Poverty, Inequity and Inequality in New Zealand

Inequality is the uneven distribution of goods or services that put some in an advantageous position and others in a disadvantaged position either in wealth, health, education etc. This concept may be applied to individuals and to countries. The unevenness in the economy can be labelled as economic inequality and the uneven distribution of wealth labelled as income inequality. Income inequality is a measure of relative deprivation. This represents the gap between the countries richest and poorest, or the size of the distribution range in incomes.

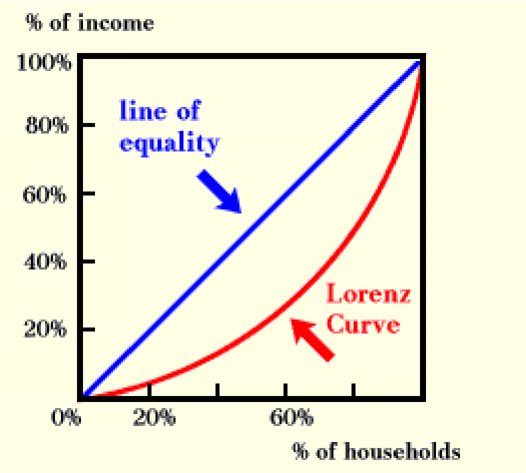
Inequity is unfairness in the economy. It's the opinion of how unfair things are according to individuals. The bottom percent of the country's population who live in low income household may find things to be unfair compared to the top percent of people who have more assets and wealth. This is seen as inequity.

Poverty is relative disadvantage, the people who have financial resources or living conditions that are below the minimum acceptable levels in NZ are considered to be living in poverty. Poverty in NZ can be caused by things such as the poverty cycle. Most children that are born into a family that are already in the poverty cycle find it hard to break out. They grow up resigned to the way of living. This makes it harder for them to break out of the cycle and many families are stuck in the poverty cycle for generations. This contributes to the rising poverty levels in New Zealand. The lack of jobs and opportunities in the economy can contribute towards poverty. Also if the general population do not gain skills and knowledge that can help them get higher paid jobs, they may be stuck with a low income job that will keep them in the poverty cycle.

Poverty in New Zealand has harsher impacts upon children than other age groups. The older population in NZ face a lower rate of hardship compared to the other NZ age groups and compared to the same age groups in other countries. Whereas as the children in NZ suffer a higher rate of hardship than other age groups, but also a higher rate than in many countries. In NZ almost one in five children face hardship in a situation that should be improved. Compared to other countries, NZ is unusual for the burden imposed on the youngest portion of the population. Statistics show that 1 in 5 children in NZ live below the poverty line. These children have no proper equipment which can hinder their ability to learn. Also, many of these children don't have proper meals, and so find it difficult to concentrate in class as their minds are focussed on food. The parents of these children may have lived in the poverty cycle for generations, and so may feel like they can't break out of the cycle and spend what little money they have on other things like alcohol, cigarettes and junk food. This means that they often have little left for their children's education. The children grow up with little, unhealthy food which can cause them to have more health issues. This can affect their ability to study or work. Many families may live in state houses, with large families crammed in small houses. Because of the many people in the small house, they are more prone to sicknesses and bugs. And if one person is sick, the bugs will spread easily because of the many people crammed in a small space. These children may become dependent on schools and other charities for breakfasts. Also many teens and young adults are unable to get or keep jobs because of the lack of the needed skills and education and are stuck in the poverty cycle may depend on the government support and grants to survive. This will cause them to become government dependant and may become stuck even deeper in the poverty cycle. Poverty also impacts on households as they may not have enough money to cover the costs of living, or have just enough to cover the living costs and so may not have spare cash for luxury items. This may have social impacts such as unhappiness and dissatisfaction as the households may feel like they are just getting by daily and can't afford any luxury items.

Poverty can cause inequity in New Zealand as people who live in poverty may feel as though they are being treated unfairly. The poorer parts of the population may feel unfairly treated when they see how the richer parts of the population live. This can often cause unhappiness and resentment and can sometimes lead to anti-social behaviour like crime and domestic violence. When there is a higher rate of poverty, there will also be a higher rate of crime as people retaliate on government policies. Greece is a current example of this as the citizens are rioting and destroying public property in their retaliation due to the increased levels of poverty caused by the government taking drastic measures in order to get out of the poverty stricken economy. This is an example of a social impact that is caused by the vicious cycle of poverty.

Poverty can contribute to inequality in New Zealand as the poorer part of the country's population may not get as many opportunities as the part of the population that are better off. Families who live in the poverty cycle may not have enough money to pay for their children's education and so may not be able to fork out cash for their children to pursue the careers they want or to get a tertiary education. This disadvantages the children in the poverty cycle and contributes to inequality. Lack of education can lead to poor employment opportunities which will lead to low paying jobs. With a low paying job will the parts of the population that live in the poverty cycle will find it even harder to break out of the cycle. Also the poorer parts of the population may not be able to make ends meet and so will sink further into the poverty cycle. The gap between the rich and the poor will increase as the poor get poorer and the rich get richer. The part of the population that are stuck in the poverty cycle will not be able to get out which will cause inequality to increase.



