



THE GROWING DIVIDE

A STATE OF THE NATION REPORT FROM THE SALVATION ARMY 2012



Te Ope Whakāora

**SOCIAL POLICY AND
PARLIAMENTARY UNIT**

Working for the eradication of poverty in NZ

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Alan Johnson, Senior Policy Analyst

The Salvation Army Social Policy and Parliamentary Unit
February 2012



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‘We have two clear choices here: one is to continue the path we have been on more or less continuously for the past three decades, concentrating wealth and influence, and driving the marginalised further into the shadows with yet restrictive welfare entitlements and a yet more punitive criminal justice system. The other is to act more inclusively and to work consciously and deliberately at ways of ensuring that the most marginalised New Zealanders, and in particular, many poor families and unemployed young people, feel as though they are valued and valuable members of our society.’

FOREWORD

THE GROWING DIVIDE

‘A society grows great when old men plant trees whose shade they know they shall never sit in.’

GREEK PROVERB

‘But you must defend those who are helpless and have no hope. Be fair and give justice to the poor and homeless.’

PROVERBS 31:8-9

HOLY BIBLE

CONTEMPORARY ENGLISH VERSION

**WE
WELCOME
YOUR
FEEDBACK**

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PARLIAMENTARY UNIT**
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INTRODUCTION

This is the Salvation Army's fifth State of the Nation report. The intention of this report and its predecessors is to provide a snapshot of social progress. In doing so, we hope New Zealanders will value more the pieces making up the snapshot. For example, we have placed New Zealand's prisons in the picture because it is important that as citizens we get to consider and debate the wisdom of locking more and more people up.

But snapshots are merely a frozen moment of time, limited by their frame and focus. And so it is with this report. We accept these limitations in an effort at presenting information that is as up-to-date as possible, in a way that is as accessible as possible.

The scope of this report remains the same as previous years. We have avoided what may be called 'indicator creep', where more and more indicators are added in order to tell a more complete story. While an extra indicator is handy and relevant, there are always trade-offs between completeness and complexity, and between brevity and breadth, that need to be taken into account.

As in the past, this report focuses on five social policy areas: children's wellbeing, crime and punishment, work and incomes, social hazards and housing. We deal with each of these topics separately, through the presentation and discussion of various indicators. These indicators cover 21 topic areas. At the end of each section is a summary report card providing a brief assessment of how we see recent social progress.

In the foreword, Director of The Salvation Army's Social Policy and Parliamentary Unit, Major Campbell Roberts, sets the scene and context of division. As well, social policy analyst Ronji Tanielu contributes to the discussion with a piece on youth development, which we believe is particularly current and relevant to our social progress. We have chosen this topic of youth development because many of the indicators discussed elsewhere in this report point to the increasing marginalisation of young people, both in policy terms and in the broader social context.

It would be unusual if our social progress was all in one direction—forward or backward, for example. Usually we make progress in some areas, tread water in some areas, and fall behind in others. Hopefully the total sum of all this change and constancy is a sense of movement toward or away from some desired goal or better place. For example, have the social changes over the past few years made us more or less peaceful and content as a society? These are the searching questions that a report of this depth cannot be expected to answer. But such questions are the essence of social policy and of politics, and should always be held in front of us as we consider this report and others like it.

We look forward to your feedback and thank you for your interest.

Alan Johnson
Principal author

FOREWORD: THE GROWING DIVIDE

LESSONS FROM THE 2011 ELECTION

The 2011 General Election might be best remembered for its low voter turnout. Less than 75% of registered voters actually voted, which is over 790,000 people. Add to this the fact that around 7% of eligible people didn't even register to vote, and we have over one million adults—or nearly one in three people—who are not participating in our democracy.

But why should we worry about people not participating in elections? Surely one of our democratic rights is the right to decide not to participate; and surely if people choose not to participate, they have no right to complain about the results?

There are at least two reasons why we should worry about this poor turnout. One reason is around the question of legitimacy, and the other around entrenched marginalisation—the members of our society who are being pushed further into the edges, thus dividing our nation. In some ways these two questions of legitimacy and marginalisation are inter-related, which creates a third reason why we should be concerned that nearly one in three adult citizens are opting out of our civic life.

LEGITIMACY

Throughout the last term of Parliament, Prime Minister John Key made his plans for a second term clear, and he also made it clear that he would be using the election to gain a mandate to execute these plans. Among these mandate-seeking plans were the

proposed partial privatisation of state assets and radical changes to some aspects of our welfare system.

Some opposition parties took up the challenge set down by Mr Key and, in particular, campaigned against assets sales. They lost. While these parties may lament the missing votes, they frankly did not offer enough to encourage people to get out and vote for them. All the same, but for less than 7000 well placed votes,¹ the Parliamentary majority Mr Key's coalition government is now enjoying would not exist.

Given how close the election result actually was, what sort of mandate can Mr Key now claim? In pure political terms he can now begin to limit welfare entitlements and to sell off public assets, even though fewer than 35% of eligible voters actually supported his party and his plans.²

The problem that Mr Key and any other Prime Ministers elected with such a limited mandate have is not about power, but about legitimacy. They simply do not have the moral authority to exercise sweeping changes because the majority of people—either by dissent or by absence—have not given this to them.

This lack of moral authority to exercise sweeping changes is not new to New Zealand's politics. We simply have to recall the deceit around the way the Rogernomics revolution was imposed on New Zealanders by the fourth Labour Government, between 1984 and 1987, to know this. However, such a comparison is unfair to Mr Key because he, at

least, was upfront with his intent and openly campaigned on it.

Mr Key and his Government, of course, have the political power to bring about the changes they have promised, so a lack of moral authority means little in practice. However, if a government ignores the question of moral authority when it suits it, what moral authority does it have over citizens to insist that they pay taxes, sit on juries, and obey laws which to some may seem unjust?

There are, of course, ways in which the State can force citizens to comply with its directions and meet its expectations. It can pass laws and enforce these through the use of the Police, courts and the prison system. If this proves difficult, the State can just criminalise more and more people by passing more punitive laws; and then go on to punish more and more people who transgress.

As long as the people being criminalised and punished are not those likely to vote for your political party, then there is no political risk to this strategy. In fact, there may be some political capital in doing so—especially if you can create a climate where those people likely to support you become more and more fearful of difference and begin to see crime as the imminent threat of ‘the other’. So our thinking as a society becomes about the divide between ‘us’ and ‘them’—rather than understanding or dealing with the drivers of crime.

This may be the social future being created right here in New Zealand, right now. As the data and evidence presented in this report shows, at a time when crime rates are falling and expected to fall further, Government agencies may be planning to build even bigger prisons. This report also shows that young Māori males are around 30% more likely to be prosecuted by Police than are non-Māori males of the same age and who commit the same offences. The Māori male imprisonment rate, which is five times that for non-Māori males, is well-known and quite inexplicable.

As a national community we are not debating these issues. Rather, what passes for the public debate around crime is neither fair nor accurate. Every night on TV news, we are being bombarded by images and stories about truly violent crime. This coverage is often supported by inflamed commentary from lobbyists calling for yet tougher stances on law and order. There is very little commentary about the causes of this violence or the effectiveness of building more prisons.

The 2009 Crime and Safety Survey, for example, reported that over half of all crime happens to just 6% of the population. Furthermore, the Survey showed that these perennial victims are most likely to have the same age, income and ethnic profile as those committing the crimes. Much of New Zealand’s crime is quite localised, with offenders being likely to commit their offences in the neighbourhoods and even

in the houses where they live. Evidence in this report on increasing numbers of reported assaults in dwellings, supports this perspective.

It is the most marginalised people who most often commit crime and who are most often likely to be the victim of crime. The geographic spread of crime shows us this. If you live in South Auckland you are at least twice as likely as someone living on the North Shore to be the victim of a theft or burglary. If you live in Rotorua you are almost twice as likely as someone living in Tauranga to be assaulted. Why this should be, and what we should do about it, are questions seldom covered in our public debate. Instead the debate is focused on generalised accounts of crime and, most often, middle class perceptions of it.

ENTRENCHED MARGINALISATION

It is probably also the most marginalised who are the least likely to participate in elections, although there is no way of knowing this from the data available. However, the four general electorates with the lowest voter turnouts were in South Auckland, with an average turnout of 67% (albeit that one of these, Botany, remains a fairly middle class community). Turnout in the Māori electorates was even more disappointing, averaging 58%; with the lowest being just under 55% in the Tamaki Makarau electorate, located in central and south Auckland.

This marginalisation also has an age dimension. A month before the election, the

Electoral Commission was reporting that 25% of eligible voters aged between 18 and 24—around 110,000 people—had still not registered as voters. This figure appears to have improved little by the time of the election.

Evidence from the 2005 election and before has already identified that this generation of voters is less inclined to vote than previous generations were at their age.³ There is some support in the academic literature⁴ that voting or not voting is habit-forming, suggesting that those who didn't vote in 2011 are unlikely to do so in 2014. Professor Jack Vowles has claimed that declining voter participation is indicative of declining civic engagement, and that such declines may lead in turn to shifts in the public policy agenda, as the interests and needs of those who don't vote become less and less important to politics, politicians and to policy.⁵

Such a narrowing of focus does not, of course, enhance the legitimacy of a government and can lead to a vicious cycle whereby the interests served by the State become narrower and narrower. This means that those excluded become more and more marginalised, and so they participate less and less, and so on. In this way, we end up with a hypothetical democracy—one that exists in law, but not a tangible, living one.

WHO CARES?

So why bother to worry about all of this? Are legitimacy and moral authority really

that important? Are we that worried that 10 or 20% of New Zealanders are increasingly disconnected and divided from the mainstream of our society?

The answers to these questions depend in some ways on how you see the future, and perhaps on how far into the future you see. If your view of the future is through to the next elections, or until you pay off the mortgage or retire, your perspective can perhaps afford to ignore questions of legitimacy and marginalisation. If you take a generational or multi-generational view of the future, then these questions are more demanding.

These questions become more demanding, in part, because we need to look beyond the present conventional wisdoms based as they are on a narrow, economic rationalism. That is the sort of thinking which has created the global financial crisis, and a New Zealand which is increasingly unequal and heavily indebted. There will be new ways of thinking and we, or perhaps our children and grandchildren, will look back on this era of narrow economic rationalism with some anger at the opportunities wasted, and perhaps with some incredulity at our collective stupidity.

The political thinking beyond economic rationalism may be beginning to emerge. Some work is being done, for example, in incorporating cognitive learning theory into public policy. This is the idea that we are not always self-serving, self-directing individuals, but humans with habits and patterns of

behaviour—some good, some bad. We can be selfish as well as sociable and even altruistic, and we have varying views over what we can change in our lives—our so-called self-efficacy. There are also emerging ideas around the use of values, such as belonging and identity, and the use of informal systems of social control as a means of both limiting anti-social behaviour and of gaining greater social cohesion.⁶

DIVIDING OUR NATION

The 2011 election results should give us food for thought about the extent to which more and more New Zealanders are becoming disconnected from the mainstream of New Zealand life, and about the future implications of this dividing nation. We have two clear choices here: one is to continue the path we have been on more or less continuously for the past three decades, concentrating wealth and influence, and driving the marginalised further into the shadows with yet restrictive welfare entitlements and a yet more punitive criminal justice system. The other is to act more inclusively and to work consciously and deliberately at ways of ensuring that the most marginalised New Zealanders, and in particular, many poor families and unemployed young people, feel as though they are valued and valuable members of our society.

Major Campbell Roberts

Director, The Salvation Army Social Policy and Parliamentary Unit

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Renee Maxell with students Kaden Love (left, 3) and Diezel Davis (3) at Homai Nga Taonga Early Childhood Centre, newly opened in Manurewa.

Photography: Natalie Slade / New Zealand Herald, 27 September 2011

OUR CHILDREN

Some encouraging progress is being made in areas that impact directly on the well-being of New Zealand's children. The rate of teenage pregnancy has fallen, gaps in educational achievement have continued to close and rates of youth offending have also fallen. Against this, there has been no progress towards reducing rates of child poverty, and it appears that more children are being abused or neglected by the adults who should be caring for them. While the vast majority of New Zealand children are well cared for materially and emotionally, there remains a significant minority—perhaps as many as 10%—who may face violence and material hardship in their daily lives. The position of these children appears to have changed little over the past few years.

CHILD POVERTY

Child Poverty Rates Remain Unchanged

It is doubtful that levels of child poverty have changed much over the past year, and they appear to have remained fairly constant over the past five years.

Estimates of poverty rates, including child poverty rates based on data from the Household Economic Survey, are published annually by the Ministry of Social Development. [Table 1](#) provides a summary of results from the most recent report.⁷ It indicates that using the more stringent definition of poverty—of a household having an income less than 50% of the median income—there may have been a decline in the rate of child poverty between mid-

2009 and mid-2010. Using the more liberal definition of poverty—of a household having less than 60% of median income—the child poverty rate is more or less unchanged.

New Zealand children who, by these definitions, are assessed to be living in relative poverty or at least in material hardship, do not live in uniformly similar households. There is probably no such thing as the typical 'poor New Zealand child'.

Perry reports that one in six European/Pakeha children are likely to live in relative poverty, one in four Pacific children, and one in three Māori children. Perry claims that these differences are due to different rates of benefit dependence among these ethnic groups.⁸

Perry also reports that while children living in a single parent household are far more likely to live in relative poverty than other children, the majority of children experiencing this poverty live in two-parent households. For example, 53% of children living in a one-parent household are likely to live in relative poverty, while just 16% of children living in two-parent households do. However, because there are far more children living in two-parent households, just over half of all children living in poverty live with two adults in their household. Noticeable among the changes between the 2009 and 2010 data, is the fact that proportionately more children from two-parent households have slipped into relative poverty, perhaps on account of rising unemployment among such households.⁹

Table 1: Percentage of children below selected poverty lines (after housing costs)¹²

THRESHOLD TYPE	CONSTANT VALUE		RELATIVE TO CONTEMPORARY MEDIAN	
	50% 2007 Median	60% 2007 Median	50% Contemporary Median	60% Contemporary Median
2004	22	31	19	28
2007	16	22	16	22
2009	16	22	18	25
2010	13	22	16	26

Table 2: Estimated number of children living in benefit-dependent households¹³

As at December	Main benefits paid	Number of children living in benefit dependent households	Children in beneficiary households as % of all New Zealand children	Number of children estimated to be living in a 'workless' household
2006	264,571	215,000	20%	171,200
2007	250,077	205,700	19%	166,400
2008	260,954	208,700	19%	173,400
2009	319,813	233,900	21%	198,100
2010	324,542	239,400	22%	201,800
2011	318,985	237,900	22%	199,600

Unsurprisingly, given the work-first focus of the Working for Families programme, it remains the case that children living in so-called ‘workless’ households are most likely to live in relative poverty—in fact, six times more likely.¹⁰

This concentration of child poverty within ‘workless’ households provides us with a helpful way of considering what might have happened to child poverty rates since the last Household Economic Survey was held in mid-2010. Table 2 attempts to do this by presenting estimates of the numbers of children living in households dependent on welfare benefits, who have little or no employment. The underlying assumption here is that changes in these numbers, and in particular in the percentage of children living in benefit dependent households, is possibly a relevant and more up-to-date indicator of changes in New Zealand’s overall child poverty.

Table 2 suggests that the extent and rate of benefit dependence among New Zealand children may have fallen slightly over the last year. For example, the estimated numbers of children living in benefit dependent households may have fallen by just under 1% between December 2010 and December 2011. While this result could be worse, it could certainly be better when we consider that the numbers of such children are nearly 20% higher than they were back in 2007; and while economic growth is sluggish, the economy was still 3% larger in inflation-adjusted terms in 2011 than it was in 2007.¹¹

CHILDREN AT RISK

Child Abuse and Neglect Continues to Rise

Child, Youth and Family (CYF) is the public agency responsible for ensuring that every child in New Zealand is safe from harm and neglect. The agency reports the extent of any reported harm or neglect of children through three indicators (provided in Figure 1): the number of notifications, the number of such notifications where some follow-up work is required, and the number of cases where this follow-up work has shown some level of child abuse or neglect is evident.

As shown on Figure 1, the number of notifications rose nearly 21%, from 124,921 during the year to 30th June 2010, to 150,747 during 2010/11. This most recent figure for notifications is 140% greater than notifications during 2005/06. The increase in substantiations is more modest, although still substantial. Between 2009/10 and 2010/11, the number of substantiations rose 5%, from 21,025 to 22,087. The increase over the past five years (2005/06 to 2010/11) is 58%, or almost 10,000 extra cases of confirmed child abuse or neglect.

Much of this increase in reporting is on account of campaigns to address domestic violence, as well as the recent practice of Police reporting domestic violence incidents to CYF when children have been present at these incidents. The Chief Social Worker has said that just over 57,000 children have been reported to CYF by Police because they were found present at a domestic violence

Figure 1: Child Youth and Family notifications and substantiations 2006–2011¹⁵

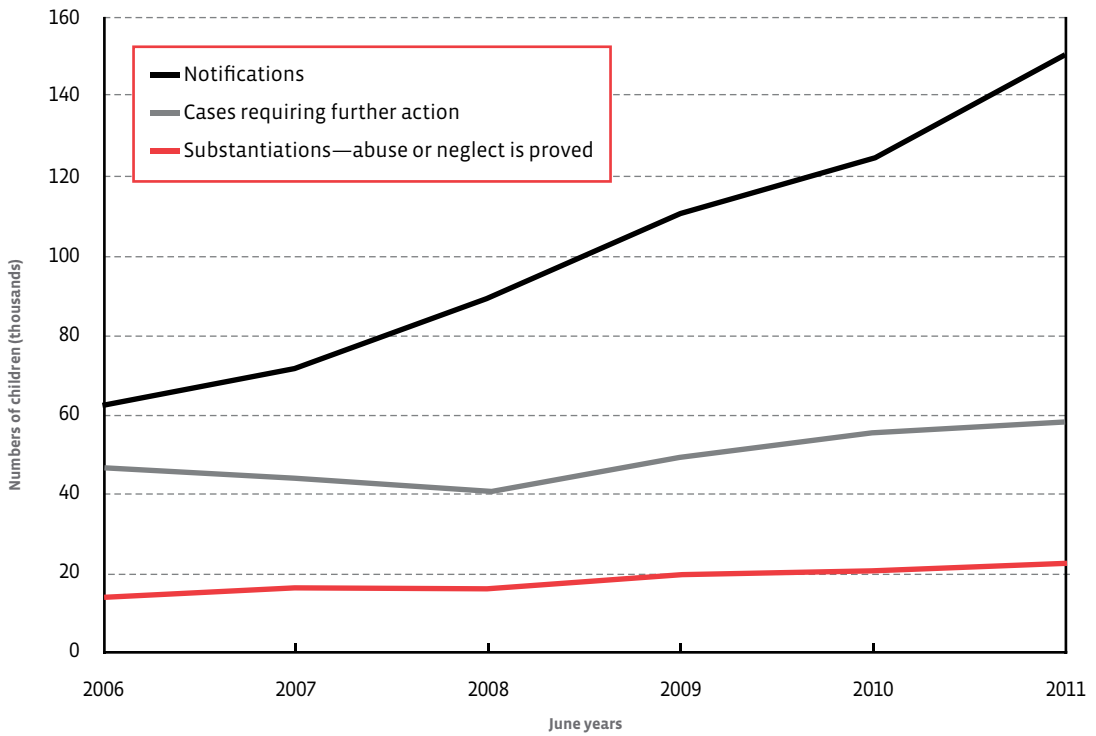
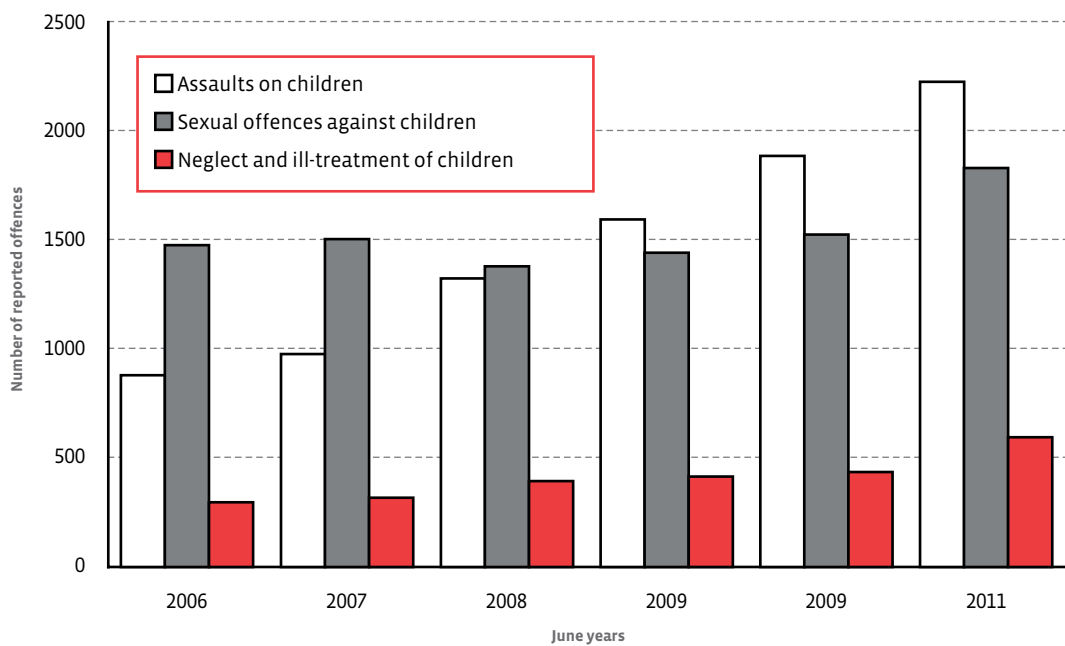


Figure 2: Reported criminal offences against children 2006–2011¹⁶



incident, while another recent media report suggests that as many as 80,000 New Zealand children witness domestic violence each year.¹⁴

CHILDREN AND VIOLENCE

Massive Increases in Reported Violence Against Children

Reported violence offences against children increased by between 18% and 20% during 2010/11, and reported cases of child neglect rose over 36% over the same period. These trends are well illustrated in [Figure 2](#).¹⁶

Reported assaults on children rose from 1889 offences during the year to 30th June 2010 to 2229 offences for the most recent fiscal year. Over the same period, sexual assaults on children rose 20.6%, from 1522 reported offences in 2009/10, to 1835 such offences in 2010/11. Cases of child neglect rose 35.5%, from 436 in 2009/10, to 595 reported cases in 2010/11.

Over a five-year horizon, reported assaults on children have risen a massive 152%, while reported cases of child neglect have doubled. Sexual offences against children have shown a more modest 25% increase over this period, with most of this increase taking place during the year to 30th June 2011.

As with violent offences against adults, there is no way of reliably knowing if these recent increases in reported offences are the result of increased rates of offending, or changing attitudes to reporting, or improved and

increased monitoring and enforcement by public authorities such as the Police and CYF.

