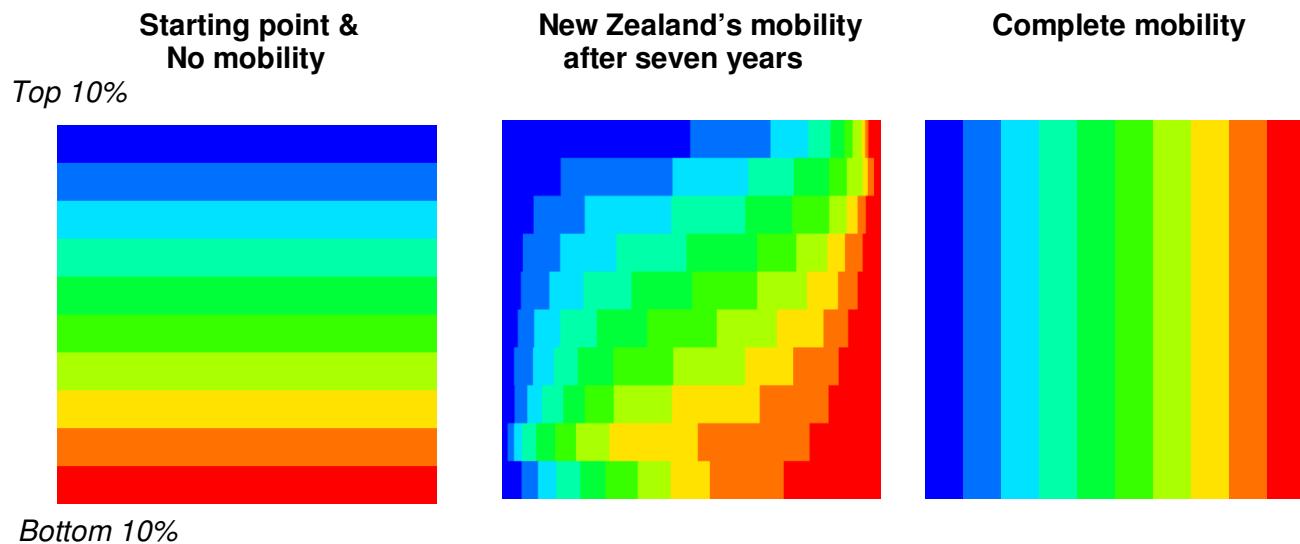


Main results from Treasury analysis of short term income mobility and deprivation

Is there much change in relative income?

Below is a graphical presentation that colour codes people by their decile in the first year and follows them across time. The box with horizontal coloured stripes, on the left, is the starting point. If there was no relative income mobility between 2002 and 2009 then the middle box would also have horizontal stripes. Conversely, complete income mobility would produce the vertical stripes in the right hand box. The middle box shows the actual level of income mobility.

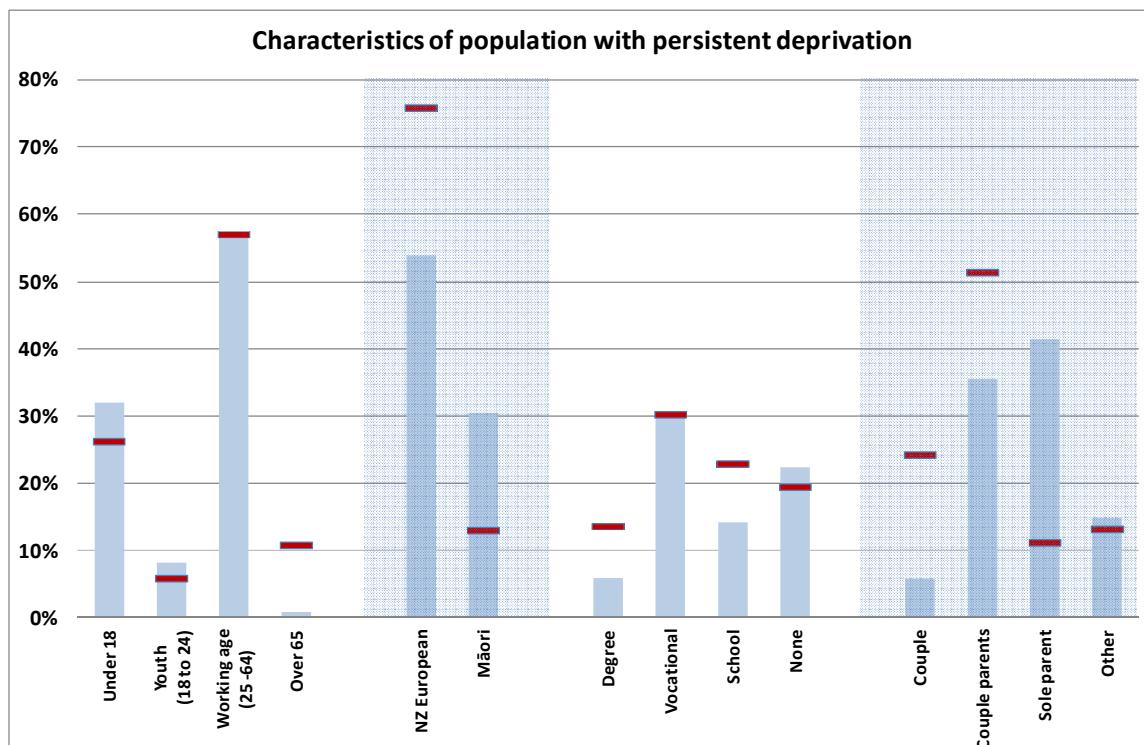


Bottom 10%

There is substantial mobility over time. The mobility is both up and down, though there is more mobility for the bottom deciles than the top deciles - only 24% of those in the bottom decile in 2002 were also there in 2009, compared to 46% of the top decile. This is similar to Australia and the UK and cannot be explained by retirements or entry and exit from education.

