Te Ope Whakaora

Social Policy & Parliamentary Unit

Working for the eradication of poverty in New Zealand

COVID-19 Social Impact Dashboard

22 May 2020

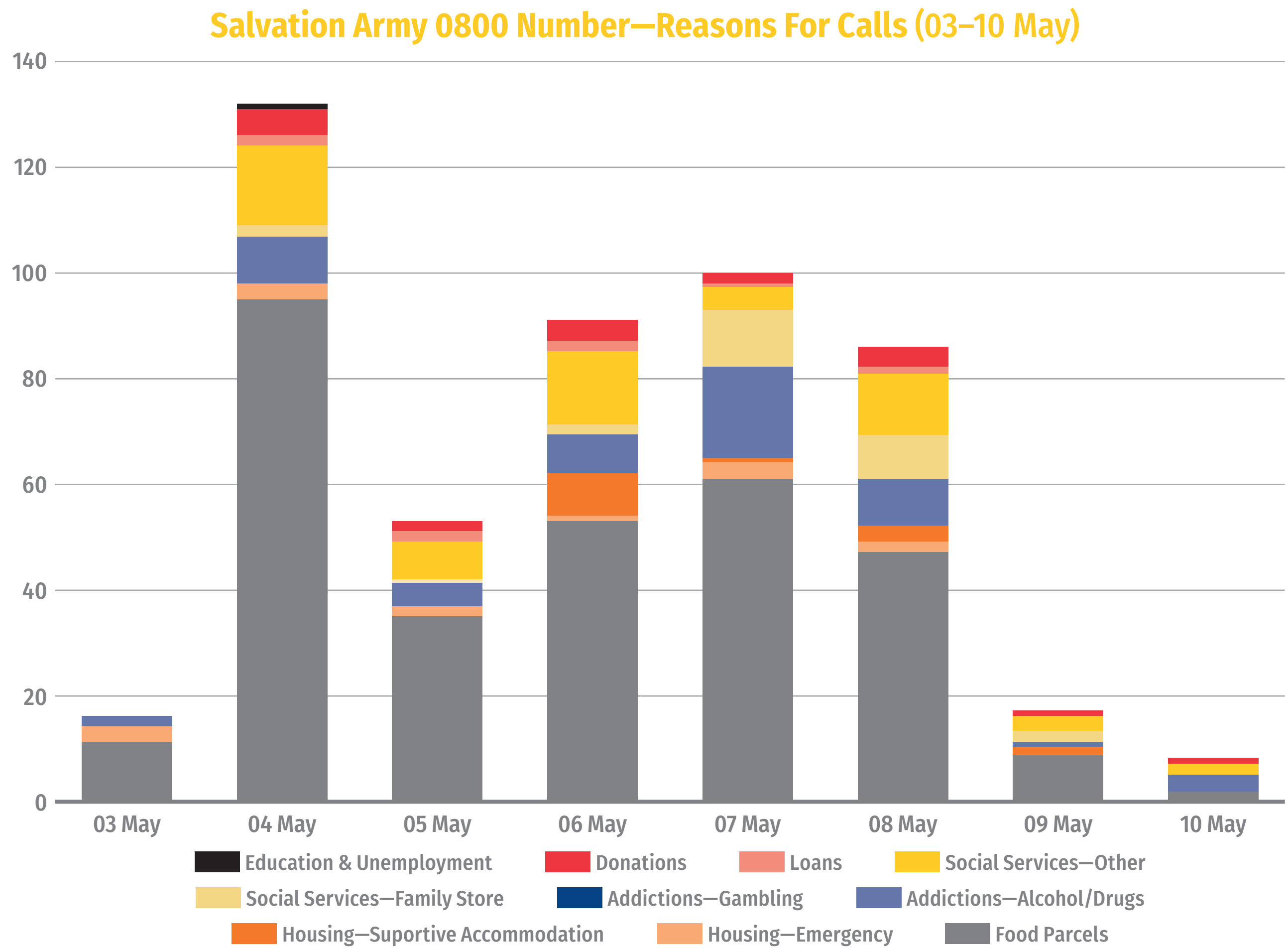
Is the storm still coming?

In our previous Dashboard, we asked the question: *Are we in the calm before the storm?* In this Dashboard, the numbers indicate that the levelling off, or calm period outlined earlier, is in many ways still continuing. But these numbers, coupled with analysis and commentary from others and also feedback from our frontline Salvation Army services, definitely signal to us that more hardship is ahead. The Government clearly thinks there are storms coming and they have seemingly tried to provide some stability, hope and a safe path for the nation with the various Budget 2020 decisions made last week. This fourth Social Impact Dashboard continues to give updates across five key social areas. But it also gives an assessment of Budget 2020 responses in these five specific areas and views on whether or not strong recovery and rebuilding is possible with this allocated funding. Overall, in four of the five sections that we have monitored and advocated for in our Dashboards, the Government has committed some serious amounts of funding in preparation for the coming challenges.

