

# Kei a Tātou It is us

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

From the Director  
Our Challenges  
10-Year Trends

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## FROM THE DIRECTOR OF THE SOCIAL POLICY & PARLIAMENTARY UNIT

The *State of the Nation* report this year is the eleventh report The Salvation Army's Social Policy Parliamentary Unit has completed. New Zealand as a nation has changed in many ways over this time and each of these reports have served as markers along the way. In this report, we have analysed the 2017 year, measuring the key social indicators, as previously, but we have also endeavoured to look back over 10 years to provide an indicator of social progress over a more extended period of time.

This report has the key theme 'Kei a Tātou', or in English—'It is us'. For many of us, the statistical information provided can seem somewhat technical, theoretical and separated from our lived realities. However, behind these statistics are people—women, men, children, families and communities—sometimes thriving and in rude health, while on other occasions they are isolated, living with extreme levels of stress, in poverty and highly marginalised.

The story that emerges out of these reports is not something abstract and external to us—it is us, Kei a Tātou. As a society, a nation, we are intimately connected to each other in a relationship of belonging, so those that stumble or fall outside the margins are part of us. We are not isolated individuals, and collectively we can impact on the maladies that afflict our society and we can affect positive social progress.

The things we bother to count are an indication of what we think is important. They can be used powerfully to focus us, to enable us to address the social ills that blight our communities. For example, the frequent, almost daily, note taken of our road toll helps galvanise the nation in a

commendable and largely successful attempt to reduce the waste of so many lives. Campaigns are carried out and substantial resources are committed to this endeavour. Other equally painful social disasters often appear to fall outside a similarly focused approach—such as the alarmingly high rate of suicides referred to in this report. In comparison, suicide sometimes seems to fly under the radar of our collective consciousness and begs for a comparably focused communal response.

We hope that this year's report will enable us to celebrate genuine social progress where it has occurred, and to galvanise us into committed, collective responses where there is evidence that people are falling behind. After all—Kei a Tātou—it is us.

Finally, after 10 years of producing the *State of the Nation* we are re-evaluating this annual report. Is it time to change it in any way? Has it served its purpose? Can the information be presented in a different and more effective way? Your feedback is appreciated as we consider the future of our *State of the Nation* report.

**Lt. Colonel Ian Hutson**  
Director—Social Policy & Parliamentary Unit



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## OUR CHALLENGES

The great American poet Walt Whitman once asked, ‘What is America?’ and to his question he answered, ‘It is us’. In the same way, New Zealand is us, all of us who see ourselves as New Zealanders or Kiwis—the young, the old, the rich, the comfortable and the poor, the mainstream and the marginalised. If we exclude some, whether by intent or indifference, we are diminished as a nation. We are diminished because we forego the energy and creativity of those we exclude. In time, this exclusion might come to be seen as part of our national character—as a permanent feature of who we are as a nation. Many of us hope to guard against this outcome.

Over the past ten years, The Salvation Army’s *State of the Nation* reports are presented as a stocktake of our social progress. These reports have been offered as a critique of public policy and not as a political criticism of the Government of the day, although they have been used as such by opposition parties. This was to be expected, perhaps, given the blame culture that characterises much of our public life. With the recent change of government, this need to blame is less compelling, except, perhaps, as a note of hindsight. But hindsight is of little value if it is simply to lament and not to learn. Given this, it is the intent of the 2018 report to continue to offer glimpses into our social progress, but, also, to comment on what we can learn from the past decade and, by doing so, contribute to a new public narrative around what we mean by progress.

Our public narrative may well have changed post the 2017 Election. It is now timely to take stock of the progress we have made over the past decade or so. Certainly the shine

of the previous Government’s economic growth model was becoming tarnished. As the 2017 *State of the Nation* report—‘Off the Track’—pointed out, we were beginning to see: entrenched youth unemployment, alongside strong job growth; minimal changes in child poverty rates, despite years of strong economic growth; and, rising levels of homelessness, side-by-side with rising house prices. The Government elected in the 2017 Election would have had to face these challenges regardless of whether it was led by the National Party or the Labour Party. In facing such issues, there is an opportunity to re-consider the narrative—or the national conversation—we have around our priorities and focus.

We suggest that this national conversation could include four ideas that are illustrated by the analysis that follows in this report. This analysis includes a special 10-year snapshot of important trends and follows this introduction. The four ideas concern: an inclusive economy, nurturing our youth, re-thinking crime and punishment, and the place of home.

### Inclusive economic growth

Between 2013 and 2017, the New Zealand economy grew by 14%,<sup>a</sup> the number of jobs grew 15% and per-capita GDP grew 13% in inflation-adjusted terms. Average weekly incomes from wages and salaries, in inflation-adjusted terms, grew by 6% over this time, but there was no discernible change in child poverty rates, and youth unemployment remained at around 20%. While it is not the case for longer periods of time, it is clear that the benefits of this recent strong economic growth have not been shared across the board, or trickled down, as the theory would have it.



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There may yet be some catch up in incomes as well as policies to address child poverty and programmes to support unemployed young people into jobs, but unless these things do arise there may come a point where economic growth comes to be seen as a thing in itself—as being valued for its own sake and not for the benefits it offers the wider society. At this point the political consensus around economic growth may begin to break down, if only because the infrastructure, resource and social costs of this growth are being ignored.

To avoid such a breakdown, efforts need to be made to ensure that economic growth is inclusive. This can be done through generous extensions of the minimum wage, additions to the social wage, regular adjustments to the value of income support programmes and ensuring that employment allows workers to be protected and able to advocate adequately for their interests.

### **Nurturing our youth**

There is much to celebrate in the progress which the youth of New Zealand have made, although this progress has been supported by families, communities and public policy. Included in this *State of the Nation* report is evidence of positive outcomes. These include the continuing declines in youth offending, in teenage pregnancy rates and improving NCEA pass rates—especially for teenagers from less well-off communities. Youth suicide rates, however, remain disappointingly high, as have youth unemployment rates and the numbers of younger adults who are simply not engaged in education, training or employment.

Greater effort is required to nurture our youth, to ensure that there are ample pathways available for them to find their place in the world. The still ‘too long tail’ of educational

underachievement blights our education system and while gaps are closing, they are still wide and closing very slowly. Such persistent gaps limit the opportunities for tens of thousands of teenagers and put them at risk of anti-social and personally destructive behaviours. High levels of youth unemployment, alongside calls for more liberal immigration to ease labour shortages, suggests that as a society we are overlooking the needs and potential of our young.

### **Beyond fear and retribution**

Despite falling rates of crime, we are sending more people to prison and planning to build yet more prisons. One of the drivers of this trend is a compositional change in offending—or at least the types of offending that are a priority to Police. As a society, we have justifiably become more concerned about violence and family violence, in particular. The higher imprisonment rates we are now seeing has, in part, been driven by increased incarceration of violent offenders, as well as by their unwillingness to comply with things like bail and sentence conditions and protection orders. But, if imprisonment is the answer to such violence and offending, why are we planning for more prisons? Furthermore, if the threat of prison deters people from offending, the questions are: Why are more than one-third of released prisoners back in prison within two years? Why hasn’t this recidivism rate gone down?

Our public debate around crime and punishment has, at times, been ill-informed and occasionally it has been quite vengeful. This need for public vengeance and retribution is somewhat puzzling when we consider the very structured nature of much of criminal offending. The New Zealand Crime and Safety Survey 2014, for example, reported that in the year of the survey (2013) an estimated 10.4% of



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adults have been victims of inter-personal violence. While this seems a high figure, it is much lower than previously, when the figure was 16.9% in 2005 and 15.5% in 2008.<sup>b</sup> Yet, of the estimated 1.3 million instances of inter-personal violence during the study year, just 15% involved violence from strangers while 57% involved violence from family members. Furthermore, of the victims of inter-personal violence where an intimate partner was the perpetrator, 1% of adults experienced 61% of this type of offending.<sup>c</sup> Most of the violence that is surfacing in our crime statistics is associational, and much of this type of violence is highly concentrated. Given this level of concentration, public sentiment towards offenders should perhaps matter less than the needs and expectations of victims. Yet, have we asked the victims of family violence what they think should be done with their perpetrators and how best we can deal systemically with such offending and re-offending? Prisons may be part of the answer to such questions, but, surely, the idea of building more prisons and locking more people up anticipates having more victims, not fewer.

### The place of home

Unless you are a property investor, or established homeowner, there is little joy in recent changes in the housing market—especially in Auckland. Over the past decade the median house price in Auckland rose 95% while average weekly incomes grew by just over 30% and CPI inflation ran at 20%. Changes in the rest of New Zealand are more modest, although there are signs of catch up in regions close to Auckland and in Wellington.

These changes have, in turn, meant that rents are also increasing faster than the wages and salaries needed to pay for them. Rents across New Zealand have risen by 15%

to 20% between 2013 and 2017, and in Auckland by a similar amount, while average weekly incomes rose by just 10%, in nominal terms. Yields on rental property investments generally remain below 5%, which without any prospect of future value appreciation makes any further investment marginal.<sup>d</sup> Yet there are emerging signs of a rental housing shortage, which is showing up in people still seeking emergency housing assistance from Ministry of Social Development, and reduced turnover of the rental housing stock.<sup>e</sup> On top of this, Statistics New Zealand estimates that the homeownership rate has declined from over 66% at the end of 2007 to under 63% by the end of 2017.<sup>f</sup>

Even though new house building has begun to accelerate, this building is seldom producing affordable housing and, on any account, does not appear to be adequate for the strong population growth that has been fuelled by record migration. Over the past three years, New Zealand's population has grown by 284,000 people while net migration contributed 200,000 people to this growth.

The immediate outlook for those seeking affordable rental housing is not bright and it seems likely that rents will rise further and homelessness will increase at least over the next one to two years.

These are important trends and, if we are inclined to reflect on them, there is some value in bringing along objective analysis as well as our emotions and empathy. Public policy, and the politics which underpin it, should not be seen as being bereft of passion and compassion and even love. The American political philosopher Martha Nussbaum writes in her recent book *Political Emotions: Why Love Matters for Justice* says:



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*‘that all of the core emotions that sustain a decent society have their roots in, or are forms of love – by which I mean intense attachments to things outside the control of our will’.<sup>g</sup>*

She goes on to say:

*The conception of the human being that lies at the heart of the political conception involves both striving and vulnerability. Human beings are not just passive recipients of fortunes’ blows. Instead they are active beings who pursue aims and who seek lives rich in activity. At the same time, however, they are to a significant degree passive, in the sense that fortune’s blows mean something to them, impinge seriously on the quality of their lives. ...In order to live well, people need food, care, protection and sustenance of many kinds. They also have deep needs for protected spheres of activity, such as religious freedom and the freedom of speech. It is not trivial, then, but profoundly damaging, to refuse people such support. Thus deprived, people retain dignity, since that is inalienable, but in the absence of suitable support and care they will not be able to live lives worthy of human dignity.<sup>h</sup>*

As we consider what social progress means to us, there are at least three important ideas to reflect on in Nussbaum’s claims. The first is that as human beings we strive to achieve things—such as our ambitions and our potential—perhaps to bring meaning to our lives. At the same time, we are vulnerable to misfortune or to our own misjudgements and shortcomings. The second is that we all need support to assist us in our striving and to protect us in our vulnerabilities. The third reflection is that our dignity or mana is intrinsic to us as humans, but that our lives are diminished in terms of this dignity if we do not receive needed support and protection.

Nussbaum suggests that as citizens we see our ‘fate in the fate of others’.<sup>i</sup> This idea perhaps encapsulates that of ‘social progress’. That progress is seeing our collective interests in those children living in relative poverty, in unemployed young people on the streets, in the prisoner who has a good chance of going back to prison again and the family struggling to find a place to rent. Once we appreciate this connection, the material things we need to do to address their needs will become much easier to achieve because we have created the political space for this to happen.

- a Reserve Bank figure based on real GDP growth to September 2017—the actual figure 13.8%.
- b P.42
- c Ibid p.62
- d Corelogic and cited in Johnson, A. Howden-Chapman, P. and Eaqub, S. (2018) *A Stocktake of New Zealand’s Housing—January 2018*. Figure 1.3 p.11.
- e Ibid—see Figure 1.5 p.13 and Table 39 p.86.
- f These tenure estimates are based on Statistics New Zealand’s Dwellings and Households Estimates.
- g Nussbaum, M (2013) *Political Emotions: What Love Matters for Justice*. First Harvard University Press. P.15.
- h Ibid p.120.
- i Ibid p.123.



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## TEN BIG TRENDS OVER THE PAST TEN YEARS

For ten years, The Salvation Army has offered the *State of the Nation* reports to track the social and economic trends that affect our country. To acknowledge the milestone of ten years, we have compiled our list of what we consider are the ten important social trends of the past ten years. We suggest that these trends could help inform a new conversation we should have as New Zealanders around the social progress we value and, from this, the society we would like to create.

### JOBS

#### Credible job growth in the past five years

At the end of 2017, there were an estimated 2.63 million jobs in the New Zealand economy, which is 430,000 or almost 20% more than in 2007. The Global Financial Crisis (GFC), however, had a significant and lingering effect on job growth with job numbers staying around 2.2 million until mid-2013. This trend is illustrated on **Figure A**. Average annual job growth since 2012 has been over 4%.

Figure A: Jobs in the New Zealand economy—2007–2017<sup>i</sup>



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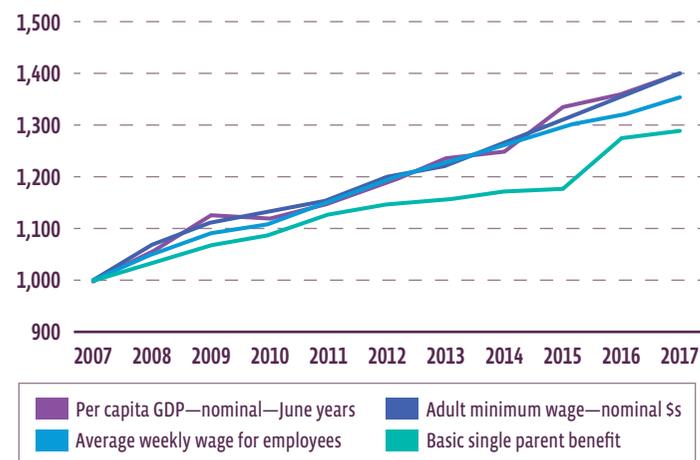
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## INCOMES

### Wages and salaries lag behind GDP growth

Per-capita GDP grew 13% in inflation-adjusted terms from \$51,700 per person (at 2017 \$ values) to \$58,700 in late 2017. As with jobs, the GFC impacted on this income measure with most of the growth since 2013. Over the decade—2007 to 2017—the average weekly wage rose 10% in inflation-adjusted terms to \$1015 per week by the end of 2017. In 2007, the adult minimum wage was set at \$11.25 per hour and through annual reviews it was increased to \$15.75 per hour. In inflation-adjusted terms, this is an increase of 15% between 2007 and 2017. Over the same period, the sole-parent benefit rate increased by just 6% in inflation-adjusted terms and this increase occurred as a one-off adjustment by the National-led Government in the 2015 Budget. **Figure B** illustrates the relative changes in these four income measures expressed as a series of indices.

**Figure B: Income measures—2007-2017— indices based on nominal values<sup>ii</sup>**



## CHILD POVERTY

### Child poverty rates change little despite economic growth

Despite this growth in job numbers and incomes the proportion of children living in poverty changed little between 2007 and 2016. This trend is illustrated in **Figure C**. In 2007, 22% of children were estimated to be living in households that received an income less than 60% of the median income for similar households. By 2016, this rate had reached 20%.

Child poverty has been equated with benefit dependency, but this is not entirely the case. While it is true that most children living in benefit-dependent households are living in relative income poverty, around 45% of children living in such poverty are from working households.<sup>iii</sup> The proportion of children living in benefit-dependent households has fallen over the past six years from a high of just under 22% in 2011 to just over 15% in 2017. We do not know what has happened to the children and their families who have left benefits, principally because no effort has been made to find out. Similarly there have been no recent estimates of the extent to which working households with children fall below the various poverty lines. This means that there is no reliable estimate available to what extent children from working-poor households remain below the various poverty lines.



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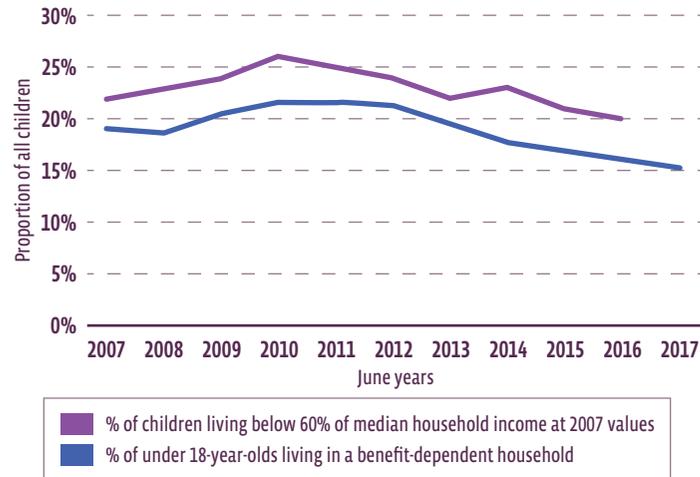
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Figure C: Child poverty measures—2007-2017<sup>iv</sup>

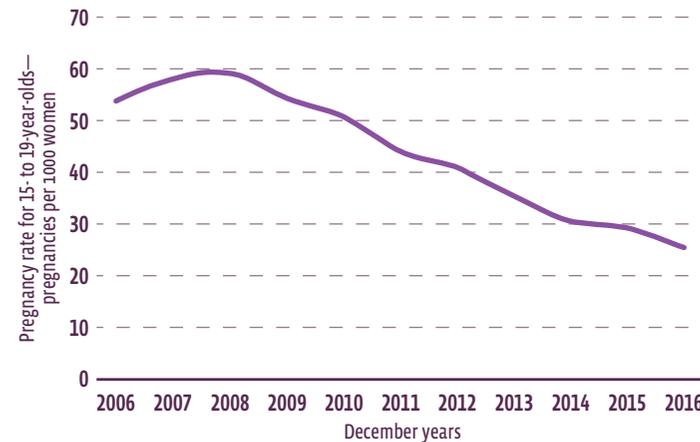


## TEENAGE PREGNANCIES

**Teenage pregnancy rates more than halve over the past eight years**

A significant cultural change has occurred over the past ten years with the pregnancy rate amongst 15- to 19-year-olds more than halving from 58 pregnancies per 1000 women in 2007, to 25 per 1000 in 2016 and may have fallen further to 23 per 1000 in 2017. This trend is illustrated in **Figure D**. In 2007, 46% of pregnancies to 15- to 19-year-olds were terminated in abortion, but by 2016 this had fallen to 37%. Both these trends are evidence that some choices being made by younger people have changed significantly over the past 10 years. This particular change means that fewer young women are becoming mothers as teenagers and so are better able to complete their education and to care for their children when they do decide to have them.

