

Are You Well? Are We Safe?

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The Salvation Army Social Policy & Parliamentary Unit
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STATE OF THE NATION REPORT

SUMMARY VERSION



**Social Policy &
Parliamentary Unit**

Working for the eradication of poverty in New Zealand

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FROM THE DIRECTOR OF THE SOCIAL POLICY & PARLIAMENTARY UNIT

The Prime Minister has announced that the 2019 Budget will be New Zealand's first 'well-being budget'. This is her government's attempt to mark out a different pathway for New Zealand—one which is not just focused on short-term economic matters, but also on long-term social and environmental concerns.

The Salvation Army applauds this broader focus. To this end, we have been offering New Zealanders, and our Government, the annual *State of the Nation* reports since 2008, in the hope that we would broaden our public discourse to include an expanded social dimension.

But as you consider the idea of 'well-being', you quickly come to appreciate that it is not a straightforward, easy to grasp, all agreed concept. Our first challenge is to define what is meant by well-being. In fact, most people would agree that individuals and their families should define their own concept of well-being and not the Government through documents like Budgets.

To a large extent, this idea of individual self-determination is justified, but it does not get us very far in helping to design public policies and in deciding collective priorities. Moreover, there are things which are justifiably 'good' or 'bad' regardless of an individual's preferences or values. None of us wish to see children living in poverty or being exposed to violence or neglect, and none of us want to live in communities blighted by crime or addictions.

While these concerns do not translate into universal truths, they are a basis for a shared vision for our country—an idea of the things we should have more or less of. But more than this, in a caring society, we need to collectively provide a framework of support, based on some shared values that allow individuals and families to flourish with the freedom to determine their own lives, as far as possible.

The *State of the Nation Report 2019*, from The Salvation Army, is our initial contribution to this discourse around well-being. In presenting this contribution, we hope to encourage public debate around the sorts of things we as New Zealanders hold dear. The title of this year's report—*Are You Well? Are We Safe?*—for us, encapsulates the idea of well-being. These two questions are at the core of our well-being, and, as well, this sense of inquiry conveys the notion that we are concerned about others' conditions, and that we have things in common.

We are hopeful that with this more expansive well-being focus we will as a national community come to more fully acknowledge the social dimensions of our lives, and to value the environmental resources we depend on.

Thank you for your support and ongoing interest in our work.

Lieutenant-Colonel Ian Hutson
Director—Social Policy & Parliamentary Unit

ARE YOU WELL? ARE WE SAFE?

The Prime Minister has announced that the 2019 Budget will be New Zealand's first 'well-being budget'. This is her government's attempt to mark out a different pathway for New Zealand—one that is not just focused on short-term economic matters, but also on long-term social and environmental concerns.

One of the big problems with a well-being focus is understanding and agreeing on what we mean by 'well-being'. As you get into the idea, it can quickly become vague and complex. As a big idea to arrange public policy around it is at risk of losing public appeal because of this vagueness and complexity.

We see the *State of the Nation Report 2019* as being The Salvation Army's first contribution to making the idea of well-being better understood and appreciated by New Zealanders. This is not to say the 2019 Report aims to deliver the Government's message around well-being. The Salvation Army wishes to offer a more limited, and perhaps more succinct, version of well-being—one which concentrates on social outcomes and, specifically, the outcomes experienced by the poorest and most vulnerable New Zealanders.

To this end the, *State of the Nation Report 2019* frames its five areas of policy interest around outcome statements. These are statements that we believe describe or define what we, and perhaps many other New Zealanders, see as social progress. These outcome statements are as follows:

Our Children: **All our children are safe and doing well**

Work & Incomes: **Our growing prosperity is fairly shared**

Crime & Punishment: **Our homes and communities are free from violence and crime**

Social Hazards: **Our homes and communities are free from addictions and related harm**

Housing: **We all have housing which is healthy, safe and secure.**

ALL OUR CHILDREN ARE SAFE AND DOING WELL

The vast majority of New Zealand's children are no doubt safe and doing well, and there is no data available to suggest that their status is under any threat. But there is a persistent core of children and teenagers who are either being harmed by their circumstances or have diminished prospects. There is little evidence available to suggest that this group of children and teenagers has got any smaller over the past two to three years.

