

Moving Targets

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STATE OF THE NATION REPORT

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Working for the eradication of poverty in New Zealand

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Introduction

Wise targets critical for our social progress

The 2016 State of the Nation report has as its theme the idea of ‘moving targets’. We see this as a dual metaphor.

On the one hand, it is an allusion to the way in which some government agencies appear to be using targets and the numbers behind them in a less than straightforward and reliable manner. This practice has many subtle and ingenious approaches—ranging from changing the definitions behind indicators so results appear better, to inventing new numbers like pseudo-service level indicators that are difficult to verify and have no point of reference, to simply changing reporting formats in the name of improving accountability without any improvement in the reliability of the information provided. All of these approaches have recently slipped into the reporting practices of some government agencies.¹ While the targets may not change with such practices, the meaning behind them can. This can cause us to slip into a ‘movable feast’ mentality, where we find any reason to celebrate success or progress even though we have lost our sense of the purpose behind it all.

To some extent, our State of the Nation reports have contributed to these recent practices. When The Salvation Army’s Social Policy and Parliamentary Unit conceived of these annual reports in late 2007, we were intentional about the use of a range of social and economic indicators to measure social progress or at least to spur public debate about such progress. There is now a close alignment between indicators reported in State of the Nation reports and the Government’s better public services targets, with five of the 10 targets covered in this and previous reports.

Given the political capital the Government has invested into these result areas and targets, there is huge pressure on public sector managers to come up with favourable results. And come up with favourable results they do, as indicated in the latest results reported by the State Services Commission.² The problem is the people and agencies responsible for the results are also largely responsible for the analysis and reporting of them.

Identifying social problems and setting targets or objectives to guide New Zealand on a path that avoids gross inequities, and advances quality of life depends on accurate and objective statistical collection and analysis. These targets must be relevant to the aspirations New Zealanders have for the future and sufficiently compelling to motivate their energies and imaginations.

In our 2015 State of the Nation report, The Salvation Army called for more transparency around how results and outcomes from public services were accounted for. The subsequent response from Government has been quite disingenuous.

When asked in Parliament about the prospect of having the Better Public Services target results scrutinised by the Office of the Auditor General, the Associate Finance Minister said, ‘We do better than that; we get them scrutinised by the New Zealand public. We transparently put them out for them to be analysed by New Zealanders.’³ It is unrealistic to expect the New Zealand public to critically examine the often flimsy information offered by officials to determine the integrity and accuracy of data on such specialist fields as child abuse or early childhood education (ECE) enrolment.

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When asked a similar question about transparency in ‘delivering better public services for New Zealanders’, the Deputy Prime Minister referred to risk analysis on welfare dependency undertaken by Treasury.⁴ Few people would claim that risk analysis ever makes things clearer, but such analysis is not the same thing as tangible results verified by a party that does not have a vested interest in reporting good news stories.

In his 2013 book *The Great Escape*, 2015 Nobel Laureate Angus Deaton said, ‘Unless we understand how numbers are put together, and what they mean, we run the risk of seeing problems where there are none, of missing urgent and addressable needs, of being outraged by fantasies while overlooking real horrors, and of recommending policies that are fundamentally misconceived.’⁵ Open government depends critically on the availability of comprehensive and comprehensible, relevant and reliable information. Regrettably, there are emerging signs that this is not always the case with information being published by some government agencies. This means the targets against which we might measure performance and progress become tenuous and can be moved to suit whichever argument is politically expedient.

The other side of the dual metaphor of moving targets signals the need to periodically revise targets. The reason for such revision should not be political expediency, but rather the need to acknowledge progress or changing priorities so that targets remain relevant and challenging. Changing targets should not be about focusing on the next favourite political hobby horse or scapegoat. Rather, new targets should remain relevant to our priorities for social wellbeing so we avoid the risk of ‘pursuing policies that are

fundamentally misconceived’, as Deaton has warned. For instance, the Government’s focus on children’s health and safety and on education in their Better Public Services target provide a sound conceptual model for how social progress might be achieved. However, the details of which specific targets to use must not be set in stone, and the Government has already acknowledged the need for revised targets three to five years into the programme.