Figure D: Pregnancy rates amongst 15- to 19-year-old women—2006-2016<sup>v</sup>



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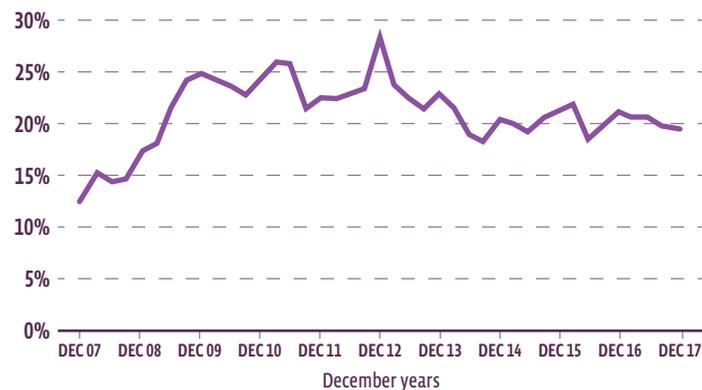
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## YOUTH UNEMPLOYMENT

### Persistent levels of youth unemployment despite job growth

Despite the strong growth in job numbers since 2013, unemployment rates and numbers amongst younger workers and especially those aged 15 to 19 years, have changed little. Prior to the GFC, the unemployment rate amongst 15- to 19-year-olds was estimated to be around 15%. This rate increased to around 25% following the GFC and through to mid-2013. The job growth post-2013 has seen this unemployment rate fall to 20%, but it has changed little since 2014. This trend is illustrated in **Figure E**. The numbers of 15- to 24-year-olds who are not in employment, education and training (NEET) have remained fairly stable at around 70,000 to 80,000 since 2009. Changes in 2013 to Government’s vocational training policies saw greater emphasis being placed on providing training opportunities to 15- to 19-year-olds, and so the numbers of NEET people in this age group fell a little. This decline was offset, somewhat, by an increase in the numbers of 20- to 24-year-old NEETs.

**Figure E: Unemployment rate amongst 15- to 19-year-olds —2007-2017<sup>vi</sup>**



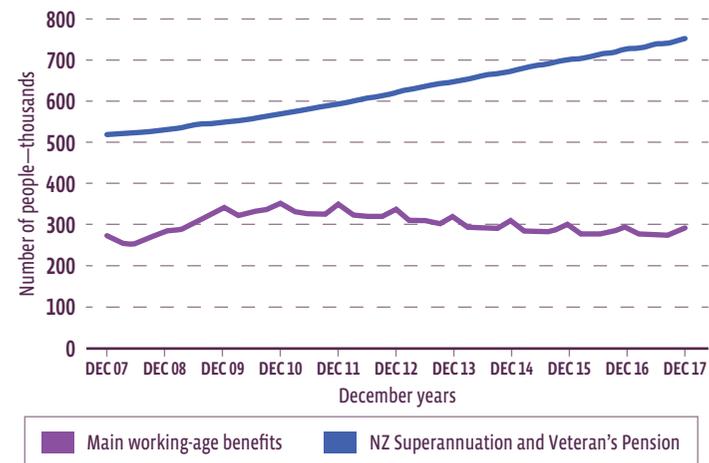
## BENEFITS & SUPERANNUATION

### Benefit numbers fall gradually post-GFC while NZ Superannuation numbers rise predictably

Just prior to the GFC in 2007, the number of people receiving a working-age benefit ranged between 260,000 and 270,000. By 2010, this number had risen to 350,000 and has, since then, gradually fallen to 290,000 by the end of 2017. Treasury’s Budget forecasts suggest that working-age benefit numbers may fall back to 2007 levels by 2020.

Over the past decade the numbers of people receiving New Zealand Superannuation or Veteran’s Pension has risen from 519,000 in late 2007 to 749,000 by late 2017. The number of people receiving Superannuation will continue to grow by 25,000 to 26,000 annually for the next ten years and could, under present entitlement rules, reach 1 million people by 2026. As a share of Core Crown Expenditure, New Zealand Superannuation costs have risen from 12.6% in 2007 to 16.8% in 2017 and from \$6.8 billion to \$13.0 billion annually.

**Figure F: Working-age benefits and NZ Superannuation numbers—2007-2017<sup>vii</sup>**



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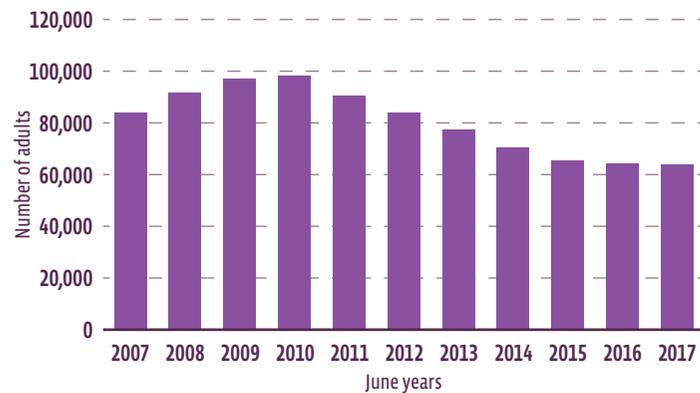
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## CRIME

### Adult criminal convictions fall along with background offending

Estimating crime is notoriously difficult, in part, because only about one-third of offences are reported to Police and of these only about half are recorded by them.<sup>viii</sup> There is, however, evidence that the volume of criminal offending has fallen. The New Zealand Crime and Safety Survey 2014 suggested that offending had fallen 30% between 2008 and 2013.<sup>ix</sup> Between such surveys it is difficult to know what has happened to crime rates. One data source that offers an indication of changing crime levels is that of the number of adults convicted of criminal offences. This is reported in **Figure G**. This shows that the number of adults convicted of offences has fallen 35% since 2010.

Figure G: Numbers of adults convicted of a criminal offences—2007-2017<sup>x</sup>

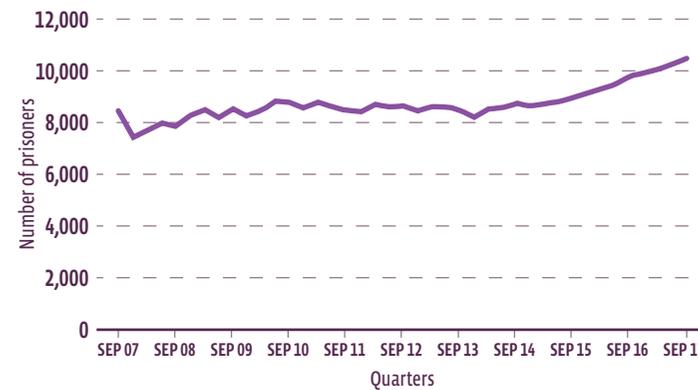


## PRISON POPULATION

### Prisoner numbers hit new record highs

Despite firm evidence that crime volumes are falling, the prison population continues to hit new records reaching 10,470 at the end of September 2017. This population grew slowly from around 8000 in 2008 to 8,500 in 2014, but rose 23% between March 2014 and September 2017. This increase meant that the imprisonment rate rose from 184 prisoners per 100,000 populations in 2007 to 210/100,000 in 2017. The imprisonment rate for Māori are around 3.5 times higher than for the total population, and this rate rose from 620 per 100,000 in 2007 to 700 per 100,000 in 2017. This increasing prisoner population is due to a number of factors—including a growing remand prisoner population, a higher proportion of convictions leading to prison sentences and fewer prisoners being granted parole.

Figure H: Prison population—2007-2017<sup>xi</sup>



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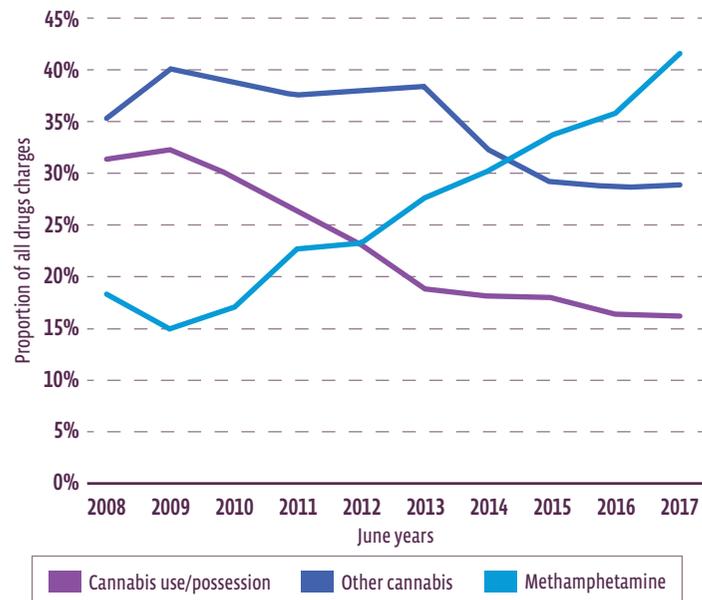
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## DRUG OFFENCES

### Rising methamphetamine use begins to shape drug crime

While convictions for drug offences have fallen 30% since their peak in 2010, the make-up of this offending has changed significantly with the rise of methamphetamine offences. This trend is illustrated in **Figure I**, which records the proportion of drug convictions that involve methamphetamine, cannabis use or possession, or more serious cannabis offences. In 2008, methamphetamine offences represented just 18% of drug offence but, by 2017, it made up 42%. Between 2008 and 2017 the number of methamphetamine offences rose 160% to 4,339.

Figure I: Composition of drug crime—2007–2017<sup>xii</sup>

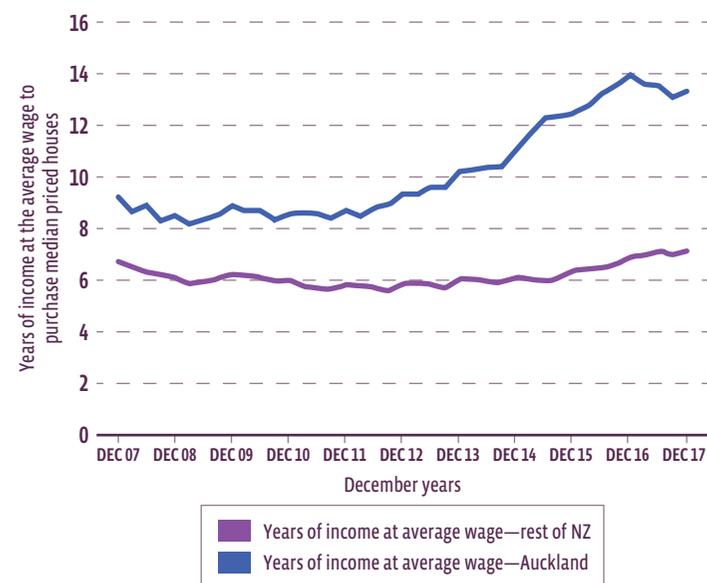


## HOUSING COSTS

### Auckland house prices reach uncharted territory

Auckland’s house prices relative to incomes have reached ratios never seen before, making it difficult to guess where they will go next. In 2007, it took around 9 years of the average wage to purchase the median priced house in Auckland. By 2017, this ratio had reached almost 14 years. For the rest of New Zealand, price-to-income ratios have remained fairly stable at around six years. These trends are shown in **Figure J**.

Figure J: House-price-to-income measures—2007–2017<sup>xiii</sup>



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- i Statistics New Zealand's Employment and Earnings Survey—Household Labour Force data series.
- ii Sources: Statistics NZ's National Accounts, Quarterly Employment Survey and Consumer Price Index data series and Social Security Act and Minimum Wages Act legislation.
- iii Perry (2017) Table H4 p.143.
- iv Perry (2017) + MSD Benefit factsheets.
- v Statistics New Zealand's Births and Abortions data sets.
- vi Statistics New Zealand's Employment and Earnings Survey—Household Labour Force data series.
- vii Ministry of Social Development Benefit Fact Sheets.
- viii NZ Crime and Safety Survey—Main Findings report p.17.
- ix Ibid p.17.
- x Statistics New Zealand's Prosecutions and Convictions data sets.
- xi Department of Corrections Quarterly Reports.
- xii Source: Ministry of Justice prosecution and sentencing data tables available at [www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/](http://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/)
- xiii Source: Real Estate Institute of New Zealand median sale price data series and Statistics NZ's Quarterly Employment Survey.



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## OUR CHILDREN

This section considers recent changes to the wellbeing of our children, adolescents and youth. These changes are measured by indicators which consider rates of child poverty, violence toward children, youth offending, educational participation and achievement, infant mortality, teenage pregnancy and youth suicide. Overall, the picture gained from these indicators is one of sustained but often modest progress in many areas, alongside some areas with little or no progress despite years of talk but limited action or new thinking. While on balance, the quality-of-life for our children is very good and some progress has been made in reducing inequalities, the scale of these inequalities and pace of this progress are somewhat disheartening.

## CHILD POVERTY

### Slight decline in child poverty rates may be evident

The latest estimates of child poverty rates suggest there may have been a slight improvement in some indicators, although the scale of these changes and the reliability of the data mean that this trend should be viewed tentatively. **Table 1** and **2** report child poverty estimates derived from the Household Economic Survey (HES) and made by Ministry of Social Development analyst Bryan Perry in his *Household Incomes in New Zealand* report.

Two commonly cited child poverty indicators are 60% of the median income of an equivalent household measured on an after housing cost basis, and the EU 13 material wellbeing index. Both of these indicators saw a slight decline in reported poverty rates between 2015 and 2016. However, Perry notes that the 2015/16 HES on which the 2016 results are based had ‘an unusually low number of sole-parent households and beneficiary households with dependent children, and the standard Statistics New Zealand weights did not fully correct for this for the population estimates’.<sup>1</sup> This suggests that these results need to be viewed with some caution until a longer-term trend of decline has been established.

The 2017 Household Incomes Report does not report the numerical breakdown of children in low-income households<sup>2</sup> by the source of their household’s income, so it is not possible to assess whether there has been a change in the proportion of such households, which may be defined as either working poor or benefit poor. The 2015 HES results, which were reported in the 2016 Household Incomes Reports, suggests 55% of children living in low-income households were in benefit-dependent households and that of all children in such households 85% were estimated to be living at or below the related poverty threshold.<sup>3</sup>



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Table 1: Estimates of children living below selected poverty lines (after housing costs)—2011–2016<sup>4</sup>

Threshold type HES year	Constant value or 'anchored'		Relative to contemporary median			Population (000s)
	50% of 2007 median	60% of 2007 median	40% of contemporary median	50% of contemporary median	60% of contemporary median	
2011	19	25	12	20	27	1067
2012	19	24	13	20	27	1047
2013	17	22	13	19	24	1064
2014	17	23		21	29	1058
2015	15	21	12	20	28	1063
2016	14	20	13	19	25	1078

Table 2: Estimates of the proportion and number of children facing material hardship—2011–2016<sup>5</sup>

June years	DEP-17 'standard' threshold		EU-13 'severe' threshold	
	rate (%)	numbers	rate (%)	numbers
2011	21	220,000	10	105,000
2012	17	180,000	9	90,000
2013	15	165,000	9	100,000
2014	14	145,000	8	80,000
2015	14	155,000	8	85,000
2016	12	135,000	6	70,000

### Numbers of children living in benefit-dependent households fall to historic lows

The former National Coalition Government's welfare reform agenda saw the numbers of people receiving a working-age welfare benefit decline by 50,000 or by almost 15% between 2012 and 2017. Alongside this decline was a concurrent fall in the numbers of children living in benefit-dependent households. This decline is reported in **Table 3** and shows a drop of 43,000 children over the past five years, so that by late 2017 around one in six New Zealand children lived in a benefit-dependent household. There is, however, no data available to identify if these children are materially better off for their parents'/caregivers' exit from the welfare system.



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Table 3: Estimates of the number of children living in benefit-dependent households—2012–2017<sup>6</sup>

As at December	Working age benefits paid	Number of children living in benefit-dependent households	Children in benefit-dependent households as % of all children
2012	339,095	221,700	20.2%
2013	321,869	209,100	19.1%
2014	309,145	194,500	17.7%
2015	301,349	185,700	16.8%
2016	297,010	181,600	16.3%
2017	289,800	178,300	15.9%

## CHILDREN AT RISK

### Apparent declining rates of substantiated child abuse need to be confirmed

Although official rates of child abuse have continued to fall, such declines are not borne out by data on recorded violence offences against children. This anomaly is reported in **Tables 4, 5A** and **5B**.

The total number of possible or suspected child abuse/neglect cases notified to the Ministry for Children rose slightly between 2012 to 2017 by 4% to just under 159,000. However, the proportion of reported cases, which Ministry for Children deemed to be important enough to investigate further, fell from 39% in 2012 to 25% in 2017. The proportion of those cases investigated, which were subsequently proven or substantiated, remains around 36% to 38% over the last five years. These trends are shown in **Figure 1**.

**Table 4** reports cases of various child abuse and neglect, which were accepted or substantiated by Child, Youth and Family up until June 2017 when it was transferred into the Ministry for Vulnerable Children, now Ministry for Children (or Oranga Tamariki). This data suggests that levels of child abuse and neglect declined by one-third between 2012 and 2017 and that the numbers of children who were victims of such abuse/neglect declined by a similar extent. Most of these declines appear to be on account of less recognition being made of reported cases of emotional abuse and neglect.



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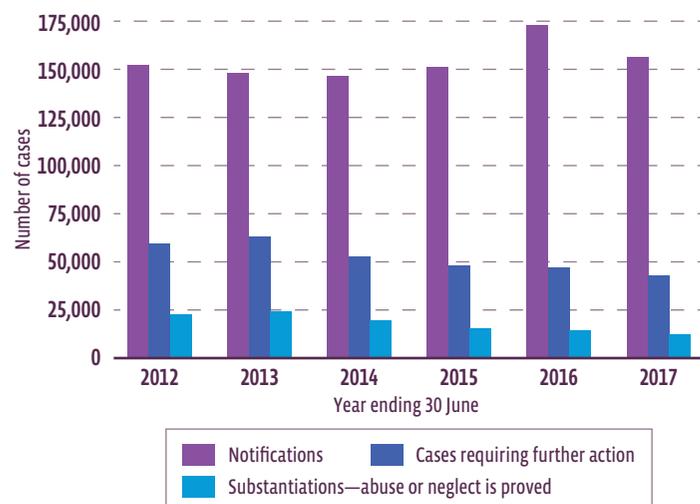
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Table 4: Ministry for Children substantiations of child abuse and neglect—2012–2017<sup>7</sup>

Year ending 30 June	2012	2013	2014	2015	2016	2017
Emotional abuse	12,454	12,777	10,406	8,318	8,490	7,231
Physical abuse	3,330	3,343	3,305	3,235	3,073	3,136
Sexual abuse	1,418	1,459	1,329	1,275	1,167	1,038
Neglect	4,970	5,405	4,583	3,644	3,664	3,397
Total substantiations	22,172	22,984	19,623	16,472	16,394	14,802
Number of individual children as victims	18,277	18,595	16,289	13,833	13,598	12,117

Figure 1: Ministry for Children notifications and substantiations—2012 to 2017<sup>8</sup>



## CHILDREN AND VIOLENCE

### Small increase in reported violence against children

Over the same time that Ministry for Children reported these declines, recorded violent offences against children showed little if any change. **Table 5A** reports the actual number of recorded offences for physical or sexual violence, while **Table 5B** reports the numbers of children who have been victims of such offences. This data shows that the number of children who have been victims—either of serious injury assault or aggravated sexual assault—has remained relatively constant over the past three years, while the numbers of children who have been victims of less serious assaults have risen. Furthermore, the recorded numbers of victims for serious physical assault or sexual assault are around 40% higher than the number of substantiated cases reported by Ministry for Children.

