

INEQUALITY

A NEW ZEALAND CRISIS

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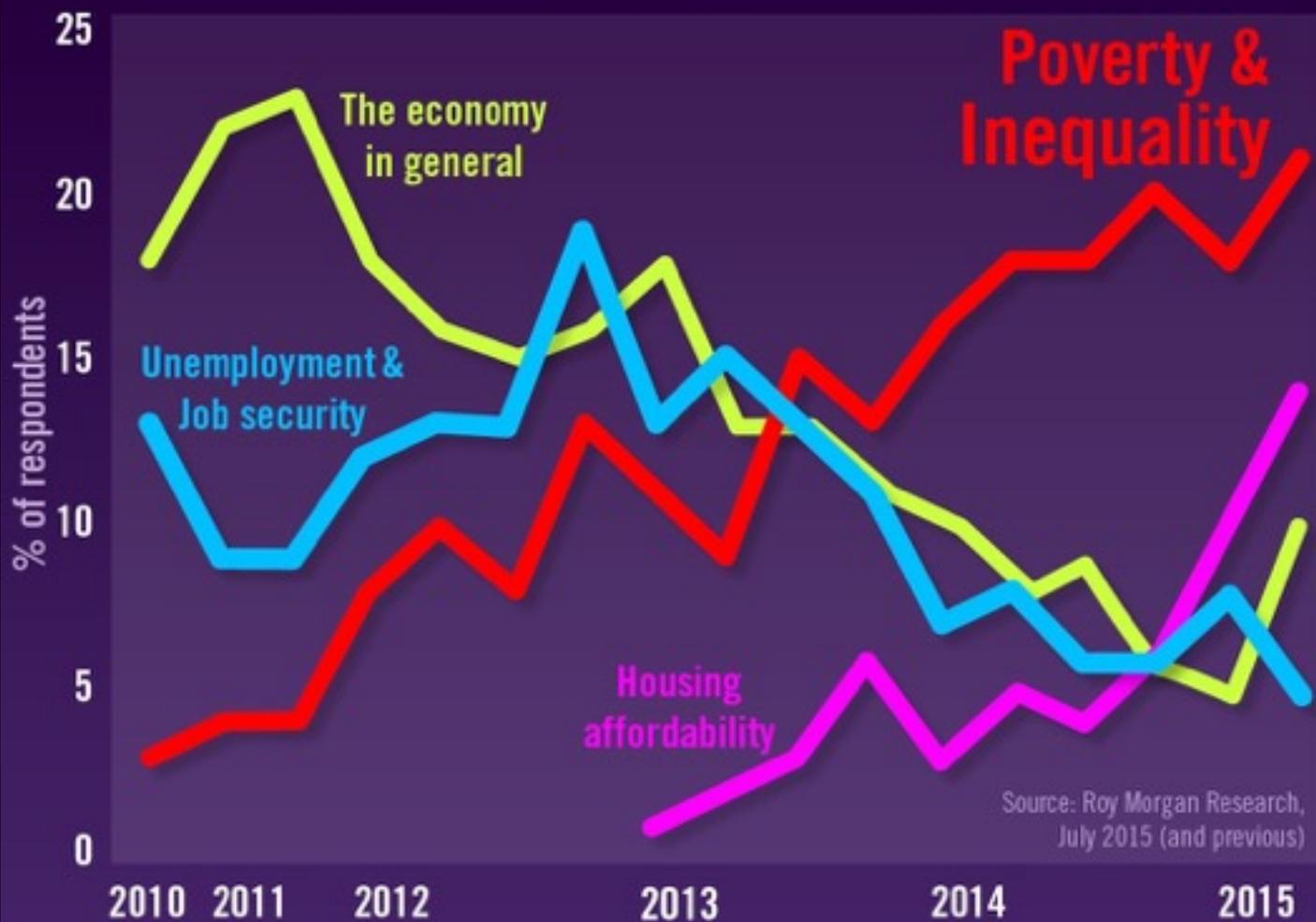
