



The Salvation Army Social Policy and Parliamentary Unit
New Zealand, Fiji & Tonga Territory

PO Box 76-075, Manukau City 2104, New Zealand

Phone (09) 261 0883 | Fax (09) 262 4103 | salvationarmy.org.nz/socialpolicy



Te Ope Whakāora

**SOCIAL POLICY AND
PARLIAMENTARY UNIT**

Working for the eradication of poverty in NZ



STALLED

A STATE OF THE NATION REPORT FROM THE SALVATION ARMY



Te Ope Whakāora

SOCIAL POLICY AND
PARLIAMENTARY UNIT

Working for the eradication of poverty in NZ

ISBN 978-0-9864633-0-3 (Paperback)

ISBN 978-0-9864633-1-0 (Electronic)

Authorised and approved by Commissioner Donald C. Bell, Territorial Commander,
as an official publication of The Salvation Army New Zealand, Fiji and Tonga Territory.

'Stalled' was produced by The Salvation Army Social Policy and Parliamentary Unit,
16b Bakerfield Place, Manukau City 2104, New Zealand.

Director: Major Campbell Roberts

This Report is available for viewing or download from:
www.salvationarmy.org.nz/socialpolicy

The Salvation Army Social Policy and Parliamentary Unit would like to thank community partner
Duncan Cotterill Lawyers for their financial assistance with the production of this report.

DuncanCotterill
LAWYERS

STALLED

A STATE OF THE NATION REPORT FROM THE SALVATION ARMY

Alan Johnson

Senior Policy Analyst

The Salvation Army Social Policy and Parliamentary Unit

February 2011



Photo: Luke Tearle

'The problems of unaffordable housing, alcohol fuelled family violence, child poverty and youth disaffection are as they were four years ago. Despite their importance and despite the public concern expressed about them, little has changed. In effect meaningful social progress has stalled ...

'It is all a matter of priorities—about what we as a society consider important and about what we have less regard for. The picture offered by this State of the Nation report and by the previous reports suggests that we have less regard for the young and the disadvantaged than perhaps we should have.'

FOREWORD
STALLED

'True compassion is more than flinging a coin to a beggar. It comes to see that an edifice which produces beggars needs restructuring.'

MARTIN LUTHER KING, JR.

'It's quite simple: Do what is fair and just to your neighbour, be compassionate and loyal in your love, And don't take yourself too seriously—take God seriously.'

MICAH 6:8

THE MESSAGE TRANSLATION, HOLY BIBLE

**WE
WELCOME
YOUR
FEEDBACK**

**SOCIAL POLICY AND
PARLIAMENTARY UNIT**
THE SALVATION ARMY
NEW ZEALAND, FIJI
& TONGA TERRITORY

PO Box 76249, Manukau City 2104
social_policy@nzf.salvationarmy.org
salvationarmy.org.nz/socialpolicy

Phone (09) 261 0883

Mobile 027 450 6944

Fax (09) 262 4103

FOREWORD

This is the fourth State of the Nation Report from The Salvation Army's Social Policy and Parliamentary Unit. These reports have spanned a fairly tumultuous period in world economic history with the collapse of global financial markets in late 2007 and rising social tensions since. To date New Zealand has weathered the storm of the global financial collapse well and we are reminded of this constantly through media images of joblessness and mortgage foreclosures in United States and increasing social unrest in Europe. Our good fortune is probably more the result of geography than good management and in particular having Australia and China as two of our biggest trading partners.

While many in Government will argue that their good management is in part responsible for New Zealand's relative good fortune, it is difficult to see how this management has been little more than a sequence of pragmatic and in most cases quite necessary policy adjustments. There has been nothing bold in the Government's political agenda despite any rhetoric which would have us think otherwise. In hindsight there was nothing bold in the last Government's agenda either—simply a series of programmes which dealt pragmatically with the problems of the day without really ever addressing the underlying causes of these problems. The failure of the Labour-led Governments of 1999 to 2008 to deal with the housing bubble is a case in point.

As Parliament winds its way to an election over the next six to nine months it is important to

step back a little and to take stock of what has and has not been achieved. During election campaigns we tend to lose the big picture around such things as social progress and our nationhood. Instead we tend to get distracted by detailed claims and counterclaims of the various political parties and even worse by the debating skills and personal demeanour of the party leaders. The big picture and the long view are lost to what often becomes a media circus of photo ops, sound bites and public persona.

Often it is only possible to understand the big picture and the long view in retrospect. Most of us recognise a big and worthy idea or ideal when we see it but we generally only see them after it has been imagined, nurtured and struggled for by the visionaries who create them. New Zealand has had our share of political visionaries who have created the New Zealand we enjoy today and to some extent take for granted. These include Savage and Fraser who created the welfare state, Holyoake who really set the foundations for New Zealand's nationalism, Kirk and his vision of a nuclear-free South Pacific, Shepherd and her suffragette colleagues who pioneered women's political rights, and Ratana and Ngata with their somewhat competing views of Maori development and progress.

Regrettably there is no big picture emerging from this State of the Nation report. While it is probably not the purpose of social progress reports such as this to build a picture but rather to comment on what is seen, the regrettable thing is that there is no big picture

or emerging picture to comment on. In effect we have a broad failure of imagination from across the political spectrum. Our political leaders appear to have no political vision except that of being more like Australia—which if we reflect on a little we may come to understand is no vision at all.

This lack of vision tells in the results reported in this paper. The results are somewhat underwhelming—a few things have improved over the past one or two years, a few things have got a little worse and most things have not changed at all. The problems of unaffordable housing, alcohol-fuelled family violence, child poverty and youth disaffection are as they were four years ago. Despite their importance and despite the public concern expressed about them, little has changed. In effect meaningful social progress has stalled.

Possibly we have stalled because we have chosen such narrow horizons to contemplate. Somewhat ironically perhaps the public discourse has become dominated by debt and financial risk and it is possibly our new fixation on these which is not only limiting debate but limiting our imaginations. It is somewhat ironic that debt and financial risk have become so absorbing because they weren't five or ten years ago when we were literally a 'borrow and hope' society. Between 2004 and 2008 debt seemed such a good thing as New Zealanders dug themselves into a \$90 billion pit of debt to buy bigger houses, wider TVs and smaller mobile phones. Few people in the media commented on this profligacy and

foolishness yet now they are presenting debt as the limiting factor for having Government do anything other than bail out many of the people who profited from this profligacy and foolishness.

While we should not trivialise the extent of Government deficits it is equally unwise to buy into an argument that these deficits and the borrowing required to support them absolutely limit us to just treading water on social progress for the next decade or so. One media commentator has rung debt alarm bells by suggesting that the deficit has grown to the equivalent of \$350 million per week¹ but this is only part of the story. While there are various ways of reporting deficits, in cash-flow terms Treasury's most recent forecasts suggest a cash shortfall of around \$5 billion this financial year with Government's overall cash operating position moving back into surplus in 2011/12.² The various warnings about the state of Government finances need also to be seen in the context that there has been enough money to provide tax cuts for the highest paid New Zealanders, to bail out investors in poorly-run finance companies and to fund new prisons.

It is all a matter of priorities—about what we as a society consider important and about what we have less regard for. The picture offered by this State of the Nation report and by the previous reports suggests that we have less regard for the young and the disadvantaged than perhaps we should have. This report shows that child poverty

rates have climbed back to where they were five years ago, that violence toward children and youth unemployment are as bad as they were five years ago and that the educational disadvantage suffered by Maori children continues and may even be getting worse.

Historian Dame Anne Salmond said at the Social Research and Evaluation Conference in 2003 that an ‘aging society that doesn’t care for its young has a death wish’. The demographics are so compelling that we should take some heed of this warning. Over the next twenty years the number of people aged over 65 is forecast to increase by over 500,000 or by 86% while the working age population will grow by just 5% or around 150,000 people.³ In other words in twenty years time workers will be short supply, which means that as a society we should be doing all we can to ensure that every child and every teenager has every chance to be healthy, safe and educated.

Dame Anne Salmond perhaps summed up our challenges best in her concluding comments to the Social Research and Evaluation Conference nearly eight years ago when she said:

‘At present we are facing some formidable social challenges, partly as the result of past ideological adventures. The marvelous thing about New Zealand, however, is that this is a small, innovative society, with high levels of collective aspiration. Our egalitarian ideals are deeply rooted, forged by people who came here to make a better life for themselves, and their children.

‘Maori ancestors voyaged to escape war in island homelands, or to see what was over the horizon. In the case of European settlers, most were determined to leave behind the radical inequalities and injustices of life in Europe. Our ancestors were curious, ambitious and courageous; we should be likewise.’⁴



Major Campbell Roberts
Director, The Salvation Army Social
Policy and Parliamentary Unit

CONTENTS

Our Children	3
Crime and Punishment	17
Work and Incomes	29
Social Hazards	41
Housing	47
Endnotes	52



Nane Lockington-Marsters, with her daughters Angelique, 2, and Chrysta, 4, (front) is worried that she won't be able to afford early childhood care when the Government makes changes in October. 15 September 2010.

Photo: APN/Kellie Blizzard

OUR CHILDREN

Probably the best barometer of social policy is the status of a nation's children. There are a number of ways of assessing this status, and the choice of technique is sometimes related to the motivations of the analyst or commentator to portray the dominant social policy paradigm in a complimentary or uncomplimentary light.

Bringing such bias to a discussion on child wellbeing is perhaps impossible to avoid because the debate around most social policy questions is seldom about absolutes, but around degrees of difference. As a debate shifts from absolutes like life or death to less tangible questions such as quality of life, the opportunity to impose or implant your value set grows.

This is certainly the case for policy debates around children's wellbeing in New Zealand. We are quickly drawn into a debate about acceptable and unacceptable differences between groups of children. Is it, for example, acceptable that one group of children gains subsidised access to early childhood education, while another group misses out?

It is easier to answer such questions if we are up-front about our values, and better still, if we are honest about our intentions. Such candour is helpful in better focusing a policy debate.

The most obvious choice of focus is on 'means and ends', although we often miss this distinction in policy debates and even in political discourse. For example, we are often too quick to focus on means, without ever identifying or at least agreeing on the ends. We quickly descend into discussion on *how*

best to provide early childhood education, for example, without first agreeing on *why* it is important. The result is often poorly-targeted, although well-implemented, programmes that maintain inequalities and even manifest greater ones.

This section of our report deliberately focuses on the experiences of New Zealand's most vulnerable children and teenagers. The admission of such a focus is necessary so that the motivations of the commentary are clear. The intention is to highlight the persistent inequalities that exist in New Zealand between groups of children and across different communities. The hope in such a focus is that we might begin to address these inequalities in creative and generous ways.

MIXED SIGNALS AROUND CHILD POVERTY TRENDS

The most respected measures of child poverty rates are those published by the Ministry of Social Development (MSD) more or less on an annual basis. The Ministry provides two types of child poverty measures: one reports experiences of material hardship and deprivation and is based on information from the New Zealand Living Standards Survey. The other measure assesses poverty in terms of income relativities and is based on the Household Economic Survey undertaken annually by Statistics New Zealand. While the two measures use quite different indicators, they generally come up with a similar picture of the extent and distribution of relative poverty in New Zealand.

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

THRESHOLD TYPE	CONSTANT VALUE		RELATIVE TO CONTEMPORARY MEDIAN	
	50% 2007 Median	60% 2007 Median	50% Contemporary Median	60% Contemporary Median
2001	27	37	21	30
2004	22	31	19	28
2007	16	22	16	22
2009	16	22	18	25

Source: Perry (2010) Ministry of Social Development

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

As at December	Main benefits paid	Number of children living in benefit dependent households	Number of children estimated to be living in a 'workless' household	Children in beneficiary households (as % of all New Zealand children)
2006	286,641	215,000	171,200	20%
2007	269,732	205,600	166,400	19%
2008	286,176	206,000	171,200	19%
2009	345,476	231,300	195,900	21%
2010	353,707	239,400	201,800	22%

Source: Ministry of Social Development Benefit Fact Sheets

Since the publication of the last State of the Nation report by The Salvation Army the only poverty measure assessed and reported on by the Ministry of Social Development is the relative income measure based on the Household Economic Survey.⁵ The key child poverty indicators from this report are summarised in [Table 1](#). While [Table 1](#) presents changes in the poverty rates according to four relative income poverty measures, the most commonly-accepted one is that based on the proportion of people or households living below 60% of the median income of an equivalent household, where this median income has been set at some time in the past and its value has been indexed against inflation. These are the figures provided in the third column of [Table 1](#). These figures indicate little or no change in the rate of child poverty between 2007 and 2009.

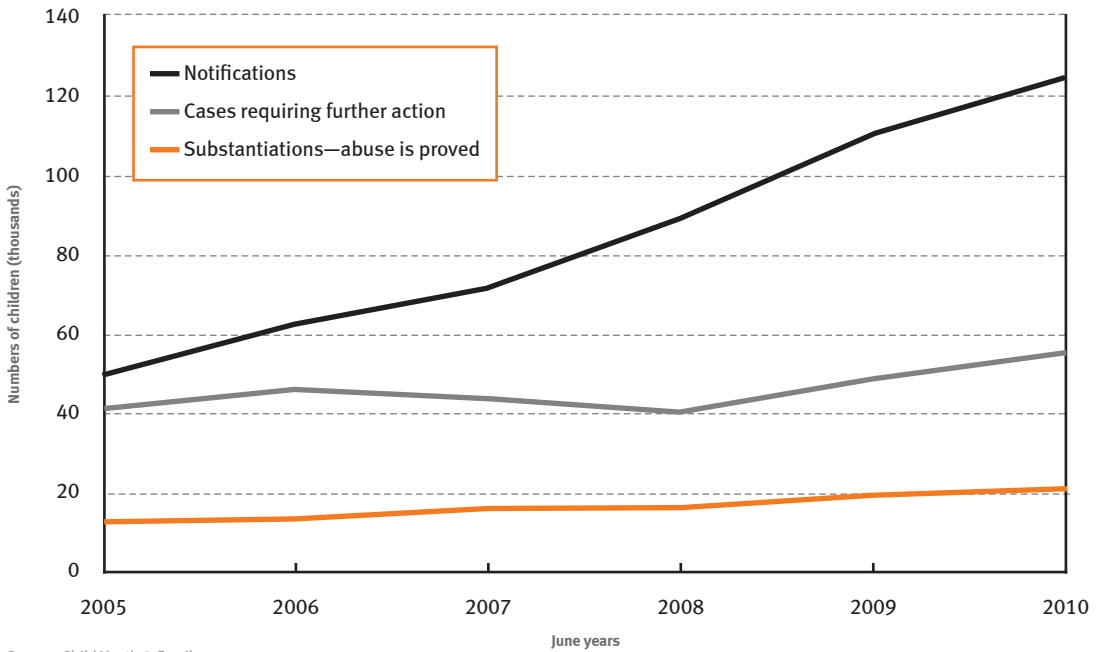
The 2010 MSD report more or less confirms their 2007 report, which indicated the impact that Government's Working for Families package has had on reducing rates of child poverty for children living in families or households with at least one employed adult. Poverty rates for children living in households where there was little or no paid employment have remained the same over the period 2004 to 2009, and these rates are now six to seven times higher than for children with at least one parent in full-time employment.⁶ While Working for Families has relieved child poverty amongst some working families, the fact remains that more than one in three poor children in New Zealand live in such families.

The relative income poverty measures reported by MSD consistently show that child poverty is highest among children living in so-called 'workless households'. This rate has been around 70–75% since 2004, although it was much higher in late 1990s.⁷

The problem with estimates of child poverty, which are based on analysis of annual surveys, is that they are typically 12–18 months out of date when they are published and so can tell us little about more recent changes in the economic wellbeing of children. Given the concentration of child poverty among 'workless' households, changes in the number of such households based on benefit numbers provides us with at least a partial glimpse of more recent changes in rates of child poverty. Estimates of the numbers of children in benefit-dependent households and in 'workless'⁸ households are provided on [Table 2](#).

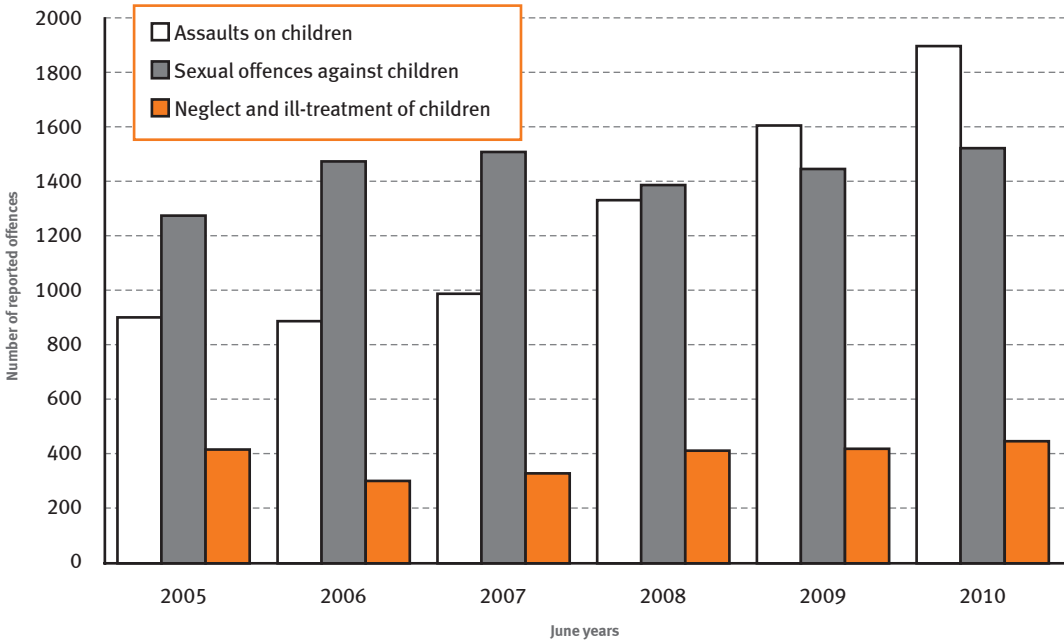
Table 2 shows a 21% increase in the numbers of children living in "workless" households since the beginning of the global financial crisis in late 2007. By December 2010 an estimated 22% of New Zealand children were living in workless households the highest rate in six years. These increases mirror the increase in the numbers of adult receiving an incomes tested benefit which in December 2010 was about the same as at the end of 2002. Overall the rapid increase in the numbers of children living on welfare benefits points to a likely trend of increasing rates of child poverty since mid 2009. This increase is likely to be in the order of 1 to 2% or around 10,000 to 20,000 New Zealand children.