The amendment in 2007 of Section 59 of the Crimes Act has clearly had an impact on the levels of reporting for relatively minor assaults on children. For the five years prior to this change (2000/01 to 2004/05), the average number of minor assaults on children where no injury was caused¹⁷ was 385 reported offences. The average number of reported offences over the past four years (2007/08 to 2010/11) more than doubled to 840. This increase represents just over half (56%) of the increase in all reported assaults on children for the same periods, so it is clearly not the case that all of the increase in numbers of assaults on children is due to increased reporting of relatively minor assaults. There is also little evidence to support claims that the repeal of Section 59 has contributed to increases in trivial reporting of minor assaults on children. For the five years prior to this law change, Police resolved three-quarters of all reported minor non-injury assaults on children, and prosecuted 34% of these reported offences. Over the most recent four years, the rate of resolution for such assaults has remained the same, while the rate of prosecution has increased marginally to 37%.

Table 3: Rates of violent offending by 14–16 year-old males 2006–2011²⁰

Apprehensions for offences per 10,000 population

Year ending June	2006	2007	2008	2009	2010	2011	Change 2008–10	Change 2009–10
MĀORI MALES AGED 14–16								
Acts with intent to injure	374	424	434	432	477	435	16%	-9%
Serious assault resulting in injury	82	102	126	98	105	85	4%	-19%
Sexual offences	4	14	4	15	5	4	4%	-19%
Robbery	114	98	117	108	117	79	-31%	-33%
All violent crime	587	626	664	641	737	650	11%	-12%
All crime	5804	4998	5405	4903	5226	4891	-14%	-5%
NON-MĀORI MALES AGED 14–16								
Acts with intent to injure	137	155	153	143	145	139	1%	-4%
Serious assault resulting in injury	25	35	26	26	22	20	-20%	-7%
Sexual offences	4	3	2	2	3	4	6%	35%
Robbery	22	23	26	19	15	17	-20%	15%
All violent crime	217	232	235	221	221	213	-2%	-4%
All crime	1714	1633	1607	1525	1580	1454	-15%	-8%

Youth Offending Shows an Encouraging Decline

Criminal offending by teenagers aged 14 to 16 years old has showed an encouraging decline over the year to 30th June 2011, bringing about the lowest number of offences and the lowest rate of offending in more than a decade.

For the 12 months to 30th June 2011, there were 27,800 apprehensions of 14 to 16 year olds for criminal offences. This figure is 10% fewer than for the previous 12 months when there were 30,650 apprehensions, and is nearly 16% less than five years previously in 2005/06.

Serious crimes of violence, robbery and sexual offences known to have been committed by 14 to 16 year olds also declined during 2010/11 from 4756 such offences in the year to 30th June 2010, to 4310 offences for 2010/11. Over the longer term, however, serious offending by 14 to 16 year olds increased by 4%, between 2005/06 and 2010/11.

These declines in the levels of offending by 14 to 16 year olds are mirrored in declining rates of offending within the total population over the past year, although over the longer term there is no discernable trend toward improvement or decline. Between 2009/10 and 2010/11 rates of serious offending by 14 to 16 year-olds declined from 257 apprehensions per 10,000 population, to 236 per 10,000. The decade average rate of such apprehensions is 226 per 10,000, so the recent outcome does not point to any long term change. The rate of

overall offending declined from 1651 offences for every 10,000 of the population in 2009/10, to 1524 per 10,000 in 2010/11. The decade-long average rate of overall apprehensions by 14 to 16 years olds is 1670 offences per 10,000; and although the 2010/11 outcome is significantly below this, the rate of apprehensions is quite volatile, so it is too soon to pick a trend at this stage.

Unsurprisingly, 14 to 16 year old males are far more likely to be apprehended for a criminal offence than females of the same age cohort. Just less than one in four overall apprehensions of 14 to 16 year olds are female, while nearly one in three apprehensions for serious violent crime are female. Consequently, the rates of apprehensions of females aged 14 to 16 are around half that of males for serious offences, and around one third of the male rate for all offending.¹⁸

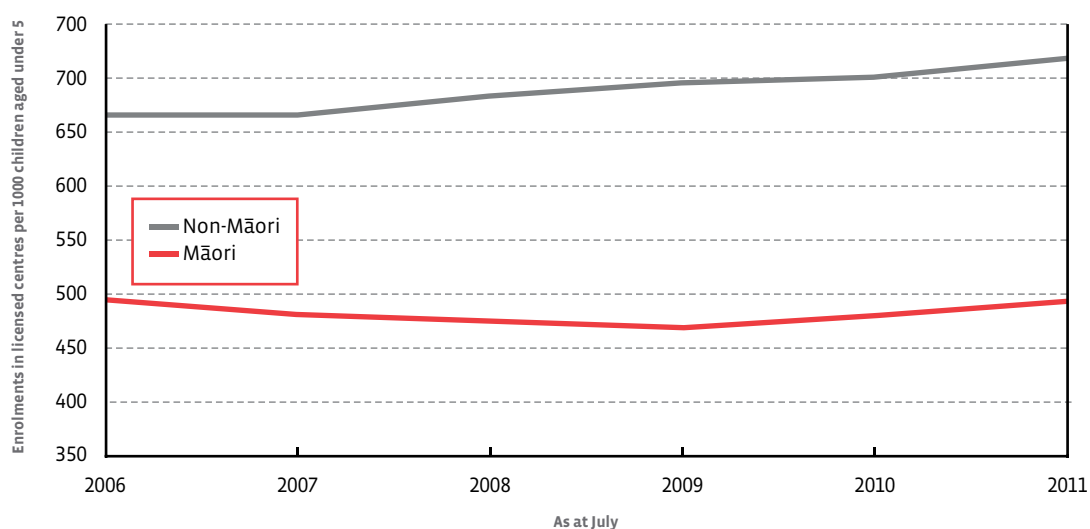
Unfortunately, the rate of apprehensions of young Māori for criminal offences remains at more than three times the rate of that for other 14 to 16 year olds. This over-representation is shown in [Table 3](#), for males aged 14 to 16 years. A similar, consistent over-representation exists in comparisons of offending by females aged 14 to 16 years.¹⁹

Table 4: Prosecution rates of 14–16 year old males 2006–2011²⁴

Percentage of apprehended males prosecuted by Police

Year ending June	2006	2007	2008	2009	2010	2011
Māori MALES AGED 14–16						
Robbery	73.6%	70.8%	72.4%	69.0%	74.2%	70.7%
Serious assault resulting in injury	67.2%	67.4%	63.9%	62.3%	66.2%	65.0%
Serious assault not resulting in injury	55.3%	58.7%	58.2%	53.9%	55.2%	56.8%
Common assault	26.9%	26.3%	28.3%	20.5%	25.2%	26.8%
Dishonesty	35.8%	39.2%	41.1%	39.3%	40.9%	40.6%
Total all offences	34.3%	36.7%	37.1%	34.7%	36.3%	36.1%
NON-Māori MALES AGED 14–16						
Robbery	68.5%	67.8%	62.2%	70.8%	72.3%	70.6%
Serious assault resulting in injury	52.6%	58.2%	43.1%	56.2%	52.5%	52.4%
Serious assault not resulting in injury	52.6%	45.5%	54.5%	55.3%	47.2%	55.7%
Common assault	20.0%	20.8%	17.6%	17.6%	14.5%	19.7%
Dishonesty	31.3%	27.7%	31.9%	31.1%	30.4%	31.5%
Total all offences	28.2%	25.7%	27.0%	26.9%	25.9%	26.5%

Figure 3: Rates of enrolment in early childhood education 2006–2011²⁷



The Excessive Criminalisation of Māori Youth Continues

While Māori youth aged 14 to 16 years old are over three times more likely to be apprehended for committing a criminal offence, the subsequent treatment of those apprehended possibly points to their consistent excessive criminalisation by the Police. This bias is demonstrated in [Table 4](#) which compares the prosecution rates of Māori and non-Māori 14 to 16 year old males who have been apprehended for various criminal offences. Over the six years covered by this data, Māori males have been up to 30% more likely than non-Māori males to be prosecuted by Police for the same or similar crime. Criminalisation can have serious longer-term consequences for young people both in terms of the pathway they are put on to address their offending and because of the way criminalisation can subsequently limit future life choices and chances.

The data provided in [Table 4](#) may only tell half the story but there is no way of knowing this from the form of the basic crime data published by Statistics New Zealand.²¹ It may be, for example, that the number of young Māori committing offences is much less than the rates reported in [Table 4](#) would suggest, and that those young Māori who do offend are multiple and/or repeat offenders. If this is the case, then their higher prosecution rates may simply be the outcome of failed attempts at such options as family group conferences and diversion.

Such an explanation for the apparently different treatment of Māori youth by Police shown in [Table 4](#) might defuse charges of institutional racism, but it raises further questions around why alternatives to prosecution (if these are being used) remain so unsuccessful for young Māori in comparison to other young people?²²

This is an important policy question to address for two reasons. Firstly, the rates of apprehension reported in [Table 3](#) are alarming. On the face of it the apprehension rates for 14 to 16 year old Māori males reported in [Table 3](#) suggest that over half of these young men are apprehended for some offence in any one year, and that 6–7% are apprehended for a violent crime of some sort.²³ Most likely because of cases of multiple and repeat offending, the actual number of individuals involved in such offending is much lower than these rates would suggest—but they nevertheless are still quite high and should be a source of some concern. Secondly, the reason we should be concerned both with the high rates of offending by young Māori and their greater likelihood of being criminalised is because these trends probably have a direct link to the fact that Māori make up half the prison population, and are more likely than non-Māori to return to prison.

Figure 4: Rates of student achievement across secondary schools²⁸

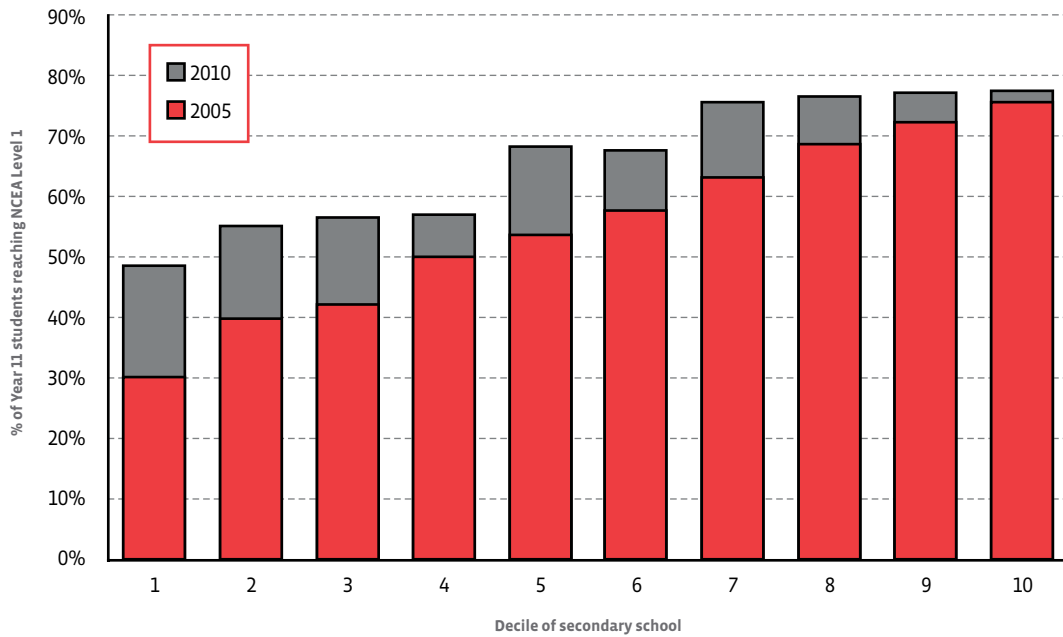


Table 5: NCEA Level 1 Year 11 achievement gaps 2005–2010²⁸

	PASS RATES		
	2005	2009	2010
Decile 1 secondary schools	30.4%	44.8%	48.8%
Decile 10 secondary schools	75.4%	76.9%	77.5%
Achievement gap between Decile 1 and Decile 10	45.3%	32.1%	28.7%
Decile 1, 2 & 3 secondary schools	38.6%	52.2%	54.0%
Decile 8, 9 & 10 secondary schools	72.7%	75.6%	77.4%
Achievement gap between Decile 1, 2 & 3 and 8, 9 & 10	34.1%	23.4%	23.1%

EARLY CHILDHOOD EDUCATION

Māori Children's ECE Enrolment Rate Shows Further Improvement

Early childhood education (ECE) enrolment data indicates that there has been a further improvement in levels of ECE participation by Māori children. Between 2009/10 and 2010/11, enrolment rates for Māori children rose from 42.9%, or 429 enrolments for every 1000 children at July 2010, to 44.3% at July 2011. This improvement follows a period of decline between 2006 and 2009, which saw enrolment rates fall to 42.0%. This decline was largely on account of something of a Māori baby-boom, which saw the numbers of Māori births rising from just under 16,000 babies per year between 2001 and 2005, to an average of over 18,300 per year between 2006 and 2011. Overall, the number of Māori children enrolled in ECE has continued to rise from 33,000 in 2006, to nearly 41,000 in 2011. The failure of the Ministry of Education to respond to this baby boom, however, has meant that rates of enrolment for Māori children remain the same in 2011 as they were in 2006.

Against this limited progress, enrolment rates and enrolment numbers of non-Māori children blossomed between 2006 and 2011, as indicated in [Figure 3](#). In 2006, the ECE enrolment for non-Māori children was 61.5%, rising to 66.9% in 2010 and on to 68.1% in 2011. While the improvement in enrolments over the most recent year have favoured Māori children, the six year trend has certainly favoured non-Māori children.

The reason for this inequality is more to do with demographic factors than to do with service provision ones. It is, however, disappointing that education planners have been unable to grasp the service delivery implications of these demographic factors, given that they are hardly new news.

Between 2006 and 2011, the total number of ECE enrolments grew from 165,254 children to 194,101 children, an increase of just less than 29,000. Over the same period, enrolments of Māori children rose from 33,019 children to 40,941 children, an increase of just over 7900. On this basis, Māori children have done well, with the growth in total Māori enrolments between 2006 and 2011 being 24%, while that for non-Māori children is just under 16%.

The problem, at least from the angle of equitable access to ECE, is that Māori birth rates are much higher than that for non-Māori, which when combined with the relative youth of the Māori population means that the population of Māori children aged under five years old has grown at a much faster pace than that of non-Māori. Between 2006 and 2011, the number of Māori children grew by over 18,610, while the population of non-Māori under-fives grew by just under 9660 children.²⁵

Government ECE policy targets assistance towards providing access for children aged three and four, and in this area Māori children appear to have missed out recently. ECE enrolment rates for Māori pre-schoolers aged three or four declined between 2010

Table 6A: Changes in New Zealand's infant mortality rate 2007–2011²⁹

Year ending September	Live births during preceding 12 months	Total infant deaths (under one year)	Infant mortality rate (per 1,000 live births)
2007	62,362	305	4.89
2008	64,540	340	5.27
2009	63,159	287	4.54
2010	63,732	330	5.18
2011	62,261	297	4.77

Table 6B: Pregnancies and abortions for 11–14 year-olds 2006–2010²⁹

Year ending December	No. of live births	No. of Induced abortions	Pregnancy rate (per 100,000)	% of pregnancies aborted
2006	35	105	1.2	75%
2007	52	104	1.3	67%
2008	39	83	1.0	68%
2009	29	79	0.9	73%
2010	29	84	1.0	74%

Table 6C: Pregnancies and abortions for 15–19 year-olds 2006–2010²⁹

Year ending December	No. of live births	No. of induced abortions	Pregnancy rate (per 1,000)	% of pregnancies aborted
2006	4338	3,978	53.9	48%
2007	4903	4,173	57.9	46%
2008	5185	4,097	58.8	44%
2009	4641	3,873	53.9	45%
2010	3708	3,389	45.2	48%

and 2011, from 69.9% to 68.2%, while this enrolment rate was 71.1% back in 2006. Over the same period, the enrolment rate for the non-Māori population of three and four year olds rose from 100.1% in 2006, to 106.7% in 2010, and on to 107.7% by July 2011. Clearly this data includes some double enrolments, and may point to the inaccuracies involved in comparing data based on two forms of ethnic identification.²⁶ These inaccuracies notwithstanding, the overall trend of lower improvements in enrolment rates for Māori children is likely to be valid.

EDUCATIONAL ACHIEVEMENT

NCEA Achievement Gaps Continue to Narrow

Social gradients measure the differences in a social outcome or a social indicator across the income or wealth scale. Kate Pickett and Richard Wilkinson, in their book *The Spirit Level*, make use of the idea of social gradients to demonstrate the differences between countries in terms of the level of inequality within each of these countries, and a variety of social outcomes such as educational achievement.

A useful social gradient to use for considering social progress in New Zealand is that of academic achievement across secondary schools in towns and neighbourhoods of varying socio-economic status. The National Qualifications Authority publishes data on the academic achievement of secondary school students within the National Certificate of Educational Achievement

(NCEA) framework, which can usefully be used to construct a social gradient.

What is heartening is that the progress achieved in closing NCEA achievement gaps was consolidated and improved on between 2009 and 2010

NCEA data for Year 11 students achieving Level 1 passes is provided in [Figure 4](#) and [Table 5](#). This data shows an encouraging trend with a closing gap between pass rates of students from low decile schools (ie. schools within poorer communities) and their counterparts from higher decile schools. The social gradient shown in [Figure 4](#) became less steep between 2005 and 2010. For example, as indicated in [Table 5](#) the achievement gap between Decile 1 secondary schools narrowed from over 45% in 2005, to just under 29% in 2010. A broader comparison between Decile 1, 2 and 3 secondary schools with Decile 8, 9 and 10 schools shows a much smaller narrowing from 34% in 2005 to 23% in 2010. What is heartening in the comparisons given in [Table 5](#) is that the progress achieved in closing NCEA achievement gaps between 2005 and 2009 was consolidated and improved on between 2009 and 2010, albeit by only 0.3% in the Decile 1, 2 and 3 to Decile 8, 9 and 10 comparison.

A similar pattern of improving outcomes for students from low decile schools is apparent in Year 13 at NCEA Level 3. In 2005, only 27% of Year 13 students attending Decile 1, 2 and 3 schools gained sufficient credits at Level 3 to

pass. By 2009, nearly 34% of Year 13 students from these schools had passed Level 3, and in 2010, this proportion rose again to just under 37%. By comparison, two-thirds of Year 13 students attending Decile 8, 9 and 10 schools gained an NCEA Level 3 qualification. However, the achievement gap between low and high decile schools remains much higher at Level 3 than at Level 1.

INFANT MORTALITY

Infant Mortality Falls to Second Lowest on Record

New Zealand's infant mortality fell slightly over the year to 30th September 2011 to be the second lowest on record. The 2010/11 overall rate of 4.77 deaths per 1000 live births is 8% less than in 2009/10, and only just behind the historic all time low of 4.54 deaths per 1000, which was achieved in 2008/09. Data on the achievement is provided in [Table 6A](#).

The Māori infant mortality rate remains slightly higher than the overall infant mortality rate, but it also declined between 2009/10 and 2010/11. For the year to 30th September 2011, the Māori infant mortality rate was 6.65 infant deaths for every 100,000 live births—an improvement from the 2009/10 outcome of 7.15, but still higher than the record low in 2006/07 of 6.05 deaths per 1000 live births.

TEENAGE PREGNANCY

Sharp Fall in Teenage Pregnancy Rate

The numbers of live births and abortions to teenage mothers fell by 20% and 12%

respectively between 2009 and 2010. As a result, teenage pregnancy rates for 15 to 19 year olds fell by 16% from 54 pregnancies for every 1000 in 2009, to 45 pregnancies per 1000 15 to 19 year old women in 2010. The pregnancy rate for teenagers under 15 remained fairly stable at one per 1000 women.

Teenage pregnancy is often seen within social policy as a problem. Of course, such a perspective is culturally determined within a middle class western values set, from which social policy thinking has developed. The discussion here of teenage pregnancy is not intended to present this as a moral problem, but is instead based on a strong link between pregnancy and poor educational outcomes for teenage mothers and poor life outcomes for their children.³⁰ Ideally, it is desirable to encourage and support teenagers to delay becoming parents as a way of improving theirs and their children's life outcomes.

On this note, it is encouraging to see a sharp fall in the rate of teenage pregnancies between 2009 and 2010, as shown in [Table 6B](#) and [6C](#). Because this is a recent shift, there is no way of knowing at this stage whether or not this decline is the beginning of a longer-term trend. Taking a longer-term view suggests that these recent declines are returning teenage fertility rates to the levels they were in early 2000s.

By comparison, Australian teenage fertility rates are half those of New Zealand,³¹ while their abortion rates seems similar.

OUTLOOK

It is possible to gain the impression from the data presented that New Zealand does not at present appear to have any great aspirations for its children. Relatively high levels of child poverty persist year after year, high rates of child violence and child neglect continue without any major policy shift or change in attitudes; and too many, mainly poor, young people leave school with no qualifications and drift into crime or to becoming parents early.

The Government's Green Paper for Vulnerable Children is a welcome, though preliminary, response to the challenges the data raises. The paper's singular focus on vulnerable children and on evidence-based policy and programmes can be seen as its immediate limitation. This focus fails to grasp, or even to grasp at the reasons, why as many as one in five New Zealand children live in material hardship, and perhaps as many as one in 10 children live in homes and neighbourhoods where violence is commonplace.

These children's vulnerability does not start with poor policies or poor parenting, but in the social and economic environments we create for children to grow up in. Too often, a child's prospects are determined by the good fortune or misfortune of their mothers, and by the neighbourhood or town they get to grow up in. There is much about such circumstances that we can change, if as a society we choose to, as there is very little in our social environment that is pre-determined.

Presently, we appear to lack the wit and insight to appreciate the links between the social environments we create and the social outcomes we reap. Until we grasp this association, significant improvement in the indicators considered above is unlikely.