It is the case that over the past five years, youth offending rates have fallen and fewer school leavers are leaving school without qualifications. The continuing decline in teenage pregnancy rates should be applauded, particularly if it allows young women to be better prepared for later motherhood. However, progress around educational achievement and youth offending appears fragile, and it is by no means certain that further improvements are assured with the current approaches.

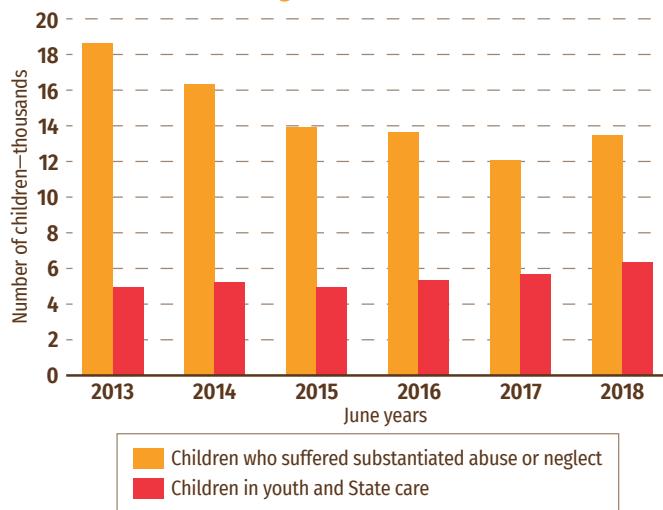
Across the other indicators considered relevant to children's well-being, there has been little or no appreciable progress over the past year or two. This has meant that the gaps between the children in the mainstream of our society and those on the margin have not narrowed.

There has been no appreciable fall in the numbers of children, judged by Oranga Tamariki, to be at risk of neglect or abuse. While the numbers of such children have remained the same for the past three years, the number of children in State care has reached a new record, growing by almost 30% in five years. Increased reporting by the public and Police of potentially harmful situations for children is to be applauded. However, little seems to have changed in the background conditions that create these situations.

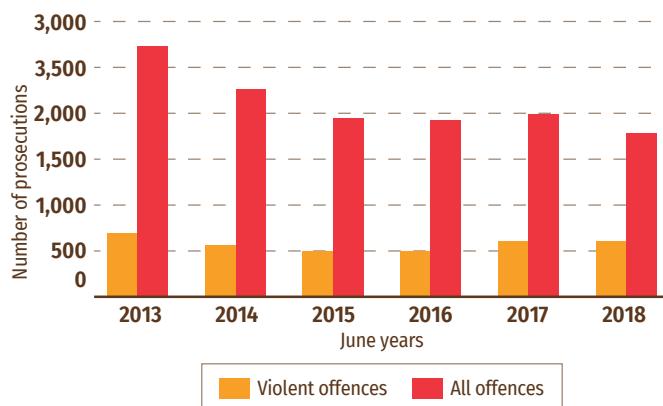
Youth suicide rates show no sign of declining, pointing perhaps to something of a wider malaise around provision of adolescent mental health services, and to a sense of hopelessness amongst a small but significant group of teenagers and young adults. The more open reporting of suicide statistics is a welcome first step to addressing this very sensitive issue in an appropriate way.

The differences in the fortunes of New Zealand children are important as we consider appropriate interventions. The gaps between most children and their families, and those who are marginalised, have not closed appreciably, despite concerted efforts by State agencies and communities. There is even a sense from the data available that recent progress has stalled. The continuation of current approaches—especially in education, care and protection, and income support—seem unlikely to produce different results. The time for more radical responses that look for generational changes for a moderate size group of families is perhaps overdue.