Figure 1: Child Youth and Family notifications and substantiations 2004–2009



Source: Child Youth & Family

Figure 2: Reported criminal offences against children 2005–2010



Source: Statistics New Zealand crime data

This outcome is a direct result of the focus of the Working for Families package, which was not really designed to relieve child poverty but to reward working households ahead of beneficiary households, and in the words of the package's architects 'to make work pay'.

CHILDREN AT RISK

Child Youth and Family (CYF) is the state's child protection agency, which amongst other things is responsible for protecting children from harm and neglect under the Children, Young Persons, and Their Families Act. In the year to June 2010 CYF received 124,921 referrals for possible child neglect or abuse. This figure was 13% higher than the year previously and 147% higher than five years earlier.

A significant policy change is behind the bulk of this increase in notifications. For at least three years it has been common practice for Police to advise CYF of cases where they have attended a domestic violence incident and where children have been present at this incident. This practice is the reason for the sharp increase in notifications since 2007 as shown in [Figure 1](#).

Beneath this welcome practice of Police reporting possible cases of child abuse or neglect there has been an increase both in the number of cases requiring further investigation by CYF and in the number of cases where abuse or neglect has been proved. Of the nearly 125,000 notifications to CYF during 2009/10, 44% or 55,494 cases were assessed as requiring further action. In 2008/09

the same proportion, 44% of the 110,800 notifications also required further action.

During the 2009/10 year there were 21,025 cases where child abuse or neglect had been proved. This figure represents an increase of 7% over the previous years and is 69% higher than in 2004/05. Most of the increase in proven cases between 2008/09 and 2009/10 is from an increase of 1,429 cases of emotional abuse arising from the new reporting regime by Police. Over this same period there were 31 more cases of reported and proven physical abuse of children and 75 more cases of sexual abuse of children. Proven cases of neglect declined by a welcome 6% or by 274 cases.

CYF report that as at 30 June 2010 it had 5,256 children in its care, which is a decline of 217 children over the same time 12 months earlier.

REPORTED VIOLENCE TOWARDS CHILDREN CONTINUES TO RISE

Reported assaults on children rose 18% between 2009 and 2010, on the back of a 20% rise for the preceding 12 months. For the year to June 2010 there were 1,889 assaults⁹ on children of various degrees of severity, of which 820 (43%) resulted in prosecutions. A further 579 were resolved in some other way. However, the overall resolution rate of reported assaults on children declined between 2009 and 2010 from 77% to 74%.

Between 2005 and 2010, the number of reported assaults on children rose by 110%, while prosecutions for these reported offences rose by a similar level. This increase has

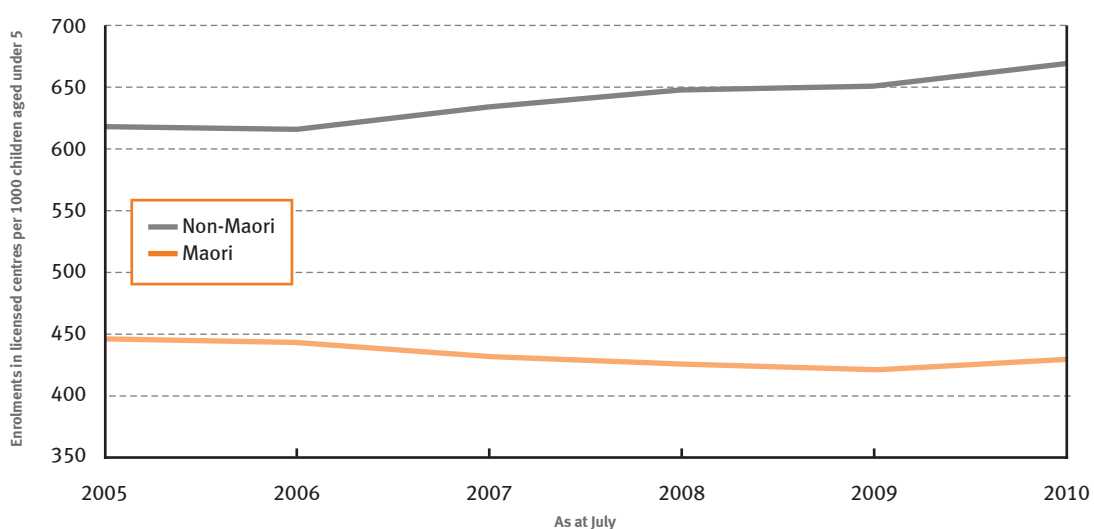
Table 3: Rates of violent offending by 14–16 year-old males 2006–2010

Apprehensions for offences per 10,000 population

Year ending June	2006	2007	2008	2009	2010	Change 2008–10	Change 2009–10
MAORI MALES AGED 14–16							
Acts with intent to injure	374	424	434	432	477	28%	10%
Serious assault resulting in injury	82	102	126	98	105	28%	7%
Sexual offences	4	14	4	15	5	28%	-69%
Robbery	114	98	117	108	117	3%	8%
All violent crime	587	626	664	641	737	25%	15%
All crime	5,804	4,998	5,405	4,903	5,226	-10%	7%
NON-MAORI MALES AGED 14–16							
Acts with intent to injure	137	155	153	143	145	5%	1%
Serious assault resulting in injury	25	35	26	26	22	-14%	-16%
Sexual offences	4	3	2	2	3	-21%	39%
Robbery	22	23	26	19	15	-30%	-21%
All violent crime	217	232	235	221	221	2%	0%
All crime	1,714	1,633	1,607	1,525	1,580	-8%	4%

Source: Statistics New Zealand crime statistics

Figure 3: Rates of enrolment in early childhood education 2005–2010



Source: Ministry of Education

occurred against the backdrop of amendments to section 59 of the Crimes Act (the so-called 'anti-smacking' legislation). The very similar rates of prosecution and of other forms of resolution between 2005 and 2010 suggest that the increase in reported assaults on children is not the result of an increase in trivial reporting. Rather, it shows evidence of changing public attitudes towards child-related violence, or increasing incidences of such violence. There is, however, no evidence to suggest which of these causes is the dominant contributor to the doubling of violence towards children over this period.

Reported sexual offences against children rose nearly 6% between 2009 and 2010, to 1522 recorded offences. Over the five years to June 2005, sexual assaults on children have risen 20%. Between 2005 and 2010, the number of prosecutions for sexual offences against children rose a credible 63%, as the rate of prosecutions rose from one third of reported offences in 2005 to 45% in 2010.

Reported offences of child neglect or ill-treatment have remained fairly constant over the period 2005 to 2010, at just over 400 offences annually. The prosecution rate for these offences has risen sharply over this period, from just 23% of recorded offences in 2005, to 32% for the year to 30 June 2010.

MORE YOUNG WOMEN INVOLVED IN VIOLENT OFFENCES

Table 3 reports rates of violent and other offending by Maori and non-Maori 14 to

16-year old males. These rates are based on apprehensions for various violent crimes rather than rates of actual offending, given that a person needs to be apprehended for an offence in order for their gender, age and ethnicity to be recorded and reported. Rates of offending for 14 to 16-year-old males across all categories of crime are also reported in **Table 3**.

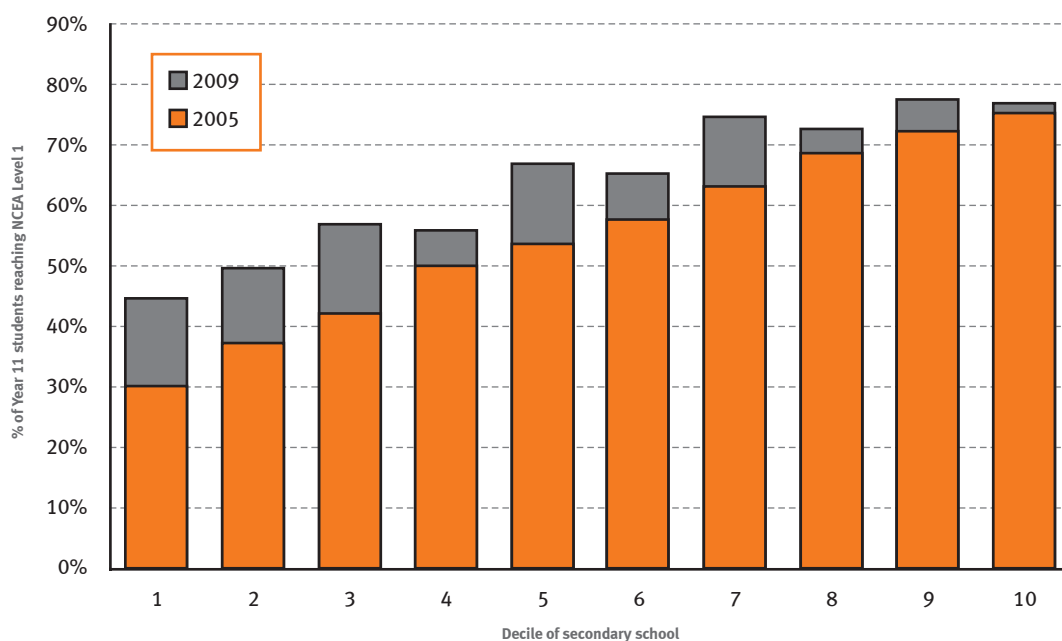
The data provided in **Table 3** shows the recent increase in rates of apprehensions of 14 to 16-year-old Maori males for violent offences. Between 2006 and 2010 the apprehension rate for violent crime 25% rose from 587 offences per 10,000 people in 2006 to 737 per 10,000 for the year to June 2010. Most of this increase has occurred during the 2009/10 year where the recorded offending rate rose 15%. Probably little should be read into such a sharp rise as it may yet be a short-term aberration.

By comparison the recorded rate of violent offending by non-Maori 14 to 16 years old has been more or less constant over the period 2006 to 2010. In 2010 this rate stood at 221 offences for every 10,000 people.

In 2009/10, Maori males aged 14 to 16 years old were 3.3 times more likely than non-Maori males of the same age to be apprehended for a violent offence. This gap in rates of offending has been increasing since 2006 when the violent offending rate for young Maori was 2.6 times that for non-Maori.

An emerging and somewhat disturbing trend is the increasing rate of violent offending by teenage girls. Between 2005/06 and

Figure 4: Rates of student achievement across secondary schools



Source: National Qualifications Authority website

Table 4: NCEA Level 1 Year 11 achievement gaps 2005–2009

	PASS RATES		
	2005	2008	2009
Decile 1 secondary schools	30.4%	43.2%	44.8%
Decile 10 secondary schools	75.7%	76.4%	76.9%
Achievement gap between decile 1 and decile 10	45.3%	33.1%	32.1%
Decile 1, 2 & 3 secondary schools	38.6%	49.5%	52.2%
Decile 8, 9 & 10 secondary schools	72.7%	75.0%	75.6%
Achievement gap between decile 1, 2 & 3 and 8, 9 & 10	34.1%	25.4%	23.4%

Source: New Zealand Qualifications Authority website

2009/10, the rate of violent offending by females aged 14 to 16 increased 37% from 126 apprehensions per 10,000 population (in the gender and age cohort) to 173 per 10,000. Although there has been a sharp 10% increase in offending rates during 2009/10, there has been a consistent increase over the past five years to suggest that this recent increase is not a one off result. In fact, overall rates of offending by 14 to 16-year-old females have risen consistently over the past five years from 763 apprehensions per 10,000 people in 2005/07 to 873 per 10,000 in 2009/10. The rate of violent offending by females aged 14 to 16 is still just half of males of the same age, although this gap is closing with females now contributing 33% of the violent crime committed by 14 to 16 year olds in 2009/10 compared with 29% in 2005/06.

A continuing and disappointing trend is for Police to be more inclined to prosecute Maori teenagers than non-Maori teenagers. For the year to June 2010, 14 to 16-year-old Maori who had been apprehended for an offence were 40% more likely to be prosecuted by Police than non-Maori of the same age who were also apprehended. In 2009/10 nearly 33% of Maori 14–16 year olds who were apprehended subsequently faced Police prosecution while just 23% of non-Maori did so. This discriminating treatment is mainly focused into less serious types of offending and has been a consistent practice by Police for at least the past five years.

MAORI EARLY CHILDHOOD EDUCATION ENROLMENT RATES RISE

The overall enrolment rate for Maori pre-schoolers has risen for the first time in five years, although the enrolment gap between Maori and non-Maori children has widened even further. The enrolment rate for all under-five-year-old Maori children in July 2010 was 42.9%, or 429 enrolments for every 1,000 children. This result is a 0.9% improvement over the previous year, but 1.5% lower than in 2005, when it was an all time high of 44.4%. By comparison, the enrolment rate for non-Maori pre-schoolers in 2010 was 66.9%, or 669 enrolments per 1,000 children. This result was 1.8% better than in 2009, and 5.4% better than in 2005.

Quite simply, non-Maori children have gained far more from the expansion in spending on early childhood education, than Maori children. This spending has risen from \$417 million in 2004/05 to an expected \$1.264 billion in 2010/11.¹⁰ In 2005, non-Maori children's enrolment rate was 138% of that of Maori children, and by 2010 this gap had grown to 158%. Of the additional 24,400 ECE places provided at registered centres since 2005, 22% have effectively gone to Maori children. Over the same period (2005–2010), Maori children have made up a staggering 58% of the additional population of under-five year-old children. It is this rapid increase in the Maori pre-schooler population, and the inability of education authorities to provide for

Table 5: Changes in New Zealand's infant mortality rate 2006–2010

Year ending September	Live births during preceding 12 months	Total infant deaths (under five years)	Infant mortality rate (per 1,000 live births)
2006	59,115	285	4.82
2007	62,362	305	4.89
2008	64,540	340	5.27
2009	63,159	287	4.54
2010	63,732	330	5.18

Source: Statistics New Zealand

Table 6A: Pregnancy and abortions for 11 to 14 year-olds 2005–2009

Year ending December	No. of live births	No. of induced abortions	Pregnancy rate (per 100,000)	% of pregnancies aborted
2005	37	92	105	71%
2006	35	105	115	75%
2007	52	104	130	67%
2008	39	83	103	68%
2009	29	79	92	73%

Source: Statistics New Zealand

Table 6B: Pregnancy and abortions for 15 to 19 year-olds 2005–2009

Year ending December	No. of live births	No. of induced abortions	Pregnancy rate (per 1,000)	% of pregnancies aborted
2005	4,099	3,718	5,182	48%
2006	4,338	3,978	5,395	48%
2007	4,903	4,173	5,785	46%
2008	5,185	4,097	5,881	44%
2009	4,641	3,873	5,392	45%

Source: Statistics New Zealand

them, which are the reasons for Maori falling behind in the early education stakes.

This rapid increase in the numbers of Maori children aged under five years old, has meant that the enrolment rates for Maori children aged three and four actually declined between 2009 and 2010. ECE enrolments for three and four year olds is considered by educationalists to be of critical importance to a child's early education¹¹ and is the focus of the '20 hours free' policy of Government. This policy has been very successful in getting most non-Maori three and four year olds enrolled in ECE, with an incredible 106% enrolment rate in 2010. In other words, some children are enrolled at two centres. The 2010 enrolment rate for Maori three and four years olds is a disappointing 70%, which is down 3% on the previous year and still 1% below the enrolment rate in 2005. For some people the continuing demise of community-based and community-owned ECE services is another disappointing outcome. In 2010, just under 33% of ECE enrolments were in community-controlled ECE centres such as kindergarten, playcentres and kohanga reo. This represents a 2% drop in share from 2009 and a loss of 1,800 enrolments. In 2005, the community ECE sector made up 43% of enrolments and had 8,000 more children using these services than in 2010.

During 2009/10, enrolments in kohanga reo grew by 1% to 9,370 enrolled children, but enrolments are still 7% fewer than in 2005, when they exceeded 10,000 children.

NCEA ACHIEVEMENT GAP CLOSSES A LITTLE MORE

The achievement gap between students attending high and low decile schools continued to narrow in 2009. For the 2009 academic year, over 52% of Year 9 students attending a decile 1, 2 or 3 secondary school, gained an NCEA level 1 qualification. This is a small improvement over the 2008 pass rate of just under 50%, but a significant and sustained improvement over the 37% pass rate from 2005. At the other end of the income scale, pass rates among students attending a decile 8, 9 or 10 secondary school, remained steady at just over 75%. This has meant that the NCEA Level 1 achievement gap between students at decile 1, 2 and 3 schools and those at decile 8, 9 and 10 schools has narrowed again from 25.4% in 2008, to 23.4% in 2009. In 2005, this gap was a massive 34.1%.