A good example in terms of new targets is that of ECE. When the first State of the Nation report was released in 2008, the Labour-led Government of the time had rapidly expanded the availability of ECE subsidies through its 20-hours free programme. This expansion almost doubled the cost of ECE subsidies in four years and was partially justified on the basis that access to ECE would close educational gaps between children from low-income and middle-income families.⁶ There was substantial empirical evidence to support this as an organising idea.⁷ The reality, though, was that most of the value of this expenditure went to middle-class families simply because there were few ECE centres in low-income neighbourhoods and suburbs. Large gaps in access to ECE between middle and low-income communities, and in particular between Māori and non-Māori families, persisted. Previous State of the Nation reports drew attention to these inequities. To its credit, the present Government has rapidly expanded the provision of ECE centres in low-income communities and the results are noted in this report. It seems likely that the Better Public Services target of having 95% of pre-schoolers enrolled in ECE will be met through this initiative.

The problem is that the target—and indeed, the State of the Nation reports’ advocacy—have focused on quantity rather

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than quality. Quality in some ECE centres is now emerging as an issue, although the overall extent of this problem has not yet been well documented.⁸ The ultimate test of the effectiveness of the \$1 billion expansion in ECE subsidies over the past decade is whether or not the cognitive ability and school readiness of the poorest 20% of new entrants have improved. These outcomes should be the focus of ECE targets, rather than quantity or quality measures, but such targets are difficult to quantify and measure.

The Better Public Services targets are a commendable effort at focusing on tangible results from the public sector and a good way of popularising the idea that public services should contribute to social progress and address inequality. But this may eventually be seen as political or bureaucratic chicanery if there is no independence in how results are accounted for, and if targets become redundant because they are no longer relevant to the emerging concerns of the time. The absence of a target or two around housing is one such example.

This, the ninth State of the Nation report, continues The Salvation Army's efforts to raise questions around our social progress as a nation and highlight both good and bad aspects of New Zealand's social and economic conditions.

The indicators we offer have not altered fundamentally, although some of the measures used to illustrate them have changed, partly in response to changes in the format of information offered by government agencies. We hope the change to an online delivery format this year will provide the information from this report to a wider audience.

- 1 Two examples of these practices are cited in this report. These are Child, Youth and Family's decision to downgrade the importance of emotional abuse and neglect of children as forms of child abuse worth investigating and changes in reporting of crime statistics in the name of transparency, which leave large gaps in the information provided. A further example is the Department of Correction's recent move to stop reporting on the number of prisoners it is accommodating, and instead report on internally-generated prison performance measures—see http://www.corrections.govt.nz/resources/prison_performance_tables.html
- 2 See State Services Commission's website at <http://www.ssc.govt.nz/better-public-services>
- 3 Hansard (debates) for 30 April 2015 at <http://www.parliament.nz/en-nz/pb/debates/debates>
- 4 Hansard (debates) for 9 December 2015 at <http://www.parliament.nz/en-nz/pb/debates/debates>
- 5 Deaton, A. (2013) *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton University Press, p.16.
- 6 Budget expenditure tables report spending on ECE operating subsidies rising from \$408 million in the 2003/04 financial year to \$807 million in 2007/08 and \$1.58 billion by 2014/15.
- 7 See, for example, Mitchell, L. Wylie, C. and Carr, M. (2008) *Outcomes of Early Childhood Education: Literature Review*, New Zealand Council for Educational Research, available at http://www.nzcer.org.nz/system/files/885_Outcomes.pdf
- 8 See Kirsty Johnston's articles on ECE quality in the *New Zealand Herald* on 20/04/15, 07/10/15 and 20/10/15, and 2012 reports to the Minister of Education from the Early Childhood Sector Advisory Groups on ECE sector quality, available at <https://assets.documentcloud.org/documents/1994969/ece-sector-advisory.pdf>

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Our Children

As evidenced in this section, there is a sense that our children's social progress has stalled. In recent years, the various gaps that exist between most New Zealand children and those less fortunate have closed a little, but this progress has tapered off or even reversed in some cases.

