

EXECUTIVE SUMMARY

These are uncertain times and it seems that anyone brave enough to forecast our immediate future is simply guessing. The Treasury's economists provide an example of this. In December 2007 The Treasury was predicting an unemployment rate in 2010 of 3.9%. A year later its forecast of the unemployment rate had risen to 6.4% with an admission that it could be as high as 7.2%. This illustrates how difficult it is to assess the financial crisis that now grips the world.

In human terms these differences in the rate of unemployment are significant. The difference between a rate of 3.9% and 7.2% is the prospect that a further 75,000 people will be out of work by the end of this year.

But these differences are important in policy terms as well. If policy advisors can miss something as major as the worst financial crisis in 70 years, most likely they are missing other important challenges looming on our horizons. For example what is being done about a growing shortage of affordable housing in Auckland and what will be done to address the growing social stress caused by rising unemployment and falling household incomes.

While the short-sightedness of economic forecasters can be attributed to human frailty, the failure to learn from our mistakes is foolishness, and this is the danger here. As Nobel Laureate & economist Paul Krugman noted recently in an article in the New York Times;

“The main thing to realise is that for the time being we really are in an alternative universe, in which nothing would be more dangerous than an attempt by policy makers to play it safe”.

It seems that while our collective assessment of the problems we face has changed quite dramatically over the past year, the types of thinking and the proposed solutions have not. For example some commentators and politicians would have us believe that tax cuts are as valid a policy solution in times of economic prosperity as they are in times of economic adversity.

Within our present economic crises there is also a singular lack of accountability by those who caused it or at least allowed it to happen. General Clifton Shaw, The Salvation Army's world leader alluded to this in a recent pastoral letter entitled “Money” where he said, We hear about the worldwide ‘credit crunch’, caused by lenders failing to be self-restrained when lending to over-keen borrowers who could not afford the repayments. We hear about governments, who often refuse to spend a few millions on good causes or human need, suddenly being able to spend billions to prop up failing financial institutions and large businesses.

For most of us it is all baffling, but also deeply disturbing. Ordinary people are losing their jobs, and some are in danger of losing their homes. Despite this, we do not hear of

many financial or political leaders accepting personal blame or apologising or offering to withdraw from public life because their economic policies have led to global recession and hardship for countless millions of people.

There is a danger too that within our present financial crisis we will be offered a set of policy solutions which have little to do with the challenges at hand but a lot to do with the agenda of those in power. As Barack Obama's White House Chief of Staff, Rahm Emanuel, has said recently:

“You don't ever want a crisis to go to waste; it's an opportunity to do important things that you would otherwise avoid.”

To guard against such cynicism we need to be certain of our values and we need to be convinced that any proposed agenda for change works to enhance these values and not to defeat them. It is our hope that this report assists with such an evaluation. In particular this report draws attention to several areas where we seem to be losing ground; where indicators are showing a deteriorating position.

This report Into troubled waters is The Salvation Army's second annual state of the nation report. As with the first report, What does it profit us? this report tracks New Zealand's social progress through a series of indicators. These indicators are relevant to five topic areas, our children, crime and punishment, work and incomes, social hazards and housing. The focus of the report is on changes over the past five years with a particular emphasis on the last 12 months. Data for the indicators has been taken mainly from Government sources and data bases although we are beginning to report on some indicators which have been generated by The Salvation Army's own activities.

This report – perhaps as expected, finds that as a nation our social progress has been quite mixed over the past few years. Some indicators suggest an improvement such as with the narrowing educational achievement gap between relatively well-off and more disadvantaged children. Our rates of resolving crime and our willingness to report family violence have similarly improved. Our housing is beginning to get more affordable and we appear to be ending our love affair with debt.

However, other social indicators have shown a disheartening deterioration; especially those around our increasing propensity to imprison people without addressing the cause of their offending, As a society we appear to be on a downward spiral of growing violent crime, an increasingly punitive penal system and the creation of a growing and disaffected criminal underclass as the result. There is clear evidence in this report of this.

It does appear that our recent social progress is quite fragile and might easily reverse with the deteriorating economic conditions that we and the rest of the world face. The best example of this is the recent advances in reducing rates of child poverty. Regrettably this progress was based mainly on the prospect of growing employment with policies such as Working for Families backing up this focus. As the economy shrinks and jobs disappear, the re-emergence of widespread poverty and hardship for our children is more likely.

Some communities in New Zealand were already the sites of considerable social stress during an extended period of economic prosperity. The outlook for these communities as unemployment begins to rise is quite grim. It will take some time to roll out programmes for housing, poverty relief and family support in these communities so it is important to begin these tasks as matters of urgency. The Salvation Army as a long-term partner to Government and communities is committed to contributing whatever it can to this work.

Crises are indeed too important to waste as they do offer the opportunity to be quite transformational. Let's not waste this opportunity with responses which lack ambition, compassion and above all imagination.



Major Campbell Roberts
Director The Salvation Army Social Policy & Parliamentary Unit

OUR CHILDREN

Social progress is not likely to be even. In some areas we will make improvements, in other areas we might lose ground or achieve very little despite our efforts. Nowhere are such mixed fortunes more apparent than around indicators that we might use to measure the economic position and social experiences of New Zealand's children. Although the indicators discussed below do not closely address this question, there is some evidence that the social progress of New Zealand children is uneven between groups of children. In other words some of our children are doing OK while others are facing more risk and more harm than before.

This distributional question is most concerning given the immediate prospects of job losses and rising unemployment. This is because many of the recent gains in measures such as rates of child poverty have been achieved through a mix of growing labour demand, higher levels of labour market participation and supporting Government subsidies in the form of the Working for Families package and higher childcare subsidies. Entitlements to these work based benefits will eventually cease if parents lose their jobs and then struggle to find new ones. As families lose their wages and work based benefits, there is a real possibility that the numbers of children living in relative poverty will rise quickly.

CHILDREN LIVING IN POVERTY

Measures of child poverty often appear to be contentious perhaps because they are an imprecise measure of children's wellbeing so at best only tell a partial story of the circumstances and experiences of children and their families.

A commonly used indicator of child poverty is household income, and a commonly used measure is the proportion of households, or children living in households, whose income is less than 60% of the median income for households of their size¹.

Child poverty rates have effectively halved since the benefit cuts of 1991. The most significant reductions have occurred since 2001 during which time the proportion of children living in households receiving less than 60% of the median income for an equivalently sized household, fell from 29% to 16%². This reduction has largely been achieved through strong employment growth, the reintroduction of income related rents for state houses and the introduction of income supplementation through the Working for Families package. Increases in the minimum wage may have also contributed.

Very little has been done over the past decade to address the adequacy of benefit levels to keep people out of poverty. The consequence of this neglect is that children from benefit

1 A number of approaches are available for setting a benchmark or threshold against which to measure relative poverty. The figures quoted here are the same as those used by Perry (2008) "Household incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2007" available at <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html>. Perry uses a 60% of median household income (equivalised) and a constant rather than contemporary value. He reports poverty rates before and after housing costs are taken into account – the after housing costs rates are reported here.

2 See Perry(2008) Table H.3 p.98

dependent households are most at risk of falling into poverty and material hardship³. In 2004 nearly half (49%) of all New Zealand children living in relative poverty lived in benefit dependent households. By 2007 this proportion had risen to nearly two thirds (65%).

The recent reductions in rates of child poverty have been based on strong employment growth and complimentary incomes policies which deliberately sought to improve the well being of children in working households. If or when this employment growth reverses, a great many more children will be at risk of falling into poverty simply because the safety net of means tested benefits is insufficient. A useful indicator to measure the extent of such a slide is the number of New Zealand children living in benefit dependent households.

The Salvation Army undertakes estimates of the numbers of children living on the means tested Work & Income benefits. These estimates are reported in the following table.

TABLE 1: Estimates of the number of children living in beneficiary households⁴

As at 30 September	Total means tested benefits paid	Estimate of number of children living on benefits	Children living on benefits as % of all NZ children
Data in 2003	316,056	253,900	23.5%
2004	290,535	243,900	22.6%
2005	275,725	234,200	21.7%
2006	263,325	219,600	20.3%
2007	244,270	206,600	19.0%
2008	250,642	209,000	19.2%

Clearly the trend of declining benefit dependency has stopped for the present and there are initial signs that the numbers of children living on benefits is increasing.

CHILDREN AT RISK

Reports of activities of Child Youth & Family provide some encouraging news despite an apparent 31% increase in the level of reporting of suspected child abuse or neglect over the 2007/08 fiscal year. For the year ended 30 June 2008, Child Youth & Family Services received nearly 99,000 notifications of possible child abuse, neglect or harm. This is three times more than was reported five years previously. Of these notifications, just under half (46%) or 45,500 were deemed to be substantiated or proved. The number of substantiations is 3% lower than for 2006/07 although 66% higher than five years previously.

³ Children of beneficiary households are nearly four times more likely to live in severe or significant hardship than other beneficiaries and five times more likely than children from two parent working families. See Jensen et al. (2006) "New Zealand Living Standards Report 2004", pp.80-83.