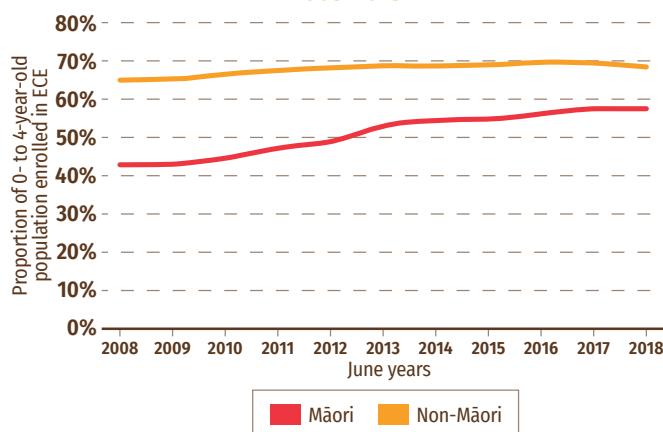
Children abused and neglected or in State care—2013–2018



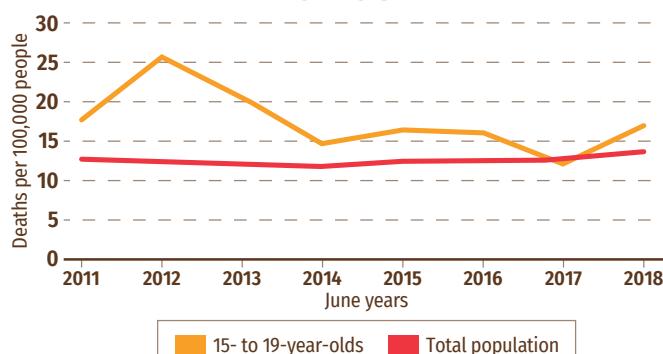
Number of people under 16 years charged with criminal offences—2013–2018



ECE enrolment rates for Māori and non-Māori under 5-year-olds—2008–2018



Suicide rates for 15- to 19-year-olds and total population—2011–2018



OUR GROWING PROSPERITY IS FAIRLY SHARED

The past five years have seen increasing prosperity for most New Zealanders and a very modest narrowing of income inequalities. Those living on welfare benefits remain economically excluded, however.

Per-capita GDP has grown 14% in inflation-adjusted terms, while the average wage received by employees has lifted by almost 9% on the same inflation-adjusted basis. The impact on living standards of these real increases in incomes depends significantly on what happens to housing costs. While no two households are the same with respect to their incomes and housing costs, it generally does not appear from the data available that these higher incomes have been soaked up in higher housing costs. Levels of housing-related poverty remain largely unchanged, however.

The wage gap between men and women narrowed slightly, from 86.7% at the end of 2013 to 88.2% at the end of 2018. By the end of 2018, the gender wage gap was perhaps the narrowest in history and marginally less than prior to the GFC in 2010. A similar narrowing of wage rates can be seen in comparisons of average wages paid in the poorest paid sector (hospitality) and the highest paid sector (financial services).

Significant increases in the statutory minimum wage have probably contributed to the reduction in wage inequality. As a proportion of the average hourly wage, the adult statutory minimum wage rose from 50% in 2013 to more than 56% in early 2019, with the most recently announced increase. Between 2013 and 2019, the adult statutory minimum wage rose almost 18% in real terms. More workers are working for the statutory minimum wage now than in 2013. In 2013, around 92,000 workers were receiving the statutory minimum wage. By early 2019 it is estimated that 209,000 workers, or 8% of the workforce, will be receiving the wage. This outcome points to both the importance and real benefits of minimum wage legislation in driving a more inclusive economy.

