



Te Ope Whakāora

SOCIAL POLICY AND  
PARLIAMENTARY UNIT

Working for the eradication of poverty in NZ

# Striking a Better Balance

A STATE OF THE NATION REPORT FROM THE SALVATION ARMY

**Alan Johnson** | Social Policy Analyst

The Salvation Army Social Policy and Parliamentary Unit | **February 2014**

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YOUR FEEDBACK

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## INTRODUCTION

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The Salvation Army's State of the Nation reports are designed to provide New Zealanders with a broad snapshot of New Zealand's social progress over the past five years. As such, they are not intended to be a comprehensive and complete assessment of all the relevant indicators. Rather, these reports are intended to be a procession of glimpses into a number of areas of public interest and public policy, which are in themselves complex topics or areas of practice.

Such a broad coverage of a wide range of topics risks being superficial and simplistic. In response to such a risk, there is always a tendency to want to add more detail or discussion in the hope this will clarify things. We have tried to avoid this by sticking to a basic format and avoiding doing much more than simply describing things.

As in past years, this State of the Nation report considers 21 indicator areas across five topics: children's wellbeing, crime and punishment, work and incomes, social hazards, and housing. Within some of these indicator areas, we have a number of quantitative measures of change and progress. Such quantitative measures will almost never offer the report's audience a complete or rounded picture of progress and, as the reader will find in this report, many of these measures offer contradictory or incompatible trends. This is probably in the nature of social progress—we advance in certain areas, make minimal gains in others, and slip back in some.

As a means of tying the numbers and descriptions together, a brief assessment of progress is made at the end of each section in the form of a scorecard. While these assessments are based on the information provided in the preceding analysis, they are qualitative and summary and so prone to the bias and expectations of the author. As such, they are not seen as the last word on the topic. They can, however, be used by readers to focus their own assessment of the progress achieved. It is not expected that everyone will agree with the comments and conclusions offered here.

As a special feature in this year's report, a supplementary section is offered on work and welfare. The intent of this section is to consider what has happened to employment, unemployment and welfare take up over the past decade. This is of interest because of apparent anomalies around declining welfare numbers alongside rising unemployment.

Perhaps the biggest problem with trying to measure social progress is that it is not possible to wrap it into one number, such as with questionable association of GDP with economic wellbeing. By bringing attention to the data and statistics included in this report we hope to enhance their importance as things to be concerned about. As well, we hope to support and inform a public debate around our nation's social progress, which we believe is essential in an open, fair and tolerant society.

*Thank you for your interest.*



Leanne Griffin with her 8-week-old baby Blair. Despite having a young baby, Leanne's benefit was cut by 50% for failing to turn up to a job-search seminar. A case-study for a Child Poverty Action Report.

New Zealand Herald, 22 October 2013. Photography: Natalie Slade / New Zealand Herald



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## FOREWORD: STRIKING A BETTER BALANCE

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Later this year, we New Zealanders will vote in a General Election to select our government for the next three years. Too often, New Zealanders are tempted to view this tri-annual event as their only contribution to the future health and stability of New Zealand's economic and social progress. This is far from the truth. While governments and politicians can shape the environment in which social and economic outcomes emerge, these outcomes are created by society as a whole: by individuals, families, businesses and by communities. Given that no government can claim total responsibility for most social and economic indicators, the results reported in the 2014 State of the Nation report should not necessarily be seen as a condemnation or acclamation of our present government, but rather as a condemnation or acclamation of us all as New Zealanders.

For example, the welcome news offered in this report—that teenage pregnancy rates are falling—illustrates well this idea of a collective achievement, not just a government one. Lower teenage pregnancy rates can be seen as good thing because the economic prospects of a young mother and her child are improved if she is able to choose to delay the time when she begins having children. By international standards, New Zealand's rate of teenage pregnancy was high. In 2008, for example, the fertility rate of an 18-year-old New Zealand woman was twice that of her Australian counterpart. Clearly, there was scope for improvement. And things have improved, with a 34% decline in the numbers of teenage mothers over the past five years.<sup>1</sup>

The reasons for this decline are both complex and numerous. Clearly, the attitudes and behaviours of young people have changed. As well, most likely the delivery of contraception advice and services to teenagers has improved. These changes occurred well before the Government rolled out its welfare reform agenda, which at its beginning focused on teenage mothers—with some people suggesting this focus got uncomfortably close to the State having a direct role in controlling the fertility of some its citizens.<sup>2</sup>

It would be wrong to attribute the recent decline in teenage pregnancies to the Government's tougher welfare stance toward teenage mums. This tougher stance may, however, have contributed to changing attitudes and expectations, which have subsequently led to behaviours and outcomes that many will judge as being better socially and economically.

In some areas of social progress, the State has a number of levers available to it that can be very instrumental in affecting positive or negative social change. Providing better and fairer access to early childhood education through the provision of State funded services is an obvious example of such a lever—one that the present government has been pleased to use.

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A great deal of political debate focuses on these levers—on their legitimacy, their feasibility and their effectiveness. Sometimes what is presented by a government as ‘impossible to achieve’ is really just a matter of preference and priority. No government can do everything, and so, to some degree, each must prioritise its work flow in accordance with its own values and political agenda. The neo-liberal paradigm that has been so dominant in New Zealand politics is convincing us that a society is little more than a collection of markets, that citizens are only consumers, and that governments have only a residual role in mediating all of this. The Salvation Army does not accept this view of humanity or of community life. We believe that there is a spiritual and moral aspect to life that demands we individually have a clear spiritual and moral framework to our lives—not just a framework that sees achievement in personal economic benefit. Similarly, New Zealand’s strength and achievement as a nation is not found in economic indicators alone but in indicators that show the strength of our concern to deliver care, compassion and social justice to everyone. For Salvationists, Pope Francis’s recent criticism of rising inequality and materialism in our world is welcomed, as this critique offers a glimpse into how our current paradigms and conceptual frameworks have limited our ambition and imagination for how things can be.

It is The Salvation Army’s hope that this year’s State of the Nation report gives insights into where, as a country, our ambition has been underwhelming and our imagination stunted. The report also identifies areas in which, as a national community, we have made credible and worthwhile social progress. It is important to acknowledge and celebrate this because, for the most part, it is intentional and hard won. The Government should be applauded for its contribution to this progress.

However, The Salvation Army remains deeply concerned that, despite increased media attention and political activity in the areas of housing and child poverty in the past year, little has been achieved in reducing the rates and incidence of child poverty and our housing situation appears to have got worse. These two issues appear to have become perennial challenges for New Zealand, and as yet there are no signs that we are making any progress. They can be seen as time-bomb issues. The impact of not having effective policies that achieve real change in these areas will inevitably affect the future of our children and grandchildren. This failure marks us as a society without sufficient passion to care for our children and their families.

Ultimately, governments and politicians reflect the preferences and concerns of a majority of voters because their survival and legitimacy depend on it. That

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our current government and previous governments have not been pressured to pull sufficient levers to address the challenges of child poverty and housing affordability implies that the majority of voters are unconcerned about these issues. A reason for this is that these voters may not be aware of or may not understand the issues. Once they do understand, it may become clearer that New Zealanders care very deeply.

It is The Salvation Army's view that the only way that child poverty and New Zealand's housing situation will change is if the concerns and priorities of a large number of New Zealanders first change. We see encouraging signs that this is beginning to happen. This needs to gain strength in 2014 so that it is clear to political candidates that we are looking for them to present options that will bring successful solutions in regard to housing and child poverty for our most vulnerable citizens.

The 2014 State of the Nation report in its reading and discussion hopefully helps New Zealanders to gain a better awareness and understanding of social conditions in New Zealand, as well as an appreciation of what needs to change. This could be awareness that not every neighbourhood is a great place for kids to grow up in and an understanding that right now our education system fails almost three times as many Māori students as it does non-Māori. An appreciation that it is simply not fair that many hard-working New Zealanders should never expect to own their own home, and that leaving children in poverty and unnecessary hardship is just not good enough.

The Salvation Army's founder William Booth wrote in 1890 a report called 'In Darkest England and the Way Out'.<sup>3</sup> Similarly, New Zealand in 2014 needs a way out from the dark effects child poverty creates for us all. The Salvation Army believes a modern New Zealand needs always to look for an appropriate balance between personal and collective responsibility, and between the market and the State. In deciding this balance, we would be unwise to accept that the prevailing ideas, which at best have only half delivered, are all we have to work with. Our political and social history is highlighted by a principled pragmatism that took the best from a number of ideas to address the biggest challenges head on. Let's learn from this proud history and together find a way out of the social challenges we collectively face.

## **MAJOR CAMPBELL ROBERTS**

### **Director**

The Salvation Army Social Policy and Parliamentary Unit

## AT A GLANCE

### A SUMMARY OF CHANGES IN KEY SOCIAL INDICATORS DURING 2013

#### OUR CHILDREN

##### Child poverty

Percentage of children living in benefit-dependent households

-1.5%

TO

19%



##### Children at risk

Number of substantiated cases of child abuse or neglect

+3.7%

TO

22,984



##### Children & violence

Number of offences against children for violence mistreatment or neglect

+1.3%

TO

5,212



##### Early childhood education

Gap in enrolment rates between Māori and non-Māori children

-2.4%

TO

21.2%



##### Educational achievement

Gap between deciles 1-3 and 8-10 schools in proportion of students leaving school with NCEA Level 2 or better (2012 figures)

-0.5%

TO

26%



##### Infant mortality

Infant deaths for every 10,000 live births (Sept 2013 figures)

-3.5

TO

42.8



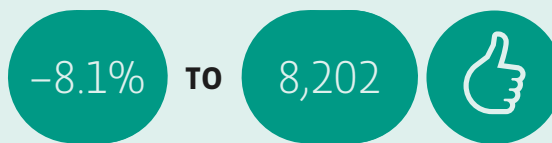
### Teenage pregnancy

Rate of pregnancy amongst 15 to 19 year-olds (per 1,000 population)



### Overall crime

All recorded offences as ratio of population (offences per 10,000 population)



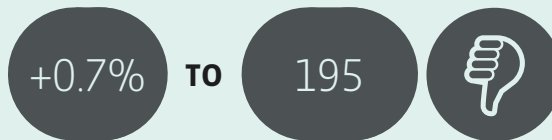
### Serious crime

Recorded violent or sexual offences as a proportion of the population (per 10,000)



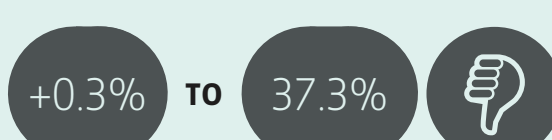
### Imprisonment

Average number of prisoners for every 100,000 population



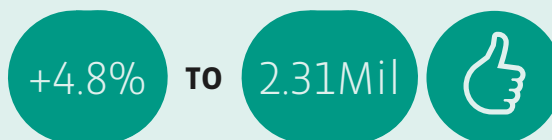
### Recidivism

Proportion of released prisoners being re-imprisoned within 24 months of their release



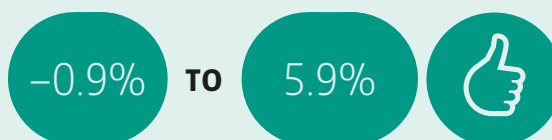
### Employment

Number of jobs within the economy



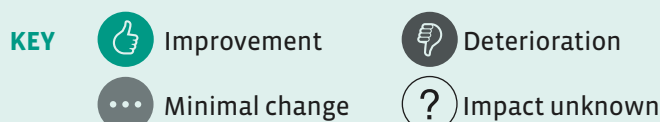
### Unemployment

Official unemployment rate



## CRIME & PUNISHMENT

## WORK & INCOMES



## AT A GLANCE

### Incomes

Average weekly wage/  
salary for employees

+2.6%  
REAL

TO

\$1,090



### Benefits and pensions

The total number of  
people receiving a  
benefit or pension

+1%

TO

971,000



### Living costs and food poverty

The annual number of  
food parcels  
distributed by The  
Salvation Army

+0.9%

TO

55,731



## SOCIAL HAZARDS

### Alcohol

Availability of  
pure alcohol for  
consumption (litres  
per adult)

+1.8%

TO

9.91



### Drug-related crime

Number of recorded  
drug offences

-20.6%

TO

17,509



### Gambling

Adult per capita spend  
on gambling

-1.3%  
REAL

TO

\$615



## HOUSING

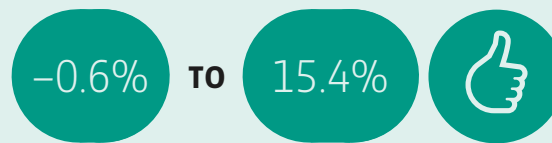
### Housing availability

Additional population for each new dwelling in Auckland



### Housing affordability





Average proportion of household income spent by on housing (all NZ)



### Housing debt

Average housing-related debt per household (all NZ)



- KEY**
-  Improvement
  -  Deterioration
  -  Minimal change
  -  Impact unknown



Andrew Leef, 13, Hineataarau Kohu, 10, and Damon Maireroa packing a food parcel. Randwick Park School in Manurewa. The school established a food bank with the help of a local church and helps families and children in need.

New Zealand Herald, 15 May 2013. Photography: Sarah Ivey / New Zealand Herald



## OUR CHILDREN

It is important to appreciate that the vast majority of New Zealand children lead safe, secure and nurturing lives and that they are well supported by their families, their communities and the State. However, life for perhaps up to 20% of New Zealand children is not always as safe and nurturing as it should be. For an even smaller group of New Zealand children—perhaps 2% to 3%—life can be at times quite haphazard and even violent. Very little appears to have been done for this smaller group of children over the past few years, which for many people will be seen as a major limitation in New Zealand’s social progress.

### CHILD POVERTY

#### Child poverty rates may be easing

While New Zealand lacks an official poverty measure or poverty line, various poverty indicators are published by government agencies. These give us some understanding of the nature and extent of poverty. The most often reported and most frequently debated poverty measures are those taken from Statistics New Zealand’s annual Household Economic Survey and reported by Ministry of Social Development.<sup>4</sup> What might be called ‘headline child poverty rates’ are derived from this analysis. These are reported in [Table 1](#) for the period 2009 to 2012 and for the four indicators (or thresholds) around which a notional poverty line is based.

As seen in [Table 1](#), rates of child poverty have remained unchanged over the period under review. Rates vary from about 1 in 7 children for the more demanding thresholds based on historic income levels, through to 1 in 4 children for a threshold based on contemporary income relativities.

**Table 1: Percentage of children living below selected poverty lines (after housing costs)<sup>5</sup>**

| Threshold | Constant Value            |                           | Relative To Contemporary Median   |                                   |
|-----------|---------------------------|---------------------------|-----------------------------------|-----------------------------------|
|           | 60% of 1998 median income | 60% of 2007 median income | 50% of contemporary median income | 60% of contemporary median income |
| Year      |                           |                           |                                   |                                   |
| 2009      | 17                        | 22                        | 18                                | 25                                |
| 2010      | 13                        | 22                        | 16                                | 26                                |
| 2011      | 14                        | 21                        | 16                                | 25                                |
| 2012      | 14                        | 21                        | 17                                | 25                                |

In New Zealand, the term ‘poverty’ is almost always used in a relative sense where comparisons are made between the incomes or living standards or material wellbeing of one group of people relative to another group. Such comparisons are never exact or complete, which means that there is no single or definitive way of deciding or defining who is poor. This ambiguity may apply especially to measures of child poverty; in part, because children have little or no control over their circumstances and must, of course, rely on the circumstances and personal qualities of their parents and family. While a lack of adequate income is a key determinant of poverty and material hardship, it is by no means the only determinant, as children living in households with similar incomes can experience quite different levels of material wellbeing. Such differences can be due to a household’s or family’s personal and social resources and to the local living costs which they face.

Estimates of child poverty rates based on the Household Economic Survey have typically been released nearly one year after the publication of the survey; which, for the purposes of measuring social progress, is not particularly helpful. Ideally, a measure of child poverty should be available on a quarterly basis and within three months of the supporting data being available. Such a timely measure would allow any progress or regression in levels of child poverty to be quickly identified and discussed publicly rather than dismissed as out-of-date data that is no longer reliable or relevant—as can occur with delayed information.

In the absence of such a measure, it is useful to consider any proxies that may be able to offer us some insights into trends in rates of child poverty. A proxy reported in previous State of the Nation reports is that of the estimated numbers of children living in benefit dependent households. Benefit dependency is broadly the same as the ‘workless’ households reported in the Household

**Table 2: Estimated numbers of children living in benefit-dependent households <sup>7</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 |
|----------------|---------------------------|---|---|
| 2008           | 286,176                   | 212,000   | 20%   |
| 2009           | 345,476                   | 229,000   | 21%   |
| 2010           | 352,707                   | 234,500   | 22%   |
| 2011           | 350,932                   | 232,500   | 22%   |
| 2012           | 339,095                   | 220,500   | 20%   |
| 2013           | 321,000                   | 202,500   | 19%   |

Economic Survey and in the Ministry of Social Development's household incomes reports—so it would be reasonable to assume that recent trends in the numbers of children living in benefit dependent households will be similar to the numbers of children in 'workless' households reported in the next Household Economic Survey. Estimates of the numbers of children living in benefit dependent are provided in [Table 2](#).

The estimates offered in [Table 2](#) suggest that the number of children living in benefit dependent households has fallen considerably since 2011 and is now the lowest number in five years. While this may signal a fall in rates of child poverty, it should be remembered that only about half of the children living below a recognised poverty threshold were living in 'workless households' likely to be reliant on welfare payments for their household income.<sup>6</sup>

It would also be easy to attribute this decline in the numbers of children living in benefit dependent households on changing welfare administration rules, and specifically to what appears to be more stringent work testing for welfare recipients. There is limited evidence to support such claims, however. As discussed elsewhere in this report, over the past five years benefit numbers have tended to move more or less with the numbers of people who are either unemployed or not in the work force.

## CHILDREN AT RISK

### **A further rise in rates of child abuse and neglect**

Although the number of reported cases of child abuse and neglect fell during 2012/13, the underlying statistics have shown little improvement in an area that for many New Zealanders is a key indicator of social progress.

Notifications to Child Youth and Family during the year to 30 June 2013 totalled 148,659, 3% fewer than the 153,407 reported during the previous year. However, the 2013 figure is 66% or nearly 60,000 higher than the number of cases notified five years earlier during the year to 30 June 2008. This recent small decline appears to be due mainly to changes in the number of notifications made by the Police.

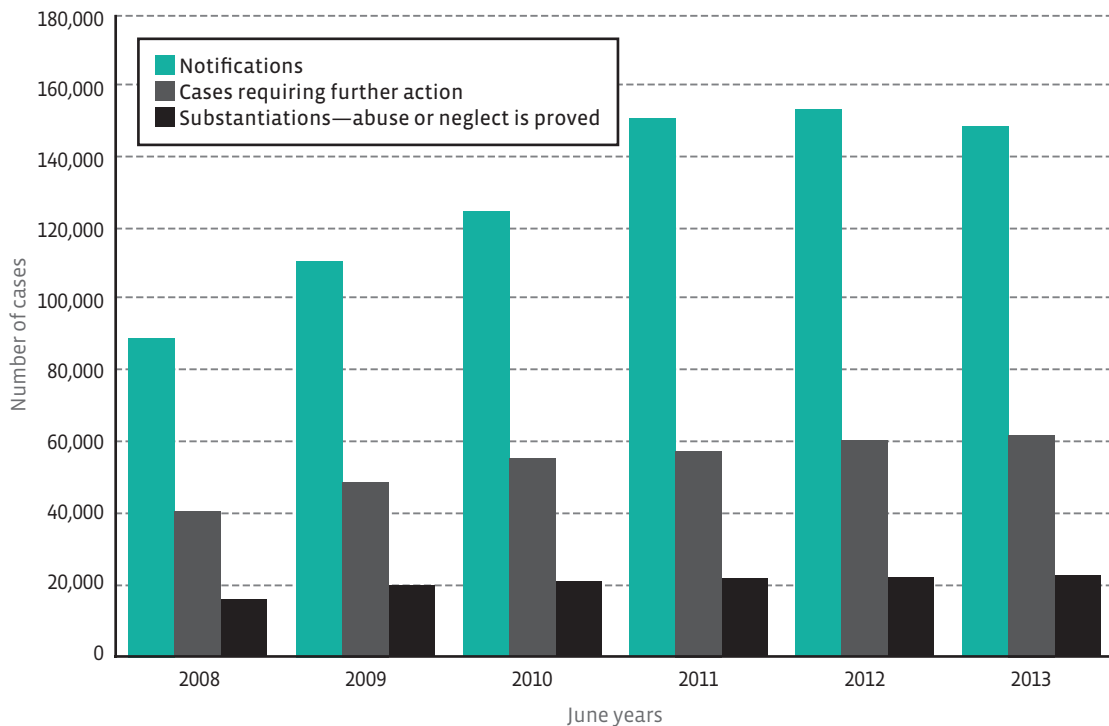
Because consistent reporting of Police notifications of possible child abuse or neglect has only occurred since 2011, it is not possible to trace even medium term trends in such reporting. Data from the past three years shows that during the 2010/11 year, Police made 57,153 of the total 151,109 notifications in that year. The following year, Police were responsible for 62,678 of the 153,407 notifications. But during 2012/13, Police made 57,766 of the 148,659 notifications in that year.<sup>8</sup> This means that the entire decline in total notifications between

2011/12 and 2012/13 can be attributed to reduced reporting by the Police. Furthermore, this decline in Police reporting cannot be attributed to falling levels of reported domestic violence because, as stated elsewhere in this report, levels of recorded violence in homes have not declined.