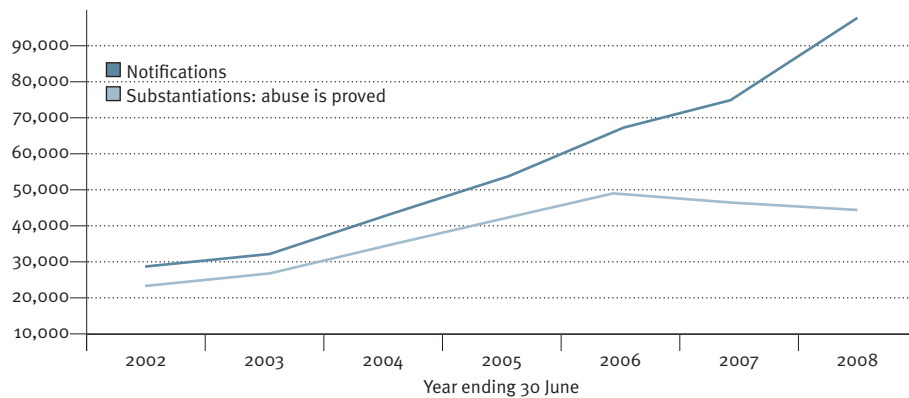
⁴ These estimates are based on reported beneficiary numbers from Work and Income's "Benefit Fact Sheets", the circumstances of their living arrangements which are reported in these sheets and assumptions on household size based on Census data. A copy of spreadsheets which include these estimates is available on The Salvation Army's website at www.salvationarmy.org.nz/sppu/reports

The main reason for this significant increase in notifications appears to be a new practice by the Police to report to CYFS all cases of family violence where children are present. As reported below levels of family violence are increasing and this more stringent reporting of violence affecting children is a welcome change.

Data on the number of children in CFYS care beyond 2006 has not been published but in 2006 there were over 5,000 children in the Department’s care.

It appears that the budget for CYFS has not grown to reflect its increased work loads. The Department’s budget for 2008/09 is \$301 million a 10% real increase over the budget in 2003/04. Against this increase and over the last five years notifications have increased 211%, while substantiated cases have grown 66%.

FIGURE 1: Child Youth & Family Services notifications & substantiations 2002 2008⁵

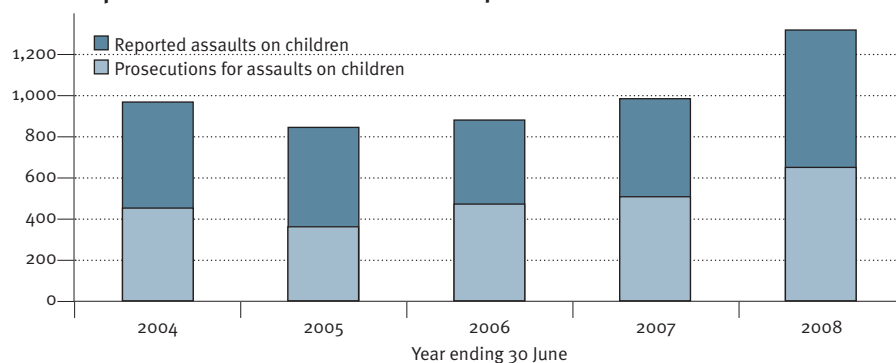


VIOLENCE AND CHILDREN

Reported violence toward children rose 26% in the year to June 2008 to 1,328 assaults of which 78% or 1039 were resolved in some way. Resolution rates have risen by 10% over the past five years. Sixty four percent of resolved assaults, resulted in prosecution of the offender. Since 2004 the prosecution rate has remained stable at around 65%, suggesting that the increased reporting of assaults is for quite serious offences which warrant prosecution and not due to a trivialisation of reporting.

5 Source: Child Youth & Family Annual Reports and Briefing to the Incoming Minister “Supporting vulnerable children and young people” Ministry of Social Development 2008

FIGURE 2: Reported violence toward children 2004–2008⁶



Violent offending by children has risen sharply over the past five years although arguably from a very low base. Between 2004 and 2008 violent offending by 10-13 year olds rose 82% to 1197 apprehensions while violent offending for 14 to 16 year olds rose 50% to 5029 apprehensions. The actual rate of violent offending by those 14-16 rose a more modest 19% over the last five years to a rate of 2567 offences per 100,000 population (of 14-16 year olds)

However beneath these broad trends are some quite concerning changes in youth violence. Nearly three quarters (74%) of all violent offending by 14-16 year olds is done by males. Over one third (35%) of violent offending by 14-16 year olds is done by Maori males who are just 11% of the 14-16 age group. These facts suggest that the most useful analysis of violent offending by 14-16 year olds would to look at male and in particular Maori male offending. Such analysis is provided in the following table.

**TABLE 2: Rates of violent offending by 14-16 year old males 2004-2008⁷
(apprehensions for offences per 10,000 population)**

Year ending June	2004	2005	2006	2007	2008	Change 2004-08
Maori males aged 14-16 years						
Grievous assaults	56	52	54	81	98	+75%
Serious assaults	163	161	180	177	180	+11%
Intimidation & threats	163	179	203	244	261	+60%
Robbery	74	82	109	94	107	+45%
All violent crime	657	658	698	783	817	+24%
Non-Maori males aged 14-16 years						
Grievous assaults	17	17	23	30	19	+18%
Serious assaults	47	46	50	54	58	+24%
Intimidation & threats	57	61	72	68	74	+29%
Robbery	16	20	21	21	25	+59%
All violent crime	214	214	236	247	256	+19%

⁶ Source Statistics New Zealand data on reported crime

⁷ This data is from Statistics New Zealand on apprehensions for crimes

Rates of violent offending for both Maori and non-Maori males aged 14 to 16 have increased at similar rates since 2004. Most of this increase has occurred since 2006. Maori males aged 14-16 are committing violent crime at more than three times the rate of non-Maori males of the same age.

Against this background of increasing levels of violence from 14-16 year olds, a hardening attitude from Police seems to be emerging. The Police appear more determined to prosecute 14-16 years olds for violence with the prosecution of violent offences increasing from 22% in 2003/04 to 36% in 2007/08. This growing focus on prosecutions cannot really be attributed to the increasing seriousness of the crimes as all types of violent offences from the relatively minor to the very serious have seen rising rates of prosecution. For example the rate of prosecution of minor assaults has grown from 13% in 2003/04 to 19% in 2007/08 and for serious assaults from 24% to 37% over the same period. Furthermore 14 to 16 year Maori youth are more likely to be prosecuted for the same crime than non-Maori 14 to 16 years olds. In 2007/08 the rate of prosecution of Maori youth for minor assaults was 1.5 times the prosecution rate of non-Maori and for serious assaults the difference was 1.4 times. This has been a consistent Police practice for at least 10 years.

MORE EARLY CHILDHOOD EDUCATION PLACES AVAILABLE

Recent progress in improving the availability of early childhood education has been continued during 2007/08 with a 3.5% increase in the number of licensed early childhood education centres. Since 2003 the number of centres has grown by 10% to 3881 in July 2008. This growth has almost been entirely through private sector providers which have grown by 22% over the past five years and now account for over half the ECE sector.

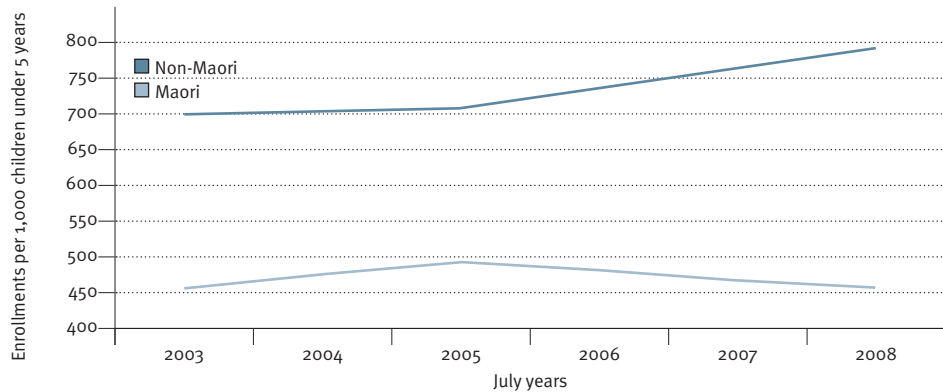
Community based ECE providers appear to have struggled in the current funding and policy environment and now only account for 40% of the sector compared with 46% back in 2003. The community based sector has shrunk by 4% since 2003 and in July 2008 accounted for 1,553 centres compared with 1617 centres in 2003. Most of this decline has been suffered by nga kohanga reo which have fallen by 11% from 526 centres in 2003 to 470 in 2007 and to 467 in 2008.

In the unlicensed ECE sector the number of playgroups has increased by nearly 17% over the past five years to 656 which has offset the loss of Pacific early childhood centres which have nearly halved from 121 centres in 2003 to 53 in 2008.

Against this increase in the availability of early childhood centres, rates of enrolments have improved as well. Total enrolments have increased by 3.4% during 2007/08 and 10.5% over the last five years to nearly 177,000 children. Between 2003 and 2008 community sector providers lost over 5000 enrolments of which 2000 were lost in 2007/08 alone. Over the past five years enrolments in nga kohanga reo have fallen by 11% from 10,317 children in 2003 to 9165 in 2008.