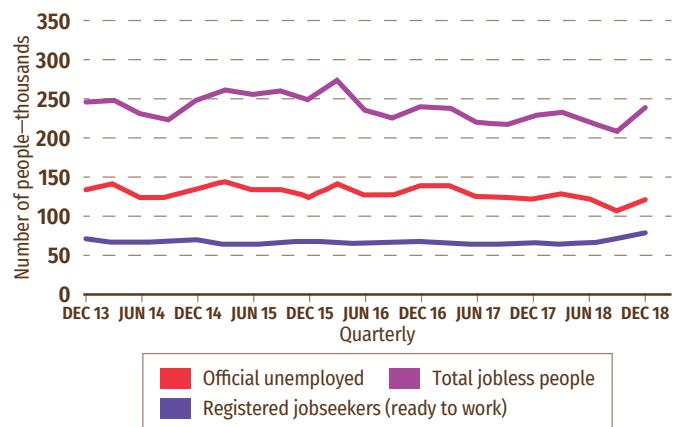
However, welfare beneficiaries remain outside of this inclusiveness, entirely as a result of policy choice. With the exception of a one-off increase in benefit rates in 2016, these rates have not been increased in real terms since the benefit cuts of 1991. The result has been persistent poverty rates—especially amongst children—as well as increasing material hardship. This material hardship is partly witnessed by foodbank demand, which rose sharply during the GFC and has remained at similar levels since.

A recent response to this hardship has been the significant increase in supplementary income support for people receiving benefits. The number of additional payments made rose from just over 800,000 in 2013 to almost 1.3 million in 2018, with the value of payments increasing from \$202 million to \$350 million for these periods. This more generous provision of top-up benefits,

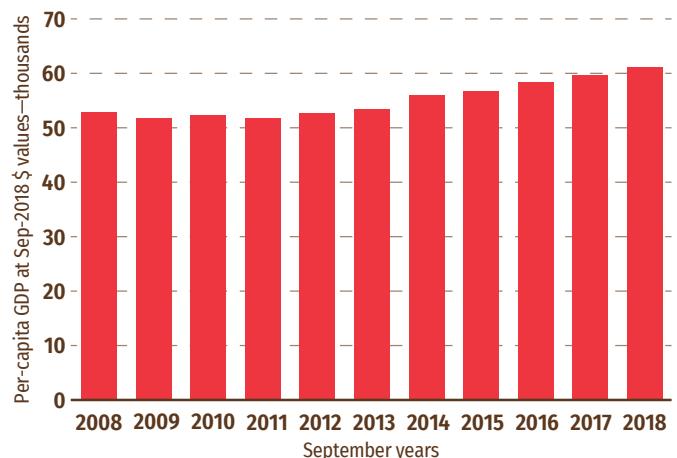
alongside the new Winter Energy Payment—which is worth \$43 million in the current financial year—have probably taken the sharp edge off the material hardship being felt by families and households living on benefits. An example of this impact is the 3% decline during 2018 in demand for food parcels from The Salvation Army foodbank network.

However, the numbers of working-age adults receiving a benefit remains constant around 285,000. This is despite the official unemployment rate in September 2018 sinking to a 10-year low of 3.7% of the workforce. The core of those receiving a benefit, around 150,000 adults, do so for health or disability reasons and so are paid the Supported Living payment or the Jobseeker—Health Condition payment. Their needs, and this number of people, are unlikely to change even in times of low unemployment. This permanence, alongside the economic exclusion suffered by those reliant on welfare payments, suggests a radical re-think is required for setting benefit levels. Such a re-think should look at avoiding the need for top-up and supplementary payments, and could consider indexing benefit levels to changes in wages and salaries as we already do for New Zealand Superannuation.

Measures of unemployment—2013–2018



Real per-capita GDP—2008–2018 (in Sept-18 \$ values)



OUR HOMES AND COMMUNITIES ARE FREE FROM VIOLENCE AND CRIME

There is no evidence available to suggest that our homes and communities are becoming safer. Recent, modest declines in convictions may largely be due to changing enforcement practices and falling resolution rates, rather than any drop in offending. While there is some evidence that victimisation by violent crime has grown a little, the absence of any reliable data—especially around family violence—makes it difficult to be certain of this. The small increase in victimisations may be due to a change in reported behaviours, rather than an increase in offending.