The small decline in notifications is not indicative of falling levels of child abuse and neglect. This is also borne out by the numbers of cases where some degree of abuse or neglect has been substantiated by Child Youth and Family. Cases of substantiated child abuse or neglect rose 4% between 2011/12 and 2012/13 from 22,172 to 22,984 cases, and by 41% over the five years to 30 June 2013. The rate of substantiated cases rose 40% over five years, from 1,972 per 100,000 children aged under 14 to 2,755 between 200—2013 (June years).

Numbers of notifications, cases requiring further action and substantiated cases for the last five years are provided in [Figure 1](#).

**Figure 1: Child, Youth and Family notifications and substantiations 2008–13<sup>9</sup>**



## CHILDREN AND VIOLENCE

### Continuing increase in reported violence toward children

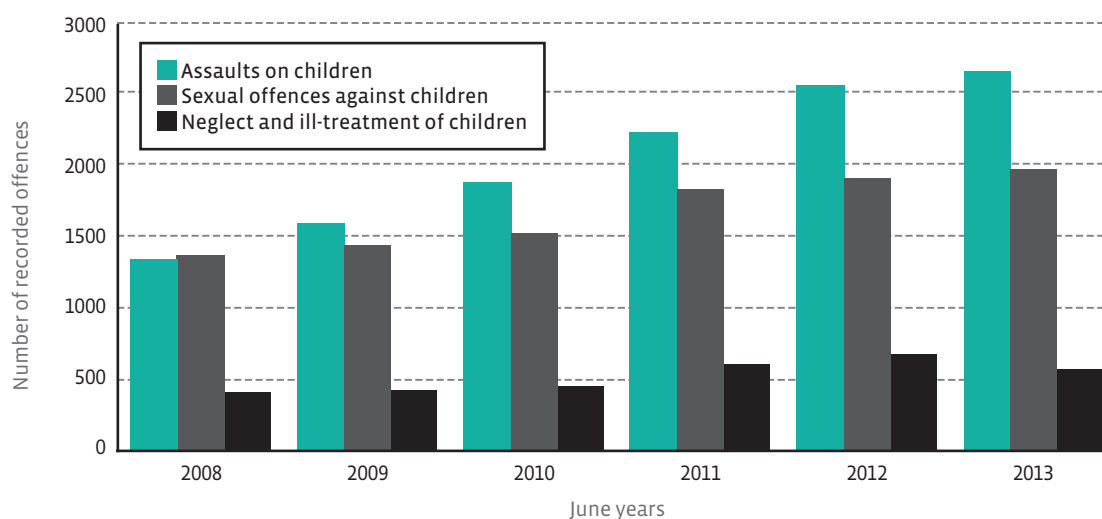
Recorded offences of violence toward children rose more than 3% between 2011/12 and 2012/13, while the number of offences for child neglect fell by 15%.

Between 2008 and 2013, recorded offences of violence, sexual assaults and neglect of children rose 68%. Over this period, recorded assaults on children doubled from 1,328 to 2,667 offences, while recorded sexual offences against children rose 43% from 1,379 offences to 1,976. Recorded cases of child neglect rose by 42% during this period, rising from 401 offences in 2007/08 to 569 offences in 2012/13, although they peaked at 657 cases in the 2011/12 year. These trends are illustrated in [Figure 2](#).

Patterns of recorded offences for assaults on children and for child neglect may, however, have been influenced by changing enforcement practices by the Police.

The amendment of section 59 of the Crimes Act in 2007 appears to have led to an increase in the numbers of recorded offences for non-injury assaults on children. Since June 2008, the numbers of such offences have risen by nearly 160%—from an average of almost 450 such offences recorded annually between 2002 and 2007, to an annual average of 1,150 recorded offences. The annual average number of prosecutions for non-injury assaults on children has risen by 200 per year as a consequence of this increase in the number of recorded offences. Against a background of over 100,000 prosecutions each year, this result is very minor in terms of additional Police effort.

**Figure 2: Offences against children 2008–2013** <sup>10</sup>



It would be incorrect to conclude that the continuing rise of recorded assaults on children is due to trivial reporting of children being smacked as a form of parental discipline. There has also been an increase in injury assaults on children over recent years. Over the five years to 30 June 2013, more serious child assaults have increased by 83%—from 612 recorded offences in 2007/08 to 1,032 offences in 2012/13. The 2012/13 figure is 11% lower than the peak of 2011/12, when 1,162 injury assaults on children were recorded by the Police.

The second change is a continuing decline in rates of resolution of recorded child assault cases, and specifically in the prosecution of these. This decline is most likely due to the changing Police or child protection practices, and it applies equally to those recorded offences that resulted in child injuries and those which did not. For example, the resolution rate for recorded child assaults involving injury declined from 80% in the year to 30 June 2008 to 63% in the year to 30 June 2013. Over the same period, the prosecution rate for such offending declined from 66% to 45%.

The number of recorded sexual assaults on children rose a further 3% during the year to 30 June 2013, to 1,976 offences. This number is 43% greater than the 1,379 child sex offences recorded in 2008. As with child assaults, rates of resolution and prosecution for child sex offences have fallen over the past five years. Between 2008 and 2013, the resolution rate for recorded sexual assaults on children has fallen from 67% to 55%, while the prosecution rate has dropped from 49% to 41%.

Recorded offences of child neglect fell 16% between 2012 and 2013, from 657 cases during the year to 30 June 2012 to 569 cases for the following 12 months. As discussed above, the number of substantiated cases of child neglect actually rose between 2012 and 2013, so this fall in numbers of reported or recorded cases probably represents an administrative change by Police and Child Youth and Family. The reasons for this change have not been given by either agency.

## YOUTH OFFENDING

### Youth offending rates fall while prosecution rates rise

Building on the good news from last year, rates of reported offending by youth aged 14 to 16 years continued to decline during 2013. Against this decline, the Police have shown a greater keenness to prosecute young offenders.

Recorded rates of offending for 14 to 16 year olds males are shown in [Table 3](#). The recorded rates of offending by 14–16 year old Māori males fell 10% between 2012 and 2013 and by 22% for the five year period 2008 to 2013. Offending rates for non-Māori 14 to 16 year old males fell 19% over the most recent year and 33%

over the most recent five year period. While rates of apprehension for more serious violent crime have not fallen as far as crime generally, the consistent declines in recorded offending over the past five years both for Māori and non-Māori youth are encouraging.

As shown on [Table 3](#), Māori male youth remain 3 to 4 times more likely to be apprehended for having committed a criminal offence. While rates of reported offending are falling for Māori youth they are not falling as quickly as the rate for non-Māori youth, meaning that the offending gap between Māori and non-Māori is actually widening. In 2007/08, Māori males aged 14 to 16 years old were with 2.8 times more likely to be apprehended for a violent crime, and by 2012/13 this gap had widened to 3.4 times.

Males aged 14 to 16 remain twice as likely as females of the same age to be apprehended for a violent crime, and over three times more likely to be apprehended for a non-violent offence. This gap remains quite constant. Māori females aged 14 to 16 years olds are up to four times more likely to be apprehended for violent or non-violent offences than non-Māori females of the same age. As with 14 to 16 year old males, this gap has widened over the past five years.

Despite the 22% to 33% decline in rates of recorded offending by 14–16 male youth over the past five years, the proportion of such youth that are prosecuted has continued to rise. During 2007/08, 31.9% of the 23,775 14–16 year old male offenders were prosecuted. By 2011/12, this rate had risen to 33.1%, and by 2012/13 it had risen to 34% of the 16,034 young people apprehended for a criminal offence. Rates of prosecution of 14–16 year olds for more serious violent crimes have remained fairly constant over the past five years to 30 June 2013, at just under 40% for males and around 24% for females.

Māori youth aged 14–16 years continue to face higher rates of prosecution if they are apprehended, although the gap between Māori and non-Māori offenders has fallen recently. During the year to 30 June 2013, nearly 47% of young Māori male offenders aged 14 to 16 that had been apprehended for an offence involving violence were subsequently prosecuted by the Police, while just over 32% of such offenders that weren't Māori faced prosecution. In other words, young Māori males were 1.5 times more likely to be prosecuted than non-Male male youth. In the previous year (to 30 June 2012), this rate of prosecution was also 1.5 times, while back in 2008 it was 1.6 times.

Prosecution of Māori females aged 14 to 16 who were apprehended for a violent crime was 1.2 times that of non-Māori in 2012/13, up from parity the previous year, but down from the 1.6 ratio in 2008.

**Table 3: Rates of apprehensions for criminal offences by 14 to 16 year-olds 2008–2013**<sup>10</sup>

Rate per 10,000 population

| Year ending June                    | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | Change 2012–2013 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| <b>MĀORI MALES AGED 14–16</b>       |              |              |              |              |              |              |                  |
| Acts intended to cause injury       | 431          | 429          | 477          | 431          | 396          | 398          | 1%               |
| Serious assault resulting in injury | 125          | 97           | 105          | 84           | 72           | 105          | 46%              |
| Sexual offences                     | 4            | 15           | 5            | 4            | 1            | 4            | 170%             |
| Robbery                             | 116          | 108          | 117          | 78           | 94           | 78           | –17%             |
| All violent crime                   | 664          | 651          | 742          | 648          | 631          | 593          | –6%              |
| <b>All crime</b>                    | <b>5,373</b> | <b>4,871</b> | <b>5,229</b> | <b>4,940</b> | <b>4,656</b> | <b>4,175</b> | <b>–10%</b>      |
| <b>NON-MĀORI MALES AGED 14–16</b>   |              |              |              |              |              |              |                  |
| Acts intended to cause injury       | 151          | 142          | 143          | 137          | 127          | 106          | –16%             |
| Serious assault resulting in injury | 26           | 26           | 21           | 20           | 20           | 15           | –29%             |
| Sexual offences                     | 2            | 2            | 3            | 4            | 1            | 2            | 60%              |
| Robbery                             | 26           | 19           | 15           | 17           | 15           | 11           | –28%             |
| All violent crime                   | 234          | 223          | 222          | 215          | 195          | 172          | –12%             |
| <b>All crime</b>                    | <b>1,590</b> | <b>1,519</b> | <b>1,568</b> | <b>1,439</b> | <b>1,314</b> | <b>1,069</b> | <b>–19%</b>      |

The gap between Māori and non-Māori in rates of prosecution for less serious crimes is slightly lower, at around 1.2 to 1.3 times. For males, these rates are slightly lower than in previous years.

## EARLY CHILDHOOD EDUCATION

### Large increase in Māori ECEC enrolments

The Government’s concerted efforts to provide additional early childhood education (ECE) centres into low income communities is beginning to bear fruit in terms of rising enrolments for Māori pre-schoolers. At the end of June 2013, there were just over 44,500 Māori children aged less than five years old enrolled in state subsidised ECE. This figure is 6% higher than enrolments in June 2012, and more than 28% greater than in 2008, when just over 34,700 Māori children attended ECE.

For the overall population of New Zealand pre-schoolers, ECE enrolment grew a more modest 2.2% during 2012/13 to exceed 200,000 children for the first time in New Zealand’s history. Over the five years to June 2013, total ECE enrolments grew 13.5%, by almost 24,000 children.

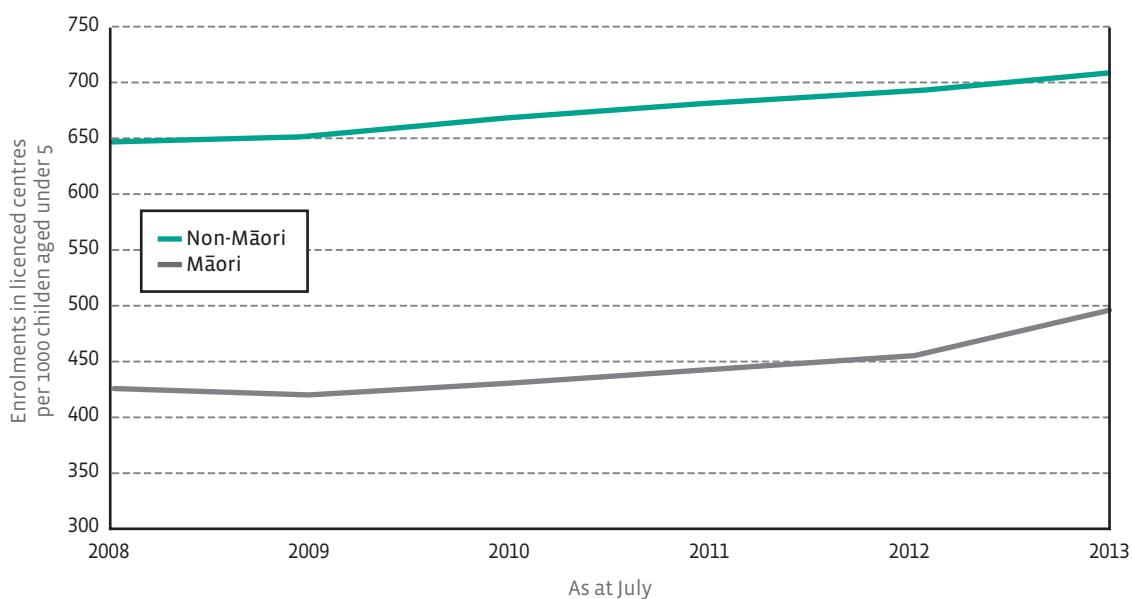


In terms of enrolment rates, the gains for Māori children have been more modest, mainly on account of higher Māori birth rates. Over the past five years, the non-Māori population of children under five has remained constant, at just under 219,000 children. This has meant that the entire five-year increase of 7,500 children under five can be attributed to the growth in the numbers of Māori children. This higher growth rate is tending to partly offset the impact of rising numbers of enrolments; however, the Māori enrolment rate is growing and the enrolment gap between Māori and non-Māori children is beginning to close as indicated on [Figure 3](#).

In mid-2013, nearly half (49.5%) of all Māori children under five years were enrolled in a licensed ECE centre, compared with 64.5% for the total population of under fives and with 70.7% for non-Māori children. The ECE enrolment rate for Māori children was 45.5% in 2012 and 42.5% in 2008, so the recent gains have been significant. Enrolment rates for the total population have also grown consistently over the past five years, from 58.6% of all children under five in 2008 to 62.2% in 2012 and to 64.5% in 2013.

Enrolment numbers and enrolment rates for three and four year olds plateaued between 2012 and 2013, most likely on account of saturation, at least for non-Māori children. The enrolment rate for non-Māori three and four year olds exceeded 100% in nominal terms in 2013. For Māori three and four year olds, it

**Figure 3: Rates of enrolment in early childhood education 2008–2013 <sup>11</sup>**



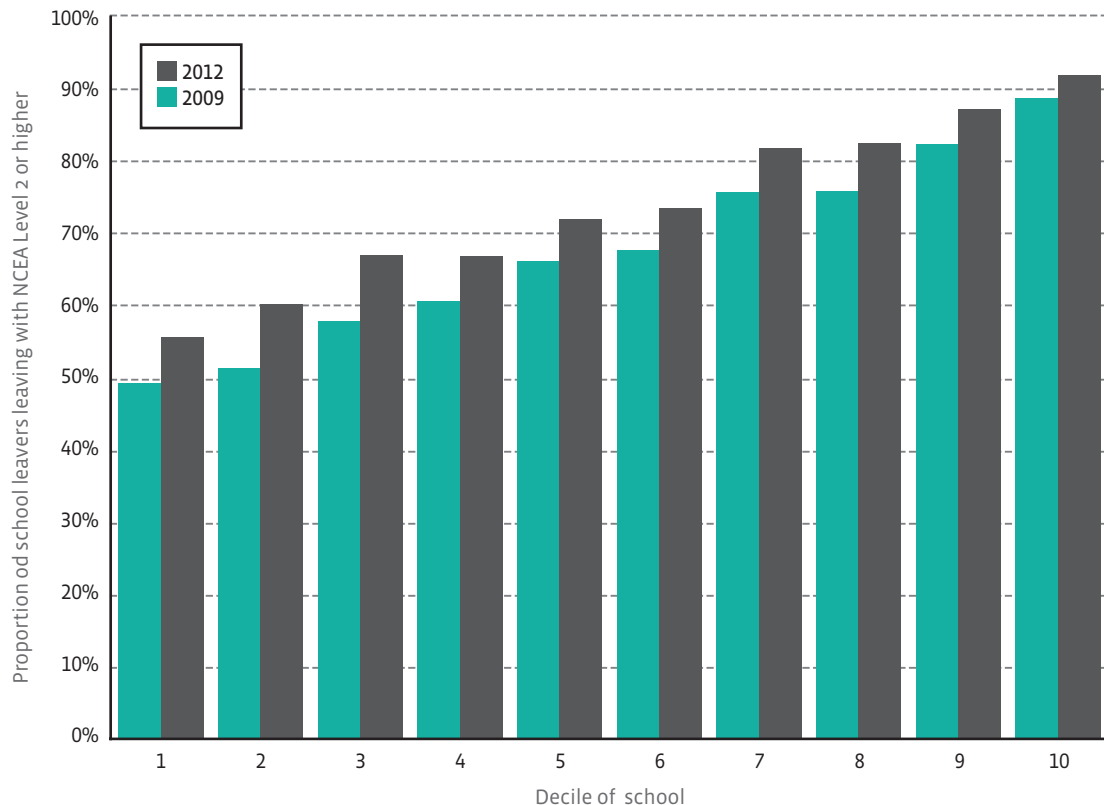
reached 74.7% in 2013. This compares favourably with the 69.6% enrolment rate in 2012, but is much the same as the 74.4% enrolment achieved in 2008. In mid-2013, the overall enrolment rate for three and four year olds stood at a credible 98.1%, up from 95.8% in 2008.

## EDUCATIONAL ACHIEVEMENT

### Achievement gaps continue to narrow

Almost across the board, secondary school student educational achievement has continued to improve. The proportion of students leaving school without NCEA Level 1 continues to fall, while the proportion of students leaving school with NCEA Level 2 or higher has continued to rise. Perhaps most positive is that achievement gaps between students from low income and middle to high income communities have continued to close, as have gaps between Māori and non-Māori students.

**Figure 4: Proportion of students leaving school with NCEA Level 2 or higher across secondary schools<sup>12</sup>**



The proportion of students leaving school with a NCEA Level 2 qualification or higher is illustrated in [Figure 4](#) and reported at a summary level in [Table 5A](#). While the gap in levels of achievement between poor communities and wealthier ones and between Māori and non-Māori remains uncomfortably wide, these gaps continued to close between 2011 and 2012—the year of the most recent data. Between 2009 and 2012, the proportion of students from decile 1–3 secondary schools that gained a NCEA Level 2 qualifications or higher rose from 53% to 61%. Over the same period, students attending decile 8–10 schools that gained Level 2 or better rose a more modest 5% from 82% to 87%. Reflecting these changes, the proportion of students leaving school without at least a Level 1 qualification has declined. The percentage of students from low

**Table 5A: Students leaving school without NCEA Level 1 qualification 2009–2012** <sup>13</sup>

|                          | 2009         | 2010         | 2011         | 2012         |
|--------------------------|--------------|--------------|--------------|--------------|
| Decile 1 schools         | 33.2%        | 30.6%        | 28.3%        | 28.7%        |
| Decile 10 schools        | 6.4%         | 4.6%         | 4.8%         | 3.8%         |
| <b>Achievement gap</b>   | <b>26.8%</b> | <b>26.0%</b> | <b>23.5%</b> | <b>24.9%</b> |
| Decile 1, 2 & 3 schools  | 29.6%        | 25.9%        | 23.9%        | 23.7%        |
| Decile 8, 9 & 10 schools | 9.0%         | 7.1%         | 6.1%         | 5.8%         |
| <b>Achievement gap</b>   | <b>20.6%</b> | <b>18.8%</b> | <b>17.9%</b> | <b>17.9%</b> |
| Māori students           | 36.7%        | 32.8%        | 30.6%        | 29.5%        |
| Non-Māori students       | 15.0%        | 12.8%        | 11.8%        | 11.0%        |
| <b>Achievement gap</b>   | <b>21.7%</b> | <b>19.9%</b> | <b>18.8%</b> | <b>18.6%</b> |

**Table 5B: Student leaving school with NCEA Level 2 or higher qualification 2009–2012**

|                          | 2009         | 2010         | 2011         | 2012         |
|--------------------------|--------------|--------------|--------------|--------------|
| Decile 1 schools         | 49.3%        | 53.8%        | 56.4%        | 55.5%        |
| Decile 10 schools        | 88.5%        | 89.6%        | 90.6%        | 91.7%        |
| <b>Achievement gap</b>   | <b>39.2%</b> | <b>35.8%</b> | <b>34.2%</b> | <b>36.2%</b> |
| Decile 1, 2 & 3 schools  | 52.9%        | 56.7%        | 60.2%        | 61.2%        |
| Decile 8, 9 & 10 schools | 82.3%        | 84.5%        | 86.7%        | 87.2%        |
| <b>Achievement gap</b>   | <b>29.4%</b> | <b>27.9%</b> | <b>26.5%</b> | <b>26.0%</b> |
| Māori students           | 45.7%        | 49.5%        | 52.2%        | 54.6%        |
| Non-Māori students       | 72.8%        | 75.6%        | 77.8%        | 79.5%        |
| <b>Achievement gap</b>   | <b>27.1%</b> | <b>26.0%</b> | <b>25.6%</b> | <b>24.9%</b> |

decile 1–3 schools leaving without a qualification dropped from 30% in 2009 to 24% in 2012. In 2009, just 9% of students from decile 8–10 schools failed to gain at least a Level 1 qualification, and this proportion fell to 6% by 2012. These results are also reported in [Table 5A](#).

Also reported in [Tables 5A](#) and [5B](#) is that achievement levels of students attending the country’s poorest decile 1 school actually fell slightly between 2011 and 2012.

