

NZ rich-poor gap widens faster than rest of world

By [Simon Collins](#)

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The gap between rich and poor has widened further in New Zealand - and in Sweden - than in any other developed countries in the past 25 years.

The Organisation for Economic Co-operation and Development says the income gap widened in 17 out of 22 developed countries between the mid-1980s and the late 2000s, and has widened further in most countries during the past three years of recession.

However, in New Zealand the gap widened mainly between about 1988 and 1996 and has since stabilised at slightly above the OECD average.

In contrast, the gap has widened almost continuously in Sweden over the past 25 years, but only from the smallest gap in 1985 to the fourth-smallest in 2008.

The landmark OECD report, published yesterday, warns that growing inequality could lead to social resentment, political instability and a protectionist backlash against free trade. "Inequality of opportunity will inevitably impact economic performance," it says.

It calls for "three pillars" of actions to close the gap - investing more in education and training, helping all groups into jobs, and closing tax loopholes to make the rich pay a fairer share of taxes.

"There is nothing inevitable about high and growing inequalities," said OECD secretary-general Angel Gurría.

"This study dispels the assumption that the benefits of economic growth will automatically trickle down to the disadvantaged."

Surprisingly, the report finds that globalisation - increased international trade and investment - was not a major driver of inequality. For example, New Zealand was one of only two countries where exports were actually static or fell slightly as a share of the total economy from 1985 to 2007, yet it had one of the highest increases in income inequality.

Instead, the two biggest drivers of rising inequality across the OECD were technological change and deregulation of labour and product markets, which all tended to push up the incomes of skilled people and push down incomes for the unskilled. Many unskilled jobs moved overseas to low-wage countries.

At the very top income levels, there has been growing use of performance-related pay - "partly in an attempt to attract internationally mobile workers".

Rising educational qualifications were the main offsetting force towards greater equality, lifting more people into skilled, highly paid jobs.

The result was "a race between education and technology" which technology, so far, has been winning.

The income gap was also widened further by tax and benefit changes which have become less redistributive in most countries since the 1990s. Income taxes on the rich have been lowered, and welfare benefits for the poor have been cut.

A growing proportion of single-adult households, with and without children, has also increased inequality because single adults can't share living costs.

The report calls for both better job training for unskilled workers and more access to formal education.



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