The overall enrolment rate (number of enrolments to total under-fives population) has risen from 639 per 1,000 in 2003 to 653 per 1000 in 2007 and to 663 per 1000 in 2008. However beneath these figures is a growing gap between the rates of enrolment of Maori and non-Maori. Maori enrolment rates have been falling since 2005 when they were 489 per 1000 Maori preschoolers. This rate fell to 464 per 1000 in 2007 and then to 456 per 1000 in 2008. At the same time non-Maori enrolment rates were rising from 703 per 1000 in 2003 to 720 in 2007 and to 739 per 1000 non-Maori pre-schoolers in 2008.

FIGURE 3: Rates of enrolment in early childhood education 2003- 2008⁸

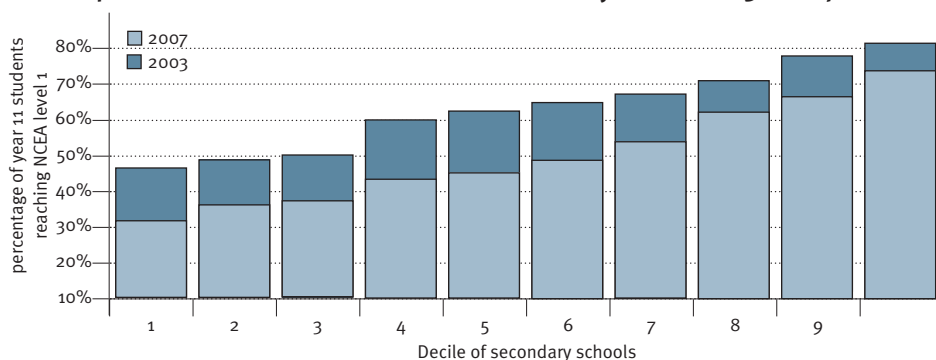


CLOSING ACHIEVEMENT GAPS IN EDUCATION

2007 saw remarkable progress in closing the gap between the achievement rates of students from poor and wealthy communities. In 2006 78.4% of Year 11 students in decile 10 (the wealthiest) secondary schools achieved NCEA Level 1 while only 38.7% of their counterparts in decile 1 (the poorest) secondary schools did so. These results represent an achievement gap of nearly 40%. An even larger gap of 49% for NCEA Level 3 and for Year 13 students existed in 2006. For the 2007 academic year this achievement gap closed to 32% with 80.4% of decile 10 Year 11 students gaining NCEA Level 1 and nearly half (48.5%) of decile 1 students achieving to this standard. The gap at Year 13 closed more modestly to 43%

⁸ Source Ministry of Education's Education Counts website at <http://www.educationcounts.govt.nz/statistics/ece>. Enrolment rates are based on Statistics NZ population estimates. A copy of spreadsheets which include these estimates is available on The Salvation Army's website at www.salvationarmy.org.nz/sppu/reports

FIGURE 4: Rates of student achievement across secondary schools 2003 & 2007⁹



While the inequality of achievement between students may be closing there appears to be a growing inequality between secondary schools. This inequality is around the migration of students away from poorer schools and toward schools in wealthier communities. In 2003 49,200 students were enrolled in the deciles 1, 2 and 3 secondary schools while 34,800 students were enrolled in decile 10 secondary schools. In 2007, enrolment in the poorest three deciles had sunk to 44,900 students while 40,500 students were enrolled in decile 10 secondary schools. Falling rolls pose serious financial problems for schools and begin to limit the range of courses which can be offered to students. Unless continuing support – financial and professional is provided to our poorer schools the recent gains achieved by students in these schools will be lost.

RISING INFANT MORTALITY

New Zealand is experiencing something of a baby boom with 64,540 babies being born in the last year to September 2008. This is the highest number of babies born since 1961 although of course the population today is much larger. Against this background New Zealand has also experienced a small increase in the infant mortality rate. This increase is reported in the following table.

TABLE 3: Changes in New Zealand's infant mortality rates 2004-2008¹⁰

Year ending September	Live births during preceding 12 months	Total deaths of Under 1's	Mortality Rate (per 100,000)
2003	56,134	277	493
2007	62,362	305	489
2008	64,540	340	527

The mortality rate for children aged one to 15 years old has remained relatively stable at around 20 deaths per 100,000 population (in this age band).

⁹ Data from the Education Counts website at www.educationcounts.govt.nz/statistics/schooling. A small number of decile 10 secondary schools do not participate fully in NCEA assessments. These schools have been taken out of this analysis of NCEA pass rates

¹⁰ Source: Statistics New Zealand data available at <http://www.stats.govt.nz/people/population/births.htm>

RISING RATES OF TEENAGE PREGNANCIES WITH FALLING RATES OF ABORTION

Data from 2007 shows a significant rise in the rate of teenage pregnancies over the preceding 12 months and a more modest rise over a five year period. The pregnancy rate for 10-14 year olds rose 15% during between 2006 and 2007 to 105 pregnancies per 100,000 (females aged 10-14). Over the same period the pregnancy rate for 15-19 year olds rose a more modest 8% to 5769 per 100,000. The proportion of teenage pregnancies being terminated dropped however. These results are reported in the tables below.

TABLE 4A: Pregnancy and abortion for 10-14 year olds 2003-2007 ¹¹








Year ending December	Live Births (number)	Abortions (number)	Pregnancy Rate (per 100,000)	% of Pregnancies Aborted
2003	34	89	85	72%
2004	31	85	79	73%
2005	41	92	90	69%
2006	35	105	91	77%
2007	52	104	105	67%


TABLE 4B: Pregnancy and abortion for 15-19 year olds 2003-2007

Year ending December	Live Births (number)	Abortions (number)	Pregnancy Rate (per 100,000)	% of Pregnancies Aborted
2003	3,646	3,757	5,357	51%
2004	4,055	3,758	5,517	48%
2005	4,018	3,718	5,328	48%
2006	4,341	3,978	5,349	48%
2007	4,903	4,173	5,769	46%

¹¹ Data for Table 4A and 4B is from Statistics New Zealand and is available at <http://www.stats.govt.nz/products-and-services/info-releases/abortion-stats.htm>

PROGRESS REPORT CARD

FOCUS	PROGRESS	Results
Child poverty	Significant progress in reducing rates of child poverty has been made over the past five years. Recent declines in levels of employment now pose a serious risk that some of these gains will be quickly reversed.	
Children at risk	Changing attitudes and practices are raising greater public awareness of the need for a comprehensive and competent child protection service. Resourcing of care and protection services has not kept pace with demand for these services which raises issues around the future reliability of the services being provided.	
Children and violence	Some concerning signs are emerging here with significant increases in the rates of violent offending by young people as well as an increase in violence toward children. Police's increasing preference to prosecute young offenders raises concerns over the future offending and imprisonment rates	
Early childhood education	The increasing availability of early childhood education opportunities is welcomed. The declining enrolment rates for Maori children is concerning. It appears that community based education services are struggling to remain viable and relevant.	
Educational achievement	The closing gap in the achievement rates of secondary schools across the socio-economic scale is good news but will need continued emphasis if it is to be maintained. The shrinking of poorer schools raises concerns over the longer-term viability of these schools and over their ability to offer credible educational opportunities to their communities	
Infant mortality rates	New Zealand may be going through a historic shift in its birthing patterns. A recent increase in infant mortality suggests that maternal and pre and post natal health should be given more emphasis at least during the current baby boom.	
Teenage pregnancies	A recent surge in pregnancy rates may be a short-term trend. The continuing high abortion rates amongst teenagers suggests that more attention should be given to family planning education at schools.	

Key: Overall improvement  Mixed results  Overall decline 

CRIME AND PUNISHMENT

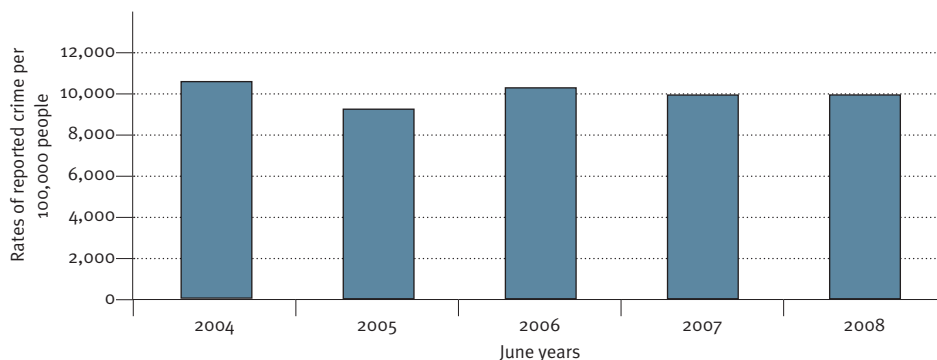
There are concerning trends emerging around the continuing growth in the rates of violent crime coupled with a growing number of offenders being sentenced to prison, home detention and community sentences. There is of course an ongoing, unresolved and perhaps irresolvable debate around which way this causality runs. Are our swelling prison numbers simply a reflection of society's diminished tolerance for crime or is the rise in serious crime a reflection of our unwillingness or inability to deal with the causes of this crime? Given the recent growth in the numbers of offences and sentences, it appears that this debate may begin to take the centre stage of public opinion if only for the economic and fiscal costs of the present crime and punishment growth path.