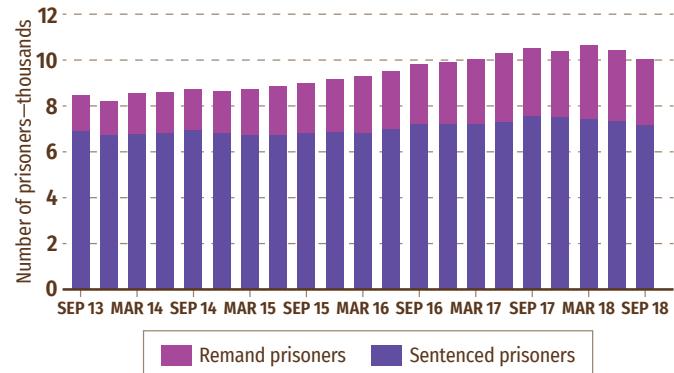
It is, however, the case that most homes and communities in New Zealand are safe and relatively free from violence and other crime. Violence and crime are often quite concentrated into 5% to 10% of our communities, and the continuing presence of social hazards—in particular, methamphetamine and alcohol—hinders any progress in making these areas safe and prosperous.

The policy challenge here is to offer very selective interventions, that target at-risk neighbourhoods and communities. The fact is that victimisation by violence and other criminal offending is quite concentrated and often associational. Victims live with, or nearby, offenders, and the pattern of offending and victimisation is structured by poverty, lack of opportunity and exposure to personal and social risks. In order to make our homes and communities safer, it requires us to especially focus our efforts on these contributing causes.

Wider public interest in doing so may be limited, especially if the recent law and order ‘tough on crime’ narrative goes unchallenged. An argument can be made that our recent experience with tougher sentences, bigger prisons and tougher bail laws has not worked. There has been no appreciable reduction in background offending—except, perhaps, amongst youth—and re-offending and re-imprisonment rates have simply increased year after year.

Addressing this failure—and the narrative which drove it—requires a compelling alternative, and that is what the Justice Forum is expected to achieve. Part of a useful response may involve looking at the small success stories that already exist in many communities around addressing addictions, violent behaviours and youth alienation. Welding such ideas into a coherent national strategy might be a daunting challenge—especially if, as a country, we remain divided around the underlying causes of criminal offending.

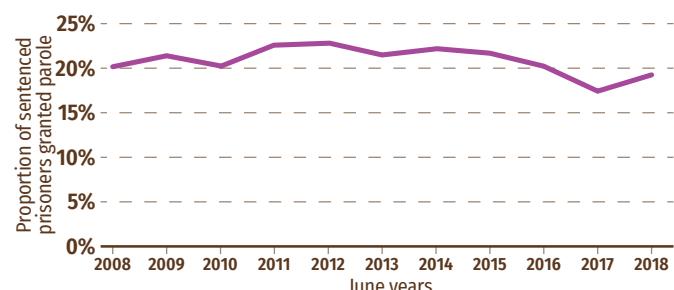
Prisoner population—2013–2018 (quarterly)



Imprisonment rates—2013–2018 (June years)



Proportion of sentenced prisoners granted parole—2008–2018 (June years)



Convictions for violent offences—2009–2018



OUR HOMES AND COMMUNITIES ARE FREE FROM ADDICTIONS AND RELATED HARMS

There is no evidence to suggest that our homes and communities face less risk from social hazards than we did five years ago. At best we have stood still, and at worst we may be sliding backwards a little.

The availability and consumption of alcohol has changed little over the past five years. Rates of hazardous drinking have remained the same. Although younger adults' drinking behaviours have improved, those of older adults have slightly worsened. There is some evidence that changing attitudes to drinking and driving have slipped back, and, as noted elsewhere in this report, our record on family violence seems intractable.

As a country, we have seen the blight of methamphetamine gradually deepen, although there is no evidence that things got worse over the past 12 months. This malaise may be due, in part, to the absence of a deliberate and dispassionate debate around national drug policy, along with some discussion of where our Police and other enforcement efforts should go in addressing the spread of illicit drugs.