The reporting regime for the Ministry for Children is not yet apparent. Whatever accountability is offered back to New Zealanders around levels of child abuse and neglect, this should explain the alarming anomalies in reported levels of abuse and neglect recorded in these figures.

Table 5A: Recorded violent offences against children aged under 15—2015–2017<sup>9</sup>

June years	2015	2016	2017
Common assault	1265	1255	1107
Serious assault without injury	2267	2656	2899
Serious assault resulting in injury	1346	1271	1476
Aggravated sexual assault	1667	1426	1534



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Table 5B: Numbers of children aged under 15 who have been a victim of a recorded violent offence—2015–2017<sup>10</sup>

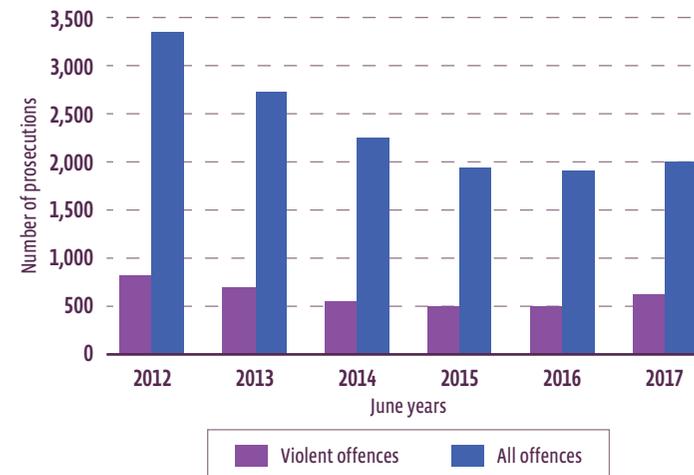
June years	2015	2016	2017
Common assault	1049	1090	967
Serious assault without injury	1925	2335	2601
Serious assault resulting in injury	1179	1176	1284
Aggravated sexual assault	1472	1337	1467

## YOUTH OFFENDING

### Youth offending levels rise slightly

Prosecutions for criminal offending by young people aged under 17 years old rose 4.5% between 2016 and 2017, although the number of prosecutions is more than 40% less than in 2012. However, of more concern is the increase in serious offending, with violent offences growing by 24% between 2016 and 2017, although such offending is still almost 30% less than in 2012. Police put this increase in serious offending down to social networking amongst at-risk groups of youths who use social media to encourage and challenge others to offend<sup>11</sup>. Youth offending trends for the past five years are reported in **Figure 2**.

Figure 2: Number of people under 16 charged with criminal offences—2012–2017<sup>12</sup>



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## EARLY CHILDHOOD EDUCATION

### Early childhood education participation continues to rise for poorer children

A higher percentage of children from New Zealand’s poorest 30% of communities are participating in early childhood education (ECE) and they appear to be involved for longer periods. **Table 6** records the numbers of primary school new entrants who have attended ECE prior to enrolling at school. Included in this data is comparisons in participation rates between children from the poorest and wealthiest 30% of communities. The gap in such participation has more than halved over the past five years from 9.7% in 2012 to 4.3% in 2017.

It would appear, however, that in the past this prior ECE participation was for much shorter periods for poorer children, as illustrated in **Figure 3**. In 2014, 30% of children from the poorest 30% of communities who attended ECE had done so for less than 12 months. At that time the proportion in the wealthiest 30% of communities attending for up to 12 months was just over 14%. By 2017 the percentage of children from the poorest communities attending for less than 12 months had fallen to 24%.

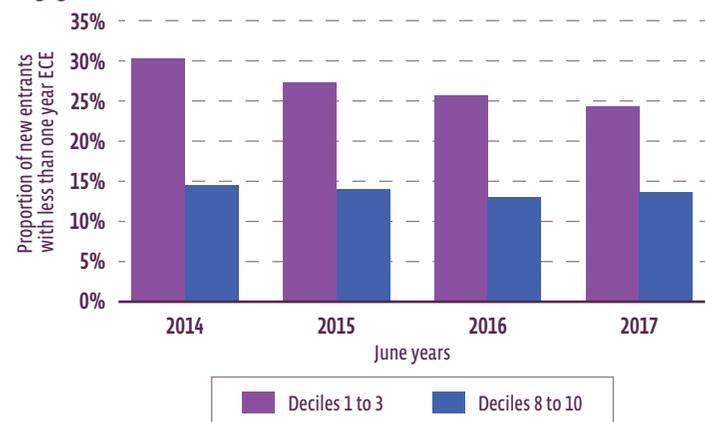
This progress in ECE participation by children from the poorest communities point to the previous Government’s concerted efforts to extend the availability of ECE provision into poorer towns and suburbs. While there is still some progress to be made, levels of participation may be approaching saturation, given that there are always parental choices around ECE enrolment and participation, which will limit us reaching 100% engagement. At this stage there is limited evidence of the effectiveness of the

\$1.8 billion that Government is spending on ECE annually. Ideally this evidence should be gathered in part to establish the extent to which this extended ECE availability and participation is reducing educational inequality, as has been argued by ECE advocates.

**Table 6: Prior participation in ECE by new entrants in primary school—2012–2017<sup>13</sup>**

June years	2012	2013	2014	2015	2016	2017
Number of new entrants into primary schools	61,094	63,560	63,053	63,843	63,365	62,124
Overall prior ECE participation rate	94.9%	95.6%	95.9%	96.2%	96.6%	96.8%
Prior ECE participation rate—poorest three deciles	88.5%	90.2%	91.4%	92.5%	93.7%	94.1%
Prior ECE participation rate—richest three deciles	98.3%	98.5%	98.5%	98.7%	98.8%	98.9%
Participation gap	-9.8%	-8.3%	-7.1%	-6.2%	-5.1%	-4.8%

**Figure 3: Proportion of those new entrants with up to one year of prior ECE engagement—2014–2017<sup>14</sup>**



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## EDUCATIONAL ACHIEVEMENT

### Achievement gaps continue to narrow across NCEA achievement levels

NCEA achievement levels are characterised by a social gradient, which has seen students attending schools in poorer communities gaining fewer qualifications in comparison with students in the same year group who are attending schools in middle- or high-income communities. This gradient applies to whatever NCEA achievement level is considered, but is particularly skewed for Level 3 and above, as illustrated in **Figure 4**.

**Figure 4** compares pass rates by the decile of the school that leavers attended in either 2011 or 2016. In 2011, the 26% of students leaving a decile 1 school had gained NCEA Level 3 or better compared with 75% of those who had attended a decile 10 secondary school—in other words, an achievement gap of a massive 49 percentage points. By 2016 this gap had closed to 43 percentage points, with 37% of decile 1 students gaining Level 3 or better compared with 80% of decile 10 students. The Level 3 qualification is more or less an entry qualification for university, and these differences underline the limited social and economic mobility that children and youth from low incomes continue to face.

**Table 7A** and **7B** report achievement levels and gaps for those leaving school with less than Level 1 (**Table 7A**) and Level 2 or better (**Table 7B**). This data shows smaller achievement gaps than for Level 3 or better, but similarly modest but consistent progress in closing these gaps. However, at current rates of about 1% to 1.5% per year the current gaps are unlikely to be closed within a generation, even if this modest progress is maintained. These achievement gaps—along with those

associated with differences between Māori and Pacific students on one hand and Pākehā-European and Asian students on the other—remain one of New Zealand’s biggest social challenges.

**Table 7A: Students leaving school with less than NCEA Level 1—2011–2016<sup>15</sup>**

	2011	2012	2013	2014	2015	2016
Decile 1 (poorest)	29.8%	27.6%	27.0%	25.0%	23.5%	21.8%
Decile 2	25.0%	24.8%	22.8%	21.1%	16.8%	16.1%
Decile 3	21.1%	18.8%	17.8%	16.8%	16.0%	13.6%
Decile 4	19.0%	19.0%	16.6%	15.0%	12.3%	12.2%
Decile 5	15.3%	15.9%	13.6%	11.6%	10.2%	9.6%
Decile 6	14.2%	13.3%	12.5%	10.7%	10.3%	9.4%
Decile 7	10.7%	9.7%	10.0%	7.8%	7.3%	7.6%
Decile 8	9.2%	8.9%	8.1%	7.0%	5.7%	5.6%
Decile 9	6.1%	5.8%	4.6%	4.2%	3.6%	3.9%
Decile 10 (richest)	4.7%	3.5%	3.3%	2.9%	2.7%	2.4%
Not Applicable	45.8%	45.5%	43.9%	42.6%	34.8%	35.4%
Total	15.7%	14.4%	14.3%	12.3%	11.2%	10.6%
Deciles 1 to 3	25.1%	23.5%	22.3%	20.7%	18.7%	16.9%
Deciles 8 to 10	6.6%	6.0%	5.3%	4.7%	4.0%	4.0%
Achievement gap	18.5%	17.5%	17.0%	16.0%	14.6%	12.9%



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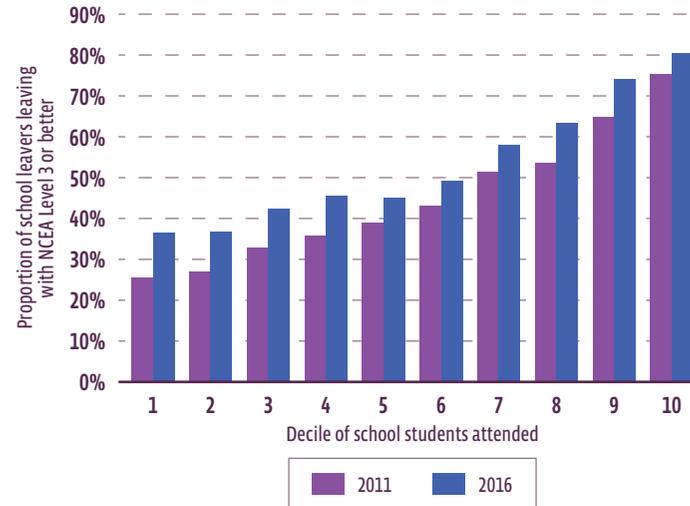
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Table 7B: Students leaving school with NCEA Level 2 or better—2011–2016<sup>16</sup>

	2011	2012	2013	2014	2015	2016
Decile 1 (poorest)	55.3%	57.3%	57.9%	61.6%	63.9%	65.3%
Decile 2	58.1%	59.9%	62.7%	65.6%	68.9%	70.0%
Decile 3	64.1%	67.5%	69.2%	69.9%	72.6%	74.3%
Decile 4	66.7%	67.1%	69.4%	73.4%	77.1%	77.4%
Decile 5	70.9%	72.4%	75.6%	78.3%	79.8%	80.2%
Decile 6	72.3%	73.8%	75.4%	78.3%	79.2%	80.4%
Decile 7	78.7%	80.6%	81.0%	83.5%	84.3%	84.7%
Decile 8	80.5%	82.2%	83.0%	85.2%	87.6%	87.2%
Decile 9	87.1%	87.3%	89.4%	90.9%	91.5%	92.2%
Decile 10 (richest)	90.7%	92.4%	92.7%	93.1%	94.1%	93.9%
Not Applicable	35.3%	37.3%	36.7%	39.2%	50.0%	47.4%
Total	72.5%	74.9%	74.9%	78.1%	79.6%	80.3%
Deciles 1 to 3	59.3%	61.8%	63.5%	66.0%	68.8%	70.2%
Deciles 8 to 10	86.1%	87.4%	88.4%	89.7%	91.0%	91.1%
Achievement gap	26.9%	25.6%	24.9%	23.7%	22.2%	20.9%

Figure 4: Proportion of students leaving school with NCEA Level 3 or better by decile of their schools—2011 and 2016<sup>17</sup>



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## INFANT MORTALITY

### Further improvement in reductions in infant mortality rates

New Zealand’s infant mortality rates continue to fall to record low levels, with a further modest decline during 2016/17. The estimated rate during the 12 months to September 2017 is 3.6 infant deaths per 1000 live births. Five-years previously the equivalent rate was 5.1 deaths/1000 live births. The numbers of live births, infant deaths and infant mortality rates for the past five years are reported in **Table 8**.

Māori infant mortality rates remain around 1.3 to 1.9 times that of the non-Māori population. In 2017 this rate was 5.5 deaths per 1000 live births, while in 2012 it was 5.7 per 1000 deaths.

**Table 8: Changes in New Zealand’s infant mortality rates—2012–2017<sup>18</sup>**

Year ending 30 September	Live births during the preceding 12 months	Total infant deaths (under one year)	Estimated infant mortality rate (per 1000 live births)
2012	60,462	282	5.1
2013	59,646	255	4.3
2014	57,837	318	4.6
2015	60,558	249	4.1
2016	59,214	231	3.9
2017	58,494	213	3.6

## TEENAGE PREGNANCY

### Further decline in teenage pregnancy rates offers evidence of shifting youth culture

Teenage pregnancy rates have halved since 2008, in what can be seen as a significant and positive change in youth culture. Such a decline offers greater opportunities for young women to complete their education before becoming mothers, and so greater opportunities for their children if and when they decide to have them.

The pregnancy rate amongst 15- to 19-year-old women for the decade from 2006 to 2016 is reported in **Figure 5**. This shows that this rate has fallen to the lowest level on record at 25 pregnancies for every 1000 women in this age group. In 2008, this rate peaked at 59 per 1000, but by 2011 had fallen to 44 per 1000 (details of the number of live births and abortions for 15- to 19-year-olds for the most recent five years of available data is offered in **Table 9B**).

**Table 9B** reports the proportion of pregnancies terminated by an abortion. This proportion fell to 37% in 2015/2016—the lowest proportion since 1995.

As expected, the pregnancy rates for 11- to 14-year-olds is much lower than for 15- to 19-year-olds. By 2016 this rate had halved from the five-years previously to 0.4 per 1000 women. This data is offered in **Table 9A**.



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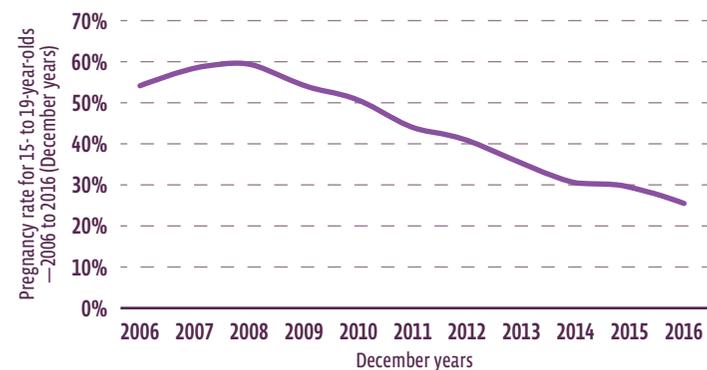
Table 9A: Pregnancies and abortions to 11- to 14-year-olds—2011-2016<sup>19</sup>

Year ending December	Live births	Abortions	Pregnancy rate per 1000	% of Pregnancies aborted
2011	25	68	0.8	73%
2012	18	51	0.6	74%
2013	20	48	0.6	71%
2014	27	57	0.7	68%
2015	24	32	0.5	57%
2016	15	32	0.4	64%

Table 9B: Pregnancies and abortions to 15- to 19-year-olds—2011-2016<sup>20</sup>

Year ending December	Live births	Abortions	Pregnancy rate per 1000	% of Pregnancies aborted
2011	3981	2822	44.0	42%
2012	3768	2489	40.9	40%
2013	3283	2096	35.3	39%
2014	2895	1758	30.5	38%
2015	2841	1635	29.2	37%
2016	2466	1451	25.3	37%

Figure 5: Pregnancy rates for 15- to 19-year-olds—2006-2016 (December years)<sup>21</sup>



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## YOUTH AND ADOLESCENT SUICIDES

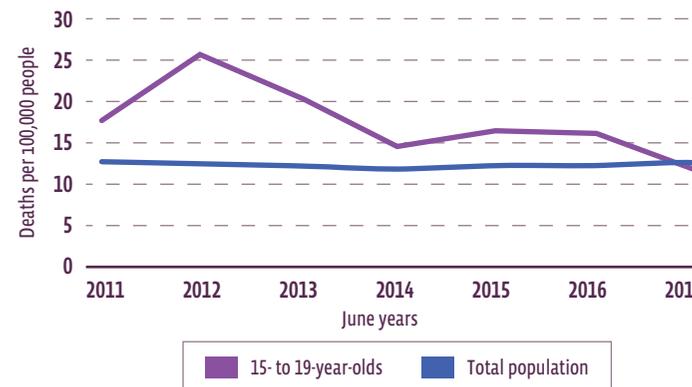
### Small decline in youth and adolescent suicides

There was a small decline in youth and adolescent suicides during 2016/17, although the suicide rate amongst 10- to 14-year-olds has risen sharply. These numbers and rates are reported in **Table 10**. The suicide rate amongst 15- to 19-year-olds has typically been higher than that for the population overall, but in 2016/17 this rate fell to be more or less on par with the rate for the total population—at 12 deaths per 100,000 people. This trend is reported in **Figure 6**. Given the variability year to year the recent decline in the 15- to 19-year-old rate cannot be seen as a trend at this stage, however.