OVERALL CRIME RATES REMAIN CONSTANT

The rates of all crime have remained almost constant since 2004 at 10,000 crimes per 100,000 people. Similarly the Police's resolution of crime has remained relatively constant at around 44-47%. Beneath this constancy however there are a number of changes and shifts which tend to provide some justification for New Zealander's concern about an apparent rise in serious crime.

A broad pattern which has emerged over the past five years (2004-2008) is a decline in the numbers of crimes of dishonesty being offset by an increase in the numbers of violent crimes and crimes of property abuse. The decline in crimes of dishonesty has mainly been in the numbers of car conversions, thefts and frauds. The resolution of these crimes is habitually low (20-25%) and this low resolution rate may be discouraging reporting. Another explanation for the decline in crimes of dishonesty is better security and surveillance technology being available.

FIGURE 5: Crime rates in New Zealand 2004-2008¹²



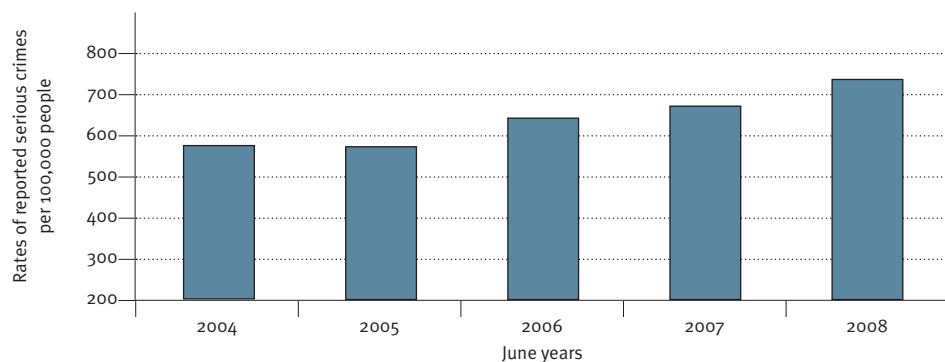
¹² All crime data is sourced from Statistics New Zealand and is available at <http://www.stats.govt.nz/people/justice-crime/default.htm>

SERIOUS CRIME CONTINUES TO INCREASE

Serious crime involving violence and sexual offences continued to increase during 2007/08. A total of 31,443 such offences were committed during 2007/08 an increase of nearly 11% for the year and 35% over the five years back to 2004. The rate of such offending has risen from 569 offences per 100,000 people in 2004 to 737 per 100,000 in 2008.

Some of this increase in violent offending is as a result of increases in the rates of reported family violence. Of the 35% increase in serious crime between 2004 and 2008, 43% or 3,500 reported offences were for five types of assaults in dwellings¹³ most of which could be classified as domestic or family violence.

FIGURE 6: Rates of serious crime in New Zealand 2004-2008

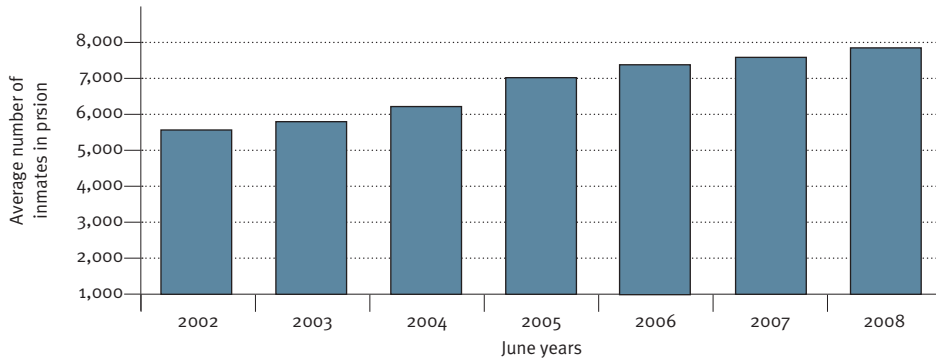


MORE PRISONERS AND MORE SENTENCES

New Zealand's prison population continued to increase during 2008 and had reached an average muster of 7850 a rise of 1.6% over the muster for the previous year and a 26% increase over the prison population in 2004. The biggest growth in prisoner numbers has been on the remand side with the numbers of remand prisoners growing by 11% in the year to June 2008 and by 49% in the past five years. The actual number of sentenced prisoners serving time remained fairly stable during 2007/08 at around 6150 people. The growing remand prison population is because of a tougher stance on bail and a growing court backlog.

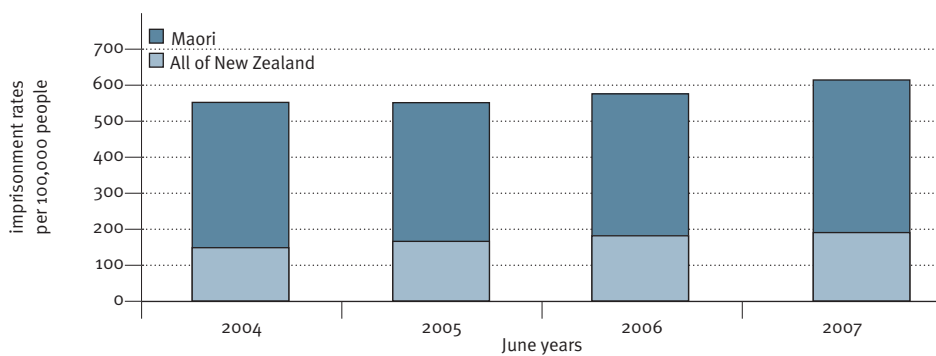
¹³ These offences are Assaults by Male on Female (+1,536) Assaults on a Child (+297), Assault with Intent to Injury (+763), Injury with Intent (+336) and Assault with a Weapon (+576) SOURCE: Statistics NZ and NZ Police

FIGURE 7: Average prison population 2002-2008¹⁴



Rates of imprisonment continue to rise and the rates of imprisonment of Maori continue to be three and half times that for the non-Maori population. Just over half the prison population is Maori. The rate of imprisonment for the total population has risen nearly 23% in the four years to June 2007 from 155 prisoners per 100,000 people to 190. The Maori imprisonment rate has increased more dramatically from 535 per 100,000 people in 2004 to 615 in 2007. Department of Corrections documents report that the imprisonment rates for Maori men aged between 20 and 30 is commonly around 2,500 to 3,000 per 100,000 people¹⁵.

FIGURE 8: Rates of imprisonment 2004-2007¹⁶



Not as widely reported in terms of crime and punishment is of home detention and community sentences. The growth in community based and home based detention has been quite remarkable over a period of just 12 months. During 2007/08 there was a 14% growth in the numbers of people

¹⁴ Source: Department of Corrections Annual Reports

¹⁵ Other data from Department of Corrections on prisoner ethnicities suggests higher imprisonment rates than these reported here. This data reports the number of people who go to prison each year rather than the average numbers there at any time. Estimates of imprisonment rates based on this data and Statistics New Zealand population estimates suggest an imprisonment rate of 830 (per 100,000 people) for Maori, 130 for non-Maori and 233 for the population overall. This data is available from The Salvation Army as an Excel file at <http://www.salvationarmy.org.nz/research-media/social-research/social-policy-and-parliamentary-unit>

¹⁶ Source: 'Department of Corrections Annual Reports'

serving community work sentences and an 80% growth in those serving home detention sentences or orders. These trends are shown in the table below. The option of community sentencing was suggested as a means of encouraging better rehabilitation and a lower recidivism rate, in The Salvation Army's 2006 report "Beyond the Holding Tank". It is unclear from the data whether the present use of community sentencing is being done primarily because it is more effective in rehabilitation and lessening recidivism or merely because it is a cheaper option.

TABLE 5: Community & home based sentences 2004-2008¹⁷

Year ending June	2004	2005	2006	2007	2008
Community work sentences	28,043	27,928	28,400	31,387	35,650
Supervision sentences	4,928	5,301	5,565	6,359	8,302
Other community based sentences					2,566
Home detention orders & sentences	1,950	1,515	1,293	1,517	2,636
TOTALS	34,921	34,744	35,258	39,263	49,253

PERSISTENT RECIDIVISM

New Zealand's prison system has not been able to address a stubbornly high rate of re-offending by former prison inmates and it seems that addressing this problem is not a priority of the Department of Corrections.

The table below reports re-offending and re-imprisonment rates for the past five years. These results show very little change and no improvement. The rates of re-offending and re-imprisonment of Maori prisoners is around 10% higher than the rates for the prison population overall and have similarly shown no change or improvement over the last five years.