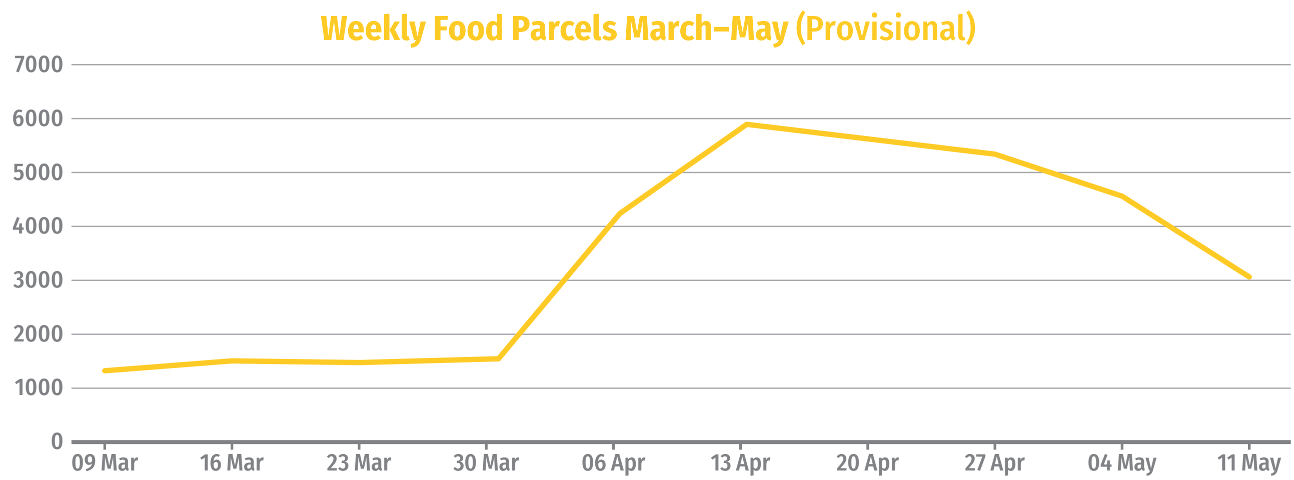
So what now? Firstly, our Social Impact Dashboards will continue over the next months, but not fortnightly. We still believe this monitoring, tracking and assessing of the impacts of social policies and initiatives implemented, as well as frontline voices, is crucial in this recovery journey and so we commit to producing regular Dashboards. Secondly, we acknowledge and honour all of our frontline Salvation Army workers and church members who are still serving tirelessly on the frontlines within our communities. Thirdly, we also remember the thousands of people represented in these numbers and statistics we have reported on in our Dashboards, behind all of these numbers are real people facing hardship, distress and tough times. Finally, we mentioned Nehemiah in the previous Dashboard, the Jewish leader who led the rebuilding of Jerusalem's walls around 445 BC. Despite massive opposition, the walls were amazingly rebuilt in 52 days! He definitely knew a thing or two about rebuilding and recovery. After the rebuilding, he left Jerusalem for a while and then came back to find that the walls were still strong, but the people were weak morally, socially and spiritually. Our prayer is that the recovery and rebuilding that comes from millions and billions of dollars being spent, numerous projects and initiatives and countless political promises, strengthens and empowers all people in our nation to be able to thrive, be safe with their families, have enough resources to make ends meet and positively contribute to New Zealand. Ma te Atua e manaaki!

$4.9 MILLION

raised through The Foodbank Project (as at 20 May 2020)



FOOD SECURITY

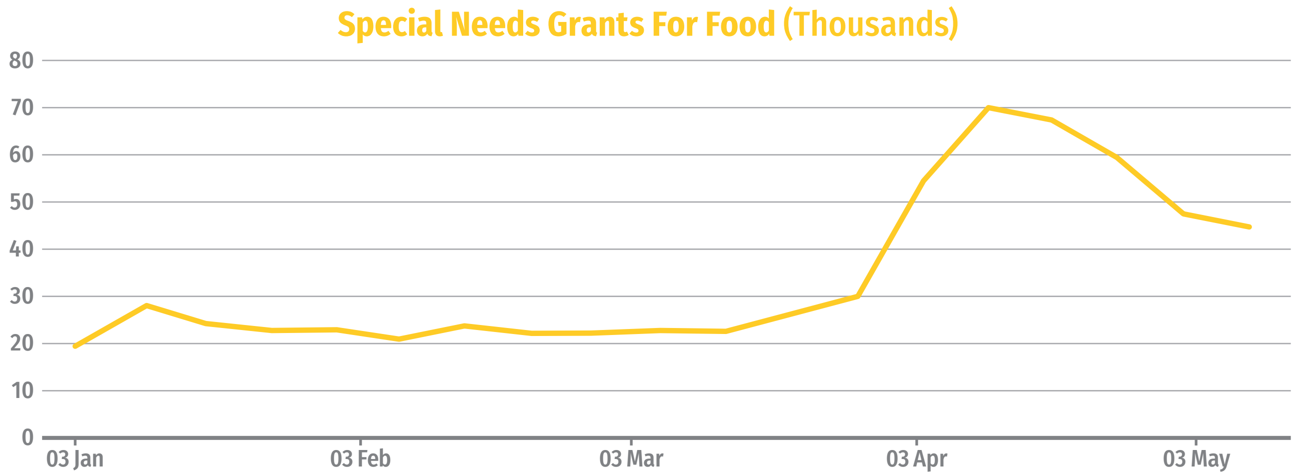


Data

After two months of emergency level response, the stamina and capacity of community organisations is being put to the test. Fortunately, the number of food parcels distributed by Salvation Army centres has continued to fall in the past fortnight, with 3064 parcels in the week to 12 May. This is just over half the number distributed at the peak of demand in mid-April, but still twice the level before the level 4 lockdown began in March. Feedback from food bank coordinators is that the Winter Energy Payment that began in