[Tables 5A](#) and [5B](#) also summarise the closing achievement gap between Māori and non-Māori students. Between 2009 and 2012, the proportion of Māori students leaving school without at least Level 1 qualifications dropped from 37% to 30%, while in the same period the proportion of Māori students gaining qualifications at Level 2 and above rose from 46% to 55%. The gap between Māori and non-Māori student achievement at Level 2 or above was just under 25%, marginally lower than the 27% reached in 2009. While this and other achievement gaps between Māori and non-Māori students have consistently narrowed over the last five years, at the present rate of progress it will take a generation before Māori achievement levels are comparable with those of other New Zealanders.

## INFANT MORTALITY

### Infant mortality falls to record low

The number of infant deaths and the infant mortality rate in New Zealand has fallen to the lowest in our history. For the year to 30 September 2013, there were 255 deaths of infants aged under one, meaning an infant mortality rate of 4.2 deaths per 1,000 live births. This mortality rate is lower than the previous lowest ever rate of 4.5 deaths per 1000 births set in 2009. The number of infant deaths and the infant mortality rates for the last five years are reported in [Table 6](#).

There has been a significant decline in the mortality rate suffered by Māori infants. For the year to 30 September 2013, 78 Māori infants died, which

**Table 6: Changes in New Zealand’s infant mortality rate 2009–2013** <sup>15</sup>

| Year ending September | Live births during preceding 12 months | Total infant deaths (under one year) | Infant mortality rate (per 1000 live births) |
|-----------------------|--|--------------------------------------|--|
| 2009                  | 63,159                                 | 287                                  | 4.5  |
| 2010                  | 63,732                                 | 330                                  | 5.2  |
| 2011                  | 62,261                                 | 297                                  | 4.8  |
| 2012                  | 60,462                                 | 280                                  | 4.6  |
| 2013                  | 59,664                                 | 255                                  | 4.2  |

represents a mortality rate of 4.7 per 1,000 live births. This is an appreciable drop from the rate of 5.8 per 1,000 in 2012 and 6.2 in 2009. Although the 2013 outcomes for Māori infants are also the best on record, historically these results have fluctuated year to year, so further consistent improvements are required before we can reasonably identify a medium term trend.

By way of comparison, the most recently reported infant mortality statistics from Australian show a population wide infant mortality rate of 3.8 deaths for every 1,000 live births for 2012 and a rate of 7.1 for Aboriginal and Torres Strait Islander children.<sup>14</sup>

## TEENAGE PREGNANCY

### Continuing fall in teenage pregnancy rates

New Zealand's teenage pregnancy rates have continued to fall from the recent peak in 2007 and 2008. These trends are reported in [Table 7A](#) for 11 to 14 year olds and in [Table 7B](#) for 15 to 19 year olds.

[Table 7B](#) shows the continuing decline in both the numbers of live births to teenage mothers and teenage pregnancy rates. Live births to teenage women

**Table 7A: Pregnancies and abortions for 11–14 year-olds 2008–2012**<sup>16</sup>

| Year ending December | Number of live births | Number of induced abortions | Pregnancy rate (per 1000) | % of pregnancies aborted |
|----------------------|-----------------------|-----------------------------|---------------------------|--------------------------|
| 2008                 | 39                    | 83                          | 1.0                       | 68%                      |
| 2009                 | 29                    | 79                          | 0.9                       | 73%                      |
| 2010                 | 26                    | 84                          | 1.0                       | 76%                      |
| 2011                 | 25                    | 68                          | 0.8                       | 73%                      |
| 2012                 | 18                    | 51                          | 0.6                       | 74%                      |

**Table 7B: Pregnancies and abortions for 15–19 year-olds 2008–2012**

| Year ending December | Number of live births | Number of induced abortions | Pregnancy rate (per 1000) | % of pregnancies aborted |
|----------------------|-----------------------|-----------------------------|---------------------------|--------------------------|
| 2008                 | 5,185                 | 4,097                       | 59                        | 44%                      |
| 2009                 | 4,641                 | 3,873                       | 54                        | 45%                      |
| 2010                 | 4,526                 | 3,389                       | 50                        | 43%                      |
| 2011                 | 3,981                 | 2,822                       | 44                        | 41%                      |
| 2012                 | 3,768                 | 2,489                       | 41                        | 40%                      |

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aged between 15 and 19 years declined by 23% between 2007 and 2012, while abortions for this age have declined by 40% over the same period. Overall, the pregnancy rate among 15 to 19 year old New Zealand women has declined by nearly 29% between 2007 and 2012. This decline has been continuous and consistent.

Data on abortions is only published annually and is unlikely to be available for 2013 until June 2014. Birth data is available on a quarterly basis, and the most recent statistics for the year to the end of September 2013 suggest that the declines in teenage pregnancy rates have continued since 2012. Between 2012 and 2013, the number of teenagers giving birth declined 12% from 3,886 to 3,414.

## ASSESSMENT: OUR CHILDREN

| CHILD POVERTY  | RESULT    |
|--|-----------|
| While there has been a great deal of political and media attention paid to solutions to child poverty, virtually no effort has been spent in actually addressing the underlying causes of this poverty. Furthermore, we appear to lack any broadly based political will to even face this challenge. Although levels of welfare dependency have fallen, unemployment remains relatively high and these recent shifts are unlikely to have lifted many children out of poverty. | <b>D</b>  |
| CHILDREN AT RISK   |           |
| Declining numbers of notifications of suspected child abuse or neglect appear to be an aberration brought about by changes in Police reporting practice. A further rise in the numbers of substantiated cases of abuse and neglect is discouraging.  | <b>C-</b> |
| CHILDREN AND VIOLENCE  |           |
| Year on year increases in recorded violent offences toward children have continued. Declining rates of reported violent offending by young people is encouraging, although this has occurred at the same time as the Police have shown greater interest in using the criminal justice system to address this offending. The greater criminalisation of Māori youth offenders continues and no government agency bothers to explain why.  | <b>D</b>  |
| EARLY CHILDHOOD EDUCATION  |           |
| The continuing commitment to increasing provision of ECE in low income communities is very encouraging and has borne some fruit, with improving enrolment rates for Māori and Pacific children. These improvements now need to be passed through into primary education.   | <b>A-</b> |
| EDUCATIONAL ACHIEVEMENT  |           |
| Consistent although modest gains in levels of achievement of students from poor communities are encouraging. However, the achievement gap between poor and non-poor and between Māori and non-Māori remains stubbornly wide and greater effort is required to close these.   | <b>C+</b> |
| INFANT MORTALITY   |           |
| Continuing small improvements in New Zealand's infant mortality rate provide some evidence that social conditions for very young children and their mothers are at least being maintained. The continuing relative improvements in Māori infant mortality are encouraging.   | <b>B+</b> |
| TEENAGE PREGNANCY  |           |
| The sharp decline in rates of teenage pregnancy offer some hope that more young women will complete their education before having children. There is still scope for further gains and these recent improvements need to be consolidated.  | <b>A-</b> |

**KEY**    **A:** Excellent progress    **B:** Encouraging progress    **C:** Limited or modest progress  
**D:** No progress or going backwards    **F:** Failing



Former prisoner Zane Wharewaka (left) and Ruahine Albert from Te Whakaruruhau at the women's refuge's house in Hamilton. The refuge is working to rehabilitate former prisoners to reduce domestic violence.

New Zealand Herald, 23 July 2013. Photography: Christine Cornege / New Zealand Herald



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## CRIME & PUNISHMENT

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Crime rates continue to fall, yet our prison population continues to grow. This should be seen as a major paradox in the current political and policy settings around crime and punishment. There are perhaps valid explanations for these apparently opposing trends, but we should always be focused on the end goal of reducing our prison population. Alongside every prisoner there are victims, and the real testimony to the success of our crime reduction and penal corrections policies should be the extent to which we have avoided or reduced the numbers of victims of serious crime. Recent progress in this regard is disappointing.

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### OVERALL CRIME

#### Reported crime falls for the fourth consecutive year

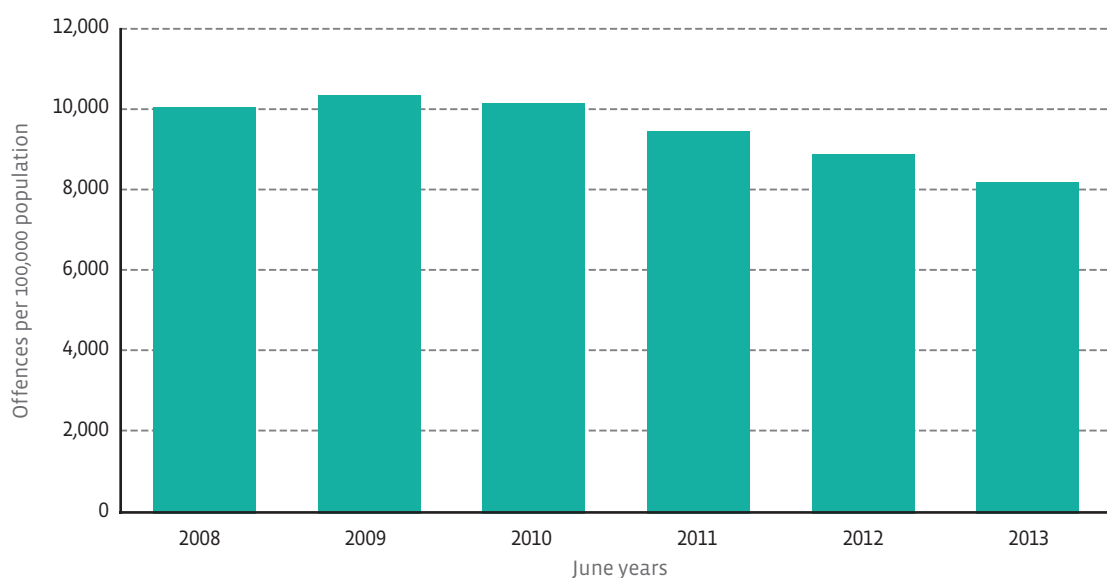
Recorded crime for the year to 30 June 2013 was 7.4% lower than for the previous year, with a drop of 29,337 offences. This drop occurred at the same time as rates of resolution of reported offences fell almost one percent, from 47.6% for the year to 30 June 2012 to 46.7% the following year. Over the five years to 30 June 2013, recorded crime dropped 14.4%, or by 61,500 offences. The 2013 result is the fourth consecutive year that recorded offences have fallen.

Given the population growth of the past five years, the rate of recorded offences (per 100,000 population) has fallen more quickly—from a rate of 10,037 offences per 100,000 population in 2008 to 8,923 in 2012, and to 8,202 for the year ended 30 June 2013. This 2013 rate is the lowest since 1979.<sup>17</sup> Rates of recorded crime since 2008 are reported in [Figure 5](#).

The decline in recorded crime has not been evenly distributed across the spectrum of offences. Recorded offences for theft make up 40% of the past five years' reduction in recorded offences, and the number of recorded thefts has declined 17% over the past year and 9% the year preceding. Other offence categories that contributed significantly to the declines in recorded offences include property damage (23% of total reduction over the five years from 2008 to 2013), and offences against justice procedures such as sentencing conditions (10%) and burglaries (9%). Offences that had slight increases in numbers included sexual offences and dangerous or negligent acts.

There is, however, no information available to assess whether or not these declines are due to reduced rates of offending or to reduced rates of reporting and recording. The most recent survey of New Zealander's experience of crime was undertaken in 2008 and reported in 2010.<sup>18</sup> This survey found that perhaps

**Figure 5: Rates of recorded crime in New Zealand 2008–2013** <sup>23</sup>



only 41% of crime is reported to Police, and that of this reported crime just 32% of this was recorded by the Police. In other words, perhaps as little as 13% of all crime actually makes Police statistics of recorded crime.<sup>19</sup> The least reported offences were robberies and theft from persons. The most frequently reported offences were vehicle thefts. Just 32% of assaults were reported to Police.<sup>20</sup>

This 2008/09 report was similar in its methodology to one undertaken in 2005, and the results of the survey show consistent levels and patterns of under reporting of crime. This may suggest that New Zealanders' crime reporting behaviours are fairly constant, and by implication that official crime statistics such as numbers of recorded offences present a consistent if understated picture.

### **Crime resolution rates slip a little**

As the rates of recorded offending have hit historic lows, resolution rates have declined slightly. During the year ended 30 June 2013, 46.7% of all recorded crime was resolved, compared with a resolution rate of 47.6% a year earlier and 47.0% five years earlier in 2008. The resolution rate for assaults fell from 82.6% in 2012 to 78.6% for the June 2013 year—the lowest resolution rate since 1999. The resolution rate for sexual offences also fell significantly, from 65.5% in June 2008 year to 57.5% in 2012, then to 54.4% in 2013—the lowest resolution rate since 2000. In numerical terms, the decline in the resolution of assaults accounts for nearly half of the drop in offences resolved.<sup>21</sup> A summary of changes in resolution rates for selected categories of offences is provided in [Table 8](#).

## VIOLENT CRIME

### Rates of recorded violent offences remain unchanged

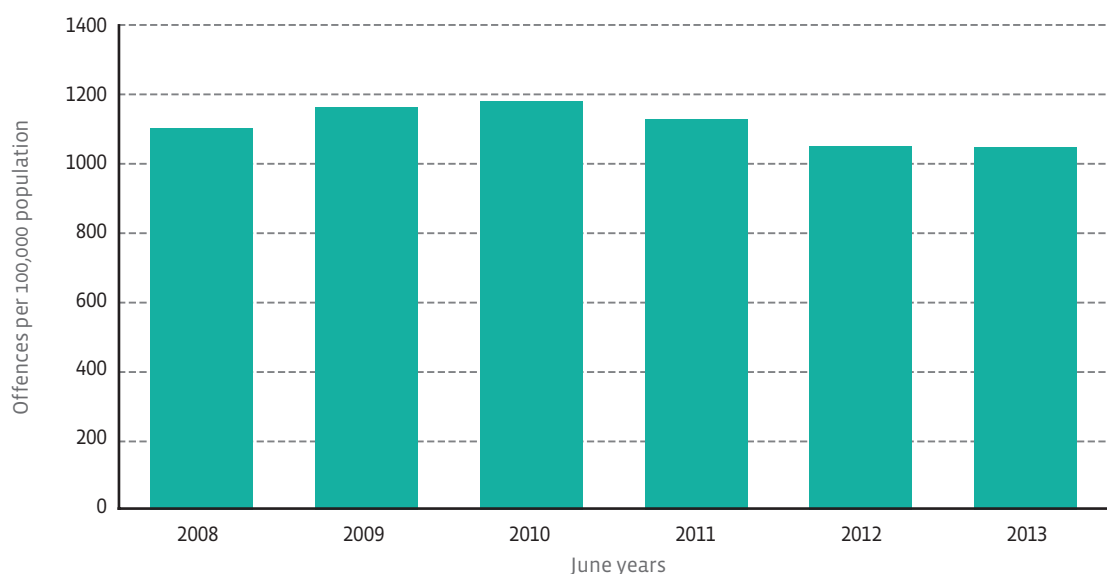
The rate and numbers of recorded violent crime remained constant between 2012 and 2013.<sup>22</sup> For the year to 30 June 2013, there were 46,864 recorded violent offences (which range from homicide to common assault). This result is virtually unchanged from the previous year, and from five years earlier when there were 47,095 recorded violent offences. As a rate per 100,000 of population, recorded violent offending has fallen consistently from 2010, when it was 1,184 recorded offences, to 1,053 offences in the 30 June 2013 year. This trend is illustrated in [Figure 6](#).

Because the numbers of recorded violent offences have remain unchanged against a background of falling offending levels for other offences, the composition of New Zealand's crime is changing. In 2003, violent crime accounted for 8.3% of all recorded crime; by 2008, this had risen to 11%. In the year to 30 June 2013, violent crime made up 12.8% of all recorded crime.

### Domestic violence remains the leading type of violent offending

To date, there has been no consistent definition or measurement of domestic violence, so a proxy of assaults or other violence occurring within dwellings has been used in this and previous State of the Nation reports. While this approach is not precise, it does allow us to assess change over time. These changes are summarised in [Figure 7](#) and [Table 9](#).

**Figure 6: Rates of reported violent crime in New Zealand 2008–2013**<sup>24</sup>



Domestic violence appears to account for more than half of all recorded violent offending. During 2013, the extent of this offending remained virtually unchanged from previous years.

Figure 7 compares the rates of recorded violent offences both in dwellings and elsewhere for the 10 years to 30 June 2013. This analysis covers the period of the introduction and roll out of the 'It's Not OK' anti-violence campaign, which began in September 2007. As seen in Figure 7, the rollout of this campaign led to an increase in levels of reporting of domestic violence, with recorded rates of violence in homes rising from 509 offences per 100,000 population in 2007, to 691 per 100,000 in 2010. Since 2010, the rate of reporting has slipped back, although it was stable at around 630 recorded offences per 100,000 of population during 2012 and 2013.

Figure 7: Recorded rates of violent offending in dwellings and elsewhere 2003–2013

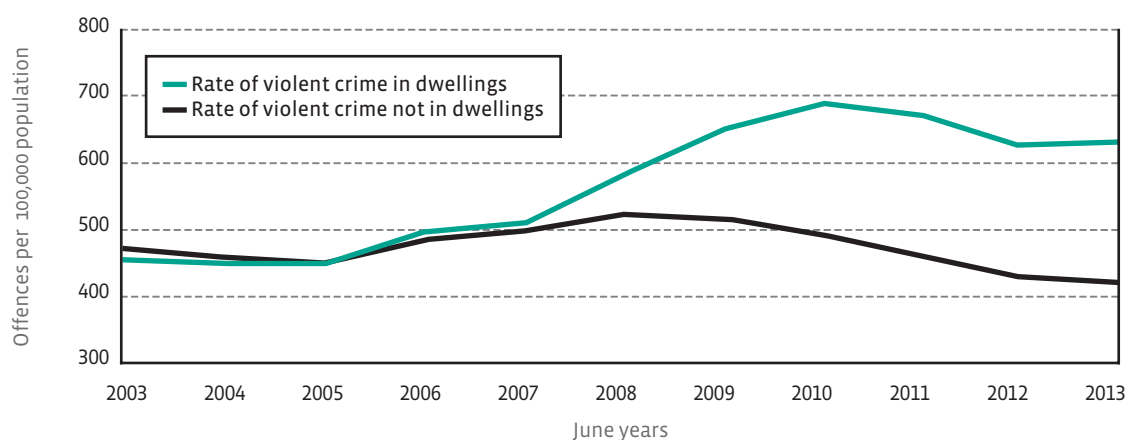


Table 8: Changes in crime resolution rates for selected offence categories 2008–2013 <sup>25</sup>

| Year ending June                     | 2008         | 2012         | 2013         |
|--------------------------------------|--------------|--------------|--------------|
| Acts intended to cause injury        | 84.9%        | 82.6%        | 78.6%        |
| Sexual assaults and related offences | 65.5%        | 57.5%        | 54.4%        |
| Unlawful entry/burglary              | 17.3%        | 15.0%        | 14.6%        |
| Thefts                               | 53.5%        | 55.7%        | 57.6%        |
| Illicit drugs offences               | 94.7%        | 93.5%        | 92.1%        |
| Public order offences                | 87.4%        | 89.6%        | 87.7%        |
| <b>All reported offences</b>         | <b>47.0%</b> | <b>47.6%</b> | <b>46.7%</b> |

Table 9 offers some background figures on violence in homes for each of the June years from 2008 to 2013, breaking these figures into offences involving sexual and non-sexual assaults. What is most noticeable from the data presented in Table 9 is the continuing increase in recorded sexual assaults in homes and elsewhere.

Both Figure 7 and Table 9 indicate the extent to which violence—and especially growth in the numbers of violent offences—is a story of domestic violence. Effectively, the number of recorded violent offences outside of dwellings was the same in 2013 as it was 10 years previously, and all of the 28% growth in violence over this period is due to increased reporting of domestic violence. For the year to 30 June 2013, 60% of all recorded violent and sexual offences occurred in the home and most of this could be categorised as domestic violence. As seen in Table 6, this 60% figure has been consistent for the past three years, suggesting that over this period little or nothing has changed in terms of the incidence of violence in the home.

**Table 9: Estimates of domestic violence and its contribution to violent offending** <sup>25</sup>

| June years  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|---|--------|--------|--------|--------|--------|--------|
| Reported violent offences in dwellings                                | 24,873 | 27,897 | 30,026 | 29,583 | 27,690 | 28,085 |
| All reported violent offences   | 47,095 | 50,083 | 51,456 | 49,775 | 46,715 | 46,864 |
| Reported sexual assaults in dwellings                                 | 1,806  | 1,929  | 1,971  | 2,262  | 2,281  | 2,461  |
| All reported sexual assaults  | 2,707  | 2,883  | 2,961  | 3,327  | 3,448  | 3,820  |
| Total all 'domestic violence' type offences in dwellings              | 26,679 | 29,826 | 31,997 | 31,845 | 29,971 | 30,546 |
| Total all reported violence and sexual assault offences               | 49,802 | 52,966 | 54,417 | 53,102 | 50,163 | 50,684 |
| 'Domestic violence' as % of all reported violence and sexual assaults | 54%    | 56%    | 59%    | 60%    | 60%    | 60%    |

## SENTENCING AND IMPRISONMENT

### Community based sentences continue to decline

The number and rate of community based sentences has declined for the fourth consecutive year, as indicated in Table 10. There were 6% fewer non-custodial sentences started for the June 2013 year than the previous year, although the 2013 figure is 19% higher than five years previously. The number of new home detention sentences starting rose 5% during 2013, from 3,363 to 3,527 during the 2012 June year. The rate of community based sentences declined during the year to 30 June 2013 to 1625 sentences per 100,000 adults—the lowest rate since 2008.