There has been continuing progress in falling rates of youth offending, declining teenage pregnancy rates and further reductions in infant mortality rates. But there appears to have been little progress in reducing child poverty, and the physical and sexual abuse of children. Some of this slowdown may be due to the fact that one set of responses can only go so far before additional responses are needed if initial progress is to continue. For example, more effective teaching practices to close educational gaps will only take us so far if gaps around material hardship or broader opportunities are not addressed. The need for a shift in approach appears to be an emerging challenge if we are to continue to strive to offer the best to all New Zealand children.

CHILD POVERTY

Limited progress in reducing child poverty levels

Although the data on child poverty is somewhat mixed, overall there appears to have been little substantial progress in reducing rates of child poverty over the past five years. This is despite appreciable growth in the economy and in average household incomes and Government receiving compelling advice from the Children's Commissioner on feasible measures to tackle child poverty.⁹ By some accounts, New Zealand children have the worst relative position

in terms of poverty rates when compared to European countries, so this lack of progress appears to be more about the Government's priorities than a lack of resources.¹⁰

Although New Zealand does not have an official poverty line against which to measure poverty and material hardship, we have a number of official measures of income adequacy and material deprivation that allow us to create a consistent and useful picture of poverty trends over time. These measures present a mixed picture in terms of the extent of child poverty and hardship and the contributing factors that lead to children living in poor households. Overall recent changes in income measures of child poverty show a slight increase in income inequality that has left more children in a relatively poorer income position. Against this trend, material adequacy measures suggest a slight reduction in the number of children facing severe material hardship.

The income picture for children living in low-income households is provided in **Table 1** for four widely used income or relative poverty measures. Two measures of material hardship are reported in **Table 2**.

The various income-related poverty measures in **Table 1** show slightly different trends over the past five years as the effects of the global financial crisis (GFC) flowed through to household incomes and fortunes. Given that New Zealand's population of children (under 17 years) is now just over 1.1 million, percentages for 2014 suggest there could be between 130,000 and 305,000 living in households with limited incomes—although more moderate estimates put this number between 220,000 and 250,000 children.

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Estimates in 2010 of the numbers of children living below these poverty lines ranged from 150,000 to 315,000, with mid-range estimates of 210,000 to 250,000 children.¹¹ Although these figures are broad estimates, it would appear that the number of children living in households with incomes below accepted poverty thresholds reduced by around 10,000 between 2010 and 2014.

Table 2 reports estimated changes in material deprivation or hardship measures between 2010 and 2014, and this offers a slightly more positive picture. The number of children estimated to be living in households experiencing levels of material hardship that might be seen as more than moderate is reported to have fallen from 210,000 in 2010 to 145,000 in 2014. This is encouraging. However, within this group of children is a smaller group who have experienced severe levels of hardship. This group is estimated to have fallen from 90,000 in 2010 to 80,000 in 2014—although between these years, the number peaked at around 105,000 as the recession following the GFC reduced employment and some household incomes.¹²

It is important to note that those children counted as living in severe hardship in **Table 2** may not all be included in the numbers reported in **Table 1** under whichever measure is used. This lack of overlap poses a number of problems for policy makers and, in particular, for problems around targeting—what assistance to target (eg, cash or in-kind) and who to target. Perry reports that only around 9% to 10% of children are both income poor and materially deprived using the standard EU hardship threshold and the 60% of median relative income threshold.¹³ He notes that the causes of material hardship may not only be income inadequacy but

other factors, such as additional family needs, housing costs, debt, living arrangements and lifestyle choices.¹⁴ The proportion of children estimated to be both materially and income poor has declined from around 13% in 2010 (or about 130,000 children) to 8% in 2013, before rising again to around 9% or 90,000 children in 2014.¹⁵