May has given people an income boost that seems to be helping. But there is an underlying concern that this may be a hiatus before the next wave of need sets in as higher energy bills arrive, as well as the end of most of the Wage Subsidy in June.

Public support for The Salvation Army Foodbank Project continues to be heartening with donations reaching $4.886 million. Furthermore, Special Needs Grants for food paid out by the Ministry of Social Development (MSD) are also showing a similar pattern of continuing decline from the peak in mid-April. The 44,498 grants paid out the week to 8 May was well down on the peak of 69,905 paid out a month ago in the week to 10 April, but still around twice as many per week as before the lockdown. Just under 212,000 additional food hardship grants have been paid out in the seven weeks between 20 March and 8 May. This is in addition to the already high level of food need that existed before the crisis began.



Responses

The Budget provided two significant specific initiatives to respond to food insecurity—funding for community food distribution and a large extension of the free school lunches food in schools programme. Government funding announced in the Budget of $32 million is to meet the increase in demand for food as a result of Covid-19, through supporting food banks and other community food services and a new bulk food distribution network. This is the first time that government has directly contributed to funding food distribution in this way it is expressly intended to help address the increased need as a result of Covid-19 pandemic. It does not address the already existing need before the crisis began, nor does it fully cover the scale of sustained support that will most likely be needed over the coming weeks and months. Further charitable and corporate support will also be needed. The expansion of the free school lunch programme is truly massive—going from a trial with around 100 schools with 8000 students, to aiming to provide food for around 200,000 students—around a quarter of all school students at an estimated cost of $212 million. Both these initiatives will help provide better food for students who need it, and are a direct response to the presenting need of hunger at school and lack of food in homes. But we believe they are not the transformational policies that will lead to long-term change for those families, whānau and households facing food insecurity.

From the Front Lines

- **Kore Hiakai Zero Hunger Collective** *The Good News is that in the Covid-19 recovery Budget last Thursday, people's human right to kai was recognised and, for the first time ever, Government included funding in this area. The details are yet to be announced but this is a good first step. Adequate income and affordable housing are still missing from the strategy to enable all in Aotearoa to be food secure. But this kaupapa is now firmly on the Government agenda.*

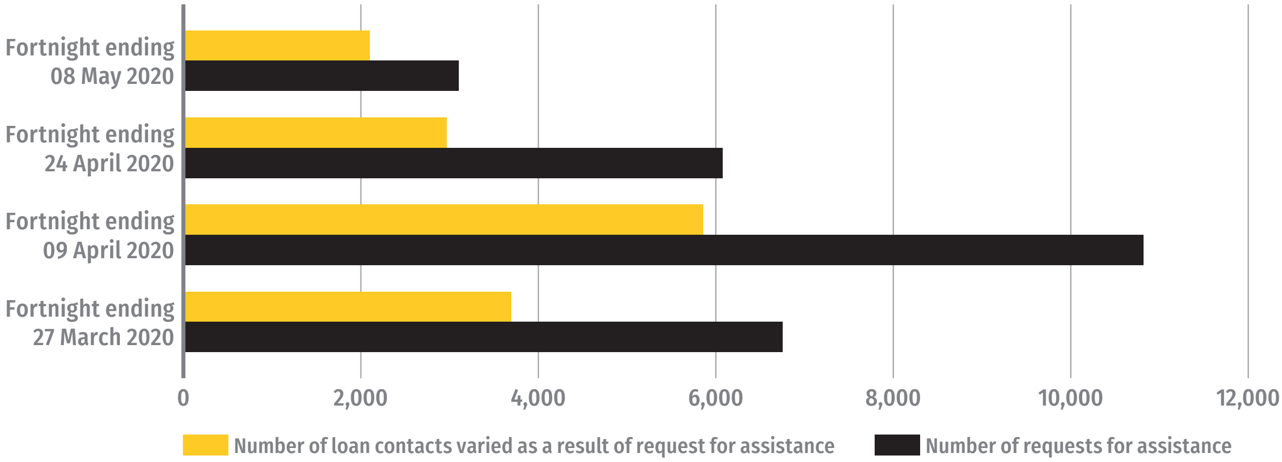
- **Wellington region** *School started this week and some children were off to school hungry because parents don't have the money for lunches.*

Moving Forward

The Budget offers significant steps to help meet the current and ongoing hunger in our communities and schools. Missing from the Budget was any further announcements to deal with the underlying causes of food hardship in this country; without this second component our country faces the prospect of cementing increasing levels of food hardship for the foreseeable future. The Salvation Army continues to call for action, to take the next steps and work with communities to design a transition away from servicing hunger, into networks that enhance food security of our communities. At the same time government policy must focus on the other factors that contribute to households experiencing food hardship, especially low incomes, poor quality and unaffordable housing, and unequal access to health care.