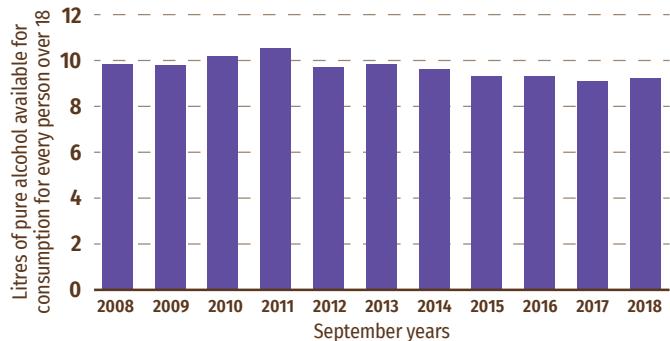
Patterns of gambling—including the division of gambling activities and the drivers of harm—have remained unchanged.

The harm being done to many poorer families and households by predator lending practices of loan sharks and payday lenders has gone unchecked, despite recent changes in consumer credit law. Levels of such lending may be increasing, but the lack of any effective monitoring means that this trend cannot be accurately identified.

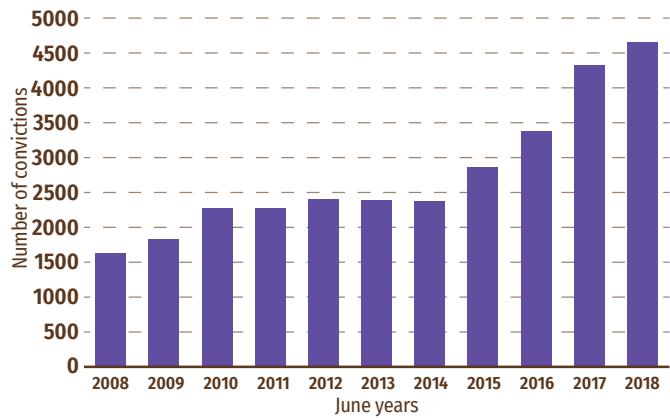
There appears to be a complacency here—a sense that the status quo is okay. This complacency may be due in part to ignorance, or at least an ignoring of the harms done by social hazards. Many of these harms are not evenly distributed across our society. They weigh more heavily on the poor and marginalised than they do on the middle class and well-off. This distributional pattern may account for this complacency, or perhaps for a broad consensus that the balance between social regulation, individual choice, and responsibility has been achieved with the current policy mix.

It doesn't seem that much will change—or that the harm done by addictions and dependence will diminish—until we accept the need to review this policy mix and pay greater regard to the harm caused by our social hazards.

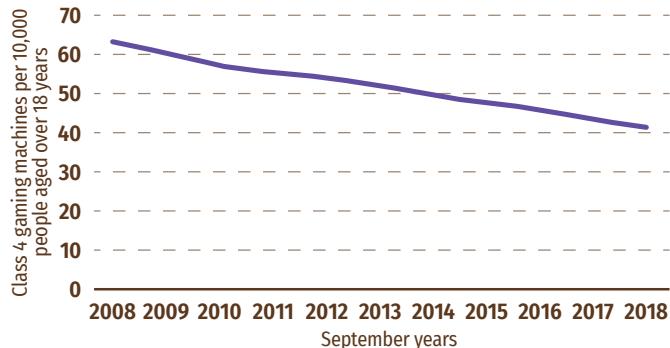
Per capita alcohol availability—2008–2018



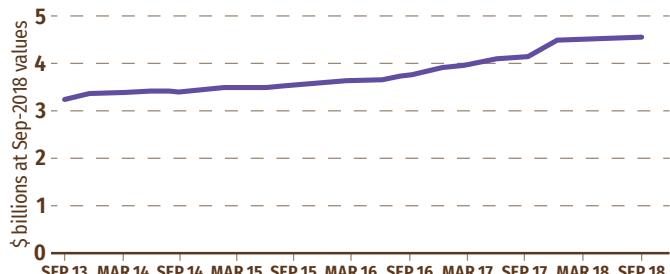
Convictions for methamphetamine-related drug offences—2008–2018



Prevalence of Class 4 gaming machines—2008–2018



Consumer lending by non-bank lending institutions—2013–2018—at Sep-18 \$ values



WE ALL HAVE HOUSING WHICH IS HEALTHY, SAFE AND SECURE

Hindsight might decide that the past five to ten years have been disastrous for housing in New Zealand. For those on the ownership side of the tenure divide, this period has been one of almost unprecedented growth in property values and personal wealth. For tenants and younger households, the prospect of affordable, stable and safe housing has diminished. For poorer households and single adults, the threat of outright homelessness loomed large until Government decided, in late 2016, that more direct interventions were necessary.

