Household Income

Median household income increased 47 percent in real terms from the low point in 1994 to 2010. The growth for Māori was 68 percent, and for Pacific people 77 percent. In 2010, just over two thirds of two-parent families were dual-earner families, up from a half during the early 1980s. This change and the increasing proportion of dual-earner couple-only households were the main factors increasing median household incomes more rapidly than the average wage for individuals. In 2010, half of older people (aged 66 years+) had less than $100 per week income from sources other than government transfers.

Income Inequality

Two ways of measuring income inequality are percentile ratios and the Gini coefficient. Percentile income ratios summarise the relative distance between two points in the income distribution. The ratio of the 80th percentile to the 20th percentile of the equivalised disposable household income distribution is used to measure inequality. The higher this ratio is, the greater the level of inequality.

Based on the 80:20 ratio inequality increased from 1986 to 2010. Inequality increased most rapidly from 1988 to 1992. There was a further net rise from 1994 to 2004. The ratio was 2.2 in 1986, 2.7 in 2001, 2.6 in 2007 and 2.4 in 2010. According to the Ministry of Social Development (MSD), the decline from 2004 to 2007 was primarily because of the Working for Families (WFF) package, and the resulting growth in incomes for low to middle income households with children. The lower 2010 figures compared with 2007 reflected the decline in real incomes for the top two deciles, and a small real gain for lower deciles.

In 2010 the top 10 percent received a quarter, and the top 30 percent received slightly over a half, of the total population (equivalised) income. The distribution of household income in New Zealand was broadly similar to that in the United Kingdom and Australia.

The Gini coefficient takes into account the incomes of all individuals. In 2010 income inequality as measured by the Gini coefficient was lower than in 2001 (the lower the Gini score, the lower is inequality). Based on 2008-2009 Organisation for Economic Cooperation and Development (OECD) figures for 34 countries, New Zealand’s inequality score of 33 was slightly above the OECD median (31). New Zealand was ranked 25th. New Zealand’s score in 2010 was 32, just above the OECD median. Inequality increased rapidly from 1988 to 1992, followed by an increase until around 2001 and then declined from 2001 to 2010.

Based on OECD data from 1985 and 2008, the Gini coefficient indicated that inequality increased in 17 of 22 countries. Inequality in New Zealand increased from 0.27 to 0.33 (see the graph below). The main factor increasing income gaps was greater wages and salary inequality. The rise in part-time and low-paid work extended the wage gap too.
Increasing inequality as measured by Gini coefficients of income inequality, 1985 and 2008

Poverty

New Zealand does not have an official poverty measure. However, low-income thresholds or poverty lines can be used. The ‘fixed line’ measure anchors the poverty line in a reference year, then adjusts it each survey with the Consumer Price Index. The ‘moving line’ or ‘relative’ measure sets the poverty line as a proportion of the median income.

The fixed line measure (60 percent of median income) adjusted for housing costs indicated 15 percent of the total population lived in poverty in 2010, the same as in 2009. This ended a decline in poverty started in 1994. Child poverty rates were 22 percent from 2007 to 2010, following major falls from 2001. According to the MSD this was due to improving employment, income-related rents and WFF. Poverty rates for older New Zealanders (7 percent) were lower in 2010 than for any other age group (13 percent for 25 to 64 year olds and 22 percent for dependent children).

The poverty rate also remained unchanged on the moving line measure after adjusting for housing cost. The rate remained 18 percent from 2007 to 2010, as during the mid 1990s, but was double the 1984 rate. Based on OECD and European Union 2008-2009 figures, New Zealand’s population and child poverty rates were close to the overall medians.

According to the MSD, WFF had little impact on poverty rates for children in beneficiary families (around 70 percent in recent years), but halved child poverty rates for those in working families (8 percent in 2007 and close to the same since then). Poverty rates for Māori and Pacific children were higher than the rates for European/Pakeha children.

The Office of the Children’s Commissioner has found that children emphasised the impact of poverty on schooling, social inclusion and self-esteem. The experience of poverty was almost always negative, and could have psychological, physical, relational and practical effects.

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