

Income inequality & deprivation

From “Understanding the Landscape of Auckland & Northland: An Evidence Review”

Written by the Centre for Social Impact (July 2018)

This topic extract is taken from the above report which summarises the key findings of an evidence review completed by the Centre for Social Impact to inform the implementation of Foundation North’s 2018 Strategic Plan. These key findings have been used to inform the development of funding priorities for the Foundation alongside the development of a broader range of positive outcomes that best contribute to the Foundation’s overall vision.

Key Findings

There are 10 topic-specific extracts from the full report.

All extracts and the full report are available at www.foundationnorth.org.nz/how-we-work/resources

1. Population profile | 2. Population change | **3. Income inequality and deprivation** | 4. Economic wellbeing | 5. Social cohesion | 6. Education | 7. Children and young people | 8. Housing | 9. Environmental wellbeing | 10. Community sector

(i) Why are income inequality and deprivation important indicators?

- 1) The latest research shows that the greatest predictor of health and social problems is inequality of income, not personal income. International evidence shows that there is no correlation between average income and health and social wellbeing. Therefore, increasing average income, without addressing income inequality, will have no effect on wellbeing outcomes.
(Wilkinson, R. G., & Pickett, K., 2010).
- 2) The presence of income inequalities can impact on community cohesion, health outcomes, infant mortality, social capital and mobility, national economic stability, educational attainment and life satisfaction.
(Wilkinson, R. G., & Pickett, K., 2010; Ministry of Social Development (MSD), 2017a; The Equality Trust, 2017).
- 3) Inequalities are a driver behind a range of important life outcomes, so threaten future wellbeing and prosperity. Inequalities in education can lead to income inequality. This then perpetuates existing cycles of poverty and causes intergenerational disadvantage.
(Chartered Accountants of Australia and New Zealand, 2017).
- 4) Addressing inequalities is a priority globally, and for national and local government.
(United Nations, n.d.; Local Government New Zealand, 2016).
- 5) It is also likely that future trends in population change will increase inequalities, for example, between age groups and ethnic groups. Changes in technology are also likely to increase inequalities, through increased automation and employment skills premiums and gaps.
(International Monetary Fund, 2015).

(ii) What are the regional trends and issues?

- 1) There are significant wealth and opportunity inequalities in New Zealand, with 10% of New Zealanders accounting for 60% of the country’s wealth. Inequalities disproportionately affect Māori and Pacific; whose median net worth is 10-20% of the median net worth of NZ Europeans.
Source: Statistics New Zealand, 2016b.

Ethnic group	Median net worth (2015)
NZ European	\$114,000
Asian	\$33,000
Māori	\$23,000
Pacific	\$12,000

- 2) Income inequalities can impact on the wellbeing of children. New Zealand ranks 21 out of 42 OECD countries for child poverty. Children from the groups listed in the table (adjacent) are proportionally more likely to live in low-income families. This in turn affects their chances of positive outcomes as adults.
Source: MSD, 2017a; OECD, 2017b.

Children are more likely to be from low-income families if they:
Are Māori or Pacific
Are from sole-parent households
Have parents with no or low qualifications
Live in rental accommodation
Live in households where the main source of income is benefits