As with 2008, the achievement gap at NCEA Level 3 narrowed again in 2009, when 34.2% of year 13 students attending a decile 1, 2 or 3 school gained NCEA Level 3. This was up from 33.8% in 2008, and 26.8% in 2005. The achievement gap continued to narrow between decile 1, 2 and 3 and decile 8, 9 and 10 schools, to 30.8% in 2009, from 31.6% in 2008 and 35.7% in 2005.

INFANT MORTALITY RATE RISES

The infant mortality rate rose slightly over the year to 30 September 2010, although the extent of the increase is not significant. For the year to September 2010, 330 infants

(under one year old) died, which represents a death rate of 5.18 children for every 1,000 live births (see [Table 5](#) for details). Although the infant mortality rate is 14% higher than for the previous year, the year-to-year rate has fluctuated considerably over the past decade, so it is not realistic to see any significance in the single year-on-year increase.

Of the 330 infant deaths during the 12 months to September 2010, 131 (40%) were Maori children. This outcome means that the Maori infant mortality rate is 1.6 times that of non-Maori, at 7.15 infant deaths per 1,000 live births. The non-Maori rate for the September 2010 year was 4.38. This gap between Maori and non-Maori has been consistently around 1.6 times for the past decade.

FEWER TEENAGE PREGNANCIES AND ABORTIONS

Teenage pregnancies and abortions have fallen during 2009, which is perhaps welcome news that there are fewer unplanned pregnancies.

The number of 11–14 year olds giving birth or having an abortion dropped from 122 in 2008, to 108 in 2009 (see [Table 6A](#)). Although this decline is on a very small base, this number of pregnancies is the lowest in at least eight years.

For older teenagers aged 15–19 years old, there was a 10% decline in the rate of pregnancies between 2008 and 2009. In 2009, there were over 500 fewer babies born to teenage mothers than in 2008 (see [Table 6B](#)). However, the number of births to teenage

mothers is still around 12% higher than in 2005. This growth in the number of births is part of the mini baby boom that New Zealand has been experiencing since 2007.

The number of abortions undertaken on pregnant teenagers declined by nearly 6% during 2009, although the rate of abortions and the share of total abortions being performed on teenagers has remained constant over the past five years.

PROGRESS REPORT CARD: OUR CHILDREN

CHILD POVERTY		RESULTS	
<p>There is some evidence to suggest that child poverty rates have increased over the past 18 months as single-parent households, in particular, have lost their jobs and been forced by circumstance to become welfare beneficiaries. Even so, rates of child poverty are nowhere near the very high rates seen in the 1990s, but the upward trend is disappointing given the amount of money now being spent on Working for Families.</p>			↓
CHILDREN AT RISK			—
<p>The slow-down in rates of reported child abuse and harm is encouraging and may point to the conclusion of increased reporting of such neglect and abuse resulting from various anti-violence campaigns. Real success will come when we see a decline in rates of such reporting and a drop in the extent of interventions necessary to protect all our children.</p>			—
CHILDREN AND VIOLENCE			—
<p>The rate of increase in reports and cases of child abuse and neglect is slowing, offering a glimmer of hope that we are beginning to adequately address issues of the ill-treatment of children. Much of the increases in reporting and subsequent responses are due to changing Police practice around family violence responses. While this is a welcome change it is not until we begin to see declines in such reporting that we can begin to imagine that we are beginning to deal with child abuse and neglect.</p>			—
EARLY CHILDHOOD EDUCATION			↓
<p>To those that have, more will be given. The rapid expansion of spending on early childhood education has failed to bridge the educational disadvantage around unequal and unfair access to ECE opportunities. The current review of ECE by the Early Education Advisory Group is wise to focus on this question. In doing so, it should avoid the temptation to look for cost savings in the name of efficiency and effectiveness. Rather, it should aim to provide ECE policy-makers with some insight as to why their policies have failed so miserably for Maori children and other children from poor communities.</p>			↓
EDUCATIONAL ACHIEVEMENT		↑	
<p>The rapid gains of recent years in closing the gap in NCEA pass rates between high and low decile schools have been maintained, which is good news. The gaps still remain large, however, particularly the NCEA Level 3 gap. It is important that complacency does not set in, whereby such gaps become expected and accepted.</p>		↑	
INFANT MORTALITY RATES		—	
<p>There are no discernable trends here to suggest that infant mortality is getting better or worse. This is a key social progress indicator internationally. While New Zealand compares well with most of the world, our infant mortality rate is the fourth highest in the OECD, which is hardly reason for celebration. There are signs of increasing problems of poverty-related illnesses among children, and if the contributing factors are not addressed, our infant mortality rate may begin to rise.</p>		—	

Overall improvement ↑	Mixed results —	Overall decline ↓
--------------------------	--------------------	----------------------



Police confront teenagers in Whangamata, Coromandel, after one allegedly breached the liquor ban on New Year's Eve 2010.

Photo: APN/ Doug Sherring

CRIME AND PUNISHMENT

It seems that gaining an accurate picture of crime trends is elusive. Certainly, crime reported to the Police provides only a partial glimpse of the extent of crime and perhaps the changes in criminal offending. The 2009 New Zealand Crime and Safety Survey, for example, suggested that only about 40% of crime was reported to Police including just 32% of assaults and 43% of burglaries.¹²

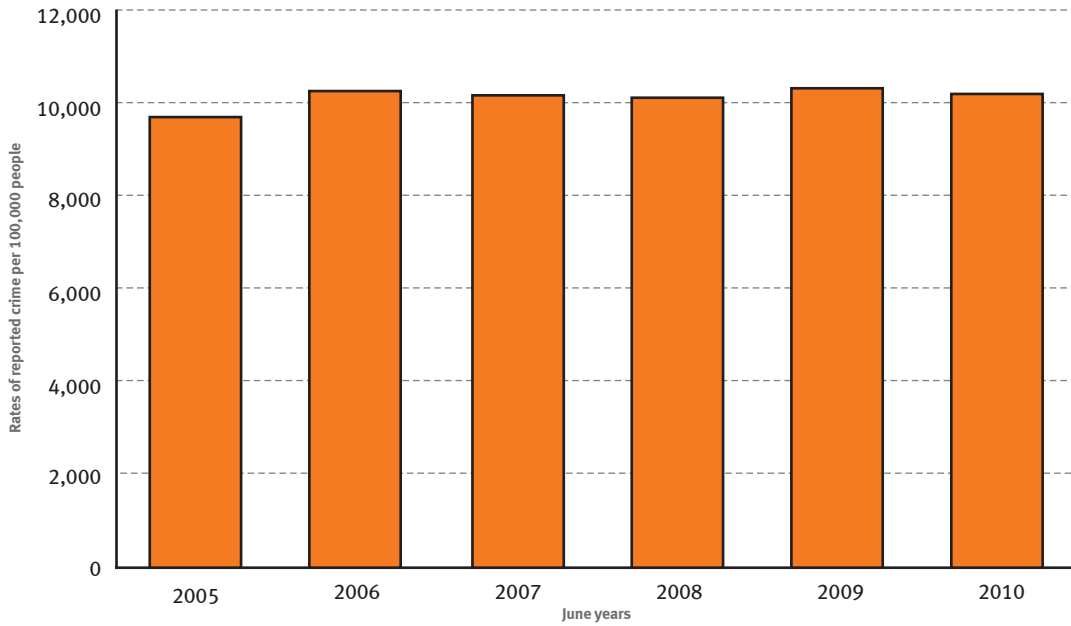
People's perceptions of crime appear to be a contributing factor in such low rates of reporting. For example, respondents in the 2006 survey had mixed views about whether events that were legally a crime, were what they considered a 'crime'. Respondents thought that just 53% of assaults that they had been a victim of, were a crime; while property-loss such as the theft of a car, was more likely to be seen as a crime.¹³

The reliability of estimates of experiences of crime is not made better by a significant difference in the extent of reported victimisation. The 2009 Crime and Safety Survey reports that 28% of households had experienced a non-violent crime in the previous 12 months and that 10% of individuals had been a victim of a physical or sexual assault within the last year.¹⁴ Against this the 2009 General Social Survey suggested that victimisation rates were much less at 17% for non violent crime and 4% for violent crime.¹⁵ This difference is explained by the different ways in which the questions were framed in the survey.

Both surveys, however, point to the fact that the young, Maori and people living in poor neighbourhoods¹⁶ and communities, are more likely to be victims of crime. In one of the cruel ironies often missed in the crime debate in New Zealand, it is the people who live with the offenders who are most likely to be victims of crime. It would appear that this trend of being victimised by those you live with or live near is the main reason for the increases in violent crime, which make headlines from time to time.

Because statistics of reported crime only provide us with a partial view of crime in our community the picture they present of safety and risk in our homes and communities is often unreliable. It is, for example, easy to see crime rates rise and to blame this on declining standards of behaviour or poor sentencing laws. Then, when crime rates fall, to claim that the statistics do not represent the true picture. The data presented on the next page offers an opportunity for both these lines of argument, and it is possible that neither is fair or accurate. Changing crime rates may simply be a reflection of changing attitudes towards crime, in terms of what people are prepared to tolerate or expected to tolerate; or in terms of what priority the Police give to certain types of crime. The possibility of such changes is considered in the following analysis in an attempt to offer some useful insight into what New Zealand's recent experiences of crime might mean.

Figure 5: Overall crime rates in New Zealand 2005–2010



Source: Statistics New Zealand crime data and population forecasts for the previous December year

Table 7: Changes in crime resolution rates for selected offence categories 2005–10

Year ending June	2004	2007	2008
Acts intended to cause injury	77.1%	80.1%	80.2%
Sexual assaults & related offences	55.7%	65.1%	60.9%
Unlawful entry/burglary	16.7%	16.3%	15.4%
Thefts	48.2%	54.1%	56.2%
Illicit drugs offences	93.6%	93.2%	93.0%
Public order offences	30.0%	28.6%	29.0%
All reported offences	44.2%	47.9%	48.1%

Source: Statistics New Zealand crime statistics

HEADLINE CRIME RATE DROPS

The rate of crime in New Zealand dropped slightly in the year to June 2010, from 10,310 offences per 100,000 people, to 10,171 offences—a small decline of 1.4%. The overall crime rate in 2010 was nearly 6% higher than it was five years ago in 2005, but since the 2006, the rate has remained quite constant.

The overall experience across New Zealand has not been one of constant rates of crime. Some areas are relatively safe and have seen a decline in rates of crime, while other communities that already suffer from high rates of crime, have seen further growth. For example, the North Shore in Auckland experienced a crime rate of 5,270 crimes per 100,000 people, and a five year decline in the crime rate (from 2005/06 to 2009/10) of 20%. Meanwhile in 2009/10, Rotorua experienced a crime rate of 16,000 crimes per 100,000 people, which is 57% higher than the national average. Over the five years to June 2010, Rotorua experienced almost a 10% increase in the crime rate.¹⁷ The Police emphasis on high rates of offending in South Auckland has shown some results, with an 8.5% decline in rates of reported crime over the five years to June 2010.

Police resolution of crime overall rose slightly between 2008/09 and 2009/10, from 47.9% to 48.1%. In 2004/05, the overall resolution rate was 44.2%. This improved resolution rate is partly due to an improved performance by the Police over the past five years, and partly because of a changing composition

in reported offences.¹⁸ Over the past five years, dishonesty-type crimes that have lower resolution rates have declined as a proportion of all crime, from just under 55% of reported crime in 2004/05, to just over 48% of crime in 2009/10. Over the same period, violent offences have increased as a share of total crime from 9.4% to 11.6%. The reasons for this increase are discussed below. Changes in the resolution rates of various categories of offences are provided in [Table 7](#).

RISING FAMILY VIOLENCE CONTINUES TO DRIVE UP SERIOUS CRIME

Serious crime—that is, crimes of a violent or sexual nature—continued to increase during 2009/10. For the year to June 2010, the rate of such crime was 1,184 crimes per 100,000 people—a small increase of 1.5% over the previous year, and a 31% increase over the rate in 2005,¹⁹ when the rate was 905 (per 100,000 population).

There is, however, clear evidence that this increase is the result of increased reporting of family or domestic violence. While there is no specific crime of domestic violence, and domestic or family violence to date has not been consistently recorded by Police,²⁰ a reliable indicator of trends in reported domestic violence is the proportion and number of violent and sexual offences that occur in dwellings. Clearly, assault in a dwelling can be the result of violence between unrelated and unknown people, but this is rarely the case. However, there appears to be no public data available that provides

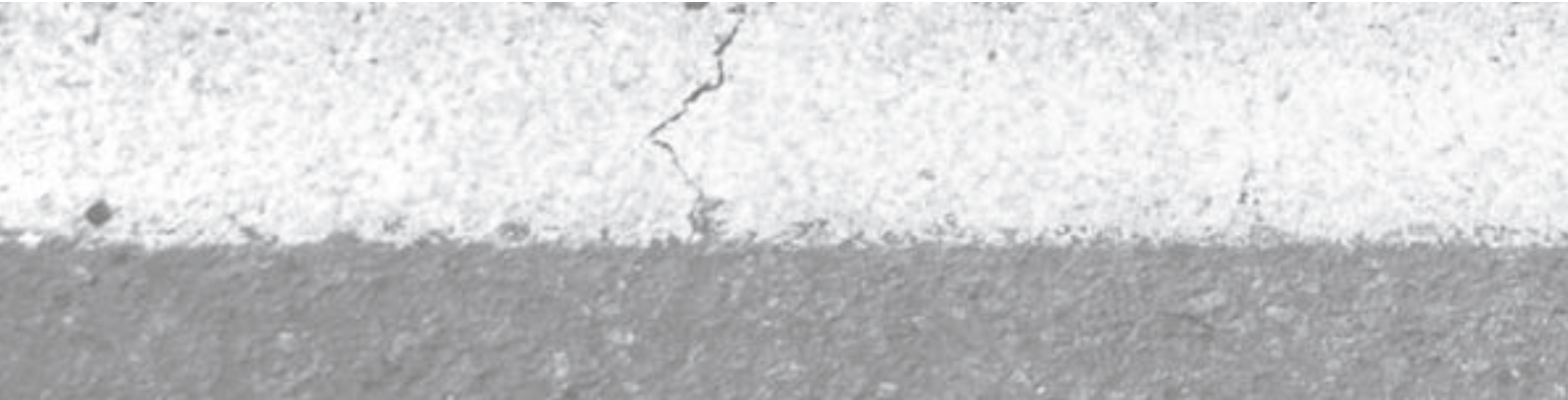
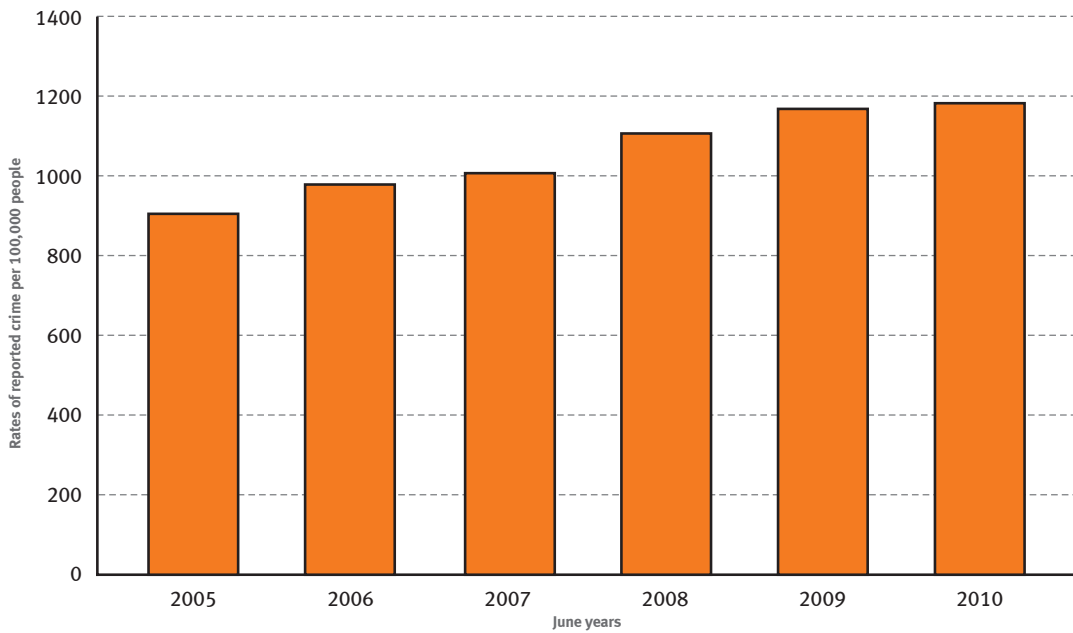
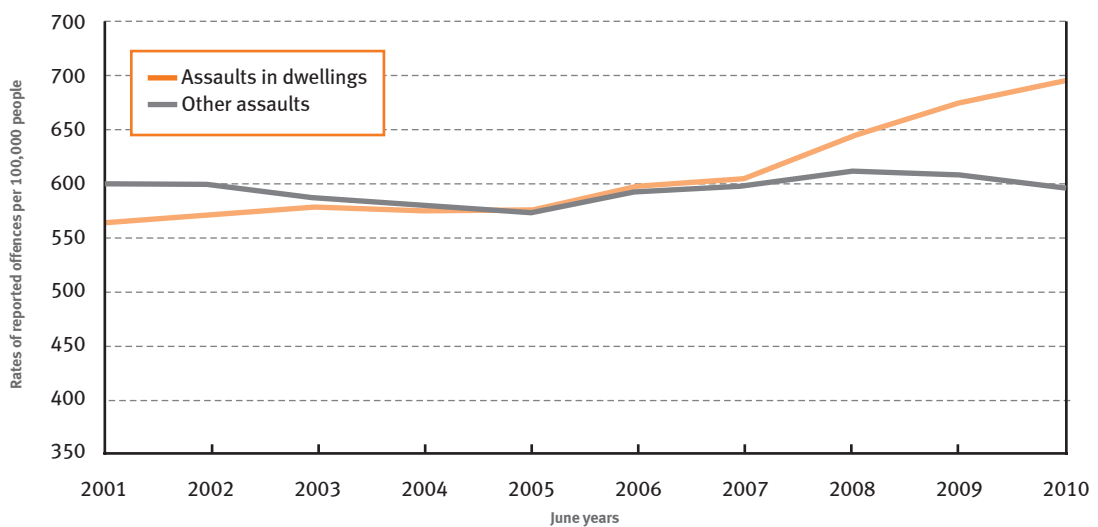


Figure 6: Rates of serious crime in New Zealand 2005–2010



Source: Statistics New Zealand crime data and population forecasts for the previous December

Figure 7: Rates of reported violent offences 2000–2010



Source: Statistics New Zealand crime data and population estimates

some insight into the extent to which violent offences committed in dwellings are the result of violence by strangers, acquaintances or relations and partners. While not specifically addressing this question, Police estimates of the extent of family violence within overall violent offending suggest that 44% of grievous assaults and 64% of serious assaults, are family violence. It seems reasonable, therefore, to use trends in violent offences within dwellings, as an indicator of reported family violence.²¹ The data presented in [Figure 7](#) and [Table 8](#) on such offending points to the recent increases in reported violent crime being largely due to increases in reported family violence.