TABLE 6: Prisoners' recidivism & spending on rehabilitation & reintegration services¹⁸

Year ending June	2004	2005	2006	2007	2008
12 month re-imprisonment rate	28.0%	28.9%	27.7%	27.6%	27.2%
12 month release to re-conviction	42.3%	42.6%	41.1%	42.3%	43.5%
24 month re-imprisonment rate	38.2%	37.2%	39.2%	38.8%	39.7%
24 month release to re-conviction	56.5%	55.4%	56.4%	55.4%	57.6%
Total spent on rehabilitation & reintegration services \$millions (2008)	50.1	44.8	48.6	48.0	57.2
Per sentenced prisoner spent on rehabilitation & reintegration services \$(2008)	9,862	8,105	8,124	7,750	9,307

Behind these disappointing re-offending and re-imprisonment results, the Department of Correction's commitment to rehabilitation and reintegration services and programmes has been quite discouraging. In real terms (allowing for inflation) spending on such

¹⁷ Source: Department of Corrections Annual Reports

¹⁸ Source: Department of Corrections Annual Reports

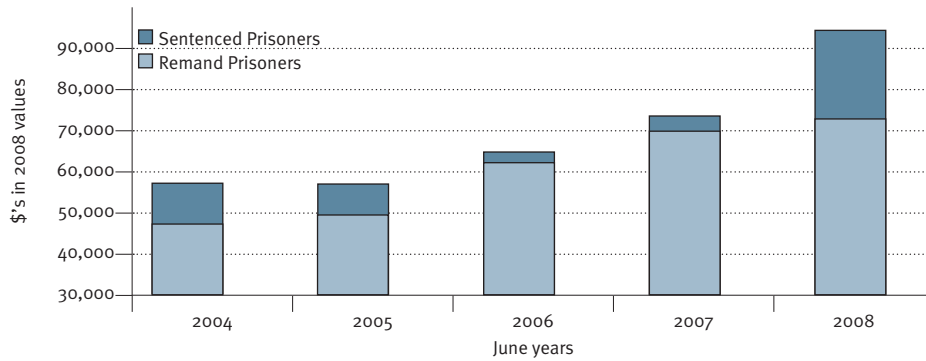
programmes per sentenced prisoner in 2008 was 6% less than in 2004 and this was after a 20% increase in funding levels between 2007 and 2008.

THE BIG AND GROWING BUSINESS OF PRISONS

For the 2008/09 fiscal year the budget of the Department of Corrections is expected to exceed \$1 billion. For the year to 30 June 2008 the Department spent \$923 million which was a 64% real increase in spending since 2004.





It appears that prisons are costing taxpayers more because more people are being locked up and because it costs more per prisoner to keep people locked up. The rising of cost of keeping people in prison is illustrated on the graph below. This graph indicates that the average cost of locking up a prisoner has risen 49% (in inflation adjusted terms) between 2004 and 2008 for sentenced prisoners and 52% for remand prisoners. In 2008 it cost \$84,868 per year or \$233 per day to keep a sentenced prisoner in prison where as back in 2004 it cost \$50,350 (inflation adjusted) or \$157 per day.



FIGURE 9: Average cost of keeping a prisoner 2004-2008⁴⁹



19 Source: Department of Corrections Annual Reports

PROGRESS REPORT CARD

FOCUS	Progress	Result
Overall crime	Crime rates overall are remaining fairly constant although there is a change in the composition of this crime toward violent crime. The extent to which crimes of dishonesty are not being reported because of their low rates of resolution deserves more attention as this reporting question is key to the question of peoples' perception of safety.	
Serious crime	There are many reasons to be quite concerned about the rise in violent crime if only because it presents a more accurate picture of violence within our communities. Much of this increase in reported violent crime may be on account of a growing and widespread intolerance toward domestic violence which is a good sign of changing social attitudes and hopefully changing behaviours	
Imprisonment & sentencing	It appears that we are failing to deal with the underlying causes of offending and criminalising more and more people as a result. Further growth in the prison population is limited by space and the fall back appears to have been a home based sentences. The current growth trends make more prison building inevitable.	
Recidivism	Our persistently high rates of re-offending and re-imprisonment appear to be a consequence of the Department of Corrections' indifference to rehabilitation and reintegration of prisoners.	

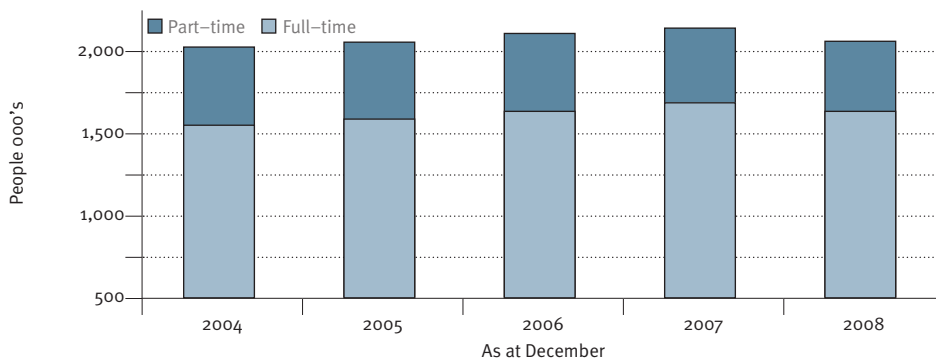
Key: Overall improvement  Mixed results  Overall decline 

WORK AND INCOMES

RECORD EMPLOYMENT IS MAINTAINED

New Zealand's labour market grew by just 2000 jobs in the nine months to September 2008 although the record numbers of jobs and rates of labour force participation have been maintained. At September 2008 the economy provided 2.17 million jobs the same number as at December 2007 and nearly 6% more than five years previously. Of these jobs 77% were full-time. The labour force participation rate remained at a record high of 68.7%. However due to population growth the labour force actually grew by 19,000 people between December 2007 and September 2008 which has meant that unemployment rose to 4.2% of the workforce or by 17,000 people to 94,000. New Zealand is eight equal in the OECD in terms of unemployment just above Australia at 4.3%

FIGURE 10: Total employment in New Zealand 2004-2008²⁰



BUT UNEMPLOYMENT IS CREEPING UP

Three measures of unemployment are useful to consider as indicators of how well we are doing in building an economy with sufficient employment opportunities. The official measure of unemployment is the Household Labour Force Survey of employment and unemployment. (HLFS) This measure requires an unemployed person to be out of work but actively seeking work in order to be classified as unemployed. By this measure of unemployment the number of unemployed people has consistently stayed around 80,000 people for the past five years.

Perhaps a more generous measure of unemployment is "jobless" estimates of the HLFS. This estimate takes account of people who while not working are not actively seeking work or are not presently available for work. The number of jobless is about twice those who are officially unemployed at around 160,000 people.

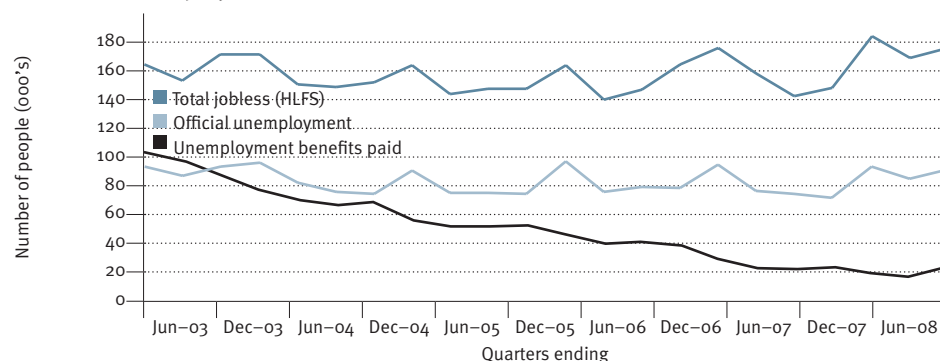
The third measure of unemployment is the number of people receiving an unemployment benefit. This indicator has consistently declined over the past five years from 100,000 people in receipt of the benefit in mid 2003 to just under 20,000 people in June 2008.

20 Data from Household Labour Force Survey by Statistics New Zealand

Employment data for the December 2008 was not available at the time of completion of this report so the extent of the impact of the recession on employment is as yet unknown. The data to September 2008 shows the beginnings of an upward trend in all measures of unemployment. For example the number of working age people deemed to be jobless in the Household Labour Force Survey rose nearly 24% over the year to September 2008 to 173,600 people. Of these people 90,600 were classified as officially unemployed an increase of nearly 17% over the number 12 months earlier. The number of people receiving an unemployment benefit showed a slight upward trend over the third quarter of 2008 but remained almost the same as the previous year at around 23,000 people. These trends are shown below in Figure 11.

Figure 11 also indicates the seasonal nature of unemployment and the fact that unemployment usually peaks in the March quarter. This suggests that the true extent of the unemployment problem emerging from the recession will not be known at least until the release of the March 2009 figures in May 2009

FIGURE 11: Unemployment statistics 2003-2008²¹



WAGE GROWTH WEAKENS

The last five years have seen wages grow by 5% in inflation adjusted terms. There was a particularly strong period of growth during 2007 but during 2008 this has weakened considerably. In September 2008 the average weekly wage was \$919 which included a base income of \$896 and average overtime earnings of \$23.

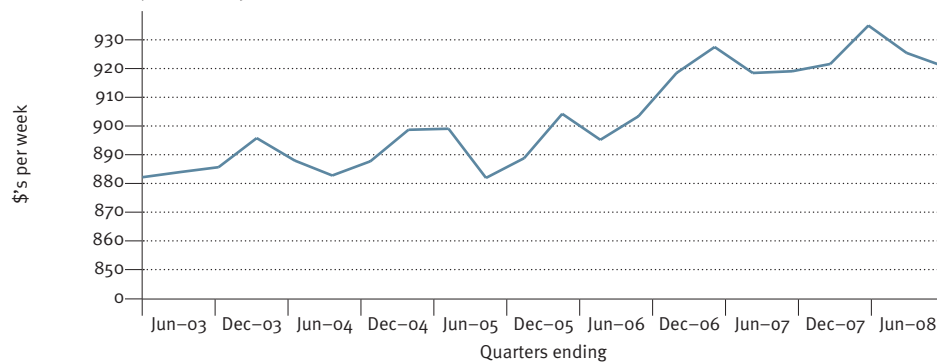
In September 2008 the average hourly earnings for men was \$24.49 while for women it was \$21.32 a dollar gap of \$3.17. In other words women's average hourly earnings is 87% of men's which is a very slight improvement over the 86% level five years earlier in September 2003.

