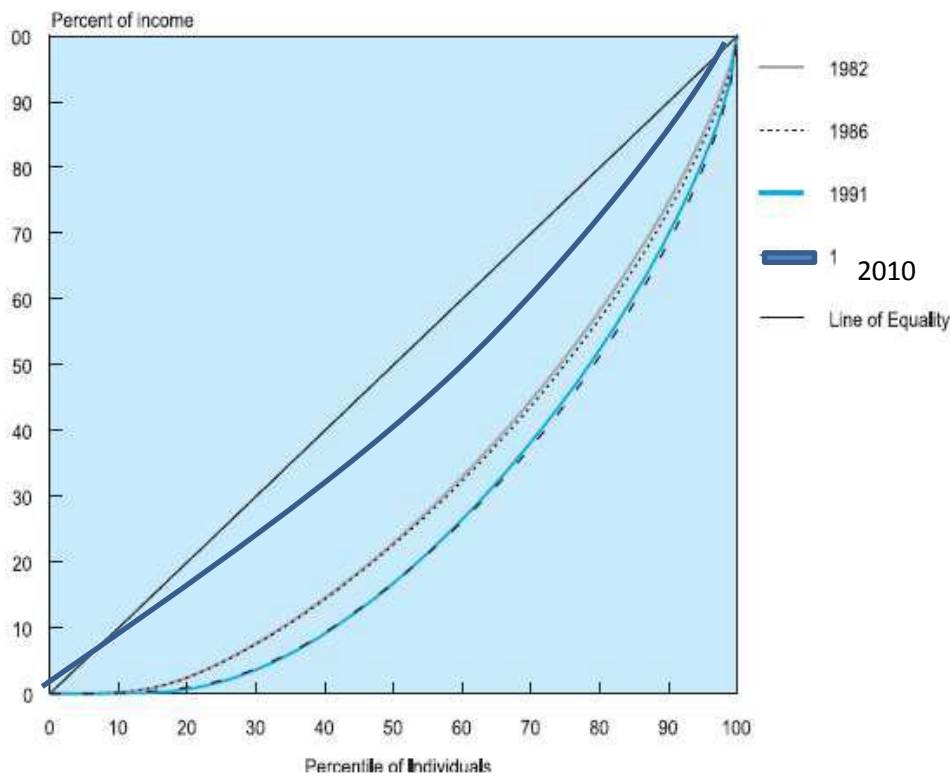


Inequality is how fairly and equally society measures income, and how evenly income is distributed. This is measured by the Lorenz curve.

Inequity is how unfair society is. Whether or not everyone is treated the same in society.

Poverty is a growing problem in New Zealand's society. Poverty is a noticeable deprivation in living standards. In New Zealand, poverty can be caused by unemployment issues and low-income situations. This is further complicated by some government policies which may not help those in similar situations. Poverty can lead to sickness and malnourishment, especially in young children, due to families being unable to afford basic needs like food or sufficient shelter. Crime rates may also increase due to people stealing to provide for their family. Some individuals in this situation may also become highly stressed or even depressed due to their position. In New Zealand, poverty may cause inequity as children in poverty are more likely to contract an infectious disease, in particular respiratory diseases, due to unsafe living conditions. With high doctor's costs, most parents cannot afford to take their child to the doctor and so the disease worsens, causing children to miss school. Parents of children in poverty also struggle to provide necessary supplies for school such as books, pens, and internet access to help with homework. Children born into these households are also less likely to be fed a good breakfast before school and so find it harder to concentrate. Children in poverty are not given the same opportunities as those who are not in poverty and so this creates unfairness-inequity. Poverty increases the amount of inequality in New Zealand, because as poverty increase, the gap between rich and poor increases and so income is less evenly distributed causing move poverty. This continues in a cycle.