Table 1: Proportion of children living below selected poverty lines (after housing costs)¹⁶

Threshold Year	Constant value		Relative to contemporary median	
	60% 1998 median	60% 2007 median	50% contemporary median income	60% contemporary median income
2010	17	26	20	30
2011	20	25	20	27
2012	19	24	20	27
2013	16	22	19	24
2014	17	23	21	29

Table 2: Estimates of proportion and number of children facing material hardship¹⁷

Threshold Year	EU 'standard' threshold		EU 'severe' threshold	
	rate (%)	numbers	rate (%)	numbers
2010	20	210,000	9	90,000
2011	21	220,000	10	105,000
2012	17	180,000	9	90,000
2013	15	165,000	9	100,000
2014	14	145,000	8	80,000

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Number of children on benefits decline as child poverty rates remain unchanged

The number of children living on benefits has fallen to the lowest level since at least 1998. At the end of June 2015, a reported 186,500 children were dependents of an adult who was receiving one of the main welfare benefits. This is around 16.9% of the child population (under 18). By the end of 2015, this number is estimated to have fallen to 181,000 or 16.4% of the under-18 population. Estimates of the number of children living in benefit-dependent households are provided in **Table 3** and a comparison of 10-year trends of such dependency and a headline child poverty measure are offered in **Figure 1**.

The decline in the number of children living in benefit-dependent families or households is consistent with the Government's agenda to reduce the number of children living on benefits. One of the Government's Better Public Service targets is reducing long-term welfare dependence,¹⁸ with Government ministers consistently framing child poverty as being about benefit dependency.¹⁹ As well, many recent changes to welfare programmes have been about extending work availability obligations for single-parent beneficiaries with dependent children.²⁰

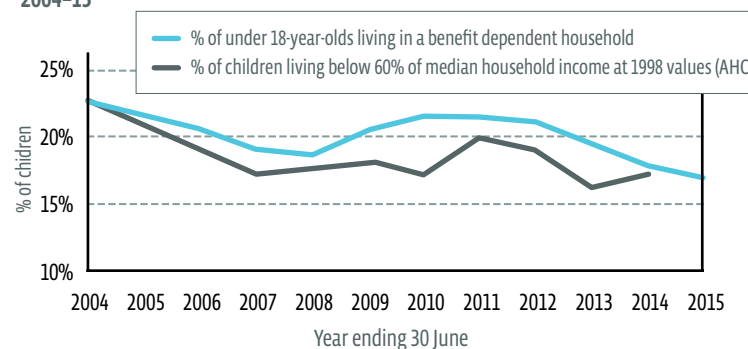
The fact that most child poverty measures show little or no change since 2010 despite an almost 25% decline in the number of children in benefit-dependent households points to the only partial link between such dependency and child poverty. Although estimates of the proportion of poor children living in working households are not precise and depend somewhat on the measure used, this proportion is typically between 35% and 45%.²¹ At least one income-based child poverty measure suggests this proportion has been rising since 2011, following significant falls with the introduction of Working for Families in 2004.²²

While reducing benefit numbers may be improving material outcomes for some children, especially if their parents find good jobs, there has not been any evaluation by any Government agency to date on the impact of these changes on children living in poor households. Advice offered by the Ministry of Social Development (MSD) to Government for its 2015 Budget child hardship package suggested that it will not be possible to report on a full year's impact of this package until late 2019.²³ This lack of any significant effort in monitoring the effects of policy on children's material wellbeing is disappointing.

Table 3: Estimated children living in benefit-dependent households 2010–15²⁴

As at December	Working age benefits paid	Number of children living in benefit-dependent households	Children in benefit-dependent households as % of all children
2010	352,707	237,000	21.6%
2011	350,932	233,600	21.3%
2012	339,095	221,700	20.2%
2013	321,869	203,200	18.6%
2014	309,145	191,500	17.4%
2015	301,349	181,000	16.4%

Figure 1: Comparison of trends in child poverty and benefit dependency rates 2004–15²⁵



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CHILDREN AT RISK

Child abuse declines as CYF reaches for its target

Child, Youth and Family (CYF) appears to be on track to meet their target of reducing physical child abuse, although some doubt remains over the consistency of results the department is reporting. As well, the genesis of their original target is unclear and reported figures for physical abuse are inconsistent with crime victimisation results.