What are the characteristics of the people with persistent deprivation?

The blue bars in the figure below characterise the 6% of the population with persistent deprivation by age, ethnicity, educational and family status. The red dashes show the proportion with that characteristic in the population as a whole.



- *What characterises people in persistent deprivation?*

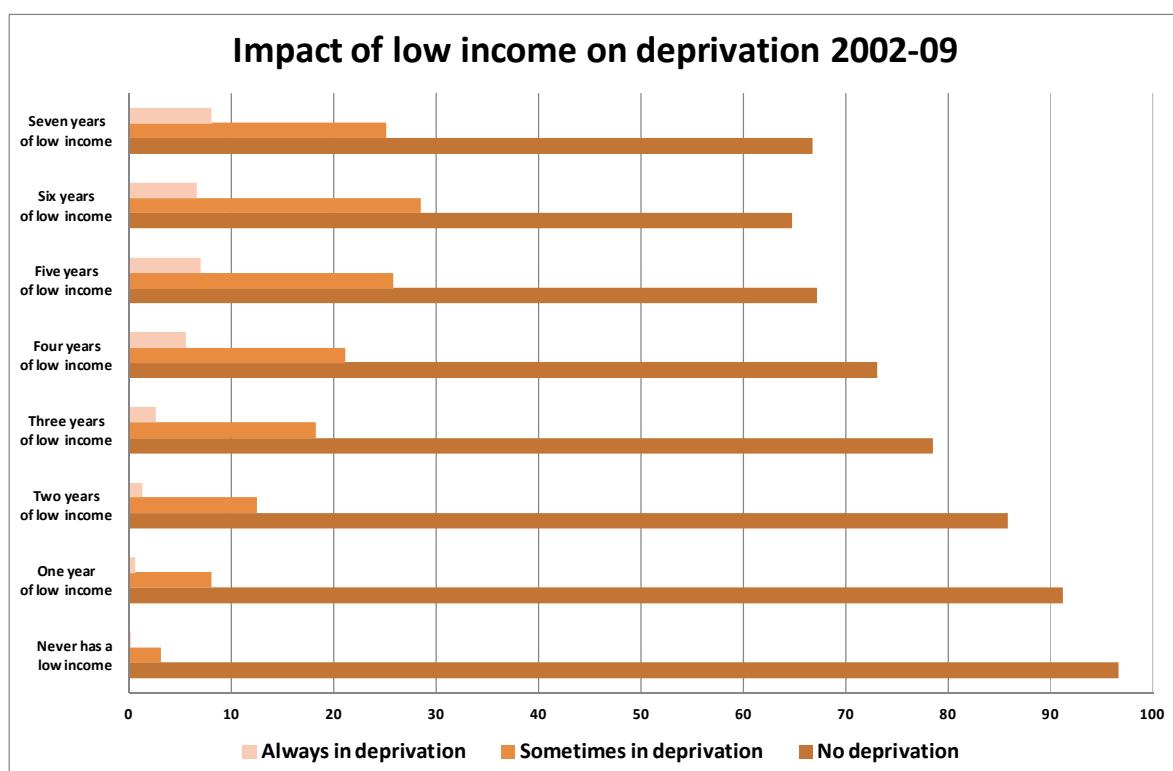
The height of the blue bars shows that most people in persistent deprivation are aged 25 to 64, New Zealand European, have vocational qualifications and are sole parents.

- *People with which characteristics are more likely to be in persistent deprivation?*

The difference between the height of the blues bars and the red dashes shows under 18s and youths, Maori, those with low qualifications, and sole parents more likely to be in persistent deprivation. Deprivation is highly prevalent among sole parents.

How closely aligned is deprivation with low income?

The scale of the alignment between deprivation and income is sensitive to the definitions of deprivation and low income (a looser definition of deprivation and narrower definition of low income lead to a closer link between the two). As in previous studies, longer periods of low income are linked to higher deprivation, but the link between them is modest. Only a third of those who had seven years of low income had been in deprivation at any point



How could this inform policy?

- Policy should consider the level of mobility and the difference between deprivation and persistent low income.
- Policy should be designed with mobility in mind.
- Targeting policy effectively can be difficult.
- Solo parents are perhaps the group to be most concerned about

Source: Treasury commissioned University of Otago researchers Dr Kristie Carter and Dr Fiona Imlach Gunasekara to analyse data in the Survey of Family, Income and Employment (SoFIE). This survey was repeated annually between 2002 to 2009 on a sample of 18,785 New Zealanders. Additional questions in 2005, 2007 and 2009 provided data on deprivation.