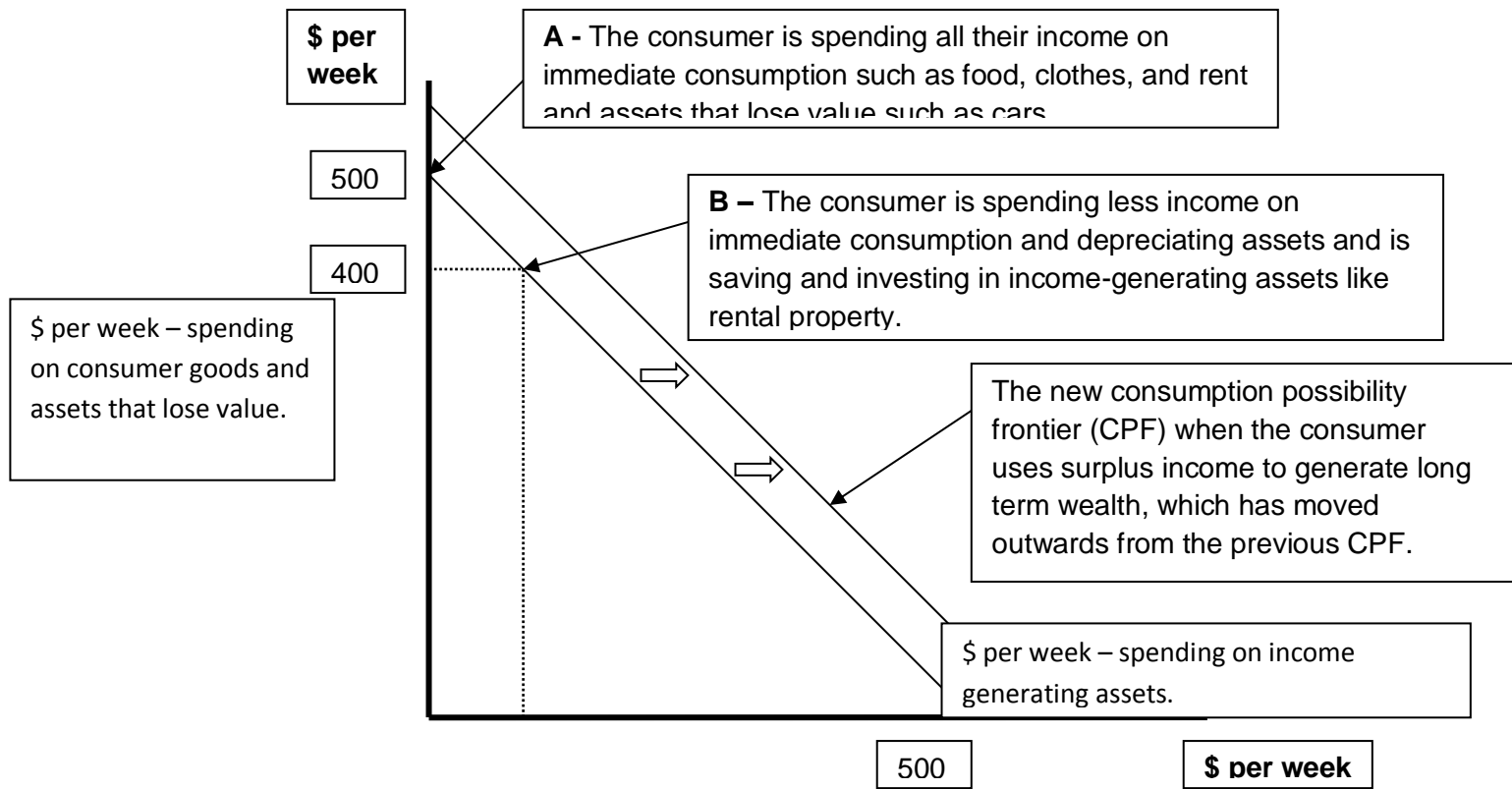
Household Market Income Lorenz Curves 1982-2010



The Lorenz curve shows a high amount of inequality ranging from 1982-2010. However we can see that our economy is nearing the line of equality as the years proceed. This is most likely due to the introduction of working for family's packages and similar schemes for those who are unemployed.