Table 10: Youth suicide deaths and rates (per 100,000 people)—2011-2017<sup>22</sup>

June	2011	2012	2013	2014	2015	2016	2017
<i>10- to 14-year-olds</i>							
Males—number	4	6	3	2	5	5	6
Males—rate	2.68	4.06	2.05	1.32	3.33	3.32	3.89
Females—number	4	5	3	4	5	3	7
Females—rate	2.79	3.55	2.16	2.77	3.49	2.09	4.76
Total—number	8	11	6	6	10	8	13
Total—rate	2.74	3.81	2.10	2.03	3.41	2.72	4.10
<i>15- to 19-year-olds</i>							
Males—number	40	55	43	25	35	34	28
Males—rate	24.53	34.37	27.35	15.49	21.41	20.75	17.23
Females—number	16	25	20	21	17	17	10
Females—rate	10.38	16.53	13.45	13.80	11.09	11.00	6.49
Total—number	56	80	63	46	52	51	38
Total—rate	17.66	25.70	20.59	14.67	16.41	16.02	12.01

Figure 6: Suicide rates for 15- to 19-year-olds and total population—2011-2017<sup>23</sup>



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## ASSESSMENT: OUR CHILDREN

CHILD POVERTY	RESULT
The most recent child poverty indicators suggest some improvement in some rates. Difficulties in gaining a representative sample in the Household Economic Survey mean the reliability of these apparent improvements need to be confirmed by a further year of positive results before we can confirm this progress. A promising start, however, especially in the material hardship poverty indicator.	+
CHILDREN AT RISK	
While the number of substantiated cases of child abuse/neglect continues to decline, the inconsistency between these results reported by the Ministry for Children and child victimisations reported by Police, remains unexplained. Given this, it is difficult to see such decline as tangible progress.	NC
CHILDREN AND VIOLENCE	
Recorded violent offending against children has risen slightly over the past year or so, but given possible changes in reporting patterns there is no way of knowing if such offending is increasing or if New Zealanders are becoming more responsive to, and less tolerant of, such behaviours. These recent increases are too modest to see this change as a trend at this stage.	NC
YOUTH OFFENDING	
Recent declines in rates of youth offending have been lost with modest increases during 2016/17—especially in violent offending. Recent outcomes remain much better than five years ago so some progress has been maintained.	NC
EARLY CHILDHOOD EDUCATION	
Further progress in lifting ECE participation in low-income communities has been made, although gaps in our knowledge of this participation continue due to the Ministry of Education’s difficulties with the quality of recent ECE enrolment data. Recent Government efforts to extend ECE provision into lower-income communities are now showing results, but efforts should begin to assess the value of the \$1.8 billion annual ECE spend on closing the educational gaps which are apparent in primary and secondary schools.	+
EDUCATIONAL ACHIEVEMENT	
Modest progress in closing long-standing achievement gaps was maintained in 2016. The extent of these gaps alongside this modest progress continues to present a major challenge to our education system as well as limiting social and economic mobility for children and youth from poorer communities.	+

+ Tangible or consistent progress – Slipping back NC No change ? Insufficient evidence



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<b>INFANT MORTALITY</b>	
Further progress in reducing New Zealand’s infant mortality rate has been achieved; although there are no signs that the gap between mortality rates of Māori and non-Māori are closing.	+
<b>TEENAGE PREGNANCY</b>	
Teenage pregnancy rates have halved over the past decade, perhaps indicating a gradual but consistent change in the perspective and expectations of our young adults. This should be applauded.	+
<b>YOUTH AND ADOLESCENT SUICIDE</b>	
Recent declines in rates of youth and adolescent suicide are very welcome, although sustained reductions are necessary in order to see these as meaningful progress	+

+ Tangible or consistent progress – Slipping back **NC** No change ? Insufficient evidence

<p>1 Perry, B. (2017) Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2016 p.25.</p> <p>2 Here low income is defined as being measured by the 60% of median income on a constant value basis and after housing costs.</p> <p>3 Perry (2017) Table H4 p.143.</p> <p>4 Ibid Table F.7 p.122.</p> <p>5 Ibid un-numbered table on p.156.</p> <p>6 Ministry of Social Development—Benefit Factsheets at <a href="https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html">https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html</a></p> <p>7 Source: Ministry of Social Development website at <a href="https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/cyf/index.html">https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/cyf/index.html</a></p> <p>8 Source: Ministry of Social Development website at <a href="https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/cyf/index.html">https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/cyf/index.html</a></p> <p>9 Source: Police website at <a href="http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/victimisations-demographics">http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/victimisations-demographics</a></p> <p>10 Source: Police website at <a href="http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/unique-victims-demographics">http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/unique-victims-demographics</a></p>	<p>11 Police Annual Report 2016/17 p.15.</p> <p>12 Source: Statistics New Zealand website at <a href="http://nzdotstat.stats.govt.nz/wbos/Index.aspx#">http://nzdotstat.stats.govt.nz/wbos/Index.aspx#</a></p> <p>13 Source: Education Counts website at <a href="https://www.educationcounts.govt.nz/statistics/early-childhood-education/participation">https://www.educationcounts.govt.nz/statistics/early-childhood-education/participation</a></p> <p>14 Ibid.</p> <p>15 Source: Ministry of Education website at <a href="https://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2">https://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2</a></p> <p>16 Ibid.</p> <p>17 Ibid.</p> <p>18 Source: Statistics New Zealand’s Births and Deaths data sets.</p> <p>19 Source: Statistics New Zealand’s Live Births and Abortions data sets.</p> <p>20 Ibid.</p> <p>21 Ibid.</p> <p>22 Source Ministry of Justice—Coronial Services at <a href="https://coronialservices.justice.govt.nz/suicide/">https://coronialservices.justice.govt.nz/suicide/</a></p> <p>23 Ibid.</p>
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## CRIME & PUNISHMENT

This section offers evidence and commentary on recent changes in New Zealand related to crime and the criminal justice system. These areas are not particularly positive within our public life or our public policy as they deal with harmful and aberrant behaviours, which often create victims and unnecessary social and economic costs. This negative dimension has been made worse by a somewhat misinformed public debate around the risk and nature of crime and, from this, a narrative around punishment, which is not proving that helpful in dealing with levels of violence and incarceration within our society. The evidence offered here suggests that despite recent efforts by Government and the criminal justice system to get tough on crime, and, particularly, violent offending, little has changed. In fact, the expectation that such a stance would reduce offending was probably weak at best, given that at the same time as harsher sentences and longer prison stays were offered as the answer, planning and budgeting for a further 1000 prison beds was under way. At some time we should begin to see the promised benefits from our growing prison population, but it would seem that these benefits are so far off that Government needs to expand the prison system even further.

## OVERALL CRIME

There has been some compositional change in prosecutions since 2014

In 2014, the way criminal offending and associated victimisation was recorded by Police changed. As discussed in previous *State of the Nation* reports, the headline crime statistics, which were often used to measure trends in offending and experiences of crime, were at best illusory and, perhaps, even misleading. For example, the 2014 New Zealand Crime and Safety Survey (NZCASS) identified that the background level of victimisation from crime was much higher than was reported or recorded. This survey reported that only 31% of crime was reported to Police and, of this reported crime, only around half was recorded in Police-generated crime statistics.<sup>24</sup>

The new way of recording and publicly reporting crime may or may not be more accurate, although it more readily acknowledges the victims of crime. But, not all crime has a victim to complain, rather it comes to Police attention either through their surveillance (as with drug offending), or, as a result of peoples' non-compliance with the law (as with breaches of bail and parole conditions). These various 'sources' of offending mean that we need a more flexible way of accounting for crime numbers; such a flexible approach results in generating estimates of offence volumes offered in **Table 12**. Here offending volumes are counted in one of two ways. One way of counting is where an offence has created a victim and that victim has reported the offence to Police and, of course, had this report actually recorded by Police. The second way is when a person is



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apprehended for an offence where the offence did not necessarily generate a direct victim.

**Table 11** provides summary results for the four ways in which offender and victim volumes are recorded. This data is reported for the three consecutive years that this new approach has operated, and shows a small decline in offender volumes which are offset by a small rise in victim volumes over the period.

**Table 11: Summary of adult offence volumes—2015–2017 (June years)<sup>25</sup>**

June years	2015	2016	2017
Number of unique offenders	115,809	112,525	106,378
Proceedings against offenders	171,175	169,262	162,957
Number of unique victims	208,341	217,393	221,802
Number of victimisations	270,894	262,439	270,066

The approach of selectively counting victimisations and proceedings against offenders is behind data reported in **Table 12**. Two trends are of some note in this data. One, is that estimated offence volumes using this approach have varied little over the past three years, meaning that there is certainly no identifiable trend of increases or decreases. The second point, is that the vast majority of offences involving identified victims, as reported in **Table 11**, are dishonesty offences. For example, of the 270,000 recorded victimisations for the year to 30 June 2017, almost 213,000 offences were for various forms of dishonesty.

**Table 12: Estimates of recorded criminal offences—2015–2017 (June years)<sup>26</sup>**

June years	2015	2016	2017
Homicide and related offences	191	204	160
Acts intended to cause injury	48,435	48,507	50,167
Sexual assault and related offences	5,620	5,430	5,733
Dangerous or negligent acts endangering persons	13,552	14,651	15,002
Abduction, harassment and other related offences against a person	7,029	6,789	5,997
Robbery, extortion and related offences	3,335	3,512	4,118
Unlawful entry with intent/burglary, break and enter	63,424	66,391	71,930
Theft and related offences	149,702	138,263	137,714
Fraud, deception and related offences	2,991	3,254	3,352
Illicit drug offences	8,982	9,063	8,757
Prohibited and regulated weapons and explosives offences	3,730	3,904	3,810
Property damage and environmental pollution	8,478	7,926	6,779
Public order offences	19,002	17,588	15,753
Traffic and vehicle regulatory offences	34,258	32,993	32,421
Offences against justice procedures, Govt sec and Govt ops	13,534	14,774	16,064
Miscellaneous offences	862	842	710
Total of all offence categories	383,125	374,091	378,467



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**Table 13** offers longer-term data based on a consistent approach to counting offending. This data records the prosecutions taken by Police of adult offenders. The most obvious trend from this data is the sharp decline in prosecution numbers between 2013 and 2014, and the subsequent stability in these numbers overall since then. Within this overall trend, there has, however, been some compositional change since 2014 with fewer prosecutions for dishonesty offences and traffic offences, but an increase in prosecutions for violence and for offences against justice procedures—such as breaches of bail and protection orders. This shift is consistent with the former Government’s interest in dealing more comprehensively with violent crime and, especially, with family violence. The overall decline in prosecution volumes should be noted in the context of our rising prisoner population, which is discussed below.

**Table 13: Adult prosecutions by offence category—2012–2017 (June years)<sup>27</sup>**

Year ending 30 June	2012	2013	2014	2015	2016	2017
Acts intended to cause Injury	27,579	26,501	21,794	21,468	23,333	23,872
Sexual assault and related offences	4,862	5,575	5,078	5,093	5,168	4,425
Dishonesty offences	53,921	55,351	46,286	44,811	43,620	44,613
Illicit drug offences	19,311	19,905	15,149	14,412	14,791	15,208
Offences against justice procedures	52,447	47,377	39,508	39,283	41,671	43,108
Traffic offences	53,920	50,968	46,570	43,145	41,710	42,697
Other offences	59,507	55,093	44,845	41,242	41,040	42,312
Total offences	271,547	260,770	219,230	209,454	211,333	216,235

## VIOLENT CRIME

### Small increases in reported violent offences

**Table 14** summarises reported data on sexual and physical violence over the past three years. This data covers both the numbers of recorded victimisations and the numbers of proceedings taken against perpetrators of this violence. While the changes reported in **Table 14** are relatively small and contained just to a three year period, the emerging trend is for small increases in recorded victimisations, alongside small declines in the rates that this offending is being resolved through proceedings against offenders. These trends should be seen as preliminary results at this stage, however.



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Table 14: Violent offending—2015–2017 (June years)<sup>28</sup>

	VICTIMISATIONS			PROCEEDINGS			RESOLUTION RATES		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Aggravated sexual assault	4,728	4,479	4,797	1,460	1,405	1,313	31%	31%	27%
Non-aggravated sexual assault	892	951	936	498	573	573	56%	60%	61%
Sexual assaults	5,620	5,430	5,733	1,958	1,978	1,886	35%	36%	33%
Common assault	26,581	25,972	25,752	13,476	12,727	11,523	51%	49%	45%
Serious assault—no injury	12,563	13,411	14,669	6,498	6,853	7,004	52%	51%	48%
Serious assault—injury	9,291	9,124	9,746	6,344	6,414	6,478	68%	70%	66%
Acts intended to cause injury	48,435	48,507	50,167	26,331	26,007	25,026	54%	54%	50%

**The tougher stance on family violence is borne out in imprisonment numbers**

Table 15 provides recent data on trends in reported family violence offences and the judicial treatment of these. This data is a useful start to the practice of better reporting of family-related violent offending, although some of the volumes reported here are not credible against the background offending levels reported in Table 14. For example, in 2017 only 9,800 of the 50,000 recorded victimisations by violence offences can be attributed to

family violence, which seems low. This poor quality data attempts to trace the relationship between perpetrator and offender in assaults.<sup>29</sup>

The comparisons offered in Table 15 in reported offences and convictions between 2012 and 2017, however, show the extent to which the tougher stance on family violence is resulting in increased numbers of people going to prison. For example, between 2012 and 2018, 33% more people went to prison for family violence offences, and, in 2017, one in six offenders did so.



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Table 15: Trends in reported family violence offences—2012–2017 (June years)<sup>30</sup>

June years	2012	2017	Change 2012 to 2017
<i>Breach of protection order</i>			
Total reported cases	3,990	5,273	32%
Convicted	2,872	4,012	40%
Imprisonment	541	934	73%
Imprisonment as % of convictions	18.8%	23.3%	
<i>Common assault (domestic)</i>			
Total reported cases	4,453	3,669	-18%
Convicted	2,905	2,358	-19%
Imprisonment	285	333	17%
Imprisonment as % of convictions	9.8%	14.1%	
<i>Male assaults female</i>			
Total reported cases	6,244	6,112	-2%
Convicted	4,114	3,990	-3%
Imprisonment	851	1,039	22%
Imprisonment as % of convictions	20.7%	26.0%	
<i>All family violence offences</i>			
Total reported cases	14,687	15,054	2%
Convicted	9,891	10,360	5%
Imprisonment	1,382	1,844	33%
Imprisonment as % of convictions	14.0%	17.8%	

## SENTENCING & IMPRISONMENT

### Increasing numbers of people sent to prison while crime numbers remain stable

**Table 16** records adult prosecution trends between 2012 and 2017 and provides a picture which is in part consistent with that offered in **Table 13**. This picture shows a sharp decline in the numbers of people being prosecuted and, hence, convicted for offences between 2013 and 2014, along with further declines into 2015 and stable volumes since then. The proportion of prosecutions resulting in convictions has remained fairly stable over the past five years at around 82% to 83%. However, the proportion of those who have been convicted then discharged or diverted has fallen slightly from 9.4% in 2012 to 8.7% in 2017. Conversely, the proportion of convicted offenders being imprisoned has grown from 9.5% of those convicted in 2012 to 13% in 2017. The total number of people being sent to prison grew by more than 1100 between 2014 and 2017 as a consequence of this increased propensity to incarcerate offenders.



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Table 16: Criminal prosecution trends—2012-2017 (June years)<sup>31</sup>

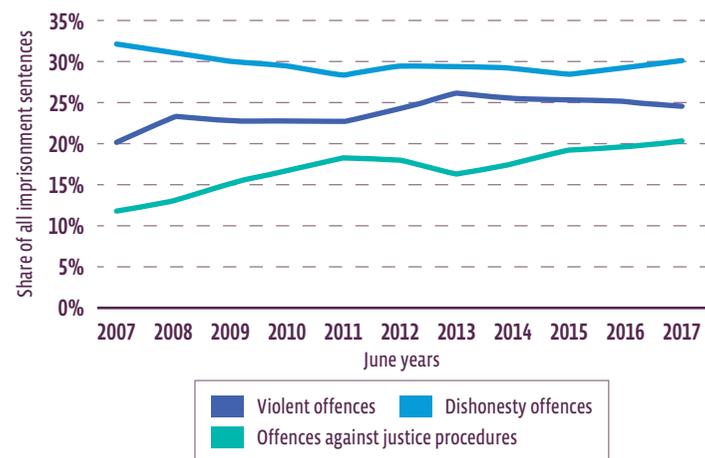
Year ending June	2012	2013	2014	2015	2016	2017
People prosecuted for offences	102,997	95,485	84,817	79,885	77,713	77,910
People convicted of offences	84,274	77,872	70,913	65,998	64,631	64,571
% of prosecutions leading to convictions	81.8%	81.6%	83.6%	82.6%	83.2%	82.9%
People diverted or discharged without conviction	8,747	7,790	6,670	6,578	6,411	6,148
% of proven cases leading to discharge/diversion	9.4%	9.1%	8.6%	9.0%	9.0%	8.7%
Imprisonment sentences	8,042	7,905	7,287	7,487	8,133	8,391
Imprisonment sentences as % of all convictions	9.5%	10.2%	10.3%	11.3%	12.6%	13.0%

**The changing composition of offending may be contributing to this rising prisoner population**

The increasing proportion of convicted offenders being sent to prison may be on account of the rising seriousness of the crimes being committed. **Figure 7** offers a perspective on the compositional change in the offences of those imprisoned between 2012 and 2017. In 2017, 76% of prison sentences were for crimes of dishonesty (30%), violence (25%), or offences against justice procedures (21%). These latter offences were primarily breaches of bail, parole or protection orders. In 2012, just 65% of imprisonments were for these three offences with the sharpest increase being for offences

against justice procedures with a five-year share increase of 8%. In essence, the increasing prevalence of more serious violent offences, as reported in **Table 14**, is resulting in an increase in imprisonment for such offences. The increase in offences against justice procedures, and in prison terms for these offences, appears to be the result of various breaches also associated with violent offending.

Figure 7: Types of offending leading to prison sentences—2007-2017 (June years)<sup>32</sup>



**Unsurprisingly the prison population continued to reach new record highs**

Given this increase, in rates of convicted people being sent to prison, it is small wonder that the prison population has continued to increase. This increase is recorded in **Figure 8** on a quarterly basis for the five years to September 2017.

In March 2017, as predicted in the 2017 *State of the Nation* report, New Zealand’s prison population exceeded 10,000 inmates for the first time. Since then these numbers have



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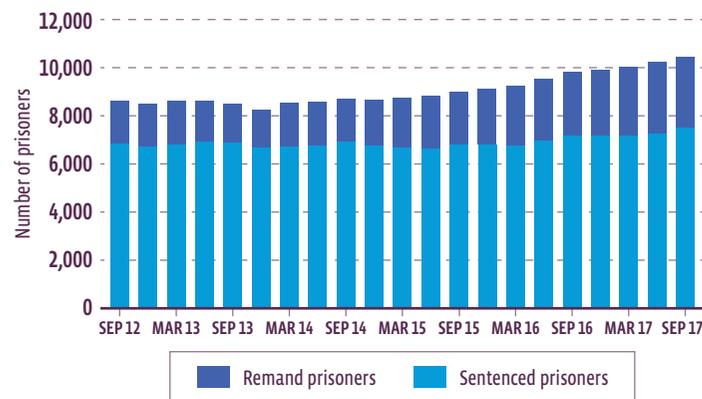
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continued to grow, hitting 10,470 by September 2017. This growth is 7% over the past year and by almost 24% over the past five years.