[Figure 7](#) records changes in rates of reported violent offences for offences in dwellings and not in dwellings. Two trends are notable from this data. Firstly, the increase in the rate of violent offending is entirely due to increases within dwellings—rates of reported violent offences outside of dwellings have remained more or less constant over the past decade. Secondly, the literal take-off in reporting of violence in homes is during 2007/08, which coincides with the launch of the ‘Its not OK’ campaign against family violence in September 2007. This increase corresponds with research undertaken following the launch of ‘Its not OK’, which has identified the huge impact of this campaign in increasing awareness of family violence and in changing attitudes and responses to it²² (see [Table 9](#)).

Since 2007, the number of serious crimes of a violent or sexual nature has grown by over

9,000, with 95% of this increase occurring in homes. There is no evidence available to identify if this increase is due to increased levels of violence, or to reduced tolerance of violence and an increased willingness to report it. Police reportedly estimate that just 18% of family violence is reported,²³ so it is plausible that what we are seeing here is an increased rate of reporting of family violence. Such a shift is a welcome outcome of the ‘Its not OK’ campaign, but is only really a partial one if trends don’t begin to change. Increased numbers of reported violent crime in homes is to be welcomed, if it is uncovering the long-known but dark secret of violence in New Zealand. However, there is little to applaud if these numbers continue to increase over the next two or three years. Such an outcome will not signal any real change in behaviour by those whose view of family violence is that ‘its still OK’.

YET ANOTHER RISE IN COMMUNITY-BASED SENTENCES

The growing business of community-based sentences continued its double-digit growth for the year to 30 June 2010. The average number of New Zealanders serving community services grew nearly 12% during 2009/10 to 62,103 people. This 12% growth in numbers was on top of a 20% growth the previous year and 23% growth during 2007/08. Since 2005 the average number of people serving community sentences has risen 87%.

A similar pattern of compounding growth is seen in the numbers serving home-based

Table 8: Estimates of domestic violence and its contribution to violent offending

June years	2005	2006	2007	2008	2009	2010
Reported violent offences in dwellings	16,978	18,839	19,587	23,049	25,938	28,035
All reported violent offences	34,733	37,973	39,453	44,345	47,143	48,451
Reported sexual assaults in dwellings	1,532	1,739	1,792	1,783	1,889	1,932
All reported sexual assaults	2,430	2,722	2,784	2,667	2,794	2,874
Total all 'domestic violence' type offences in dwellings	18,510	20,569	21,379	24,832	27,827	29,967
Total all reported violence and sexual assault offences	37,163	40,695	42,237	47,012	49,937	51,325
'Domestic violence' as % of all reported violence and sexual assaults	50%	51%	51%	53%	56%	58%
Share of growth (2005–10) in reported violence and sexual assaults attributable to 'domestic violence'						81%

Source: Statistics New Zealand crime statistics

Table 9: Community-based and home-based sentences 2005–2010

Year ending June	2005	2006	2007	2008	2009	2010
Non-custodial community sentences	33,229	33,965	37,746	46,518	55,648	62,103
Home detention orders & sentences	1,515	1,293	1,517	2,736	3,175	3,472
Rate of community based sentences (per 100,000 people aged over 18 years)	1,174	1,170	1,285	1,587	1,871	2,059

Source: Department of Corrections Annual Reports

detention. The average number of people serving home detention rose nearly 10% during 2009/10 from 3,175 to 3,472 and has grown 129% since 2005.

The rate at which New Zealanders are serving community-based and home-based sentences rose 75% over the five years to June 2010, to be at 2% of the adult population at any one time.

PRISON POPULATION REACHES RECORD HIGH

In its 2009/10 Annual Report the Department of Corrections reported ‘an all time high’ prison population of 8,816 prisoners, made up of 1,908 remand prisoners and 6,908 sentenced prisoners.²⁴

For the year to 30 June 2010, the New Zealand prison system incarcerated an average of 8,414 prisoners of whom 23% or 1,828 were held on remand. Over the 12 months to June 2010 the sentenced prison population grew by 5.8% while the remand prison population grew by 2.4%. Over the five years to June 2010 the sentenced prison population has increased by 19% while the remand prison tally has expanded by nearly 21%.²⁵

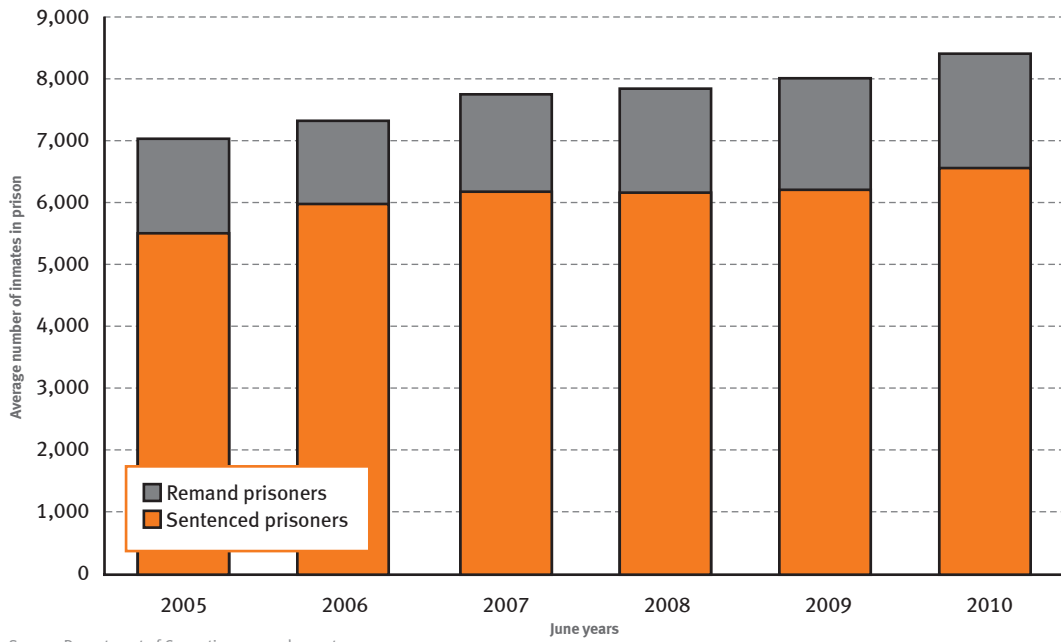
Consistently, around half of New Zealand’s prisoners are Maori, yet Maori make up just 15% of the population. This over-representation in the country’s prison population is reflected elsewhere in the criminal justice system, although it appears that Maori who become enmeshed in the system have a greater chance of ending up in

jail than non-Maori.²⁶ The over-representation of Maori in prisoner numbers means that their rate of imprisonment is over three times the national rate. The rate of imprisonment for Maori in 2009/10 was 634 per 100,000 people, compared with a rate of 192 per 100,000 for New Zealand overall.

As the prison population has risen faster than that of the national population, the rate of imprisonment has, of course, risen as well. Between 2008/09 and 2009/10 the Maori imprisonment rate rose nearly 5%, and over the five years to June 2010, it rose 14% from 555 per 100,000 population to 634. For New Zealand as a whole, the imprisonment rate rose 13% between 2005 and 2010, from 170 prisoners for every 100,000 people to 192, and rose nearly 4% between 2009 and 2010 alone.

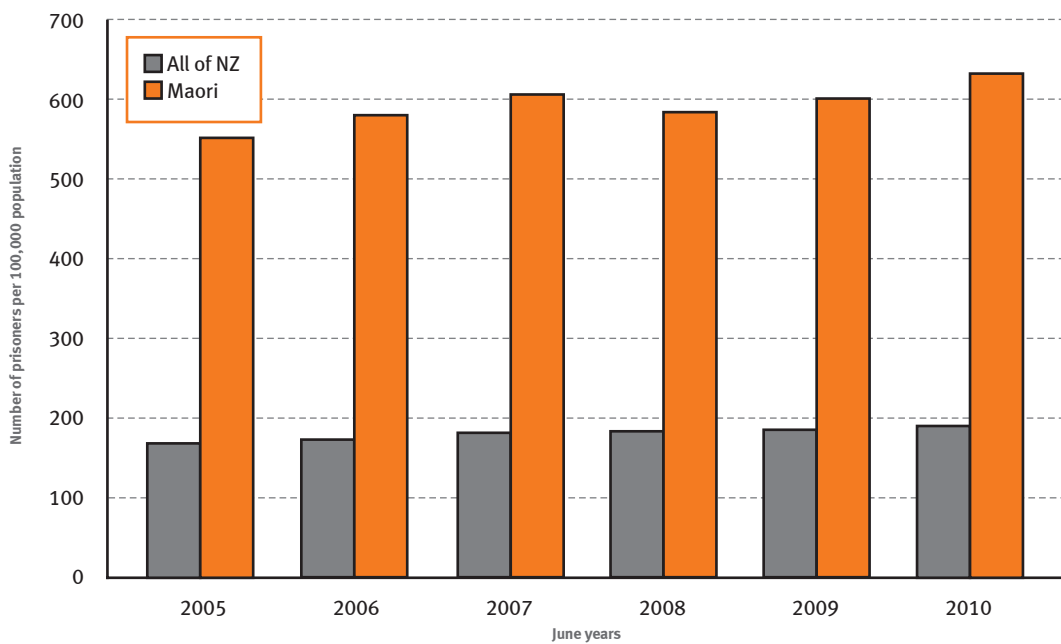
Recent growth in prisoner numbers falls between the middle and high growth paths predicted by the so-called ‘Justice Sector’ agencies in the 2008 Justice Sector Prison Population Forecast.²⁷ This forecast suggested that the prison population would grow to between 10,000 and 11,500 by mid-2016, and that the number of prisoners may top 10,000 in early 2013. Updated forecasts published in September 2010 have revised these forecasts down, and are suggesting that the recent growth in prisoner numbers will slow down to a growth rate of less than 2% annually. This means that the total number of prisoners is not likely to exceed 10,000 until after 2020.²⁸ Which growth path proves correct is likely to be shown over the next 12–18 months.

Figure 8: Average prison population 2005–2010



Source: Department of Corrections annual reports

Figure 9: Rates of imprisonment 2005–2010



Sources: Department of Corrections website and Statistics New Zealand population estimates

RECIDIVISM RATES REMAIN STUBBORNLY HIGH.

Rates of re-offending by released prisoners, and their re-imprisonment, remain high with little or no progress over the past five years. Between 2008/09 and 2009/10, most recidivism rates actually worsened—although the long-term nature of this challenge means that year-on-year comparisons are not always a fair indication of progress or retrenchment. Maori recidivism rates consistently remain around 10% higher than those of the total prisoner population. These trends are shown in [Table 10](#).

While Government spending on rehabilitation and reintegration services for prisoners rose 10% in 2009/10 to \$64.6 million, once the effects of inflation and the growth in prisoner numbers are taken into account the real per prisoner expenditure rose a more modest 2.4%. Spending on rehabilitation and reintegration services during 2009/10 was just over \$9,800 per prisoner, which is the highest level in six years, and nearly 17% higher in inflation-adjusted terms than five years ago.

CORRECTIONS COSTS TOP \$1 BILLION ANNUALLY

The cost to taxpayers of running the Department of Corrections exceeded \$1 billion for the first time in 2009/10, with a cost before claw back for capital charges of \$1.056 billion, or nearly \$3 million each day. As a share of Government's spending on core public services the cost of running our corrections services has risen from a modest 1.1% in 2004/05 to 1.4% in 2009/10.

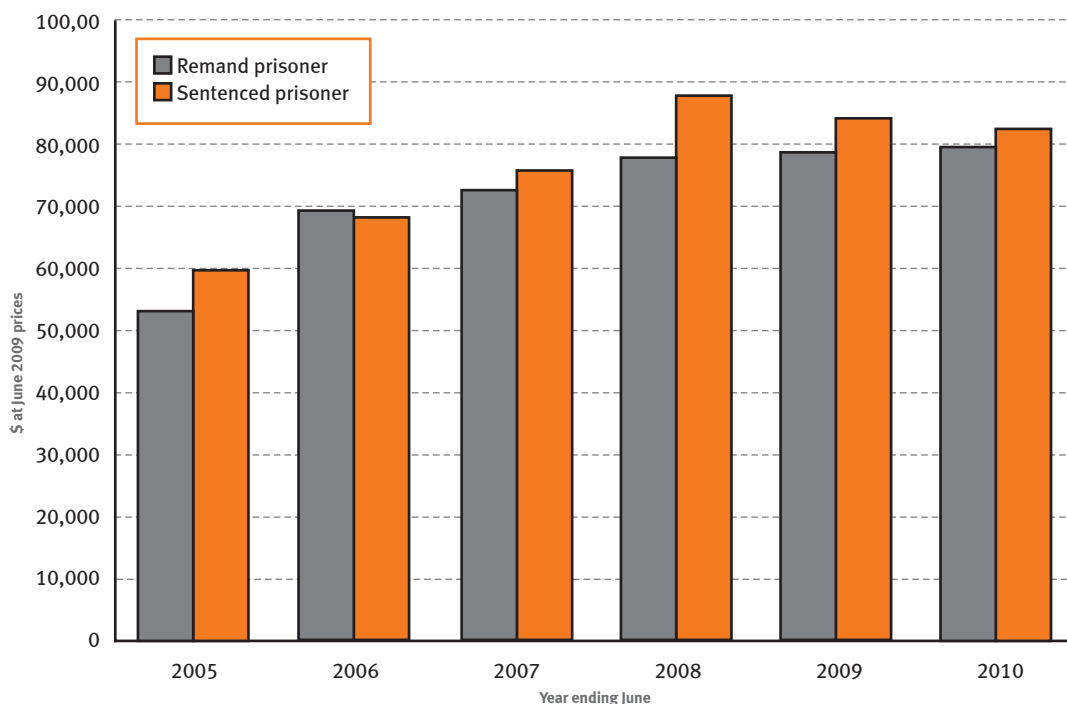
The average cost of keeping a sentenced prisoner has dropped for the second year running, although the costs of keeping remand prisoners has risen slightly. For the year to 30th June 2010 the average costs of keeping a sentenced prisoner was \$82,384, which represents a modest 2% decline in inflation-adjusted terms on the previous year. Since 2005 the average cost of locking up a sentenced prisoner has grown 38% in real terms. Between 2008/09 and 2009/10 the cost of accommodating remand prisoners rose just over 1% in inflation-adjusted terms to \$79,557. Since 2005 the average cost of keeping a remand prisoner has risen in real terms by just over 50%.