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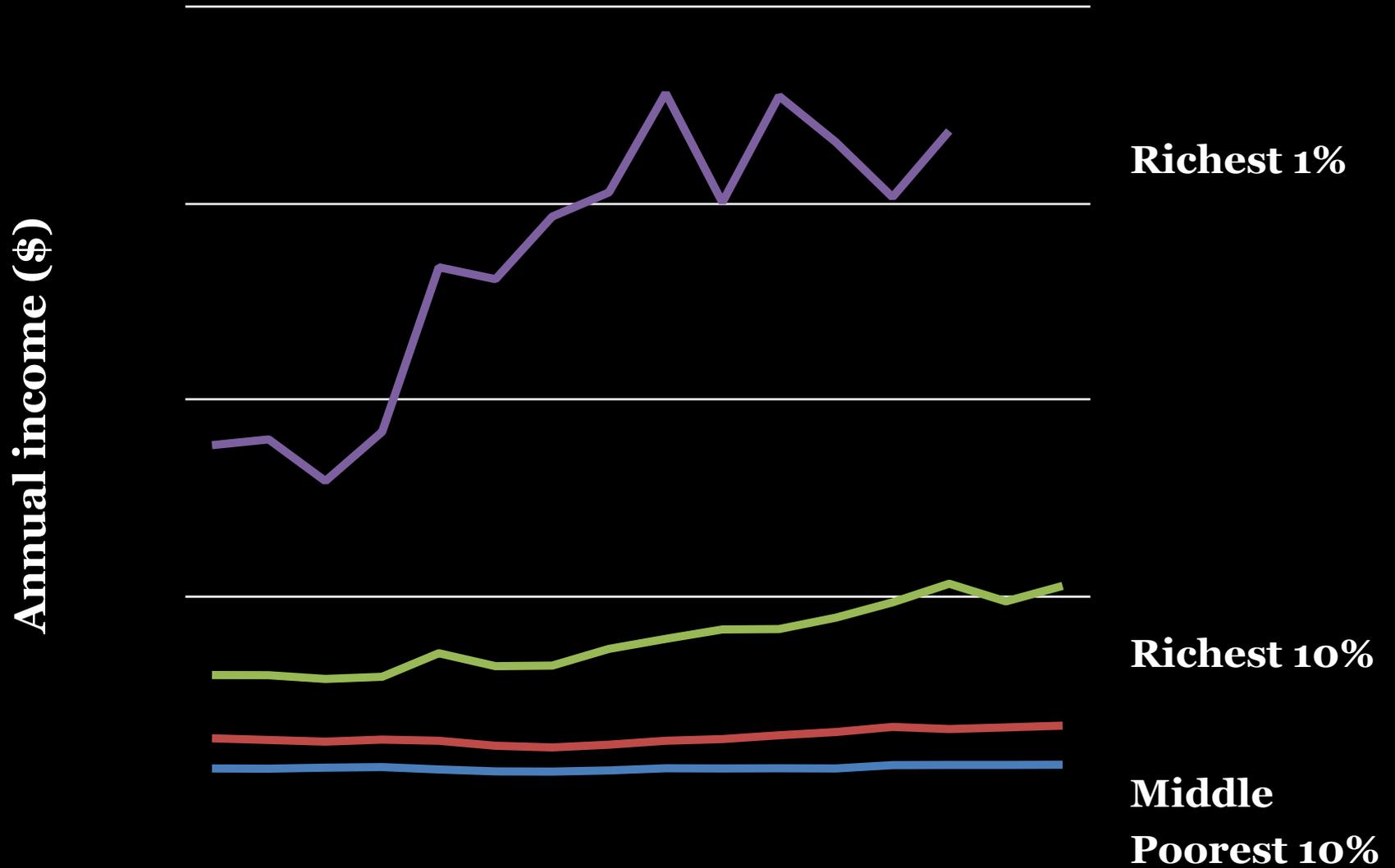
A NEW ZEALAND CRISIS