REPORT CARD: OUR CHILDREN

CHILD POVERTY	<p>There does not appear to have been any noticeable changes in rates of child poverty. On the basis of a commonly accepted measure, around one in five New Zealand children probably live in material hardship. The numbers of children living in benefit-dependent households has probably fallen slightly over the past year. These numbers are nearly 20% higher than five years ago.</p>	C-
CHILDREN AT RISK	<p>During 2010/11 the numbers of confirmed cases of child abuse or neglect rose for the third consecutive year. Reporting practices by Police attending domestic violence incidents cannot fully explain the 20% increase in notifications to CYF, and perhaps also point to changing community attitudes towards the mistreatment of children. This is to be welcomed. Increasing levels of prosecutions for child abuse and neglect may illustrate this changing attitude, but also indicates that behaviours are not changing.</p>	D
CHILDREN AND VIOLENCE	<p>A further decline in rates of offending, and especially of violent offending by youth aged between 14 and 16 years old, is pleasing. The continuing excessive criminalisation of young Māori needs to be explained and addressed by the public agencies responsible.</p>	C+
EARLY CHILDHOOD EDUCATION	<p>Improving rates of enrolment for Māori pre-schoolers is encouraging. The gap between Māori and non-Māori remains large, progress toward closing this gap is slow, and necessary policy responses cautious.</p>	B
EDUCATIONAL ACHIEVEMENT	<p>Once again, the gains of recent years in closing the gap in NCEA pass rates between high and low decile schools has been maintained, which is encouraging. These gaps remain at around 30% between the lowest and highest decile schools, so there is still a great deal of progress to be made.</p>	B+
INFANT MORTALITY	<p>The recent decline in the infant mortality rate, although small, is encouraging. Māori infant mortality rates continue to be higher than non-Māori, which is an area that should be addressed.</p>	B+
TEENAGE PREGNANCY	<p>The sharp decline in the teenage pregnancy rate is encouraging. It is, however, just a one-year trend at this stage so it is too early to tell if there has been a shift in behaviours and expectations. New Zealand's teenage pregnancy rate remains at twice that of Australia, so there is real scope to target this indicator for improvement through education programmes.</p>	B+



A SNAPSHOT OF OUR YOUNG PEOPLE

Ronji Tanielu, Social Policy Analyst

Background

George Bernard Shaw once famously said that ‘youth is such a wonderful thing ... what a crime it is to waste it on the young’. Some of the injustices and dire situations that our young people are facing in today’s world are tantamount to crimes towards young people themselves.

In this State of the Nation 2012 report, it is argued that children’s vulnerability is not necessarily about poor parenting or ineffective policies. Instead our argument is that a child’s vulnerability is directly linked to the social and economic environments that a child grows up in. This reasoning can be extended further to describe some of the vulnerable situations and factors our young people face today. The social and economic environment that young people are growing up in, and entering as they get older, greatly affects the state of their holistic well-being, and will have repercussions on our nation’s development for years to come.

State of the Nation 2012

This report has commented about some of the key social and economic indicators directly affecting our young people. These include youth offending, educational achievement, teenage pregnancy and unemployment. In this brief section, we will discuss two other critical indicators that we should continue to monitor. We present these additional factors to help create an accurate snapshot of the state of our young people, to give us some more insight into youth well-being, and

to help continue these crucial discussions further elsewhere.³²

Image is Everything

Our national collective attitude towards our young people must change. The key word in the previous sentence is ‘our’—the young people of New Zealand are *our* young people. They are not an enemy to be feared. Neither are they a group to be suspicious of. It is intriguing to observe the portrayal of young people by mainstream media and other modes of mass communication. Globally, young people in recent times have been portrayed very negatively by the media. The same seems to be happening locally.

George Bernard Shaw once famously said that ‘youth is such a wonderful thing ... what a crime it is to waste it on the young’. Some of the injustices and dire situations that our young people are facing in today’s world are tantamount to crimes towards young people themselves.

During the alcohol law reform process and debates in recent years within New Zealand, there was a huge amount of noise in the media about teenage alcohol abuse and binge drinking by young people. Conversely, the annual Alcohol Advisory Council of New Zealand (ALAC) summary report for the 2009/10 year actually clarifies that binge drinking³³ is more of an issue for those

aged over 18 (21 per cent of adults), than for younger people aged 12 to 17 years (15 per cent of young people).³⁴ In fact, ALAC estimates that 44% of both males and females aged 18 to 24 can be classed as engaging in some form of binge drinking, as illustrated in [Table 7](#) from the ALAC report.³⁵

The potential for alcohol abuse is more prevalent in New Zealand among adults aged 18 and over, particularly adults aged 18 to 24, than for young teenagers. Yet the image often presented to the public is that alcohol abuse is often and exclusively a problem involving young, teenaged people.

Image is often everything in the social and economic world of today. The images presented of young people need to be accurate and not sensationalised, to ensure that our collective attitude towards young people is informed, honest and productive. Young people cannot and should not be marginalised in our society. The images we present of young people can help shape our attitude towards them and reduce the harm caused by marginalising them in the media and public discourse.

A Plethora of Pathways? Really?

The global financial crisis is a very real and sometimes misunderstood reality for many nations. Young people in our country have seemingly borne the brunt of the Government's current approach of fiscal efficiency and cost-cutting during this recession.

In 2008/09, there was over \$106 million spent on youth employment training and support.³⁶ By 2011/12, this figure had dropped significantly to about \$81 million.³⁷ At the same time, the Government has consistently increased the support it gives to tertiary education, up from \$1.75 billion in 2008 to approximately \$2.02 billion in 2012.

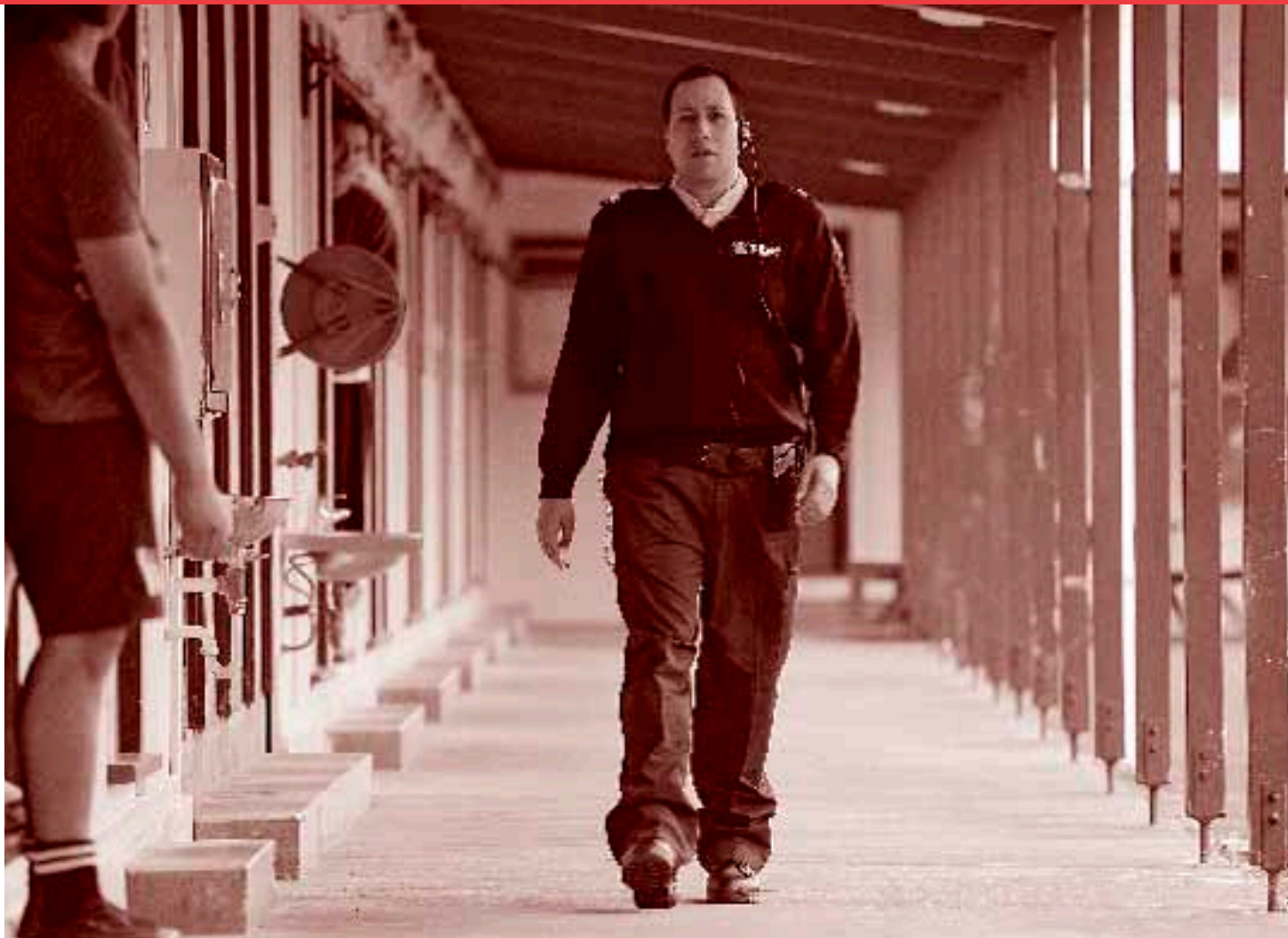
These figures are worrying. Firstly, the drop in youth employment training and support funding is confusing given the high youth unemployment rate sitting at about 23.4% in September 2011. The training and support programmes needed to help young people get into work are seemingly not being funded adequately. Additionally, it is positive that the Government has increased its spend on tertiary institutions. However, not all young people will enter into tertiary education. Māori and Pasifika numbers of young people attending tertiary institutions are increasing but are still low compared to other ethnic groups. These figures are further complicated when young people classified as NEET (not engaged in employment, education or training) are added to the mix. In September 2011, 16.4% of Māori youth and 13.7% of Pasifika young people were estimated as NEET.³⁸ The NEET rate currently sits at about 12% of our young people in New Zealand.³⁹

Conclusion

There is insufficient room here to discuss other key social and economic factors that affect the well-being of young people in New Zealand. What about the mental health and suicide rates of our young people? Is the transition from youth to adulthood effective and empowering for our youth? The Salvation Army will continue to look at some of these issues throughout 2012. It is enough to say that the state of our young people today is very uncertain. Yet there is still hope. There is always hope. We have the ability to adjust and change these social and economic conditions. We just need some boldness, some imagination ... and we need to remember that they are *our* young people.

Table 7: Youth drinking behaviours 2009–2010⁶⁰

Ages	MALES AGED			FEMALES AGED			ALL YOUTH
	12–14	15–17	18–24	12–14	15–17	18–24	12–24
Non-drinkers	88%	46%	11%	90%	49%	11%	39%
Moderate drinkers	7%	27%	45%	8%	25%	45%	31%
Binge drinkers	4%	27%	44%	2%	26%	44%	30%



A Corrections Officer in a low security unit at Rimutaka Prison.

Photography: Dominion Post, 1 September 2011

CRIME AND PUNISHMENT

Surveys of New Zealanders' experience of crime have consistently told us that less than half of crime is actually reported to Police. For example, the 2009 New Zealand Crime and Safety Survey showed that just 40% of offences were reported, including less than one third of assaults. This level of non-reporting makes it difficult to gain a full picture of criminal offending across New Zealand and of the harm caused by this offending. However, the consistency in levels and patterns of non-reporting across different surveys⁴⁰ suggests that the extent and nature of reporting and non-reporting of crime has changed little over the recent past. This consistency at least allows us to use statistics on reported crime as an indicator of overall levels of offending and victimisation, even though these statistics cannot be relied on to give us a full or accurate picture.

OVERALL CRIME

The data reported below suggests that levels of criminal offending across New Zealand are falling—even within categories of more serious crime.

Against this background of modest but encouraging declines in rates of criminal offending, we are continuing to see both an increase in rates of imprisonment and of other forms of punishment, and planning by Department of Corrections to increase prison capacity even further.

Headline Crime Rate Drops Again

There were 416,324 offences reported to Police for the year ended 30th June 2011, a 5.8% drop from the previous year and a 2.4% decline from five years previously in 2005/06. When we take account of population growth, these declines are even more encouraging. The overall rate of reported crime during the year to 30th June 2011 was 9482 reported offences for every 100,000 people, a 6.8% decline from the previous year's rate of 10,171 offences per 100,000 people. The 2010/11 outcome is 7.4% lower than five years ago and is, in fact, the lowest overall crime rate in over a decade.⁴¹

Police resolution of crime fell slightly during 2010/11 from 48.1% of all crime in 2009/10 to 47.3% in 2010/11, although as shown in [Table 8](#) the resolution rate for the most recent year remains significantly higher than five years ago in 2005/06, when it was 44.2%. This pattern of a slight decline in resolution rates between 2009/10 and 2010/11 is fairly consistent across most categories of crime. As in previous years, drug offences have the highest resolution rates at 92.0%, while burglaries have the lowest resolution rate at 15.2%—the lowest resolution rate for this type of crime in over a decade. These differences in resolution rates are often related to how the offences come to Police attention.

Figure 5: Rates of reported crime in New Zealand 2006–2011⁴¹

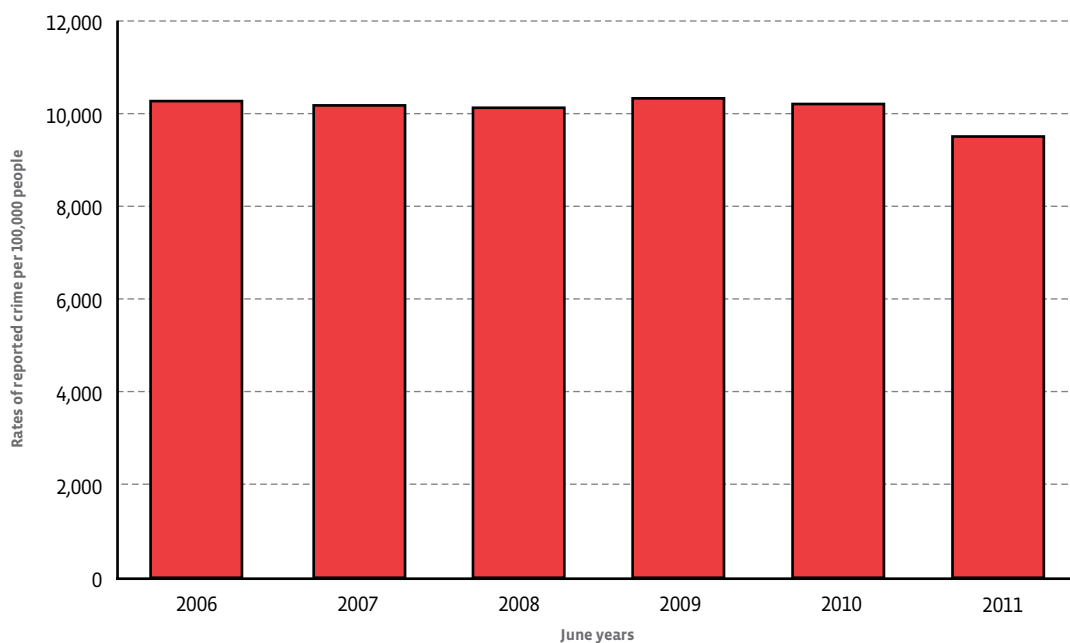


Table 8: Changes in crime resolution rates for selected offence categories 2006–2011⁴¹

Year ending June	2006	2010	2011
Acts intended to cause injury	83.5%	84.7%	83.7%
Sexual assaults and related offences	61.4%	60.9%	58.8%
Unlawful entry/burglary	16.3%	15.4%	15.2%
Thefts	46.2%	56.2%	55.8%
Illicit drugs offences	93.1%	93.0%	92.0%
Public order offences	85.9%	89.4%	88.8%
All reported offences	44.2%	48.1%	47.3%

SERIOUS CRIME

Serious Crime Rates Drop as Well

The number of serious violent crimes (homicide, assault, sexual offences and robbery) declined during 2010/11 for the first time in seven years. For the year to 30th June 2011, there were 49,775 violent offences recorded in New Zealand—a 3.3% drop from the 2009/10 record figure of 51,456 such offences. Correspondingly, the reported rate of violent offending also declined from 1184 reported offences per 100,000 population in 2009/10 to 1134 offences per 100,000 to 2010/11.

This recent decline is welcomed, although it should be seen against a background of significant increases in the numbers and rate of reported violence over the past five years as shown in [Figure 6](#). The 2010/11 rate of violent offending still remains 16% higher than in 2005/06 when the rate of reported violent crime was 978 offences per 100,000 New Zealanders. As discussed below, almost all of this increase in reported offending is on account of changing attitudes and responses to domestic violence.

Domestic Violence Levels May Have Peaked

There is no official measure of domestic violence. Although some data is collected by Police on call outs and offending which would commonly be defined as domestic violence, this data is not published. The nearest proxy we have for domestic violence is the number of reported violent offences that took place in dwellings, rather than in a public place or workplace for example. [Table 9](#) summarises

the distribution of violent offences between dwellings and other places for the past five years. This data shows that all the increase in rates of violent offending over the five years to 30th June 2011 have been as the result of increases in reported violent offending in dwellings. Over this period, levels of reported violence occurring in dwellings have increased by 43%, while such offending elsewhere has barely changed.

Over the 12 months to 30th June 2011, levels of reported violence in dwellings declined slightly by nearly 2% in volume terms, and by 6% in terms of rates per 100,000—from 690 reported offences per 100,000 people in 2009/10, to 672 per 100,000 in 2010/11. This decline should, however, be seen in the context of a significant increase in levels and rates of reported domestic violence from 2006 through to 2010. This increase coincided with the launch and roll out of the ‘It’s not OK’ social marketing campaign, aimed at raising awareness of domestic violence and changing attitudes towards it.

There are few viable ways of establishing whether or not the modest recent decline in reported levels and rates of domestic violence, or more precisely violence in dwellings, is due to declines in such violence or to a reversal in attitudes to reporting it. The continuation of the ‘It’s not OK’ campaign by Government is encouraging and essential, mainly because it is still too early and the recent trends are too fragile to support claims that the campaign has been successful enough to scale down just yet.

Figure 6: Rates of reported serious crime in New Zealand 2006–2011⁴¹

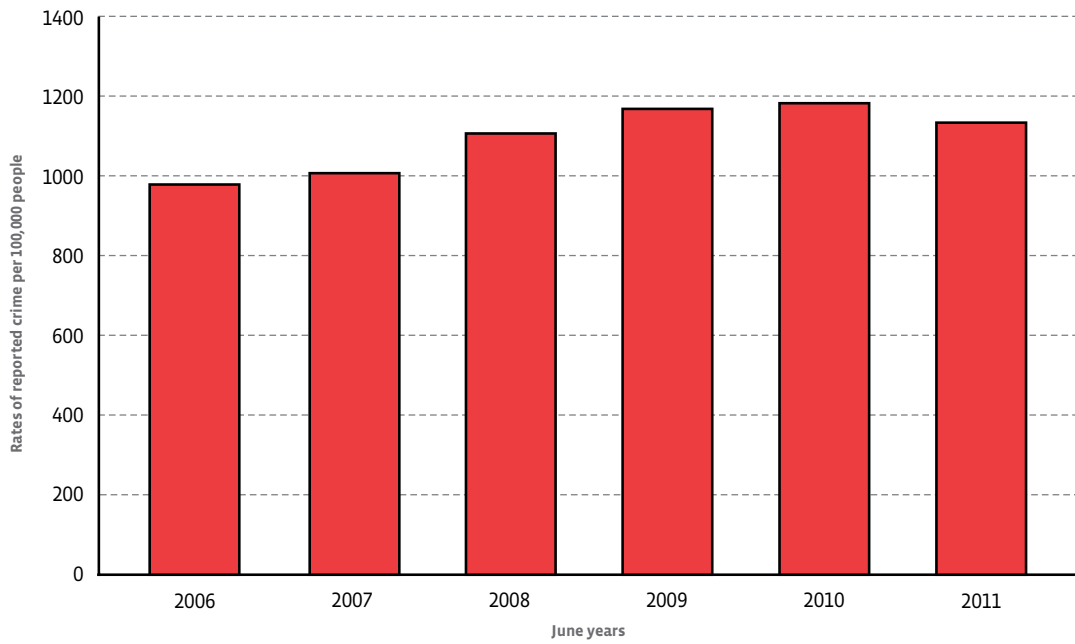
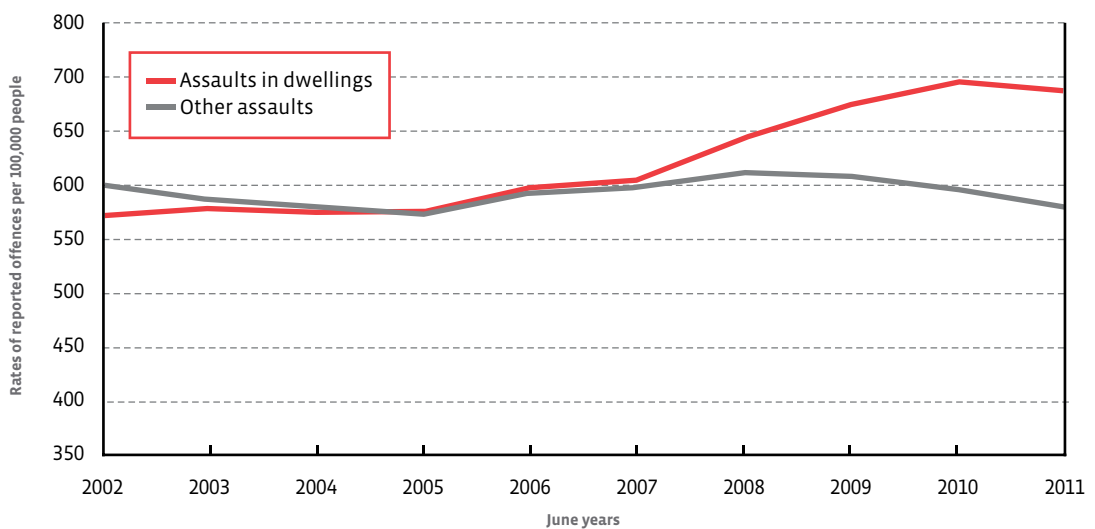


Figure 7: Rates of reported violent offences 2001–2011⁴¹



Regardless of reporting behaviours and attitudes, it seems reasonable to claim from the data provided in [Table 9](#) and shown in [Figure 7](#) that most—and perhaps all—of the recent increase in reported levels of violent crime is on account of increased reporting of domestic violence.

The fact is that our homes are the most dangerous place in New Zealand, and that victims of violence are far more likely to know their assailant than not know them. The characterisation of New Zealand by some in the media and by some law and order lobbyists as being an increasingly violent place, and that this violence affects people randomly is just not correct. If you do not live in a household where violence is commonly present and tolerated, then you are far less likely to be a victim of violence than someone who does.

The present focus on domestic violence by Police and by social marketing campaigns is warranted and should be continued until we are confident that domestic violence has declined permanently, and that most New Zealanders accept and understand that this violence is simply not OK.

SENTENCING AND IMPRISONMENT Rise in Community-Based Sentences

Community-based sentences continued to rise during 2010/11, although the rate of increase has slowed from previous years. Even so, the number of non-custodial sentences imposed during the year to 30th June 2011 is almost twice (86% more) than the

number handed down by courts five years previously in 2005/06. The number of home detentions commenced during 2010/11 was nearly three times (192% more) than the number handed down by courts five years previously in 2005/06. Overall, the rate of community-based sentences being imposed during 2010/11 rose slightly from 2059 sentences per 100,000 population in 2009/10, to 2070 sentences per 100,000 in 2010/11. Details of these trends are shown in [Table 10](#).

The characterisation of New Zealand by some in the media and by some law and order lobbyists as being an increasingly violent place, and that this violence affects people randomly, is just not correct.