Over the past five years much of this growth has been on account of rising numbers of prisoners on remand. This group of prisoners grew more than 70% over the past five years from around 1800 in 2012 to about 3000 in 2017.

There has been a small increase in the share of the prisoner population made up of women. For most of the past decade women have accounted for around 6.5% of the prisoner population but, during 2017, this proportion rose to 7.5% or around 800 women. Given the relatively small numbers involved, this change may not represent a significant increase in female incarceration rates at this stage.

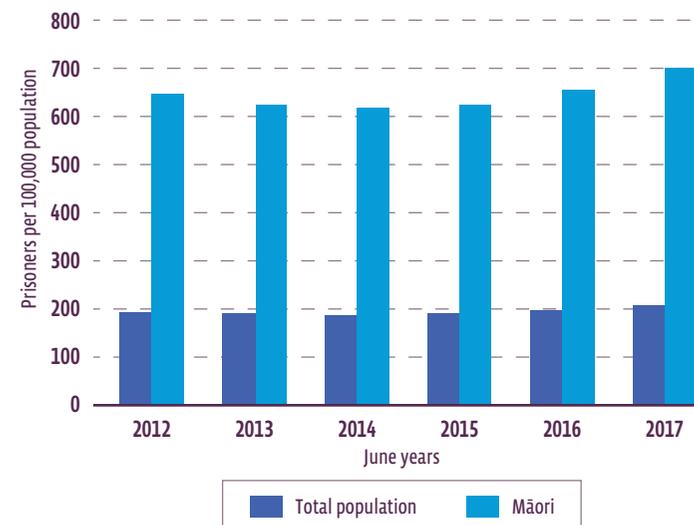
Figure 8: Prisoner population—2012–2017 (quarterly)<sup>33</sup>



### Imprisonment rates grow significantly over past three years

During 2017, Māori made up almost 51% of the prison population, despite accounting for just over 15% of the total New Zealand population. This means, of course, that Māori imprisonment rate is 3.3 times greater than that for the population overall and 5.7 times greater than that for non-Māori. These ratios have been fairly constant for the past decade. Both Māori and total population imprisonment rates rose sharply between 2014 and 2017. The Māori rate rose by 13% from 617 prisoners per 100,000 population in 2014 to 700 per 100,000 in 2017. The total population rose by 11% from 189 per 100,000 to 210 per 100,000 in 2017. Imprisonment rates for Māori and the total population over the past five years are reported in **Figure 9**.

Figure 9: Imprisonment rates—2012–2017 (June years)<sup>34</sup>



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### Parole releases continue to fall

A further reason for the rising prisoner population is the increasing reluctance of the Parole Board to grant convicted prisoners early release. Some of this reluctance stems from changes made in September 2015 to the Parole Act, which were discussed in the 2017 *State of the Nation* report. The trend of declining parole releases is reported in **Figure 10** as the ratio of early release and as a proportion of all sentenced prisoners. This proportion has declined from around 23% in 2011/2012 to 17% in 2017. The proportion of prisoners appearing before the Parole Board who had their application for early release granted also fell from 31% in 2011 to 23% in 2017.

**Figure 10: Proportion of sentenced prisoners granted parole—2007-2017 (June years)<sup>35</sup>**



### Community-based sentences decline in line with lower prosecution levels

Fewer convicted offenders are receiving non-custodial community sentences, although the numbers of people on home detention has remained relatively stable at around 3,500 people commencing such sentences in any one year. These trends are illustrated in **Table 17**. The main reason for the fall in community-based sentences appears to be the matching decline in the numbers of adults being convicted. For example, the number of individual adults convicted fell 23% between 2012 and 2017, while the numbers sentenced to a community-based sentence declined by 26%.

**Table 17: New starts in community-based sentences—2012-2017 (June years)<sup>36</sup>**

Year ending June	2012	2013	2014	2015	2016	2017
Non-custodial community sentences commenced	58,810	54,778	49,121	46,463	44,805	43,370
Home detention sentences commenced	3,363	3,527	3,340	3,253	3,473	3,487
Rate of non-custodial community-based sentences (per 100,000 people over 18)	1781	1645	1453	1344	1265	1194



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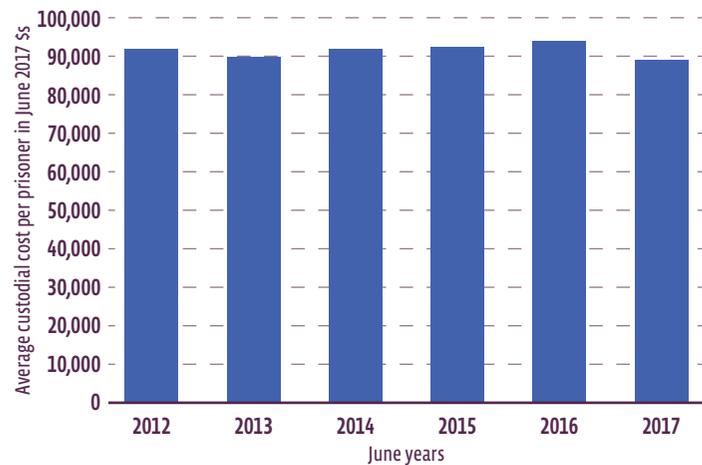
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**Prisoner custodial costs fall on the back of rising prisoner volumes**

As the prison population has risen, the average cost of keeping them in prison has fallen, perhaps as a result of the move to super prisons—such as the South Auckland Corrections Facility which houses 960 inmates on one site. For the year to 30 June 2017, the total cost of running New Zealand’s prisons reached \$890 million, which averaged over the 10,000 prisoners housed in these prisons and represents a per-prisoner cost of around \$89,250. This average cost is 6% lower in inflation-adjusted terms than in 2015/16 and 3% less in inflation-adjusted terms than in 2011/12. The average custodial costs per prisoner since 2012 are reported in **Figure 11**.

**Figure 11: Average custodial cost per prisoner—2012–2017 (in June 2017 \$)³⁷**



**RECIDIVISM**

**Despite best efforts recidivism rates rise again**

During the 2016/17 financial year, Government spent \$181 million on prisoner reintegration and rehabilitation programmes, which is around 13% more in inflation-adjusted terms than five-years previously. Despite this commitment, recidivism rates continued to climb during 2016/17, with re-imprisonment rates in particular reaching the highest levels since at least 2003. Recidivism rates for the total population and for Māori specifically are reported in **Table 18** for the period 2012 to 2017.

Regrettably the previous Government’s Better Public Services Target of reducing aggregate re-offending by 25% is now in tatters. While this failure should not be condemned for its ambition, there is an urgent need to re-consider how reintegration and rehabilitation services are offered and run, and, perhaps, to even re-imagine how released prisoners might reintegrate into their place in society.



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Table 18: Prisoner recidivism and spending on rehabilitation and reintegration services—2012–2017 (June years)<sup>38</sup>

Year ending June	2012	2013	2014	2015	2016	2017
<b>TOTAL PRISON POPULATION</b>						
12 month reimprisonment rate	27.0%	26.7%	25.9%	28.1%	29.7%	31.2%
12 month prison to reconviction	43.3%	44.2%	41.7%	43.7%	44.2%	45.5%
24 month reimprisonment rate	37.0%	37.3%	36.8%	36.5%	39.6%	42.2%
24 month prison to reconviction	59.9%	58.8%	58.9%	57.0%	59.0%	59.7%
<b>MĀORI PRISON POPULATION</b>						
12 month reimprisonment rate	30.4%	30.1%	29.3%	32.1%	33.0%	36.5%
12 month prison to reconviction	47.3%	48.4%	46.2%	49.0%	48.7%	51.4%
24 month reimprisonment rate	40.8%	41.8%	41.2%	41.3%	44.8%	47.0%
24 month prison to reconviction	65.6%	63.5%	64.4%	63.2%	65.5%	65.8%
Year ending June	2012	2013	2014	2015	2016	2017
Spending on rehabilitative programmes & reintegration services ( <i>Smillions nominal</i> )	153.6	145.9	161.9	169.1	176.3	180.9
Average spend per sentenced prisoner in \$ Jun 17	24,000	22,300	24,600	25,600	26,300	25,300



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## ASSESSMENT: CRIME & PUNISHMENT

OVERALL CRIME	RESULT
Changes in the way offending and the associated victimisations are recorded and publicly reported make it difficult to arrive at an agreed headline crime figure. Estimates made in this report suggest that there has been little change in the overall volumes of offending over the past three years, although there has been some compositional changes with increases in recorded violent offending.	NC
VIOLENT CRIME	
The available data on violent offending at this stage is showing slight but perhaps not significant changes. There appears to be an emerging trend of rising rates of victimisations through violent crime with falling numbers of proceedings against assailants. Improved reporting of family violence offending is certainly a useful development.	NC
SENTENCING & IMPRISONMENT	
The prisoner population continues to set new records almost every quarter and current plans to expand prison capacity even further indicates how little vision those who have led criminal justice policy over the past decade or so have. While the ‘get tough on violent crime’ stance might be justifiable as a short-term measure, if it does not ultimately reduce rates of violent offending and the prison population, this approach can only be seen as a careless and perhaps callous form of retributive justice.	—
RECIDIVISM	
Current approaches to rehabilitating and reintegrating prisoners are patently not working with further increases across-the-board in re-conviction and re-imprisonment rates. With a rising prisoner population such increases promise yet more offending and more victims, so it is important now to spend some time re-thinking how released prisoners might find their place in a society which welcomes them back.	—

+ Tangible or consistent progress – Slipping back **NC** No change ? Insufficient evidence



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- 24 New Zealand Crime and Safety Survey Main Findings Report p.106 and p.118.
- 25 Source: Police data files at [www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz](http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz)
- 26 Ibid.
- 27 Source: Statistics New Zealand's Criminal conviction and sentencing data series at <http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7371&ga=2.124327946.1675318878.1518058543-1616466095.1502477398>
- 28 Source: Police data files at [www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz](http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz)
- 29 See for example victimisation data reported on the Police data site at <http://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/victimisations-demographics>
- 30 Source: Ministry of Justice website at <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/>
- 31 Source: Statistics New Zealand's Criminal conviction and sentencing data series.
- 32 Source: Ministry of Justice prosecution and sentencing data tables available at [www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/](http://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/)
- 33 Source: Department of Corrections Quarterly Reports.
- 34 Prisoner numbers from above source population figures from Statistics New Zealand national and Maori population estimates.
- 35 New Zealand Parole Board Annual reports which are available at [www.paroleboard.govt.nz/publications/annual\\_reports.html](http://www.paroleboard.govt.nz/publications/annual_reports.html)
- 36 Source: Department of Corrections Annual reports including the 2016/17 report p.87.
- 37 Source: Department of Corrections Annual reports including the 2016/17 report p.92.
- 38 Source: Department of Corrections Annual reports including the 2016/17 report p.87.



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## WORK & INCOMES

Jobs, work and the incomes these generate are, of course, vitally important to any society and to the wellbeing of its members. However, work by itself does not assure this wellbeing, and we may be starting to see the evidence of this in New Zealand. The growth in the number of jobs has been a success story of the New Zealand economy over the past five years, with this number increasing by almost 18% over this period. This growth is, of course, backed by strong economic growth and as a result we have seen credible growth in per-capita GDP. Yet this growth has not entirely converted into higher incomes for workers, particularly over the last two years. In addition, there are emerging signs of income and living-cost stress amongst low-income households despite recent efforts by Government to shore up many of these households with additional income support.

## EMPLOYMENT AND UNEMPLOYMENT

**Strong job growth continues and participation rates reach new records**

At the end of 2017, the number of jobs estimated to be available in the New Zealand economy exceeded 2.6 million for the first time. Over the past year the number of available jobs grew by 4% and by a very credible 18% over the past five years. Of these jobs, 560,000, or 21%, were part-time jobs and this proportion has fallen slightly over the past five years as growth in full-time jobs has been stronger. These trends are illustrated in **Figure 12**.

The average number of men in employment during 2017 was 1.36 million, which was 18% more than during 2012. By comparison, growth over the past five years in the number of women in jobs was 17%, and this number averaged 1.21 million during 2017.

The labour-force participation rate average was 70.3% during 2017, the highest on record and up from 67.6% in 2012. For men the participation rate averaged 76.2% during 2017, while this average for women was 65.4%, leaving a participation gap of 10.8%. This gap has, however, narrowed slightly since 2012 when it was 11.4%, with the annual average male participation rate of 73.6% while for women it was 62.1%.



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Figure 12: Total employment in New Zealand—2012–2017<sup>39</sup>



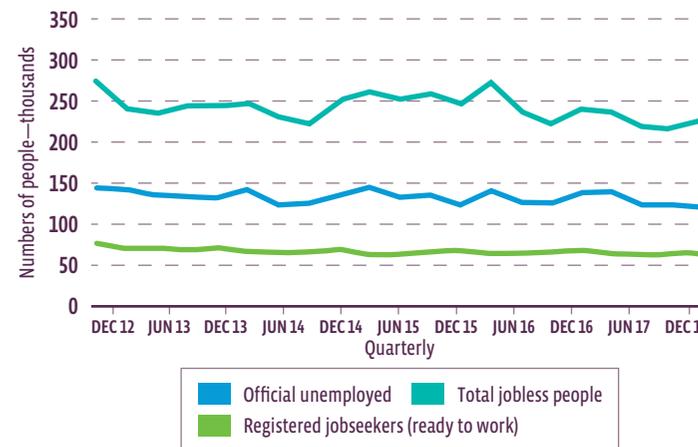
**Little change in unemployment levels despite strong job growth**

One of the paradoxes of the New Zealand economy’s recent performance is the persistence in moderate levels of unemployment despite this recent history of strong job growth. This is illustrated by the three measures of unemployment reported in **Figure 13** for the past five years. While there has been an overall trend to declining levels of unemployment over the last five years, the experience over the most recent two years suggests that some sort of equilibrium has been reached. Depending on which measure is used, this equilibrium varies across a high of 225,000 people who might be classed as ‘jobless’ (without work) and either ‘somewhat available for work’ or ‘looking for work’.<sup>40</sup> These 225,000 people represent just under 6% of the working-age population.

The lowest measure of unemployment are those people receiving a welfare benefit who are deemed by policies (around these benefits) to be ‘available for work’ and so classed as ‘jobseekers’. Over the past two years the number has averaged 64,900 people, or less than 2% of the working-age population.

The middle measure reported in **Figure 13** is the official unemployment rate, which is most often cited in labour market statistics. Over the past five years this measure as a percentage of the labour force is where unemployment has declined from over 6% to under 4%, mainly as a result of an expanding workforce and growing numbers of available jobs to employ this workforce. While this proportion has declined, the numbers of people involved has seldom fallen below 125,000 and rises seasonally at the time of the university holidays.

Figure 13: Measures of unemployment—2012–2017<sup>41</sup>



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**Youth employment show modest growth while over-65's workforce continues to expand**

**Figure 14** offers a ten-year view of two significant, if seldom acknowledged, trends in the New Zealand labour market. One trend is the continuing expansion of the over 65's labour force as Baby Boomers reach the nominal retirement age of 65 and continue to work. The other is the only modest growth in the numbers of 15- to 19-year-olds in employment following a collapse in such employment immediately after the Global Financial Crisis (GFC) in 2008.

Prior to the GFC, around 150,000 15- to 19-year-olds were in employment, but these numbers fell rapidly to below 120,000 by 2009 and to around 100,000 by 2011. The recovery since has been stunted and even today around 120,000 of an estimate age group of 316,000 people are in employment. Most of the remaining 194,000 younger adults are in school or tertiary training, although the higher levels of prior employment suggest that perhaps as many as 30,000 to 40,000 of these people would prefer to be working if job opportunities were available to them. The persistent trends of youth unemployment and under-employment are discussed below.

At the other end of the age range is the continuing expansion of the over-65's workforce. By the end of 2017, there were an estimated 165,000 people over 65 still working. This older workforce has grown at an average rate of over 9% over the past five years, or around 10,500 additional workers each year. Of these extra workers, around 40% are aged over-70 years old and it is this growth in the numbers of what might be termed 'older older' workers which appears to be extending the growth in this over-65's workforce. Ongoing growth in the over-65's workforce is unlikely, as the

largest age cohorts within the Baby Boomer generation—those born in the early 1950s—are now reaching retirement. This means that the following age cohorts will have fewer people to contribute to this workforce. Some further growth is, however, likely for the next five years and it seems possible that the over-65's workforce will reach 200,000 by this time.

**Figure 14: Employment of 15- to 19-year-olds and those over-65-year-olds—2012–2017<sup>42</sup>**



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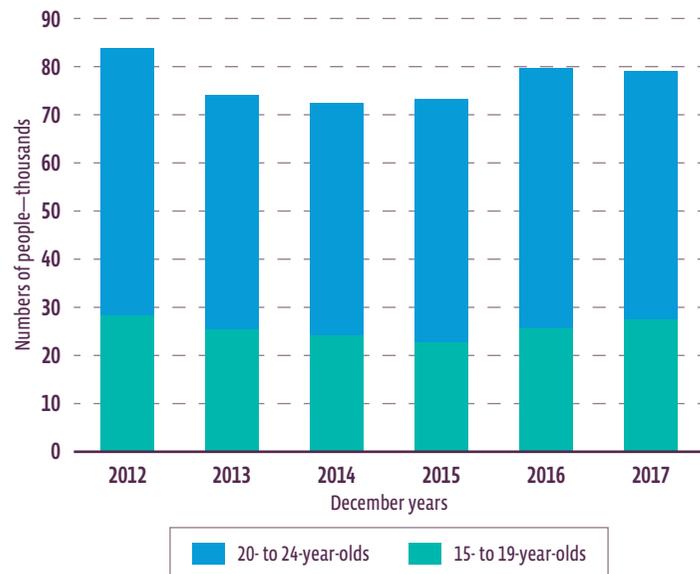
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### No reduction in youth unemployment levels

Despite strong employment growth over the past five years the numbers of younger adults not in employment education or training (NEET) has remained consistently between 70,000 and 80,000 people. This trend is shown on **Figure 15**.

In 2017, the numbers of 15- to 19-year-olds who were NEET averaged 28,000 compared with 26,000 in 2016 and 29,000 in 2012. By comparison, 20- to 24-year-olds have experienced much higher NEET numbers and some reduction over the past five years. During 2017, an average of 51,000 20- to 24-year-olds were NEET compared with an average of 54,000 during 2016 and 56,000 during 2012.