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What's the most important issue facing New Zealand?

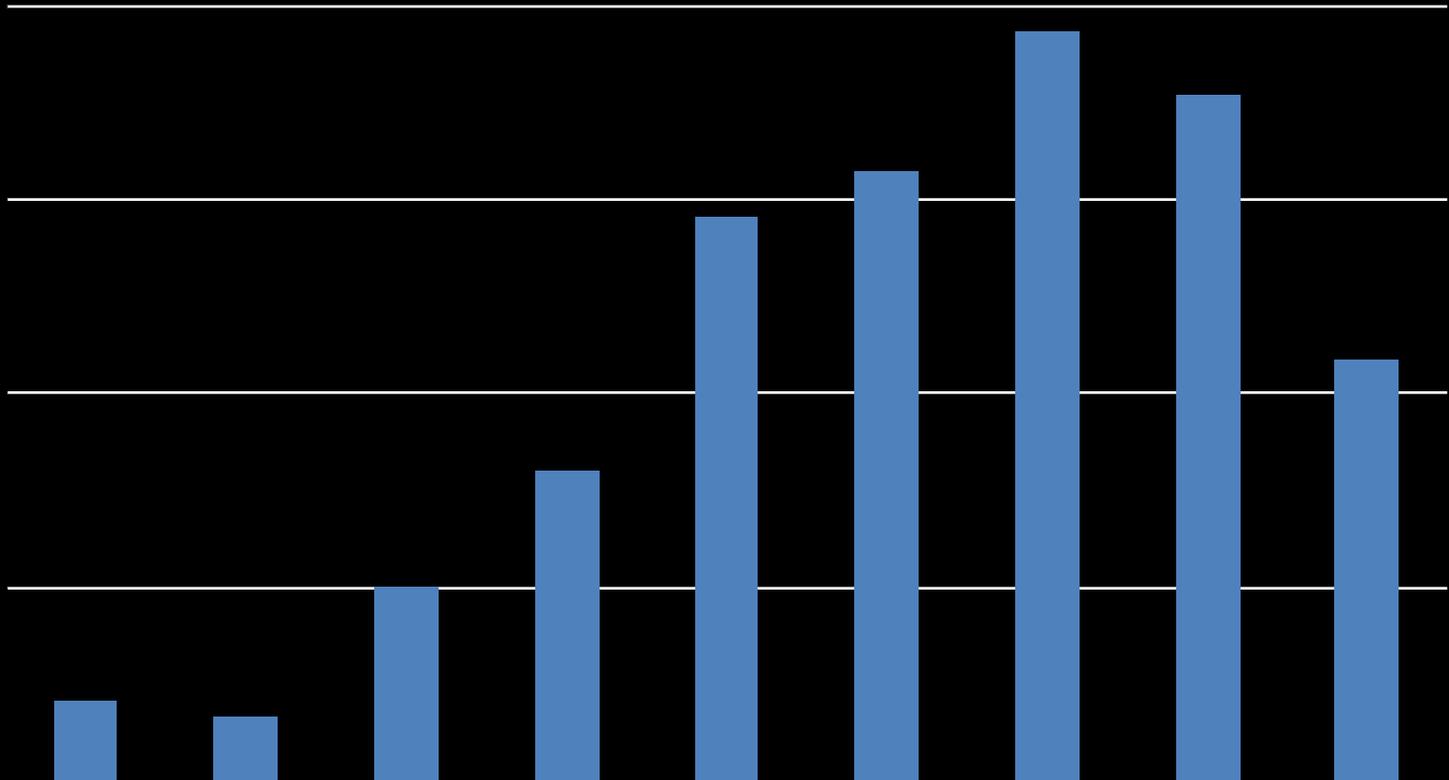


Inequality of income

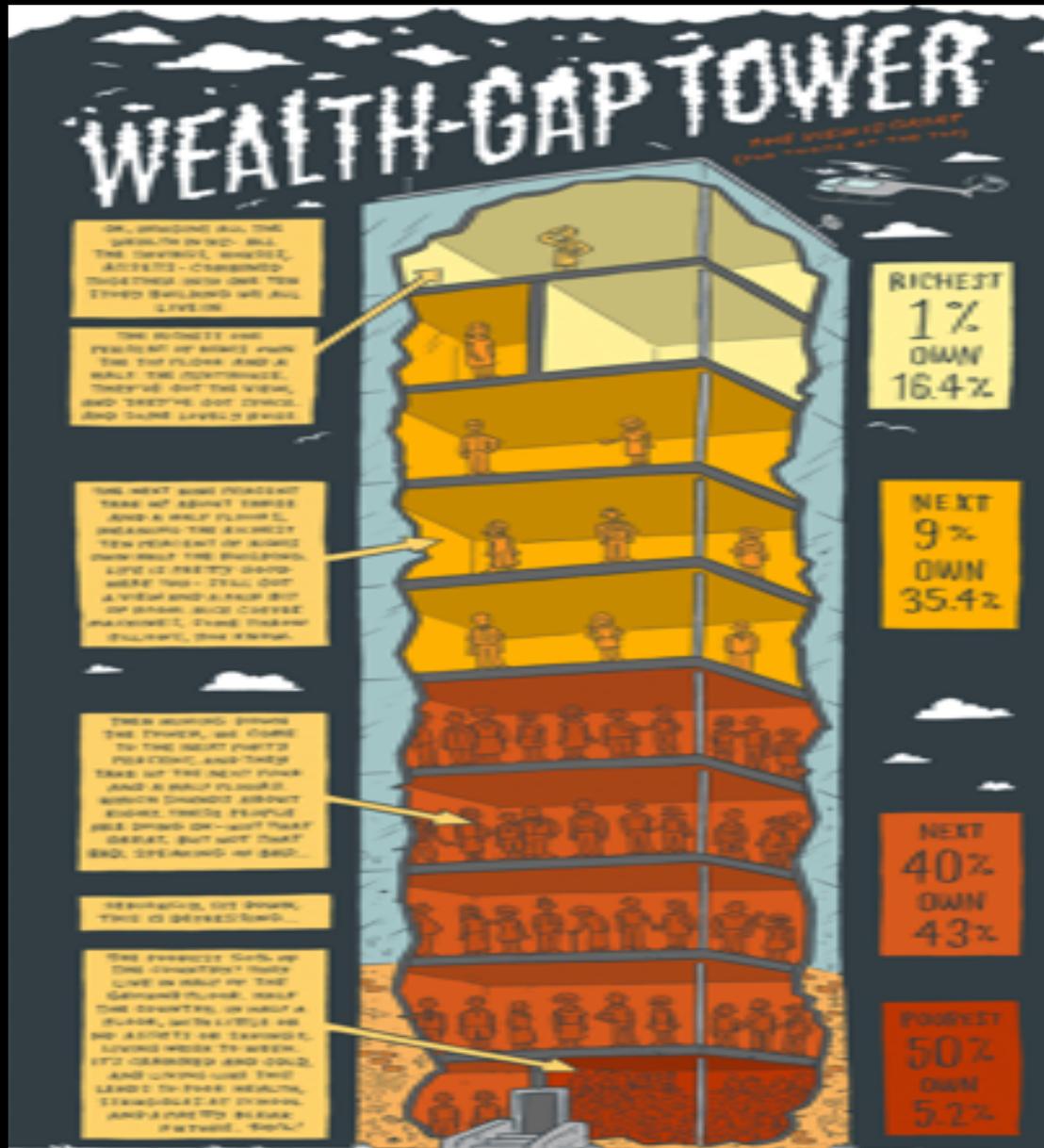