Table 10: Prisoner recidivism, and spending on rehabilitation and reintegration services

June years	2005	2006	2007	2008	2009	2010
TOTAL PRISON POPULATION						
12 month re-imprisonment rate	28.9%	27.7%	27.6%	27.2%	27.6%	28.4%
12 month prison to reconviction	42.6%	41.1%	42.3%	43.5%	47.6%	47.5%
24 month re-imprisonment rate	37.2%	39.2%	38.8%	39.7%	36.8%	37.9%
24 month prison to reconviction	55.4%	56.4%	55.4%	57.6%	58.7%	61.9%
MAORI PRISON POPULATION						
12 month re-imprisonment rate	32.0%	29.9%	31.2%	30.5%	31.0%	32.6%
12 month prison to reconviction	47.0%	44.9%	47.6%	47.9%	52.3%	52.2%
24 month re-imprisonment rate	41.6%	43.3%	42.5%	42.1%	41.5%	43.3%
24 month prison to reconviction	61.1%	61.5%	60.3%	62.4%	64.4%	68.2%
SPENDING ON REHABILITATION AND RE-INTERGRATION SERVICES FOR PRISONERS						
Total spend in June 2010 (\$ millions)	46.4	50.3	49.7	59.2	59.6	64.6
Spend per sentenced prisoner in June 2010 (\$)	8,395	8,415	8,028	9,640	9,574	9,805

Source: Department of Corrections annual reports

Figure 10: Average spend per prisoner (\$ in June 2010)



Source: Department of Corrections Annual Reports

PROGRESS REPORT CARD: CRIME AND PUNISHMENT

OVERALL CRIME		RESULTS	
<p>Although it appears that the majority of crime goes unreported, there is no evidence to suggest that New Zealand is becoming a crime-ridden and more dangerous place. Crime rates remain fairly stable, and improved rates of resolution by the Police are reason for some optimism. However, declining resolution rates for some property crimes may be driving lower rates of reporting, and so make the statistics look better than perhaps they are.</p>			—
SERIOUS CRIME			—
<p>The incidence of serious crimes such as violence, robbery and sexual assaults is rising. Most of this increase is on account of rising rates of reported family violence. The ‘Its not OK’ campaign may have prompted a cultural shift for New Zealanders by changing our attitudes towards violence and generating a growing intolerance towards family violence. There is, however, no evidence at this stage that this cultural shift is making New Zealand homes less violent places—we may simply be more prepared to acknowledge the problem. Over the next two or three years we must begin to see reductions in rates of reported violence to be able to claim any real progress. Government’s apparent lack of interest in addressing the impact of alcohol on societal and family violence is a major disappointment.</p>			
IMPRISONMENT AND SENTENCING			↓
<p>There is little redeeming progress in this area, outside of the fact that the cost of running the country’s prisons has not continued to balloon out. Rates of imprisonment and of community-based sentencing continue to rise, while the Government plans a new industrial scale prison in South Auckland. Government’s avowed commitment to charting a new course towards more inmate training and rehabilitation services is yet to show progress, and the budget increases to support such interventions are quite modest. The outlook is not encouraging.</p>			
RECIDIVISM		↓	
<p>The one constant in the whole crime and punishment area is that rates of re-offending and re-imprisonment remain more or less the same year upon year. 2009/10 has been a disappointing year with signs of things getting worse, rather than better. Reducing the chance of prisoners re-offending is a complex challenge, which is as much to do with what happens after prison, as it is to do with what happens in prison. The worth of in-prison and post-release programmes for reducing re-offending is well known, as is the value of cultural and faith-based rehabilitation programmes. The challenge—which does not appear to have been addressed to date—is to resource these programmes well enough and for long enough, for them make a difference to the lives of prisoners and their families, and for the communities they return to.</p>			
Overall improvement ↑	Mixed results —	Overall decline ↓	



Salvation Army workers at Linwood Corps bring relief to those affected by the Canterbury earthquake. Recipients included employed people on reduced work hours and others who have lost their jobs. November 2010.

Photo: Jon Hoyle

WORK AND INCOMES

The most recent fortunes of households with jobs have been fair, given the subdued economic climate and the turmoil and chaos in many other countries. Over the past year, households with jobs are unlikely to have seen movement in their incomes, but neither have they seen their living costs increase by much. For households without employment, their circumstances are also much the same as a year ago, although their financial position is most often more precarious than for job-rich households. The difference between 2009 and 2010 is that there are a few more households in the unemployed camp today than there was 12 months ago. Benefit numbers are at a seven-year high, as are unemployment numbers. Young people appear to be bearing the brunt of this slowdown in job growth.

MODEST JOB GROWTH FAILS TO MATCH JOB DEMAND

The total number of jobs within the New Zealand economy grew by nearly 2% over the year ending September 2010, to 2.193 million jobs. This recovery matches the decline over the previous 12 months (to September 2009). This effectively means that there has been no job growth over the past two years, and only around 23,000 jobs have been created since the beginning of the global financial crisis in about September 2007.²⁹

The recovery in job numbers during 2009 has matched the modest economic growth of this period. This has meant that there is little emerging evidence of a jobless recovery as some feared. In fact, the job market has

appeared quite resilient to the impacts of the recession, which in New Zealand's case, lasted from the beginning of 2008 until the middle of 2009. For the three-year period between September 2007 and September 2010, the job market grew a modest 1.1%, while the economy expanded by a tiny 0.3%.³⁰ If over the next one or two years, future job growth does not match economic growth rates, it may simply be that the surplus capacity in the economy is initially being utilised.

The real challenge is to create sufficient jobs in the economy to meet the needs of an expanding work force. Over the past three years this has not been achieved, with the result that unemployment and joblessness have increased quite dramatically. During the three years to September 2010, New Zealand's working age population grew by an estimated 132,000. At the prevailing labour force participation rate of around 68.2%, this would require an additional 90,000 jobs to be created in order for unemployment not to increase. As reported above, only 23,000 jobs have been created and this deficit largely accounts for the increase in unemployment of around 70,000 people. This figure of 70,000 unemployed people is reflected both in estimates of official unemployment from the Household Labour Force Survey, and in the increase in beneficiary numbers reported by the Ministry of Social Development.

Figure 11: Total employment in New Zealand 2005–2010

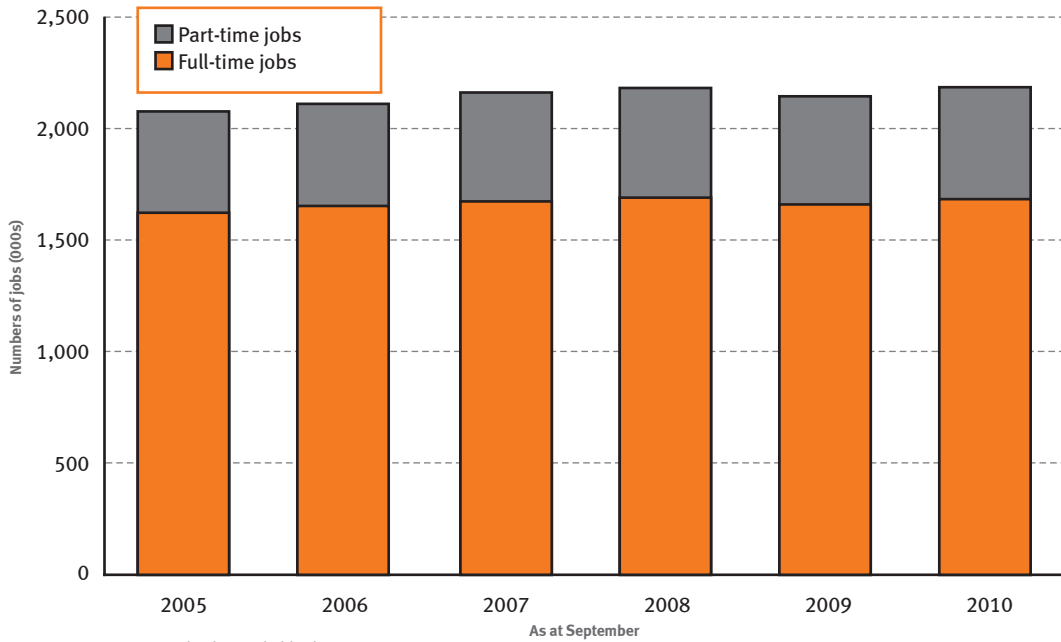
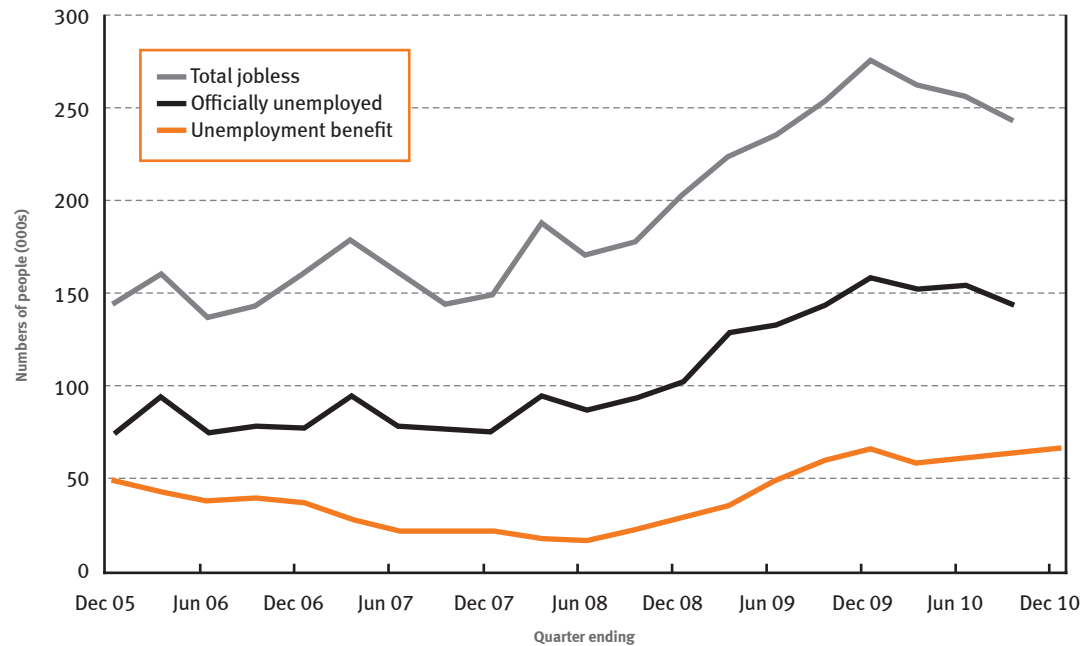


Figure 12: Unemployment statistics 2005–2010



UNEMPLOYMENT MAY HAVE PEAKED BUT HIGH YOUTH UNEMPLOYMENT IS A CONCERN

There are mixed signs over trends in unemployment, with some indicators showing the beginnings of a decline in joblessness while others showing continuing increases.

There are three useful indicators of unemployment which are all reported in **Figure 12**. These are the official estimate of unemployment, and the numbers of jobless working-age people, which are both based on Statistics New Zealand's Household Labour Force Survey, and registered unemployment, which is based on the numbers of people being paid an unemployment benefit.

The number of people receiving the unemployment benefit rose during the December 2010 quarter, for the third quarter running, to reach 67,084 people—the highest figure in more than six years. This figure is just 1% higher than a year previously, but 30% higher than for December 2005.

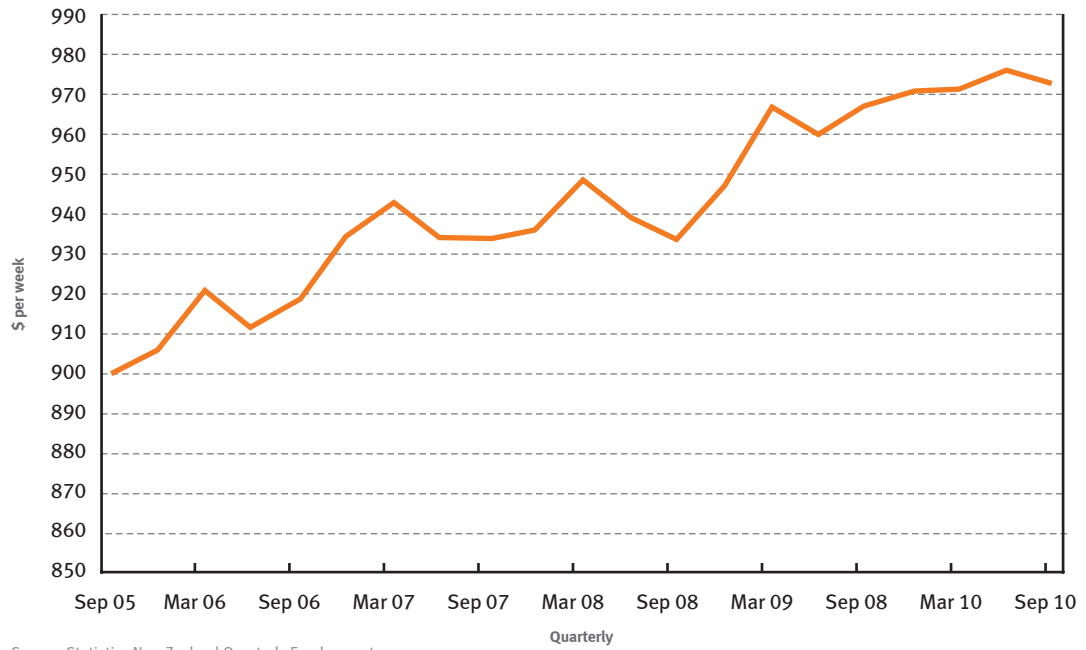
The other two unemployment indicators have shown a decline, although data was only available up to September 2010 at the time of publication. Official unemployment appears to have reached a five-year peak in December 2009, and has experienced a 10% decline over the nine months to September 2010, to sit at 144,500 people. Five years previously, in September 2005, official unemployment stood at nearly half this at an estimated 75,700 people.

Joblessness is a broader measure of unemployment because it includes those out of work who would take a job if a suitable one was available, but who are defined as not actively seeking work. The numbers of jobless people include those who are officially unemployed (eg, actively seeking work), as well as those who might be described as the 'discouraged unemployed'. At the end of September 2010, the number of jobless people is estimated at 243,500, which is a fall of 32,000 people from the five-year peak in December 2009. The number of jobless has grown by nearly 100,000 since the beginning of the global recession in September 2007.

Of particular interest within the unemployment figures, is the plight of younger workers who appear to have borne the brunt of recent job losses and diminished employment opportunities. Since the beginning of the global recession in September 2009, and until the end of 2010, the number of people receiving the Unemployment Benefit grew by nearly 44,000. Of this increase, 39%—or just over 17,000 people—were aged 18–24 years old. This age group makes up just 17% of the working age population.

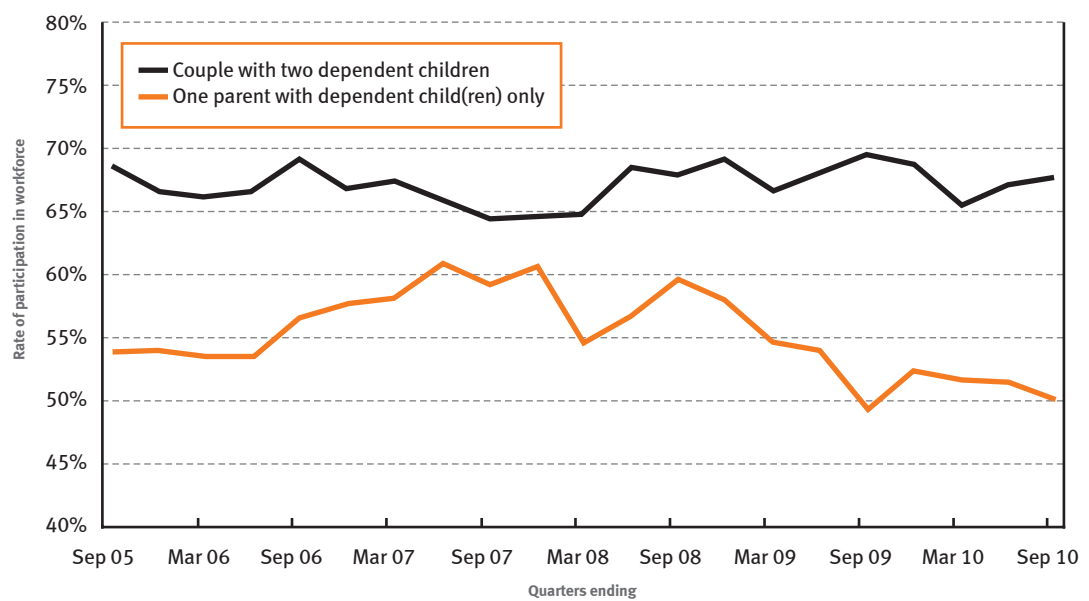
The employment outcomes of the 15–19 year old age group is painted out in the Household Labour Force Survey. Between September 2007 and September 2010, the number of 15–19 year olds in employment fell by 40,000, while the total number of jobs in the labour market expanded by 24,000. The response to these plummeting job prospects was that

Figure 13: Average weekly wages 2005–2010



Source: Statistics New Zealand Quarterly Employment

Figure 14: Labour force participation of families with children



Source: Statistics New Zealand Household Labour Force Survey

34,000 young people left the workforce, and returned to school or training or simply dropped out. If this exit had not taken place, the unemployment rate among 15–18 year olds would be a massive 38%, instead of the 23% it was in September 2010.

WAGE GROWTH FALTERS BUT PICTURE STILL REMAINS POSITIVE

Workers, on average, experienced minimal wage growth over the 12 months to September 2010, with average weekly earnings rising just 0.5% in inflation-adjusted or real terms. Over the three years since September 2007, and covering a period of recession, wages grew a credible 4% in real terms and by 8% in real terms over the five years to September 2010.³¹

Wage inequality has shown no signs of worsening, nor improving, over the past year—or over the past five years. In September 2010, the average hourly wage of those in the highest-paid sector (finance and insurance) was 2.2 times that of the poorest-paid sector. In September 2009, this difference was 2.3 times, and in September 2005 it was 2.1 times.

Estimates of the number of working people receiving the minimum wage provides some encouraging news that increasing the level of the minimum wage actually lifts the incomes of the lowest paid. In February 2010, Parliament approved new regulations to increase the adult minimum wage from \$12.50 per hour to \$12.75. The Department of Labour estimates that at June 2010, 36,300 employees were receiving the adult minimum wage of \$12.75.