Based on the statistics I have been provided with, they show that New Zealand has a rather high rate of inequity. It is apparent that Europeans earn more than all other ethnic groups including Maori and Pacifica peoples, with Pacific people earning the least. The income gap between Europeans and Maori's in paid employment, increases from a \$3848 difference in yearly income to a \$4992 difference over a ten year period. Pacifica peoples had the largest difference in income with a difference of \$4888 in 1998, which increased to a difference of \$7488 in 2008, against a Europeans salary. People of other ethnicities had a small difference of only \$2860 in 1998, but increased dramatically in the following ten years, resulting in a difference of \$6604. The increasing differences in income show the increasing rate of inequity in New Zealand, due to the lack of fairness in our society. This inequity could be caused by factors such as race, or those who have lesser qualifications due to unequal opportunities. This information however opposes the curve we see on the Lorenz curve. This is most likely due to the fact that these statistics are only taken from those in paid employment, whereas the Lorenz curve is a measure of all the society. The society may be improving even due to the increasing inequality of incomes because of introductions to schemes such as working for families where struggling families get extra grants from the government. So inequity may decrease while inequality is increasing.

Consumption Possibility Curve

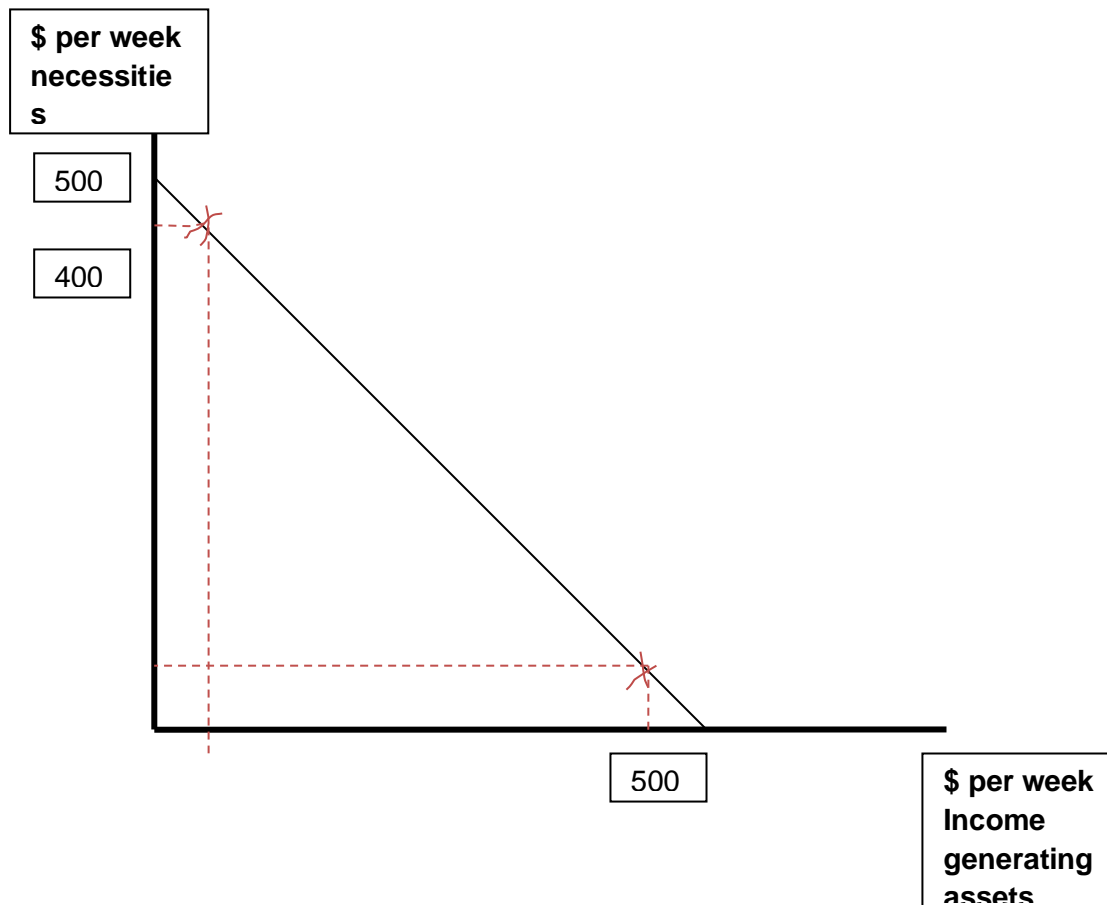


The consumption possibility curve shows a link between income and wealth by as it represents how much money consumers spend on immediate consumption versus how much they spend on income generating asset for example, investing in a rental property or buying shares. The Consumption Possibility Curve shows this by the lines which represent how much of a consumers income is spent on these two types of goods. For example, someone with a weekly income of \$500 may spend \$400 of their income on immediate goods and so there is only \$100 left of their income to invest in income generating assets, which mean wealth is being generated, and so the consumption possibility frontier can move outwards. However this may not be possible for all consumers who may have to spend the rest of their income of bills and so cannot afford to invest. Those who spend most of their income on goods for immediate consumption tend to be youths who cannot afford to invest in income generating assets as they are usually on minimum wage and if they are studying, their left-over income will most likely be put to paying off their debt. This situation also applies to low-income families who can only afford to purchase immediate goods that are necessities for them. Those who are able to spend a larger percentage of their income on income generating assets are therefore capable of increasing their wealth further. It is these consumers that will operate the expansion of the consumption possibility frontier.

Inequality can be detrimental to our society as for those who are less fortunate than others it can mean they are unemployed. High unemployment rates also tend to coincide with high levels of crime and domestic violence. Low income families also struggle to afford basic needs for themselves

and are more likely to get sick. High doctors cost tend to put these families off going to the doctor and so many common flu's develop in things such as respiratory illnesses, particularly in young children. When low-income families are unable to provide sufficiently for their children, it can lead to unhappiness and stress, predominantly when they see others around them, with jobs and higher incomes. However, inequality is not all bad, in a society where some members are better off than others, it can create those who are not as well off to try harder at their job as they have people to look up too. It also encourages entrepreneurship and innovation. The savings from high-income earners can also mean that investment finance is more widely available.