Also in September 2008, the business services sector – the highest paid in the labour market, earned an average of \$32.79 per hour which is 211% more than the lowest paid workers in the hospitality sector who earn \$15.53. This earnings differential has changed

²¹ Sources: Total Jobless and Unemployment data from Statistics NZ Household Labour Survey Benefit Data from Work & Income Benefit Fact Sheets.

little since 2003. Workers in the hospitality sector earned 64% of the average hourly wage unchanged from the previous year but 3% less than the 67% of September 2003.

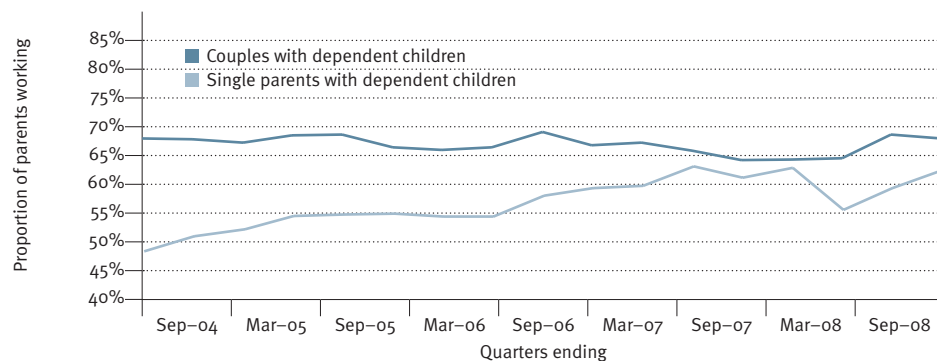
FIGURE 12: Average weekly wages 2004-2008²²
(Inflation adjusted Sept-08 \$'s)



MORE WORKING FAMILIES

More families with dependent children are working than ever before. The labour force participation rates for couples with dependent children vary between 61% and 70% while the rate for single parents with dependent children has risen to 60%. Participation rates for both couples and single parents have risen since early 2007. These relatively high participation rates have contributed to the high overall labour force participation and have most likely been supported by the roll out of Government's higher subsidies for early childhood education and the work incentives provided to single parent families under the Working for Families package.

FIGURE 13: Labour force participation of families with children 2004-2008²³

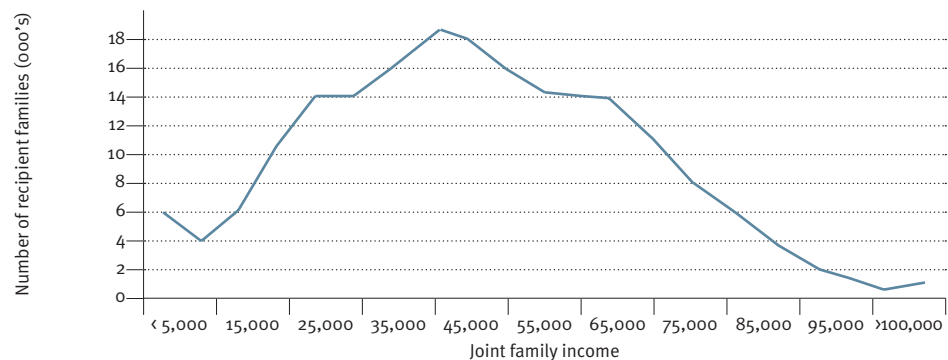


22 Data from Quarterly Employment Survey - Statistics New Zealand

23 Source : Household Labour Force Survey

In June 2008²⁴ Ministry of Social Development and Inland Revenue Department officials reported that almost 200,000 families received the in-work tax credit as part of the Working for Families package. On average each recipient family received an annual payment of \$2564.

FIGURE 14: Number of families receiving the In-Work Family Tax Credit – June 2007²⁵



BENEFIT NUMBERS BOTTOM OUT

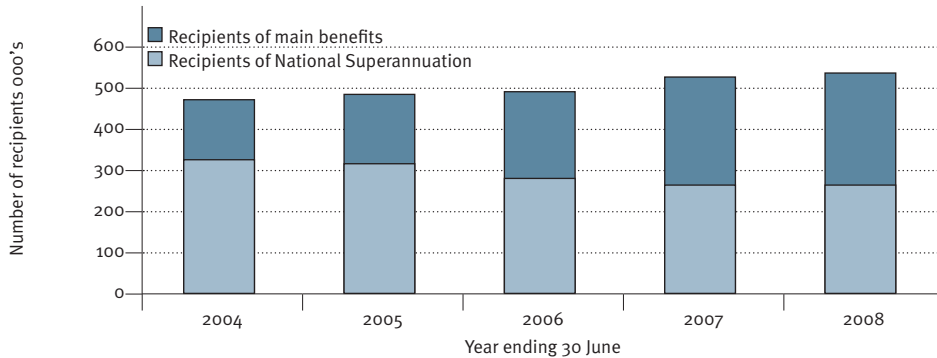
The number of people receiving one of the “main benefits” provided by Work & Income rose by 11,300 during the third quarter of 2008. This rise reverses a five year decline in these statistics and occurred across all the categories of benefits although the sharpest rise was in the numbers of unemployment benefits being provided.

Taken over a longer period however there were 50,000 fewer people receiving means tested benefits at the end of June 2008 than four years previously. In June 2004 320,000 people were receiving a benefit and by June 2008 this figure had fallen to 270,000.

Offsetting this decline however was a 51,000 increase in the number of people receiving the pension (NZ Superannuation) with numbers rising from 473,000 in June 2004 to 524,000 (estimated) in June 2008.

²⁴ See Cabinet report of 30th June 2008 at www.msd.govt.nz/.../evaluation/working-for-families-tax-credits-review/wff-tax-credits-review.pdf - 2008-08-13
²⁵ See Cabinet report of 30th June 2008 at www.msd.govt.nz/.../evaluation/working-for-families-tax-credits-review/wff-tax-credits-review.pdf - 2008-08-13

FIGURE 15: Benefit & Pension Numbers 2004-2008²⁶



RISING LIVING COSTS AND GROWING FOOD POVERTY

There are emerging signs that more households are struggling to make ends meet. Although there is no reliable research on the causes of this situation, the adequacy of some household's incomes to meet their financial obligations and living costs is clearly a contributing factor. Two indicators which are relevant to trends in households' financial position are changes in living costs and foodbank use.

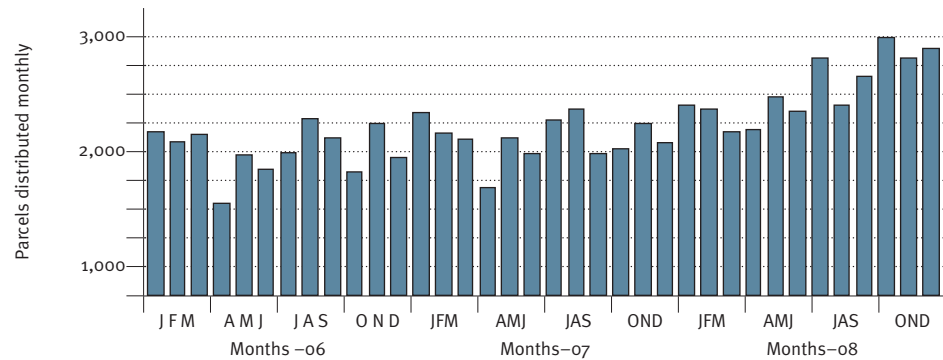
Across New Zealand there are several hundred foodbanks operated on a fairly localised basis by churches and community organisations. No reliable information is available of the extent of foodbank activity because many are quite small in scale and operate reasonably informally. The Salvation Army operates the most comprehensive network of foodbanks in New Zealand with 48 community ministry centres and 106 churches offering food parcels.

During 2008 from its community ministry centres The Salvation Army distributed 30,500 food parcels a 20% increase over the previous year. Demand for food assistance has been strongest in Auckland and Hamilton which have seen growth of over 30% between 2007 and 2008.

Across most of New Zealand growth for demand in food assistance has been greatest during the second half of 2008. Nearly 8,700 food parcels were distributed during the last quarter of 2008 which was 37% higher than for the same quarter in 2007. The same quarter on quarter growth in demand for food assistance in South Auckland was 63%.

²⁶ Source:: Statistical Report Ministry of Social Development except 2008 figures which are estimates based on MSD Benefit Factsheets.