**Table 10: Community based and home based sentences—new starts 2008–2013** <sup>26</sup>

| June years  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|---|--------|--------|--------|--------|--------|--------|
| Non-custodial community sentences   | 46,322 | 55,892 | 62,077 | 60,963 | 58,497 | 54,902 |
| Home detention orders and sentences                                       | 1,825  | 3,155  | 3,485  | 3,641  | 3,363  | 3,527  |
| Rate of community-based sentences (per 100,000 people aged over 18 years) | 1,463  | 1,741  | 1,903  | 1,843  | 1,750  | 1,625  |

### Prisoner numbers remain stable despite falling crime rate

Despite the falls in the numbers of recorded offences and the numbers of people being apprehended, prosecuted and convicted, the number of people in prison actually rose slightly during 2013. The average number of prisoners in the year to 30 June 2013 was 8,704. This was 1.4% more than for the previous year, and almost the same as the record average prison population of 8,715 set in 2011.

Table 11 provides a summary of prosecution, conviction and sentencing trends in the period between 2008 and 2013. Consistent with the story of falling crime statistics, the number of people being prosecuted and convicted for criminal offences has also fallen. The number of people being prosecuted has declined by 19% in the five years to 30 June 2013, while the number of people being convicted has dropped by nearly 16%. Over the same time, the numbers of people being sentenced to prison terms has dropped by just over 7%, while the numbers of people given diversion or discharged without conviction has fallen by almost 44%. These relative changes may be on account of the compositional change in recorded offending toward the most serious and violent crime—or it may be an indication that our criminal justice system is becoming more punitive.

**Table 11: Prosecution and sentencing 2008–2013** <sup>27</sup>

| June years                                       | 2008    | 2009    | 2010    | 2011    | 2012    | 2013   |
|--|---------|---------|---------|---------|---------|--------|
| People prosecuted for offences                   | 118,309 | 124,557 | 125,017 | 112,019 | 102,530 | 95,429 |
| People convicted for offences                    | 92,161  | 97,491  | 98,512  | 90,717  | 83,941  | 77,906 |
| % of prosecutions leading to convictions         | 77.9%   | 78.3%   | 78.8%   | 81.0%   | 81.9%   | 81.6%  |
| People diverted or discharged without conviction | 13,841  | 14,674  | 14,568  | 10,619  | 8,696   | 7,762  |
| % of proven cases leading to discharge/diversion | 13.3%   | 13.4%   | 13.2%   | 10.5%   | 9.3%    | 8.9%   |
| Imprisonment sentences                           | 8,176   | 8,655   | 9,102   | 8,709   | 7,919   | 7,572  |
| % of convictions leading to imprisonment         | 8.9%    | 8.9%    | 9.2%    | 9.6%    | 9.4%    | 9.7%   |

The trends in prisoner numbers is reported in [Figure 8](#) and imprisonment rates in [Figure 9](#). The prison muster for the June 2013 year averaged 8,704 prisoners, of which 6,879 were sentenced prisoners and 1,825 were on remand. The proportion of the prison population held on remand has been falling since 2008, and during 2013 averaged just under 21% of the prison population.

The average number of Māori prisoners incarcerated in the year to 30 June 2013 was 4,402, or 50.6% of the prison population. This number is virtually unchanged from 2012. The average Pacific Island prison population during the June 2013 year was 1,016. This was a new record and represents 11.6% of the prisoner muster. Consistently, around 6% of the prison population are women and this remained unchanged during 2013.

The stable prison population has meant there has also been very little change in imprisonment rates. The overall imprisonment rate during 2013 was 195 prisoners per 100,000 population. This is almost unchanged from the year previously, and slightly higher than the rate of 185 during the year to 30 June 2008. Māori imprisonment rates remain around 3.3 times that of the total population and 5.7 times that for non-Māori, and these ratios have remained unchanged for the past five years as well. The Māori imprisonment rate averaged 645 prisoners per 100,000 of population for the year to 30 June 2013, compared with a rate of 649 in 2012 and 605 in 2008.

**Figure 8: Average prison population 2008–2013** <sup>28</sup>

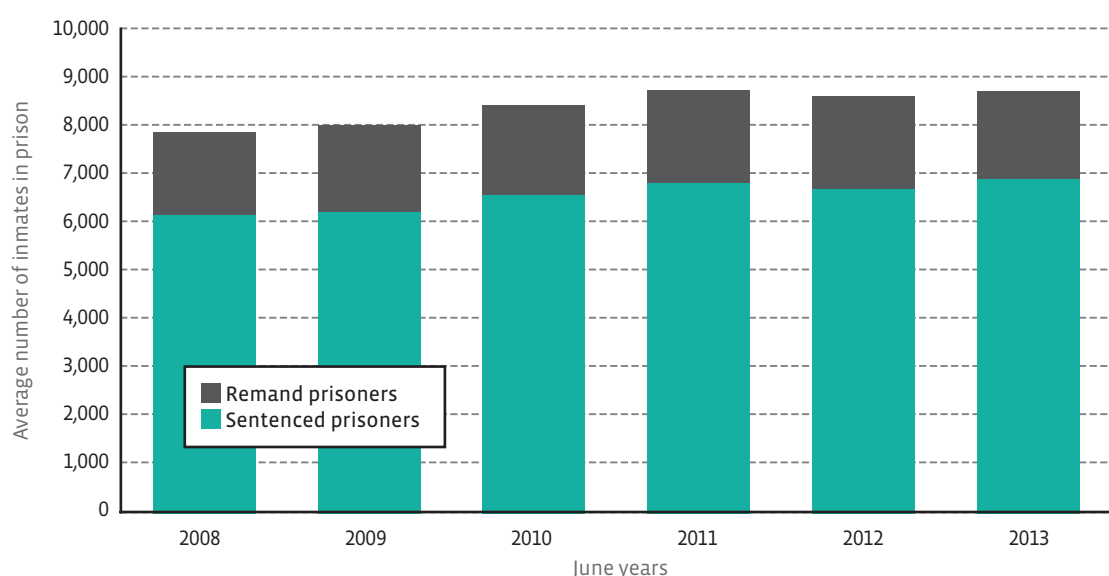
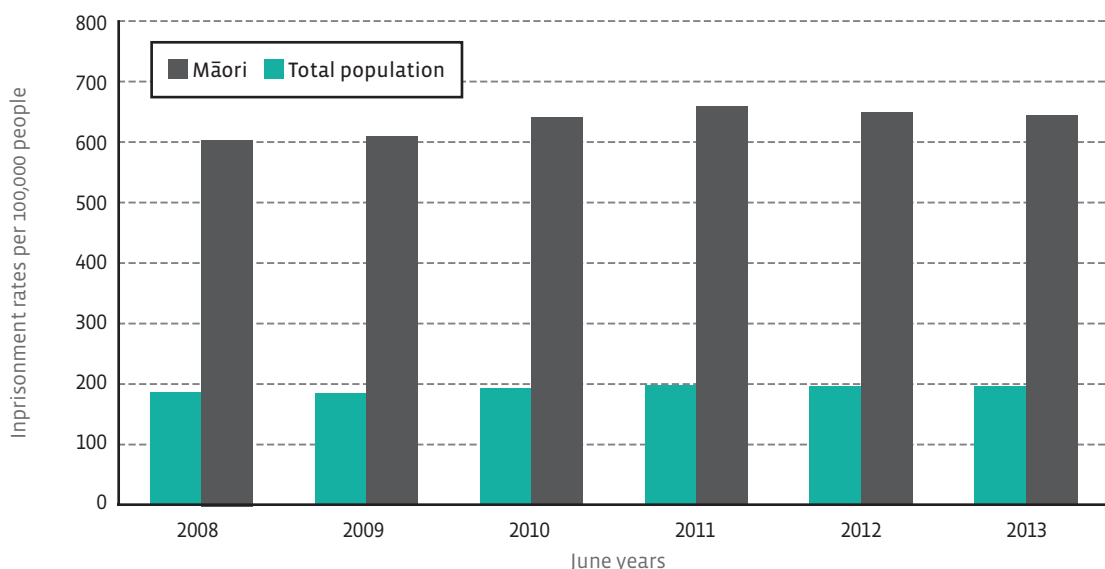


Figure 9: Imprisonment rates 2008–13<sup>29</sup>



## RECIDIVISM

### Continued but very modest gains in reducing recidivism rates

Changes in the rates of re-conviction and re-imprisonment for released prisoners remain mixed. Gains through reducing recidivism rates have been very modest, as shown in [Table 11](#). This table compares various recidivism measures for the total prisoner population and for Māori prisoners between 2008 and 2013. While the changes are small and mixed, it does appear that Māori recidivism rates have not improved as consistently as those for non-Māori prisoners, which is disappointing. The Department of Corrections reports various other background measures of reoffending in its recent Annual Report and these show encouraging signs of improvement.<sup>30</sup> At some point, there will need to be more consistent and larger improvement in the headline indicators reported in [Table 11](#) for these efforts to remain credible.

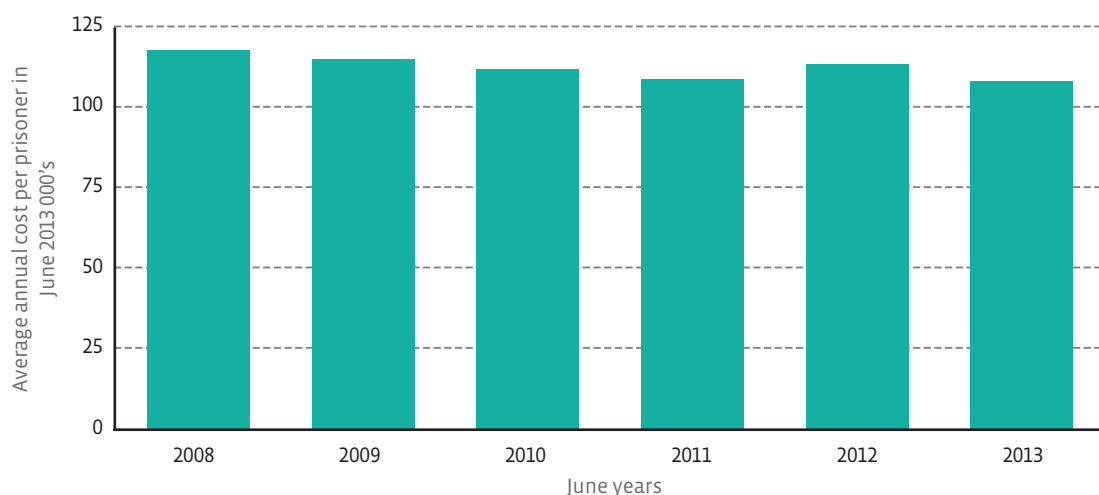
In its 2011 Budget, the Government made a greater commitment to spending on rehabilitation and reintegration services, with an 18% increase in spending on these services between 2010/11 and 2011/12. This increase is reported in [Table 11](#). What is disappointing is that the actual spend declined during the year to 30 June 2013, mainly on account of an unbudgeted surplus of \$9 million.<sup>31</sup> This spending cut meant that the per prisoner spend on rehabilitation and reintegration services declined by 9% in inflation adjusted terms between 2012 and 2013 to \$21,213.



**Table 11: Prisoner recidivism and spending on rehabilitation and reintegration services**

| June years   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|--|--------|--------|--------|--------|--------|--------|
| <b>TOTAL PRISON POPULATION</b>                               |        |        |        |        |        |        |
| 12 month re-imprisonment rate                                | 27.2%  | 27.6%  | 28.4%  | 27.1%  | 27.0%  | 26.7%  |
| 12 month prison to reconviction                              | 43.5%  | 47.6%  | 47.5%  | 45.3%  | 43.3%  | 44.2%  |
| 24 month re-imprisonment rate                                | 39.7%  | 36.8%  | 37.9%  | 39.2%  | 37.0%  | 37.3%  |
| 24 month prison to reconviction                              | 57.6%  | 58.7%  | 61.9%  | 62.2%  | 59.9%  | 58.8%  |
| <b>MĀORI PRISON POPULATION</b>                               |        |        |        |        |        |        |
| 12 month re-imprisonment rate                                | 30.5%  | 31.0%  | 32.6%  | 29.7%  | 30.4%  | 30.1%  |
| 12 month prison to reconviction                              | 47.9%  | 52.3%  | 52.2%  | 50.0%  | 47.3%  | 48.4%  |
| 24 month re-imprisonment rate                                | 42.1%  | 41.5%  | 43.3%  | 44.0%  | 40.8%  | 41.8%  |
| 24 month prison to reconviction                              | 62.4%  | 64.4%  | 68.2%  | 67.3%  | 65.6%  | 63.5%  |
| <b>SPENDING ON REHABILITATION AND REINTEGRATION SERVICES</b> |        |        |        |        |        |        |
| Total spend—June 2013 \$s (millions)                         | 113.4  | 117.5  | 131.1  | 132.5  | 154.6  | 145.9  |
| Spend per sentenced prisoner—June 2013 \$s                   | 18,458 | 18,874 | 19,900 | 19,429 | 23,102 | 21,213 |

**Figure 10: Average custodial cost per prisoner 2008–2013 <sup>32</sup>**



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### **Small drop in average prisoner costs**

The Department of Corrections' drive for great cost efficiency has shown some progress, with a 5% real drop in the average per prisoner cost of custodial services, to \$108,000 per prisoner per year. This figure is 8% lower than the cost of \$117,300 (in inflation adjusted terms) during the June 2008 year. These cost trends are reported in [Figure 10](#).

## ASSESSMENT: CRIME & PUNISHMENT

| OVERALL CRIME   | RESULT    |
|---|-----------|
| <p>The good news is that the gains from 2011/12 in terms of falling offending rates have once again been consolidated during 2012/13, with further falls. Rates of recorded offending have reached a 24-year low, which is worth celebrating. Without supporting evidence from research such as an updated crime and safety survey, recorded crime statistics offer us only one perspective of offending and victimisation within our communities. The public needs some assurances that these declines are real, as perceptions suggest that crime levels have changed very little.<sup>33</sup></p>   | <b>B+</b> |
| SERIOUS CRIME   |           |
| <p>The continuing lack of any meaningful reduction in rates and numbers of violent offences is wearing thin. This is especially so with violence in the home. A possible drop in alcohol related harm is encouraging, but we should be seeing a commensurate decline in violence, and we are not. While this is a whole-of-society challenge, more effort could be expended by the Government in influencing the background causes of this violence.</p>  | <b>C-</b> |
| SENTENCING AND IMPRISONMENT   |           |
| <p>As the crime rate continues to fall, the country's prison population remains at record numbers, which is a fairly dismal outcome. This trend may be due to the changing nature of crime—but there remains the possibility that our criminal justice is becoming more punitive simply because it has the capacity to incarcerate a certain number of people.</p>  | <b>C-</b> |
| RECIDIVISM  |           |
| <p>The good news here is that reducing reoffending by former prisoners and those finishing community sentences is the best circuit breaker we have for reducing rates of offending and victimisation. Government and its agencies appear committed to using this lever and have made credible resource allocations for this. Progress to date has been very limited, although there are encouraging signs outside the indicators reported here. While prisons are a necessary requirement, they are not the source or site of many prisoners' redemption, and greater attention needs to be given to out-of-prison programmes if we are to meaningfully reduce reoffending and further victimisation.</p> | <b>C</b>  |

**KEY**    **A:** Excellent progress    **B:** Encouraging progress    **C:** Limited or modest progress  
**D:** No progress or going backwards    **F:** Failing



Sole parent Misty Leong, who found a job at the Devonport New World supermarket with the support of a WINZ-funded programme run by In-Work NZ, the country's biggest private contractor of welfare-to-work programmes.

New Zealand Herald, 26 September 2013. Photography: Greg Bowker / New Zealand Herald

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## WORK & INCOMES

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The New Zealand economy moved into recovery in the middle of 2010 and since then we have experienced cumulative growth in GDP of over 8%. Until recently, this recovery has been a jobless recovery, and even now there are only 3.7% more jobs than they were prior to the GFC. With this recovery have come some reductions in unemployment and modest signs of real income growth for many workers. Young Māori and Pacific Islanders still seem to remain marginalised from this recovery as we have yet to see a noticeable improvement in their employment rates.

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### EMPLOYMENT AND UNEMPLOYMENT

#### **Recent strong job growth begins to soak up unemployment**

Job growth over the past five years has been fairly lacklustre, although recent job figures are indicating that a recovery may be underway.

The Household Labour Survey estimates that the New Zealand economy provided a record 2.31 million jobs in December 2013, of which 518,000 or 22.3% were part time. The job count is just 3.7% higher than at the end of 2008, but is nearly 5% more than at the same time in 2012—illustrating just how stagnant the economy has been in job terms. The trend in total job numbers for the period 2008 to 2013 is provided in [Figure 11](#).

#### **Youth employment remains in the doldrums**

Despite this recovery in job numbers, the employment position of younger workers remains poor although it has improved recently. At December 2013, there were 110,300 15 to 19 year olds in employment and a further 34,500 officially unemployed, which represents an official unemployment rate of 24%. This situation is an improvement on the position a year earlier, when there were 92,900 15 to 19 year olds in work and 41,500 unemployed, with an unemployment rate of almost 31%. The story not told here is of the young people not in the workforce and not in employment education or training (NEET).

At December 2008, nearly 150,000 15 to 19 year olds were in employment, 32,500 were said to be unemployed and 139,000 were not engaged in the workforce. By the end of 2013, the number of 15 to 19 year olds not in the workforce had risen to 157,000 people, an increase of 18,000. Given the much higher participation rate in 2008, it would be reasonable to assume that most of these additional 18,000 young people would prefer to be working than in training or education but have dropped out of the workforce because their employment prospects are so poor.

This discouragement is, of course, a form of disguised unemployment as these people do not count in assessments of the numbers of 15 to 19 year olds that are unemployed. If the participation rate of 15 to 19 year olds in 2008 was applied to the present employment picture, the unemployment rate among this age group would be almost 32%.

### **Employment of over 65s remains buoyant**

At the other end of the age range, the employment position of workers aged over 65 has perhaps never looked better. Employment among the over 65 population has grown by 40% since 2008 and by 14% during 2013. The employment rate of the over 65 population has risen from around 15% during 2008 to over 21% in 2013. The recent employment experiences of 15 to 19 year olds and of over 65s are compared in [Figure 12](#).

### **Continuing decline in unemployment rates**

This recent job growth is responsible for a fall in the official unemployment from 7.2% in December 2012 to 5.9% in December 2013, although in December 2008 this rate was just 5.3%.

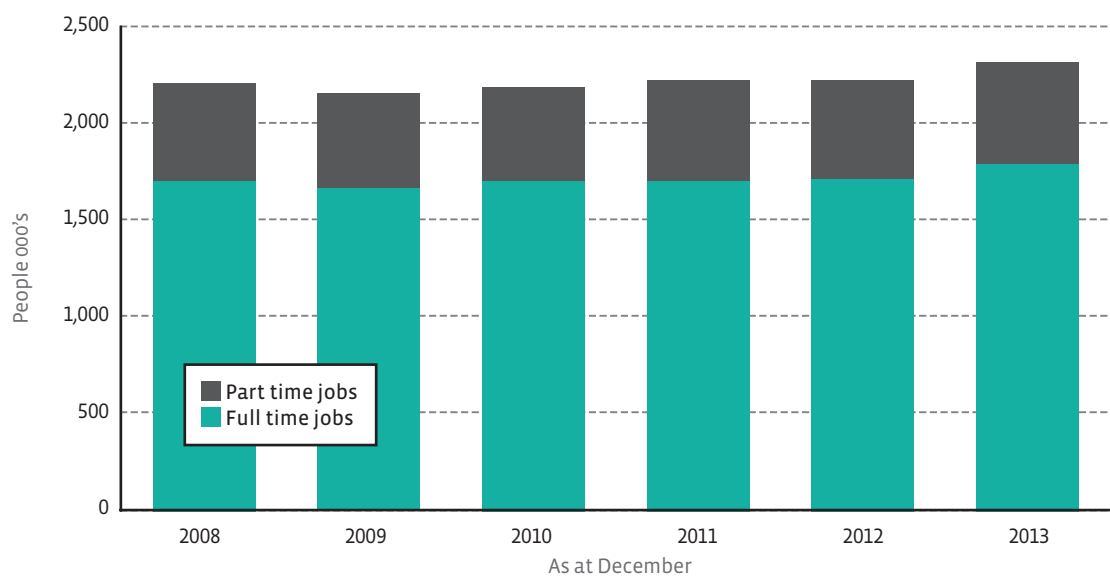
The number of people counted as unemployed or jobless is shown in [Figure 12](#). These three measures show an overall increase of 25–40% over the past five years in the numbers of people out of work, although there has been a consistent decline over the past year of 8–12%.

The number of people officially unemployed declined by almost 9% from 160,000 people at December 2012 to 145,500 people a year later. The number of people estimated to be jobless—that is, out of work and able and willing to take a job if one was available—has increased from 204,000 at the end of 2008 to 257,000 at the end of 2013. This figure peaked at 295,000 people in the third quarter of 2012. This recovery, with a decline of 13% in 15 months, is encouraging. The number of people receiving a work tested benefit (now known as a Job Seeker payment) grew from 102,800 at the end of 2008 to 150,800 people in the third quarter of 2010, and gradually fell to 130,200 at the end of 2013. The number of people receiving this payment declined by 6% during 2013. As discussed in a supplementary section to this report, the causes of this decline remain unclear.