In its 2015 Annual Report, the Ministry of Social Development, as the 'parent' of CYF, reports its progress against the Government's Better Public Services 'Result 4' which is to 'Halt the rise in children experiencing physical abuse and reduce current numbers by 5 percent'. The Ministry indicated that this represented a target of substantiated cases of physical abuse to children of 2,936 by the year ending 30 June 2017 against a reported result for the June 2015 of 3,118 cases. In graphical form, the Annual Report suggested that the forecast of such cases by 2017 was 4,094, intimating that it was making substantial progress in reducing the number of cases.²⁶

Table 4 reports the total number of cases of child abuse and neglect for the five years to the end of June 2015. This shows the average number of substantiated cases of physical abuse over this period has consistently been in the narrow range of 3,250 to 3,350 cases per year, so it is difficult to see where a forecast of 4,094 cases by 2017 comes from. In addition, a 5% reduction on the average across the most recent five years would provide a target number of cases of 3,130 not 2,936.

But these are minor differences in comparison with the difference between the figures offered in **Table 4** and the reported number of children who have been a victim of

physical or sexual assault. As discussed elsewhere in this chapter, the formats for reporting crime and criminal offending have changed, which makes it difficult to report the level of violent offending against children in a way consistent with previous years. This new format does, however, take a victim-centred approach to reporting criminal offending that provides better insights into the number of children who have been a victim of physical or sexual assaults and the number of such offences—at least for the most recent fiscal year. This data is reported in **Table 5**.²⁷

For the year to 30 June 2015, there were a reported 4,698 physical assaults recorded against children aged under 14 years, and these offences affected 4,170 unique victims. Over the same period, there were 1,626 instances of sexual assaults against children, involving 1,299 unique victims. There is considerable variance in the results around physical child abuse as reported by Statistics New Zealand and New Zealand Police and those reported by CYF. CYF clearly has a different approach to dealing with cases of physical abuse of children than Police. These differences require some explanation, especially if they are to form the basis of politically-directed public service targets.

Figure 2 reports the number of possible child abuse and neglect notifications to CYF over the past five years, as well as the numbers of notifications deemed to require further action (FARs) and the subsequent number of FARs where a case of abuse or neglect is substantiated. Both **Figure 2** and **Table 4** indicate a significant change in CYF's practice between 2012/13 and 2013/14. A result of this change in practice appears to have been twofold: a reduction in the number of notifications deemed serious enough to require further investigation, and a reduction in the number of substantiations for neglect and emotional abuse.

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For the year to 30 June 2015, CYF received 150,905 notifications of possible child abuse or neglect. Of these, 44% or around 67,000 were from Police as a result of their attendance at family violence incidents. This 2015 result was 2,248 more than the previous year, but 2500 fewer than the record number of notifications of 153,407 in 2011/12.²⁸

Of these 150,905 notifications during the 2014/15 fiscal year, CFY deemed just over 30% or 45,463 cases serious enough to warrant further attention. This compares with a rate of further attention of 39% of all notifications in 2011/12 and 42% in 2012/13. In its 2014/15 Annual Report, the Ministry of Social Development explained this reduction thus: 'In 2014/2015, we strengthened practice by providing better screening at intake (so fewer cases unnecessarily proceed to an investigation or assessment), conducting more thorough assessments, and improving understanding of abuse findings.'²⁹

Table 4 indicates the clear consequence of this change in practice. The total number of cases judged to have been substantiated as abuse or neglect have fallen by 28%, from just under 23,000 cases for 2012/13 to just under 16,500 in 2014/15. Almost all of this reduction has been in cases of emotional abuse or neglect, indicating that CYF and the Ministry are placing less emphasis of these forms of abuse and neglect in their attempts at 'improving understanding of abuse findings'. Surprisingly too, given more concentrated effort at 'providing better screening at intake', the same proportion of investigated cases result in substantiations (around 37%) even as a more selective approach is taken. If CYF has become better at identifying the most serious cases, we should surely expect the rate of substantiations to rise as a measure of this greater efficiency.