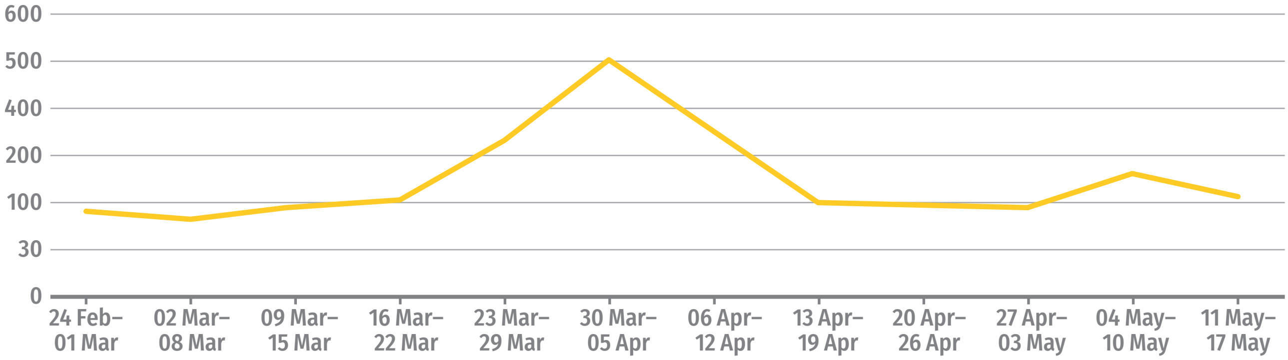
FINANCIAL HARDSHIP

Consumer Lending Statistics



Source: Financial Services Federation

Calls to FinCap MoneyTalks Helpline



Source: FinCap Trust

Data

KiwiSaver withdrawals for hardship increased in March 2020, with almost $13 million withdrawn, up from $10 million in March 2019. Monitoring these KiwiSaver numbers over the next several months will be crucial to properly assess financial hardship and problem debt issues for people. In terms of consumer lending, both the requests for assistance to loan companies and the variations to loan contracts decreased in the last fortnight. This came after the huge spike in the fortnight ending 9 April, when more than 10,000 requests for loan assistance were made to lenders. The numbers of calls to the MoneyTalks helpline continues to fluctuate, increasing significantly in the week ending 10 May, but then declining slightly in the last week. Therefore, the indicators we've tracked for financial hardship clearly show a levelling-off period. Many are experiencing financial hardship and these numbers spiked in early April 2020. But some of the ways they can seek relief for hardship and debt issues, such as varying loans contracts or contacting MoneyTalks for help, have not seen a consistent increase since the early April spikes. However, based on other indicators—especially in unemployment and food security and our frontline engagement with people—we definitely expect surges in these numbers in the coming months.

Responses

Budget 2020 brought significant and hopefully transformational change in terms of funding targeted at financial hardship and financial capability. Pre-Budget 2020, about $11 million was distributed to budgeting and financial mentoring services across the country. The Covid-19 recovery Budget, which lasts for the next two years, contains $25 million total over these two years for funding the 131 budgeting services currently funded by MSD. This is a doubling of funding for these budgeting services, showing the Government's commitment to supporting services at the grass roots so they can in turn assist and journey with people facing financial hardship resulting from this pandemic. Many have fought for this kind of change, including FinCap Trust, The Salvation Army and others, and we commend the Government for their acknowledgment of the key role that budgeting services have in reducing financial hardship and helping people navigate financial matters and problem-debt issues.

From the Front Lines

- **Financial Mentor (Auckland)** *With shifting to level 2, I expect a huge surge in formal personal insolvencies for people after these lockdowns. I expect no-asset procedures and bankruptcies to increase as more people cannot afford to service their loans. I also expect more people to struggle with car loans which will lead to repossessions and people being harassed by debt collectors.*

- **Community Finance (National)** *Our loans-workers are still conducting loan interviews and assessments by phone and online and this is very difficult. Meeting the legal requirements for StepUp loans during levels 3 and 4 as almost impossible. For our two Good Shop vans, since 1 April, we've had 250 enquiries from the public. It has been difficult to assist clients during this period, as the majority of the Good Shop clients have limited access to internet or lack the technological skills to send through documents.*

Moving Forward

In summary, these four Dashboards have shown some worrying trends about financial hardship over the last two months, including increases across the board in KiwiSaver hardship withdrawals, contacts to MoneyTalks for financial advice, and the number of people contacting loan companies for help or to alter their loan repayment contracts because of hardship. These numbers levelled off slightly over the last few weeks, but the general consensus is that financial hardship will increase for many New Zealanders over the next several months. There are several key contributing factors. These include the original Wage Subsidy ending mid-June and Government forecasting unemployment to peak by September at 9.8 percent. Unemployment is expected to only return to pre-Covid levels (about 4%) in 2024. The coming recession is likely to massively increase the financial hardship for many, particularly for those who lose jobs and might fall through the cracks of the Government's new employment policies. Additionally, specific groups such as Māori, Pasifika, younger people and people with disabilities are likely to face even more financial hardship from this coming recession given the inequalities and challenges they face before Covid-19. The mantra of 'things will get worse before they get better' is both dark and yet seemingly very true.