The last few years

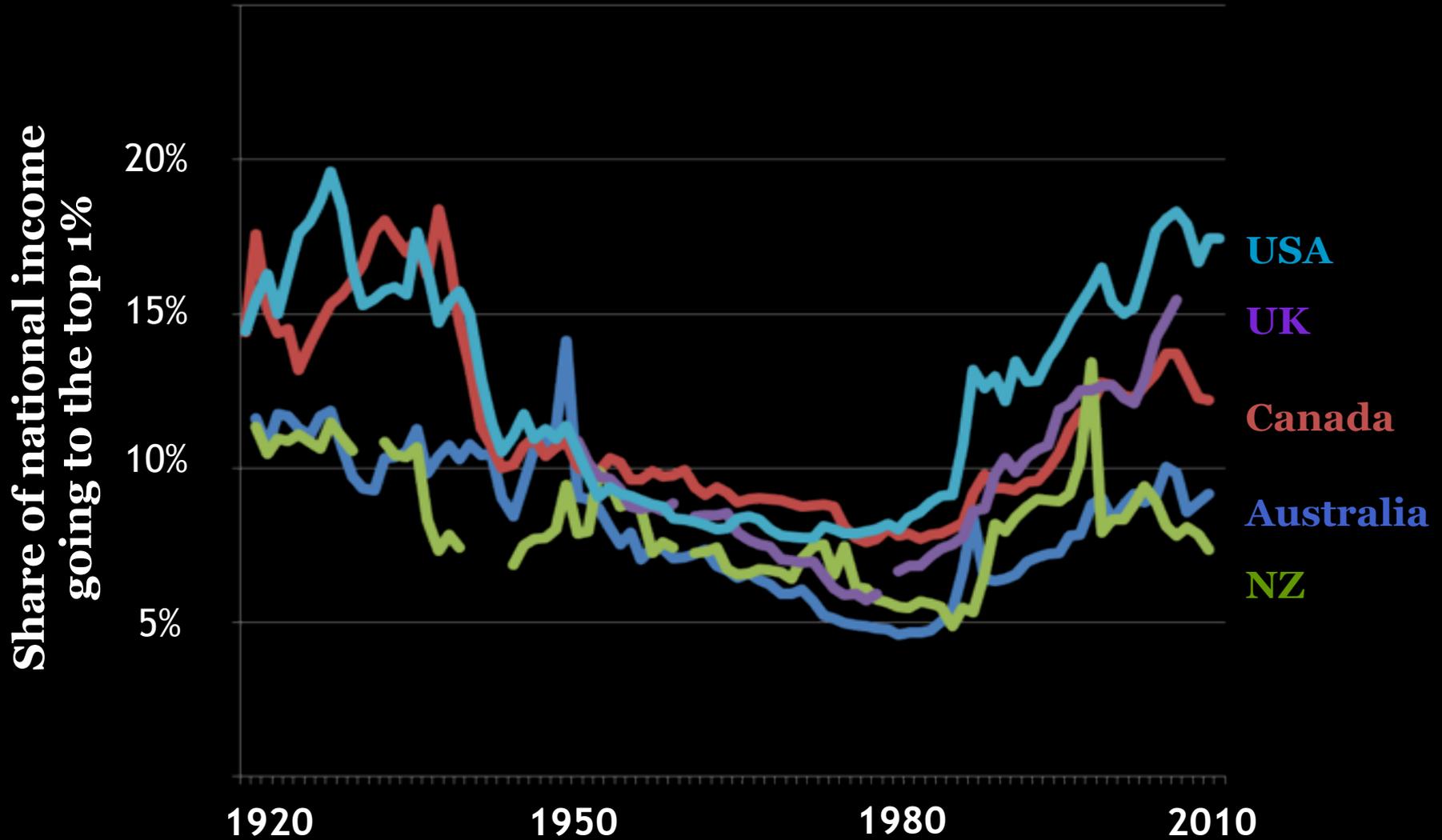
Average income increase, 2009-14, different groups



Inequality of wealth



The rise, fall and rise of the 1%



Who's worried?