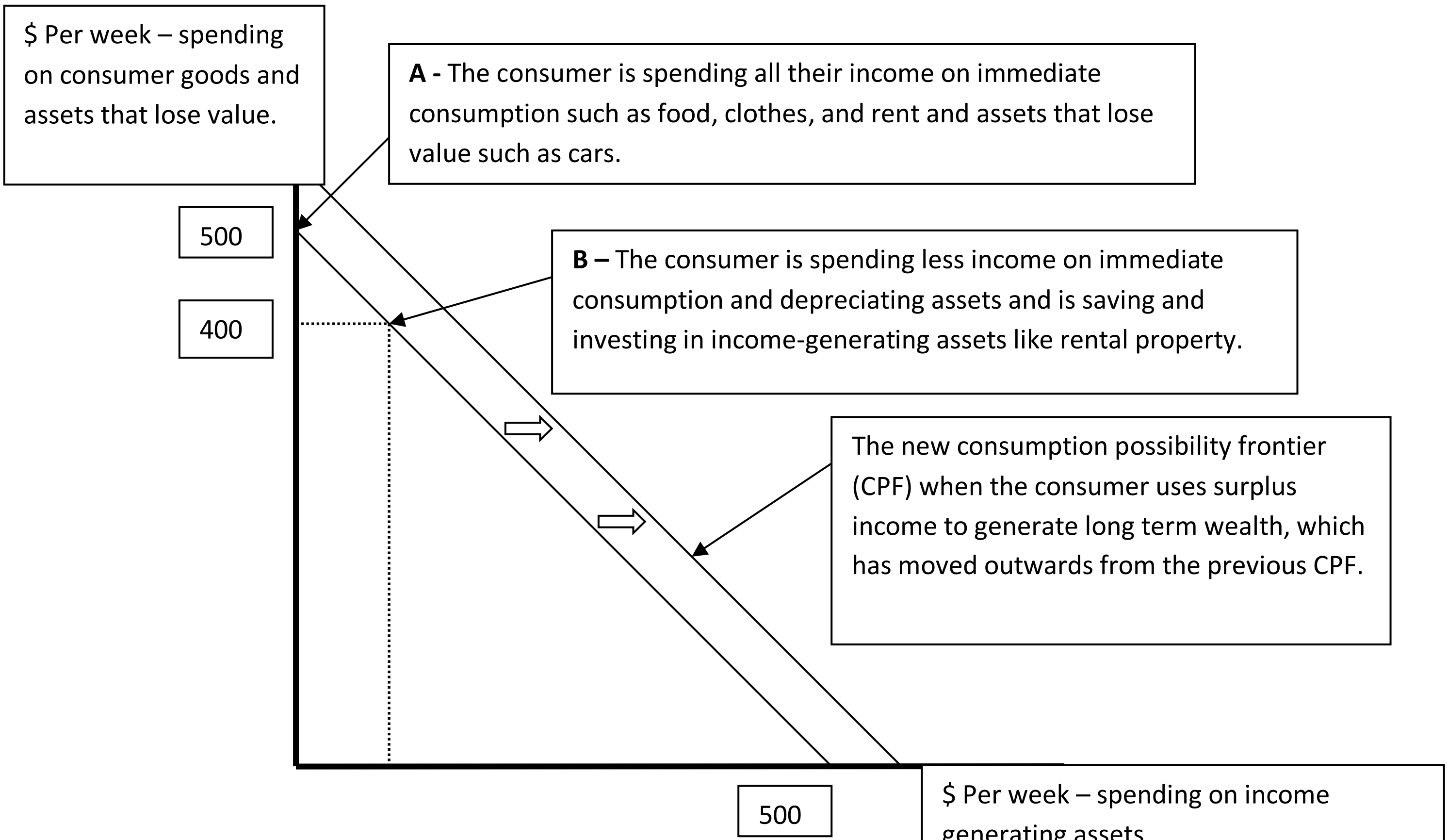
A Lorenz Curve illustrates inequality

The Lorenz curve for New Zealand shows inequality through the red curve (as shown on the left). The blue line shows what an economy would look like if the economy had perfect equality. The NZ Lorenz curve shows that there is significant inequality in NZ. In 2010 the Lorenz curve shows that the lowest 20% only earn 8.4% of the countries wages, and the top 20% earn around 37% of the country's wealth.

The statistics and bar graphs in resource C show that there are differences and inequity in income distribution between the different ethnic groups in New Zealand. The Median incomes of the different ethnic groups in paid employment show that there is a degree of unfairness and injustice. Europeans receive a significantly higher amount of salary compared to the other ethnic groups in NZ. An example of this is shown in the statistics in the year of 2007, when the median weekly salary of Europeans was $748.00 and the yearly median salary $38896.00, compared to the $623.00 weekly median and $32396.00 yearly median of Maori.