Prison Numbers Hit New Record Again

Prisoner numbers and imprisonment rates set new records during 2010/11 for the fourth consecutive year, despite the falls in the volume and rates of reported crime. Some may argue that such an outcome is proof that the ‘get tough on crime’ stance of the current and previous governments is proof of the effectiveness of such a strategy. Evidence of what happens to prisoners within prison would suggest otherwise.

The average prison population in New Zealand prisons reached 8715 people for the year to 30th June 2011—a 3.6% increase over the previous year, and 19% more than five

Table 9: Estimates of domestic violence and its contribution to violent offending⁴¹

June years	2006	2007	2008	2009	2010	2011
Reported violent offences in dwellings	18,839	19,587	23,049	25,938	28,035	27,297
All reported violent offences	37,973	39,453	44,345	47,143	48,451	46,410
Reported sexual assaults in dwellings	1,739	1,792	1,783	1,889	1,932	2,195
All reported sexual assaults	2,722	2,784	2,667	2,794	2,874	3,227
Total all 'domestic violence' type offences in dwellings	20,569	21,379	24,832	27,827	29,967	29,429
Total all reported violence and sexual assault offences	40,695	42,237	47,012	49,937	51,325	49,637
'Domestic violence' as % of all reported violence and sexual assaults	51%	51%	53%	56%	58%	59%
Share of growth (2006–2011) in reported violence and sexual assaults attributable to 'domestic violence'						100%

Table 10: Community-based and home-based sentences 2006–2011⁴²

June years	2006	2007	2008	2009	2010	2011
Non-custodial community sentences	33,965	37,746	46,518	55,648	62,103	63,168
Home detention orders & sentences	1,293	1,517	2,736	3,175	3,472	3,774
Rate of community based sentences (per 100,000 people aged over 18 years)	1,170	1,285	1,587	1,871	2,059	2,070

years previously in 2005/06. The proportion of this population held on remand remained constant at just under 24%. The proportion of the prison population made up of Māori males also remained disappointingly constant at 51%—disappointing, given that Māori males make up just 7.5% of the total population.

This over-representation of Māori and of Māori males in New Zealand is, of course, represented in their much higher incarceration rates as shown in [Figure 9](#). The overall imprisonment rate for the total New Zealand population during 2010/11 was 198 prisoners for every 100,000 people, up 2.7% on the previous year and 13% higher than five years previously. Māori imprisonment rates remain over three times that for the non-Māori population at 655 prisoners per 100,000 for 2010/11, up from 645 per 100,000 in 2009/10 and from 581 per 100,000 in 2005/06. The imprisonment rate for Māori males is over five times that for non-Māori males. This gap has closed slightly during 2010/11, but mainly because the rate of non-Māori male imprisonment rose faster than that for Māori males.

RECIDIVISM

Re-Imprisonment and Re-Offending Rates Remain Constant

As in previous years, the rates of re-offending and re-imprisonment have remained disappointingly constant with the reported outcomes for 2010/11, showing no discernable trend of improvement or deterioration from previous years. This constancy is shown in the data provided in [Table 11](#).

Spending on prisoner employment, rehabilitation and reintegration rose marginally from \$122.5 million in 2009/10 to \$130.4 million in 2010/11—a 1.1% increase in inflation adjusted terms. This modest increase against a background of rising prisoner numbers has meant that the inflation adjusted average spend per prisoner declined slightly from \$19,579 per prisoner in 2009/10, to \$19,115 in the 2010/11. However, total spending on prisoner employment and rehabilitation was 43% higher in inflation adjusted terms in 2010/11 than five years previously in 2005/06, and 24% higher (adjusting for inflation) on a per prisoner basis.⁴³

Modest Increase in Corrections Budget

Total expenditure on Department of Corrections, including allowance for capital charges, rose 7.3% in nominal terms and 1.9% in inflation adjusted terms over the year to 30th June 2011 to \$1.14 billion. The cost to taxpayers of custodial services fell for sentenced prisoners during 2010/11 from \$86,745 per prisoner to \$81,589 in inflation adjusted terms, while the cost of incarcerating a remand prisoner rose from \$83,756 in 2009/10 to \$89,161 in 2010/11. The total cost of imprisoning a sentenced prisoner including the costs of prisoner employment and rehabilitation was \$100,700 in 2010/11—although this cost can be reduced to a net \$94,800 once some allowance is made for the revenue generated through prisoner employment.

Figure 8: Average prison population 2006–2011⁴²

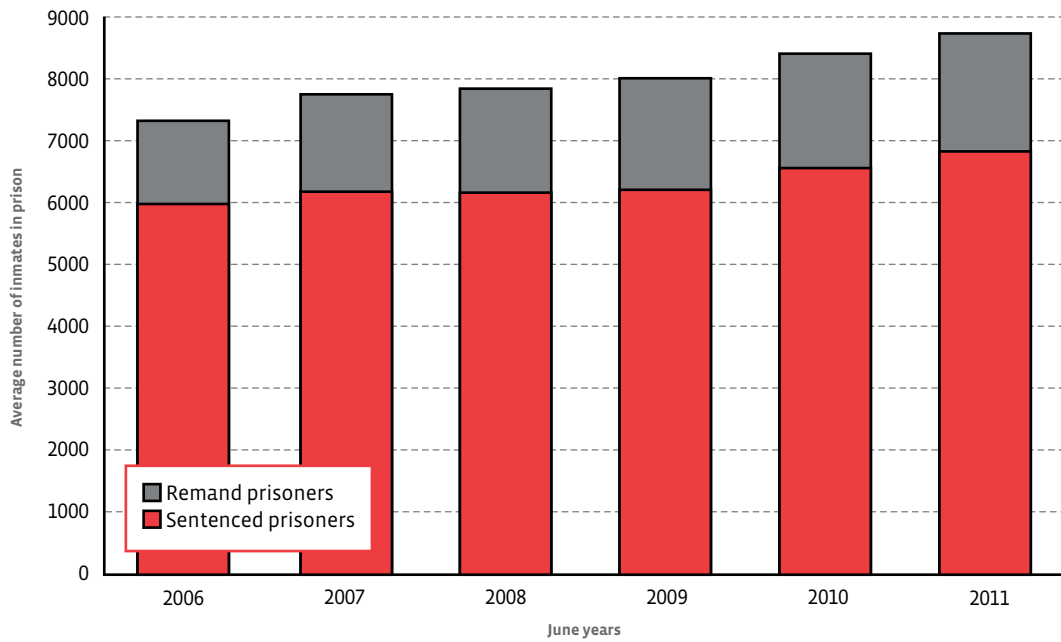
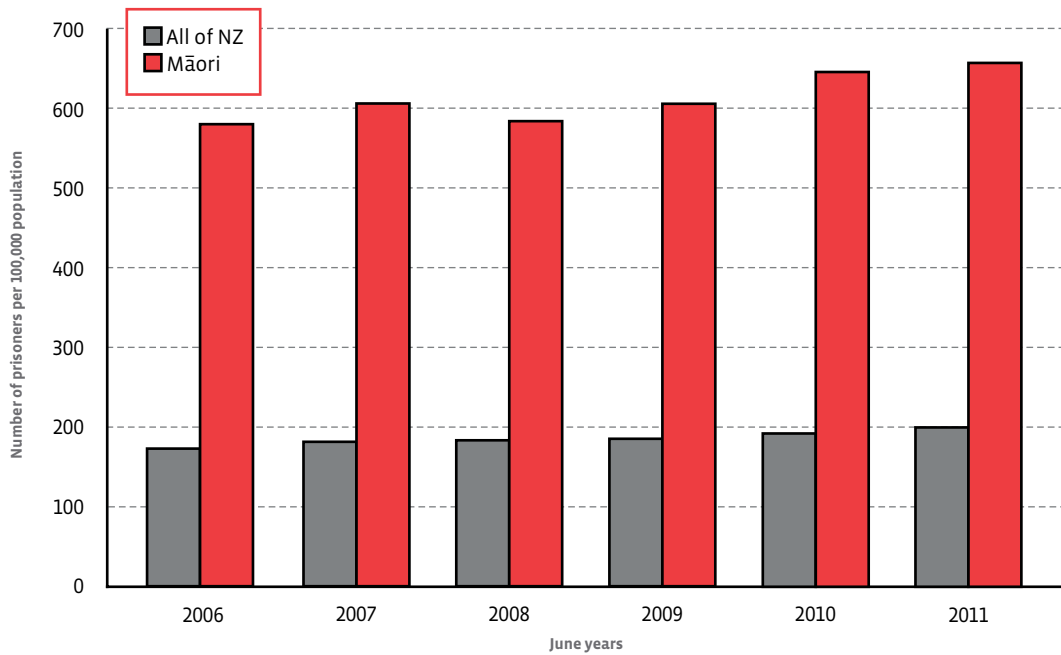


Figure 9: Rates of imprisonment 2006–2011⁴²



OUTLOOK

It is too early to tell if the recent declines in rates of criminal offending and, in particular, of violent offending is a turning point for New Zealand, or simply a short deviation from a long-term trend for increasing offending and the criminalisation of offenders. There is, however, reason for hope that improved policing practices and changing social attitudes are having a positive impact on levels of crime.

Some may argue that the more punitive approach to dealing with offenders, as witnessed by the rapid increases in incarceration rates and in the numbers of people serving home-based detention and community sentences, has contributed to a possible turnaround in crime trends.

Such a claim would be difficult to prove or disprove, and on any account avoids an important moral question about the desirability of maintaining such a punitive approach if rates of offending fall away permanently.

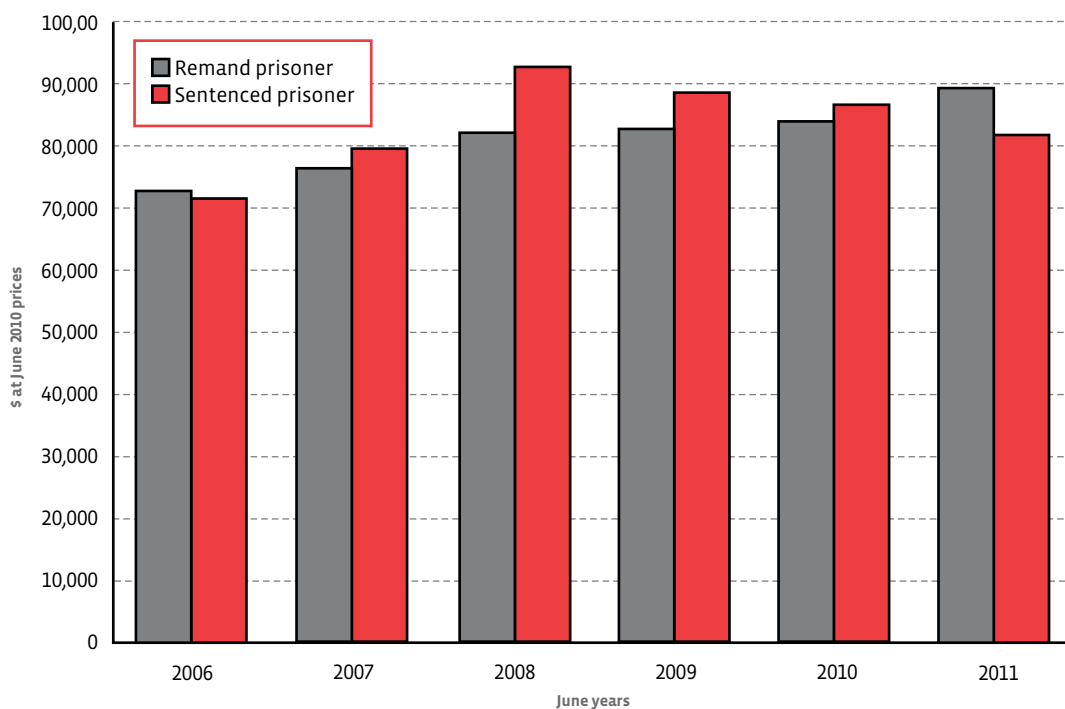
We may end up with a New Zealand that has larger and more populated prisons, and a more extensive and expensive penal system—but with no more crime than we had a decade ago. If rising rates of imprisonment are the direct result of increasing rates of offending, and not of some political bidding war to appear tough on crime, then we should also see declining rates of incarceration if and when the crime rate falls.

The next year or two may provide us with some indication of which crime and punishment path we are actually on as a society. Currently, Department of Corrections is planning for further expansion of prison capacity despite Ministry of Justice forecasts of a declining prison population.⁴⁴ New Zealand may end up with a ‘build it and they will come’ approach to punishment—that we lock people up simply because we have space in our prisons, not because they deserve to be locked up or because prisons address the causes of offending. If over the next year the prison population continues to grow in the face of lower levels of crime, we will have clear indication of what is really motivating our crime and punishment policies.

Table 11: Prisoner recidivism, and spending on rehabilitation and reintegration services⁴²

June years	2006	2007	2008	2009	2010	2011
TOTAL PRISON POPULATION						
12 month re-imprisonment rate	27.7%	27.6%	27.2%	27.6%	28.4%	27.1%
12 month prison to reconviction	41.1%	42.3%	43.5%	47.6%	47.5%	45.3%
24 month re-imprisonment rate	39.2%	38.8%	39.7%	36.8%	37.9%	39.2%
24 month prison to reconviction	56.4%	55.4%	57.6%	58.7%	61.9%	62.2%
MĀORI PRISON POPULATION						
12 month re-imprisonment rate	29.9%	31.2%	30.5%	31.0%	32.6%	29.7%
12 month prison to reconviction	44.9%	47.6%	47.9%	52.3%	52.2%	50.0%
24 month re-imprisonment rate	43.3%	42.5%	42.1%	41.5%	43.3%	44.0%
24 month prison to reconviction	61.5%	60.3%	62.4%	64.4%	68.2%	67.3%
SPENDING ON REHABILITATION AND REINTEGRATION SERVICES⁴²						
Total spend in June 2011 (\$ millions)	92.3	96.7	111.6	115.6	128.9	130.4
Spend per sentenced prisoner in June 2011 (\$)	15,431	15,626	18,160	18,569	19,579	19,115

Figure 10: Average per prisoner spend on custodial services (\$ in June 2011)⁴²



REPORT CARD: CRIME AND PUNISHMENT

OVERALL CRIME	<p>There has been a significant drop both in the total numbers of crimes reported and in the rate of reported offending, which is encouraging. Even so, the majority of crime still goes unreported. We have few reasons to believe that reporting behaviours have changed over one year to account for these recent declines. Resolution rates have fallen away slightly over the past year, although these remain much higher than five years ago.</p>	B
SERIOUS CRIME	<p>Aside from the uncertainty about changing reporting behaviours, especially for domestic violence, the recent decline in reported rates of violent crime is indeed encouraging. However, a one-year decline does not constitute a trend. Domestic violence continues to make up a large part of the violence picture in New Zealand, and it is a great shame that media commentary does not reflect this reality more often.</p>	B+
SENTENCING AND IMPRISONMENT	<p>It is probably too early to expect a decline in the numbers of prisoners and those on home detention, in the face of declining rates of reported crime. Such a decline should be apparent over the next 12 months, if our exploding prison population has been due to increases in violent crime. What is most discouraging is that the Department of Corrections continues to plan for a prison population of 10,300 prisoners, even though the Ministry of Justice is forecasting a population of 8,200. There is a real danger here that our prisons will be filled simply because we have them to fill—and not because this makes any economic or social sense.</p>	D
RECIDIVISM	<p>Once again, a dismal outcome from the public prison service. Despite Government rhetoric that there is now greater emphasis on reintegration and rehabilitation of prisoners, budgets have remained the same for the last three years and re-offending and re-imprisonment rates remain much the same.</p>	F



Junior Sheck, 19, struggled to find work after completing a one-year panelbeating course in June 2011.

Photography: Greg Bowker / New Zealand Herald, 4 August 2011

WORK AND INCOMES

The subdued economic recovery has created a tight labour market where jobs are hard to come by, especially for young people. This, in turn, has reduced pressure for any real growth in wages and salaries—meaning that incomes have remained fairly static for many households over the past two years. The tax changes introduced in late 2010 have now fed through into inflation rates and higher prices, and the compensating increases in take-home pay have been offset. A picture of more and more households struggling financially may be emerging.

EMPLOYMENT AND UNEMPLOYMENT **Credible Job Growth Against Even Stronger Workforce Growth**

The New Zealand economy provided a record number of 2.22 million New Zealanders with jobs in the fourth quarter of 2011. During the year to 31 December 2011, 35,000 additional jobs were created. Over the five years to 31 December 2011, the job market expanded by nearly 5%, or by 97,000 full and part-time jobs. Against a background of a global financial crisis, this performance is impressive and places New Zealand with an unemployment rate of 6.3%—in 12th place in the OECD unemployment stakes, between Israel and the Czech Republic. Australia is in 8th place with an unemployment rate of 5.2%.⁴⁵

The job market has expanded at more or less the same rate as the economy, dismissing fears of a jobless recovery. Since the end of the recession in the last quarter of 2009,⁴⁶ the economy has grown by a very modest

2.3%, while the number of full and part time jobs has grown by 2.9%. Over the five years to 30th September 2011, the number of jobs in the New Zealand economy has grown by 4.7%, while the economy itself has grown by just 3.2%. This suggests that there is some potential for economic growth into the future without the same level of matching employment growth, especially if labour productivity is to improve.

Against this background of modest but credible job growth, the labour force has expanded at a faster rate—leading to rising unemployment and perhaps rising under-employment. While over the five years to 31 December 2011 there were 97,000 additional jobs created, over the same period the number of working age people grew by 242,000. Participation in the labour market over these five years fell slightly from 68.3% to 68.2%. In a working age population of nearly 3.5 million people this lower participation rate means that there are 35,000 fewer people in the labour market. The overall effect of this expanding workforce was a rise in unemployment from an official rate of 3.8% in December 2006, to 6.3% in September 2011. If New Zealand is to return to the same level of unemployment as we experienced just before the global recession, there will need to be a further 90,000 jobs created, in addition to the extra 25,000 to 30,000 jobs required each year just to keep up with labour force growth.

The 35,000 jobs created during the year to 31 December 2011 more closely matched

Figure 11: Total employment in New Zealand 2006–2011⁴⁷

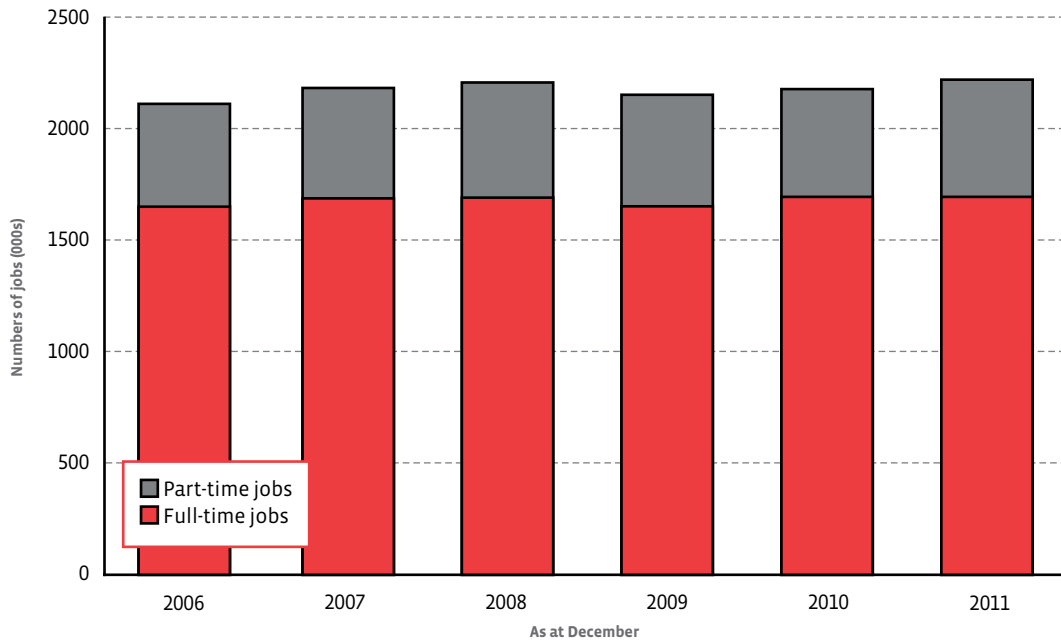
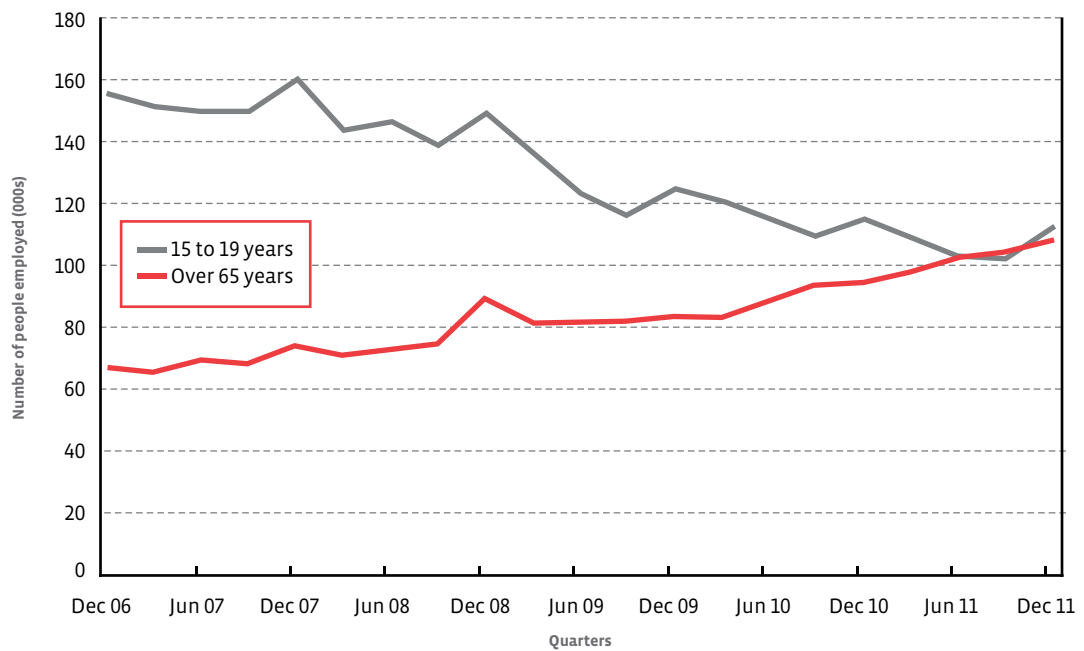


Figure 12: Employment of 15 to 19 year olds and over 65 year olds 2006–2011⁴⁵



the growth in the working age population, which expanded by 34,000 people over this period. During this 12 month period, labour force participation grew slightly from 68.0% in December 2010, to 68.2% in December 2011. The net effect of a slight rise in the labour force participation rate and modest job growth was a slight decline in the official unemployment rate, from 6.7% to 6.3%.

