



National Certificate of Educational Achievement  
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

## **Exemplar for Internal Achievement Standard Economics Level 2**

This exemplar supports assessment against:

**Achievement Standard 91228**

**Analyse a contemporary economic issue of special interest using  
economic concepts and models**

An annotated exemplar is an extract of student evidence, with a commentary, to explain key aspects of the standard. It assists teachers to make assessment judgements at the grade boundaries.

New Zealand Qualifications Authority

To support internal assessment

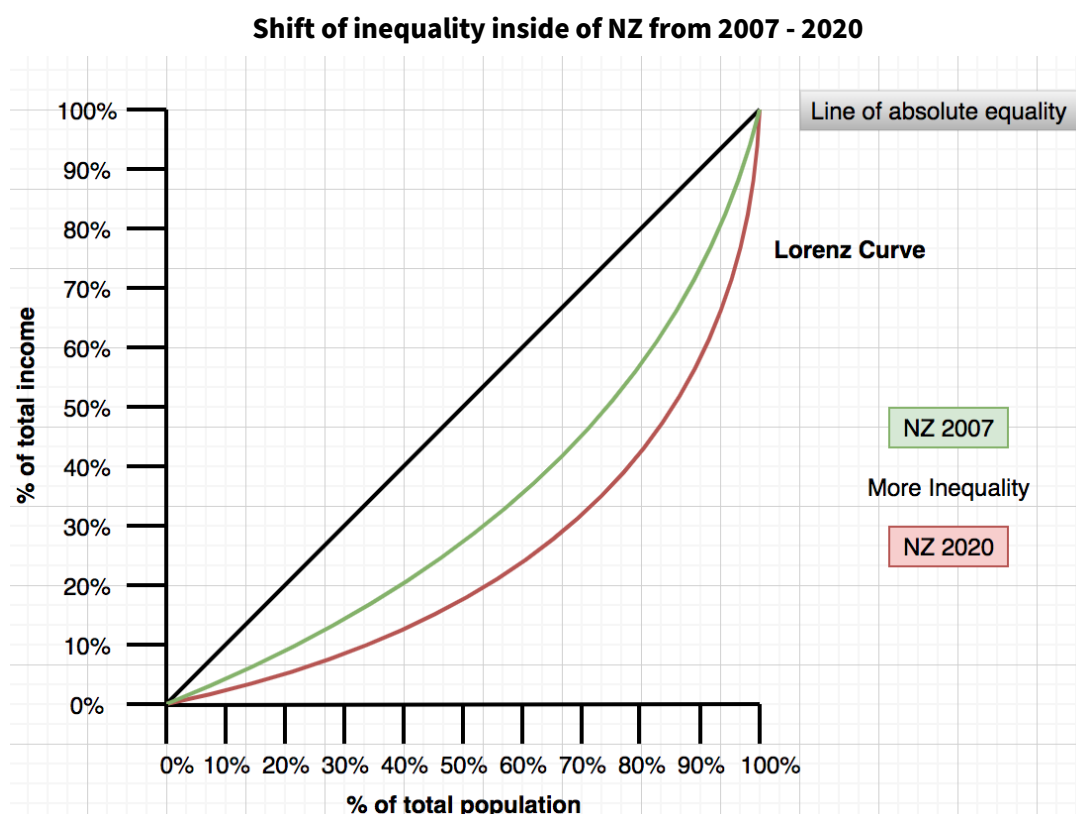
	Grade: Achieved
1.	<p>For Achieved, the student needs to analyse a contemporary economic issue of special interest, using economic concepts and models.</p> <p>This involves:</p> <ul style="list-style-type: none"> <li>• identifying, defining or describing concepts related to the contemporary economic issue</li> <li>• providing an explanation of causes of the contemporary economic issue using economic models</li> <li>• providing an explanation of the impacts of the contemporary economic issue on various groups in NZ society.</li> </ul> <p>The Lorenz curve has been used to illustrate key points (1).</p> <p>The student has defined the economic concepts related to the contemporary economic issue of income inequality (2).</p> <p>Two causes of the contemporary economic issue have been explained using the Labour Market Model and Consumption Possibility Curve (3).</p> <p>The student has explained the impacts of income inequality on various groups of NZ society, referencing education and healthcare (4).</p> <p>To reach Merit, additional, in-depth information is required to explain the statistics. For example, the student could explain the implications of the lower education rates for Māori. The implications of health on groups could also include the impact on how long they live and their quality of life.</p>

## Exploring the Income Inequality inside Aotearoa

*Explain the degree of inequality of income in New Zealand and describe the income distribution, the degree of “fairness” or equity and the economic trend (2008 - 2021) shown on a Lorenz curve. Link the Lorenz Curve model into your explanations.*

### Lorenz Curve and trend from 2008 – 2020

1



### Describe Income distribution

Income distribution is how an economy's GDP is distributed amongst its population.