Will the additional funding boost from Government for services alleviate the current and future levels of financial hardship? Only time will tell. In moving forward, we make some suggestions: firstly, the analysis of the impact of financial hardship, as with other social issues, must continue to be assessed and monitored for the next 12 to 18 months to fully understand the financial effects of this pandemic; secondly, we affirm that greater regulation is still needed around car finance, credit cards, personal loans and high cost loans. There have been some changes to the Credit Contracts and Consumer Finance Act, with more still to come. But we still argue these are not comprehensive and strategic enough to address issues related to these loans that will emerge, in our view, more frequently in the coming months.

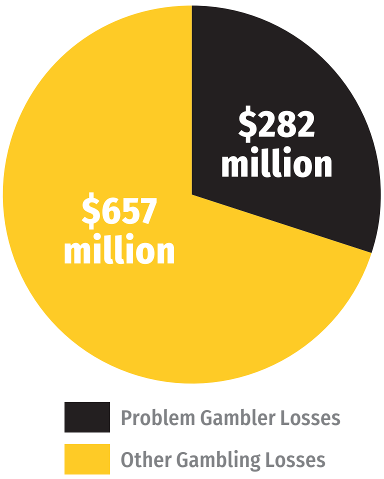
Finally, the building financial capability sector must continue to innovate. We welcome the Covid-19 Loans brought out by BNZ and its partners to provide access to safer credit. We also welcome the additional support for Ngā Tāngata Microfinance to ensure their debt relief loans scheme continues. But more innovation is needed to create a sustainable and agile model of building financial capability in our nation to meet the increasing levels of financial hardship. The foundation is in place. But the financial hardship situation, particularly around crippling problem debt, is changing quickly and intensely. Therefore, more effective solutions and innovations that are scaled up are needed from Government funding and legislative change, through to more ethical products and lending from banks, through to creative and impactful frontline budgeting and MoneyTalks helpline services, so that the financial hardship for many Kiwi is eased.

ADDICTIONS

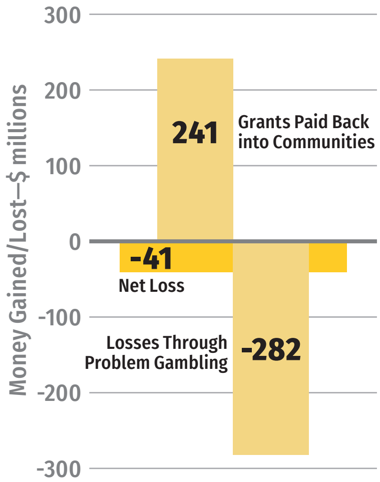
Data

According to a discussion paper prepared by the Problem Gambling Foundation (PGF) in April 2020, from losses of $939m in pokie machines in pubs, clubs and TABs in 2019, a total of $241m was paid out in grants to community ($122m) and sports groups ($119m). The PGF estimates that losses made by problem gamblers make up at least 30% of total pokie machine gambling losses. This means that problem gamblers lose an estimated $282m each year, which is $41m more than is actually distributed by gaming trusts as community grants ($241m). Fifty percent of the 15,476 machines (7700) are in the most deprived communities (Deciles 8–10) meaning that the poorer communities carry an unfair share of the gambling losses.

Pokie Machine Gambling Losses in 2019 ($939million)



Pokie Machine Effects on New Zealand—Net Loss, Comparing Problem Gambling Losses & Grants Paid Back into Communities



Responses

No new funding was received for addiction services in Budget 2020, meaning that the desperate need for an increased range of alcohol and other drug (AOD) services to address the demand for them in New Zealand communities prior to Covid-19 remains unaddressed. In addition, the expected increased demand for AOD services related to the aftermath of the Covid-19 crisis has not be planned for.

From the Front Lines

Alcohol and Other Drugs

- *Methamphetamine continues to be in short supply and is being sold for $200/point instead of the standard $100 in some areas. Clients with alcohol addiction issues reported relapsing following the re-opening of liquor stores after a period of abstinence during lockdown. Many meth clients have reported that they have turned to cannabis and alcohol when unable to get meth.*
- **Working well** *Admission to AOD programmes has begun again with a period in an isolation bubble pre-entry. Community services are operating remotely, using phones, text, social media, Zoom, etc, to support clients.*
- **What is NOT working so well** *Internet access for some clients, access to medical/social detox in some places, challenging audit and compliance expectations for residential Bridge services—initially based on aged-care standards and interpreting the various and sometimes changing messages and expectations from the Ministry of Health and District Health Boards.*

Gambling

- *Some clients wanting face to face sessions in level 2, with other clients happy to maintain phone and video calls. Abstinence from gambling has been relatively easy while venues closed, but clients are not sure how they will cope when they re-open versus clients looking forward to returning to casino and pokie venues. Some clients just starting to unravel a little now that have previously been okay and other co-existing issues showing up.*

Moving Forward

With the lack of support from Budget 2020, we make the following recommendations to Government.

