

Section 2:

The graph shows the disposable income of households that they have left after receiving their income, paying income tax, receiving benefits from the government such as income-tested benefits, New Zealand Super-annuation etc.

The households have been divided into ten groups according to the household equivalent disposable income of the households with decile 10 being the highest income and decile 1 the lowest income households over the time period of fourteen years ~~to~~ between 1982 - 1996^{as} shown by the graph there was an increase in income inequality as the households ~~to~~ with the highest distribution of income (decile 9, 10) experienced an increase as compared to households in the middle distribution (decile 3-6) who had to undergo a ~~to~~ decrease in their incomes. The bulk of this income inequality occurred ^{between} 1986-1991 and the higher deciles enjoyed an increase in their incomes whereas the middle deciles underwent a decrease.

There ~~was~~ had been significant changes in NZ economy within the time period shown by the graph. An economic philosophy was being adopted which remodelled the economy.

There was a significant change in the income tax structure and a Goods and Services tax was introduced in 1986. Till the 1980's the Keynesian model of economic management dominated as it was a period of economic growth & growing prosperity. But this orthodoxy was challenged by an economic crisis and broader processes of globalisation & deindustrialisation. Neo-liberal formulas of structural management were promoted by the Washington Consensus in 1980's-1990's, these included policies such as privatisation, deregulation and monetary disinflation which encouraged economic growth but led to greater income inequality. Hence the gap between the rich and the poor grew.

Neo-liberal policies being implemented in NZ could have contributed to the rising poverty & income inequality. The financial market was deregulated so credit became easier to get, deregulation of trade made import/export easier but led to job losses. The Employment Contracts Act in 1991 made the labour market more flexible but reduced insecurity of wages. The benefit cuts of 1991 further contributed to the falling household

income of households in the lower distribution. ^{benefit} Hence the standard of living all over NZ decreased as beneficiary households became marginalised in the society followed by households on superannuation and those led by adults of Maori or Pacific Island descent.

~~There~~ was distribution of wages and salaries became more uneven contributing to the growing poverty and income inequality. Participation of women in the workforce was on a steady increase since 1992 but the work ethic changed from ^{manufacturing} labor based to more service/knowledge based jobs and incomes ^{for} of Maoris and other ethnicities' decreased as compared to the Europeans. People with low or no educational qualifications had to live with low incomes which greatly affected the males as income distribution became uneven.*

Hence the global competition, rising unemployment, uneven distribution of wages + salaries + changing policies such as the benefit cuts all contributed to a rising level of poverty and income inequality within the period 1982-1996 as shown by the graph.

* Neo-liberals will not be concerned about this income inequality as they believe it's $\frac{1}{2}$ an individual's own decisions & free choice that gets them there. whereas Social democrats regard this as a problem and think income & inequality cannot ensure social harmony but equality is a ~~natural~~ natural right. Hence ~~the~~ their policies of providing universal benefits.