A year earlier, an estimated 70,000 workers were being paid the then-minimum wage of \$12.50 per hour. Back in 2006 just 13,000 workers were receiving the then-minimum wage of \$10.25

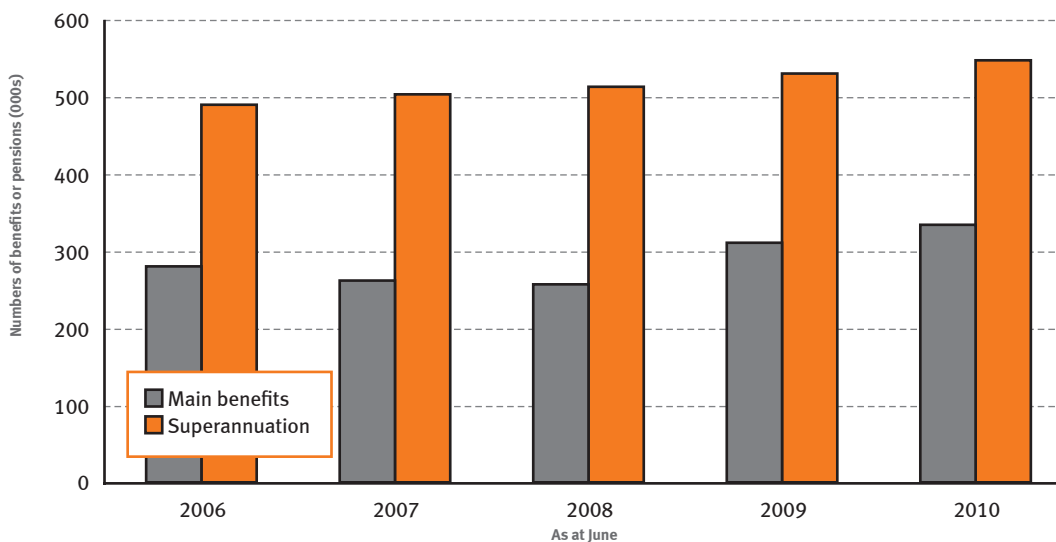
The gender wage gap has not closed appreciably over the past year, or five years. At September 2010, the average hourly earnings of women was \$23.93, which was 87.8% of the average hourly earning of men, at \$27.26. A year earlier, women's hourly earnings were 87.4% of men's; and five years earlier, in September 2005, the difference was 86.2%.

SINGLE-PARENT FAMILIES LOSE OUT IN RACE FOR JOBS

Single-parent households appear to have been among the casualties in the scramble for jobs following the onset of the global financial crisis in late 2007. The labour force participation rate for single-parent households is estimated to have fallen from around 60% in 2007, to around 50% in 2010. Over the same period, the employment fortunes of two-parent families have remained relatively stable, with participation rates remaining at around 65–70% as shown in [Figure 14](#).³²

As expected, the decline in employment among single-parent households is mirrored by an increase in take-up of the Domestic Purposes Benefit. At December 2010, the number of households receiving the DPB stood at 112,365—a small 3% increase in the numbers of a year earlier, and nearly 17% more than in mid-2007, when the number

Figure 15: Benefit and pension numbers 2006–2010



Source: Ministry of Social Development Statistical Report and Benefit Factsheets

Table 11: Expenditure on major income support programmes 2005–2011

June years	2005	2006	2007	2008	2009	2010	2011 (budgeted)
NZ superannuation	6,083	6,414	6,810	7,348	7,744	8,287	8,822
Accommodation supplement	750	843	877	891	989	1,157	1,221
Income-related rents	373	399	440	474	512	540	559
Domestic purposes benefit	1,547	1,493	1,468	1,478	1,530	1,694	1,757
Invalids benefit	1,026	1,073	1,132	1,216	1,260	1,303	1,319
Sickness benefit	510	541	573	582	613	714	760
Unemployment benefit	831	712	613	458	586	939	969
Working for Families	846	1,285	1,699	2,460	2,646	2,726	2,829
TOTAL (\$ millions nominal)	11,966	12,760	13,612	14,907	15,880	17,360	18,236
TOTAL (\$ millions June 2010)	13,834	14,368	14,715	15,796	16,179	17,360	

Source: The Treasury Budget Estimates and Appropriations

of DPBs being paid out dipped to just under 97,000. This decline in employment among single-parent households is also reflected in the increase in the number of children living in benefit-dependent households, and most likely, in the rise in relative poverty identified elsewhere in this report.

BENEFIT NUMBERS HIT SEVEN-YEAR HIGH, BUT THE REAL INCREASES IN WELFARE COSTS ARE ELSEWHERE

The number of income-tested benefits hit seven-year highs during 2010, as the job growth failed to keep up with labour force growth. At the end of December 2010 there were more than 352,700 benefits being paid out to working-age New Zealanders, which was nearly 17% more than the five years previous, and 2% more than for December 2009.

The number of people receiving New Zealand Superannuation is estimated to have grown by 3% for the year to June 2010, to just under 550,000 people. Over the five years to June 2010, the number of people receiving superannuation has grown by nearly 12%.

The financial cost of the various forms of social assistance paid to New Zealand citizens, reached nearly \$17.4 billion in the 2009/10 financial year.³³ In inflation-adjusted terms, this expenditure is more than 7% higher than for the previous year, and 25% more than the 2004/05 levels. In inflation-adjusted terms, Government spending on social assistance programmes has grown by over \$3.5 billion, over the five years to June 2010 (See [Table 11](#)). Almost half of this increase is

due to additional spending on Working for Families (\$1.75 billion), while more than one third is the result of increasing expenditure on New Zealand Superannuation (\$1.25 billion). Of the remaining \$500 million in spending increases, nearly \$400 million is due to increased spending in housing assistance programmes through the Accommodation Supplement, and operating subsidies to Housing Zealand. Just over \$100 million is due to increased spending on income-tested benefits to working age New Zealanders.

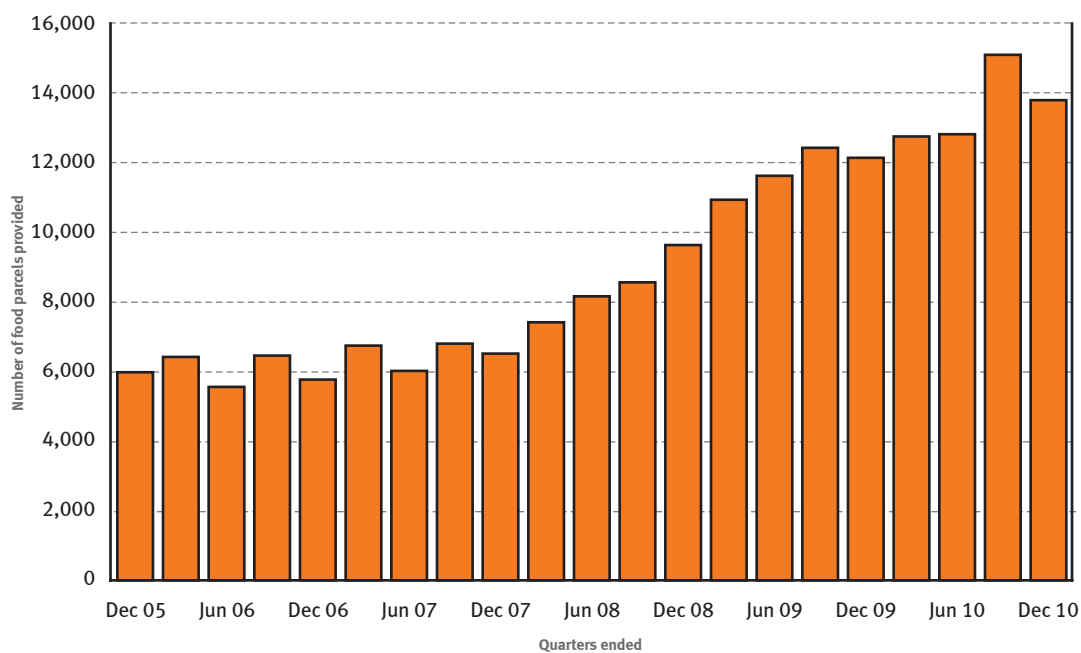
FOODBANK NUMBERS REACH RECORD HIGH

Growth in demand for food parcels through The Salvation Army's network of food banks grew by nearly 16% during 2010. For the year to 30th December 2010 the number of food parcels distributed through the Army's 48 Community Ministries Centres exceeded 50,000 for the first time. Figures from the Army's national services database show that 54,423 food parcels were distributed to 28,554 families or households during 2010.

These figures are, however, inflated by the Christchurch earthquake and The Salvation Army's involvement in providing food parcels and other support to displaced and homeless earthquake victims. The Army distributed over 2,700 food parcels to 2,200 families during the crisis period immediately following the earthquake.

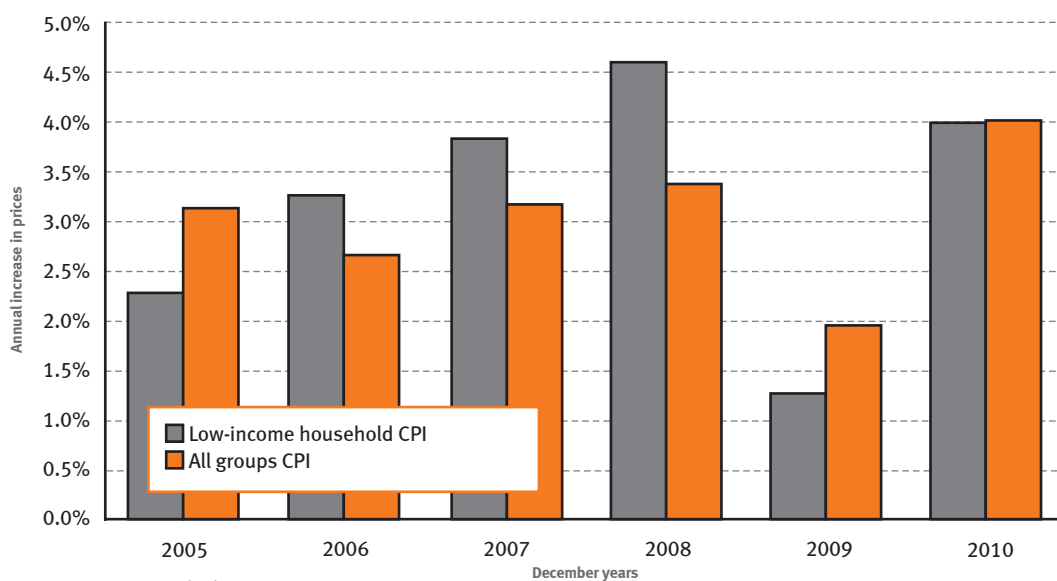
If the food parcels provided to earthquake victims are omitted from the picture, the increase in the numbers of food parcels

Figure 16: Food parcel distribution by The Salvation Army 2006–2010



Source: The Salvation Army SAMIS database

Figure 17: Low-income household CPI 2005–2010



Source: Statistics New Zealand Consumer Price

provided to needy families grew by a more modest 10% to 51,675, while the number of families and households assisted grew by just over 4% to 26,346.

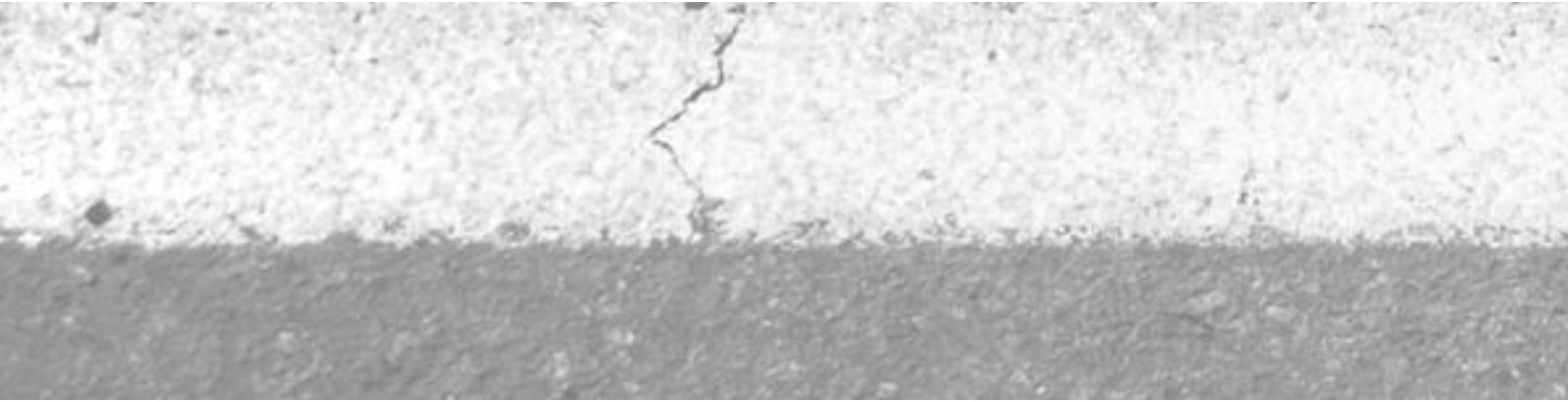
The overall growth in the provision of food parcels has, however, slowed, which is a welcoming sign. The 10% growth during 2010 compares with 39% growth during 2009 and 29% growth during 2008. This rapid growth of recent years means that the number of food parcels distributed by The Salvation Army has nearly doubled in just three years from an average of 500 parcels per week in 2007 to 997 parcels per week in 2010. The Army's South Auckland Community Ministry remains the busiest of the foodbanks with an average of 190 food parcels provided each week.

LIVING COSTS RISE BY 4% AS A RESULT OF GST HIKES

The Salvation Army has developed a simple low-income household consumer price index as a means of tracking the living costs of typical families living in rental property and on modest incomes. This index uses the various components of Statistics New Zealand's 'All Groups' Consumer Price Index but attaches different weights to these components 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](#).

Essentially, both measures have tracked closely together since 2008. Over the year to December 2010 both the All Groups CPI and the 'Low-income household' CPI rose by 4%

Over the five years to December 2010 the All Groups CPI has indicated overall price inflation of 16.1% while the Low-Income Household CPI has shown increases of 18.1%.



PROGRESS REPORT CARD: WORK AND INCOMES

EMPLOYMENT AND UNEMPLOYMENT		RESULTS
<p>Unemployment is at a seven-year high, at the same time that the New Zealand economy has generated close to a record number of jobs. The reason for this paradox is that the economic recovery has been too weak to keep pace with the job needs of a growing workforce. The result has been particularly high unemployment rates among younger workers. These circumstances provide us with a huge opportunity to redouble our efforts, to ensure that every student leaves school with a worthwhile qualification and that every young person not in employment is in tertiary education or vocational training—in other words, an unrelenting focus on training. The risk is that we don't take these opportunities, and waste part of a generation to marginal economic lives and unskilled low-paid work.</p>	—	
WAGES AND INCOMES		
<p>There are signs that income growth has stalled in the face of more demanding business conditions and tighter labour markets. Despite this stall, income inequality has not become worse and there are signs that the lowest-paid workers have gained slightly more than others. Things could certainly be a lot worse.</p>	↑	
WORKING FAMILIES		
<p>Single-parent families are losing out to two-parent families in the race for jobs. Predictably, the result is an increased take-up of the Domestic Purposes Benefit. The result, too, is an increase in the number of children living in benefit-dependent households—the majority of whom will also be living in relative poverty. For households with jobs and mortgages, things are tight—but generally not unbearable, given the stability in wages and salaries, as well as relatively low interest rates.</p>	→	
BENEFITS AND PENSIONS		
<p>The seven-year high in the numbers of people receiving one of the main benefits is predictable, given the conditions in the labour market and the economy in general. The social contract around income support for working age people unable to work has remained, despite Government's financial challenges. This social contract is, however, under debate with the review of the Welfare Working Group. Ideally, this debate should be undertaken within a broader framework, that considers the whole range of income support programmes.</p>	↓	
LIVING COSTS AND FOOD POVERTY		
<p>Living cost increases have jumped as expected in response to the 2.5% increase in GST in October. 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 doubled in just five years.</p>	↓	

Overall improvement ↑	Mixed results —	Overall decline ↓
--------------------------	--------------------	----------------------



Major Campbell Roberts addresses the crowd at a public rally in South Auckland calling for changes to New Zealand's alcohol laws. 15 August 2010.

Photo: Bruce Millar www.thephotographer.co.nz

SOCIAL HAZARDS

Social hazards are licit or illicit activities that are often undertaken for fun, but which can—and do—have detrimental impacts on those taking part, and on the communities they live in. These activities include gambling, drug-taking, drinking alcohol and reckless behaviours. This review considers New Zealand’s recent progress around alcohol use, gambling and drug crime.

OVERALL ALCOHOL USE DECLINES SLIGHTLY

During 2009, nearly 31.7 million litres of pure alcohol was made available for consumption by New Zealanders and visitors to New Zealand. This volume was a slight decline of 1.3% from 2008. In per capita terms, the amount of alcohol available for use declined by nearly 3% from 10.1 litres for every person aged over 18 years, to 9.8 litres. The recent trend in alcohol availability is shown in [Figure 18](#).