- Important to develop and strengthen regulations around the provision of gambling services and the sale of alcohol to protect vulnerable people and deprived communities. Also restrict advertising, reduce hours of operation and the number of gaming venues and liquor outlets in deprived areas.
- Government funding of up to $60 million each for community and sports groups to compensate the anticipated loss of income from funding derived from gambling providers, especially in deprived communities.
- Along with reducing significantly the amount of gaming venues and gambling opportunities, the Government should directly fund community organisations in deprived areas rather than rely on funding derived from gambling. This would avoid causing community groups who provide support that addresses the poverty in their communities from continuing to be dependent on money derived from the gambling losses of the poor.
- We recommend a national grants database be developed to ensure transparent and robust information is available on grants distribution.
- Government needs to significantly increase funding for alcohol and other drug treatment services, especially in relation to brief and early intervention (inclusive of tele-health capacities for NGO services) and to embed mental health support workers in NGO addiction services to deal with the addiction crisis facing many communities prior to, and especially arising from, Covid-19.

HOUSING

Housing Situation in New Zealand (as at March 2020)	
People on the waiting list for a social house	**16,309**
Households in a transitional housing placement	**3092**
Households receiving Accommodation Supplement support payments	**317,527**
Households in public housing	**69,551**
Number of Public Housing available in New Zealand	**70,886**

Source: MSD, HUD

Data

As Covid-19 arrives at level 2, the extent of the challenge for New Zealand in providing sufficient permanent housing supply is more apparent. It was commendable Government acted at the start of the lockdown by making 900 motels available. These units provide essential places to lockdown for households who are overcrowded, living in cars, living on the street or in some other housing need. Despite this activity, the fundamental problems of housing in New Zealand remain and have got worse as a result of Covid-19. People placed in motels before lockdown now need to find either transitional or permanent housing. Households renting in the private rental market who have lost part or all of their income, now need to find cheaper housing. Transitional housing, already in high demand before the virus, is now dealing with unprecedented numbers of people seeking housing. Before Covid-19, some whānau waiting on the housing register had been promised housing when some new housing developments were finished, the virus has delayed the construction of these developments.

Responses

The challenges of Covid-19 for the community sector have been significant. The number of people requiring housing assistance from The Salvation Army and other community centres is reported to have increased. This is not surprising. Before Covid-19, whānau were placed in motels, these people now want to find more permanent solutions and so are seeking help from our Community Ministry centres. Those released from prison always find it challenging to find adequate housing. The situation is far more desperate for them at a time when many people are dislocated from conventional housing supply sources. At our other frontline centres, people are presenting who desperately need to find cheaper housing as their income has suddenly dropped dramatically. Young New Zealanders, formerly resident overseas, have returned to stay in lockdown with parents and some are now seeking housing options for themselves. Housing providers have been managing whole communities of people isolated together in lockdown, and this has on occasions produced stressful community issues which are needing support and solutions. These are the types of responses the community sector continues to deal with during this crisis, and we will see some of these issues worsen in the coming months as other factors (e.g. job losses, financial hardship) impact on housing situations for people and families.

Moving Forward

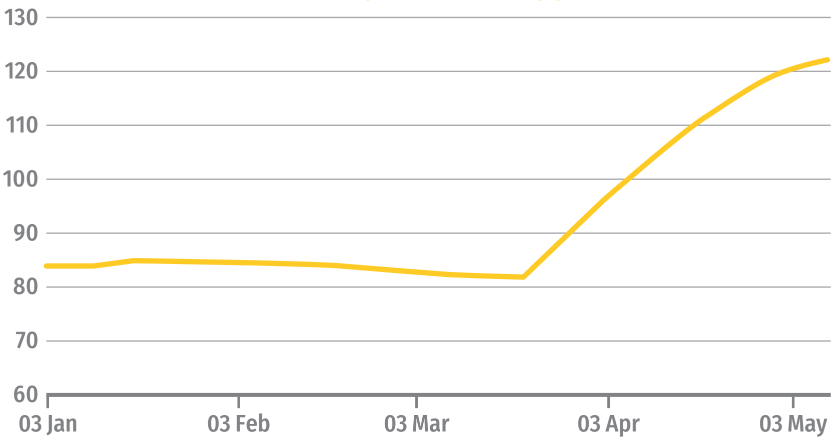
Budget 2020 has responded to this crisis with one of the most significant allocations ever made to housing. The Government will build an additional 8000 housing units—6000 social houses and 2000 transitional units—over the next four years. This allocation is additional to the 6400 public and 1000 transitional houses previously committed. The allocation of $5b will take place through Kāinga Ora who have been approved to increase their borrowing by this amount. Although administered through Kāinga Ora, the expectation is housing will come from a mixture of Kāinga Ora and Community Housing Provider (CHP) developments. Further, the Government has increased the emergency housing annual budget to $150 million. It is also increasing first-time homeownership support through the First Home scheme with an increase of $20 million, to a total budget of $110 million for 2020. This is an allocation which is additional to the $400m already allocated to progressive homeownership. Total spending on housing subsidies will be $3.8 billion during 2020–2021, which is a 26% increase over the previous year. A further $120 million is being allocated into income-related rents, in part to account for the increasing numbers of public and social housing tenancies.