Two main groups in New Zealand society are impacted on by inequality; these are the high-income earners and the low-income earners (or unemployed). Those who are more fortune and earn a high income can afford to spend a lot of money on income generating assets such as rental properties or investment as they have a large amount of disposable income remaining after they have purchased the necessities, which they may not need to spend as much money on, as shown by the consumption possibility curve below. The assets that these people own may then be passed on to their children meaning that they too will be high income earners and so the same situation occurs. For low-income earners, or those on the benefit, after purchasing their necessities, they may not have enough left over income to invest in income generating assets, as shown by the consumption possibility curve. They may instead be living in rental properties and purchasing things that will decline in value i.e cars. Low-income earners will not have an equal opportunity to be able to invest in income generating assets and so they will have less to pass on to their children. Children brought up in this environment are already less likely to get a high-income job, and they will not be able to rely on such assets. This is the poverty spiral.



Many different factors contribute to income inequality, and for many different reasons. A family's beliefs or values can influence the decisions some families make. For example, some parents may choose to purchase new furniture, rather than buy schoolbooks for their children, and so these children are disadvantaged in school and may miss out on some opportunities. Some families may also have different views on the importance of education and encouragement to try in school may be lacking for some children. These children are more likely to drop out of school unqualified and have a low-income job for most of their lives. Unequal opportunities are also caused by one's gender or age. Many companies still pay women a lesser wage than men, for the same job, this is caused by the old-fashioned idea that women were not supposed to work and so were less capable than men. Age is also frequently discriminated against in the workplace as most companies are more likely to hire older people as they have more experience. Young adults tend to have less experience in the workplace and may only be looking for a part-time job while they study and so the company will know that they do not plan on staying long-term.

To try and close the gap between the rich and poor, and decrease our child poverty rate, the Labour government introduced a working for family's package in 2005. This meant that those in low to middle incomes were given extra financial support for each of their children to help keep up with their needs. This did improve the living quality of many children with working parents, but those without working parents were still just as worse off. A package like this could be introduced to those unemployed and on benefits however the working for family's packages are seen as a reward for getting a job and trying to better your life. Families on the dole are also more likely to abuse this right and spend the money on themselves. However, instead of being given money, those on the dole could be given vouchers to spend on specific things i.e. food vouchers/health vouchers, which would decrease the amount of parents that are spending their money on alcohol and the like instead of necessary items for their children. Free doctor's checks for children up to the age of 10 would also decrease the amount of children who are subjected to horrible infections and diseases which have stemmed from a simple flu as the parents could not afford to take them to the doctors. Increased funding for schools would also be beneficial as many schools have now had to get rid of their on-ground school nurses and dentists which were able to identify and treat many illnesses much earlier.

Ashleigh Keall