

Socio-economic inequalities

Socio-economic inequality has been an important issue for decades, but there has been increasing concern over the last decade, following the global financial crisis. The pandemic has further increased the disparities. New economic models are emerging to address the disparities.

What we're seeing

Persistence of inequalities

Income inequality in OECD countries is at its highest level for the past half century. The average income of the richest 10% of the population is about nine times that of the poorest 10%.¹

The rise in economic inequality has been linked to a variety of economic, political, social and technological factors.²

The "Great Gatsby Curve"

Those experiencing socio-economic disadvantage are more likely to have poorer outcomes across many areas. These disadvantages can become cyclical and difficult to escape.³

In 2013 President Obama highlighted the "Great Gatsby Curve", illustrating the connection between wealth concentration in one generation and the reduced ability of the next generation to improve their economic opportunities.⁴

Covid accelerating existing inequalities

The pandemic has accelerated existing trends, according to Credit Suisse. The socially disadvantaged are more likely to suffer job losses and lower income, reduced opportunities in education, and health access, and are at higher risk of infections.⁵

The need to address structural causes

The Salvation Army also asks "Are we as a nation making the structural changes needed to achieve greater equality?"¹²

New economic approaches are being advocated to reduce inequality. Doughnut Economics,¹³ which adopts and adapts the concept of planetary boundaries from ecology, is gaining attention and traction in some cities and regions.^{14, 15} However, some more traditional economists challenge the approach.¹⁶

Deprivation and cost of living challenges in NZ

In NZ deprivation can differ markedly between regions, and even between adjacent neighbourhoods.⁶

In 2020 70% of household wealth was held by just 20% of NZ's households.⁷

The cost of living in 2021 was 5% higher than in 2020, and was at its highest level since 2008.⁸ In a recent survey of Westpac customers, one third of NZ households were not coping with the rising cost of living. Women were also more worried about cost of living.⁹

Child poverty statistics are trending downward according to Stats NZ.¹⁰ The Salvation Army concluded that there has been "limited but steady progress". But they estimate that almost one in five children are now living in benefit dependent households, more than before the pandemic.¹¹

Potential implications

Create

- New economic and institutional models emerging for equitable and environmentally sustainable societies

Relate

- Intergenerational disparities and inequalities embed the "haves" and "have nots"
- "Them" vs "Us" polarities persist

Consume

- Reducing opportunities to move beyond survival mode

Degrade

- Ability to improve economic and social opportunities being hindered for significant number of people
- Social cohesion being undermined by inequalities

Connect

- Social mobility being constrained from one generation to the next

Define

- Increasing recognition of social and natural capital as critical parts of wellbeing

More information (links)

¹ [Trends in income inequality](#)

² [Pew Research - trends in income and wealth inequality](#)

³ [A review of evidence of socio-economic disadvantage](#)

⁴ [The Great Gatsby Curve](#)

⁵ [Covid-19 accelerating existing socio-economic trends](#)

⁶ [NZ Index of Deprivation](#)

⁷ [BERL - Inequality and New Zealand](#)

⁸ [Stats NZ - cost of living reaches a new high](#)

⁹ [A third of households not coping](#)

¹⁰ [NZ child poverty statistics](#)

¹¹ [Salvation Army State of the Nation 2022](#)

¹² [State of the Nation 2022 report launch](#)

¹³ [Doughnut Economics](#)

¹⁴ [Amsterdam embracing a radical new economic theory](#)

¹⁵ [Doughnut Economics Advocate NZ](#)

¹⁶ [Radio NZ - The economic heavyweight bout of the year](#)