A great deal of work is now required in the detailed planning of these developments by Kāinga Ora in conjunction with the CHP Sector. More gains are possible if Kāinga Ora is creative in its allocations, including encouraging and supporting the CHPs to build an increasing amount of the social housing. In its urban developments, Kāinga Ora needs to fund CHP innovation by making available land and housing concessions in its developments for progressive homeownership. When transitional housing construction occurs, it should have the capacity to be quickly changed into permanent housing units. Kāinga Ora and the community sector should also work together to develop 'build to rent' developments in urban projects. These could be run by CHPs and be offered to some households as an alternative to homeownership, having the security of long-term occupancy at a reasonable and predictable rent. In making this allocation in Budget 2020, the Government has shown it has taken seriously the extent of the housing crisis arising out of Covid-19. The effective spending of this money, however, is vital and needs to occur in close collaboration with the strong community housing sector in our nation.

INCOME SUPPORT & EMPLOYMENT

Employment

Job Seeker—Work Ready Income Support (Thousands)



One of the strongest areas of the recovery Budget was its focus on supporting job creation and training: extending the wage subsidy, introducing free trades training for all ages, the 'environmental Jobs' package, and the employment effects of the additional public housing being funded—all have the potential to sustain employment levels and open pathways to the social and environmental transformation needed in the post-Covid world. It also appears that the Wage Subsidy is doing what it was intended to do: to keep people in employment and slow the growth in those becoming unemployed. The number of people covered by the wage subsidy has peaked at around 1.7 million and costing around $10.88 billion by 8 May. The extension of the Wage Subsidy for a further 8 weeks, to a more tightly targeted set of organisations, will directly help employers and employees in under pressure sectors, at a cost of a further $3.2 billion.

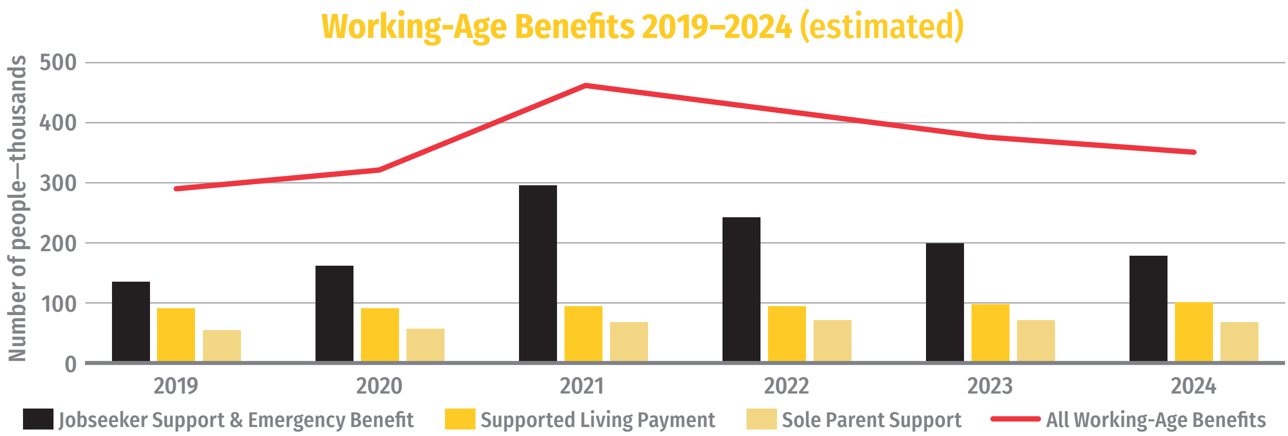
In our previous Dashboards, we called for investment in job creation, especially in areas like Northland and Queenstown Lakes, where the crisis is hitting hardest and unemployment growing fastest. The 'environmental jobs' package looks like a good way to bring some rapid new employment opportunities to communities facing huge problems. It aims to provide 11,000 jobs in regional environmental projects, including restoring wetlands and waterways, pest eradication and improving biodiversity. Retraining workers who have lost employment and upskilling the existing workforce so they can lift their earnings and find employment in the changing world is another crucial investment made in the Budget through the $1.6 billion 'trades and apprenticeships' packages. In the 2009–10 recession some 20,000 jobs disappeared from the building industry. Linking the investment in retraining with the need to build thousands of more public houses over the next four years will hopefully ensure that such mass job losses do not happen again.