During the past years income inequality in New Zealand has both improved and gotten worse at some points. In 2005, Working for families was introduced to help low and middle income families by providing extra financial support. This programme is credited with improving the situation for children in families with working parents. But a flaw is that there is no programme to provide similar benefits to children in households receiving primarily from benefits with no working parent. There has been a reduction in tax rates (MTRs) that has benefited middle income earners, a write-off in interest on student loans that has helped people to pay off their loans more quickly and therefore have more disposable income, an increase in the minimum wage rate that has increased disposable income for low income earners and a focus on training or retaining more unemployed people and placing them in work which would increase their disposable income. Also the global financial crisis has helped with inequality as it reduced the wealth of high income earners. This caused equality to increase.

Consumption Possibility Curve



The consumption possibility curve is used to illustrate the link between income and wealth. A consumer can save any surplus income they earn and invest in income-generating assets like term deposits, shares, gold and rental property. This graph highlights the gap between people who are able to create wealth and those who either have to spend all their limited income or choose to spend it all. The people in a position to generate long-term wealth expand their future consumption possibilities by increasing their income through income-generating assets.

In New Zealand society, income inequality can have both positive and negative social impacts. According to The Ministry of Social Development's 'The Social Report 2010, income inequality is often seen as an important aspect of the fairness of a society as a high level of income inequality may have a negative social aspect. Some of the negative social impacts of income Inequality are poverty, and lack of opportunities such as tertiary education. Political isolation could also occur due to low income earners feeling like they don't get a loud voice in the media because of their lack of income. Too much inequality can also lead to unhappiness, frustration and stress as some households that are better off may have more assets and wealth than the households that are worse off. This can lead to ill-health, low self-esteem and anti-social behaviour such as crime and domestic violence. It can also cause a build-up of resentment as the people who are worse off see the wealth and assets of the households that are better off. A poverty cycle can develop where low incomes lead to poor health and lack of education. This in turn will cause poor employment opportunities and low paying jobs.

But inequality can also be beneficial. The positive social impacts of inequality include the incentive inequality creates to show innovation, investment, entrepreneurship and more efficient use of resources. Inequality can provide incentives to aim higher and work harder in order to break out of the poverty cycle. Investment finance becomes available due to the savings or surplus income from the top decile households. Some of these households may also donate to charities and public assets.

Income inequality affects the many groups in NZ society in different ways. The poverty rates for children in the Maori and Pacific ethnic groups are consistently higher than for those in the European/Pakeha ethnic group, the rates for (around one in three) Maori children are double the rate for European/Pakeha children. This gap is caused by the relatively high proportion of Maori children living in sole parent beneficiary families. Income inequality also affects ethnic and gender groups. There is persistent inequality between Maori and non-Maori in educational participation, and also a gap in employment conditions between males and females. A main part of this gap occurs in the area of pay equity. Inequality also raises the likelihood of children growing up and committing criminal offenses. According to the article 'Social problems linked to wealth gap: study' by Derek Cheng*, "The greater the gap between rich and poor, the more likely people will grow up a drug user, a criminal, less educated, obese, pregnant while a teenager, even less trusting of others."* He showed evidence through several graphs of New Zealand's data. According to the graphs, as the income gap increased, the rate of obesity, teenage pregnancy and imprisonment increased. Also he states that the *"period when our income inequality started to rise very rapidly… there's a strong association with the way this terrible disease (Meningococcal disease) took off in New Zealand."* Professor Howden-Chapman suggests that the rise was related to families becoming poorer and moving into smaller, more crowded housing.

Income inequality in NZ can be caused by many different things. The cultures and values of some families can influence the decisions they make regarding education or the accumulation of materiel things. Access to opportunities can be hindered by regional differences in resource endowment and support for education may not be a high priority for some families. Future income potential is also determined by factors such as tertiary education. Wage/salary statistics show that a degree generally increases the earning potential. Though this can be argued as being fair due to the time, money and work committed to getting a degree. Age income statistics show that as a person gets older their income usually increases due to experience or job promotions. This can also be argued as fair because of the work experience. And people who inherit wealth may be seen as having an unfair advantage as they get given money to invest in income-generating assets or use to start businesses. People who take risks and set up businesses and are successful generally receive more income than a person who is on wages or salary. This is also evidence supporting the argument that income inequality can be used as an incentive to work harder and/or take risks. Also gender income differences can cause unequal opportunities, as gender statistics consistently show that women are being paid less than men in each ethnic group. The demand and supply forces determine what a person gets paid, so many professional people like doctors and lawyers may find that they are being paid less than say a professional athlete or actor. And generally a professional will be paid higher than a labourer. This helps to show the equity of income inequality.

In order to improve the current situation, the government can implement policies to help with the redistribution of wealth. Policies tackling unemployment and lifting wages would help create income equality. The government has, and can continue to take Affirmative Action. This involves policies that are designed to promote certain ethnic or socio-economic groups. This will cause positive discrimination as Maori and Pacific islanders are encouraged to pursue tertiary education by the government allowing them to get free education. Also, the government can give financial aid to low income households in order to subsidise important services such as education, health services and housing. This will help low income households as they no longer have as many expenses and can now afford more luxury items. The government can also choose to make some changes in the beneficiary assessments that might increase inequality for children in particular, as suggested by The Welfare Working Group.