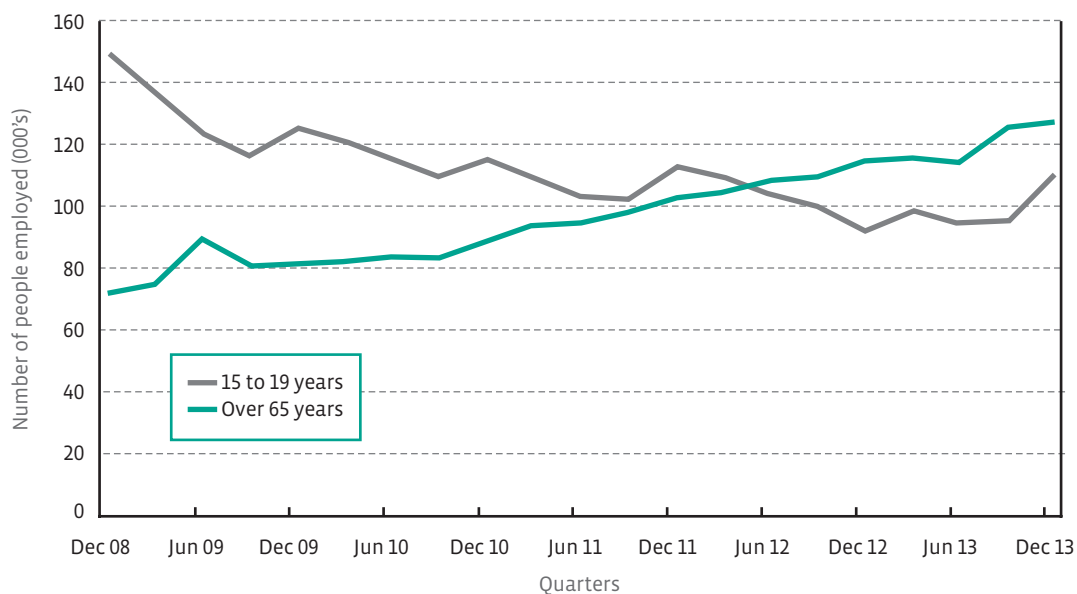
At December 2013, and against an overall unemployment rate of 5.9%, the unemployment amongst European-Pākehā was 4.6%, compared with a rate of 5.5% at the end of 2012. The unemployment rate among Pacific Island people moved during 2013, from a rate of 16.0% at December 2012 to 13.9% a year later. Māori unemployment fell from 14.8% at the end of 2012 to 12.8% at the end of 2013.

The official unemployment rate for females remained at just over one per cent higher than for males. At December 2012, the male unemployment rate was 6.3% and the female rate was 7.3%. By the end of 2013, these rates had fallen to 5.3% and 6.6% respectively.

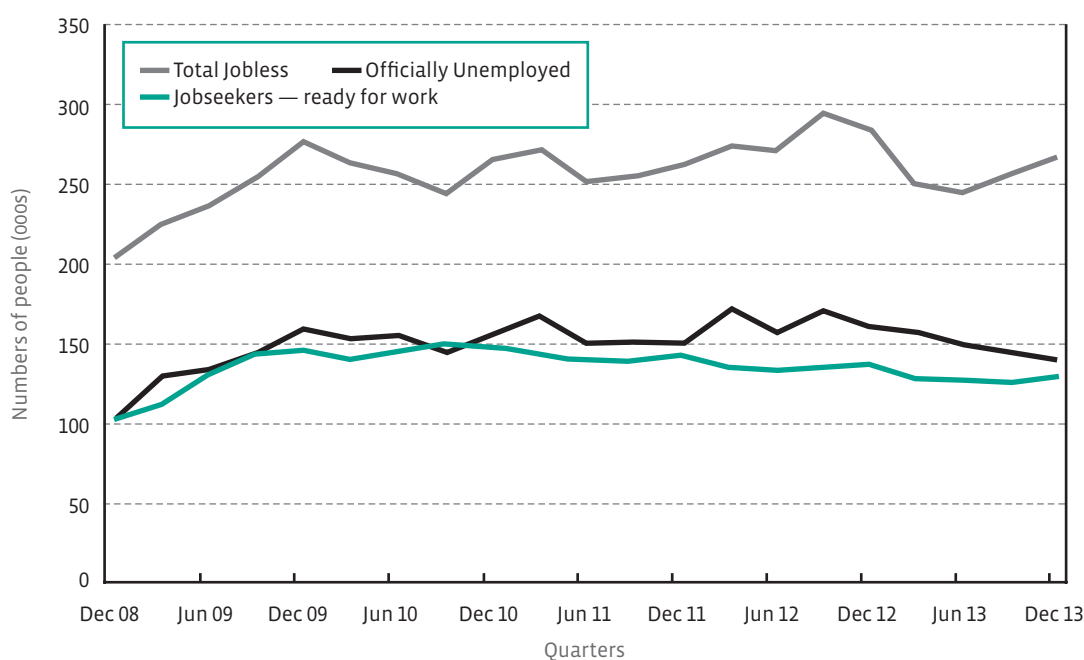
**Figure 11: Total employment in New Zealand 2008–2013** <sup>34</sup>



**Figure 12: Employment of 15 to 19 year-olds and over 65 year-olds 2008–2013** <sup>35</sup>



**Figure 13: Measures of unemployment 2008–2013** <sup>36</sup>



## INCOMES

### Very modest real growth in average income

Consistent with the picture of a slow but gradual recovery, the value of wages and salaries in inflation adjusted terms rose during 2013 by a modest 1.3%. At the end of December 2013, the average weekly income earned by wage and salary earners was \$920, which was 3.1% higher in nominal terms and 1.3% higher in real terms than the average a year earlier. Over the five years between 2008 and 2013, real wages—as measured by the average earnings of wage and salary earners—rose 4.7%. This trend is shown on [Figure 14](#).

### Income inequality remains unchanged

Income inequality appears to have changed very little during 2013. The gap between the wages typically earned by workers in the poorest paid sector (accommodation and food services) and the highest paid sector (banking and insurance sector) remained unchanged between 2012 and 2013. In December 2008, a worker in the banking and insurance sector received an average ordinary time hourly income of \$33.67—this was 2.16 times the average hourly wage of an accommodation food sector worker, who at that time received \$15.59 per hour. By the end of 2012, this ratio had widened to 2.30 times. It narrowed marginally



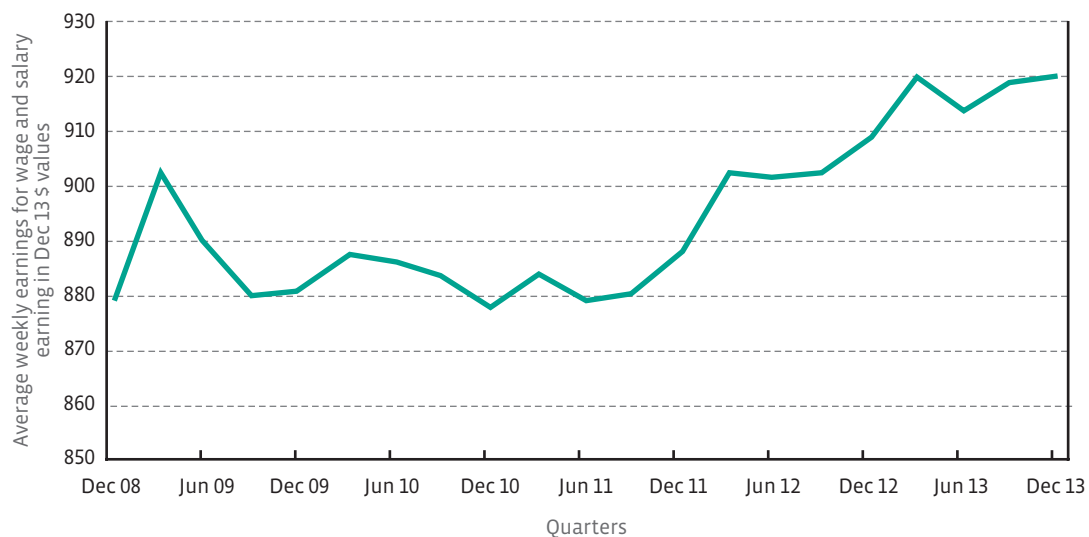
to 2.29 times by the end of 2013, when a banking insurance sector worker earned \$39.86 per hour while an accommodation sector worker earned \$17.41.

Similarly, the gap between male and female earnings grew between 2008 and 2012 and was maintained during 2013. At December 2008, the average hourly ordinary time wage for females was \$22.71 per hour, 87.8% of that of males, which stood at \$25.85 per hour. By December 2012, the female average hourly wage had fallen to 86.6% of the male wage and more or less remained there during 2013. At December 2013, the average female ordinary time hourly wage was \$25.92 per hour, while that for males had risen to \$29.85.

### More workers are earning the minimum wage

Consistent with this picture of slight increases in income inequality, more low paid workers hit the minimum wage as it was reviewed upward from \$13.50 to \$13.75 per hour in early 2013. At the time of the review, it was estimated that 91,500 workers would be earning the then proposed minimum wage of \$13.75. A year previously, when the minimum wage was moved from \$13.00 to \$13.50 per hour, it was estimated that approximately 89,400 workers would earn at this new minimum.<sup>37</sup> In 2008, when the minimum wage was moved from \$11.25 to \$12.00 per hour, an estimated 71,200 workers were likely to be working at this new minimum. While these numbers are only estimates and are similar in terms of their share of the total workforce, they do indicate that a significant and perhaps increasing number of workers are relying on minimum wage legislation to lift

**Figure 14: Real average weekly wages 2008–2013**<sup>38</sup>



their incomes. At the same time, market pressures are lifting the incomes of many better paid employees. This trend points to the importance of continuing regular reviews of minimum wages as has occurred over the past 10 years.

## BENEFITS & PENSIONS

### Working age benefit numbers fall while NZ Superannuation continues to grow

Unsurprisingly, the number of people claiming New Zealand Superannuation continued to rise during 2013, while the numbers of working age people receiving a benefit fell on the back of improving job numbers. At the end of 2013, 321,869 people were in receipt of a working age benefit—this is 5% fewer than at the end of 2012 and 12% more than the 286,176 recipients at the end of 2008. Over the same period, the number of people receiving New Zealand Superannuation or Veterans Pension rose from 532,583 at the end of 2008 to 621,492 at the end of 2012. There were 648,659 recipients by the finish of 2013, representing an increase of 22% increase in five years. These trends are illustrated in [Figure 15](#).

### Spending in income support rises 18% in five years

Spending on the Government's main income support programmes has also followed these trends in benefit and superannuation take up, as reported on [Table 12](#). Between 2008 and 2013, the total spending on these programmes increased from \$16.5 billion to \$19.4 billion, and is budgeted to be \$20.1 billion for the 2013/14 fiscal year. Spending growth between 2008 and 2013 was almost 18% in inflation adjusted terms. As a share of Government expenditure, spending on income support programmes rose from 26.2% of core Crown expenses in 2008 to 27.6% in 2013, and to an expected 27.8% for the 2013/14 fiscal year.

**Table 12: Expenditure on major income support programmes 2008–2014 (\$millions) <sup>40</sup>**

| June years                    | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014 Budgeted |
|-------------------------------|--------|--------|--------|--------|--------|--------|---------------|
| New Zealand Superannuation    | 7,348  | 7,744  | 8,290  | 8,830  | 9,584  | 10,235 | 10,894        |
| Accommodation Supplement      | 891    | 989    | 1,154  | 1,197  | 1,195  | 1,187  | 1,191         |
| Income Related Rents          | 474    | 512    | 522    | 564    | 596    | 637    | 662           |
| Main Working Age Benefits     | 3,734  | 3,989  | 4,636  | 4,749  | 4,794  | 4,773  | 4,859         |
| Working for Families          | 2,460  | 2,646  | 2,763  | 2,724  | 2,649  | 2,602  | 2,550         |
| TOTAL (\$ millions—nominal)   | 14,907 | 15,880 | 17,365 | 18,064 | 18,818 | 19,433 | 20,157        |
| TOTAL (\$ millions—June 2013) | 16,523 | 17,276 | 18,582 | 18,361 | 18,947 | 19,433 | 20,157        |

New Zealand Superannuation is responsible for over 70% of this spending increase over the five years between the 2007/08 and 2012/13 fiscal years—a real increase of nearly 26% against a 10% real increase for all the other main income support programmes.

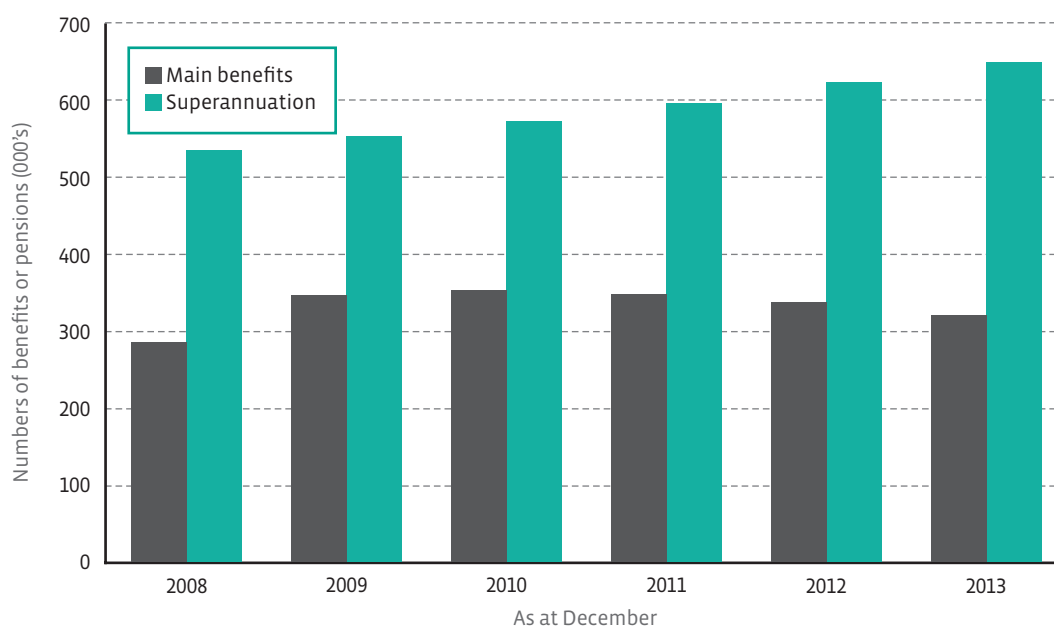
Of some note in the figures provided in [Table 12](#) is the continuing decline in spending on Working for Families. In real terms, this budget will decline by a budgeted 15% between 2009/2010 and 2013/14.

## LIVING COSTS & FOOD POVERTY

### Small increase in food bank demand

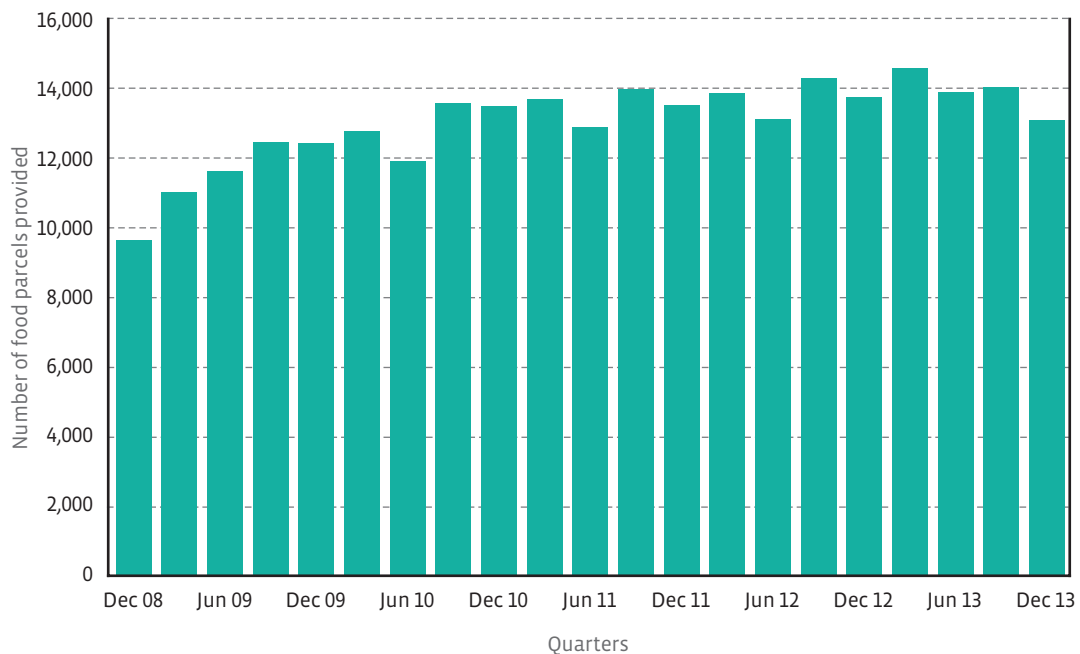
The Salvation Army operates New Zealand’s most extensive network of food banks through its 52 Community Ministry offices located from Kaitiāia to Invercargill. Through this network, the Army distributed a record 56,052 food parcels to 23,500 families during 2013. This food parcel figure is 1.4% higher than the 2012 figure of 55,230 parcels. The number of families assisted is down slightly from the 28,800 helped during 2012. Demand for food assistance through food banks has plateaued, although it remains two thirds higher than five years ago. During 2008, 33,694 food parcels were given out to 19,300 families.

**Figure 15: Welfare benefit and retirement pension numbers 2008–2013** <sup>39</sup>



Of the 52 centres offering food parcels, by far the busiest is in South Auckland, which distributed 8,638 parcels to 3,600 families during 2013. This was 4% more than during 2012, when 8,274 parcels were provided to almost the same number of families. The quarterly trend of food parcel distribution for the past five years is shown in [Figure 16](#).

**Figure 16: Food parcel distribution by The Salvation Army 2008–2013 <sup>41</sup>**

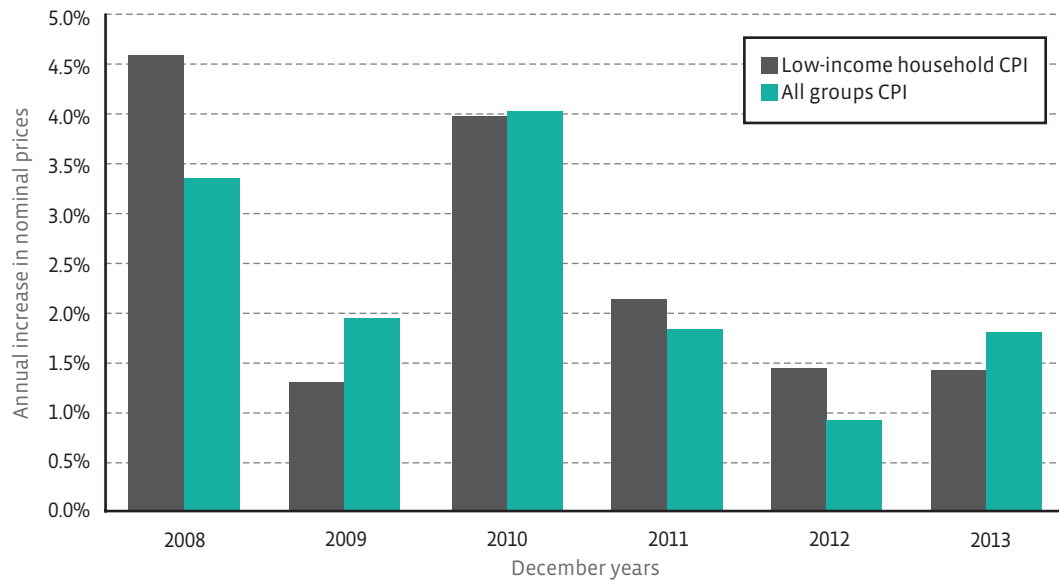


### Low income household living costs keep track with CPI

The Salvation Army’s Social Policy and Parliamentary Unit has developed a simple alternative cost of living indicator for low income households: the low income household living index. This index is a reworking of the consumer price index (CPI), with different weightings for the various sub-groups in the CPI to account for the different spending priorities of a typical low income household. The purpose of this alternative index is to monitor the extent to which changes in the living costs of low income households are accurately reflected in the CPI.

To date, there has been little variation between the two indices as shown in [Figure 17](#). As illustrated in [Figure 17](#), the low income household living index grew by 1.4% during 2013, compared to a 1.8% increase for the CPI. Over the past five years, the low income household index has increased by 10.7%, compared to 11.0% for the CPI. This longer term difference is not seen as material at this stage.