The World Bank

The IMF

The OECD

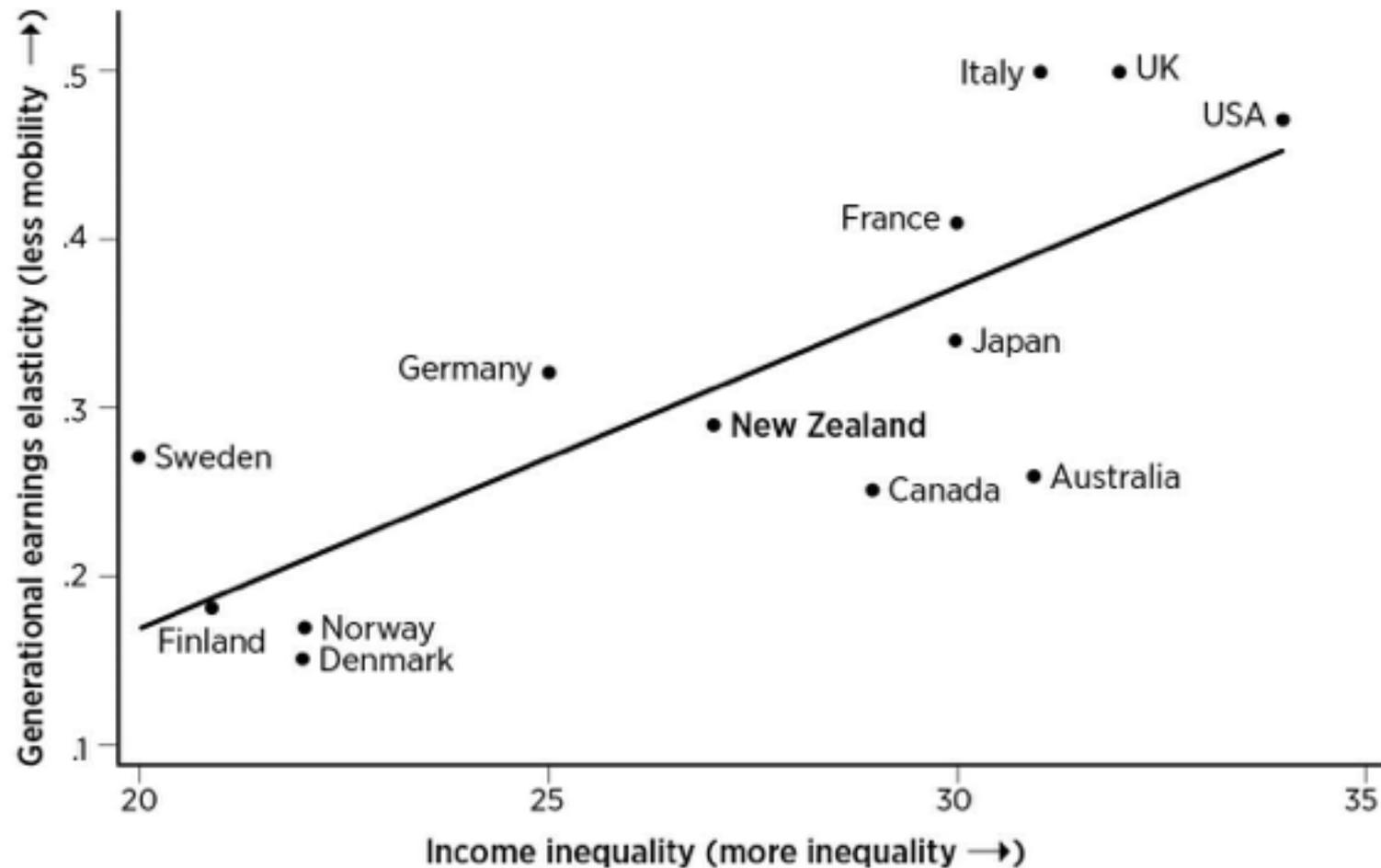
The US president

The Pope



Opportunity

Figure 1.1 The Great Gatsby curve: more inequality is associated with less mobility across the generations



The Economy

A complex picture, but ...

IMF, February 2014: Over the long term, more equal societies have better growth rates and are more productive

OECD, November 2014: Inequality has reduced NZ growth by 1/3

Reasons: stability, human capital, etc.

Social cohesion

As income gaps widen,
so do the gaps in people's everyday lives

Trust declines

Community involvement withers

Bonds, ties and cohesion are all
diminished or weakened

What's causing this?

Not globalisation per se: had "little impact"

Technological progress: hollowed out workforce

80s/90s reforms

Changing nature of work and power

Changing family structures

Tax and benefit systems

Individuals and education

Individual effort matters, of course. But...