One of the most noticeable employment trends over the past five years has been the rapid growth in the labour force participation rate of people aged over 65. This rate has risen from 14.1% in December 2006, to a record 19.5% in December 2011. As discussed below and as shown in [Figure 12](#), this rising participation has been offset by falling participation of young people in the 15 to 19 year old cohort.

Unemployment Stabilises but Youth Unemployment Remains High

Unemployment appears to have stabilised during 2011 with all of the three commonly cited indicators showing small declines between December 2010 and December 2011, as illustrated in [Figure 13](#). The five year picture shows increases in unemployment of between 55% and 91%.

The official unemployment rate is based on data collected through the Household Labour Force Survey, undertaken quarterly by Statistics New Zealand. This rate is based on the number of people who are out of work and actively seeking a job. Those who are out of work and not deemed to be

actively seeking work but would take a job if a suitable one was available, are termed the 'discouraged unemployed' and not included in the official unemployment calculation as jobless. The third measure of unemployment is the number of people receiving an unemployment benefit from Work and Income.

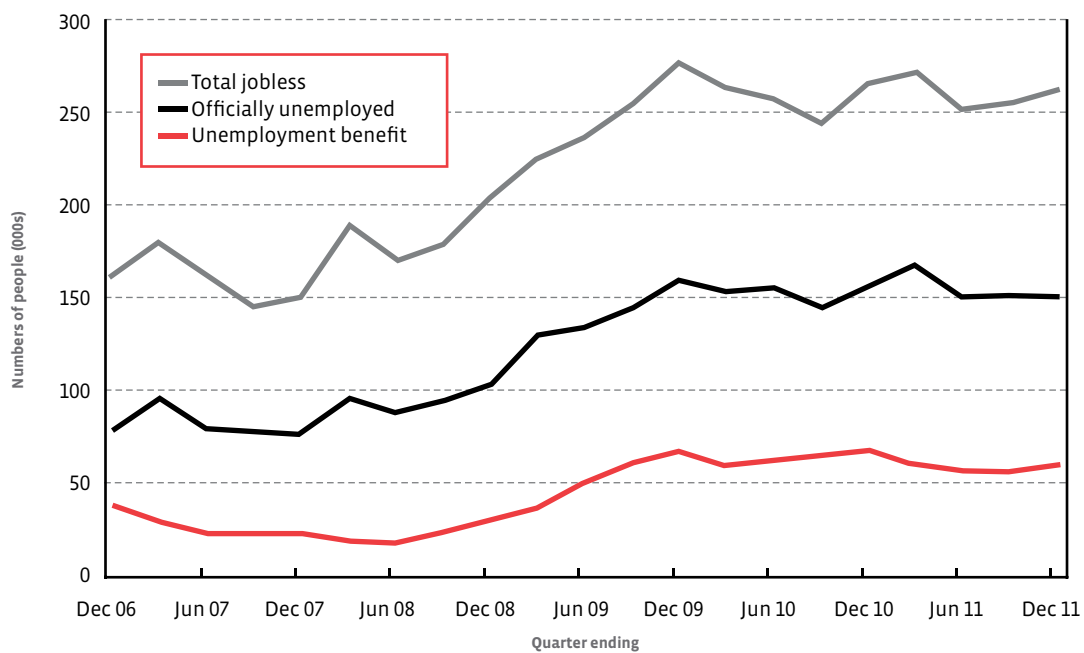
Young people aged between 15 and 19 have borne the brunt of the recession and tightening of the job market.

At the end of December 2011, there were 150,700 people categorised as being unemployed—3% less than a year previously, and 91% more than five years earlier in December 2006, when there were 79,100 people officially unemployed. A recession peak in unemployment numbers emerged in March 2011, when there were 166,700 people looking for work.

The male unemployment rate at December 2011 was 6.4% while the female rate was 6.5%. A year previously, these rates were 6.3% and 7.0% respectively. Pointing to the fact that women have picked up most of the mainly part time work available.

Māori unemployment remained constant at 13.4% between December 2010 and December 2011. In comparison, Pacific peoples' unemployment over the same period rose slightly from 13.6% to 13.8%. The European/Pakeha unemployment rate fell from 5.1% to 4.7%. Māori and Pacific people have been

Figure 13: Unemployment statistics 2006–2011⁴⁸



more heavily affected by job losses during the recession. The Māori unemployment rate rose from 7.2% in December 2006 to 13.4% in December 2011, with the total number of Māori people classed as unemployed rising from an estimated 16,700 people to 38,900 over this period. Between December 2006 and December 2011, the estimated unemployment rate for Pacific people rose from 6.8% to 13.8%, with the number of Pacific people officially classed as unemployed more than doubling from 7,200 to 18,200.

The Household Labour Force Survey reports that there were an estimated 261,300 jobless people in New Zealand in December 2011—4% less than a year previously when there were 265,100 jobless people. The 2011 figure for joblessness is 62% higher than in 2006, when in December of that year there were 162,000 people out of work.

Against these trends of small falls in levels of official unemployment and of joblessness, the number of people receiving the Unemployment Benefit fell 7% between December 2010 and December 2011 from 67,084 to 59,964. Back in December 2006, 38,796 people were being paid an Unemployment Benefit.

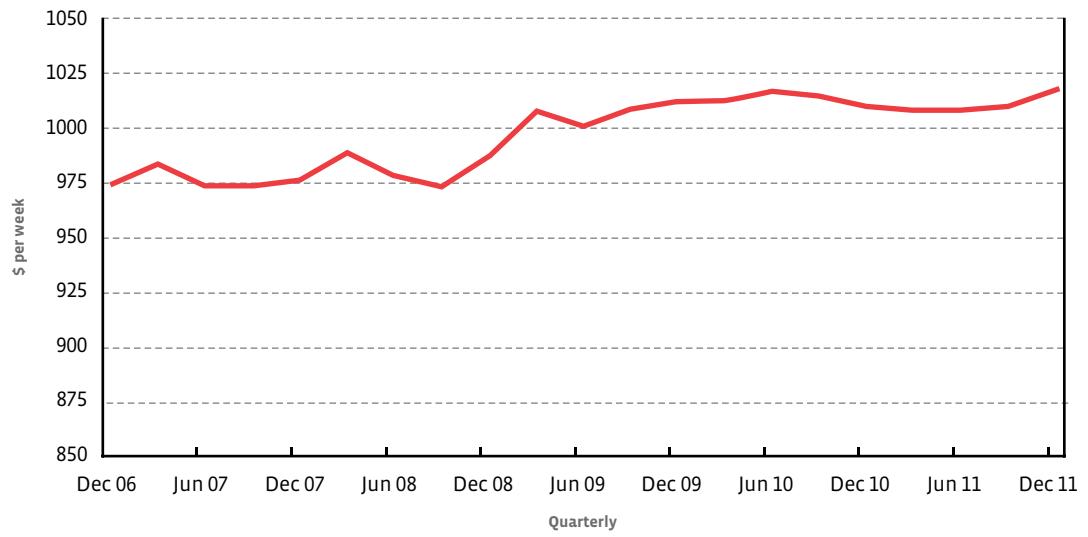
These numbers do not, however, present the full picture of additional benefit take-up as a result of the recession and subsequent sluggish recovery. During the early 2000s, as the economy and job market expanded, the numbers of people receiving the Domestic Purposes Benefit (DPB) declined

significantly—from a peak of around 111,000 in late 2003, to 96,000 in mid 2008. Since 2008, and as jobs became harder to get, this declining trend reversed. By December 2010, 112,365 people were receiving the DPB, rising to an all time record of 114,230 benefits in December 2011.

Young people aged between 15 and 19 have borne the brunt of the recession and tightening of the job market. As shown in [Figure 12](#) the numbers of 15 to 19 year olds in employment has dropped dramatically from more than 156,000 in December 2006, to 115,000 in December 2010, and to just more than 113,000 in December 2011—a 28% decline in five years. Consequently, the youth unemployment rate has risen sharply from 14.3% in December 2006, to 24.7% in December 2010, and 24.2% in December 2011. This rise in the official unemployment rate of 15 to 19 years olds is matched by an equally sharp decline in their labour force participation rate, from 58% in December 2006, to just under 48% in December 2011.

This decline in participation must be seen as a response both to the tighter job market from late 2008 onwards, as can be seen in [Figure 13](#), to more competition for jobs from older people choosing to remain in the labour market. If we compare labour force participation and unemployment rates between 2006 and 2011 more than 40,000 young people aged between 15 and 19 are missing from the labour market. What exactly has happened to them is a little unclear since

Figure 14: Average weekly wages 2006–2011⁴⁹



only about one third of these young people have remained at school. For example, in 2007 there were 279,297 students enrolled in New Zealand's secondary schools, of whom 92,994 were in Year 12 or 13. By 2011, the total number of students had risen by just over 7500 to 286,886 students with the number of students in Year 9, 10 or 11 falling by 4,150 students and the number of Year 12 and 13 students rising by 11,739.⁴⁹

Another significant feature of youth unemployment is the possible level of under-reporting. While the official youth unemployment rate may be reported in the Household Labour Force Survey as 24%, if the higher participation rates of 55% to 58% that were prevailing before the recession were applied, the youth unemployment rate would be between 35% and 40% which is close to rates emerging in many of the worst hit European countries such as Spain and Greece.

INCOME AND WAGES

No Growth in Wages and Salaries

Wages and salaries have not grown in inflation adjusted terms for the last two years. While they have risen in terms of actual dollars paid, these increases have been entirely offset by the effects of inflation.

Between December 2010 and December 2011 the average weekly earnings through wages and salaries rose a mere 2.6% from \$991.05 to \$1016.95. After taking account of annual inflation of 1.8%, the real value of this average weekly earnings figure rose by 0.8%.

In inflation adjusted terms, average weekly earnings were almost the same in December 2011, as they were in June 2010. Between 2006 and 2011, average weekly earnings rose 4.4% in inflation adjusted terms.⁵⁰ These changes are illustrated in [Figure 14](#).

Wage inequality may be increasing, although the shift from a long-term pattern is recent and may only be short term. The gap between the highest paid sector—the finance and insurance sector—and the lowest paid sector—the accommodation and restaurant sector—widened slightly in the second half of 2011. Average hourly earnings in the finance sector rose by \$1.01 per hour, from \$36.63 per hour in June 2011 to \$37.64 in December 2011. Over the same period, the average wage in the accommodation sector rose by just three cents per hour from \$16.40 to \$16.43 per hour. This has meant that in December 2011 the average hourly earnings of the highest paid sector was 2.3 times more than those in the poorest paid sector; while in December 2010 and in December 2006 this ratio was just under 2.2.

There has been no appreciable change in the earning gap between men and women over the past year. At December 2011, the average ordinary time hourly earnings of women was \$24.60, which was 87.1% of the average hourly earnings of men at \$28.24. A year earlier, women's hourly earnings were 87.7% of men's, while in December 2006, women's average hourly earnings were 85.7% of men's.

Figure 15: Benefit and pension numbers 2006–2011⁵¹

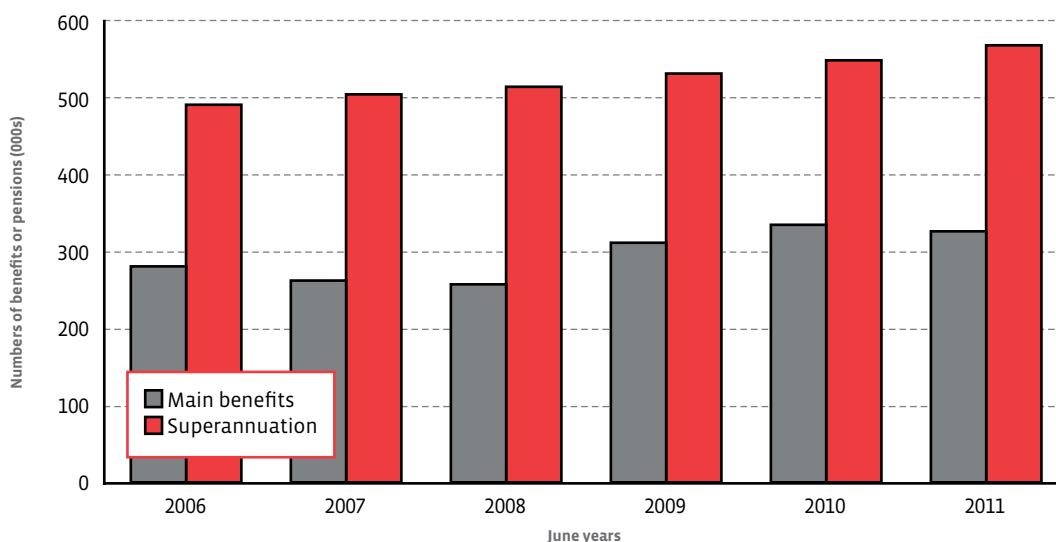


Table 11: Expenditure on major income support programmes 2006–2012⁵⁴

June years	2006	2007	2008	2009	2010	2011	2012 (budgeted)
NZ superannuation	6414	6810	7348	7744	8290	8830	9575
Accommodation supplement	843	877	891	989	1154	1197	1264
Income-related rents	399	440	474	512	522	553	587
Domestic purposes benefit	1493	1468	1478	1530	1693	1757	1895
Invalids benefit	1073	1132	1216	1260	1303	1306	1347
Sickness benefit	541	573	582	613	710	743	782
Unemployment benefit	712	613	458	586	930	943	1029
Working for Families	1285	1699	2460	2646	2763	2724	2735
TOTAL (\$ millions nominal)	12,760	13,612	14,907	15,880	17,365	18,053	19,214
TOTAL (\$ millions June 2011)	14,763	15,440	16,256	16,996	18,281	18,053	19,214

BENEFITS AND PENSIONS

Slight Fall in Main Benefit Numbers

The total number of income-tested benefits fell slightly during 2010/11, to 319,000 at 31st December 2011.⁵¹ This figure is 5,500, or 1.7% less than the 324,500 benefits being paid out at September 2010. Over the five year period, main benefit numbers have risen 21%, from a December 2006 figure of 264,500. Following their rapid increase during the recession, benefit numbers may have peaked when they reached more than 324,500 in December 2010. This peak was a seven-year high.

New Zealand Superannuation recipient numbers are not published on a regular basis as the main benefits are but it is estimated that approximately 568,000 people were receiving this payment in June 2011. This figure is three percent more than the 550,500 people receiving this transfer payment in June 2010.⁵²

The various forms of social assistance paid to New Zealanders reached \$18 billion for the 2010/11 financial year.⁵⁴ In inflation adjusted terms, this level of expenditure represents a slight 1.2% decline against 2009/10 spending levels, but is 22% higher than spending on social assistance in 2005/06. Most of this increased expenditure over the past five years came about through higher spending on New Zealand Superannuation, which accounted for 43% of the increase, and the Working for Families packages which accounted for 37% of the increase. Extra spending on housing assistance and on the main benefits each

contributed 10% to the increases between 2005/06 and 2010/11. The main reason for the real decline during 2010/11, appears to have been the diminishing value of Working for Family assistance, and below-inflation-rate growth in spending on the Invalids Benefit and on housing assistance as shown on [Table 12](#).

The Government's 2011 Budget anticipated that spending on these core social assistance programmes will reach \$19.2 billion annually by 30th June 2012. Allowing for inflation, this increase represents a 3.0% to 3.5% real increase over the 2010/11 expenditure. Nearly two thirds (64%) of this projected increase is from additional expenditure on New Zealand Superannuation, and just over one quarter (26%) is for spending on the main welfare benefits. Spending on welfare benefits is forecast to grow in real terms during 2011/12,⁵³ which suggests that Treasury might be expecting benefits numbers to rise again.

LIVING COSTS AND FOOD POVERTY

Food Poverty Levels Remain Stable

Food poverty levels, at least as experienced through demand for food parcels at Salvation Army foodbanks, appear to have remained relatively stable during 2011, with growth in demand of just 2%.

The Salvation Army operates a network of 59 Community Ministries centres across New Zealand, and through these centres offers food parcels to individuals and families in times when they are experiencing financial or personal stress. The administration of

Figure 16: Food parcel distribution by The Salvation Army 2006–2011⁵⁵

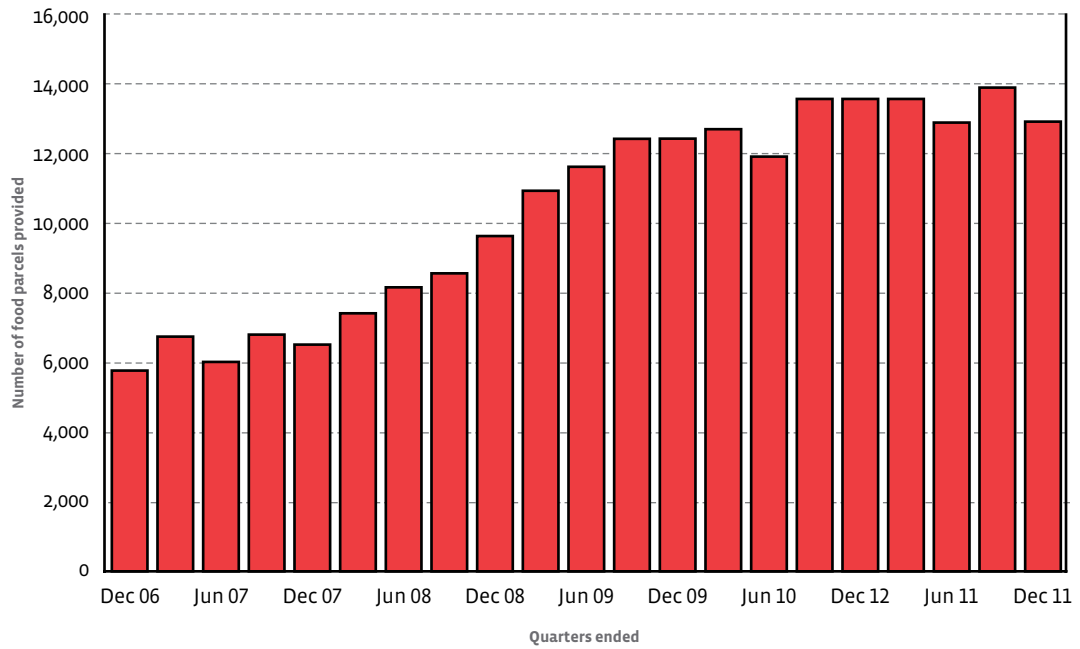
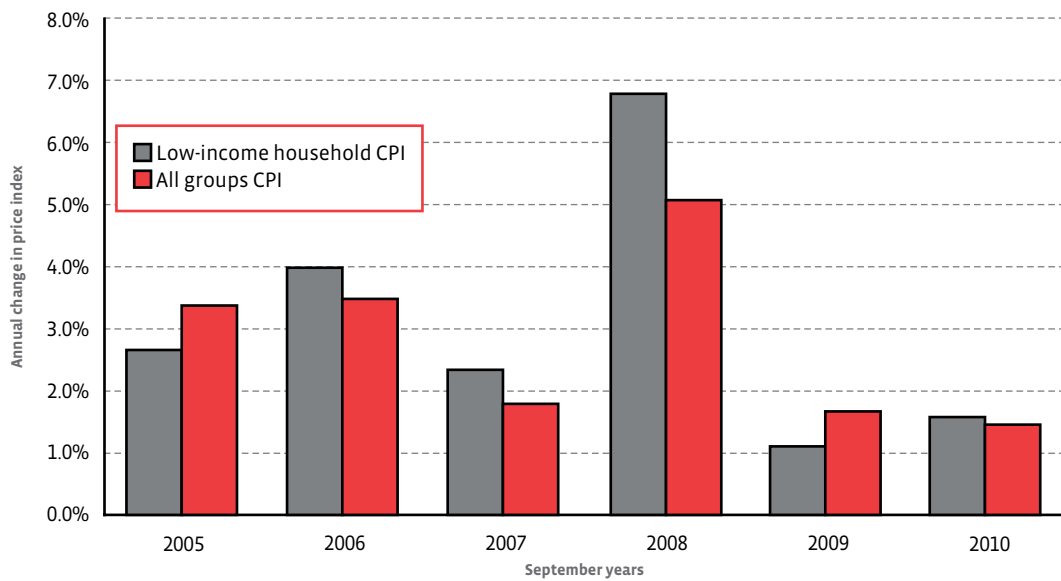


Figure 17: Low-income household CPI 2005–2010⁵⁶



this programme ensures that the underlying causes of this stress are addressed, such as through budgeting advice so that repeat requests for assistance are managed.

During 2011 (December year), The Salvation Army provided 53,360 food parcels to 29,000 families or individuals. This number of food parcels is 2% more than for 2010, when 51,780 parcels were provided to 28,500 families or individuals. The 2011 figure is more than twice that of food assistance offered in 2006, when 24,250 parcels were given out. These trends are illustrated in [Figure 16](#).

These figures do not include food parcels provided to people affected by the Christchurch Earthquake of 21st February 2011. Between that earthquake and the end of 2011, the Army distributed nearly 11,000 food parcels to earthquake victims, including over 500 parcels through North Island community ministries to people who left Christchurch after the destructive February earthquake.

Living Cost Inflation of 1.8%

The Consumers Price Index, or CPI, is commonly used to track changes in living costs. Because the various components of these living costs change prices at different rates and at different times, it is necessary to grade or weight these components in terms of their importance to a typical household budget. This typical household budget is generally based on a middle income household, so may have components in it which are not purchased by low income

households—or at least not in the same proportions. Examples would be spending on rents or holiday travel.

To gain an alternative picture of what may be happening to the living costs of low income households, The Salvation Army's Social Policy and Parliamentary Unit has developed a simple Low-Income Household Consumer Price Index. This Index tracks the living costs of typical families living in rental property and on modest incomes. It uses the various components of Statistics New Zealand's 'All Group' Consumer Price Index, but attaches different weights to these components in order to gain a picture of low-income households' cost of living. A comparison of the 'All Groups' CPI and the 'Low Income Household' CPI is provided in [Figure 17](#).

Inflation of living costs for the year to 31 December 2011 was marginally higher for Low-Income Household CPI at 2.1% than it was for the All Groups CPIs which came through at 1.8%. These inflation figures represent living costs changes for a full year past the GST hike of September 2010. Both measures of living cost inflation showed slight drops during the September 2011 mainly on account of lower fresh food prices. Total inflation over the past five has been 15.2% for the All Groups CPI and 16.8% for the Low Income Household CPI. This difference is due to higher inflation for low income households' living costs during the period 2006 to 2008, as shown in [Figure 17](#).

OUTLOOK

It will be a real challenge for the economy to continue to generate sufficient jobs to meet the demands of a growing labour force, especially given the recent dynamic of people delaying retirement and remaining in the workforce beyond their 65th birthday. Young people continue to bear the brunt of the recession and slow recovery, and in the present political climate it seems unlikely that much will be done to address this.