FIGURE 16: Food parcels distributed by The Salvation Army 2006-2008²⁷

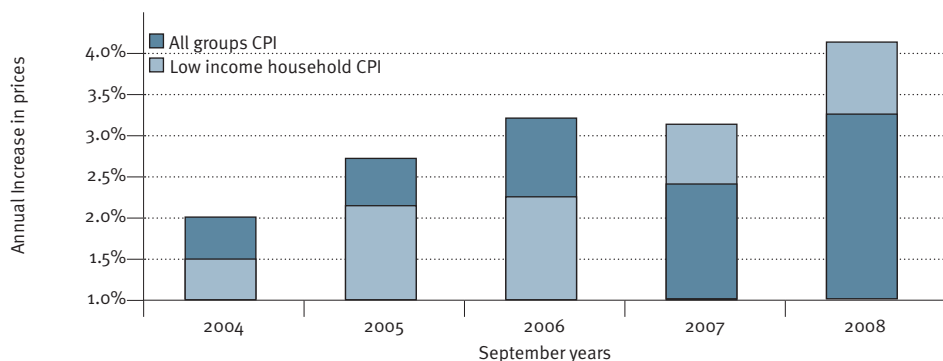


The Consumer Price Index (CPI) which is collected by Statistics New Zealand is based on a selected basket of goods and services which an average New Zealand household might purchase. Households' spending patterns will however vary significantly depending on their size, age and income and for this reason The Salvation Army has developed a simple "low-income household CPI"²⁸

The low-income Household CPI indicates that over the recent two years, living costs for low-income households have risen faster than prices overall. Costs faced by low-income households rose by around 6.4% for the year to 30th September 2008 compared with a 4.8% increase in the overall "All Groups CPI". For the previous year to September 2007, costs for low-income households rose by 2.3% compared with a rise of 1.8% in the "All Groups CPI"

If they continue, these differences may soon become significant for people living on low-incomes and benefits. Work & Income means tested benefits are normally pegged to the All Groups CPI so if the actual living costs faced by beneficiary households are rising faster than the All Groups CPI these households will have less to spend. To date this difference does not appear to have been significant. For example taken over the past five years (to September 2003) the costs faced by low-income households have probably risen by around 17.4% while overall prices have rise by 15.7%

FIGURE 17: Low-income household CPI 2004-2008²⁹



²⁷ The Salvation Army Foodbank SAMIS Report December 2008

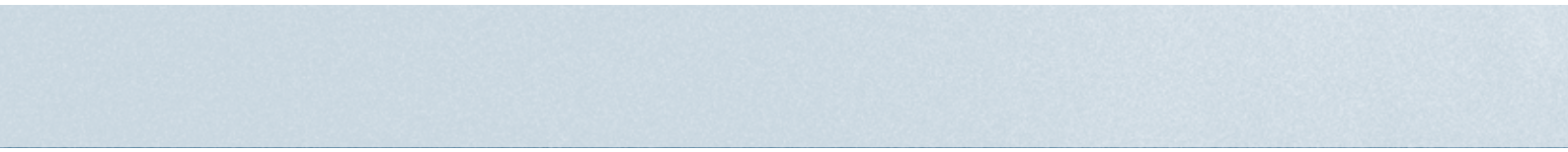
²⁸ This "Low-income household CPI" is simply a re-weighting of Statistics New Zealand's sub-groups index. This re-weighting is based on likely expenditure patterns of a typical low-income household and was developed in collaboration with budget advisors employed by The Salvation Army. A copy of this index is available on The Salvation Army's Social Policy & Parliamentary Unit's website at www.salvationarmy.org.nz/sppu/reports

²⁹ Source 'All Groups CPI' Statistics NZ Consumer Price Index.

PROGRESS REPORT CARD

FOCUS	PROGRESS	RESULTS
Employment & Unemployment	Employment security and rising unemployment are quickly becoming a priority concerns for New Zealanders. The momentum of the current downturn will take some time to reverse so the outlook is for worse news yet.	
Wages & incomes	The economic prosperity of the past decade together with legislation to raise the minimum wage has brought about real growth in wages and salaries. Income differentials have neither widened or narrowed. Further income growth looks doubtful however	
Working families	Historically high labour-force participation especially amongst women has been supported by Government's income and education policies and these have meant that families are spending more and more time at work.	
Welfare benefits	The golden weather of falling beneficiary numbers appears to have ended and welfare costs can be expected to rise for the next few years. The steady march of growth in the numbers on sickness and invalid benefits continues. The burgeoning costs of retirement incomes for an aging population has been ignored to date.	
Living costs	Some challenges here and emerging signs of a rapid deterioration in some households' living standards	

Key: Overall improvement  Mixed results  Overall decline 



SOCIAL HAZARDS

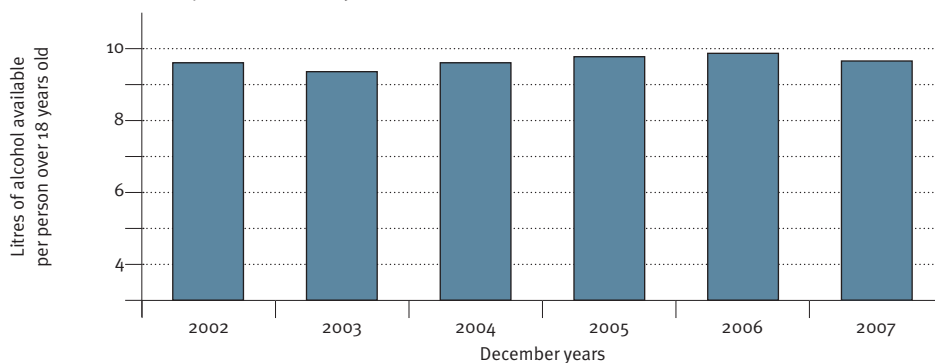
The term social hazard refers to a set of activities which have the potential to harm individuals or communities. These activities are often enjoyed by a large proportion of the population but pose risks to some either because they have the potential to be quite addictive or because the side effects of the abuse or misuse of these activities is quite destructive to individuals, relationships, families and indeed whole communities.

The social hazards considered here are alcohol, gambling and illegal drugs.

SLIGHT DECLINES IN ALCOHOL CONSUMPTION BUT POOR ATTITUDES PERSIST

During 2007 the consumption of alcohol³⁰ declined slightly on a per-capita basis. This decline is from 9.86 litres of pure alcohol (for every New Zealander over 18 years) during 2006 to 9.70 litres for the 2007 year. Ready to drink spirit based drinks (RTD's) continue to grow in popularity at the expense of pure spirits while beer has made a slight resurgence and wine consumption is quite static.

FIGURE 18: Per capita availability of alcohol 2002-2007³¹



Despite this slight decline in alcohol consumption, our attitudes to alcohol appear to have changed very little. A sample survey³² of our drinking habits showed that in 2007 88% of adult New Zealanders said that they drank alcohol on a regular basis. This rate was up from 85% a year earlier and 81% in 2003. Of those who drank in 2007 21% said they drank at least every second day. The same survey reported that 52% of youth (12-17 years old) drank regularly (at least once a month) and that on average they started drinking before their 14th birthday.

This persistence of attitude is also borne out in our drink-drive statistics. For the year ended June 2008, 34,445 drink drive offences were recorded up 11% from the previous year and 35% from five years before. Some of this increase in offending is due to increased

³⁰ This data is from Statistics New Zealand. Alcohol consumption data refers to the availability of alcohol for consumption rather than its actual consumption. It seems likely that most alcohol is consumed soon after it is purchased and sold soon after its production and delivery so an assumption is made here that this data is a good proxy for actual alcohol consumption

³¹ Source: Statistics NZ

³² ALAC Alcohol Monitor – Adults & Youth 2006-07 Drinking Behaviours Report

efforts by Police who undertook more than 1.5 million compulsory breath tests during 2007/08. Of those drivers being tested 2.2% were charged with drink driving offences. In 2003/04 this rate of offending was 1.6%.

FIGURE 19: Drink driving offences 2003-2008³³



A SLIGHT RISE IN DRUG CRIME

Drug offences rose slightly between 2007 and 2008 from 18,908 in 2007 (year ending 30 June) to 19,259 in 2008. Within this overall rise there was a shift in the composition of these offences with more Cannabis related offences (14,449 to 15,288) and fewer offences for other and most often harder, drugs (4,450 to 3,971). Overall the level drug related crime is 13% lower in 2008 than in 2004 when there were 22,249 drug offences of which 18,271 were Cannabis related.

FIGURE 20: Convictions for drug offences 2004-2008³⁴



GAMBLING DECLINING

Data on gambling expenditures for the year ended 30 June 2008 was not available at the time of publication but there are some signs that New Zealanders are gambling less.

³³ Source: New Zealand Police Annual Reports

³⁴ Data from Statistics New Zealand and available at <http://www.stats.govt.nz/people/justice-crime/default.htm>

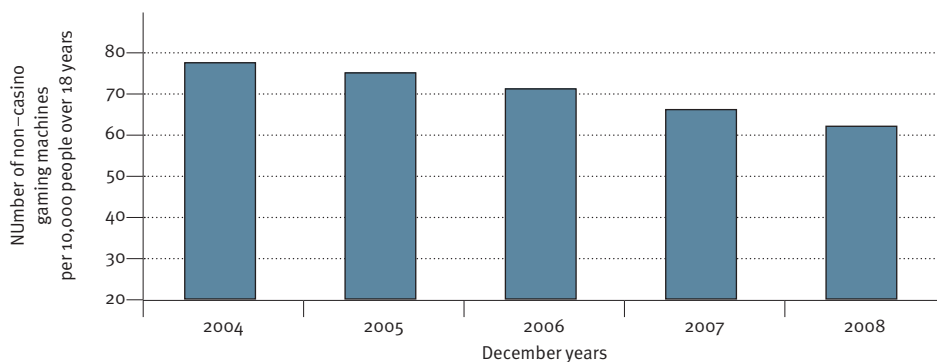
Overall Government revenue from gambling rose slightly from \$230 million in 2007 to \$260 million in 2008. Gambling losses from pokies (non-casino gaming machines) fell from \$950 million in 2007 to \$927 million in 2008 an inflation adjusted decline of 3%. 2008 losses on pokies are 15% lower (in real terms) than they were in 2004 the boom year for pokies when \$1.035 billion was lost.