Think about the speed of change

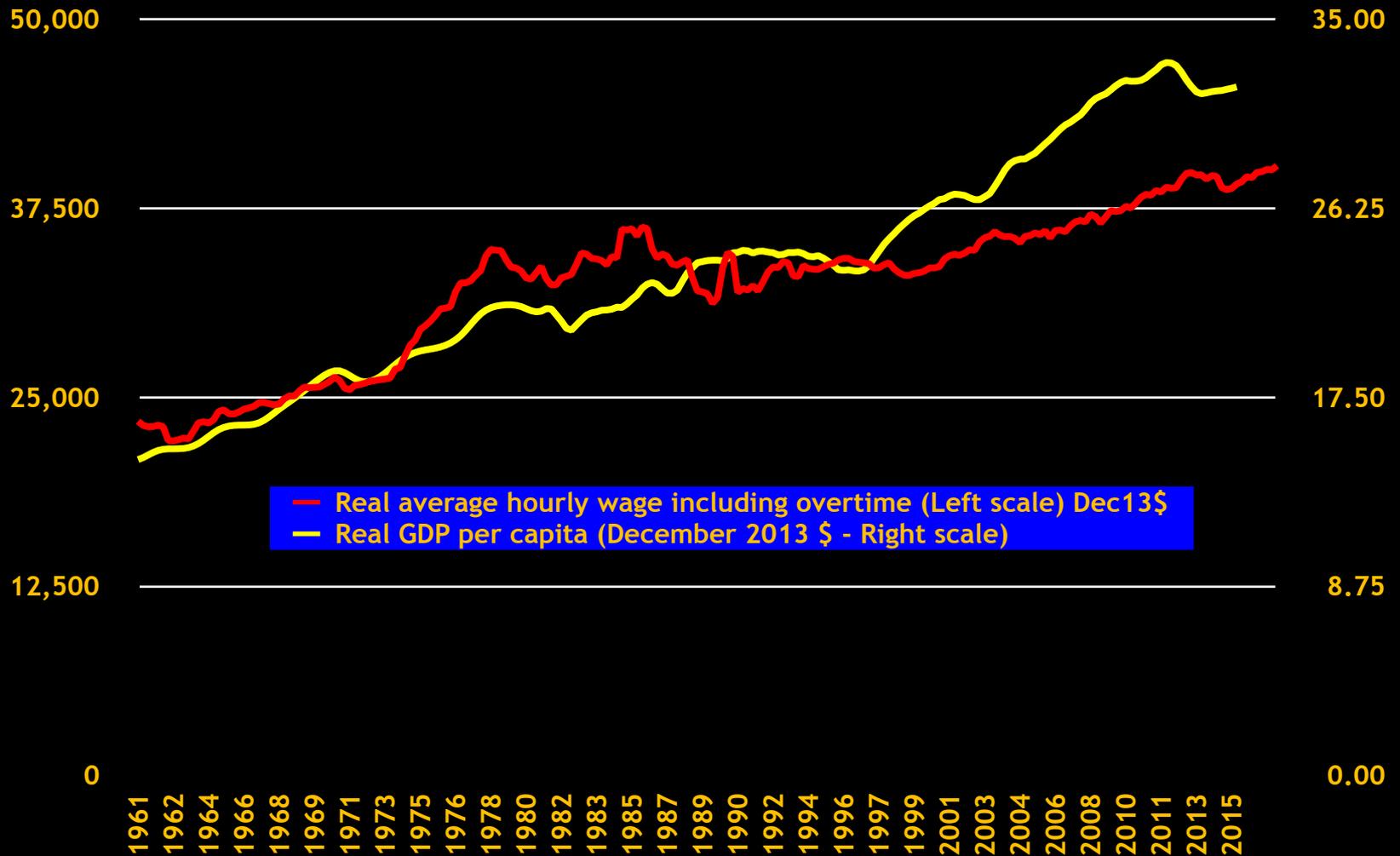
Degree premiums etc

Hard work ethos

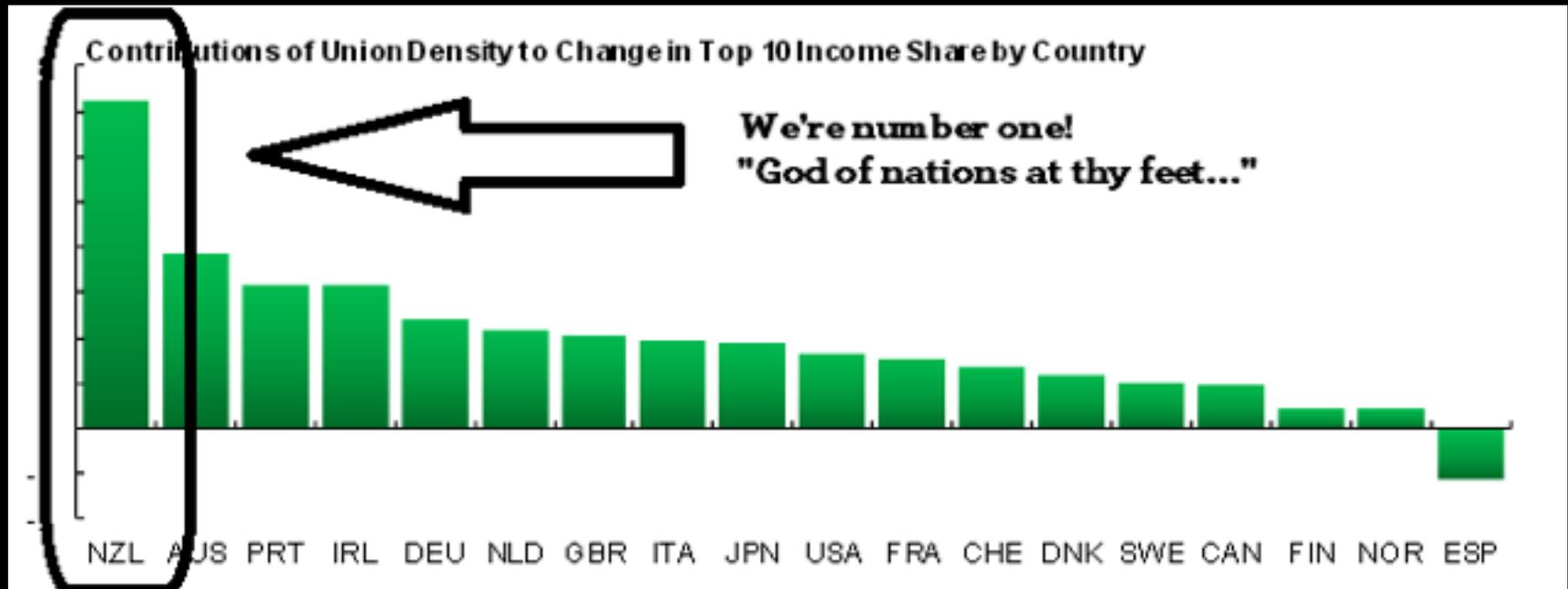
Little evidence of change in upper-end ability

Cause 1: Inequality in work

Real average wage and GDP per capita
December 2013 dollars



IMF, August 2015: “ The erosion of labor market institutions is associated with the rise of income inequality..the decline in unionization is related to the rise of top income shares”