Figure 15: Young adults not in employment education or training—2012–2017<sup>43</sup>

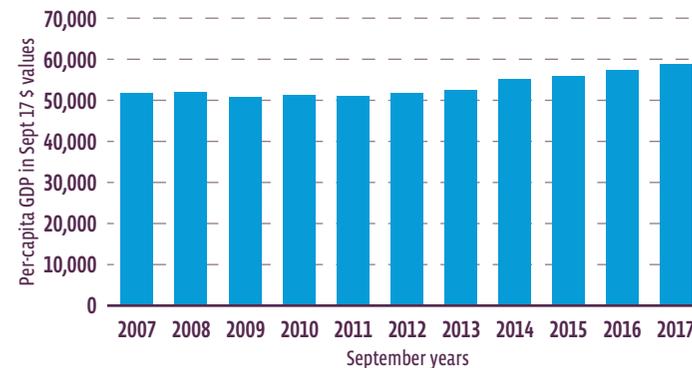


## INCOMES

### Consistent growth in per-capita GDP continues

The New Zealand economy grew by approximately 2.7% for the year 30 September 2017 and by around 17% during the five-years prior to this date.<sup>44</sup> This growth has translated in real per-capita GDP growth of just over 13% over this five-year period and by 2.5% in the year to 30 September 2017. At that date, per-capita GDP was estimated at just under \$58,700. The trend for per-capita GDP is provided for the past decade in **Figure 16** and shows little growth between 2007 and 2013 and relatively strong growth since then.

Figure 16: Real per-capita GDP—2007–2017 (in Sept 17 \$ values)<sup>45</sup>



### Yet this per-capita GDP growth does not translate into higher wages

This higher per-capita GDP does not appear to be translating into higher wages and salaries, especially over the past two years. On an annual average basis the average weekly wage for employees reached \$1012 in December 2017, which



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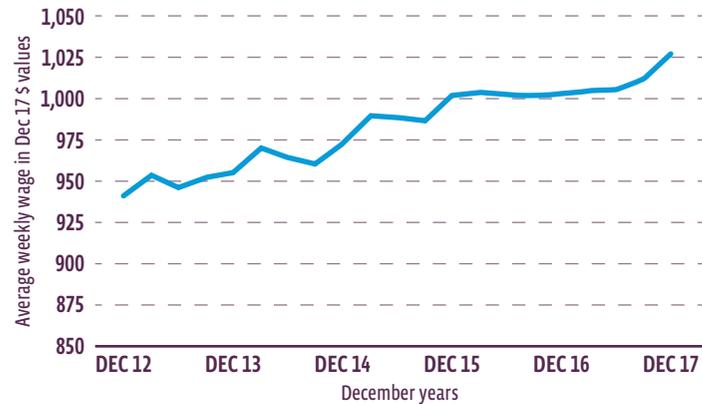
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was just 1% higher in inflation-adjusted terms than a year previously and just under 9.6% more than five-years earlier. The trend for real average weekly wages for employees over the past five years is provided in **Figure 17**.

**Figure 17: Real average weekly wage for employees—2007-2017<sup>46</sup>**



**Wage inequalities appears to have narrowed slightly**

Despite these fairly static wages over the past two years there has been a slight narrowing of the wage inequalities between men and women, and between those working in the highest paid sector and those in the lowest paid sector.

In December 2017, the average ordinary-time hourly wage for women was estimated to be \$28.63, which was 88.3% of the male equivalent hourly wage of \$32.41. By comparison, in December 2012 women received an average ordinary-time hourly wage of \$25.16, which was just 86.6% of the male wage of \$29.04. Such a change especially over a five-year period is quite minimal and probably points at this stage to little, if any, progress being made in closing the gender wage gap.

Slightly larger gains have been made in closing the wage gap between those working in the poorest paid sector (accommodation and food services) and the highest paid sector (financial services). In December 2012, the average ordinary-time hourly wage for those working in the accommodation and food services sector was \$16.99, which at this time was 43.6% of the average ordinary-time hourly wage in the financial services sector of \$39.01. By the end of 2017, this gap had closed to 45.8% with those in the accommodation and food service sector earning on average \$19.41 per hour compared with \$42.38 for those working in the financial services sector. Once again, these changes are quite small at this stage and will need to be sustained over an extended period for there to be appreciable progress in closing wage inequalities.

**Small gains for those earning just above the minimum wage**

The adult minimum wage was increased from \$15.25 to \$15.75 on 1st April 2017. As part of this legal change Government officials undertake a Regulatory Impact Statement (RIS) to advise Government of the effects of this and other possible changes.<sup>47</sup> This RIS estimates the numbers of workers likely to be receiving the minimum wage at various possible values of this wage. These estimates are useful in gauging the impact of the minimum wage legislation in lifting the incomes of those workers receiving slightly more than any new minimum wage. If, for example, an increasing number of workers are receiving the adult minimum wage and this wage rises, then the legislation is doing little to encourage employers to lift the wages of other low-paid employees to reflect these new wage settings. Such a trend has often been the case over the past ten years, although changes announced in later 2016 and enacted in April 2017 were a welcome exception here.



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At the time of compilation, the most recent RIS in late 2016, Government officials estimated that the proposed new adult minimum wage of \$15.75 would impact on 119,500 workers or around 4.9% of the workforce. By comparison, the then adult minimum wage of \$15.25 introduced in April 2016 was estimated to have reached 152,700 workers or 6.5% of the workforce. The adult minimum wage in 2012 was \$13.50 and at this time it was paid to an estimated 89,600 employees or 4.1% of the workforce at the time.

That so many workers are protected by the minimum wage is testimony to its social and economic value and of the legislation behind it. Furthermore, it is worth noting that in inflation-adjusted terms minimum wage legislation has lifted the adult minimum wage by 15% since 2007.

## BENEFITS AND PENSIONS

### Small declines in working-age benefits while NZ Super numbers rise predictably

The welfare agenda over the past five to ten years has been dominated by discussion around reducing the numbers of people receiving the various working-age benefits. The previous Government's welfare reform agenda was somewhat successful in doing this, although there has been no research undertaken on the social or economic effects of this push. The unspoken welfare story is the increasing numbers of people receiving New Zealand Superannuation and the increasing share of core Crown expenditure which this programme requires. These trends are illustrated in **Figure 18** and in **Table 19**.

The numbers of people receiving a working-age benefit reached a recent peak in late 2010 at almost 353,000. Subsequently, job growth, the Government's welfare reform agenda, and perhaps falling rates of teenage pregnancies, saw this number fall 12% over the following four years to 309,000 by the end of 2014. Declines since then have been more modest with a 6% fall through to December 2017 when a reported 289,800 people were receiving a working-age benefit. Treasury estimates of the numbers of benefit recipients suggest that these will only fall gradually over the next four years—perhaps to around 270,000 people.<sup>48</sup>

The numbers of people receiving either New Zealand Superannuation or a Veteran's Pension has grown by almost 700 per week for the past five years and reached almost 750,000 in December 2017. Such growth is predictable and will most likely continue at this or a similar rate for the next 10 to 15 years.



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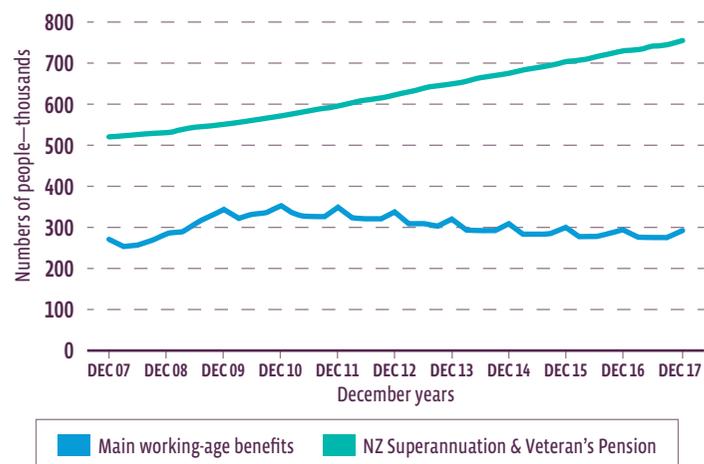
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**Table 19** reports that in the 2016/17 financial year, total Government spending on various income support programmes—including working-age benefits, housing subsidies, Working for Families payments and NZ Superannuation—reached \$24.4 billion compared with \$20.4 billion five-years previously. New Zealand Superannuation payments took almost \$3.5 billion of this additional \$4 billion in spending. As a share of core Crown expenditures NZ Superannuation’s share rose from 13.9% in 2012 to 16.8% in 2017.

**Figure 18: Welfare benefit and retirement pensions—2007-2017<sup>49</sup>**



**Table 19: Expenditure on the main income support programmes—2012-2017 (\$millions nominal)<sup>50</sup>**

	2012	2013	2014	2015	2016	2017
NZ Superannuation & Veteran’s Pensions	9,761	10,406	11,078	11,769	12,453	13,219
Main working-age benefits	4,794	4,660	4,508	4,385	4,347	4,390
Housing subsidies	1,775	1,788	1,806	1,832	1,919	1,977
Working for Families tax credits	2,621	2,595	2,532	2,403	2,352	2,373
Other benefits & allowances	1,424	1,340	1,263	1,291	1,370	1,467
<b>Total benefit expenses</b>	<b>20,375</b>	<b>20,789</b>	<b>21,187</b>	<b>21,680</b>	<b>22,441</b>	<b>23,426</b>
Real growth in spending on benefits	2.0%	1.3%	0.0%	2.2%	3.1%	2.6%
Core Crown Expenses	68,939	69,962	71,174	72,363	73,929	77,464
Benefits as share of core Crown Expenditure	29.6%	29.7%	29.8%	30.0%	30.4%	30.2%
NZ Superannuation as share of core Crown Expenditure	13.9%	14.6%	15.3%	16.0%	16.6%	16.8%



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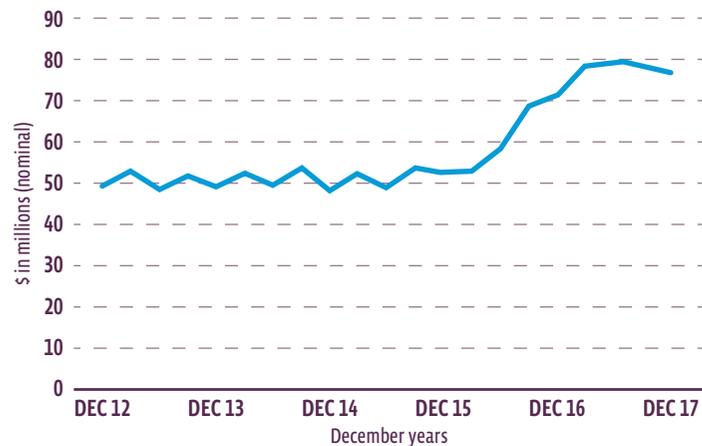
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## LIVING COSTS AND FOOD POVERTY

### Government recognises residual hardship with higher budgets for hardship assistance

For some time prior to mid-2016, Government spending on hardship assistance averaged around \$50 million per quarter. Following national media commentary around homelessness there appears to have been a change in policy with hardship assistance—especially for housing-related expenses, becoming more generous. From mid-2016 to mid-2017 quarterly spending on such assistance rose to almost \$80 million, but fell to \$76 million in the December 2017 quarter. This trend is illustrated in **Figure 19**.

Figure 19: Government spending on additional hardship assistance—2012–2017



### Low-income price index moves slightly ahead of CPI

The Salvation Army has developed a simple low-income household price index, based on expenditure weightings, which a typical low-income household with children might have. The purpose of this index is to investigate if the regular consumer price index (CPI), which is based on expenditure weighting more typical of a middle-income household, accurately depicts the living costs experience of lower-income households.

In the current low-inflation environment there has not been much difference in the two living cost indices over the past five years. This relationship is illustrated in **Figure 20**. Over the past 12 months the low-income household index has moved slightly ahead of the CPI by 0.4%, but over the whole five-year period, considered in **Figure 20**, the CPI has cumulatively grown at a slightly quicker rate.

There is, however, something of an anomaly here, which is difficult to reconcile with data on changes in rents offered elsewhere in this report. This ‘other data’ suggests that over the last five years rents have risen in nominal terms by 25% to 30%, yet the CPI rents index shows growth of around 11%. This difference is more material to the low-income household index because rents are a significant part (40%) of this index. This anomaly is, in part, explained by the fact that the CPI survey measures rents paid by all households covered in the survey, including those in subsidised social housing or renting off family members at below market rates. The measures of rents offered in this report are the current rents paid in recently established tenancies. The question of high and rapidly-rising rents does, however, appear to be impacting on the welfare of low-income households renting in the private sector, and it is probably the case that the low-income household index does not really capture their experiences.



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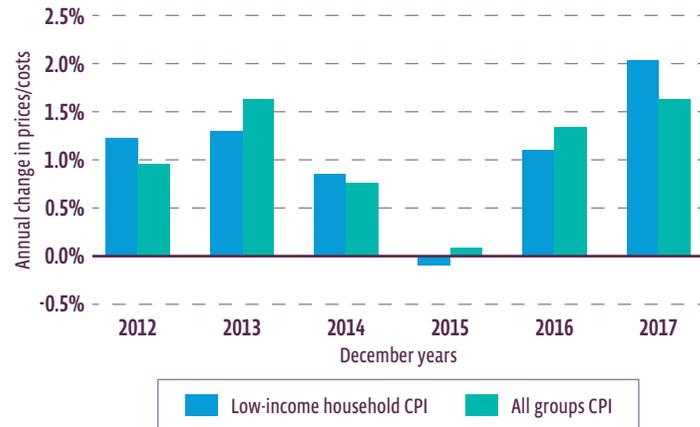
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Figure 20: Low-income household living cost index—2012–2017<sup>51</sup>



**Recent growth in Salvation Army food parcel number, point to rising stress amongst low-income households**

The Salvation Army operates a network of foodbanks from 67 sites across New Zealand. Demand for food parcels from this network grew 13% between 2016 and 2017 following six years of fairly stable demand. This trend is illustrated in **Figure 21**.

Demand for food parcels from The Salvation Army grew rapidly following the GFC from around 34,000 parcels in 2008 to 52,000 by 2010. Following this expansion, and despite the recovery in job numbers and incomes as well as the decline in welfare benefit numbers, demand remained steady at approximately 55,000 to 56,000 parcels annually between 2011 and 2016. In 2016, The Salvation Army distributed 56,500 food parcels to 29,500 families or households.

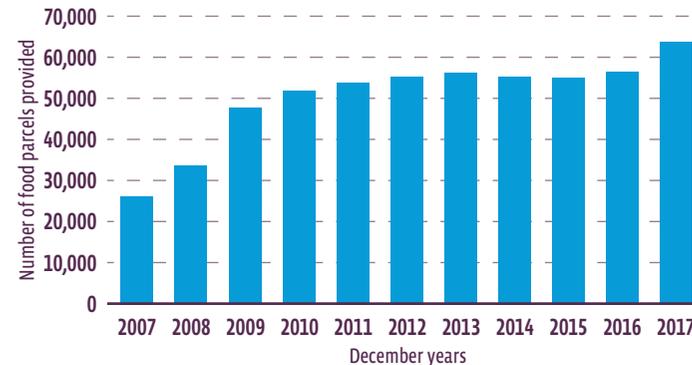
However, during 2017, the number of food parcels offered out grew to almost 63,000—a 12% increase. These parcels

were provided to 31,900 families or households with 47,300 children. The growth in the number of families receiving food parcels in 2017 was a more modest 7%, suggesting that more families received two or more parcels than did so prior to 2017.

This expansion in food parcel provision matches the experience of other charities—such as the Auckland City Mission<sup>52</sup> and has occurred with no change in the Army’s distribution polices. This growth also needs to be seen in the context of increased provision of hardship assistance by Government, as illustrated in **Figure 19**.

The Salvation Army has not studied the reason for this expansion in food parcel demand, but notes that it has occurred alongside rising rents and very modest, recent increases in wages.

Figure 21: Food parcels distributed by The Salvation Army—2007–2017<sup>53</sup>



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## ASSESSMENT: WORK & INCOMES

EMPLOYMENT	RESULT
Recent strong job growth continued during 2017 with an annual job growth rate of just over 4% and an average rate over the past five years of around 3.6%. This growth has slightly tended to favour full-time workers and men.	+
UNEMPLOYMENT	
Despite strong job growth the various measures of unemployment have shown only modest signs of improvement. The persistence of around 70,000 NEET 15- to 24-year-olds remains a major concern especially in the face of growing skill and labour shortages brought about by an aging population.	-
INCOMES	
The strong economic growth of the past few years is not trickling down into higher wages and salaries for working people. This disconnect is recent and may not be lasting, although this trend illustrates the limited value of economic growth as a wellbeing indicator. There is a glimmer of evidence that various income inequalities are narrowing, although these changes are too small and too recent to call it a trend.	-
BENEFITS & PENSIONS	
The dominance of New Zealand Superannuation in Government budgets continues to have reached a record 16.8% of Core Crown Expenditure in 2017. This dominance is somewhat predictable as the rising costs of NZ Superannuation have been played off against other income support programmes—especially those around housing support and Working for Families. Little wonder that child poverty rates have not moved and housing-related poverty continues to grow.	NC
LIVING COSTS & FOOD POVERTY	
There are perhaps two stories here which differ in terms of rents. The low-income price index reports only modest changes in the living costs facing low-income households. However, the growing need demand for food parcels from The Salvation Army and other welfare agencies points to rising rates of food poverty amongst New Zealand’s poorest households.	-

+ Tangible or consistent progress - Slipping back NC No change ? Insufficient evidence



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- 39 Statistics New Zealand's Household Labour Force Survey and based on 'Employed Persons, Full & Part-Time Status by Sex' data set and the actual quarterly measure.
- 40 These categories are taken from Statistics New Zealand's Household Labour Force Survey.
- 41 Statistics New Zealand's Household Labour Force Survey and based in 'Underutilisation by Sex' data set and the actual quarterly measure. Also Ministry of Social Development Benefit Factsheets for benefit data.
- 42 Statistics New Zealand's Household Labour Force Survey and based on 'Labour Force Status by Sex by Age Group' data set and the actual quarterly measure.
- 43 Ibid. This data is based on annual averages of four consecutive quarters.
- 44 These estimates are based on Statistics New Zealand's GDP – Expenditure based seasonally adjusted chain volumes.
- 45 Statistic New Zealand's National Accounts data series and based on the 'Per capita measure, Nominal, Actual, Total (Qrtly-Mar/Jun/Sep/Dec)'
- 46 Statistics New Zealand's Earnings and Employment Survey data series and based on 'Average Weekly Earnings (Employees)' actual quarterly measure.
- 47 See the most recent regulatory impact statement for minimum wage legislation from February 2017 at [www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-mbie-mwrw-feb17.pdf](http://www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-mbie-mwrw-feb17.pdf)
- 48 See estimates in Treasury's estimates in its 2017 Budget Economic and Fiscal Update Table 6.2 p.124.
- 49 Ministry of Social Development Statistical Reports and Benefit Factsheets, which are available at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/>
- 50 Treasury (2017) 2017 Budget Economic and Fiscal Update Core Crown Expense Table p.123 and Table 6.2 p.124.
- 51 Source: Statistics New Zealand—Consumer Price Index.
- 52 See for example Auckland City Mission's reference to rising rents at Newshub's 23/12/17 article '*Auckland City Mission sees huge numbers needing Christmas help*' at [www.newshub.co.nz/home/new-zealand/2017/12/auckland-city-mission-sees-huge-numbers-needing-christmas-help.html](http://www.newshub.co.nz/home/new-zealand/2017/12/auckland-city-mission-sees-huge-numbers-needing-christmas-help.html)
- 53 Data is from The Salvation Army's SAMIS database.