There is a real prospect that levels of unemployment could rise during 2012, and if this occurs there is unlikely to be any growth in the value of wages and salaries especially for the poorest paid. Inflationary pressure remains a threat, especially in the rental housing market, and there is a real chance that living standards for poorer tenant households could begin to slip over the next 12 months.

REPORT CARD: WORK AND INCOMES

EMPLOYMENT AND UNEMPLOYMENT	
<p>Job growth has proven to be quite robust given the very slow economic recovery. The unemployment figures are not, however, telling the whole story. This is especially true of the way youth unemployment is being disguised by falling participation rates, and in the way our unemployment is being exported to Australia through outward migration.</p>	C
INCOMES AND WAGES	
<p>The absence of any real growth in the value of wages and salaries is disappointing but hardly surprising, given the subdued state of the economy and job market. There are some emerging signs of growing income inequality, but it is too early to tell if very recent changes are part of a longer term trend.</p>	D
BENEFITS AND PENSIONS	
<p>The small decline in benefit numbers should be taken at face value, as an indication of improving employment prospects for the most vulnerable workers. There is, however, something of a discrepancy between the decline in Unemployment Benefit numbers and stable unemployment numbers from the Household Labour Force Survey. The recent decline in benefit numbers may be more the result of changing administrative rules than of improving employment prospects. Changes in benefit numbers and/or queues outside foodbanks should indicate which of these scenarios is playing out.</p>	C
LIVINGS COSTS AND FOOD POVERTY	
<p>There is no evidence to suggest that the living costs of low-income households are changing any faster or slower than high or middle income households. The growth in the provision of food parcels has tapered off following two years of alarming growth, but it is important to remember that The Salvation Army's provision of food aid to poor families and households has more than doubled in just five years.</p>	C



Kevin Hix, owner of the QF Tavern on Queen Street, Auckland, made a submission to the alcohol reform select committee. He says he can buy beer cheaper in the supermarkets than he can buy it direct from the breweries.

Photography: Natalie Slade / New Zealand Herald, 3 March 2011

SOCIAL HAZARDS

There are a small number of social activities that have the potential to cause people harm, but that many people engage in because they find these activities enjoyable. Such activities can be categorised as social hazards because of the risks involved and because the activities are condoned by society as a whole, or by large numbers of people within a society. The most common social hazards are the consumption of alcohol and drugs, and gambling. These particular activities have characteristics that can impair our judgment and alter our behaviour, and that can make their use addictive. The harm caused by such behavioural change and addiction impacts not just on those doing the activity, but those around them including their family and neighbours. On account of the potential harms from these activities, most societies impose social controls around them—ranging from custom and state regulation, to the criminalisation of the activity. The extent and effectiveness of such controls are ongoing issues of public debate, and it is for this reason that these social hazards are important public policy questions.

This chapter considers changes in three social hazards—alcohol use and misuse, the use of illicit drugs, and gambling.

ALCOHOL

Alcohol Availability Hits 20 Year Record

The availability of alcohol for consumption has reached a 20 year record both in terms of total volumes, and on a per capita basis.

Driving this increase has been the rapid growth in the availability and, presumably, the consumption of spirit-based alcopops.

During the year to 30th September 486 million litres of alcoholic beverage was either produced locally or imported, and made available for consumption. This volume of beverage was 12 million litres or 2.5% more than was available during the previous year, and 30 million litres or 6.6% more than five years previously, for the year ending 30th September 2006.⁵⁷

The 486 million litres of alcoholic beverage available during 2010/11 contained 34.5 million litres of alcohol, an increase of 1.2 million litres or nearly 4% more than for the previous year. The availability of pure alcohol for human consumption grew by 4 million litres or by over 13% during the five years to 30th September 2011.

The availability of alcohol for consumption has reached a 20 year record

Alcohol availability on an adult per capita basis grew by 4% between 2009/10 and 2010/11 (September years), from 10.1 litres of pure alcohol for every New Zealander aged over 18 years, to 10.4 litres. This level of per capita availability of alcohol has not been reached since 1991. Changes in the per capita availability of alcohol over the past five years are indicated in [Figure 18](#).

Figure 18: Per capita availability of alcohol for consumption 2006–2011⁵⁷

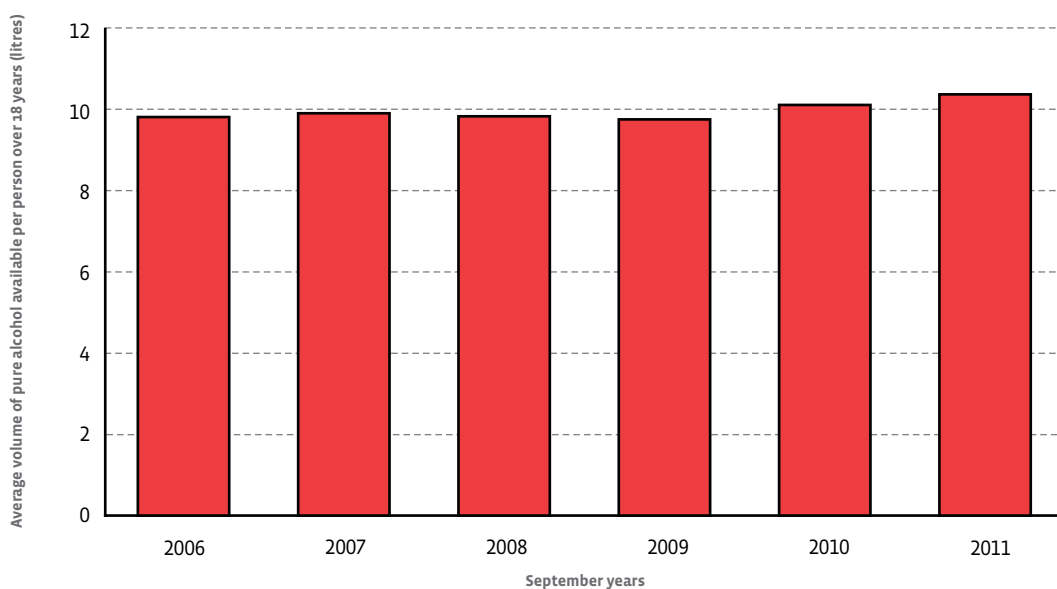


Table 13: Summary of New Zealanders drinking behaviours 2006–2009⁶¹

Year ending June	2005/06	2006/07	2007/08	2008/09	2009/10
ADULTS (18 years +)					
Non-drinkers	15%	12%	14%	13%	16%
Moderate drinkers	61%	62%	61%	62%	63%
Binge drinkers	21%	23%	24%	26%	21%
Days drinking per month (mean)	8.7	8.9	8.8	8.9	8.8
Number of drinks consumed (mean)	5.2	5.4	5.9	6.2	5.9
YOUTH (12–17 years)					
Non-drinkers	47%	48%	48%	50%	68%
Moderate drinkers	61%	62%	61%	62%	17%
Binge drinkers	23%	25%	25%	25%	15%
Days drinking per month (mean)	2.5	3.1	2.9	2.5	3.2
Number of drinks consumed (mean)	5.4	6.1	5.6	6.5	7.3

This recent growth in the availability of alcohol is most likely due to a boom in consumption of lower strength spirit-based drinks⁵⁸ commonly known as alcopops or RTDs. During 2010/11 availability of these drinks grew 11% from just under 60 million litres for the year to 30th September 2010, to just over 66 million litres for the year to 30th September 2011. For the five years to the end of September 2011, availability and—presumably—consumption, of lower strength spirit-based drinks grew by nearly 36%, or by just over 17 million litres. Nearly half (47%) of the increase in the availability of alcohol during 2010/11 is probably due to increased consumption of RTDs/alcopops, as well as 40% of the growth of such availability over the past five years (to 30th September 2011). In more tangible terms, the increase in consumption of RTDs/alcopops during 2010/11 of 6.6 million litres, translates to an extra consumption of 20 million 330ml cans or bottles of these beverages, or the equivalent of six cans or bottles for every New Zealander aged over 18.

Some Encouraging Signs of Changing Drinking Behaviour

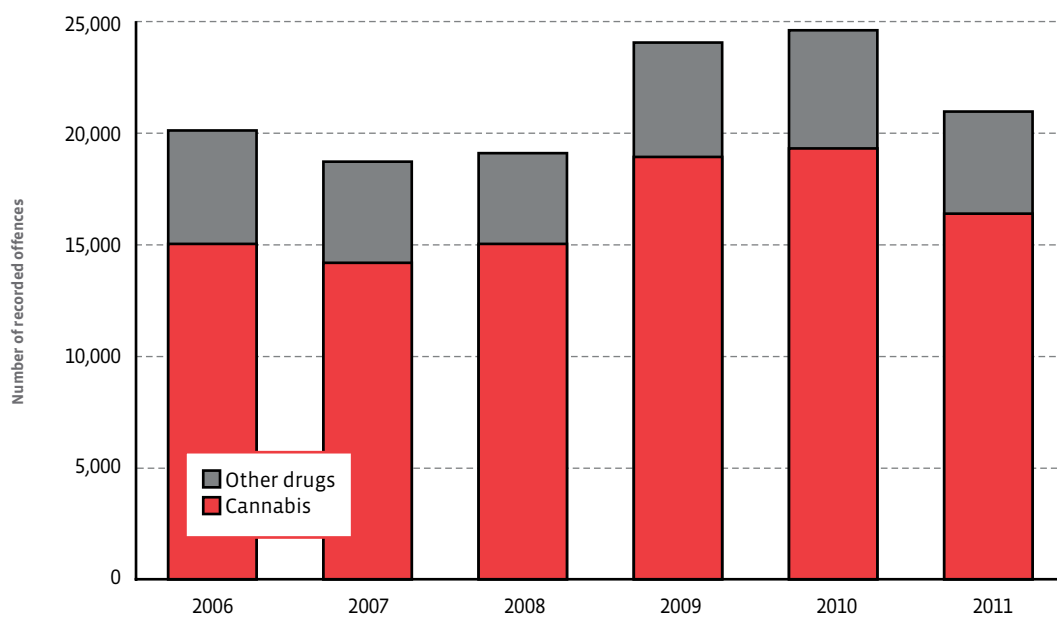
New Zealanders' drinking behaviours are monitored regularly through a survey conducted by Research New Zealand for the Alcohol Advisory Council, or ALAC. The most recent survey was published in January 2011, and covers surveys undertaken during 2009 and 2010. Some key findings from this survey alongside data from previous surveys are provided in [Table 13](#).

Overall, the 2009/10 survey report⁵⁹ suggests that little has changed in the drinking behaviours of New Zealanders over the intervening year since the previous survey, except that the number of adults (aged over 18) identifying themselves as non-drinkers rose from 13% in 2008/09 to 16% in 2009/10—a change which the report's authors claim is statistically significant. Other changes that can be identified by comparison of 2009/10 and 2008/09 figures in [Table 13](#) are not statistically significant, on account of changes in some definitions of drinking behaviours between the two surveys. This is the case with the apparent improvements in the drinking behaviours of youth (12 to 17 years olds), which the report's authors claim are not significant.

Other reported behaviour changes that the 2009/10 report suggests are statistically significant include a reduction in the proportion of adult drinkers who got drunk on their last drinking occasion, from 18% to 13%, and a reduction in the proportion of adult drinkers who planned to get drunk on their last drinking occasion, from 10% to 7%.⁶⁰ While these declines are encouraging, they virtually mirror reverse changes between 2007/08 and 2008/09, so can be seen as catching up on lost ground.

Prosecutions for drink-driving offences declined by 5% between 2009/10 and 2010/10, from 33,111 prosecutions during the year to 30th June 2010 to 31,359 prosecutions for the following year. This decline is against a

Figure 19: Reported drug crime 2006–2011⁶⁶



background of the same level of surveillance effort by Police—who conducted 3.26 million breath tests of drivers during both 2009/10 and 2010/11. These outcomes suggest that the level of detected offending for driving under the influence of drugs and/or alcohol is around 1% in 2009/10 and 2010/11. This is small improvement over the offending rate of 1.1% during the year ended June 2009. In that year there were nearly 35,000 prosecutions for drink-driving offences, against a background of 3.16 million breath tests.⁶²

Within this scenario of reasonably low and declining rates of prosecution for drink-driving, it is important to appreciate the extent of damage caused by those who do drive under the influence of drugs or alcohol. In 2010, 30% of drivers killed in road accidents had blood-alcohol readings in excess of the legal limit, compared with 28% in 2009 and 25% in 2005.⁶³ In 2009, drivers being under the influence of alcohol and drugs contributed to 138 or 36% of road deaths, and 2319 or 16% of road accident injuries. Five years before, in 2004, the comparable statistics suggest that there were 135 deaths or 31% of all road fatalities caused by drunk or drugged drivers and 1899 or 14% of road accident injuries.⁶⁴

DRUG-RELATED CRIME

Reported Drug Crime Dives

The most recently published report on New Zealanders' drug use suggests that almost half of adult New Zealanders, or over 1.2 million people, had used cannabis at some time in their lives; that perhaps one in

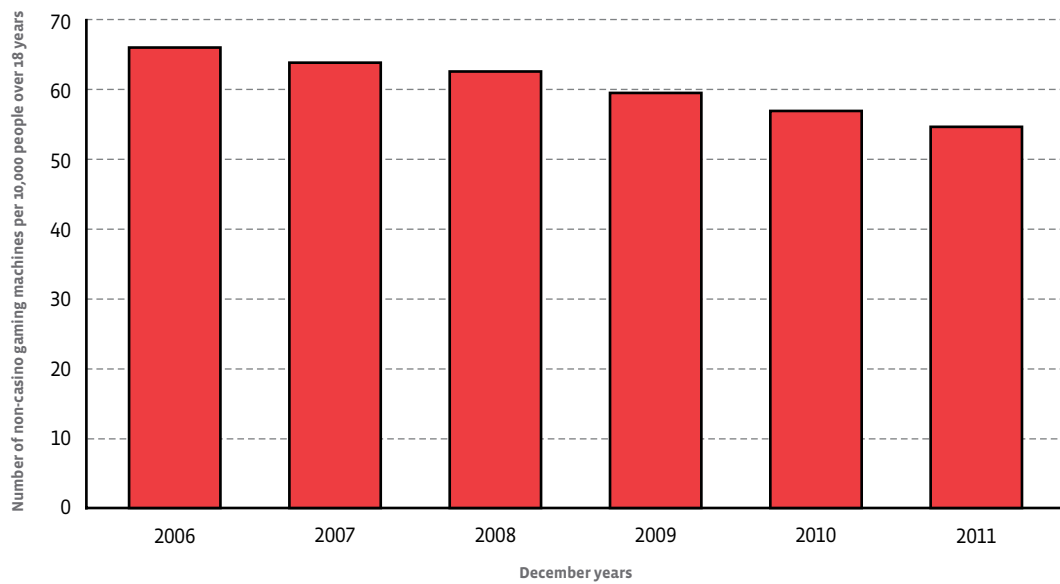
seven adults had done so in the 12 months preceding the survey, and that as many as 150,000 New Zealanders use cannabis on a weekly basis.⁶⁵ Against such evidence, any data on reported drug offences is clearly a 'tip of the iceberg' picture since the vast majority of drug offences go undetected and are probably quite minor on any account.⁶⁷

Unlike most crime which relies on the victim of the crime to report it to Police, drug crime relies heavily on Police initiative. This means that the changes in levels of reported drug crime may simply reflect changing Police priorities, rather than changes in how or how much New Zealanders use illicit drugs.

The data shown in [Figure 19](#) on the numbers of reported drug offences may reflect a changing emphasis by Police. This data shows a sudden expansion in reported drug crimes, and especially of cannabis-related offences during 2008/09, followed by a decrease during 2010/11. During 2008/09, cannabis-related drug offences rose over 25%, from just over 15,000 such offences recorded during the year to 30th June 2008, to nearly 19,000 recorded offences the following year. But [Figure 19](#) also shows a rapid decrease in the number of cannabis-related offences during 2010/11, from just more than 19,000 offences to just under 16,500—similar to pre-2010 figures.⁶⁶

Recorded offences for non-cannabis drug offences declined from 5280 for the year to 30th June 2010, to 4507 for the following year. However, the numbers of such offences have been quite volatile year on year so it is probably too soon to tell if this recent decline

Figure 20: Prevalence of non-casino gaming machines 2006–2011⁶⁸



indicates any longer-term change or shift.

There is some data which suggests that while the work of Police and Customs to reduce the availability of drugs is not succeeding, the problem is not getting worse either. For instance, the availability of methamphetamine was reported to have reduced slightly between 2009 and 2010, although its availability overall between 2006 and 2010 had not identifiably changed. Similarly, the availability of cannabis is not reported to have changed appreciably over the same period.⁶⁷

GAMBLING

Gambling Losses Decline Further

New Zealanders' spent just over \$2 billion on legal forms of gambling over the year to 30th June 2011. Before taking account of inflation, this amount is 5% more than the \$1.915 billion spent during the previous year; but in inflation adjusted terms the amount lost during 2010/11 is more or less the same as during 2009/10. The 2010/11 expenditure is 12% less in inflation adjusted terms than the amount of spending on gambling in 2005/06.⁶⁸

In per capita terms these declines in spending on gambling are more significant. During 2010/11 adult New Zealanders lost an average of \$604 per person in gambling, compared with a per person average loss of \$614 in 2009/10. Five years previously, the average per adult spend on gambling was \$637. The peak in per capita spending on gambling over the past decade was in 2003/04, when the average per adult spend was \$677, before adjusting for inflation. In inflation adjusted terms, these

changes more substantial. In terms of 2011 dollar values, average spending on gambling declined by 1.5% between 2009/10 and 2010/11, and by 18% over the five year period. In 2011 dollar values, the average spend per adult was \$737 in 2005/06, and \$838 in 2003/04.

Beneath these gradual and more or less consistent declines are the changing fortunes of the various forms of gambling in New Zealand. Over the past five years, the general pattern of change has been for declining spending on Class 4 gaming machines—so-called 'pokies'—and for a modest increase in spending on lotteries such as Lotto. Between 2005/06 and 2010/11, total gambling losses on Class 4 gaming machines declined from \$906 million to \$856 million, and in per capita and inflation adjusted terms from \$338 per adult in to \$258.⁶⁹ Over the same five year period, spending on lotteries conducted by the New Zealand Lotteries Commission rose from \$321 million (2005/06) to \$424 million (2010/11), and in per capita inflation adjusted terms more modestly from \$120 per adult to \$128 per adult. Over the past five years, spending on racing and sports betting through the New Zealand Racing Board has declined by 7% in inflation adjusted terms, while casino gambling losses have declined by 21% in inflation adjusted terms.

The continuing decline in losses on Class 4 gaming machines is mirrored in the declining prevalence of these machines across New Zealand's neighbourhoods and towns. In December 2011, there were 18,133 Class 4

gaming machines in New Zealand's clubs and pubs, nearly 3% fewer than in December 2010 when there were 18,681 machines. This recent decline continues a trend dating back to mid 2003 when there was a peak of 25,221 non-casino gaming machines operating in New Zealand.⁶⁸ In December 2006 there were 20,518 non-casino gaming machines in New Zealand, 13% more than in December 2011.

These declines are shown in [Figure 20](#) for the period between December 2006 and December 2011. In December 2011, there were 55 Class 4 gaming machines for every 10,000 New Zealanders aged over 18. A year previously there were 57 machines per 10,000 adults, and five years previously there were 66 machines per 10,000 adults.

It would, however, appear that the decline in the numbers of non-casino gaming machines is partly due to the Christchurch earthquakes. In December 2010 there were 1736 gaming machines in Christchurch city and a further 193 in the neighbouring Waimakariri district. By December 2011, these numbers had fallen by 286 machines in Christchurch (to 1450 machines) and by 23 machines in Waimakariri (to 170 machines). In other words, just over half of the overall decline in gaming machine numbers during 2011 was on account of the closure of venues in Christchurch and neighbouring towns.

There is mixed data on indicators of the harm caused by gambling. For example, statistics on the numbers of people contacting the gambling Helpline point to

a significant decline over the period 2006 to 2010 (December years). Over this period, the number of people contacting Helpline declined 18% from almost 16,000 people to just under 13,000. The number of people actually receiving assistance from the service declined 38% from 8380 in 2006 to 5171 in 2010. This data also shows that three quarters of those contacting the Helpline reported problems with their use of Class 4 gaming machines.⁷⁰

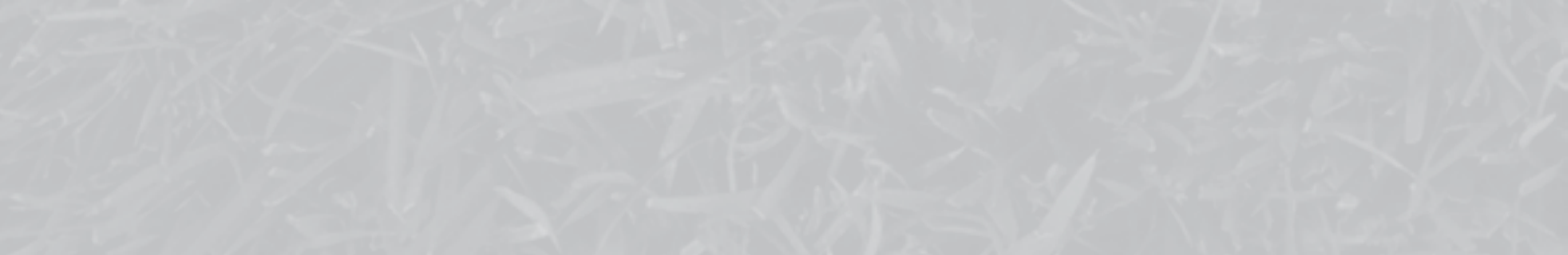
Against these declines, other Ministry of Health data on take-up of problem gambling treatment services point to a rapid growth in the number of people receiving treatment. Between 2005/06 and 2009/10 (June years) the number of people receiving some form of treatment grew three fold from 3774 people to 13,470. Over this period, the number of people receiving more than just a brief intervention doubled from 3,384 to 6,534.⁷¹ Awareness of and access to these services depends significantly on Government's budget priorities, so it might be difficult to draw a strong conclusions of any trend from this data.

OUTLOOK

The recent and rapid increase in alcohol availability and consumption is a cause for some concern as we may see the impact of this over the next year, through such indicators as violence and road accidents. However, from the data presently available it appears that some progress is being made in changing attitudes toward the use and misuse of alcohol. Progress to date is fragile and limited, so the extent to which recent increases in alcohol consumption can be absorbed without generating unwanted social outcomes remains to be seen. The Alcohol Reform Bill may be passed into law during 2012, but it is unlikely to have much impact on the way liquor is sold in the short term and perhaps even in the longer term.

The battle against drugs and, in particular, non-cannabis drugs is not being won; progress here will depend in part on the emphasis given to this task by Police, as well as the financial support given to addiction treatment programmes both in prisons and in the community.