Cause 2: Inequality for all

Benefits cut sharply

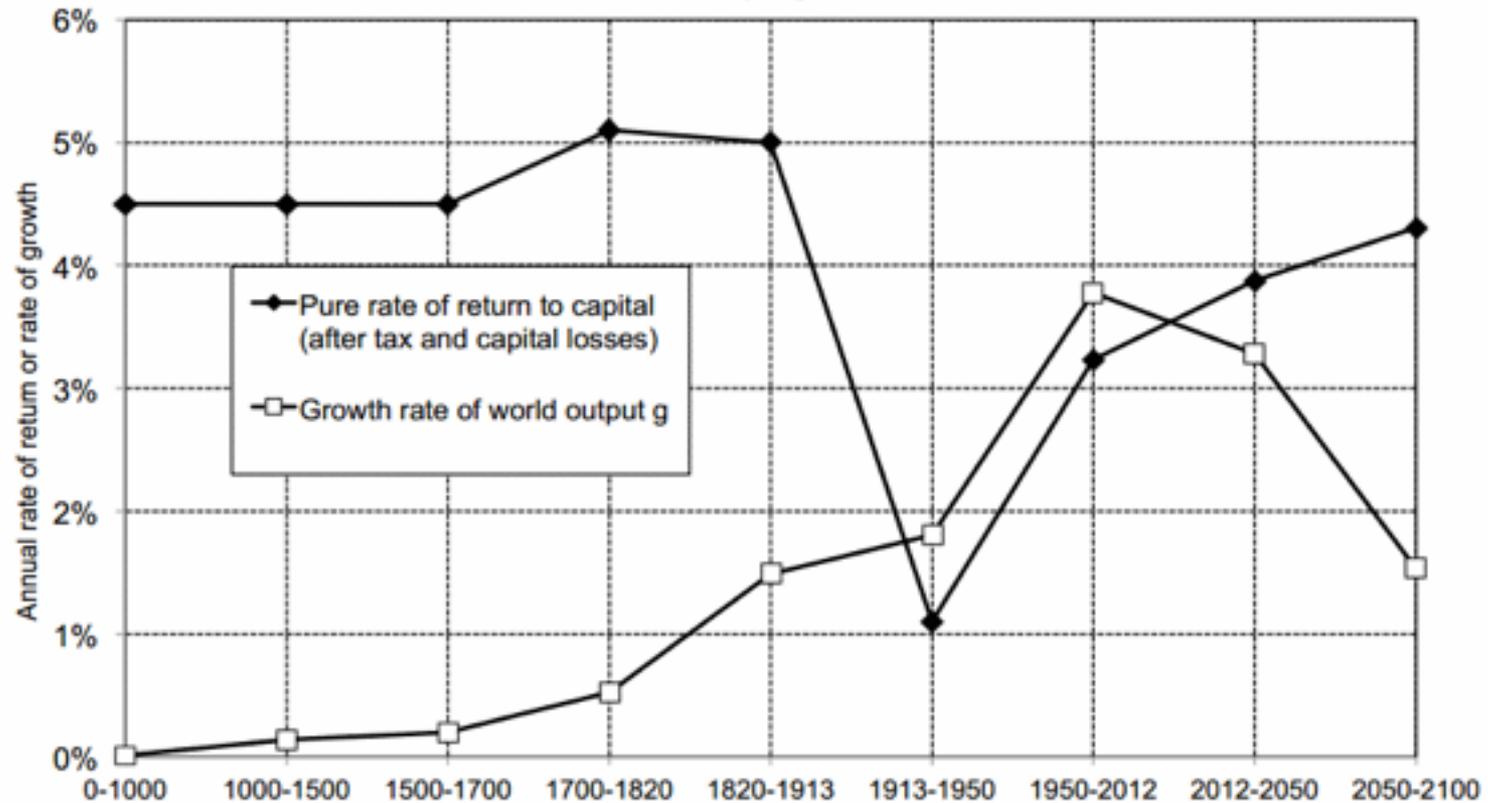
Top tax rate halved

Working for Families

Overall the welfare system does much less to close up the gaps than it did in the 1980s

Cause 3: Wealthy vs non-wealthy

Figure 10.10. After tax rate of return vs. growth rate at the world level, from Antiquity until 2100



The rate of return to capital (after tax and capital losses) fell below the growth rate during the 20th century, and may again surpass it in the 21st century. Sources and series : see piketty.pse.ens.fr/capital21c

Competing agendas

From the Left

Boosting skills/vocational training

Workplace issues: Living Wage, collective bargaining
pay ratios, etc

Redistribution: taxes, benefits and the UBI

Competing agendas

From the Right

Boosting skills/vocational training

Early years investment

Wealth: CGT, housing

Workplace issues: ESOPs – and beyond?

Indexation or a UBI?

The debate: inequality.org.nz



INEQUALITY

A NEW ZEALAND CONVERSATION

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Sparking debate about income gaps, the damage they do, and how to narrow them

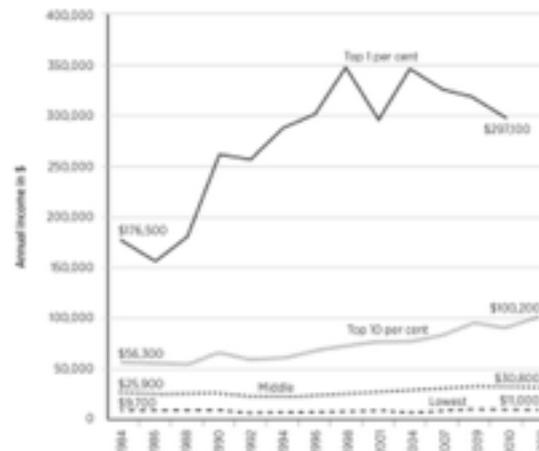
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UNDERSTAND INEQUALITY

Inequality matters because people's income plays a huge part in determining what kind of life they can lead. Different incomes allow very different life chances. And an uneven distribution of incomes creates problems for us all. So just how wide are income gaps in New Zealand?