The lines in the Lorenz curve represent the distribution of incomes. The distance between the curve and the 'line of absolute equality' indicating the level of inequality within the economy.

The Lorenz curve attached above shows the level of inequality has gotten worse in New Zealand. Some key stats that represent this is the GINI coefficient, which has increased from 32.6 in 2008 to 35 in 2020, an overall increase of 2.4. The GINI coefficient is a commonly used measure of inequality within a population. The lower the percentage, the 'better' the level of equality.

Another example that shows the worsening levels of income distribution within New Zealand is the Lorenz Curve graph, which shows in 2007, 40% of the population had approximately 20% of the total income. However, in 2020, 40% of the population will have only around 10% of the income. This represents the worsening levels of income distribution within New Zealand.

2

### **Describe the degree of “fairness”**

The degree of fairness represents how fair our society is economically. A way to measure the degree of fairness is through the GINI co-efficient measure, which factors in variables that influence fairness, such as discrimination or disadvantage. The GINI coefficient is commonly used to measure inequality within a population, and can be seen on the Lorenz Curve. The lower the percentage, the ‘better’ the level of equality for that economy.

In New Zealand, the degree of fairness has been decreasing over the years. This means the top earners in the country are heavily outweighing the lower earners, in terms of income. The change in the degree of fairness in New Zealand over the years is reflected by the outwards shift in the Lorenz Curve from 2007-2020. **1**

### **Exploring Causes of Inequality 2**

*From the list below pick Two causes of income inequality and explain them in depth. Ensure you integrate supporting models: Lorenz Curve and/or CPC and/or Labour Market Model*

- **Wages are determined by Labor market**
- **Increase in demand for highly skilled workers**
- **Inherited wealth and investment into Wealth**
- **Access to education**

#### **Cause 1: Increase in demand for highly skilled workers**

#### **Cause 2: Access to education**

**3**

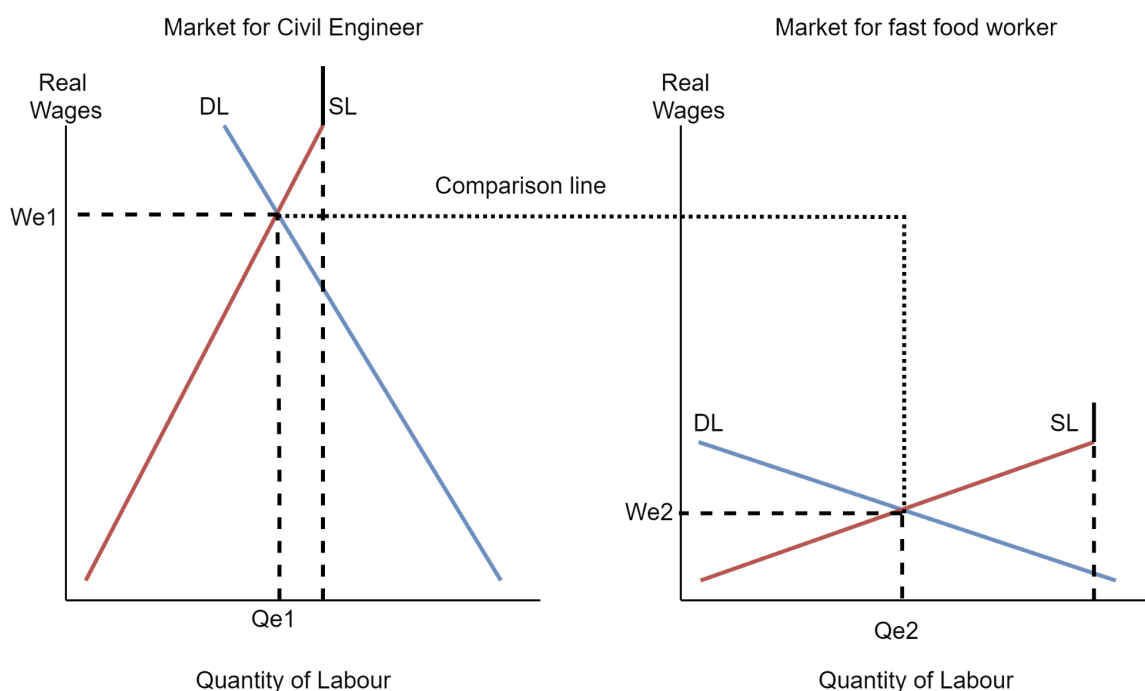
Explain in depth why this is a cause of income inequality

A lack of access to quality education limits people’s abilities to get higher paying jobs which are in greater demand, and lowers their financial education meaning they are worse at handling their finances. This means that people without a formal education will earn less than someone with a formal education and will be worse at spending money on income-potential goods, which will increase their net worth in the long run. This leads to poverty and income inequality.