New Zealanders' attraction to gambling is waning a little and is not likely to pick up again in the near future. This is especially so for Class 4 gambling. The gradual and consistent decline in the numbers of non-casino gaming machines may slow or reverse over the next year, as Christchurch's reconstruction begins and gaming sites there are re-established; and if the Auckland Council decides to lift the policy of a sinking lid on machine numbers, which has applied in some parts of Auckland for several years.



REPORT CARD: SOCIAL HAZARDS

ALCOHOL	
<p>The recent rise in levels of alcohol consumption and especially of RTDs/alcopops is a cause of some concern, if only for the downstream risk that such consumption runs especially for younger drinkers. Offsetting this, there are some indicators of slowly improving attitudes towards alcohol—although there still remains huge room for improvement.</p>	C-
DRUG-RELATED CRIME	
<p>The recent decline in rates of recorded drug crime is to be welcomed. While these falls may be more a reflection of changing Police priorities than of declining levels of offending, there are some indications elsewhere that overall levels of drug use are not getting worse.</p>	C
GAMBLING	
<p>The ongoing decline in the numbers of Class 4 gaming machines is encouraging, as this will limit the harm such machines can do in many poor neighbourhoods and towns. Other forms of legal gambling are also proving less popular—other than Lotteries Commission lotteries which remain popular with a broader audience who are probably not as at-risk of problem gambling.</p>	C+



The Tomasi family (from left) Penisi (mum), Meleofa (2), Teu Ki Falelupe (7), Misinale (dad) and Janai (4) originally lived in an overcrowded two-bedroom Housing New Zealand property but moved into a four-bedroom house through the Healthy Housing Programme.

Photography: Natalie Slade / New Zealand Herald, 29 April 2011

HOUSING

The housing market continues to tread water with minimal improvements in affordability, small but encouraging declines in housing-related debt, and a continuing slump in new building and new investment in housing. A year ago there was some hope that the policy shifts brought about through the report of the Shareholders' Housing Advisory Group would begin to offer some change. However, the resulting changes have been delayed and have not altogether been benign. Government and local councils appear unwilling or unable to acknowledge the extent of the housing problem New Zealand is facing, despite warnings from independent agencies.⁷² The necessary emphasis on rebuilding Christchurch has tended to take the focus and any political pressure off the problems of the growing housing shortage in Auckland, and on the need for a far more radical review of housing policy than has been attempted over the past decade.

HOUSING AVAILABILITY

Auckland's Housing Shortage Continues to Worsen

By one estimate, Auckland has had a deficit of over 16,600 houses over the past five years, and this has worsened by 3,600 houses over the last year (to 30th September 2011). This estimate is based on a straightforward assumption that for housing conditions to not get worse, the average household size should remain around its present level, which at the 2006 Census was three people per household. Over the past five years, Auckland

has grown by an estimated 115,000 people, yet consents have been issued for just under 22,000 dwellings—a ratio of one dwelling for every 5.6 people. By comparison, Tauranga City—New Zealand's sixth largest city—has a population of 115,000 people and a housing stock of around 43,500 dwellings. Details of housing and new house building trends for Auckland and New Zealand are provided in [Table 14](#).

Government and local councils appear unwilling or unable to acknowledge the extent of the housing problem New Zealand is facing, despite warnings from independent agencies.

Tangible evidence of the housing shortage in Auckland remains elusive, however. A recent survey of over 1000 households in South Auckland, undertaken by The Salvation Army's Social Policy and Parliamentary Unit, indicated that while relative problems of overcrowding persisted, these had become no worse than at the time of the 2006 Census.⁷³ Salvation Army Community Ministries and other social service agencies anecdotally report increasing numbers of families seeking help who are literally homeless, but there is no firm data on the extent of this problem or the degree to which it has worsened over the past one or two years.

Changes made by Housing New Zealand during 2011 in the way it categorises housing

Table 14: Population change and new house building 2007–2011⁷⁴

Year ending September	2007	2008	2009	2010	2011
NATURAL INCREASE					
Auckland	15,442	15,704	15,384	15,721	15,448
Rest of New Zealand	18,774	19,708	19,094	19,218	17,106
All of New Zealand	34,216	35,412	34,478	34,939	32,554
NET MIGRATION					
Auckland	7778	5897	9796	8262	5968
Rest of New Zealand	531	-1494	7247	5652	-5195
All of New Zealand	8309	4403	17,043	13,914	773
OVERALL POPULATION GROWTH					
Auckland	23,220	21,601	25,180	23,983	21,416
Rest of New Zealand	19,305	18,214	26,341	24,870	11,911
All of New Zealand	42,525	39,815	51,521	48,853	33,327
CONSENTS FOR NEW DWELLINGS					
Auckland	6381	4982	3303	3707	3477
Rest of New Zealand	19,686	15,975	10,313	12,585	10,685
All of New Zealand	26,067	20,957	13,616	16,292	14,162
ADDITIONAL POPULATION FOR EACH NEW DWELLING					
Auckland	3.6	4.3	7.6	6.5	6.2
Rest of New Zealand	1.0	1.1	2.6	2.0	1.1
Auckland's share of New Zealand's population growth	55%	54%	49%	49%	64%
Auckland's share of New Zealand's new dwelling consents	24%	24%	24%	23%	25%

need and accepts applications for housing assistance have not made it any easier to use state house waiting lists as an indicator of acute unmet housing need. To some degree, the social allocation system for determining access to state houses had been manipulated by Housing New Zealand for some time prior to these recent changes. This manipulation appeared through the use of the social allocation system as a rationing tool rather than as a needs assessment one and perhaps ensured that waiting lists especially for high needs applicants did not grow. In addition, certain groups of people—particularly young, single people—are generally not within Housing New Zealand’s sphere of interest, so their homelessness largely goes unmeasured and unrecognised.

Over the past decade, Auckland’s population has grown by nearly 25,000 people each year and this growth has contributed to just over half of New Zealand’s population growth. Sixty percent of Auckland’s growth has come through natural increase, and 40% through migration. Typically, Auckland has contributed just under half (45%) of New Zealand’s natural increase and two thirds of our net migration increase. Allowances for internal migration have not been taken into account in these figures, mainly because there is no way of measuring this outside of censuses. It is, however, likely to be the case that the net internal migration flows are now out of Auckland, although these will be relatively minor and in the order of 1000 to

2000 people per year—most of whom will be older than the average local population.

This pattern of population change is expected to continue for the next decade or two,⁷⁵ although this pattern is heavily dependent on future migration patterns as shown in [Table 14](#). This uncertainty notwithstanding, the general pattern over the past decade, and most likely over the forthcoming decade, is that Auckland will require around 7000 new dwellings each year to accommodate population growth, and a further 1000 to 2000 to replace housing lost through the re-development process, or simply replaced due to age or fire. As indicated in [Table 14](#) this target has not been close to being reached since 2007, and over the past three years Auckland’s housing deficit has been growing at around 80 to 100 houses per week.

There is also some evidence of a small but growing housing shortage in several other New Zealand cities as well, including Hamilton and the adjacent Waikato district, Palmerston North and perhaps Wellington city, with some spill over to Lower Hutt city. The total shortfall across these three urban areas is possibly around 1500 to 2000 houses over the past three years.⁷⁶

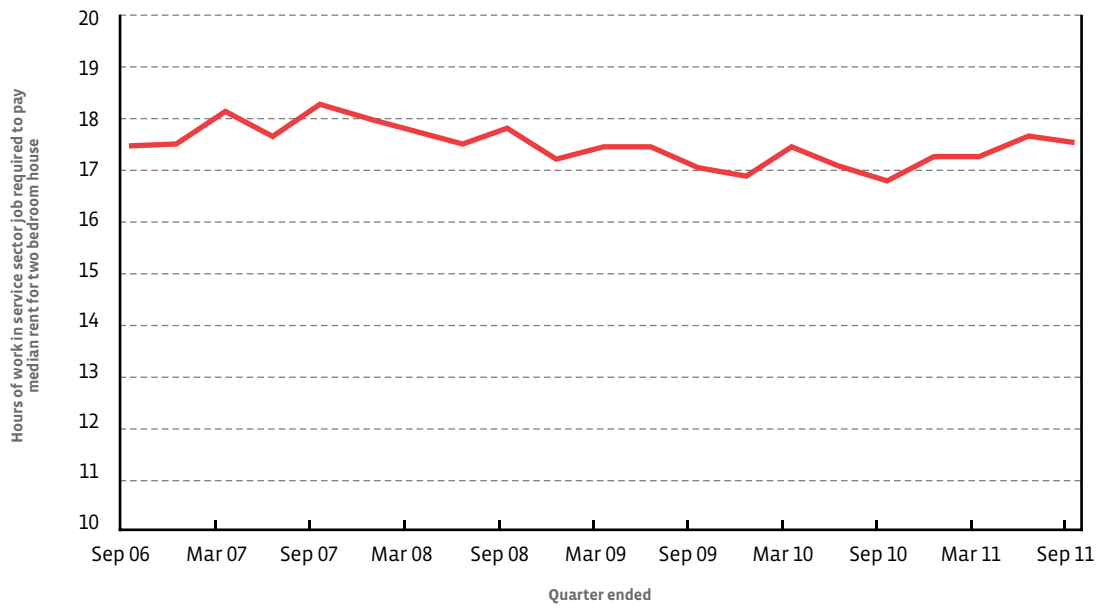
HOUSING AFFORDABILITY

Minimal Shifts in Housing Affordability

Housing affordability changed very little during 2011, with rents keeping pace with wages and house prices remaining stable relative to household incomes.

Figure 21: Rent affordability 2006–2011⁷⁷

Hours of work required to rent a two bedroom house



An indicator of rent affordability, which has been used in past State of the Nation reports, is a comparison of before-tax wages received by a low-paid worker and the rent that worker may have to pay to occupy a two bedroom house. This indicator is expressed as the number of hours a worker in the service sector would have to work in order to pay the New Zealand wide average rent for a two bedroom house. Trends in this indicator are shown on [Figure 21](#).

Rent affordability has not changed at all over the 12 months to 30th September 2011, and indeed over the previous five years. It has consistently cost 17 to 18 hours of work at the average ordinary time hourly wage paid to a worker in the accommodation/restaurant sector, in order to pay the average rent on a two bedroom house.

Other indicators of the relationship between wages and rents show a similar trend.⁷⁸ This is hardly surprising given the fact that rents are generally paid out of current household income, so the extent of this income will determine the extent of rent that a tenant household can afford to pay.

An interesting indicator of recent changes in the rental housing market is the ratio of house prices to rents. A recent Reserve Bank report suggests that since the height of the housing boom in late 2007, rents have risen relative to housing prices—although the ratio of house prices to rents still remains 30% higher than it did at the beginning of the last decade.⁷⁹ Such a shift is consistent with the

trends shown in [Figure 22](#), which illustrates the relationship between incomes and house prices. Clearly, if rents move with wages, which have risen faster than house prices, then rents will move faster than house prices as well.

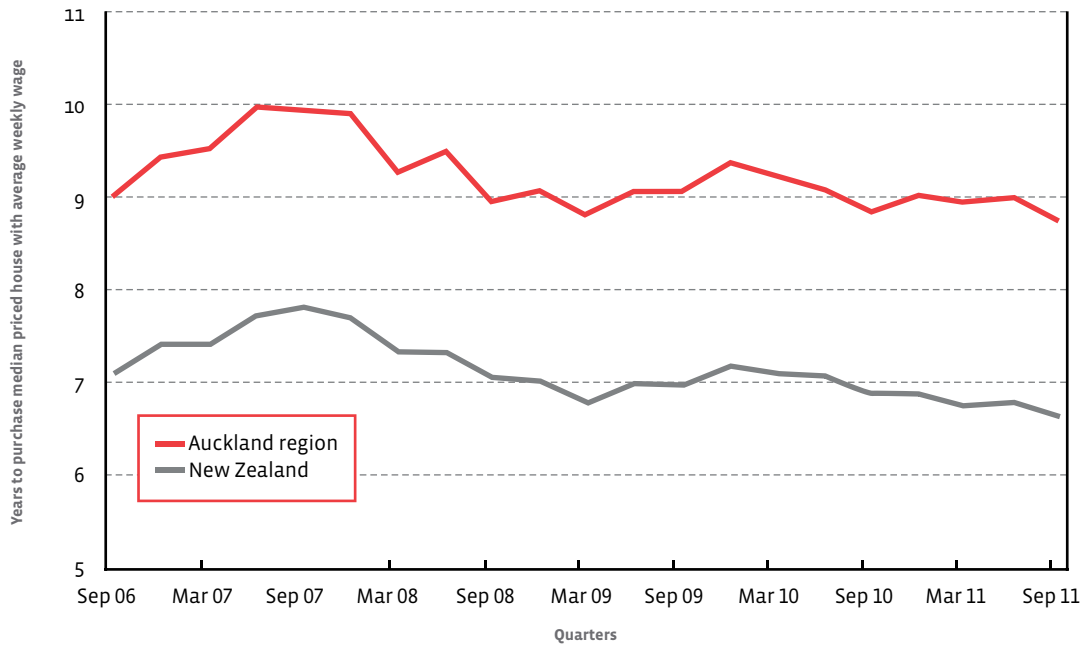
This is encouraging news for the rental housing market, as it begins to make further private investment in rental housing more viable. There is, however, a long way to go before the fundamentals of the rental housing market return to the settings of the 1990s and early 2000s, when New Zealand appeared to have a more sustainable private rental housing market. Such a shift would require rent increases of 30% without any further rise in house prices,⁸⁰ which at this stage seems unlikely.

[Figure 22](#) shows recent changes in the affordability of house prices relative to wages and salaries, have changed little. In September 2011 it would have taken 6.6 years of work at the average weekly wage/salary to purchase the median price New Zealand house, and 8.8 years if you wanted to live in Auckland. A year before, these periods were 6.9 years for New Zealand and 8.9 years for Auckland. In September 2007, at the height of the housing boom, the median-priced Auckland house would have taken 9.9 years of the average wage or salary to purchase, and the median priced New Zealand house would have taken 7.8 years.⁸¹

Another contributor to housing affordability is the cost of servicing mortgage debt, and some housing affordability indicators

Figure 22: Housing affordability 2006–2011⁸¹

Years to purchase median-priced house



incorporate this cost as well as incomes and house prices. Such indicators show more substantial improvements in housing affordability.⁸² These improvements are mainly due to the historically low mortgage interest rates,⁸³ which are themselves due to the subdued economy and the Reserve Bank's interest rate settings. Housing affordability indicators that incorporate interest rates can be quite volatile as they will vary as frequently as interest rates, and by doing so can mask longer term trends.

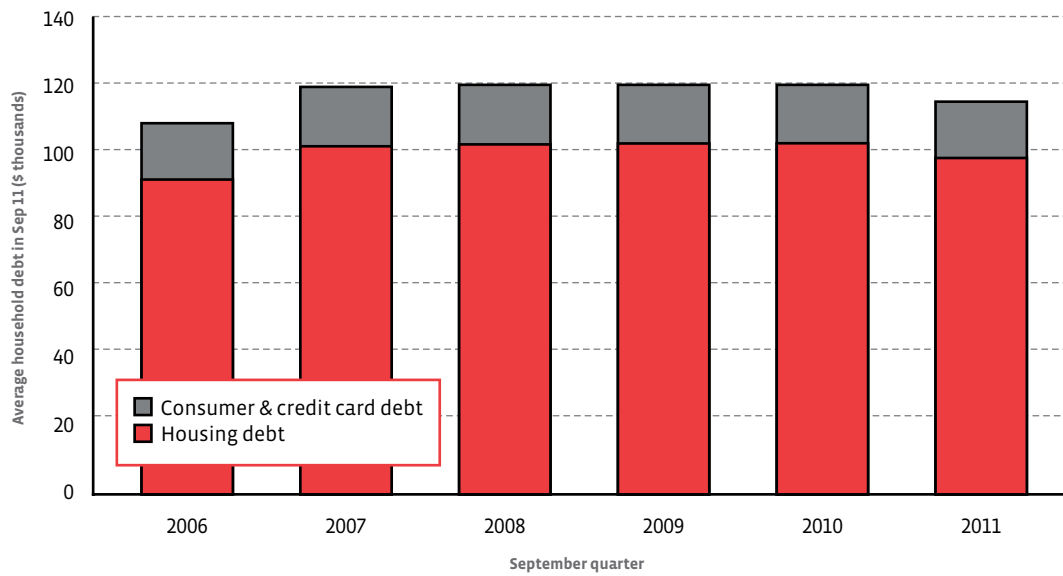
A further indicator of housing affordability is offered through Statistics New Zealand's annual Household Economic Survey. This survey shows a picture of declining housing affordability since the end of the housing boom. For example, the survey reports that between 2007 and 2011 housing costs as a proportion of household income have risen, albeit somewhat erratically, from 15% to 16% across all of New Zealand, and from 16.5% to 18.8% in Auckland. Given the volatility of some of the reported household incomes in this survey it would be unwise to read too much into these trends at this stage.

The Household Economic Survey also reports on the distribution of various levels of housing costs across owner-occupied and tenant households, although results are only published from the 2008, 2009 and 2011 surveys. This data shows housing affordability improving between 2008 and 2009, but worsening again to 2008 levels by 2011. The data shows both that tenant

households are under greater financial stress due to housing costs than are owner-occupying households, and that the position of tenant households may be getting relatively worse. For example, in 2008, 8.6% of owner-occupying households were paying more than 40% of their household income toward housing costs, while at the same time 22% of tenant households were. By 2011, the proportion of owner-occupying households paying in excess of 40% of household income toward housing had declined to 6.9%, while the proportion of tenant household paying more than 40% had increased to 22.9%. This meant that between 2008 and 2011, while 3000 fewer households were paying 40% or more of their incomes in housing costs, 15,000 more tenant households were doing so. Most likely, this increase is due to higher job losses among tenant households.

It is not, however, the proportion of your income spent on housing that necessarily indicates your economic well-being, but rather, the amount of money you have left after having paid for your housing. High income households, for example, may be inclined to spend a higher proportion of their income on housing because of the benefits offered by more expensive housing. There is some evidence elsewhere of this.⁸⁴ The problem for tenant households here is that they are generally poorer than owner-occupying households.⁸⁵ This suggests that more often, tenant households will have fewer dollars to spend on other living

Figure 23: Average household debt 2006–2011⁸⁶



expenses after having paid for housing than will owner-occupying households, who may be paying the same proportion of their household income in housing costs.

HOUSEHOLD DEBT

Households Begin to Tackle their Debt Problems

New Zealand households are busy paying down housing debt in what can be seen as an historic change in behaviour. While total housing debt rose slightly during 2011, when inflation and population growth is taken into account, real average household debt fell by 4%.

At the end of September 2011, New Zealand households owed \$172.7 billion in housing debt and a further \$17 billion in consumer and credit card debt. A year earlier, New Zealanders owed \$170.5 billion in housing debt and just less than \$17 billion in consumer and credit card debt. If inflation is taken into account, total household debt declined by 3.3%—the first decline in at least 20 years. On a per household basis, average household debt dropped by 4% in real terms, to stand at \$115,000 per household at 30th September 2011. On an inflation adjusted basis, average household debt in September 2011 is still nearly 6% more than it was five years before,⁸⁶ as shown on [Figure 23](#).

New Zealanders' new saving habit actually began shortly after the beginning of the global financial crisis in late 2007. For the five years prior to this, between late 2002 and

late 2007, New Zealanders borrowed heavily to finance bigger or extra houses, as well as household goods. Over this five year period we borrowed 77% of household disposable income⁸⁷ and saw total housing-related debt more than double from \$76 billion to \$154 billion.⁸⁸ As a result the proportion of New Zealanders' wealth held in housing increased from 89% in 2002 to 97% in 2007. The proportion of household wealth held in housing remained at 97% at the end of 2010.⁸⁹ The OCED's 2011 Economic Survey of New Zealand provides an excellent and sobering account of the economic consequences of this heavy emphasis on housing and housing investment.

OUTLOOK

There does not appear to be any game breaker that will shift New Zealand's housing market and housing policy settings. New Zealand has not received the same drastic fall in house prices as Europe and the United States, mainly on account of our fairly robust employment situation and because of the relief offered to heavily indebted households through historically low interest rates. These factors do not, however, mean that the problems of over-priced housing and over-indebted households have gone away—but simply that there has not been pressure until now for a radical adjustment.

It would appear that the immediate fortunes of our housing market depend heavily on the fortunes of our largest trading partners Australia and China. New Zealanders have weathered the economic storm from the global financial crisis well because of the strength of the Chinese economy, and the resulting mineral boom which has sustained the Australian economy. A buoyant Australian economy has a direct link back to housing demand in New Zealand through the ongoing migration to Australia; over the past five years a net 135,000 New Zealanders have migrated to Australia. If these fortunes change, the picture for employment and housing in New Zealand could change radically and quickly.

Outside of such a shock, it would appear that we will remain on our gradual adjustment path of slow declines in real house prices, as inflation and income growth rise faster than any nominal house value increase, and as retirement of debt continues by households that can afford it.

This gradual adjustment path will not, however, address the emerging housing shortage in Auckland, or the looming problems in the private rental market that the Productivity Commission has highlighted. The Government's pre-occupation with rebuilding Christchurch and managing-down public debt, means it is unlikely to provide either the necessary policy leadership or adequate budgets to address these problems. Instead, we are likely to continue with budgets that are no better than one tenth of what they need to be, and policy proposals that are unrealistically hopeful given these budgets.