This trend slowed during 2018. Residential construction activity appears to have caught up with record population growth, fuelled as it was by unsupported migration flows. This new construction is by no means affordable for those most in need of housing, but price pressures—at least in Auckland and Christchurch—have tapered off as construction rates have caught up.

Demand for, and provision of, social and public housing has entered a different era, where there is greater recognition of demand and more deliberate efforts at increasing supply. There are questions around whether or not the supply response of an additional 1600 public housing units per year is adequate. The answer to this question lies in what happens to waiting lists over the next 12 months. At this stage, it is too early to tell if we are finally making progress in providing secure, safe and affordable housing to the most vulnerable New Zealanders, or merely treading water through the provision of so-called transitional housing.

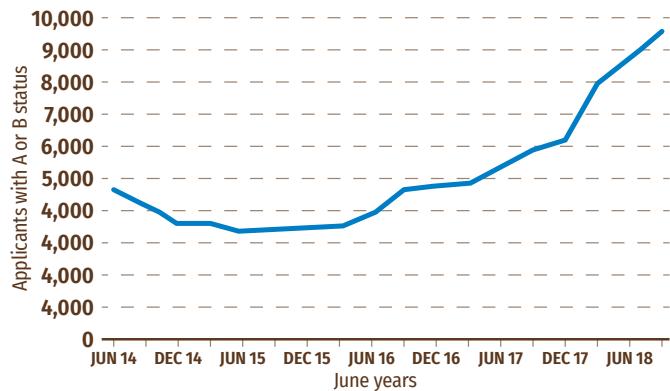
Housing prices, both in terms of rents and sale prices, appear to have moderated in the Auckland and Christchurch markets. In Auckland, this has meant that things are not getting worse in what is already a very difficult situation for modest-income tenants. There has been some improvement in affordability in Christchurch, with rents and house prices declining marginally. For many other parts of New Zealand—particularly northern North Island cities and Queenstown—rising housing costs are crowding out poorer resident households. This is witnessed by increasing levels of unmet housing need in places such as Napier and Rotorua. Much of this may be as a result of a boil-over of Auckland's housing challenges. It is difficult to see these trends as progress.

The unspoken legacy of this era is the record levels of household indebtedness, which has reached almost 100% of GDP and contributed directly to New Zealand's foreign debt. This legacy will perhaps take a generation to pay down if (and when) it is seen as a problem. In the meantime, our economy and household well-being remain vulnerable to rising interest rates and the demands this places on after-housing-cost incomes.

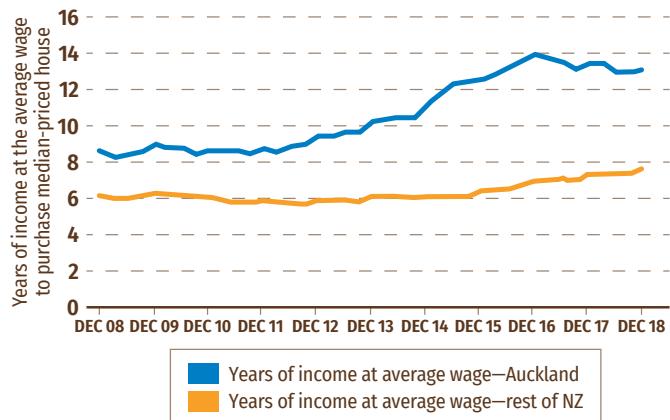
Consents for new dwellings in Auckland and New Zealand—1999–2018