**Figure 17: Low income household living cost index 2008–2013** <sup>42</sup>





## ASSESSMENT: WORK & INCOMES

| EMPLOYMENT AND UNEMPLOYMENT  | RESULT           |
|--|------------------|
| <p>After almost five years of minimal job growth, any growth seems wonderful—and we risk becoming unreasonably euphoric over the modest expansion of employment that the economy has delivered recently. We are yet to see the benefits of this growth trickle down to the most vulnerable people in the form of jobs and higher incomes, so there is still some way to go before we can become enthusiastic about progress. An encouraging start.</p>   | <p><b>C+</b></p> |
| WAGES AND INCOMES  |                  |
| <p>In the context of the global economy, the very modest real growth in wages and salaries is welcome news. The importance of minimum wage legislation to lift the incomes of the poorest paid workers is solidly confirmed by the evidence available and it would be good see future reviews as an opportunity to close what appears to be growing income inequalities within the labour market.</p>  | <p><b>C+</b></p> |
| BENEFITS AND PENSIONS  |                  |
| <p>Over the past decade, the uptake of working age benefits has for some inexplicable reason waned. While unemployment is higher by 50,000 people, the numbers of people receiving a benefit has declined by 25,000 on a decade ago.</p>   | <p><b>C</b></p>  |
| LIVING COSTS AND FOOD POVERTY  |                  |
| <p>Given the recent growth in the number of jobs available and the gradual decline in levels of unemployment, we should have seen a tapering off in demand for food parcels from food banks. We have not seen this. Such demand has remained virtually unchanged since 2010, which suggests that many households are still struggling to pay bills and feed their family despite the economy recovery. Overall living costs of low income households appear to be moving in line with general inflation.</p> | <p><b>C-</b></p> |





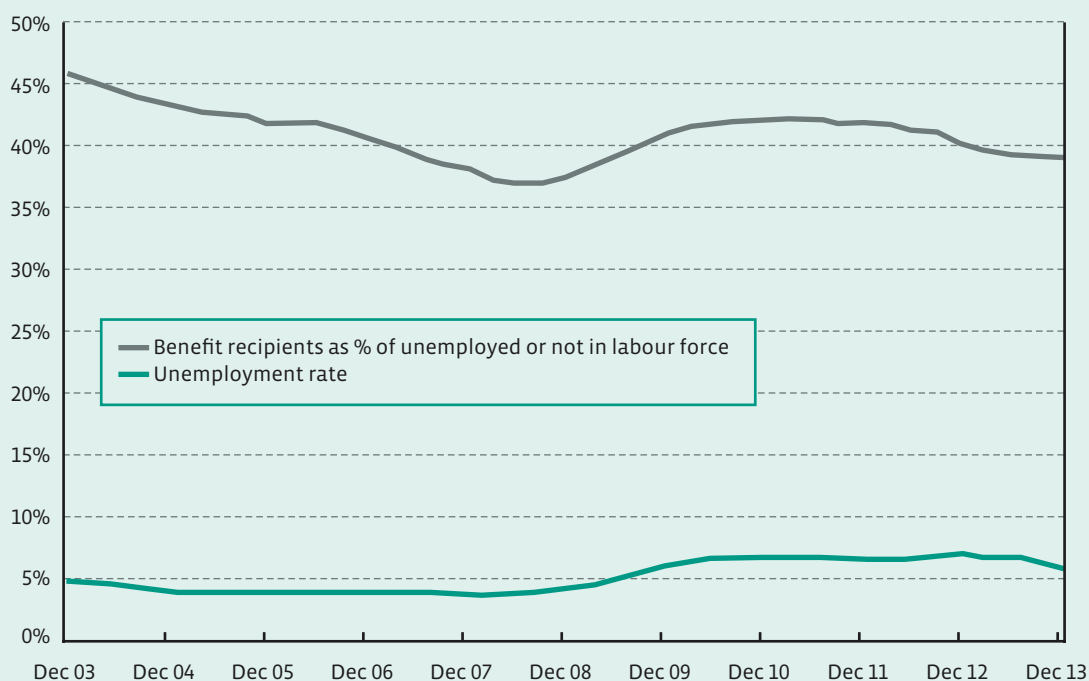
## DISCUSSION PAPER: WORK & WELFARE

Recent declines in the number of people receiving a working age benefit have focused attention on the impacts of the Government's welfare reforms. During 2013, the number of people receiving a benefit fell 5%, from 339,000 recipients in December 2012 to 322,000 recipients in December 2013. This trend follows a previous 3% decline, from 351,000 recipients in December 2011. At the end of 2013, benefit numbers were the lowest in five years.

But what is the reason for this drop in benefit numbers? Is it due to an improving economy and job market, or to changing welfare rules and more extensive work tests that make it harder to receive a benefit? From the evidence available, both sets of influences may be at work.

The rate that welfare benefits are taken up by those not in the workforce appears to vary with the economic cycle, although present rates of uptake are perhaps lower than could be expected given the phase of this cycle the New Zealand economy is presently in. This cyclical trend is illustrated in [Figure A](#), which compares the benefit uptake rate and the official unemployment rate over the past 10 years. In this case, the benefit uptake rate is measured as the proportion of working age people (15–64 year olds) either unemployed or not in the labour force that received a working age benefit. The data sets

**Figure A: Benefit uptake and unemployment rates 2003–2013** <sup>43</sup>  
Rolling annual averages

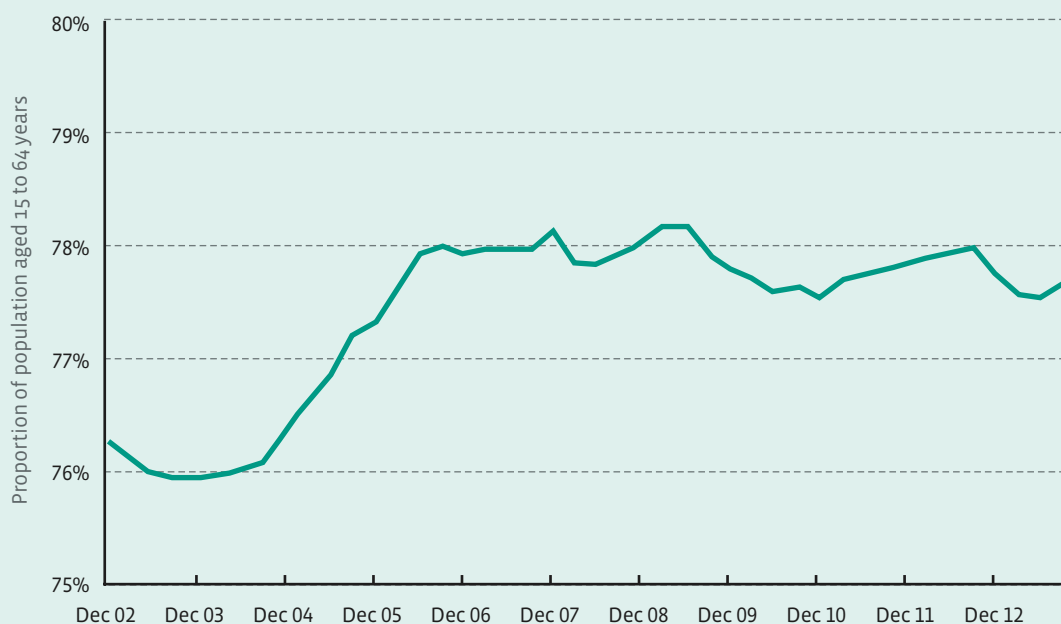


reported here and elsewhere in this report are rolling annual averages. The data presented in [Figure A](#) shows that the average benefit uptake rate across the four quarters of 2004 was 43.3%, while the average unemployment rate was 4.1%. In 2013, the average benefit take up rate had fallen to 39.0%, while the average unemployment rate had risen to 6.2%.

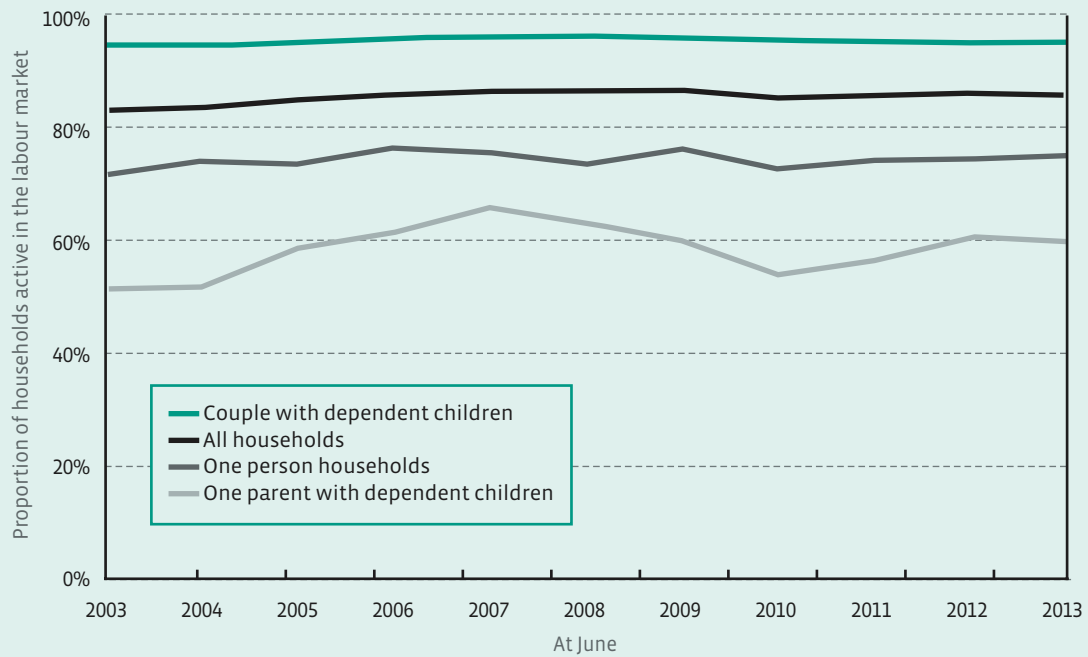
Some of this apparent anomaly of falling benefit uptake rates alongside higher unemployment can perhaps be explained by changing labour market participation rates over the past 10 years. These rates are reported graphically in [Figure B](#) and show a sharp increase in participation between 2003 and 2005 as the economy and job market grew strongly.<sup>44</sup> Effectively, at the same time that employment started to grow, more people entered the workforce in search of these jobs. This was the reason for the unemployment rate remaining constant from 2004 until 2008. As indicated in [Figure B](#), the labour market participation rate has remained fairly stable since 2005 at just under 78% of the population aged 15 to 64. This rate is comparatively high by OECD standards.<sup>45</sup>

Growth in labour market participation did not occur evenly, as indicated in [Figure C](#), which plots participation rates for various types of households over the past 10 years. Participation rates for most types of household rose gradually from 2003 until 2007, and have more or less remained at 2007 levels since.

**Figure B: Labour market participation rate 2003–2013** <sup>46</sup>  
Rolling annual averages

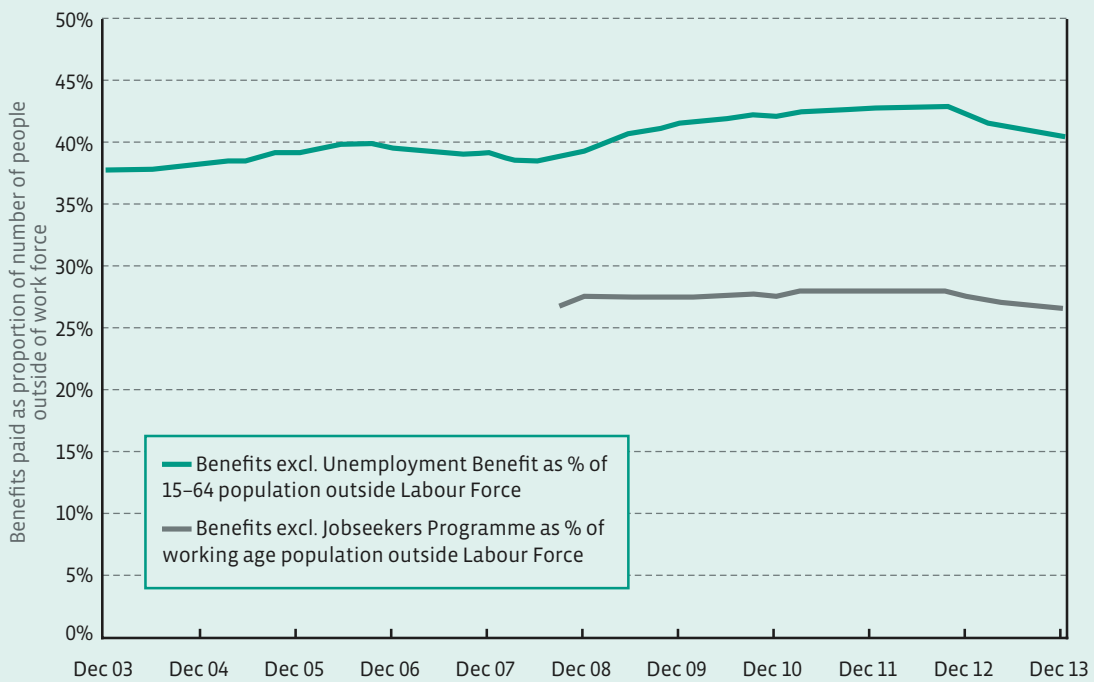


**Figure C: Household labour market participation 2003–2013** <sup>49</sup>



**Figure D: Non-work related benefits as proportion of population not in work force 2003–2013** <sup>50</sup>

Rolling annual averages



The exception is the experience of single parent households with dependent children, which saw a rapid increase in participation between 2004 and 2007, and an equally rapid decline following the GFC in 2008. This rise and fall is mirrored in number of Domestic Purposes benefits paid out during this period.<sup>47</sup> The labour market participation rate for single parent households appears to have recovered recently, which may account for some of the falls in benefit numbers.

The benefit uptake rates reported in [Figure A](#) are a composite of the former unemployment, domestic purposes, sickness and invalid benefits, incorporating people that are either unemployed and available for work, or out of work and not able to work for reasons of sickness, disability or caring for others.

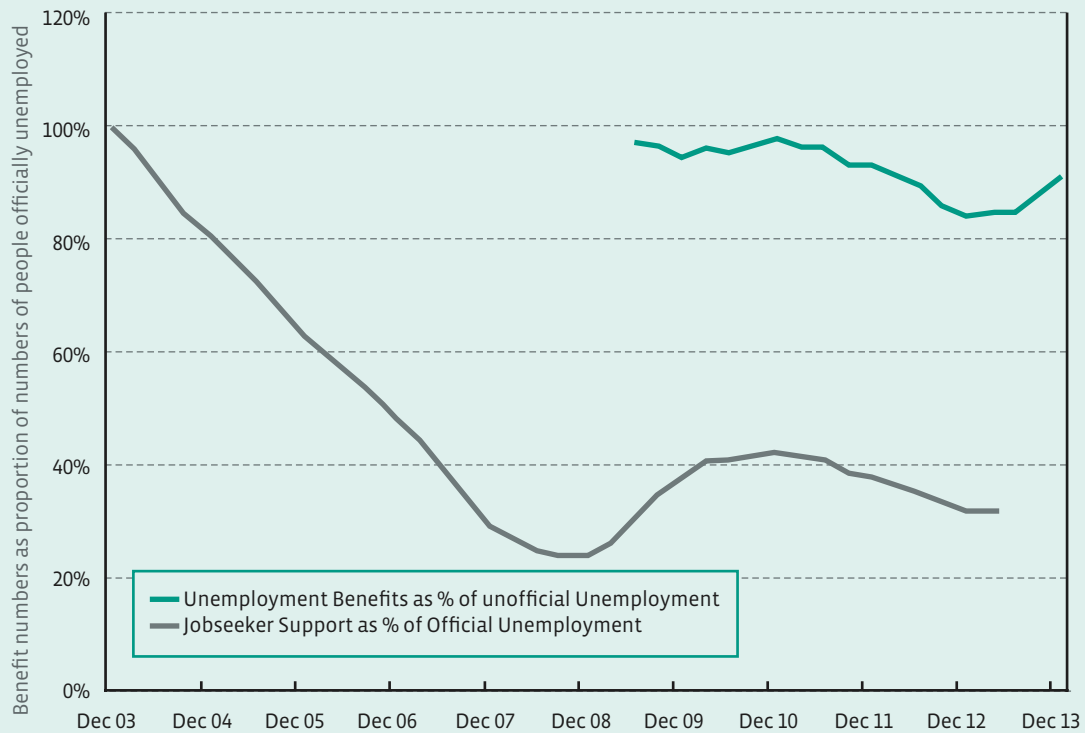
A more thorough analysis of benefit trends that separates out those unemployed from those not in the labour market is presented in [Figures D and E](#). [Figure D](#) considers the 10 year trend in uptake of non-work related benefits, as with the former domestic purposes, sickness and invalids benefits and the current solo parent and supported living payments. This figure compares benefit numbers and the number of working age people estimated to be outside of the work force. [Figure D](#) indicates proportion has changed very little over the past 10 years, and that there is little indication of recent changes in the uptake or availability of non-work related benefits as a result of the Government's welfare reforms.

[Figure E](#) shows the relationship between the payment of unemployment-related benefits and official unemployment figures for the 10 years until December 2013. Unemployment-related benefits include the former unemployment benefit and the recently introduced jobseekers support payment (which includes some parts of the former domestic purposes and sickness benefits as well as the unemployment benefit). The percentages reported in [Figure E](#) are the number of benefits paid out as a proportion of the number of people aged between 15 and 64 that are defined as being officially unemployed in the Household Labour Force Survey.

The trends presented in [Figure E](#) and the data behind them offer a puzzling picture. This data shows clearly that rates of take up of or entitlement to unemployment related benefits have fallen dramatically with improving labour market opportunities as existed between 2003 and 2007. The bounce back in demand for such benefits following the GFC, from 2008 to 2010, was not however commensurate with the rise in unemployment and joblessness. The third phase of this past decade—that of the modest recovery since 2011—has seen benefit numbers fall at a much quicker pace than the decline in unemployment and joblessness. For example, between December 2011 and December 2013, official unemployment fell by just 5,400 people, while benefit numbers fell by 23,000.

For the entire decade to the end of 2013, official unemployment rose by more than 50,000 people, yet the number of working age benefits being paid out declined by nearly 25,000.<sup>48</sup> Clearly, the take up of or eligibility for benefits has changed over this period, although the largest change appears to have occurred during the growth phase 2003 to 2007 and not as a result of recent benefit reforms.

**Figure E: Work related benefits as proportion of official unemployment 2003–2013**<sup>51</sup>  
Rolling annual averages





Minister Steven Joyce and SkyCity chief executive Nigel Morrison talk to media about the deal for SkyCity to build the NZ International Convention Centre.

New Zealand Herald, 13 May 2013. Photography: Greg Bowker / New Zealand Herald

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## SOCIAL HAZARDS

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Social hazards are seen to be activities that have attached to them some risk of harm to the individual undertaking these activities and those around them: their families, friends, neighbours and their community. This risk and harm generally means that socially hazardous activities are either prohibited, as in the case of many drugs; or regulated, as in the case of gambling and the consumption of alcohol. Drugs, alcohol misuse and gambling are the three social hazards covered in this report, although other hazards such as exposure and access to unhealthy food, pornography and ruinous debt can also be seen as social hazards.

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### ALCOHOL

#### **Per capita alcohol consumption rises marginally**

Overall, New Zealanders' consumption of alcohol rose slightly between 2012 and 2013. Volumes of pure alcohol available for consumption rose 3% during 2013 from 32.7 million litres in the year to 30 September 2012, to 33.6 million litres the following year. On a per capita basis, this availability, which presumably turns into consumption, rose from 9.7 litres for every person aged over 18 in 2012, to 9.9 litres per person in 2013. The 2013 levels of availability/consumption are almost the same as those in 2008. This trend is reported in [Figure 18](#).

New Zealanders' liquor preferences continue to change, with more wine and less beer being consumed. In beverage volume terms, the amount of beer available for consumption declined 26% between 2008 and 2013, while wine consumption grew by 22%. Over the same period, the consumption of high strength spirits (above 23% alcohol by volume or ABV) grew by 22%, while that of lower strength spirits (which includes RTDs) grew by 3%.

#### **Encouraging signs of improving attitudes toward alcohol**

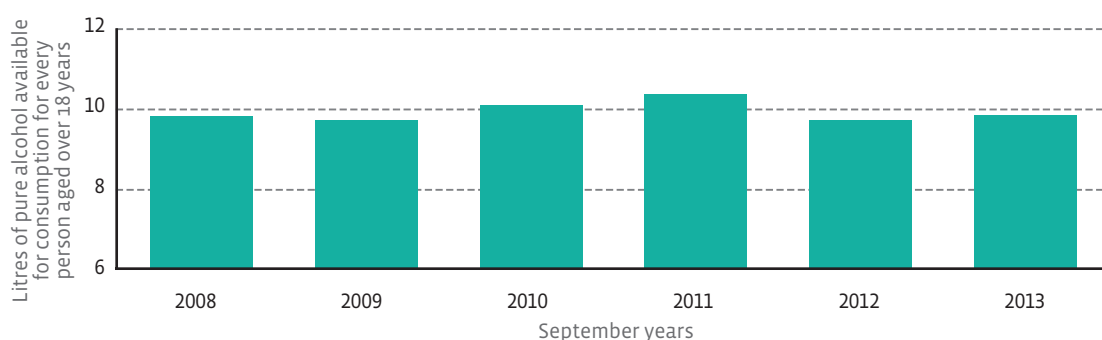
Recently released research commissioned by the Health Promotion Agency on New Zealanders' attitudes and behaviours around alcohol suggests that New Zealanders' behaviours toward alcohol and our attitudes toward alcohol abuse are improving.<sup>52</sup>

Research on drinking behaviours has suggested that the proportion of people who describe themselves as a non-drinker has increased and that those who do drink, drink less frequently and more responsibly.<sup>53</sup> Research on attitudes toward alcohol found that significantly more New Zealanders believed that New Zealand has a drinking problem and significantly fewer thought it was acceptable to get drunk at social or family occasions.<sup>54</sup>

### Falling numbers of alcohol related offences

The numbers of various alcohol related offences fell by between 10% and 23% between 2012 and 2013. Recorded offences for liquor law infringements for the June 2013 year, at 832 offences, were 23% lower than for the previous year. Liquor ban breaches declined 10%, from 10,454 during the June 2012 year to 9,575 the following year. Convictions for drink-driving offences declined 11% between 2012 and 2013, from 27,000 to 24,000. Perhaps more significantly, the proportion of drivers being tested for drink-driving that failed the test and were convicted has fallen from 1.2% in 2008 to 0.8% in 2013. These trends are reported in [Table 13](#).