The number of gaming machines in New Zealand continues to decline from 20,163 in 2007 to 20,050 in 2008. On per capita basis the number of such machines has declined 78 machines per 10,000 people (people over 18) in 2004 to 67 in 2007 and 63 in 2008.

We estimate that New Zealanders per capita spending on all forms of licensed gambling declined by 6% in real terms for the year ended 30 June 2008 to around \$650 per person over 18, down from \$689 per person in 2007 and from \$804 per person in 2004.




Beneath these figures however there is another story of the losses and harm suffered by around 5-10% of the adult population who do most of the gambling in the high risk gambling areas of pokies, casinos and racing³⁵.

FIGURE 21: Prevalence of non-casino gaming machines 2004-2008



³⁵ 2006/07 New Zealand Health Survey estimated that 90% of people had not gambled on non-casino gaming machines, 91% had not bet on horse or dog racing and 92% had not gambled in a casino even once in the previous year.

PROGRESS REPORT CARD

FOCUS	PROGRESS	RESULTS
Alcohol	While alcohol consumption has fallen marginally our poor attitudes to the use of alcohol persists.	
Drugs	For the available data it is difficult to know if the war on illicit drugs is being won or lost. The recent rise in cannabis related offences may indicate a changing emphasis by Police.	
Gambling	Gambling revenues continue to decline but losses and harm remains concentrated into quite vulnerable groups	

Key: Overall improvement  Mixed results  Overall decline 

HOUSING

AN EMERGING HOUSING SHORTAGE

The housing market appeared to have peaked in the third quarter of 2007 and it has been more or less down hill since then. Levels of building consents have fallen to a 30 year low of around 15,000 new dwelling consents for the year ended September 2008. The downturn is especially serious in Auckland where it appears that a housing shortage of 2500 has arisen over the past year because construction rates have not kept pace with population growth. Of this shortage around 1200 are in Manukau City alone³⁶. If construction activity continues at present levels for an extended period and if population growth also continues at present rates, it is likely that housing shortages will begin to emerge in the western Bay of Plenty, Hamilton and perhaps Christchurch.

This downturn is already leading to job losses in the construction industry and related sectors and it appears likely that at present levels of building activity as many as 30,000 construction jobs will be lost from the peak period of employment in mid 2008. As many jobs again, may disappear in related sectors such as business services, manufacturing and transport.

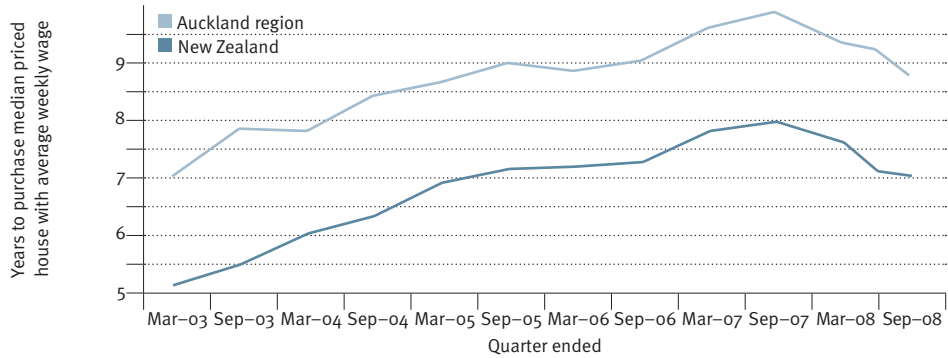
House values have already declined by 8 to 10% and further declines appear likely during 2009. Most likely these future declines will simply be through the erosion of values by inflation rather than by any further decline in the nominal value of houses. Much of this future depends critically on the stability and security of employment and with this the ability of households to ride out the storm for the next 12 to 24 months.

IMPROVING AFFORDABILITY

The silver lining to these fairly dark clouds lies in the fact that housing is becoming relatively cheaper to purchase. This affordability is still only comparable with the levels seen back in 2006 however. The years of work required to purchase a median priced house on the average weekly salary/wage has fallen from 7.7 years in September 2007 to 6.9 years in September 2008. For Aucklanders this burden has dropped from 9.8 years in September 2007 to 8.8 years 12 months later. Clearly the falling interest rates brought about mainly through a softening of monetary policy by the Reserve Bank will also lift the burden for existing mortgaged home owners. However the recent requirements of banks for deposits of up to 20% may severely limit the ability of first home buyers to enter the market for some time.

³⁶ For a more detailed report on recent changes in the housing market see The Salvation Army's Social Policy & Parliamentary Unit's "Housing Update 2008" which is available at www.salvationarmy.org.nz/sppu/reports

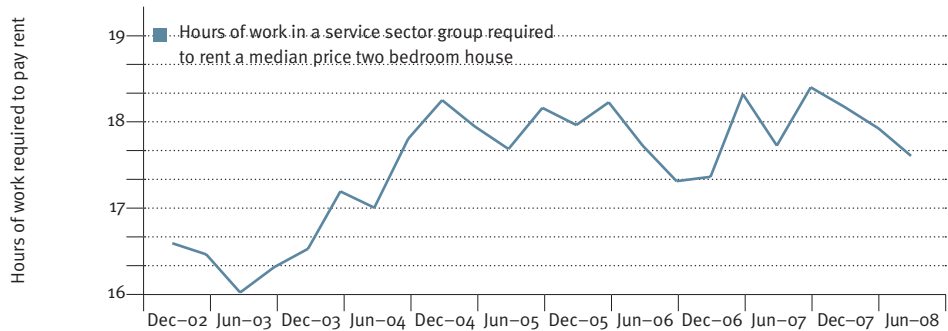
FIGURE 22: Housing affordability 2003-2008³⁷



STABLE RENTS

Despite the downturn in new house building and some evidence of an emerging housing shortage, rents have more or less kept pace with the growth in wages and salaries over the past four years. Evidence of this stable relationship comes from Statistic New Zealand’s Consumer Price Index and Quarterly Employment Survey (QES) as well from a measure based on wage levels (from the QES) and rent data from the Department of Building and Housing. This later measure is presented below in the following graph

FIGURE 23: Rent affordability 2002-2008³⁸

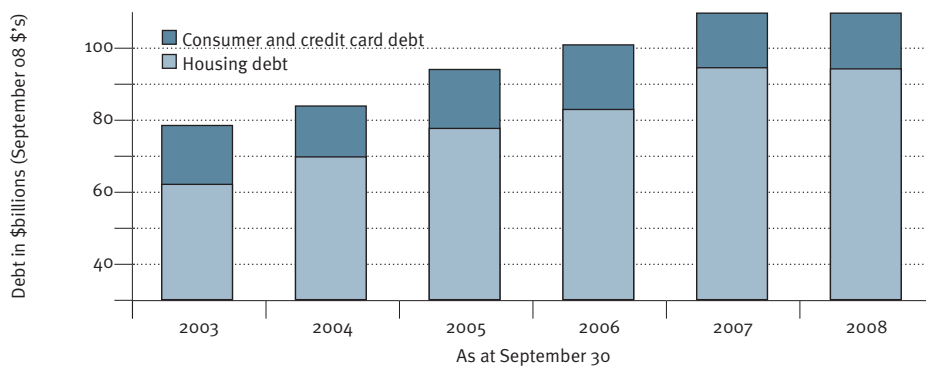


37 Data sources: Real Estate Institute of NZ - median house sales & Statistics NZ - Quarterly Employment Survey
 38 Data sources: Department of Building & Housing - rent data , Statistics NZ Quarterly Employment Survey

SOBRIETY IN BORROWING AT LAST

Housing related debt in New Zealand doubled (in nominal terms) from \$75 billion in September 2002 to \$150 billion in September 2007³⁹. For the following 12 months housing related debt grew a further \$11 billion in nominal terms. By the end of September 2008 New Zealand households owed an average of \$111,100 of which \$17,600 was either consumer or credit card debt – the remainder being housing related debt. These figures are almost the same (in real terms) as a year earlier so it seems that New Zealanders borrowing binge has ended for now at least.




FIGURE 24: Average household debt 2003-2008⁴⁰



39 Data from Reserve Bank of New Zealand "Table C6 Total Household Claims"

40 Source: Total Household Liabilities, Reserve Bank of NZ; Number of Households, Statistics NZ

PROGRESS REPORT CARD

FOCUS	PROGRESS	
Housing supply	Critical housing shortages will begin to emerge in the northern part of the North Island if current construction levels continue during 2009	
Housing affordability	Some bright news at last for first homebuyers although affordability levels are only back to 2006 levels at the moment. The weak rental market is a source for some concern both for future investment and the possibility of growing overcrowding	
Housing debt	Some sanity at last in our willingness to borrow and hope. The legacy of indebtedness will take some time to shake off.	

Key: Overall improvement  Mixed results  Overall decline 