REPORT CARD: HOUSING

HOUSING AVAILABILITY	
Auckland’s housing shortage continues to worsen with no credible policy response from either Government or Auckland Council. A great deal of hope is being put into the forthcoming Auckland Spatial Plan to address these problems, but emerging proposals from this Plan show little change in thinking and no commitment to any investment by Government or Council.	F
HOUSING AFFORDABILITY	
Although there are mixed signs around changes in housing affordability, most of the evidence points to improving affordability especially for home buyers. Little has changed for tenants. There is likely to be pressure on tenants due to a shortage of rental housing, especially in Auckland, but there has been little evidence to date that this has translated into higher rents.	C
HOUSEHOLD DEBT	
We have seen some real and meaningful indications that New Zealand households are paying down their debt. This behavioural shift has, of course, reduced the extent of any consumption-led economic growth and has probably contributed to the quite moribund state of the property market.	C+

ENDNOTES

- ¹ The combined majorities in the Epsom (2261), Ohariu (1392), Tamaki Makarau (936) and Waiariki (1883) electorates was 6472 votes. Without these majorities the ACT and United Future parties would not have seats in Parliament and the Māori Party would be left with its last remaining electorate seat Te Tai Hauaru as its only seat.
- ² The National Party received 1,058,636 votes from the total number of 3,070,847 eligible voters. See election results at: http://www.electionresults.govt.nz/electionresults_2011/eg/html/statistics.html.
- ³ Vowles, J. (2010) Electoral System Change, Generations, Competitiveness and Turnout in New Zealand 1963-2005. *British Journal of Political Science*, Vol 40 pp. 875-895.
- ⁴ Gerber, S. Green, D. and Shaclar, R. (2003) Voting May Be Habit Forming: Evidence from a Randomized Field Experiment; *American Journal of Political Science* Vol. 47(3) pp.540-550.
- ⁵ Vowles, J (2004) Civic Engagement in New Zealand; Decline or Demise. Inaugural Professorial Address—University of Auckland.
- ⁶ See, for example, The Capital Ambition guide to behaviour change at http://www.youngfoundation.org/files/images/Behaviour_Guide_130510_HighRes.pdf for a good introduction to the use of cognitive learning theory and social marketing to promote public policy initiatives. Baskerville, D. (2011), 'Developing cohesion and building positive relationships through storytelling in a culturally diverse New Zealand classroom'; *Teaching and Teacher Education* 27(1) pp. 107-115 and Bishop, R. et al, (2009) 'Te Kotahitanga: Addressing educational disparities facing Māori students in New Zealand'; *Teaching and Teacher Education* 25(5) pp. 734-742 discuss the use of culturally relevant frameworks to address educational disadvantage in New Zealand. A paper on the Demos website by Jake Chapman makes a strong case for a radical shift in approach to the 'command and control' approach adopted in British and New Zealand public policy thinking to a holistic continuous learning systems approach. See Chapman, J. (2002) System Failure at: <http://www.demos.co.uk/files/systemfailure.pdf?1240939425>
- ⁷ Perry, B. (2011) 'Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2010', Ministry of Social Development available at <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html>
- ⁸ Ibid p.113
- ⁹ See Perry (2011) Table H.3 p.115 which suggests that the percentage of children living in two parent households and in relative poverty rose from 14% in 2009 to 16% in 2010.
- ¹⁰ Ibid Table H.3 p.115 shows that 59% of children living in 'workless' households while 10% of children living in a household with one or more adults working fulltime do. Similar, 59% of all children living in relative poverty live in 'workless' households.
- ¹¹ For example see Statistics New Zealand's GDP data series Table A.5 which shows that real GDP rose from \$137.4 billion for the year to 30th September 2007, to \$141.7 billion for the year to September 2010. However, on a per-capita basis this change represents a 1% decline from \$32,500 per person in 2007 to \$32,200 per person in 2011.
- ¹² Source: Perry (2011) Table F.6 p.96.
- ¹³ Estimates of the numbers of children living on benefits are based on benefit data published by the Ministry of Social Development in their Benefit Factsheets, and in the Ministry's annual Statistical Report.
- ¹⁴ See 'NZ's 'shocking' child abuse record' at: http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10772163 and 'Child abuse stats make sobering reading' at <http://www.3news.co.nz/Child-abuse-stats-make-sobering-reading/tabid/423/articleID/223052/Default.aspx>.
- ¹⁵ Data for this graph has been sourced from CYF reports and through specific requests to CYF with the exception of 2011 data was not officially published by CYF, but published in the New Zealand Herald on 10/12/2011 in an article by Anna Leask titled 'NZ's 'shocking' child abuse record'.
- ¹⁶ This data is from Statistics New Zealand crime database using the Table Builder capability.
- ¹⁷ The official description of this offence under the recently adopted ASOC classification system as 'Assaults child(manually) (no injury)'.

- ¹⁸ The decade average rate of apprehensions for serious offences involving violence for females aged 14 to 16 was 139 apprehensions for every 10,000 population, while it was 308 per 10,000 for males. The overall rate of apprehension (average for the decade 2002-2011) was 787 per 10,000 for females and 2511 for males—Source: Statistics New Zealand Crime data.
- ¹⁹ For example, in 2010/11 the rate of apprehensions of Māori females aged 14 to 16 years for criminal offences was 1793 apprehensions for every 10,000 population, while the rate for non-Māori females was 470 apprehensions per 10,000 people in the 14 to 16 age cohort—Source: Statistics New Zealand crime data.
- ²⁰ The rates are generated from Statistics New Zealand's reported crime data from its Table Builder capability and from their age specific population estimates. Both population and offending data are based on June years.
- ²¹ This data is derived from Statistics New Zealand's crime dataset using their Table Builder function. Data on apprehensions records the number of people apprehended for offences by Police. This data does not identify how many individuals make up this number of people so does not report the extent of multiple or serial offending.
- ²² See also O'Reilly, J (2010) New Zealand Police Pre-Charge Warnings Alternative Resolutions: Evaluation Report. New Zealand Police, which reports that pre-charge warnings were issued to 12% of Pacific offenders, 9% of European and Asian offenders and 7% of Māori offenders and suggested that the bias may be due to court error (p.28). See, also, Principal Youth Court Judge His Honour Andrew Becroft's paper 'Māori youth offending' which is available at: http://www.rethinking.org.nz/assets/Young_People_and_Crime/Maori_Youth_Offending.pdf
- ²³ Most of such offending is relatively minor; around half of the reported violent offending is for common assault or serious assaults not resulting in injury
- ²⁴ Data source: Statistics New Zealand Crime data series Table Builder
- ²⁵ The average Māori crude fertility rate (the number of live births per 1000 population) over the decade to June 2011 was 27.3, while the crude birth rate for the overall population was 14.3. Between 2006 and 2011, the total number of children aged under five years within the New Zealand population grew from an estimated 286,000 to 314,270. Over the same period the number of Māori children grew from 73,040 to 91,650 children. This means that nearly two thirds of the increase in the under fives population is from the increase in the numbers of Māori children in the age group. This apparently much higher birth rate is not due entirely to the relative youth of the Māori population and the higher fertility rate of Māori women (2.7 versus 2.0 for all women), but to the fact that ethnicity is self identified and that Māori children might have one or two Māori parents.
- ²⁶ These comparisons rely on two different types of ethnic identification being and remaining consistent. At the time a child is born, his or her ethnicity will be described by the ethnicity of his/her mother and father. If one parent is Māori then the child's ethnicity for the sake of birth statistics is likely to be recorded as Māori. By the time a child is enrolled at an ECE centre the ethnicity of that child will be based on that identified by the enrolling parent or caregiver. This may not be consistent with the child's ethnicity claimed or assumed at birth. This potential inconsistency may distort the rates of enrolment estimated in the report—for example, Māori enrolment rate may be higher than estimated for reasons that the definitional bias is for higher birth based population than for the enrolment based population. This potential distortion is, however, likely to be fairly consistent year upon year which suggests that the trends in enrolment rates—rather than the precise numbers—are likely to be similar across a short timeframe of five years.
- ²⁷ Data for this graph and for the statistics offered in the section are taken from the Ministry of Education's website 'Education Counts' at: <http://www.educationcounts.govt.nz/statistics/ece>. Data for 2011 was supplied directly by Ministry of Education on request.
- ²⁸ Data source for figure and table is the New Zealand Qualifications Authority website at: <http://www.nzqa.govt.nz/studying-in-new-zealand/secondary-school-and-ncea/secondary-school-statistics/>

²⁹ Data on infant mortality and teenage pregnancy is from Statistics New Zealand Infoshare.

³⁰ See for example Fergusson, D. and Woodward, L. (2000) Teenage Pregnancy and Female Educational Underachievement: A Prospective Study of a New Zealand Birth Cohort. *Journal of Marriage and the Family* Vol.62 No1 pp. 147-161; which showed that young woman who became pregnant as teenagers were nearly three times more likely to leave school without a qualification than those young woman who did not become pregnant (p.156). The authors also demonstrate a strong link between teenage pregnancy and the social status of the teenage mother, which suggests that poor young woman are more likely to have children as teenagers and that their children are more likely to be poor and have children early. The link between a mother's age and her child's development is less clear cut. For example based on data from a US longitudinal study Ruth Lopez-Turley argues that it is the material position of a child's household and not the age of his or her mother which determines their prospects—Lopez-Turley, R. (2003) Are the Children of Young Mothers Disadvantaged Because of their Mother's Age or Family Background? *Child Development* Vol.74 No 2 pp.465-474

³¹ **Fertility rates for 15 to 19 year olds**
Live births per 1000 women

December Years	2008	2009	2010
Australia (Source: Australian Bureau of Statistics)	17.2	16.7	15.5
New Zealand (Source: Statistics New Zealand)	32.9	29.4	28.8

³² The Social Policy and Parliamentary Unit will be releasing a series of pieces focused on the state of young people throughout 2012. For more information, see www.salvationarmy.org.nz/research-media/social-policy-and-parliamentary-unit or contact the Unit directly 09 261 0886.

³³ ALAC defines 'binge drinking' as equivalent to seven standard drinks consumed in one drinking session.

³⁴ Report is available at <http://www.alac.org.nz/sites/default/files/research-publications/pdfs/2009-10-Annual-Summary-Report-FINAL.pdf>

³⁵ Ibid page 18.

³⁶ These figures are taken for Treasury's Budget Vote Social Development appropriations and include actual or budgeted expenditures on Vocational Skills Training, Youth Transition Services, Life Skills and Training Services and Independent Youth Benefit.

³⁷ Ibid

³⁸ <http://www.dol.govt.nz/publications/lmr/quick-facts/youth.pdf> DOL stats, page 3

³⁹ http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/NEET-paper.aspx

⁴⁰ For example the 2006 Crime and Safety Survey reported that 32% of crime was known to Police, see Mayhew, P. and Reilly, J. (2007) *The New Zealand Crime and Safety Survey 2006; Key Findings* Ministry of Justice p35. The 2009 survey reported also that 32% of crime was reported to Police, see Morrison, B. Smith, M. and Gregg, L. (2010) *The New Zealand Crime and Safety Survey 2009: Main Findings Report* Ministry of Justice, p.45.

⁴¹ Data on criminal offending is from Statistics New Zealand Table Builder

⁴² Date source from Department of Corrections Annual Reports.

⁴³ The classification of this expenditure was broadened in 20010/11 to include prisoners' employment which had previously been a separate category of expenditure. To provide a consistent set of data the expenditure on prisoners' employment has been added into the total for the period 2005/06 to 2009/10. The source of all this data is Department of Corrections' Annual Reports.

⁴⁴ The Ministry of Justice in its Justice Sector Forecast 2011-2021 suggests that the prison population is expected to fall 6% over the next decade to 8165 prisoners (p.6). Against this forecast, a Department of Corrections official reported to the Board of Inquiry on the proposed Wiri Men's Prison that the Department's case for that prison was based on their expected prison population of 10,306 prisoners by 2020. (See rebuttal evidence of John David Bole of 25th March 2012 p.5).

⁴⁵ This data is taken from Statistics New Zealand's Household Labour Force Survey.

- ⁴⁶ A recession is defined as at least two quarters or more of economic contraction or 'negative growth'. Statistics New Zealand's GDP figures record five quarters of negative growth from December 2007 to March 2009. Economic growth for the subsequent six months to September 2009 amounted to just 0.2% on an expenditure basis.
- ⁴⁷ Data is from Statistics New Zealand's Household Labour Force Survey, Table 12, which is seasonally adjusted
- ⁴⁸ Data for this graph is taken from Statistics New Zealand's Household Labour Force Survey and Ministry of Social Development's Benefit Factsheets.
- ⁴⁹ This data is from the Ministry of Education's Education Counts website at: <http://www.educationcounts.govt.nz/>
- ⁵⁰ Source: Statistics New Zealand's Quarterly Employment Survey Tables 6, 7 and 8.
- ⁵¹ These figures on benefit numbers refer to the four 'Main Benefits' being the Unemployment Benefit, Domestic Purposes Benefit, Invalids Benefit and Sickness Benefit. This data is sourced from Ministry of Social Development's quarterly Benefit Factsheets.
- ⁵² Data on New Zealand Superannuation recipient numbers is taken from Ministry of Social Development's annual Statistical Report. Estimates for the year to 30th June 2011 are estimated from previous years and age cohort changes, reported in Statistics New Zealand's population estimates.
- ⁵³ Forecast expenditure on the four main benefits is expected to rise from \$4.75 billion in 2010/11 to \$5.05 billion in 2011/12, an increase of 6.4%. Inflation is expected to be running at 3.1% for the year to March 2012. Even if some of this additional spending is to top up benefit levels to account for historic inflation, there remains an expected real increase in this spending of 3% to 3.5%. The largest increases are expected in payments for DPB and Unemployment Benefit with increases of 8% and 9% respectively.
- ⁵⁴ Source: The Treasury Budget Estimates and Appropriations & Government Financial Statements.
- ⁵⁵ Food parcel data is sourced from The Salvation Army's national database SAMIS. Figures for 2009 and 2008 have been revised since the 2010 State of the Nation Report.
- ⁵⁶ Data is from Statistics New Zealand's Consumer Price Index.
- ⁵⁷ Data on alcohol availability has been sourced from the Infoshare capability on Statistics New Zealand's website.
- ⁵⁸ Officially these drinks are classified as spirits containing less than 23% alcohol. In 2010/11 total availability of this class of drink amounted to 66.158 million litres of beverage containing a total of 4.578 million litres of pure alcohol which represents an average percentage alcohol by volume of 6.9%. Typically RTDs or alcopops have an alcohol content of 5% to 8% which suggests that the bulk of the beverages in this class of drink is an RTD rather than higher proof spirit intended for later mixing.
- ⁵⁹ Research New Zealand (2011) ALAC Alcohol Monitor—Adults and Youth 2009-10 Drinking Behaviours available at: <http://www.alac.org.nz/research-resources/research-publications>
- ⁶⁰ Ibid Table 2 p.10.
- ⁶¹ This data is from Research New Zealand (2011) ALAC Alcohol Monitor—Adults and Youth 2009-10 Drinking Behaviours Tables 1, 2, 8 and 10.
- ⁶² Data on numbers of breath tests is from Police annual reports, while data on prosecutions was provided directly by the Police on request.
- ⁶³ See p.3 monthly road crash stats update available at: <http://www.transport.govt.nz/research/monthlyoverviewofcrashstatistics/>
- ⁶⁴ Ministry of Transport (2010) Crash Factsheet 2010—Alcohol and drugs p.4 available at <http://www.transport.govt.nz/research/Documents/Alcohol-drugs-crash-fact-sheet-2010.pdf>
- ⁶⁵ Ministry of Health (2010) Drug Use in New Zealand: Key Results of the 2007/08 New Zealand Alcohol and Drug Use Survey, pp39-64.
- ⁶⁶ Source: Statistics New Zealand. Around 40% of all recorded illicit drug offences are for procurement and/or possession of cannabis for personal use.
- ⁶⁷ See Wilkins, C, Sweetsur, P. Smart, B. and Griffiths, R (2011) Recent Trends in Illegal Drug Use in New Zealand Massey University pp88-92 and pp155-159.
- ⁶⁸ Data source for gaming machine numbers and gambling losses is the Department of Internal Affairs website. For a report on the historic trends in Class 4 gaming machines see the Department of Internal Affairs website at: [http://www.dia.govt.nz/Pubforms.nsf/URL/LineGraph_31%20December%202011.pdf/\\$file/LineGraph_31%20December%202011.pdf](http://www.dia.govt.nz/Pubforms.nsf/URL/LineGraph_31%20December%202011.pdf/$file/LineGraph_31%20December%202011.pdf)

- ⁶⁹ These figures are for the year to June 2011 for consistency of comparison with other gambling data. For the year to December 2011, losses on Class 4 non-casino gaming machines totalled \$867 million, up 3% in nominal terms from the \$841 million spent during the 2010 calendar year. In real per capita terms, spending on Class 4 machines rose 1% between 2010 and 2011 (December years) from \$259 per person aged over 18 to \$262.
- ⁷⁰ See Gambling Helpline data at <http://www.health.govt.nz/our-work/preventative-health-wellness/problem-gambling/service-user-data/gambling-helpline-client-data>
- ⁷¹ See problem gambling service data at http://www.health.govt.nz/our-work/preventative-health-wellness/problem-gambling/service-user-data/intervention-client-data#total_assisted
- ⁷² For example, the OECD in its 2011 Economic Survey of New Zealand spent considerable effort in addressing the macroeconomic imbalances brought about by the inefficient tax treatment of housing over the past decade. They suggest that 'supply rigidities and tax incentives that bias saving decisions toward property investment have amplified the increase in house prices, widening wealth inequalities in the form of larger homes for those who can afford them, but deteriorating affordability for the rest of the population' and that 'the economic downturn has increased financial pressures on the social housing sector, with a shortage of public dwellings in areas of high demand' (p.61). The New Zealand Productivity Commission in its recently released draft report on its Housing Affordability Inquiry warned that the 'available evidence suggests that greater numbers of households will be relying on private rental accommodation over the long-term. A range of issues including poor quality, insecure tenure and inadequate income in retirement all indicate that the market is not currently equipped to deliver the volume or quality of housing necessary for well-being in the long-term. ... The Commission is concerned that the private rental market will be unable to scale up to provide better and more affordable outcomes for a growing market' (pp 13–14).
- ⁷³ See The Report on the Mangere Housing Survey at: <http://www.salvationarmy.org.nz/research-media/social-policy-and-parliamentary-unit/housing/mangere-survey-report/>
- ⁷⁴ Data is taken from Statistics New Zealand's building consent, migration and population forecast data sets.
- ⁷⁵ These forecasts are based on population forecasts provided by Statistics New Zealand. These forecasts make a number of assumptions around fertility and mortality rates and around net migration flows. The forecasts included in this report are those based on medium scenarios, which includes an assumption of net migration of 5000 people per year. The actual population outcomes depend critically on this net migration figure which can be quite volatile year to year. Over the past decade, this net migration flow has varied between a net lost of 1700 people to a net gain of 40,400.
- ⁷⁶ This estimate is based on the assumption of an average of three people for each new dwelling. Between 2009 and 2011 Hamilton/Waikato District grew by 10,100 people while consents were issued for 2,372 new dwellings—a rate of 4.1 people per dwelling. Over the same period Palmerston North grew by an estimated 2,800 people with consents issued for 585 new dwellings a ratio of 4.8 people per dwelling. Some of this housing pressure may, however, be shifted to neighbouring towns such as Fielding. In Wellington City between 2009 and 2011 the population is estimated to have grown by 7800 people, while 1787 dwellings consents were issued there—a ratio of 4.1 people per dwelling.
- ⁷⁷ Rent data is taken from the Department of Building and Housing's records of rents lodged with its Tenancy Bond Division. Wages data is taken from Statistics New Zealand's Quarterly Employment Survey.
- ⁷⁸ There is a close historical association between the rent price index from Statistics New Zealand's Consumer Price Index, and the wages and salaries cost index from Statistics New Zealand's Labour Cost Index. For example, over the decade to December 2011 the rent price index showed a 27% increase in rents, while the wages and salaries index showed a 29% increase with the indices tracking to within 2% of each other over the entire period.
- ⁷⁹ See Reserve Bank (2011) Financial Stability Report, November 2011, Figure 3.7 p17. Data is available at: <http://www.rbnz.govt.nz/finstab/fsreport/>

⁸⁰ The ratio of the lowest quartile house prices to median rents rose from a 10 year average (1993-2003) of 13.3 to nearly 20 during 2007, and has since fallen to around 17.5-18.0. In order for this ratio to fall from 18 back to 13, a 30% increase in rents with no increases in house prices is required. See Reserve Bank Financial Stability Report 2011 data.

⁸¹ Income measures are based on average weekly earnings reported in Table 7.01 of Statistics New Zealand's Quarterly Employment Survey while median house prices are based on three month averages reported on the Real Estate of New Zealand's website at: https://www.reinz.co.nz/reinz/public/reinz-statistics/reinz-statistics_home.cfm

⁸² For example, see The Roost Home Affordability Series at: <http://www.interest.co.nz/property/home-loan-affordability>, which bases affordability on the proportion of the average weekly take home pay which would need to be spent on mortgage repayments in various parts of New Zealand. This shows such affordability improving from 83% (of take home pay) in November 2007 to 57% in November 2010 to just under 54% in November 2011.

⁸³ The average floating mortgage interest between 2000 and 2007 was 8.3% and the average between December 2008 and December 2011 was 6%. On a mortgage of \$250,000 this interest reduction will save a household \$110 per week, which is around 6-7% of the New Zealand average household income reported in the Household Economic Survey.

⁸⁴ For example, see Reserve Bank (2011) Financial Stability Report November 2011, Table C.3 (p.21), which reports the proportion of household disposable income spent on servicing housing debt by income quintiles. This data shows that middle quintile households spend a similar proportion of their income on debt servicing as do households in the lowest income quintile, and that these middle income households have a far higher level of debt as measured by debt to value ratios.

⁸⁵ For example, the 2011 Household Economic Survey (Table 7) reports that tenant households probably make up 35% of all households, 45% of households in the two lowest income deciles and just 17% of those households in the highest two income deciles

⁸⁶ This data is taken from Table C.6 in the Reserve Bank's Credit and Finance data series and from Statistics New Zealand's estimates of Dwellings and Households.

⁸⁷ Reserve Bank (2011) Table 3.6 p.17.

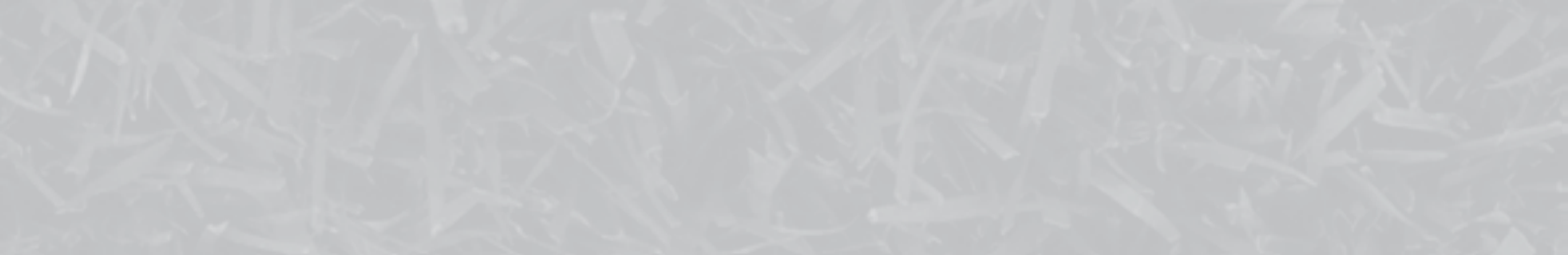
⁸⁸ See Table C.6 in the Reserve Bank's Credit and Finance data series at: <http://www.rbnz.govt.nz/statistics/mongin/c6/data.html>

⁸⁹ See Reserve Bank's Household Financial Assets and Liabilities and House Values 1978-2010 data series at: <http://rbnz.govt.nz/statistics/monfin/HHAandL.xls>.

ABOUT THE AUTHOR

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Alan Johnson is a Senior Policy Analyst at The Salvation Army Social Policy and Parliamentary Unit. Alan has an academic background in town planning and economics and has lectured at the University of Auckland and Unitec in planning, economics and social policy. He has extensive policy and management experience in both the local government and community sectors, with a particular interest in housing, urban economics and community development. Alan served as a Manakau City Councillor for 14 years and as a director of the Counties Manakau District Health Board for three years. He lives in South Auckland and is active in that community on issues of education, sport and housing.





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