**Figure 18: Per capita availability of alcohol for consumption 2008–2013** <sup>57</sup>



**Table 13: Alcohol related offences 2008–2013** <sup>58</sup>

| June years  | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>PROSECUTIONS FOR SALE OF LIQUOR ACT OFFENCES</b> |           |           |           |           |           |           |
| Sales to minors                                     | 256       | 229       | 181       | 308       | 264       | 245       |
| Consumption by minors                               | 263       | 311       | 201       | 187       | 169       | 88        |
| Intoxication related offences                       | 100       | 97        | 129       | 106       | 108       | 116       |
| All liquor related offences                         | 869       | 901       | 1086      | 1245      | 1023      | 832       |
| <b>DRINK DRIVING OFFENCES</b>                       |           |           |           |           |           |           |
| Breath tests done by Police                         | 2,327,893 | 3,162,922 | 3,261,367 | 3,265,114 | 2,864,380 | 2,903,250 |
| Prosecutions for drink driving                      | 31,524    | 33,689    | 33,394    | 30,313    | 28,624    | 25,785    |
| Convictions for drink driving                       | 28,737    | 31,288    | 31,127    | 28,472    | 27,056    | 24,010    |
| Convictions as % of tests                           | 1.2%      | 1.0%      | 1.0%      | 0.9%      | 0.9%      | 0.8%      |
| <b>INFRINGEMENTS UNDER LOCAL GOVERNMENT ACT</b>     |           |           |           |           |           |           |
| Liquor ban breaches                                 | 9,359     | 11,081    | 11,415    | 10,100    | 10,454    | 9,575     |



### **Alcohol related calls to Police remain unchanged**

Police have begun to publish data on alcohol related events that they have been involved with as part of an input into the preparation of local alcohol plans.<sup>55</sup> This data is only available for selected parts of New Zealand but covers the five year period between 2008 and 2012 and includes more than 108,000 alcohol related calls/callouts each year.

This dataset shows that there has been very little overall change in the numbers of alcohol related events across the five year period, although there has been a significant variation to the numbers of such events between communities. Auckland's experience dominates the dataset as it contributes 70% of events—around 71,000 to 74,000 annually. The number of such events in Auckland declined by 2% between 2008 and 2012, while they remained more or less unchanged in Wellington; fell by 7% in Otago-Southland; but rose by 14% in the rest of the North Island outside of Auckland and Wellington. This presents a very mixed picture from which little can be concluded. The data could be used to assess the strengths and weaknesses of local alcohol management, but to date the Police appear reluctant to share it.<sup>56</sup>

## **DRUG RELATED CRIME**

### **Recorded drug crime fall 21%**

The number of recorded drug related offences fell almost 21% between 2012 and 2013, to the lowest level since at least 1995. Given the widespread use of illicit drugs within New Zealand society, there is little reason to believe that such a dramatic fall in one year is entirely due to changing behaviours.<sup>59</sup> The best alternative explanation is that this drop reflects changing Police priorities and practice.

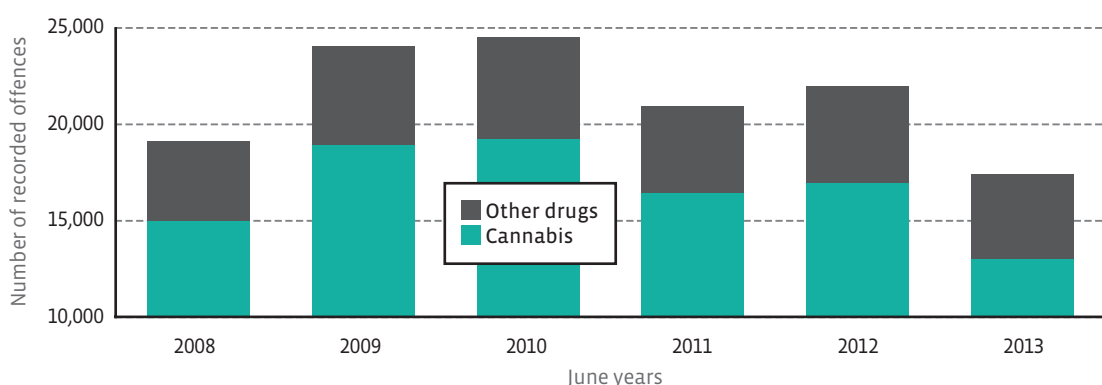
Drug offences can usefully be broken into three categories: relatively minor offences relating to the possession and use of cannabis for personal use; the more serious cannabis related offences around cultivation, manufacture and supply; and offences for non-cannabis illicit drugs.

During the June 2013 year, a total of 13,045 cannabis related drug offences were recorded, which is almost 24% less than the 17,056 offences the previous year. Of those offences in 2013, 6,212 were for more minor offences around personal possession and use. The more serious types of cannabis related offences declined almost 29% during 2013, to 6,837 recorded offences—the lowest total since 2005.

As in previous years, non-cannabis related offences continued to make up about one quarter of all recorded drug offences. Such offences totalled 4,460 during the

year to 30 June 2013, down almost 11% from the previous year and slightly more than the 4,146 offences recorded during the June 2008 year. This smaller decline in non-cannabis drug offences suggests that during 2012–13 this area of drug offending has received relatively more attention from Police.

**Figure 19: Recorded drug crime 2008–2013** <sup>60</sup>



## GAMBLING

### The decline in Class 4 gambling continues

The number of Class 4 non-casino gaming machines has been declining since 2002, and this decline continued during 2013. At 31 December 2013, there were 17,226 such machines in New Zealand’s clubs and pubs—2% fewer than the same time in 2012, and 15% less than the 19,879 machines at the end of 2008. As a ratio to population, this decline is slightly more significant. By the end of 2013, there were 50 Class 4 machines for every 10,000 population, compared with a rate of 52 per 10,000 at the end of 2012 and 62 per 10,000 in 2008. This decline is illustrated in Figure 20. At the height of the pokies boom in 2002, there were 79 machines for every 10,000 of population.

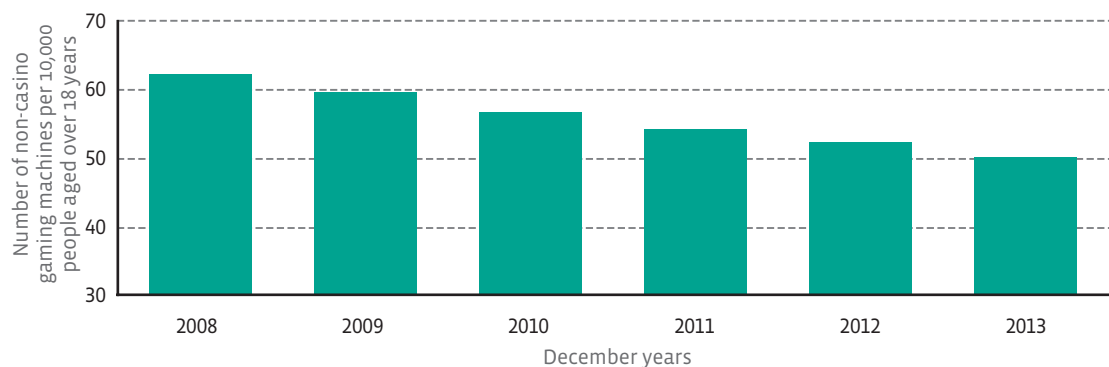
Punters’ losses in Class 4 machines also dropped during 2013, from \$845 million (in the year to 30 September 2012) to \$819 million in the September 2013 year. In inflation adjusted terms, total expenditure on Class 4 gaming machines has dropped 20% since 2008.

Some of these reductions in gaming machine numbers will be reversed by the New Zealand International Convention Centre Act, which was passed by Parliament in November 2013. This Act provides Sky City Entertainment Ltd (which operates the Auckland casino) with the rights to operate a further 230 gaming machines in addition to the 1,647 it already operates, and a further 40 gaming tables in addition to the 110 it already has. These concessions were

granted in exchange for the company constructing a \$400 million convention centre. The impact of these additional gaming machines and gaming tables on gambling losses is as yet unknown, although 230 machines represent almost 6% of the Class 4 gaming machines in Auckland.<sup>61</sup>

Department of Internal Affairs has yet to release figures on total expenditure on gambling for 2013. Estimates of these expenditures undertaken by The Salvation Army's Social Policy and Parliamentary Unit suggest that New Zealanders lost around \$2.08 billion in licensed gambling activities during the year to 30 June 2013.<sup>62</sup> This figure is just \$10 million more than in 2012, and equates to a per capita spend of around \$615 for every New Zealander aged over 18. On a per capita basis, and taking account of inflation, New Zealanders' spending on gambling has dropped by nearly 14% over the last five years. This drop is entirely due to declining spending on Class 4 gaming machines.

**Figure 20: Prevalence of non-casino gaming machines 2008–2013** <sup>63</sup>





## ASSESSMENT: SOCIAL HAZARDS

| ALCOHOL  | RESULT    |
|--|-----------|
| <p>The available evidence suggests that New Zealanders' attitude to and use of alcohol is gradually improving—with more people acknowledging the extent of New Zealand's problem with alcohol, and drinking slightly less frequently or less hazardously. The minor increase in alcohol consumption may not necessarily mean more alcohol related harm. Police data on alcohol related harm is a welcome addition to the debate around alcohol related harm, especially if it can inform decision on local liquor plans.</p> | <b>C+</b> |
| DRUG RELATED CRIME   |           |
| <p>There appears to be little or no recent evidence available to assess the extent or nature of New Zealand's illicit drug problem. The small decline in the number of drug offences most likely reflects changes in Police practice and priorities, rather than a decline in New Zealanders' use of illicit drugs.</p>  | <b>C</b>  |
| GAMBLING   |           |
| <p>The continuing decline in the availability and spending on Class 4 gaming machines is welcome news given the risk of harm which this form of gambling poses. The slow decline in these numbers appears to be the result of changing customer behaviour and more stringent regulation. This progress has been undone somewhat in Auckland, where the Sky City convention centre deal has blatantly traded off social harm for economic development.</p>  | <b>C</b>  |

**KEY**    **A:** Excellent progress    **B:** Encouraging progress    **C:** Limited or modest progress  
**D:** No progress or going backwards    **F:** Failing



A vacant state house on Melling Street, Glen Innes, as construction of new housing has begun in Glen Innes, Auckland, after state houses were sold to developers.

New Zealand Herald, 20 November 2013. Photography: Brett Phibbs / New Zealand Herald

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## HOUSING

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New Zealand's recent housing story might be labelled a 'tale of two towns': Auckland and Christchurch. Auckland's housing problems appear to be getting gradually worse as population growth continues to outstrip the supply of new housing—especially of affordable housing. The Christchurch rebuild is underway, although there remains considerable pressure in local housing markets and especially the rental market. For the rest of New Zealand, housing supply and affordability appear quite stable.

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### HOUSING AVAILABILITY

#### **Auckland's housing deficit continues to widen**

Auckland's housing deficit grew by a further 1,800 dwellings during the year to 30 September 2013. The cumulative housing deficit in the region is estimated at between 16,000-17,000 dwellings over the past five years. Over this period, Auckland has received 54% of New Zealand's population growth, yet gained only 26% of new housing consents.<sup>64</sup>

Details of population change and new house building for Auckland and New Zealand are offered in [Table 14](#) for the 2009 through to 2013 September years. This data shows a marked increase in rates of new house building in Auckland and elsewhere in New Zealand since 2011. New house building during the September 2013 year was 47% higher than in 2011, with consents growing from a meagre 13,500—the lowest annual number in 48 years to 19,733 in 2013. This recovery is a two town story though, with Auckland and Christchurch making up more than 75% of this growth.

New dwelling consents in the Canterbury region reached 5,084 in the year to 30 September 2013, up from 3,662 in 2012 and 2,420 in 2011. This growth needs to be seen in the context that prior to the earthquakes around 3,000 new dwelling consents were granted in Canterbury each year.

### HOUSING AFFORDABILITY

#### **Auckland and Christchurch rents less affordable**

Clear evidence is emerging that rents in Auckland are moving ahead of wages as the housing shortage creates increased competition amongst tenants. Rents in Christchurch are also under inflationary pressure and beginning to move ahead of income increases. Elsewhere in New Zealand, the housing market remains fairly subdued and it appears that rents continue to move in line with wage and salary increases. These trends are illustrated in [Figure 21](#), which measures rents

for a two bedroom house in terms of the hours of work required to pay them for a worker in the service sector.

The hours of work or wages required to pay the rent for a two bedroom house at the medium national rent have changed very little over the past five years and remain at around 17 hours, as seen in [Figure 22](#). In Auckland, the picture is much different, with rents appearing to rise about 10% faster than incomes. For example, rent for a two bedroom house in central Auckland moved from around 22.1 hours of wages in late 2008 to 24.8 hours in late 2013.<sup>66</sup>

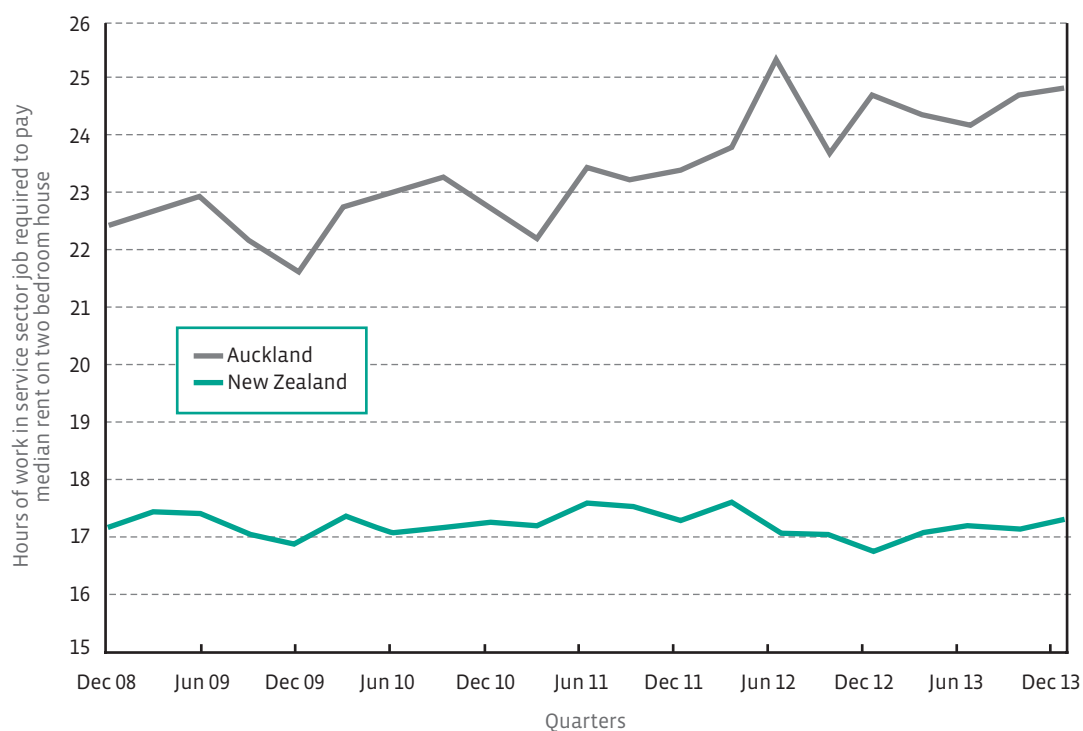
**Table 14: Population change and new house building 2008–2012**<sup>65</sup>

| Year ending September                                   | 2009   | 2010   | 2011   | 2012   | 2013   |
|---|--------|--------|--------|--------|--------|
| <b>NATURAL INCREASE</b>                                 |        |        |        |        |        |
| Auckland  | 15,384 | 15,721 | 15,448 | 14,827 | 14,655 |
| Rest of New Zealand                                     | 19,094 | 19,218 | 17,106 | 15,679 | 15,202 |
| All of New Zealand                                      | 34,478 | 34,939 | 32,554 | 30,506 | 29,857 |
| <b>NET MIGRATION</b>                                    |        |        |        |        |        |
| Auckland  | 9,796  | 8,262  | 5,968  | 4,051  | 7,680  |
| Rest of New Zealand                                     | 7,247  | 5,652  | -5,195 | -6,932 | 7,494  |
| All of New Zealand                                      | 17,043 | 13,914 | 773    | -2,881 | 15,174 |
| <b>OVERALL POPULATION GROWTH</b>                        |        |        |        |        |        |
| Auckland  | 25,180 | 23,983 | 21,416 | 18,878 | 22,335 |
| Rest of New Zealand                                     | 26,341 | 24,870 | 11,911 | 8,747  | 22,696 |
| All of New Zealand                                      | 51,521 | 48,853 | 33,327 | 27,625 | 45,031 |
| <b>CONSENTS FOR NEW DWELLINGS</b>                       |        |        |        |        |        |
| Auckland  | 3,303  | 3,707  | 3,477  | 4,411  | 5,647  |
| Rest of New Zealand                                     | 10,313 | 12,585 | 10,685 | 11,589 | 14,138 |
| All of New Zealand                                      | 13,616 | 16,292 | 14,162 | 16,000 | 19,785 |
| <b>ADDITIONAL POPULATION FOR EACH NEW DWELLING</b>      |        |        |        |        |        |
| Auckland  | 7.6    | 6.5    | 6.2    | 4.3    | 4.0    |
| Rest of New Zealand                                     | 2.6    | 2.0    | 1.1    | 0.8    | 1.6    |
| Auckland's share of New Zealand's population growth     | 49%    | 49%    | 64%    | 68%    | 50%    |
| Auckland's share of New Zealand's new dwelling consents | 24%    | 23%    | 25%    | 28%    | 29%    |



**Figure 21: Rent affordability 2008–2013** <sup>71</sup>

Hours of work required to rent a two bedroom house



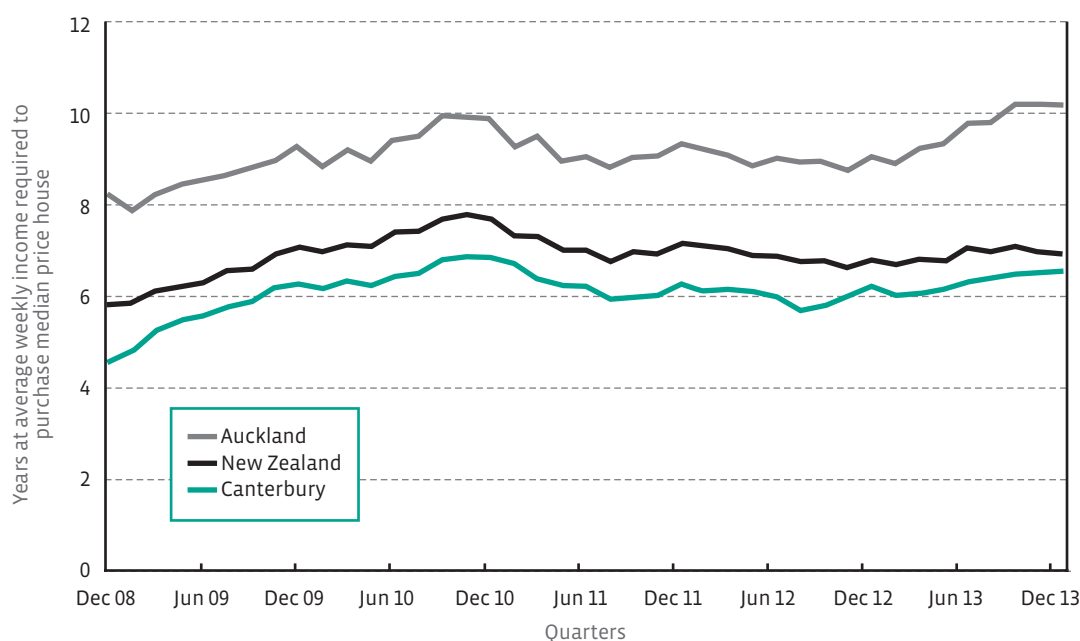
**Table 15: Changes in rents 2008–2013** <sup>73</sup>

Index June 2008 = 1000

|                     | June 2009 | June 2010 | June 2011 | June 2012 | June 2013 | Dec 2013 |
|---------------------|-----------|-----------|-----------|-----------|-----------|----------|
| <b>AUCKLAND</b>     |           |           |           |           |           |          |
| Lower quartile      | 1000      | 1034      | 1103      | 1138      | 1172      | 1172     |
| Median              | 1000      | 1028      | 1083      | 1139      | 1139      | 1167     |
| Upper quartile      | 1000      | 1044      | 1111      | 1167      | 1178      | 1167     |
| <b>CHRISTCHURCH</b> |           |           |           |           |           |          |
| Lower quartile      | 1000      | 1000      | 1087      | 1130      | 1217      | 1261     |
| Median              | 1000      | 1036      | 1071      | 1179      | 1286      | 1357     |
| Upper quartile      | 1000      | 1015      | 1075      | 1179      | 1343      | 1343     |
| <b>NEW ZEALAND</b>  |           |           |           |           |           |          |
| Lower quartile      | 1000      | 1043      | 1043      | 1087      | 1087      | 1130     |
| Median              | 1000      | 1000      | 1033      | 1067      | 1100      | 1133     |
| Upper quartile      | 1000      | 1027      | 1054      | 1081      | 1135      | 1162     |

In percentage terms, Christchurch rents appear to have risen faster than Auckland rents, as shown in Table 15. Rents in Auckland have increased by 17% in nominal terms between 2009 and 2013, with most of this increase occurring since 2010. Christchurch rents have increased by 20% to 30% over the past five years, with almost all of this increase since the 2011 earthquakes, as perhaps should have been expected. For the whole of New Zealand, rents have increased by around 11% since 2009, which is around the same as CPI inflation.