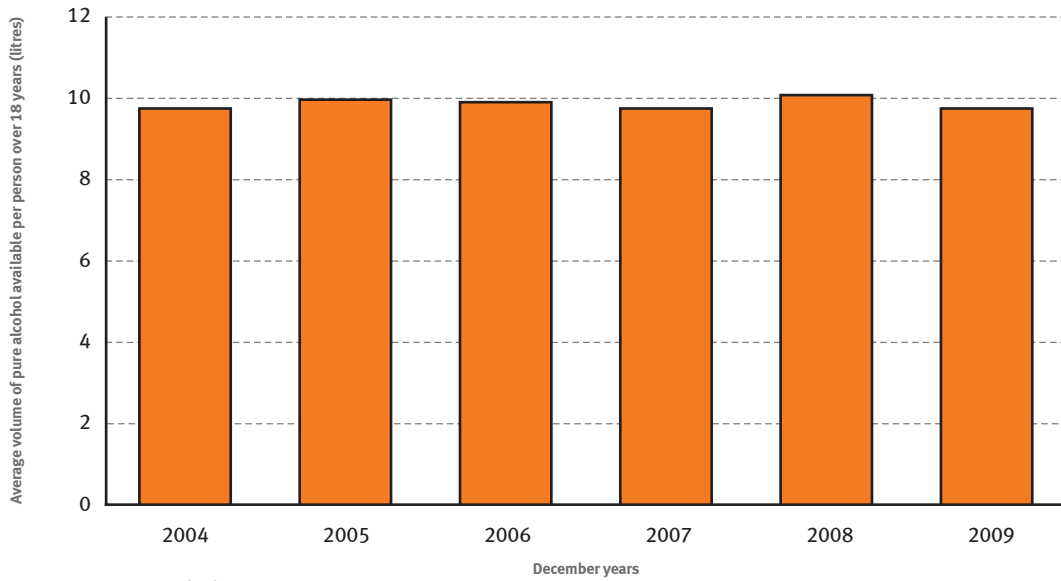
Of course, it is not alcohol *use*, but alcohol *misuse* which is a social hazard. While there are some useful measures of the extent of misuse of alcohol, they are not sufficiently robust to provide us with a view of behavioural change over time. The Alcohol Advisory Council has been undertaking surveys of New Zealanders’ drinking behaviours for over 10 years and has published consistent data from surveys since 2006.³⁴ A summary of this data is provided in [Table 12](#). This data looks fairly consistent year-on-year, and the researchers have not identified any statistically significant change between surveys, at least for the behaviours identified in this table.

While [Table 12](#) does not identify any significant changes in New Zealanders’ drinking behaviours, it does identify consistent behaviours that show the extent of New Zealanders’ drinking—both young and old. The behaviours identified in [Table 12](#) are also consistent with recently-released results from the New Zealand Survey of Alcohol and Drug Use.³⁵ These results showed that around 15% of adult New Zealanders don’t drink; 16% drink less than once a month; 18% drink one to three times per month; 27% drink one to two times per week; 19% drink three to six times per week, and 6% drink daily.³⁶

DRUG CRIME FIGURES REMAIN STABLE BUT ANOTHER PICTURE EMERGES

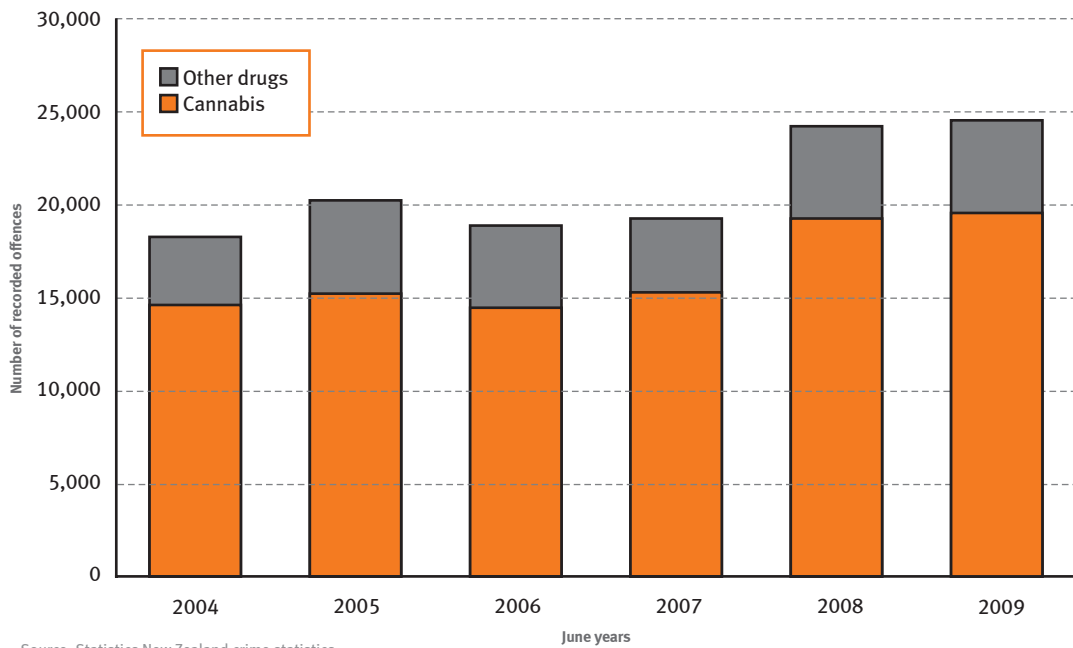
The total number of illicit drug offences rose slightly during 2009–10, although there is no evidence available to establish if this relative stability is on account of consistent levels of enforcement by Police, or due to New Zealanders moderating their drug-taking behaviours. Overall, the number of recorded offences for illicit drugs rose just 1.8% over the 2009/10 period to 24,580, although this figure is 35% higher than five years previously. Cannabis-related drug offences have consistently made up around 79% of all illicit drug offences. Cannabis offences also rose 1.8% over the 2009/10, and by 34% over the five year period. The number of offences for harder drugs rose 1.7% over the 2009/10 period to 5,280 recorded offences, a figure which is 42% higher than in 2005.

Figure 18: Per capita availability of alcohol for consumption



Source: Statistics New Zealand

Figure 19: Reported drug offences 2005–2010



Source: Statistics New Zealand crime statistics

Just under half of the 19,300 recorded cannabis offences appear to be for relatively minor offences of procuring, or possessing Cannabis for personal use or for its actual use. The proportion of all drug offences attributable to personal use of cannabis has diminished over the past five years, from around 43% of drug offences in 2005, to 39% in 2010, suggesting that more Police effort is going into apprehending those who grow, make or distribute drugs.

The recently-released Ministry of Health paper³⁷ on drug use in New Zealand points to the widespread and ongoing use of illicit drugs. The report estimated that 49% of New Zealanders aged 16–64 years, had used illegal drugs at some time in their life; and that one in six people (16.6%) in this age range had used such drugs in the past 12 months. The most popular illicit drug was cannabis, with more than 46% of 16–64 year olds estimated to have tried it during their lives, and one in seven (14.6%) having used the drug during the 12 months prior to the survey.

The survey also showed that over half (51.6%) of those who reported having used drugs did so before they turned 18 years old.³⁸ Overall, more young women (42.6%) than young men (33.5%) aged under-18, reported having used drugs.³⁹ Unsurprisingly, younger people were more likely to have reported using drugs in the past year, with one in three 18–24 year olds reporting having done so. This recent drug use was fairly evenly distributed across the income scale, with those in the most deprived and the middle quintiles having a slightly higher

likelihood of having used drugs within the past 12 months. Almost one in six of those in the wealthiest quintile reported having used drugs during the year before the survey, which points to how commonplace such behaviour is.⁴⁰

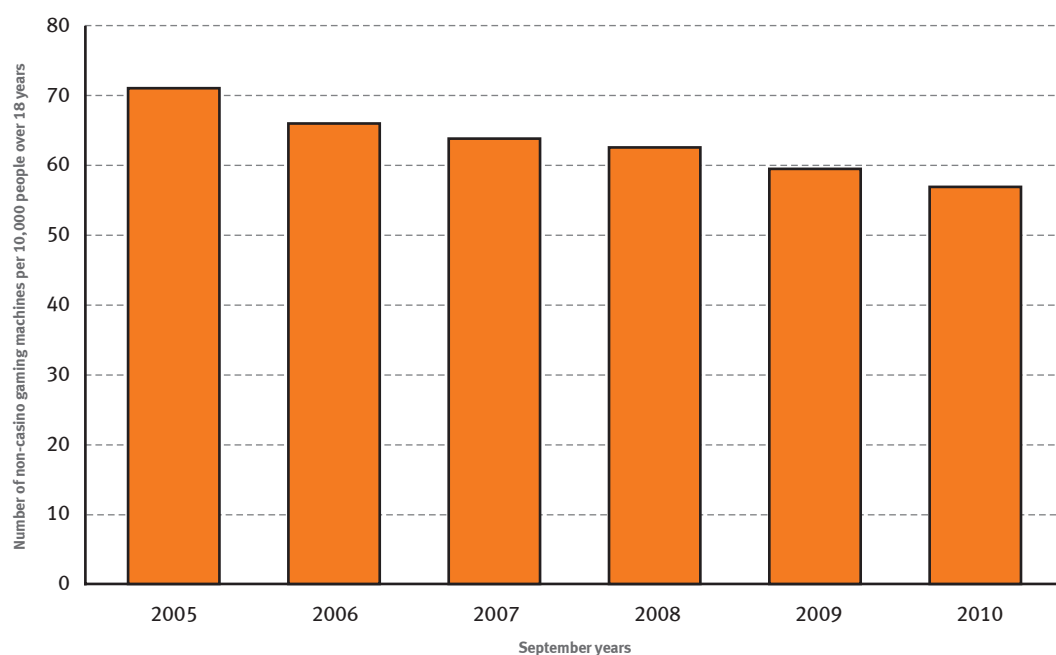
GAMBLING CONTINUES TO DECLINE

At 31 September 2010, there were 18,601 Class 4 gaming machines in New Zealand's clubs and pubs—down 4% from a year previously, and 14% from 2005 when there, 21,684 such machines in operation. In per capita terms, this decline is even more noticeable. In 2005, there were 71 gaming machines for every 10,000 population over 18 years. By 2009, this ratio had fallen to 60 machines per 10,000; and during 2009/10 it fell further to 57.

For the year to June 2010, gambling losses in Class 4 gaming machines amounted to \$849 million. This figure is 6% less in inflation-adjusted terms than in 2009, and a massive 28% less than the losses in 2005 when the equivalent of \$1.17 billion (in 2010 dollars) was recorded.⁴¹

Gambling losses by New Zealanders on legal gambling activities⁴² during 2009/10, amounted to an estimated \$1.94 billion. This figure is nearly 7% down in inflation-adjusted terms on the previous year, and 16% less than in 2004/05. In per capita terms, gambling losses in 2009/10 amounted to \$591 for every New Zealander aged over 18 years. In 2008/10, this per-capita expenditure was \$632 (not adjusted for inflation); and in 2004/05 it was \$633.

Figure 20: Prevalence of non-casino gaming machines 2005–2010



Source: Department of Internal Affairs

Table 12: Summary of New Zealanders drinking behaviours 2006–2009

Year ending June	2006	2007	2008	2009
ADULTS (18 years +)				
Non-drinkers	15%	12%	14%	13%
Moderate drinkers	61%	62%	61%	62%
Binge drinkers	21%	23%	24%	26%
Days drinking per month (mean)	8.7	8.9	8.8	8.9
Average drinks consumed (mean)	5.2	5.4	5.9	6.2
YOUTH (12–17 years)				
Non-drinkers	47%	48%	48%	50%
Moderate drinkers	61%	62%	61%	62%
Binge drinkers	23%	25%	25%	25%
Days drinking per month (mean)	2.5	3.1	2.9	2.5
Average drinks consumed (mean)	5.4	6.1	5.6	6.5

Source: Palmer and Kalafatelis (2009) ALAC Alcohol Monitor

PROGRESS REPORT CARD: SOCIAL HAZARDS

ALCOHOL		RESULTS	
<p>There are mixed signs over New Zealanders' relationship with alcohol. Per capita consumption is falling slightly, while the proportion of people—young and old—who drink dangerously, remains much the same as in previous years. The social and personal damage caused by alcohol is now widely documented and acknowledged yet the Government appears committed to just tinkering with the liquor laws, which is disappointing.</p>			—
DRUG-RELATED CRIME			—
<p>Little change has been observed, and there is no evidence to suggest that New Zealanders' relationship with illicit drugs is becoming more or less of a problem. Use of illicit drugs by young New Zealanders is widespread, and fairly evenly distributed between men and women, and across different ethnic groups and income brackets.</p>			
GAMBLING		↑	
<p>The continuing decline in the prevalence of, and losses from, Class 4 gaming machines is welcome news. Other forms of gambling, especially Lotteries Commission lotteries, remain very popular—although even these operations are showing some decline over the recent year.</p>			
Overall improvement ↑	Mixed results —	Overall decline ↓	



Kylie and Simon outside their Birkdale home they bought privately and struggle to pay off the mortgage. 13 March 2010.

Photo: APN/ Janna Dixon

HOUSING

The housing market, and to a large extent housing policy, are treading water. The housing bubble has not burst as some commentators suggested—or hoped—it would. While Government has indicated its appetite for a change in policy, with the recently-announced response to the recommendations by the Shareholders Housing Advisory Group,⁴³ there has been little additional financial commitment to housing programmes, outside of those provided in the stimulus package of the 2009 Budget. The result of this stalling of progress is that the problems underlying the housing market have not disappeared, and that the housing shortage in areas with high population growth continues to worsen.

HOUSING SHORTAGE WORSENS

Nothing has changed during 2010 to avert the looming housing shortage in Auckland. An assessment of Auckland's future housing demand suggests that the region will require an additional 8,000 dwellings each year until 2026.⁴⁴ For the year to 31st December 2010, consents for new dwellings in Auckland total 3,603. Over the five years, 2006–2010, consents for new dwellings in Auckland totalled 24,595—an average build of 4,919 dwellings per year.

Auckland's population grew by an estimated 23,200 people during the year to 30 June 2010, contributing almost 47% of New Zealand's overall population growth of 51,900. Over the same period, just 23% of

the country's consents for new dwellings were in Auckland. For the year to June 2010, Auckland's population grew by an estimated six people for every new dwelling consent issued. Based on building consent data and average household sizes in 2006, it is estimated that over the five years to June 2010, Auckland is short at least 8,500 to 9,000 dwellings. The new housing deficit during 2009/10, is estimated at 3,500–4,000 dwellings, with one third being in South Auckland and one third on the Auckland Isthmus.

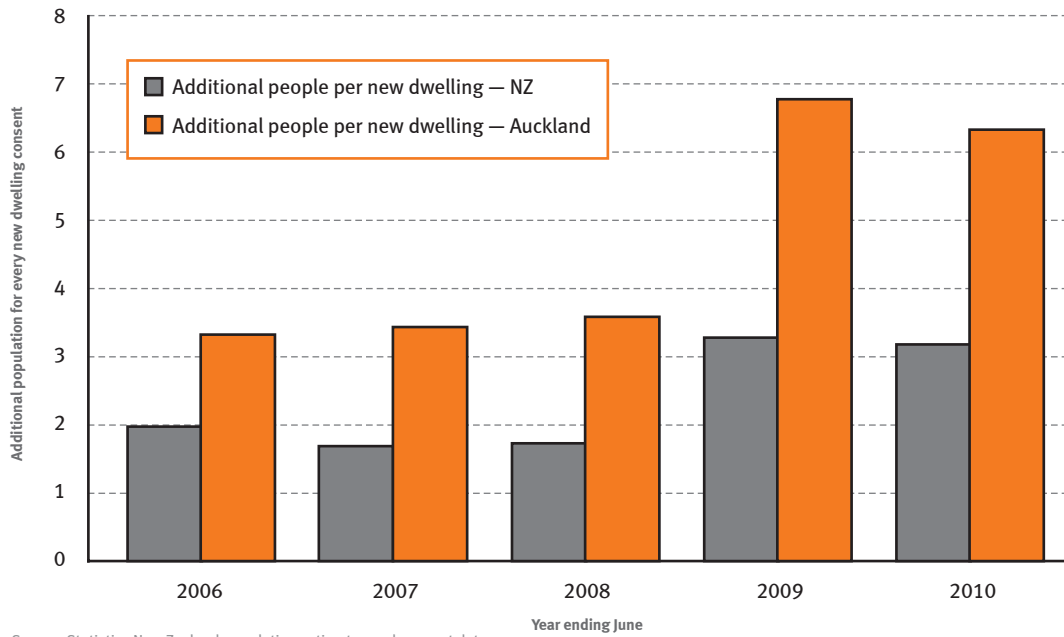
There are also signs that new house building is not matching population growth in Hamilton, Tauranga, Western Bay of Plenty, Palmerston North and Wellington City.

NO CHANGE IN AFFORDABILITY

Against the prospect of looming housing shortages in Auckland and several other North Island cities, housing affordability during 2009/10 has remained roughly the same as for the previous year.