<p>3) Socio-economic deprivation is highest in the Far North and South Auckland. Half of the Far North's population live in the highest areas of deprivation (deciles 9-10 of the NZDep 2013 Index of Deprivation).¹ Source: University of Otago, n.d.</p>	<table border="1"> <thead> <tr> <th>Region</th> <th>% living in decile 9-10 communities</th> <th># living in decile 9-10 communities</th> </tr> </thead> <tbody> <tr> <td>Far North</td> <td>50%</td> <td>28,026</td> </tr> <tr> <td>Papakura</td> <td>41%</td> <td>20,286</td> </tr> <tr> <td>Manukau</td> <td>40%</td> <td>140,241</td> </tr> <tr> <td>Whangārei</td> <td>30%</td> <td>23,172</td> </tr> <tr> <td>Kaipara</td> <td>26%</td> <td>4,872</td> </tr> </tbody> </table>	Region	% living in decile 9-10 communities	# living in decile 9-10 communities	Far North	50%	28,026	Papakura	41%	20,286	Manukau	40%	140,241	Whangārei	30%	23,172	Kaipara	26%	4,872																																																															
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<p>4) In total, 673,000 people in Auckland and Northland experience multiple deprivation.² Source: Statistics New Zealand, 2016b. The University of Auckland, n.d.</p>	<table border="1"> <thead> <tr> <th>Decile NZ Index of Multiple Deprivation²</th> <th>Population Auckland & Northland</th> </tr> </thead> <tbody> <tr> <td>10 (worst)</td> <td>213,714</td> </tr> <tr> <td>9</td> <td>176,493</td> </tr> <tr> <td>8</td> <td>152,541</td> </tr> <tr> <td>7</td> <td>130,245</td> </tr> </tbody> </table>	Decile NZ Index of Multiple Deprivation ²	Population Auckland & Northland	10 (worst)	213,714	9	176,493	8	152,541	7	130,245																																																																							
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<p>5) Māori and Pacific are disproportionately affected by socio-economic deprivation in Auckland. Nearly 60% of Auckland's Pasifika population and 40% of Auckland's Māori population live in the most deprived communities (deciles 9-10). Source: Auckland Regional Public Health Service, 2014.</p>	<table border="1"> <thead> <tr> <th>Ethnic group</th> <th>% living in decile 9-10 communities</th> </tr> </thead> <tbody> <tr> <td>Total Auckland</td> <td>20%</td> </tr> <tr> <td>Pacific</td> <td>60%</td> </tr> <tr> <td>Māori</td> <td>40%</td> </tr> </tbody> </table>	Ethnic group	% living in decile 9-10 communities	Total Auckland	20%	Pacific	60%	Māori	40%																																																																									
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<p>6) New Zealand's economic growth is negatively affected by inequalities. The graph (adjacent) shows the impact of inequalities (1985-2005) on subsequent cumulative economic growth (1990-2010). This negative impact was higher for New Zealand than for other OECD countries. Source: OECD, 2014.</p>	<p>Figure 2: Estimated consequences of changes in inequality (1985-2005) on subsequent cumulative growth (1990-2010). Growth rate, in percentages</p> <table border="1"> <caption>Estimated data for Figure 2: Growth rate, in percentages</caption> <thead> <tr> <th>Country</th> <th>Impact of inequality</th> <th>Without impact of inequality</th> <th>Actual</th> </tr> </thead> <tbody> <tr><td>Ireland</td><td>65</td><td>5</td><td>65</td></tr> <tr><td>United Kingdom</td><td>50</td><td>5</td><td>50</td></tr> <tr><td>Netherlands</td><td>40</td><td>5</td><td>40</td></tr> <tr><td>Sweden</td><td>40</td><td>5</td><td>40</td></tr> <tr><td>Finland</td><td>40</td><td>5</td><td>40</td></tr> <tr><td>Norway</td><td>40</td><td>5</td><td>40</td></tr> <tr><td>Austria</td><td>35</td><td>5</td><td>35</td></tr> <tr><td>Turkey</td><td>35</td><td>5</td><td>35</td></tr> <tr><td>Belgium</td><td>30</td><td>5</td><td>30</td></tr> <tr><td>New Zealand</td><td>-15</td><td>45</td><td>30</td></tr> <tr><td>United States</td><td>30</td><td>5</td><td>30</td></tr> <tr><td>Germany</td><td>25</td><td>5</td><td>25</td></tr> <tr><td>Denmark</td><td>25</td><td>5</td><td>25</td></tr> <tr><td>Canada</td><td>20</td><td>5</td><td>20</td></tr> <tr><td>France</td><td>15</td><td>5</td><td>15</td></tr> <tr><td>Japan</td><td>15</td><td>5</td><td>15</td></tr> <tr><td>Spain</td><td>10</td><td>5</td><td>10</td></tr> <tr><td>Italy</td><td>10</td><td>5</td><td>10</td></tr> <tr><td>Mexico</td><td>10</td><td>5</td><td>10</td></tr> </tbody> </table>		Country	Impact of inequality	Without impact of inequality	Actual	Ireland	65	5	65	United Kingdom	50	5	50	Netherlands	40	5	40	Sweden	40	5	40	Finland	40	5	40	Norway	40	5	40	Austria	35	5	35	Turkey	35	5	35	Belgium	30	5	30	New Zealand	-15	45	30	United States	30	5	30	Germany	25	5	25	Denmark	25	5	25	Canada	20	5	20	France	15	5	15	Japan	15	5	15	Spain	10	5	10	Italy	10	5	10	Mexico	10	5	10
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¹ The NZDep2013 Index of Deprivation is an area-based measure of socio-economic deprivation in New Zealand. It is calculated using data from nine 2013 census variables, including access to communications; household income; benefit income; employment; qualifications; home ownership; single-parent households; overcrowding; and access to a car. For more information see a University of Otago report on the NZDep2013 Index.

² The New Zealand Index of Multiple Deprivation has identified areas of deprivation by using routinely collected data from government departments and the census. It comprises 28 indicators grouped into seven domains of deprivation: Employment, Income, Crime, Housing, Health, Education and Access to Services. The highest weighting is given to Employment and Income (28% weighting each); followed by Health and Education (14% weighting each). For more information see The University of Auckland website. www.fmhs.auckland.ac.nz/en/soph/about/our-departments/epidemiology-and-biostatistics/research/hgd/research-themes/imd.html

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