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## SOCIAL HAZARDS

Social hazards are a set of social activities that many people find enjoyable, but pose risks to those undertaking these activities, their families and others in their communities. These activities include the consumption of alcohol, drug taking, pornography and gambling. Ruinous debt—being sold to vulnerable people at usurious interest rates—can also be seen as a social hazard. This can cause serious material hardship to people who end up trapped in a cycle of debt, which may diminish their opportunities and lives. Often, ruinous debt is associated with other social hazards—such as drug taking and gambling.

Society's response to social hazards, and the risk they pose, is to regulate them. This is either through outright prohibition—such as with illicit drug use and child pornography—or by placing limits on how they are made available and consumed or undertaken. There is, of course, an ongoing debate around where social regulations should start and stop, and it is a received wisdom of liberal democratic societies, as in New Zealand, that freedom of choice and personal responsibility should limit social restrictions as far as possible. This argument is most often advanced by those who benefit or profit from the social hazard while those who pay for them—in both a personal and social sense—are seldom heard.

Deciding the limit between personal choice and social restriction is a fine balancing act, which in some respects can only be decided after the fact; that is, after we have seen the impacts of a certain regulatory regime. Are we, for example, seeing the growth or decline in the harms sometimes caused by social hazards? Is the regulatory regime working to curb the behaviours we see as being harmful?

The *State of the Nation* report considers recent changes in three forms of social hazards: alcohol consumption, drug taking and gambling. In each of these areas, there is some evidence to suggest that the regulatory regime in place to limit the harms caused by the social hazards is not entirely effective. The Salvation Army believes there is an emerging case to re-consider these regimes in light of this evidence.



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## ALCOHOL

### Alcohol consumption continues to decline

The consumption of alcohol, on a per-capita basis, declined during 2017 for the fourth consecutive year to 9.13 litres of pure alcohol available for consumption for every New Zealander aged over-18 years old. This availability compares with 9.33 litres per person in 2016 and 10.5 litres per person in 2011. The trends in per capita alcohol availability since 2012 are offered in **Figure 22**.

On a total volume of beverage basis, alcohol availability grew modestly between 2012 and 2017 by 3.4% to 466 million litres. Growth in the availability of wine—up 7.1%—has contributed most to this increase, followed by beer. Of some significance, is the rise in availability of higher alcohol beer (up 95% over five years) which most likely represents a shift to speciality craft beers. Availability of RTDs (ready to drink) remained quite stable with five-year growth of just 1.7%.

Figure 22: Per capita alcohol availability—2012–2017<sup>54</sup>



### Little evidence that problem drinking is reducing

Despite the intentions of the liquor law reforms of 2012, there is little evidence five years on that much has changed in New Zealanders’ drinking behaviours. While falling per-capita availability points to less average consumption overall, recent data from the New Zealand Health Survey suggests that the proportion of New Zealanders who drink hazardously has remained quite constant since 2007, although it appears that younger people are better behaved in this regard. These trends are reported in **Table 20**.

Offsetting the relatively low rates of hazardous drinking amongst younger people are higher rates amongst older drinkers—those aged over 50. A recent study into the drinking behaviour of this section of the population suggests that 37% of Māori and 43% of non-Māori aged over 50 could be defined as hazardous drinkers. Furthermore, this study found that ‘hazardous drinking scores in older New Zealanders were higher in men, those with good economic living standards, and those in good physical health’.<sup>55</sup>

Table 20: Estimates of the proportion of population drinking hazardously—2007–2017<sup>56</sup>

	2006/07 ALAC	2015/16 HPA	2015/16 NZHS	2016/17 NZHS
Total population	18.0%	19.3%	20.8%	19.5%
Men	26.0%	26.6%	28.6%	27.1%
Women	10.6%	12.3%	13.4%	12.4%
15- to 17-year-olds	19.5%	11.5%	7.9%	7.6%
18- to 24-year-olds	43.2%	32.6%	37.1%	32.9%



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### Little change in alcohol-related driving offences and accidents

Alcohol/drug-related driving offences declined between 2015/16 and 2016/17, by 4% to 10%, although these decreases are on the back of 16% fewer roadside tests. In 2016/17 there were 24,858 blood-alcohol driving offences and, of these, 7,415 were lower blood-alcohol misdemeanour offences. This offending emerged from 2.126 million roadside tests. This data is reported in **Table 21**.

Data on alcohol-related road accidents is not available for 2017, but results from 2016 showed a 9% increase over the previous year in the number of alcohol-related non-injury accidents to 1378. Alcohol-related injury accidents, however, showed a small decline, although on the basis of quite small volumes. This data is also offered in **Table 21**.

**Table 21: Drink-driving indicators—2012-2017<sup>57</sup>**

#### *Alcohol/drug related driving offences*

June years	2012	2013	2014	2015	2016	2017
Alcohol specific offences	29,142	26,336	22,297	23,686	25,921	24,858
Drug specific offences	257	270	220	252	375	442
Lower BAC offences	0	0	0	4,927	8,264	7,415
Total drink driving tests undertaken	2,864,380	2,903,250	3,029,072	2,555,957	2,550,000	2,126,280

#### *Drink-driving offenders involved in vehicle accidents*

December years	2012	2013	2014	2015	2016	2017
Fatal crashes	8	4	7	8	9	NA
Injury crashes	434	351	392	388	335	NA
Non-injury crashes	1440	1265	1180	1260	1378	NA



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## ILLCIT DRUGS

### The continuing rise of methamphetamine

The numbers of convictions for illicit drug offences rose during the 2016/17 year for the second consecutive year. For the year to 30 June 2017, there were 10,800 drug offence convictions, which is 9% more than in 2015/16 but 12% fewer than in 2011/12. This trend is shown in **Figure 23**.

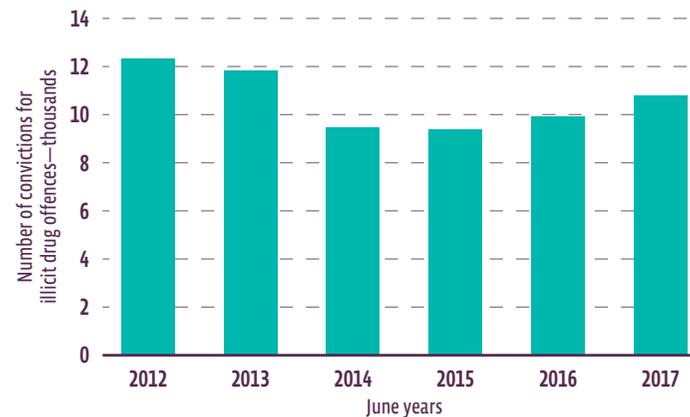
**Figure 24** reports the composition of recorded drug offending for the ten-year period from 2007 to 2017. This graph shows the significant increase in the share of convictions involving methamphetamine from 2009 onwards—from 15% to 42%. Offsetting this increase has been a decline in possession/use of cannabis offences—halving from 32% in 2009 to 16% in 2017. The number of convictions for methamphetamine-related offences increased 78% between 2012 and 2017 from 2,400 offences to 4,300.

While these changes may, in part, reflect changing Police priorities, there is other evidence to support the conclusion that methamphetamine availability and use is becoming more of a problem—especially in relation to cannabis offending.

The most recent Arrestees Drug Use Monitoring Report provides clear indications of the extent to which methamphetamine is being used more frequently by arrestees, and becoming more readily available and cheaper. In 2010, 14% of respondents reported having used methamphetamine in the past month, but, by 2016, this proportion had increased to 22%. The mean number of days in which those using the drug in any year, increased from 68 in 2010 to 85 in 2016.<sup>58</sup> The report suggests that the mean price for a gram of methamphetamine dropped from \$723 in 2010 to \$620 in 2016.<sup>59</sup> The same survey supported claims

that a cannabis drought was emerging as a consequence of the ease and profitability of manufacturing and selling methamphetamine. In 2010, 13% of respondents reported that cannabis was relatively harder to obtain while by 2016 the proportion had risen to 27%.<sup>60</sup> The mean price for an ounce of cannabis was estimated by arrestees to have risen from \$322 in 2010 to \$340 in 2016.<sup>61</sup>

Figure 23: Convictions for illicit drug convictions—2012-2017<sup>62</sup>



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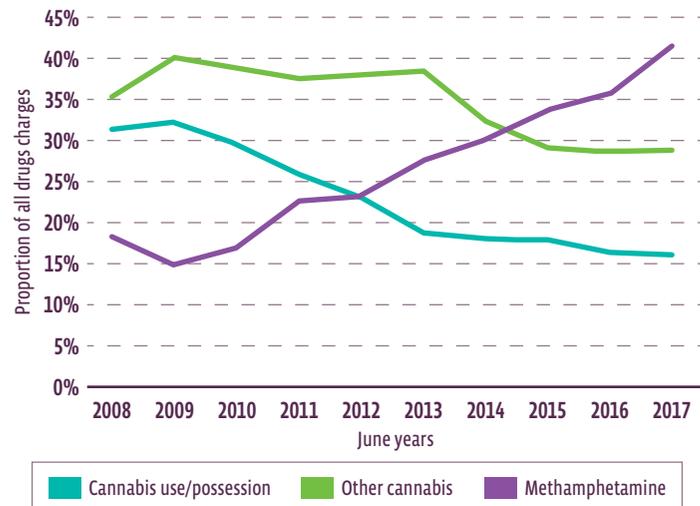
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Figure 24: Types of drugs charges by share of all charges—2008–2017<sup>63</sup>



## GAMBLING

### Pokies on the rise

The number of Class 4 gaming machines in New Zealand’s pubs and clubs continued to fall during 2017, although spending on these machines has risen back to levels last seen in 2010. At the end of September 2017, there were 15,171 Class 4 machines operating in New Zealand. This figure is 6.5% fewer than a year earlier and 15% less than five years earlier. The total-spend on Class 4 machines rose 3% in nominal terms between 2016 and 2017 to reach \$840 million for the year to 30 June 2017. The declining numbers of machines has meant that the average spend (or more accurately gambling losses) per machine has risen. For the year to 30 June 2017, this average was approximately \$53,600 while a year earlier it was \$51,300.

On a per-capita basis, the availability of such machines has declined to 42 machines for every 10,000 adults from 46 per 1000 in 2016 and 64 per 1000 in 2017. The trend for this availability is reported in **Figure 25**.

There are no recent reports available on the nature and extent of problem gambling, so it is not possible to comment on whether this trend of falling machine numbers, but higher per-machine spends, is resulting in a rise in harmful gambling. The most recent survey of problem gambling services, which was conducted in 2015, identified that betting on Class 4 machines was the most risky form of gambling with over 60% of problem gamblers identifying them as the source of their problem gambling.<sup>64</sup> The move, in early 2017, to commission-based payment to machine operators has incentivised them to maximum revenues and turnovers. This change may be behind the sudden increase



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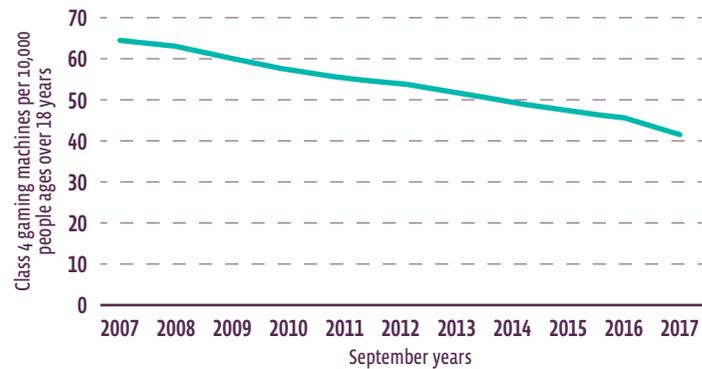
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in per-machine revenues. Against this background, and these changes, there has been no research undertaken to establish their impacts on levels of problem gambling.

Figure 25: Prevalence of Class 4 gaming machines—2007–2017<sup>65</sup>



**Real per-capita gambling spend falls**

Total spending on gambling in New Zealand reached \$2.3 billion during the 2016/17 financial year. This figure is 4% higher than the year earlier and 11 % more than five years previously. This data is reported in **Table 22** which breaks down the type of gambling contributing to this overall spend. Between the 2015/16 and 2016/17 financial years there was a 27% increase in revenues to state-run lotteries—such as Lotto—while there appears to have been a small decline in casino-based gambling revenues.

On an inflation-adjusted per-capita basis, spending on the main forms of legal gambling fell marginally between 2015/16 and 2016/17 from \$630 for every person aged over 18 to \$605.

Table 22: Gambling expenditures—2012–2017 (in \$millions nominal)<sup>66</sup>

June years	2012	2013	2014	2015	2016	2017
NZ Racing Board—TAB	283	294	311	325	342	338
NZ Lotteries Commission—Lotto	419	432	463	420	437	555
Class 4 gaming machines	854	826	806	818	843	870
Casinos	509	520	509	527	586	535
Total expenditure (in nominal dollars)	2065	2072	2089	2091	2209	2297
Per capita spending in Jun 17 \$s	655	646	631	614	630	605



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## ASSESSMENT: SOCIAL HAZARDS

ALCOHOL	RESULT
Overall alcohol consumption continues to decline on a per-capita basis suggesting that most New Zealanders are drinking more moderately. The modest reductions in the numbers of alcohol-related driving offences may be due to slightly lower levels of surveillance through roadside breath testing. Risky or hazardous drinking appears to be an on-going problem for older drinkers, but it may be the case that younger drinkers are becoming more sensible around alcohol.	NC
ILLICIT DRUGS	RESULT
The continuing rise of methamphetamine seizures and convictions, and presumably with this the increasing use of the drug, is a source of concern for all New Zealanders. This growth offers the real possibility that parts of New Zealand, and especially its poorer suburbs and towns, may become plagued by chronic use and addiction to hard drugs, in much the same way as has occurred in parts of Europe and the United States. There appears to be an urgent need to review our illicit drugs policies and enforcement efforts in an attempt to curb this growing risk.	—
GAMBLING	RESULT
Overall there was a small increase in spending on the various forms of legal gambling during 2016/17, but this increase on an inflation-adjusted per-capita basis represents a small reduction. Recent changes to payment rules for Class 4 machine operators have probably incentivised many to look at maximising gaming losses rather than to practice host responsibility effectively. This change may be behind the recent increase in per-machine turnovers in this form of gambling. As with last year, the lack of any up-to-date information on problem gambling makes it difficult to assess the social impact of these changes.	NC

+ Tangible or consistent progress   - Slipping back   **NC** No change   **?** Insufficient evidence



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- 54 Source: Statistic New Zealand's Alcohol Available for Consumption data set which is available at <http://archive.stats.govt.nz/infoshare/ViewTable.aspx?pxID=a6703a75-9d76-4a61-b5ad-5f1f15a1bab8>
- 55 Towers, A., Sheridan, J., Newcombe, D. (2017). *The drinking patterns of older New Zealanders: National and international comparisons*. Wellington: Health Promotion Agency. P.ix.
- 56 Sources: ALAC and HPA data is from the Health Promotion Agency website at <https://www.hpa.org.nz/research-library/research-publications>. NZ Health Survey data is available at the Ministry of Health website at <https://www.health.govt.nz/publication/tier-1-statistics-2016-17-new-zealand-health-survey>
- 57 Sources: Alcohol/drug driving offence data is from Ministry of Justice's website at <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/>. Road accident data is available from Ministry of Transport's website at <http://www.transport.govt.nz/research/roadcrashstatistics/motorvehiclecrashesinnewzealand/>. This later data is at variance with other data provided by the Ministry which reports much higher proportions of alcohol/drug impaired drivers being involved in road accident fatalities and injuries. This data was reported in the 2017 State of the Nation report but has not been updated for 2016 and 2017. Preliminary data from this data set for 2016 suggests that alcohol/drug impaired drivers contributed to 80 fatalities or 28% of all road fatalities during 2016.
- 58 Wilkins, C. Prasad, J. Moewaka-Barnes, H. Parker, K. and Asiasiga, L. (2017) New Zealand Arrestee Drug Use Monitoring 2016 Report. p.69.
- 59 Ibid p.79.
- 60 Ibid p.108.
- 61 Ibid p.111.
- 62 Source: Statistics New Zealand's Justice statistics which are available on NZStats at <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>
- 63 Source: Ministry of Justice prosecution and sentencing data tables available at <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-statistics/data-tables/>
- 64 See data on clients of the problem gambling helpline at the Ministry of Health website at [www.health.govt.nz/our-work/mental-health-and-addictions/problem-gambling/service-user-data/intervention-client-data](http://www.health.govt.nz/our-work/mental-health-and-addictions/problem-gambling/service-user-data/intervention-client-data)
- 65 Source: Department of Internal Affairs—Gambling statistics available at [https://www.dia.govt.nz/diawebsite.nsf/wpg\\_URL/Resource-material-Information-We-Provide-Gaming-Machine-Venues-Numbers-and-Expenditure-by-Territorial-AuthorityDistrict](https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gaming-Machine-Venues-Numbers-and-Expenditure-by-Territorial-AuthorityDistrict)
- 66 Data through to 2016 is from the Department of Internal Affairs Gambling Expenditure Statistics which is available at [https://www.dia.govt.nz/diawebsite.nsf/wpg\\_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics](https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics). Data for 2017 for Class 4 gaming machines is the Department's Class 4 gaming reports while other 2016 expenditure figures are taken from the annual reports on the New Zealand Racing Board, New Zealand Lotteries Commission and SkyCity Ltd.



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## HOUSING

The housing market faces serious difficulties in addressing the housing needs of modest income and young New Zealanders, from whatever angle you view it. The historic importance of this failure will most likely become apparent over the next five to ten years as attempts are made to correct the obvious distortions that have been allowed to develop over the past five years or so. These distortions include: expansive immigration policies, which had little regard for their capacity to cater for new migrants' housing needs; weak tax policy, which has encouraged over investment in housing and in speculation; weak tenancy laws, which have allowed some landlords to exploit the growing shortage of rental housing; and, lack of concern for growing household indebtedness.

## HOUSING AVAILABILITY

### Strong population growth outstrips rising building activity

Housing availability and new house construction should be viewed in the broader context of population change and recent immigration in order to appreciate the inadequacy and uniqueness of this new construction. For example, **Figure 26** provides a 20-year picture of consents for new dwellings in New Zealand and for Auckland. Current consent volumes, which are around 30,000 per year New Zealand-wide, appear significant in the context of the post-GFC recovery, although these volumes are hardly exceptional in comparison with consent numbers and the related construction activity during the period 2002 to 2008.