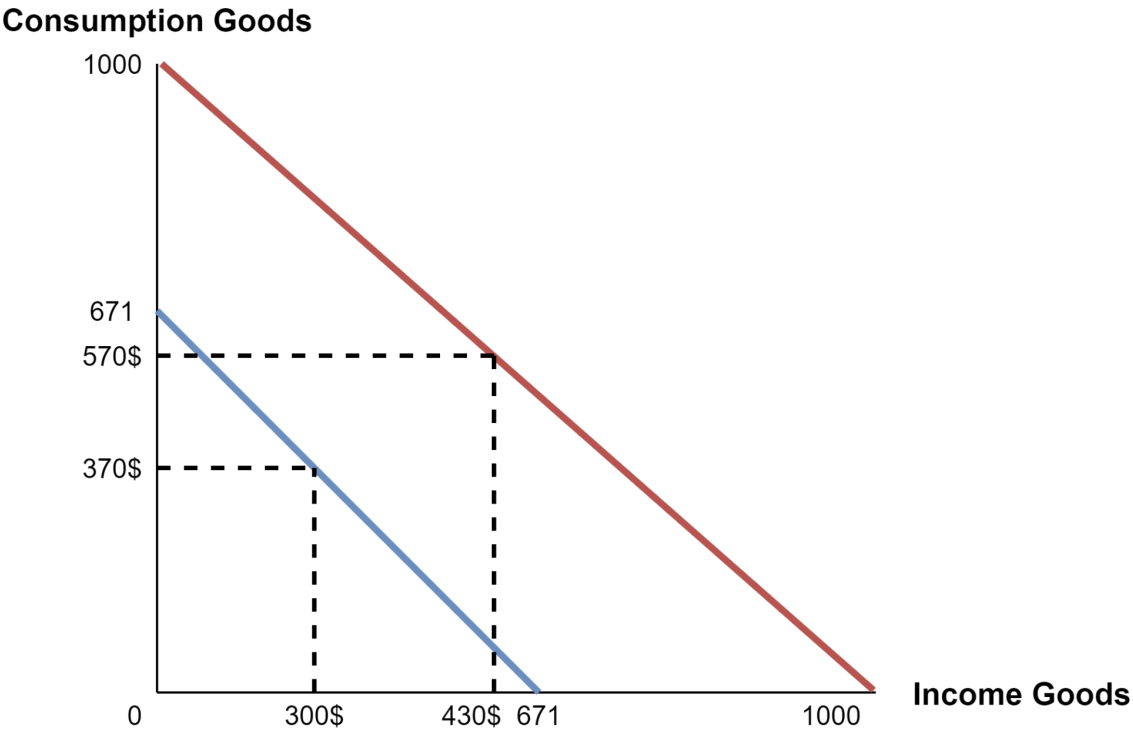
A quality education rewards people with better paying jobs than for those without that education. People with a worse education will not have access to the high demand markets like Civil Engineering and will be stuck in dead end jobs like fast food. This results in a group of educated individuals earning significantly more than the group of poorly educated individuals, creating income inequality. The equilibrium represents the balance point for the market at a certain time. The equilibrium for Civil Engineer is significantly higher than the equilibrium for a fast-food worker. In this case this is because Civil Engineer requires more education, much more experience and is in high demand, while a Fast-Food worker is in low demand because the job can be provided by significantly more people. The wages for a Civil Engineer will then be much higher (represented by  $We_1$ ), while the wages for a Fast-Food worker are at  $We_2$ , much lower than a Civil Engineer. This is further expanded upon in a CPC, which shows that these educated people have more money to spend and save it better, which over time results in compound growth in wealth. This is how education plays such an important role in income wealth.

A quality education determines whether someone is wealthy, has access to better quality goods and services (healthcare, private education, financial support when attending university) & capable of