Growth in the number of people registered as Jobseeker (Work Ready) has slowed over the past couple of weeks. The increase of around 6000 took the total to just under 122,000 on 8 May. An analysis released by MSD of the 38,960 people who registered as Jobseeker (Work Ready) during April, shows nearly half (46%) were new or had not received a benefit in the previous 10 years. Nearly half (45%) were aged in their 20s, and 4718 (12%) were returning from overseas. The impact of unemployment is not evenly shared. Younger people bore the brunt of the job losses in the first weeks of the Covid-19 crisis. They now make up close to half (45%) of all those receiving the Jobseeker (Work Ready) payment.

Over the past five years the number of Jobseekers who are Māori has increased by nearly 50%. By the end of April, 40% of those receiving the Jobseeker (Work Ready) income support were Māori, who are now the largest ethnic group among Jobseekers. Job losses are expected to be concentrated in sectors such as retail, accommodation and food services, arts and recreation, and administration and support. Regions like Northland, Bay of Plenty and East Coast are seeing the largest percentage increases in unemployment, on top of already high unemployment before the crisis in February.

We are facing at least four years of much higher unemployment in this country. The Budget forecasts the total number of people on Jobseeker Support to increase by another 45,000 during the next two months, to reach 232,000 by June 2020. Over the following six months the increase will slow, but another 85,000 people are expected to register as Jobseekers, the number peaking at 317,000 in January 2021. The forecast is that unemployment will have reduced to around 164,000 by June 2024 (a similar level to March 2020). The Treasury forecast of a decline of more than 150,000 within four years looks very optimistic when compared to the previous two recessions in this country—in 1999–2000 and 2009–2010. In both cases, it took eight or nine years to bring Jobseeker numbers back down to pre-recession levels.

Income Support



The Budget was weakest in addressing income support, with no changes signalled. Working-age benefit numbers are forecast to increase from 309,000 in February 2020 to peak at 487,500 in January 2021. Most of this will be a result of the around 160,000 increase in Jobseeker numbers as unemployment rises. Current welfare settings will drive those losing their jobs over the coming months into poverty, and for many this will last years rather than months. The social impact of this will be devastating and will be magnified by existing inequalities. There is no doubt a portion of our society will be largely untouched by the recession and others only lightly impacted, but those hardest hit are people who are already doing it tough. Young people, Pasifika peoples, Māori and those living with disabilities had lower incomes and higher unemployment rates prior to this pandemic.

Recovery and transformation out of this crisis will require the shared sense of responsibility and compassion that has taken us through the lockdown period to translate into social policies that enable all people to live with dignity and participate in society. The Budget included $900 million in measures directed to Māori that includes a large boost of $137 million for Whānau Ora funding for the next two years, as well as an employment package aimed at regions where the Māori population is higher. Added to this is $40 million for Māori housing schemes. This funding offers some hope of reducing the unequal employment, incomes and housing outcomes for Māori.

The $195 million Pasifika package in the Budget aims to support the recovery and rebuilding of Pasifika communities from the pandemic. Among the initiatives funded is the $22.1 million to help 5000 Pasifika people overcome barriers to higher-skilled jobs through providing micro-credentials on the job in industries like building and construction. Another $41.3 million is allocated to improving housing for Pasifika families and communities. These packages are undoubtedly a 'good start', but given the scale of hardship facing Pasifika peoples, they seem still too small to achieve the rebalancing of inequalities that will be amplified during the unfolding recession.

From the Front Lines

- **Wellington region** *It has been a little less busy the past week, but it feels like we haven't seen the worst of this yet. The Winter Energy Payment does seem to have helped families the past week or so—but wait until the energy bills start to come in!*
- **Queenstown Lakes** *The extension to the Wage Subsidy will no doubt keep a number of Queenstowners in jobs. Level 2 certainly feels different. Locals are 'doing their bit' by engaging in tourist activities they would usually ignore. But some Queenstown businesses are making people redundant, starting with migrants. Since 11 May, people can apply for extra assistance with their rent and utilities costs if they cannot access government welfare assistance. This is a real help especially for overseas workers who have lost employment.*

Moving Forward

Finance Minister Grant Robertson has described this Budget as part of a 'rolling maul' of Government support, and promised to work with New Zealanders to shape that response. One group he urgently needs to work with are the nearly half a million people who will be on welfare benefits by January 2021. Two-thirds of those currently on welfare have been receiving support for more than a year, and it is likely the number who need welfare support for longer than a year will grow as the total number of benefit recipients grows over the coming months. We have previously estimated that benefit incomes fall short of income adequacy by up to 35%. Transformation for those hardest hit means real and immediate action to lift incomes through increased welfare support. Rather than 'helicopter money', targeting additional spending into increased welfare transfers delivers resources to people who need it at their time of need.

We welcome your comments on this Dashboard series.
Please contact the authors at **social.policy@salvationarmy.org.nz**

Keep up to date with the Dashboard series at **salvationarmy.org.nz/covid19report**

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THE SALVATION ARMY
Te Ope Whakaora

Social Policy & Parliamentary Unit
Working for the eradication of poverty in New Zealand
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