**Figure 27** reports population change over the past decade and well illustrates our history since 2013. Over the last four-year period New Zealand's population grew by 351,600 (June years) or by 8% to almost 4.8 million people. Auckland received almost half (47%) of this growth with an additional population of 164,000 people and total growth over the four-year period of 11%.



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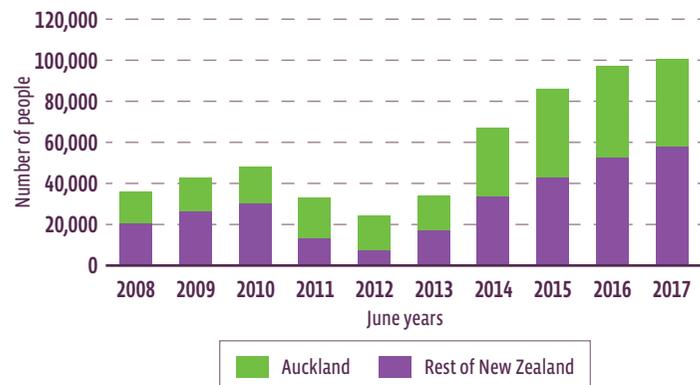
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Figure 26: Consents for new dwellings in Auckland and New Zealand—1998–2017<sup>67</sup>



Figure 27: Population change in Auckland and New Zealand—2008–2017<sup>68</sup>



Migration is the reason for the sudden acceleration of population growth from 2014 onward, as demonstrated in **Figure 28**. For the six years from 2007 to 2013 (June years), net migration amounted to 48,000 people, while for the following four-year period it reached almost 248,000

people. Only part of this recent increase is due to changing migration patterns with Australia, however. It is true that net migration has slowed to a trickle. For example, between 2007 and 2013 net migration to Australia amounted to a loss of 174,000 people, whilst for the following four years this outflow amounted to just 4,300 people as Australia’s economic prospects declined. The rapid increase in population since 2013 is mainly due to more liberal immigration policies. For example, between 2007 and 2013 inward migration averaged almost 86,000 people annually. Between 2013 and 2017 this inward flow increased to annual average of over 120,000 people.

Figure 28: Net migration into New Zealand—2008–2017<sup>69</sup>



This migration and the attendant rapid population increases have meant that recent building levels have not been sufficient to cater for this growth. This is illustrated with the data offered in **Table 23** for New Zealand (including Auckland) and the rest of New Zealand (excluding Auckland). This table attempts to estimate the shortfall in house



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numbers by applying the average household size (in New Zealand's case this is 2.55 people-per-dwelling) to the population growth and comparing this number with the number of consents for new dwellings issued for the

corresponding period. Over the past five years (2012 to 2017) the housing deficit in Auckland is estimated at just less than 20,000 units, while for the remainder of New Zealand this shortfall is just under 5000 units.

Table 23: Estimates of population change and new house building—2012–2017<sup>70</sup>

June years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>NEW ZEALAND</b>											
Resident population	4,223,800	4,259,800	4,302,600	4,350,700	4,384,000	4,408,100	4,442,100	4,509,700	4,595,700	4,692,700	4,793,700
Annual population growth		36,000	42,800	48,100	33,300	24,100	34,000	67,600	86,000	97,000	101,000
Dwellings required for population growth		14,118	16,784	18,863	13,059	9,451	13,333	26,510	33,725	38,039	39,608
Consents for new dwellings		23,261	14,175	16,167	13,539	15,414	18,783	23,316	25,154	29,097	30,453
Surplus/deficit		9,143	-2,609	-2,696	480	5,963	5,450	-3,194	-8,571	-8,942	-9,155
<b>AUCKLAND</b>											
Resident population	1,390,400	1,405,500	1,421,700	1,439,600	1,459,600	1,476,500	1,493,200	1,526,900	1,569,900	1,614,400	1,657,200
Annual population growth		15,100	16,200	17,900	20,000	16,900	16,700	33,700	43,000	44,500	42,800
Dwellings required for population growth		5,033	5,400	5,967	6,667	5,633	5,567	11,233	14,333	14,833	14,267
Consents for new dwellings		5,769	3,212	3,656	3,394	4,197	5,343	6,873	8,300	9,651	10,364
Surplus/deficit		736	-2,188	-2,311	-3,273	-1,436	-224	-4,360	-6,033	-5,182	-3,903
<b>REST of NEW ZEALAND</b>											
Resident population	2,833,400	2,854,300	2,880,900	2,911,100	2,924,400	2,931,600	2,948,900	2,982,800	3,025,800	3,078,300	3,136,500
Annual population growth		20,900	26,600	30,200	13,300	7,200	17,300	33,900	43,000	52,500	58,200
Dwellings required for population growth		9,084	11,384	12,896	6,392	3,818	7,767	15,276	19,392	23,206	25,341
Consents for new dwellings		17,492	10,963	12,511	10,145	11,217	13,440	16,443	16,854	19,446	20,089
Surplus/deficit		8,408	-421	-385	3,753	7,399	5,673	1,167	-2,538	-3,760	-5,252



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## HOUSING AFFORDABILITY

### Growth house price to income ratios begin to stabilise

After at least five years of Auckland house prices rising faster than incomes, there are signs that things are settling down. In Auckland, the median house price fell during 2017 to \$865,000—this price however, still represents a 68% increase over the past five years. As a ratio with incomes, the December 2017 medium price represents the equivalent of 13.4 years of work at the then regional average weekly wage of \$1235. A year earlier this ratio was also 14.0 years and 5 years earlier, in December 2012, it was 9.4 years.

The median house price for New Zealand overall was \$540,000, which was also an increase of 4% over the previous year when this median price was \$517,500. The five-year growth in the New Zealand-wide median-house price was around 43%. In terms of income ratios, at December 2017, it took the equivalent of 8.7 years of work at the national average weekly income of \$1192 to pay for the median price house. This ratio is up from 8.6 years in December 2016 and from 7.1 years in December 2012. These trends are reported in **Figure 29** and show the obvious widening affordability gap between Auckland and the rest of New Zealand since 2012.

Figure 29: House prices to incomes—2007-2017<sup>71</sup>



An alternative analysis, provided by Quotable Value and reporting on average rather than median-house prices, is offered in **Table 24**. This data provides more precise data on various cities across New Zealand. It shows that Queenstown Lakes District, rather than Auckland, has the highest average house price at \$1.1 million, which is an increase over five years of 81%. Over the past year it has been prices in the lower-valued cities—such as Rotorua, Napier, Nelson and Dunedin—that have risen the fastest, which is tending to even up prices nationwide. This trend is most likely due to internal migration and people leaving higher housing cost cities for more affordable ones.



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Table 24: Changes in average house values in selected New Zealand cities—2012–2017<sup>22</sup>

	Dec 12	Dec 16	Dec 17	1 Year change	5 year change
Whangārei District	326,051	457,990	499,205	9%	53%
Auckland Area	600,868	1,047,179	1,051,762	0%	75%
Hamilton City	340,344	534,860	543,446	2%	60%
Tauranga City	424,882	672,197	693,725	3%	63%
Rotorua District	269,546	375,187	412,741	10%	53%
Napier City	316,864	415,189	477,959	15%	51%
New Plymouth District	322,119	411,160	436,669	6%	36%
Palmerston North City	283,290	345,068	375,217	9%	32%
Wellington City	506,092	693,842	756,879	9%	50%
Nelson City	388,712	499,866	555,184	11%	43%
Christchurch City	404,004	494,247	493,706	0%	22%
Timaru District	261,389	334,433	351,623	5%	35%
Queenstown Lakes District	615,867	1,022,214	1,111,995	9%	81%
Dunedin City	279,525	354,133	391,098	10%	40%
Invercargill City	205,542	236,416	256,433	8%	25%
New Zealand	423,708	627,905	669,565	7%	58%

### Rents continue to outstrip wages and salaries

Mixed data on recent rent increases make it difficult to be exact about the affordability of rents. For example, the Consumer Price Index for rentals suggests that rents rose 2.3% in nominal terms over the year to 31 December 2017 and 11% of the five years to this date.

However, rent data from Ministry of Business Innovation and Employment Tenancy Bond Division suggests increases of 3% to 4% over the past year nationally and increases of 6% to 7% in some regions—such as Waikato and Wellington. Over the past five years rent increases of 20% to 25% are reported nationally. Against this, nominal incomes (as measured by the average weekly income), have risen by less than 2% over the past years and around 14% over the past five years. Overall, the past five years rents have begun to run ahead of wages and salaries, especially in Auckland and more recently in Wellington. These trends are illustrated in **Figure 30**, which reports rents in terms of hours of work required to pay for them. Of some note, in **Figure 30**, is the improving affordability of rental housing in Christchurch, where rents have remained static in nominal terms while incomes continued to rise.

**Table 27** offers a more specific picture of the rents likely to be faced by low-income families (with children) seeking housing in towns and suburbs with the most affordable rents. This is based on 27 low-cost suburbs across New Zealand. The overall trend here is similar to that offered for house prices in **Table 24**, where there is an easing off in price pressure in Auckland and growing pressure in the regions around Auckland and in Wellington. Recent rent increases in the low-cost suburbs of Wellington have exceeded 10% annually and around 30% over the past five years. Auckland rents—even in the most affordable suburbs—remain 20% to 30% more than for New Zealand overall.



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Figure 30: Rent affordability—rents compared with wages—2007–2017<sup>73</sup>

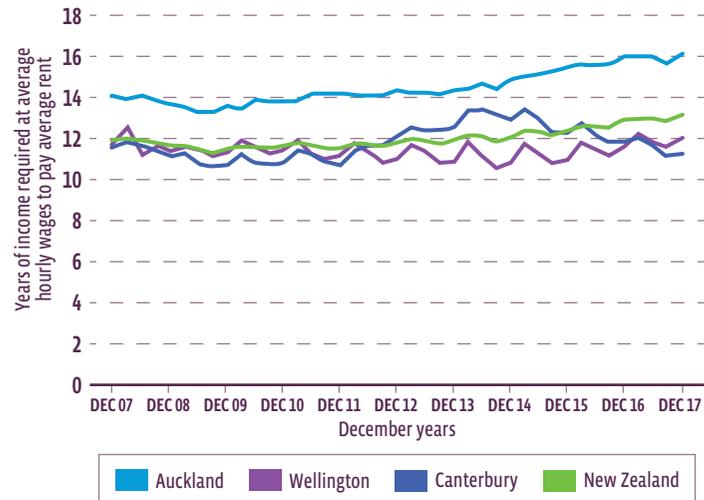


Table 25: Average rents for 3 bedroom houses in selected suburbs—2012–2017<sup>74</sup>

	Avg five years ago	Avg two years ago	Avg last 12 months	5 year change	1 year change
Kaikohe	222	256	280	26.1%	9.5%
Glenfield Central	452	538	557	23.2%	3.5%
Ranui North	371	448	471	27.1%	5.2%
Akarana–Mt Roskill	465	543	572	22.9%	5.2%
Avondale West	418	504	554	32.8%	10.1%
Mt Wellington North	455	519	567	24.6%	9.3%
Ōtāhuhu East	398	477	492	23.8%	3.2%
Manurewa Central	366	489	501	37.1%	2.5%
Papakura East	347	439	462	32.9%	5.1%
Huntly East	231	311	315	36.1%	1.0%
Claudelands–Hamilton	324	380	414	28.1%	9.2%
Greerton–Tauranga	320	386	423	32.2%	9.4%
Fordlands–Rotorua	208	248	285	37.1%	14.9%
Flaxmere East–Hastings	275	316	330	19.9%	4.3%
Westtown–New Plymouth	343	376	377	10.1%	0.3%
Highbury–Palmerston Nth	264	300	319	20.9%	6.3%
Cannons Creek North	250	287	329	31.3%	14.4%
Trentham North	334	371	433	29.4%	16.7%
Naenae South	328	350	410	25.1%	17.0%
Mirimar South	467	540	607	30.0%	12.3%
Tahunanui–Nelson	344	369	394	14.3%	6.8%
Aranui	314	369	360	14.7%	-2.5%
Hornby South	349	405	405	16.0%	-0.1%
Woolston West	342	388	358	4.7%	-7.9%
St Kilda West–Dunedin	310	364	377	21.6%	3.6%
Richmond–Invercargill	241	262	278	15.4%	6.2%
National	334	399	421	26.1%	5.5%



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## HOUSEHOLD DEBT

### Household debt levels climb to new record highs

In September 2017, New Zealand households owed \$240 billion in housing-related debt, and a further \$22 billion in credit card and consumer debt. Total household debt grew by 4.4% in inflation-adjusted terms over the most recent year of available data and by 29% in inflation-adjusted terms over the most recent five years.

Taking account of the growth in the number of households which might hold this debt, the average household debt at September 2017 was \$151,900, which in inflation-adjusted terms is 3% more than a year previously and 22% more than five-years previously. These averages are reported in **Table 26** and in **Figure 31**.

These increases need to be viewed in the context of only modest growth in household incomes. Average weekly wages grew by just over 1% in inflation-adjusted terms during 2017 and by 10% over the past five years. In other words, household debt is growing at around two to three times the rate of incomes.

This mismatch—between debt and incomes—has resulted in the ratio of household debt to disposable household income continue to widen. In 2012, household debt was equivalent to 140% of household disposable income but, in 2017, this proportion had grown to 162%. This trend is reported in **Table 26**.

The other notable debt indicator is the ratio of household debt to GDP. This is also reported in **Table 26**. In 2017, this ratio fell slightly from 95% to 94%, although it remains high by international standards.<sup>75</sup>

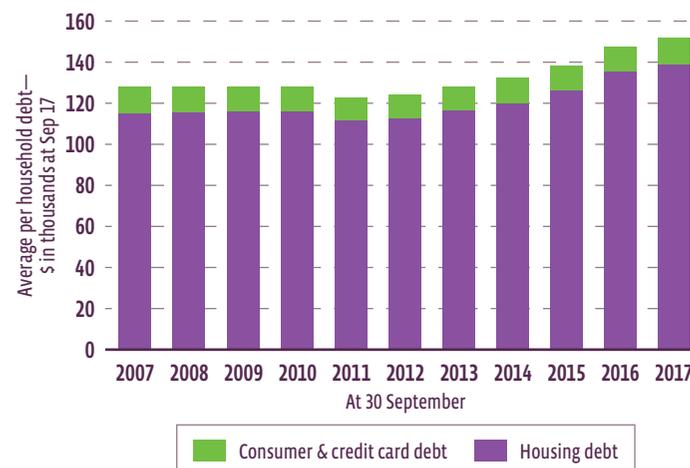
Of the \$22 billion currently owed in consumer and credit card debt just under \$5 billion is owed to non-bank lending

institutions—such as finance companies. Some of this debt is the high interest usurious debt referred to above in the Social Hazards section, although there is no way of knowing from the available data how much of this \$5 billion is such. In inflation-adjusted terms this debt grew by 7% over the past year, although it has only expanded by 11% over the past five years.<sup>76</sup>

**Table 26: Household debt indicators—2012-2017<sup>77</sup>**

September years	2012	2013	2014	2015	2016	2017
Average per household debt in Sep 17 \$	124,200	128,200	131,700	137,900	147,300	151,900
Total household debt as % of GDP	90%	92%	89%	92%	95%	94%
Debt as % of disposable household income	140%	144%	147%	153%	160%	162%

**Figure 31: Average per household debt—2012-2017<sup>78</sup>**



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## ASSESSMENT: HOUSING

HOUSING AVAILABILITY	RESULT
<p>While house construction levels are at recent record highs these levels are not exceptional by historical standards. This new house building effort needs to be seen in the context of recent population growth, which is quite exceptional in recent historical terms, especially in Auckland which has grown on average by more than 43,000 people per year over the past three years. These increases are entirely due to an expansive immigration policy, which has seen net migration of 200,000 people over the past three years. Recent building levels have been inadequate alongside this population growth and this is beginning to generate a housing shortage, which has reached almost 20,000 units in Auckland over the past five years.</p>	
HOUSING AFFORDABILITY	
<p>House price increases appear to have eased in Auckland, although there is now pressure on lower-cost cities which have seen increases of around 10% over the past year. Price affordability relative to incomes appears to have remained the same over the past 12 months.</p> <p>Rents, however, continue to outstrip wages and salaries, and indicators—such as food parcel demand and increases in Government hardship assistance—offer other anecdotal evidence that these rents increases are hurting low-income households. There appears no quick and easy way out of this difficulty, except to build affordable houses for rent. This will obviously take some time and further rent increases and ongoing demand for emergency housing appears likely.</p>	
HOUSING & HOUSEHOLD-RELATED DEBT	
<p>Once again, another year of records around household indebtedness with this indebtedness growing by two to three times the rate of incomes. This growth rate is still modest, however, and household debt as a proportion of GDP has eased back slightly over the past year. Heavily indebted households remain hugely exposed to interest rate increases, although these seem remote at present. A 7% annual growth in finance company lending for consumer debt may indicate an expansion of second- and third-tier debt, which tends to be the most exploitative.</p>	

+ Tangible or consistent progress - Slipping back **NC** No change ? Insufficient evidence



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- 67 Statistics New Zealand's Building Consents dataset.
- 68 Statistics New Zealand's Sub-national Population Estimates.
- 69 Statistics New Zealand's International Travel and Migration data series.
- 70 Statistics New Zealand—Sub-national population estimates and Building consents data series.
- 71 Media house price data is from the Real Estate Institute of New Zealand and income data is based on total average weekly wages on an FTE basis from Statistics New Zealand's Earning and Employment Survey.
- 72 Data from Quotable Value at <https://www.qv.co.nz/property-trends/residential-house-values>
- 73 Rent data is based on monthly geometric means for regional rents averaged over three months for each quarter. This data is available from the Ministry of Business Innovation and Employment's Tenancy Bond Division at <http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data>. Income data is from Statistics New Zealand's Employment and Earnings Survey and is based on the average ordinary time wage for all employees.
- 74 Average rent cited here in the geometric mean. Data is from MBIE's Tenancy Bond Division CAU rents data set.
- 75 See a recent comparison by Chris Hunt in the Reserve bank Bulletin Vol. 77 No.4, *Household debt: a cross-country perspective*.
- 76 Reserve Bank Lending and monetary statistics Table C.5 available at <https://www.rbnz.govt.nz/statistics>
- 77 Debt and household income data is taken from the Reserve Bank's Lending and Monetary Statistics Tables C5 and C12. Household estimates are from Statistics New Zealand's Household and Dwelling Estimates and GDP estimates are from Statistics New Zealand's national Accounts data series and based on actual quarterly nominal values.
- 78 Ibid.



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