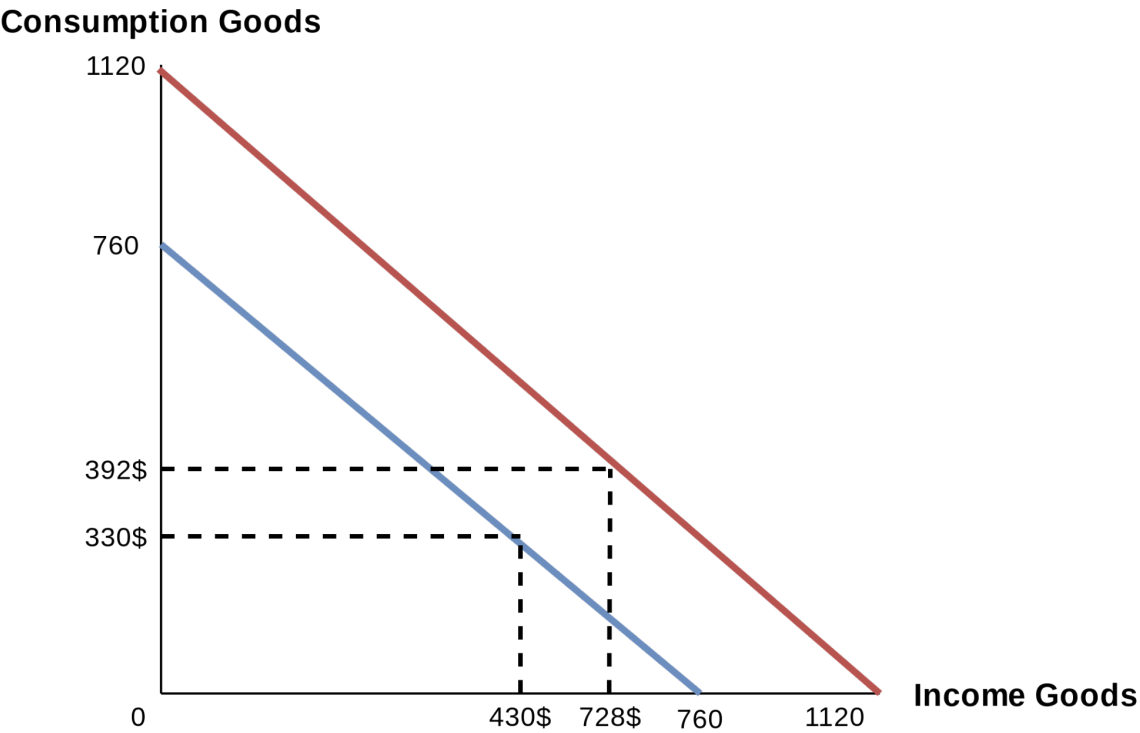
managing their finances, all of which contribute to income inequality and are caused by education (or lack thereof). Education rate is higher among high income earners (23.55%), and notably lower among low-income earners (12.48%). There is a direct relationship between high quality education and income. The CPC expand upon this idea, showing that those who earn more (i.e. highly educated individuals) tend to be wealthier because they can save more. On the low-income CPC only \$430 was spent on income goods compared to the \$728 on the high-income CPC. Wealth grows over time; the rich get richer and the poor get poorer. This is clear when you compare the respective growth rates of the low- and high-income CPCs: the low-income CPC had a 43% change from 2008 to 2021, while the high-income CPC had a 69% change. What results from this is those of higher incomes have access to better goods and services like private healthcare or private education, which can increase their quality of education, and/or quality of life. Financial security also means people can attend university without the worry of financial debt. From this it can be drawn that your income, or potential to earn more money, is tied to your education. Less qualified people earn less and better qualified people earn more. Because better qualified people earn more they can invest more money into income goods, leading to greater growth than those with a poorer education.



Low Income CPC



High Income CPC



**The Impact of Income Inequality on Groups****4**

<b>Education</b>	<b>European NZers</b> <p>European people have strong access to tertiary education such as universities through first year free study, as well as <b>high incomes which allow them to maintain their study beyond year 1.</b></p> <p>The quality of degrees earned by European people is greater than that of Maori.</p> <p>This is supported by the ‘highest qualification tertiary percentages’ from the 2018 census which showed that high tertiary education rates of European NZers: 13.32% for bachelor’s degrees, 6.00% for post-graduate and honours degrees, 3.32% for Master’s degree and 0.91% for Doctorate degrees.</p> <p>This aligns with the amount of European NZers who become high skilled workers, as the average level of degree earned is quite high. European NZers have higher weekly incomes than other ethnic groups.</p>	<b>Maori</b> <p>Despite having the same access to tertiary education through the ‘fees free’ program at New Zealand universities, Maori have significantly less quality in terms of education rates. In addition, <b>lower income means it is harder for them to maintain the associated costs of university.</b></p> <p>Maori tertiary education rates are as follows: 8.43% for bachelor’s degree, 2.47% for post-graduate and honours degrees, 1.33% for Master’s degree and 0.25% for Doctorate degree.</p> <p>This represents why the Maori median weekly income is significantly lower to that of Europeans NZers, as there are less high skilled workers coming through and less access to tertiary education.</p>
<b>Healthcare</b>	<p>European NZers generally have <b>strong and consistent access to healthcare</b> due to higher incomes, meaning better access to general healthcare and insurance.</p> <p>The weekly median income for European NZers in paid employment is \$1,120 meaning they have more income to afford things like health insurance on top of consumption goods.</p>	<p>Unlike European NZers, Maori generally have <b>less access to healthcare due to possessing less assets and wealth which leads to poor health.</b></p> <p>The weekly median income for Maori in paid employment is \$1,000 which is significantly less than that of European NZers meaning they have less income to afford things like health insurance.</p>