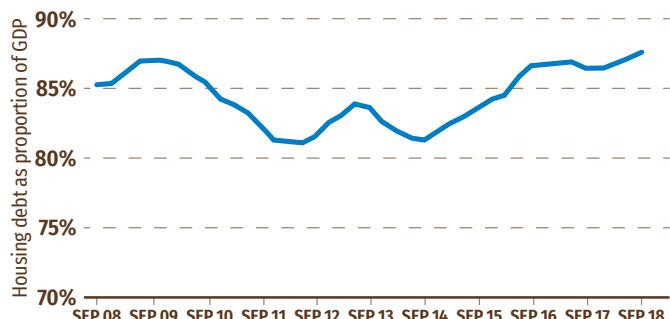
Social housing waiting list—2014–2018



House prices to incomes—2008–2018



Housing-related debt as proportion of GDP—2008–2018



MĀORI–NON-MĀORI GAPS TABLE

INDICATOR	MEASURE	Outcome 2013 Māori	Outcome 2013 Non-Māori	Outcome 2017 Māori	Outcome 2017 Non-Māori	Outcome 2018 Māori	Outcome 2018 Non-Māori	Ratio 2013	Ratio 2017	Ratio 2018
Teenage pregnancies	Pregnancies to 1- to 19-year-olds per 1000 15-19 year old women	70	26	52	16	Not available	Not available	2.7	3.2	Not available
Infant mortality	Infant deaths (<1 year old) per 10,000 live births	47	41	55	29	40	35	1.1	1.9	1.2
Children in state care	Children in state care per 1,000 children	10.4	2.9	13.2	2.8	13.1	3.1	3.6	4.7	4.2
Early childhood education enrolment	Proportion of under-5-year-olds enrolled in ECE	53.0%	68.6%	57.3%	69.6%	57.3%	68.5%	0.8	0.8	0.8
Student engagement	Stand downs per 1000 students	38	16	41	18	Not available	Not available	2.4	2.3	Not available
Student achievement	Proportion of school leavers leaving with less than Level 1 NCEA	28.6%	10.5%	19.1%	7.6%	Not available	Not available	2.7	2.5	Not available
Youth offending	Overall offending rate by 12- to 16-year-olds –per 1000 population	21.3	5.1	18.1	3.2	16.3	2.7	4.1	5.6	5.9
Welfare support	Adults receiving a benefit as % of working age population	27.7%	8.8%	24.5%	7.1%	24.7%	7.0%	3.2	3.5	3.5
Unemployment rate	Official unemployment rate	12.5%	4.8%	10.1%	3.9%	8.9%	3.6%	2.6	2.6	2.5
Youth unemployment	Proportion of 15- to 24-year-olds NEET	22.9%	9.2%	18.7%	10.0%	18.6%	10.2%	2.5	1.9	1.8
Personal income from wages & salaries	Average weekly personal income for those employed	\$837	\$982	\$985	\$1,136	\$994	\$1,192	0.9	0.9	0.8
Distribution of personal income	Proportion of adults in lowest three income deciles	35.8%	29.3%	34.8%	29.3%	33.9%	29.4%	1.2	1.2	1.2
Adult prison sentence rates	Proportion of convicted 17- to 19-year-olds who are imprisoned	12.3%	5.1%	13.1%	5.5%	11.5%	4.5%	2.4	2.4	2.6
Imprisonment rate	Number of people imprisoned –per 100,000 population	625	114	700	122	717	126	5.5	5.7	5.7
Recidivism rate	Reimprisoned within 24 months of release	42.2%	32.8%	47.0%	37.2%	49.6%	36.7%	1.3	1.3	1.3
Alcohol consumption	Proportion of adult population as hazardous drinkers	Not available	Not available	33.0%	17.5%	31.7%	18.1%	Not available	1.9	1.8
Illicit drug offending	People convicted of illicit drug offences – per 1000 people	3.3	0.8	2.2	0.5	2.1	0.5	4.2	4.3	4.3
Demand for social housing	Households on social housing waiting list – per 1000 households	Not available	Not available	15.5	1.7	24.9	2.8	Not available	8.9	8.9

Background data for this table is available at salvationarmy.org.nz/AreYouWell