- From the mid-1980s to the mid-2000s, the gap between the rich and the rest widened faster in New Zealand than in any other wealthy country

Figure 2.5 The rich and the rest: how the gap widened



UNDERSTAND INEQUALITY

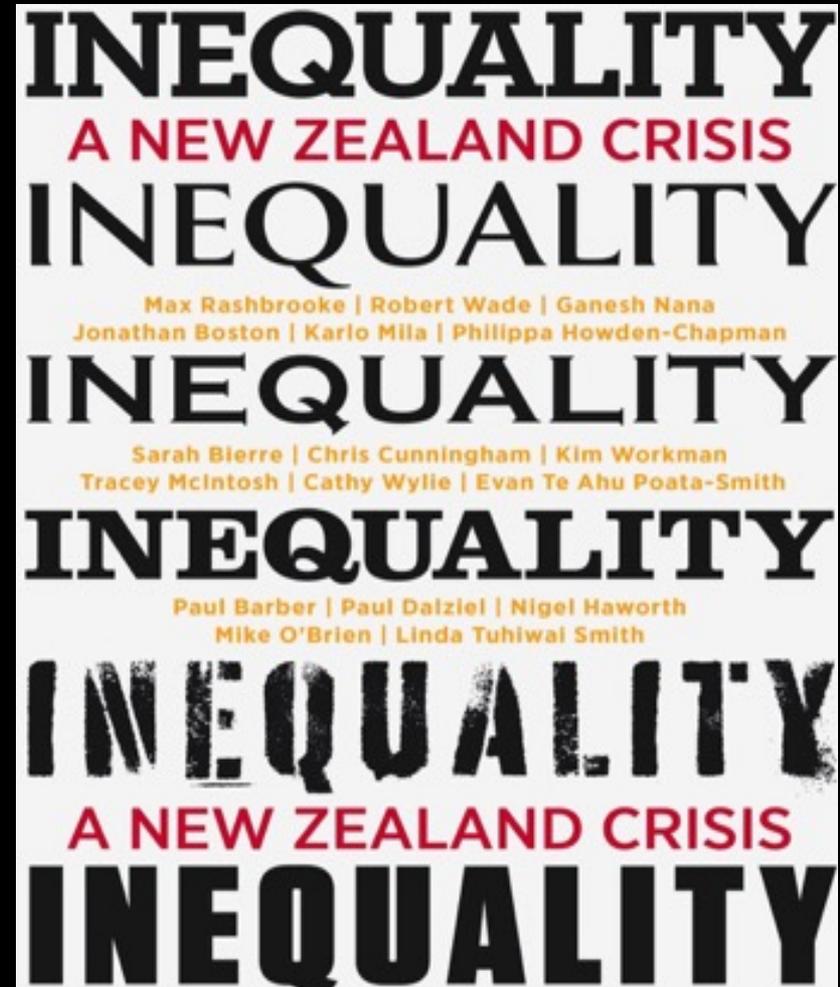
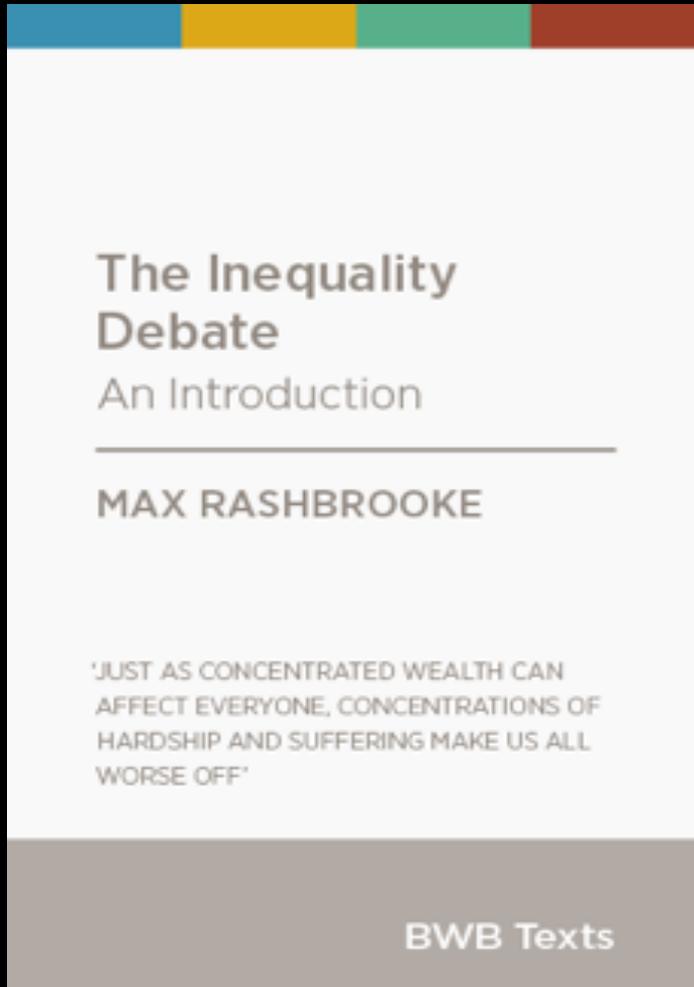
Where do you sit on the income ladder?

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