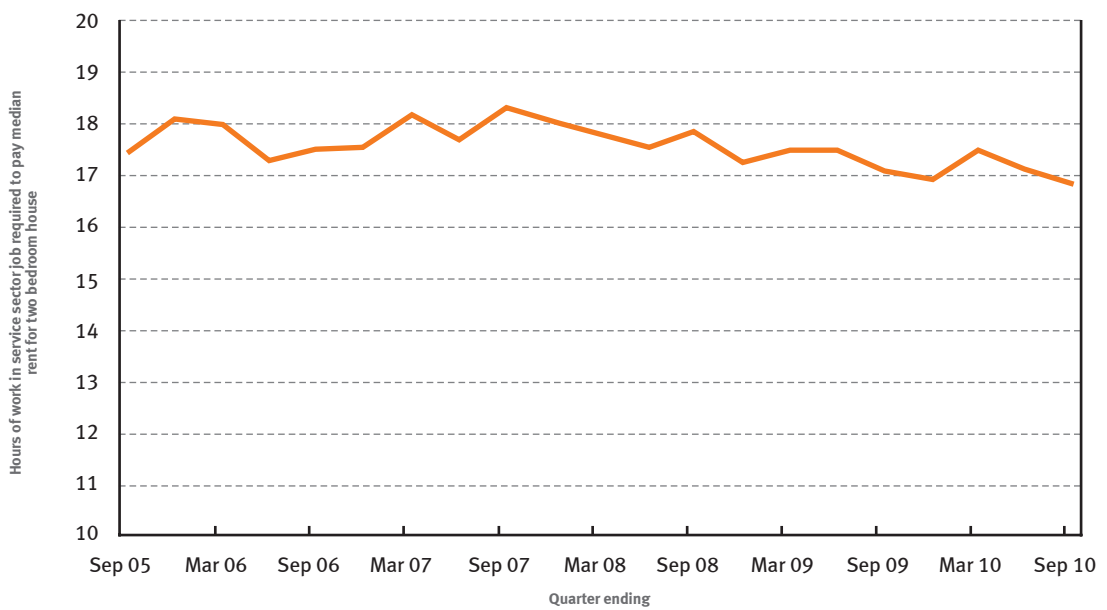
As an indicator of rent affordability, The Salvation Army's Social Policy and Parliamentary Unit compares the before-tax wages received by a low-paid worker with the average rent for a two-bedroom house, to calculate the number of hours this worker would have to work in order to pay the rent. Estimates for the past five years are shown below in [Figure 22](#), and suggest that rents have more or less kept pace with the wages received by low paid workers. This trend is consistent

Figure 21: Population growth and new house building 2006–2010



Source: Statistics New Zealand population estimates and consent data

Figure 22: Rent affordability 2005–2010



Sources: Statistics New Zealand Quarter Employment Survey and Department of Building and Housing rent data

with a comparison of the rent consumer price index, and the labour cost index.

There has been almost no change in housing affordability, as measured by the number of years it would take to purchase a median-priced house at the average weekly wage. The trends in this affordability measure are shown in **Figure 23** for New Zealand as a whole, and for the Auckland Region. In September 2010, it would have taken 6.9 years to purchase the median-priced New Zealand house, and 8.8 years to do so if you lived in Auckland. This position is very slightly better than a year previously, when the purchase horizons were 7.0 and 9.1 years respectively. At their peak in September 2007, it would have taken 7.8 years of the average wage to pay for the medium-priced house in New Zealand and almost 10 years for the median-priced Auckland house.

This improving affordability is mainly due to rising incomes rather than falling house prices. House prices at September 2010 were virtually the same as they were at the height of the housing market boom in mid-2007, having fallen by around 5% in nominal terms during 2008 and recovering since. For example, in September 2007, the New Zealand median-house price was \$350,000;⁴⁵ the same as it was in September 2010. In Auckland, the median-house price in September 2007 was \$445,000, while by September 2010 the median was \$449,000, falling from a peak of \$465,00 in December 2009. It should, however, be remembered that general price inflation between September 2007 and September 2010, has been over 8%—meaning

that this more or less the extent of the real (inflation-adjusted) decline in house values.

Comparisons of house prices to incomes does not tell us the whole of the housing affordability measure. Other housing affordability measures, such as that published by Massey University, also include the prevailing interest rates. Given the relatively low mortgage interest rates being offered in the market, these affordability measures report a more rosy picture.⁴⁶ Interest rates are, however, more volatile than wages, salaries and house prices, and any improvement in housing affordability reported by such measures may be short-lived.

HOUSEHOLD DEBT STABILISES

Average household debt has remained constant in real terms for the past two years, at around \$114,700. There has been a slight change in the composition of this debt, with consumer and credit card debt falling by just over 1% between 2009 and 2010, and this decline being offset by a small increase in housing-related debt. Average household debt levels in 2010 are still 19% higher in real terms than they were in 2005.

The Reserve Bank reports stable household debt to disposable income ratios over the past two years. In June 2010, household debt was estimated to be 155% of disposable household income—a 4% improvement on the previous year, and the same as it was in June 2008. In June 2005, household debt was a more modest 139% of disposable income, and in June 2000 it was just 103%.⁴⁷

Figure 23: Housing affordability 2005–2010

Years to purchase median-priced house

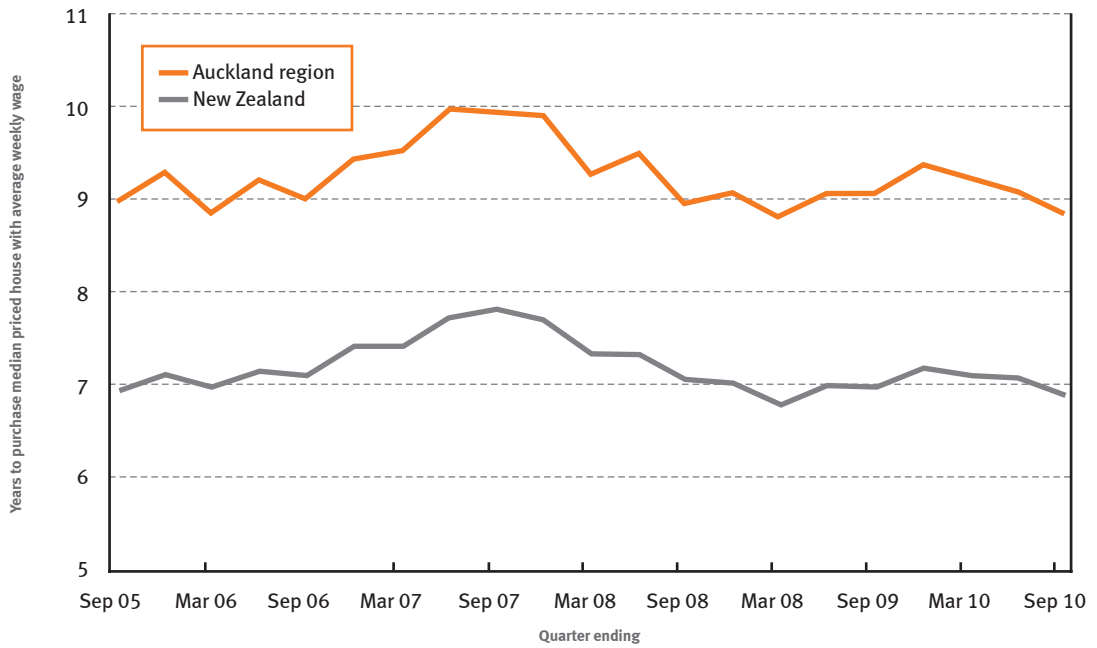
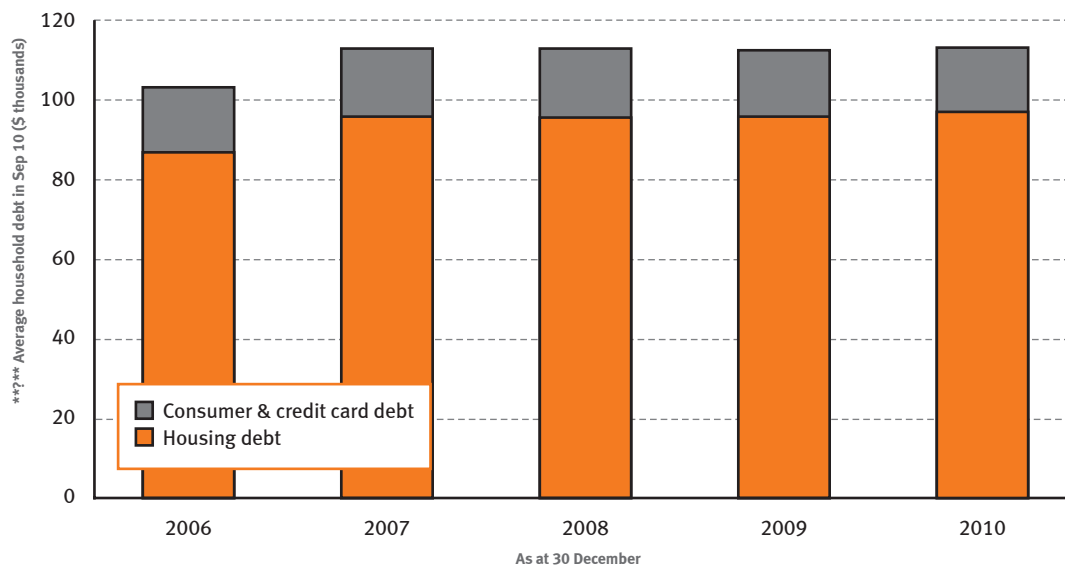


Figure 24: Average household debt 2006–2010



Sources: Statistics New Zealand household estimates and Reserve Bank of New Zealand

PROGRESS REPORT CARD: HOUSING

HOUSING SUPPLY		RESULTS	
<p>Several commentaries are predicting a deepening housing shortage in Auckland, and there appears to be no credible public policy initiatives at either central or local government levels to address this. Access to adequate housing is fundamental to personal wellbeing, and hence, to social progress. This relationship is being forgotten by policy makers in Auckland and Wellington. There are also emerging signs that population growth elsewhere in the North Island is not being accommodated by new house-building. The question remains as to when the health and education impacts of the housing deficit will begin to be seen.</p>			↓
HOUSING AFFORDABILITY			—
<p>The flipside of a housing market where there is no new construction, is that there is little or no price pressure to drive construction activity. In terms of affordability, the housing markets in New Zealand appear to have stood still over the past year, with inflation quietly eroding real house value and modest household income growth maintaining affordability. This whole situation appears to be delicately balanced between fragile household incomes on one hand—subduing price pressure and population growth—and unmet housing demand, possibly maintaining prices and rents at levels that are still quite unaffordable for some.</p>			
HOUSING DEBT		↑	
<p>While the stabilisation of debt might not be seen by some as an indication of an overall improvement, the major shift in behaviour that this represents is a reason to celebrate. New Zealanders' waning interest in debt to purchase houses and for consumption of goods is a contributing factor to the very subdued recovery within the economy. While this behavioural shift is overdue, it will begin to bring both households and the country's balance sheet back into balance. Regaining such balance may take a generation.</p>			
Overall improvement ↑	Mixed results —	Overall decline ↓	

ENDNOTES

- ¹ See Fran O'Sullivan's article in the New Zealand Herald of 15th December 2010 'We are in deep but let's not be a PIG'
- ² See 2010 Half Year Economic and Fiscal Update Forecast Statement of Cash Flows p.88.
- ³ These figures are taken from Statistics New Zealand's population forecasts from its 2006 base and its medium fertility medium migration scenario
- ⁴ Salmond, A. (2003) Opening address to Social Research and Evaluation Conference Social Policy Journal of New Zealand 20.pp. 1–5.
- ⁵ Perry, B (2010) Household incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2009, Ministry of Social Development available at <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/index.html>.
- ⁶ Ibid p.122.
- ⁷ Ibid Table H3 p.123
- ⁸ The definition of workless households in Table 2 is not necessarily the same as that reported in MSD reports and the Household Economic Survey. The definition used in Table 2 is based on the proportion of benefit dependent households who report no supplementary income.
- ⁹ Data for from Statistics New Zealand website at http://www.stats.govt.nz/tools_and_services/tools/TableBuilder/recorded-crime-statistics/ASOC-apprehensions-fiscal-year-statistics.aspx#nationalz
- ¹⁰ See The Treasury's Estimates of Appropriations 2004-05 and 2010–11 available at <http://www.treasury.govt.nz/budget/2010/estimates/est10educ.pdf>
- ¹¹ For example see Mitchell, L. Wylie, C. and Carr, M. (2008) Outcomes of Early Childhood Education: Literature Review , New Zealand Council for Educational Research p.4.
- ¹² Morrison, B. Smith, M and Gregg, L (2010) The New Zealand Crime and Safety Survey 2009: Main Findings Report, Ministry of Justice. Table 3.7 p.35.
- ¹³ Mayhew, P. and Reilly, J. (2007) The New Zealand Crime & Survey 2006: Key Findings, Ministry of Justice, Figure 2.3 p.34
- ¹⁴ Morrison et al. Table 5.1 p.54 and Table 5.2 p.55.
- ¹⁵ Statistics New Zealand (2010) Crime victimisation patterns in New Zealand: New Zealand General Social Survey 2008 and New Zealand Crime and Safety Survey compared, Statistics New Zealand p.20
- ¹⁶ See Morrison et al pp58-59 and Statistics New Zealand (2010) Crime Victimization Patterns in New Zealand: New Zealand General Social Survey 2008 pp 24–32.
- ¹⁷ Local data on reported crime is available from the Statistics New Zealand website at http://www.stats.govt.nz/tools_and_services/tools/TableBuilder/recorded-crime-statistics/ASOC-offence-fiscal-year-statistics.aspx
- ¹⁸ Some categories naturally have a higher resolution rate than others either because the victim knows the offender (as in the case of family violence) or because the recording of the offence is as a result of Police operations (as in the case of most drug offences). Crimes where the offender can easily remain unknown (such as burglary and car conversion) are more difficult to resolve
- ¹⁹ Data on reported and resolved crime is available on the Statistics New Zealand website at http://www.stats.govt.nz/tools_and_services/tools/TableBuilder/recorded-crime-statistics/ASOC-offence-fiscal-year-statistics.aspx#National
- ²⁰ The Police have a standardised procedure for recording incidents of family violence or domestic disturbances but data on the extent and nature of such incidents is not publically available. Insert comments on Pol 400 practices of Police and the categorisation of offences under the Domestic Violence Act
- ²¹ See recent statistical report on family violence at http://www.areyouok.org.nz/files/Updated_Stats_Final.pdf/
- ²² See the initial research results from the "its not OK" campaign at http://www.areyouok.org.nz/files/test/research/CFAoFV_formative_research-1.pdf
- ²³ See family violence Statistics Factsheet at http://www.areyouok.org.nz/files/news/Updated_Stats_Final.pdf
- ²⁴ Date source Department of Corrections Annual Reports
- ²⁵ Department of Corrections (2010) Annual report 2009/10 p.30. Data on remand/sentenced split is taken from the Department quarterly statistics which is available at http://www.corrections.govt.nz/about-us/facts_and_statistics.html

- ²⁶ Analysis of sentencing data reported by Statistics New Zealand shows that over the period 2005-09 on average 15.6% of Maori convicted for a crime have been given a custodial sentence while 8.6% of non-Maori have. For the same period and for violent crimes 22.5% of Maori convicted have been sent to prison while 13.7% of non-Maori were. For the same period and for theft and related offences 14.3% of Maori convicted were jailed while 11.3% of non-Maori were. Data available at <http://wdmzpub01.stats.govt.nz/wds/TableViewer/dimView.aspx>.
- ²⁷ Prison population forecasts are available at <http://justice.govt.nz/justice-sector/forecasts>
- ²⁸ Ministry of Justice (2010) Justice Sector Forecast: Criminal Justice Forecasts 2010–2020, Table 7 p.17.
- ²⁹ Data is from Statistics New Zealand's Household Labour Force Survey Table 12 which is seasonally adjusted
- ³⁰ These estimates are from expenditure based GDP figures taken from Table 3.3 of Statistics New Zealand's Gross Domestic Product series
- ³¹ Source Statistics New Zealand's Quarterly Employment Survey Table 7.01 and Table 9
- ³² Data from table 10 of Statistics New Zealand's Household Labour Force Survey
- ³³ Estimated actuals based on Government Budget tables
- ³⁴ Palmer, S. and Kalafatelis, E.(2009) ALAC Alcohol Monitor – Adults and Youth 2008-09 Drinking Behaviours Report, Alcohol Advisory Council
- ³⁵ Ministry of Health (2010) Alcohol Use in New Zealand: Key Results of the 2008/09 New Zealand Alcohol and Drug Use Survey, Ministry of Health available on their website at <http://www.moh.govt.nz>
- ³⁶ Ibid Tables 1, 2, 8 and 10
- ³⁷ Ministry of Health (2010) Drug Use in New Zealand: Key Results of the 2007/08 New Zealand Alcohol and Drug Use Survey. Ministry of Health
- ³⁸ Ibid Table 4 p.18
- ³⁹ Ibid Figure 1 p.16
- ⁴⁰ Ibid Figure 7 p.22
- ⁴¹ Source Department of Internal Affairs website at http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gaming-Statistics?OpenDocument
- ⁴² These activities are the operations of the New Zealand Racing Board, the New Zealand Lotteries Commission, Class 4 gaming machines and casinos. Data for these expenditure estimates are taken from the Department of Internal Affairs website, and the annual reports of the New Zealand Racing Board, the New Zealand Lotteries Commission and Skycity Ltd.
- ⁴³ The report title "Homed and Housed: A Vision for Social Housing in New Zealand" recommended a radical restructuring of the way in which social housing and affordable housing is provided in New Zealand including the use of third party housing suppliers. See report at <http://www.dbh.govt.nz/UserFiles/File/Publications/Sector/pdf/vision-for-social-housing-nz.pdf>.
- ⁴⁴ Darroch (2010), Auckland Region Housing Market Assessment, Centre for Housing Research Aotearoa New Zealand p228
- ⁴⁵ House prices are based on three month averages for the period cited and are taken from the Real Estate Institute New Zealand website at <http://apps.reinz.co.nz/>
- ⁴⁶ See Massey University's Home Affordability Report at <http://economics-finance.massey.ac.nz/homeaffordability.php>. Using an index based on incomes, house prices and interest rates the most recent report (September 2010) suggests a 9.7% improvement in housing affordability over the same time 12 months earlier
- ⁴⁷ Reserve Bank (2010) Financial Stability Report November 2010. Figure A.7 p.45. Data available at <http://www.rbnz.govt.nz/finstab/fsreport/index.html>

ABOUT THE AUTHOR

Alan Johnson BTP, MPhil (Hons)

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 fourteen 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 around education, sport and housing.