**Figure 22: House purchase affordability 2008–2013** <sup>72</sup>



**Table 16: Average proportion of household income spent on housing 2008–2013** <sup>74</sup>

| June years           | 2009  | 2010  | 2011  | 2012  | 2013  | 2013  |
|----------------------|-------|-------|-------|-------|-------|-------|
| Auckland             | 17.6% | 16.5% | 19.1% | 19.4% | 17.8% | 18.4% |
| Wellington           | 16.3% | 15.7% | 14.7% | 14.7% | 15.8% | 14.1% |
| Rest of North Island | 14.2% | 15.4% | 13.7% | 15.0% | 16.0% | 14.4% |
| Christchurch         | 17.2% | 14.3% | 13.5% | 15.0% | 12.7% | 13.3% |
| Rest of South Island | 13.7% | 13.1% | 12.6% | 13.6% | 14.1% | 12.7% |
| All New Zealand      | 16.0% | 15.5% | 15.5% | 16.4% | 16.0% | 15.4% |

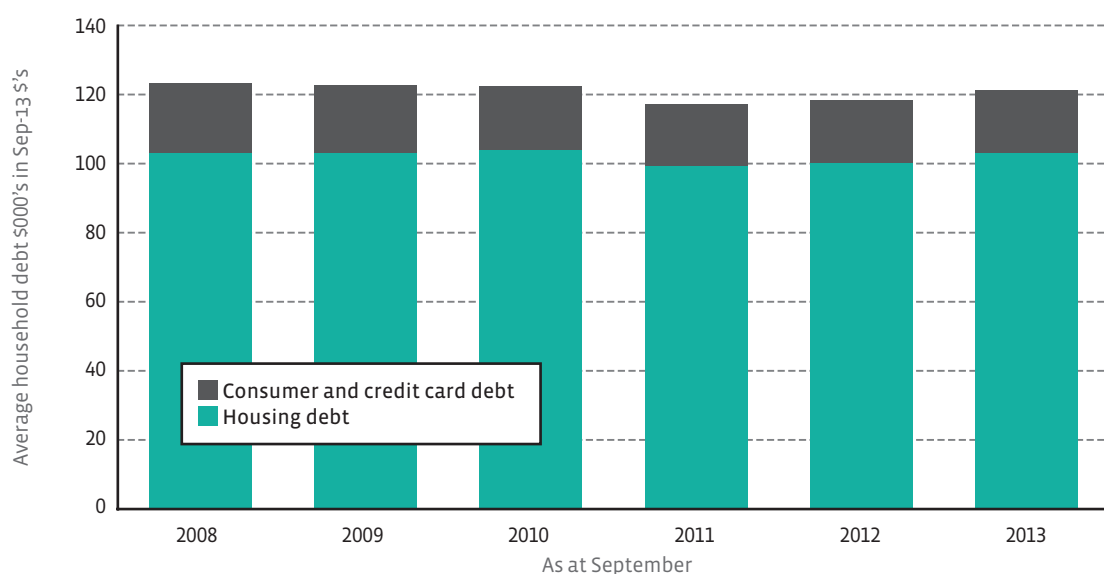
### Auckland house prices hit all-time records

The median price house in Auckland now costs more than 10 years of the average gross weekly wage or salary. This threshold was broken in June 2013 for the first time, although prices rose to close to this mark just before the GFC in late 2007.<sup>67</sup> At the end of 2013, the median priced house in Auckland cost \$606,000, 13% more in nominal terms than a year previously and 40% higher than prices at the end of 2008. This trend is shown in [Figure 22](#).

Overall, New Zealand house prices have not recovered to their pre-GFC levels, at least relative to incomes. In December 2013, the median price for a New Zealand house was \$395,000, which is 2% more than a year previously and 17% higher than five years previously. Typically, it will take seven years of the average wage or salary to pay for a median priced New Zealand house, and this ratio has remained more or less unchanged for the past five years. At the peak of the house price boom in mid-2007, the median priced New Zealand house would have cost nearly eight years of the average worker's income.

Auckland makes up just over one third of the New Zealand housing market by volume of sales and nearly half of the market by value of sales, so statistically the various price measures for the New Zealand market are heavily influenced by what is happening in Auckland.<sup>68</sup> Because of this dominance and because of the recent buoyancy in the Auckland housing market, the picture presented for New Zealand by measures like median price is not even close to the typical experience of a New Zealand household outside of Auckland. It is most likely

**Figure 23: Average household debt 2008–2013** <sup>76</sup>



that house prices have fallen in real and income related terms in most parts of New Zealand outside of Auckland—and Christchurch—and this experience is being borne out by other indicators of housing affordability.

Canterbury's house price experience is different again on account of the 2010 and 2011 earthquakes. Prior to these earthquakes, Cantabrians' housing was relatively affordable and their ratio of house prices to incomes was typically just below the New Zealand average, as seen in [Figure 22](#). The median sale price of a Canterbury house rose 15% during 2013 from \$335,000 to \$385,000 and perhaps by as much as 25% since the February 2011 earthquakes.<sup>69</sup>

### **But the rest of New Zealand appears to be doing okay**

Statistics New Zealand's Household Economic Survey reports on the numbers of tenant and owner households that spend more than a certain income threshold on housing.<sup>70</sup> The data in [Table 16](#) shows slightly improving affordability for home owners and a fairly static affordability position for tenant households. Using the 30% of household income threshold, the proportion of home owners spending more than this on housing has declined from 15% in 2008 to around 12% in 2012 and 2013. The proportion of tenants paying more than 30% of their household income on rent has remained fairly stable over the last five years, at around 36%.

It seems likely that the historically low mortgage interest rates being enjoyed by home owners are responsible for the overall improvement in affordability since 2011. The other picture being offered here is, of course, that tenant households are three times more likely than owner households to be living with housing affordability stress.

Only in Auckland and Canterbury did the proportion of household income spent on housing rise between 2012 and 2013. For the rest of New Zealand, housing affordability appears to have remained unchanged between 2012 and 2013. The data offered in [Table 16](#) is an aggregate of the experience of home owners and tenants. The picture offered is very mixed and it would be unwise to draw too many conclusions from it.

## **HOUSING DEBT**

### **Housing debt levels climb slightly**

Housing debt and household debt have begun to climb again following four years of decline in real terms. Over the year to 30 September 2013, housing related debt grew by \$10 billion to \$185 billion. Over the same period, total household debt (which includes housing debt, consumer debt and credit card debt) also grew

\$10 billion, to almost \$204 billion. In 2008, total housing related debt stood at just under \$160 billion and total household debt at just over \$179 billion.

On a per household basis, these increases are slightly more modest, on account of population and household growth. By September 2013, the average per household debt stood at \$121,200, which included consumer and credit card debt of \$18,000. In inflation adjusted terms, this latest household debt figure is 2.4% up on the figure a year previously, but 1.6% lower than five years previously. The levels of household debt are provided in [Figure 23](#).

Ten year comparisons offer a lot more context. [Table 17](#) makes a comparison of three household debt related indicators and shows the explosion in housing related debt prior to the GFC in 2007, and how recent changes are the tip of an iceberg, to some extent. This data shows clearly that while the present levels of debt are slightly down from the peaks of 2008 and 2009, they have begun to increase once again toward levels that have proved unsustainable in other countries.<sup>75</sup>

**Table 17: Household debt related indicators 2003–2013** <sup>77</sup>

| September quarter                                | 2003     | 2008      | 2013      |
|--|----------|-----------|-----------|
| Average per household debt in Sep-13 \$'s        | \$86,600 | \$123,200 | \$121,200 |
| Housing debt as % of GDP                         | 64%      | 90%       | 88%       |
| Household debt as % of nominal disposable income | 121.6%   | 151.9%    | 147.6%    |



## ASSESSMENT: HOUSING

| HOUSING AVAILABILITY  | RESULT    |
|---|-----------|
| <p>Another year and the shortage of affordable housing in Auckland gets deeper as central and local government only meddle with laws and regulation to address the problem. The Government's faith in using less regulated land markets to address the problem is due to be tested over the next year. The Christchurch recovery appears to be underway, although there seems to have been no real interest in finding out who is being housed or re-housed.</p>                                  | <b>D</b>  |
| HOUSING AFFORDABILITY   |           |
| <p>Housing affordability for most New Zealanders that live outside of Auckland and Christchurch does not appear to be getting worse, and may even be improving. It is important that the Auckland and Christchurch stories do not obscure this experience. The Auckland situation is clearly one of supply, and the Christchurch situation is probably one of adjustment.</p>   | <b>C+</b> |
| HOUSING RELATED DEBT  |           |
| <p>It may be that New Zealanders are reverting to their old ways of piling debt onto housing. The \$10 billion increase in housing debt during 2013 reverses the slow improvements of the previous two years, which is disappointing. This debt picture might just be an Auckland story, however, as housing markets outside Auckland and Christchurch appear quite stable. The concentration of such a trend in Auckland would be concerning given the increased vulnerabilities it creates.</p> | <b>C-</b> |

**KEY**    **A:** Excellent progress    **B:** Encouraging progress    **C:** Limited or modest progress  
**D:** No progress or going backwards    **F:** Failing

## ENDNOTES

- 1 This estimate is based on Statistics New Zealand's birth statistics. In the year to end of September 2008, 5,209 teenage women gave birth; while during the September 2013 year, this number had fallen to 3,414
- 2 In May 2008, as part of its welfare reform agenda, the Government announced a \$1 million budget for reversible contraception for welfare beneficiaries and their daughters—see <http://tvnz.co.nz/politics-news/beneficiary-birth-control-slippery-rope-eugenics-4869033>
- 3 <http://www.gutenberg.org/ebooks/475>
- 4 Available at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring-household-incomes/index.html>.
- 5 Source Perry, B. (2013) Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2012, Ministry of Social Development, Table F.7 p.121.
- 6 See Perry (2013), table H.4 p.140.
- 7 Estimates are based on Ministry of Social Development's reported numbers of children in benefit dependant households taken from Table DB.1 p.31 in the Statistical report 2012, and changes in levels of payments of the sole parent support payment as reported by MSD in its benefit factsheets—see <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>. Children's population figures are from Statistics New Zealand NZ Stats database.
- 8 See Child Youth and Family website at <http://www.cyf.govt.nz/about-us/who-we-are-what-we-do-notifications-national-and-local-level-data-back-up.html>.
- 9 Data from Child Youth and Family website at <http://www.cyf.govt.nz>.
- 10 Data from Statistics New Zealand crime data series.
- 11 Sources: Education Counts early childhood education enrolments and Statistics New Zealand's population estimates for June years.
- 12 Source: Education Counts Senior Student Attainment data available at [http://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school\\_leavers2](http://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school_leavers2).
- 13 Ibid.
- 14 Source: Australian Federal Government's Bureau of Statistics births and deaths database, available at <http://www.abs.gov.au/AUSSTATS/>.
- 15 Source: Statistics New Zealand's Infos database for birth and deaths.
- 16 Ibid.
- 17 This estimate is based on Statistics New Zealand's long-term data series, available of its Infoshare data, and is based on recorded crime statistics for December years compared with March year population estimates. The rate of recorded crime in 1979 was 8,152 offence to 100,000 population
- 18 Ministry of Justice (2010) The New Zealand Crime and Safety Survey: Main Findings Report available at <http://www.justice.govt.nz/publications/global-publications/c/NZCASS-2009>
- 19 Ibid p.37
- 20 Ibid p.35.
- 21 This estimate is 46% and is based on a shift-share analysis that takes account of falling numbers of recorded offences.
- 22 The definition of violent crime used here includes homicides, assaults, sexual offences, robberies and abductions.
- 23 Crime data is from Statistics New Zealand's NZStat database and is based on the numbers of reported offences for the year ended 30 June. The offending rate is calculated from Statistics New Zealand's estimates of the mean population for the corresponding year.
- 24 Ibid.
- 25 Source: Crime data series is from Statistics New Zealand's NZStat database.
- 26 Data is from Justice Sector Forecasts: Corrections Forecast 2013-23 spreadsheets, with the exception of 20011/12 and 2012/13 data, which was provided directly by Department of Corrections. Sentencing rates are based on mean population estimates for June years from Statistics New Zealand. In this definition, 'non-custodial community sentences' includes community detention, community work, intensive supervision and supervision sentences which are administered by Department of Corrections.



- 27 Source: justice data series is from Statistics New Zealand's NZStat database.
- 28 Data is from Department of Corrections Annual Reports or supplied direction by them.
- 29 Prison population data has been sourced from Department of Corrections Annual Reports or supplied direction by them while population figures are from Statistics New Zealand's Infos database and are based on estimated average total populations for June years.
- 30 See Department of Corrections Annual Report 1 July 2012 to 30 June 2013 pp9-17.
- 31 Ibid p.45.
- 32 These estimates are based on Department of Corrections Annual Reports data on spending on custodial services and the average prisoner population, both sentenced and remand, as reported by the Department. The costs have been indexed against the CPI and the average values are expressed in June 2013 dollar values.
- 33 Ministry of Justice's most recent report on public perceptions of crime would suggest that the public's perception of crime is not closely aligned with official crime statistics. For example 35% of people reported that there was a crime problem in their neighbourhood despite the fact the rates of recorded crime are less than 10% of the population. (p.6) and the public found that television news was a more reliable source of information about crime than official statistics (87% v 72% p.5) See Colmar Brunton (2013) Public perceptions of crime – survey report; Ministry of Justice. Available at <http://www.justice.govt.nz/publications/global-publications/p/public-perceptions-of-crime-survey-report/index>
- 34 Source: Statistics New Zealand's Household Labour Force Survey from the Infos database.
- 35 Officially unemployed and jobless figures from Statistics New Zealand's Household Labour Force Survey. Unemployment benefit figures from Ministry of Social Development's Benefit Factsheets.
- 36 Data for official unemployment and jobless is taken from Statistics New Zealand's Household Labour Force Survey from the Infos database, while data on Jobseekers is from Ministry of Social Development's Benefit Factsheets.
- 37 These figures are taken out of the Regulatory Impact Statements that accompany the reviews of minimum wages. These are available at the Ministry of Business Employment and Innovation at <http://www.dol.govt.nz/publications/general/gen-ris.asp>.
- 38 Source: Statistics New Zealand's Quarterly Employment Survey from the Infos data base. These figures are for wage and salary earners only, and exclude business owners whose income is normally aggregated into wage and salary earners incomes for the headline income figures used in previous State of the Nation reports.
- 39 Data from Ministry of Social Development's The Statistical Report and Benefit Factsheets.
- 40 Source: New Zealand Government's Financial Statements and annual budget appropriations
- 41 Data is sourced for The Salvation Army's SAMIS national database and is based on data retrieved on 14/01/14.
- 42 Source: Statistics New Zealand Consumer Price Index series.
- 43 The benefit take up rate is based on data on labour market participation taken from Statistics New Zealand's Household Labour Force Survey and benefit payment numbers taken from Ministry of Social Development's Benefit Factsheets. The official unemployment rate is from the Household Labour Force Survey.
- 44 Between 2003 and 2005, GDP growth averaged 4% per year while employment grew by 9% or around 170,000 jobs.
- 45 The OECD has reported labour market activity rates since 2010—see <http://stats.oecd.org/#>. These activity rates apply to the working age population aged 15 to 64 years. The average reported activity rate for New Zealand between December 2010 and June 2013 was 77.8%, which ranked New Zealand eighth.
- 46 Data from Statistics New Zealand Household Labour Force Survey.
- 47 DPB numbers peaked at 111,065 in December 2003, fell to 95,864 recipients in March 2008 and then rose quickly to an all-time record of 114,230 in December 2011—source: Ministry of Social Development Benefit Factsheets.

48 The following table summarises changes in key labour market and benefit data for the 15 to 64 year old age group for the period 2003 to 2013:

|                                | <b>GROWTH</b><br>2003–2007 | <b>RECESSION</b><br>2008–2010 | <b>RECOVERY</b><br>2011–2013 | <b>TOTAL</b><br>2003–2013 |
|--------------------------------|----------------------------|-------------------------------|------------------------------|---------------------------|
| Population aged 15–64          | +156,000                   | +90,600                       | +37,300                      | +283,900                  |
| Employment — 15–64 year olds   | +203,500                   | –19,300                       | +42,600                      | +226,800                  |
| Unemployment — 15–64 year olds | –16,500                    | +74,100                       | –7,100                       | +50,500                   |
| Not active in labour force     | –30,900                    | +35,200                       | +1,700                       | +6,000                    |

49 These rates, as calculated from the Household Labour Force Survey, are based on the proportion of various types of working age households that were fully or partly employed.

50 Data is from Ministry of Social Development's Benefit Factsheets and Statistics New Zealand's Household Labour Force Survey, and is presented as a rolling annual average.

51 Ibid.

52 This research is available at the Health Promotion Agency's website—<http://www.alcohol.org.nz/research-resources/research-publications>

53 Health Promotion Agency (2013) Attitudes and behaviour towards Alcohol Survey 2009-11: Report 1.1 —The alcohol drinking behaviour of adults, 18 years and over; pp.22–35. The proportion of adults that are non-drinkers has increased from 16% in 2009 to 22% in 2011 (p. 22), while the proportion of drinkers who reported having consumed seven or more standard drinks in one session within the last year declined from 31% in 2009 to 25% in 2011 (p.24).

54 Health Promotion Agency (2013) Attitudes and behaviour towards Alcohol Survey 2009-11: Report 1.3 —Attitudes and opinions (Adults, 18 years and over) p.11.

55 Available at the Police website—[http://www.police.govt.nz/about-us/publications-statistics?field\\_publication\\_category\\_tid=108&items\\_per\\_page=10&title=&=Go](http://www.police.govt.nz/about-us/publications-statistics?field_publication_category_tid=108&items_per_page=10&title=&=Go).

56 The Police have declined an Official Information Act request to supply the complete data set and at the time of writing this refusal has been referred to the Office of the Ombudsman for review.

57 Data is from Statistics New Zealand's alcohol availability data series and per capita rates use SNZ's population estimates.

58 Data from Statistics New Zealand crime data series.

59 The most recently published survey on New Zealanders' drug use is from 2007/08. This survey reported that nearly half (49%) of adult New Zealanders reported having used illicit drugs at some time in their lives and one in six (17%) admitted to having used such drugs within the last year. See Ministry of Health (2010) Drug use in New Zealand: Key results from the 2007/08 New Zealand alcohol and drug use survey; pp xix-xx.

60 Data from Statistics New Zealand crime data series.

61 In December 2013, there were 3964 Class 4 gaming machines in Auckland—source: Department of Internal Affairs website at [http://www.dia.govt.nz/diawebsite.nsf/wpg\\_URL/Resource-material-Information-We-Provide-Gaming-Statistics?OpenDocument#two](http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gaming-Statistics?OpenDocument#two).

62 These estimates are based on Department of Internal Affairs' reported expenditures for 2012 and have been increased by the reported gambling revenue increases of the New Zealand Lotteries Commission, the New Zealand Racing Board, Sky City Entertainment Ltd and the Department's own quarterly figures on Class 4 gaming machine turnovers.

63 Source: Department of Internal Affairs gaming statistics.

64 This estimate is based on the assumption that to cater for population growth ideally new dwellings should be built at the same rate as the existing average household size, which at the 2006 was three people per dwelling. In the five years to September 2013, Auckland's population grew by an estimated 111,800 people and consents for 20,500 new dwellings were issued. This means that one additional house was built for every 5.5 extra Aucklanders. If the ratio of three people house is applied to this population growth figure of 111,800 then 37,300 houses should have been built, meaning a deficit of 16,800 units.

65 Data is from Statistics New Zealand's building consent data set and from its population estimates series.

- 66 References to Auckland rents refer to those within the old Auckland City Council area which is mainly the Auckland Isthmus.
- 67 For house prices references to Auckland is for the whole of the Auckland region.
- 68 These estimates are based on sales figures from the Real Estate Institute of New Zealand.
- 69 Clearly, the 2010 earthquakes disrupted the functioning of housing markets in and around Christchurch so it is difficult to know what a normal market value for a house would have been around the time of the February 2011 earthquake. The median sale price of a Canterbury house in June 2010 was \$311,000, hence the estimate of 25%.
- 70 See Statistics New Zealand's Household Economic Survey Table 5.
- 71 Data for this figure is from the Ministry of Business, Employment and Innovation's Tenancy Bond Division's database and from Statistics New Zealand's Quarterly Employment Survey,
- 72 Income measures are based on average weekly earnings reported in Table 7.01 of Statistics New Zealand's Quarterly Employment Survey, while median house prices are based on three month averages reported by Real Estate of New Zealand and supplied directly to the author.
- 73 Source: Ministry of Business Employment and Innovation Tenancy Bonds database.
- 74 Source: Statistics New Zealand's Household Economic Survey.
- 75 See for example the Reserve Bank's comparison of household debt to household income ratios in Figure 2.10 p.13 in the Financial Stability Report – November 2010 and compare these ratios with those published by the OECD (available at [http://stats.oecd.org/Index.aspx?DataSetCode=FIN\\_IND\\_FBS#](http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#)). This data shows New Zealand at a higher comparable level of indebtedness than that of United States, United Kingdom, Canada, Japan, Greece and Spain and Portugal but considerably lower than Ireland, the Netherlands and Denmark.
- 76 These averages are derived from household debt data from Table C.6 of the Reserve Bank's Credit and Finance data series and from Statistics New Zealand's estimates of dwellings and households.
- 77 Housing and household debt data is sourced from the Reserve Bank of New Zealand's credit data series C6 Households Credit and C12 Credit card statistics. Debt to income ratios are sourced from the RBNZ's key statistics data series. GDP data and household numbers have been sourced from Statistics New Zealand.



Te Ope Whakāora

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