Given that the number of child abuse/neglect cases investigated or substantiated are administrative figures determined by practice, there is no way of knowing if the background level of abuse or neglect is falling, rising or staying the same. The inability to compare background levels of criminal offending against children on account of the recent change in crime reporting format prevents any year-on-year comparisons at this stage. It is certainly the case that the number of children in CYF care has remained almost constant since 2011 (at around 5,000 children), so it does not appear the numbers of very serious cases of neglect or abuse have subsided at all.

For the June 2015 year, CYF reported 3,235 individual cases of physical abuse, which involved 3,118 individual children as victims. Over the same period, Police report 4,698 separate instances of assault against 4,170 children. These discrepancies also require some explanation by the agency responsible for ensuring all New Zealand children are protected from abuse or neglect.

There is a two-fold paradox with this recent practice by CFY to disregard a greater proportion of notifications of possible child abuse or neglect. The first is that this runs somewhat counter to Government's stated intent around the protection of children who may be vulnerable to such abuse or neglect. For example, in its Children's Action Plan Government suggests that as a society we need to 'act early to protect children' and that this will be achieved by 'better reporting, easier ways to raise concerns, clarity on society's expectations of parents, and advice on how to spot child abuse and neglect'. These outcomes will, in turn, be achieved through better training of professionals working with children to enable them to more effectively identify child

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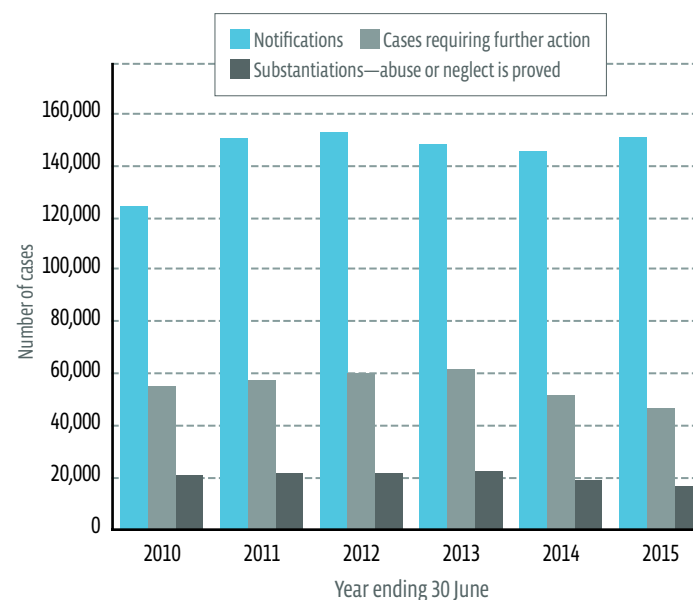
abuse or neglect, and through Government running public awareness campaigns.³⁰ The recent increase in notifications may be seen as a result of these efforts, yet the agency receiving these notifications is choosing to disregard a greater proportion of them. Such a response may eventually diminish the interest people have in reporting possible neglect and abuse.

The second paradox is that despite greater targeting of effort and resource on those notifications deemed to present the greatest risk, there is no evidence either of efficiency (that rates of abuse among those investigated are higher), or effectiveness (that background levels of abuse and neglect have reduced).

Table 4: Child Youth & Family substantiations of child abuse and neglect 2011–15³¹

Year ending 30 June	2011	2012	2013	2014	2015
Emotional abuse	12,711	12,454	12,777	10,406	8,318
Physical abuse	3,253	3,330	3,343	3,305	3,235
Sexual abuse	1,514	1,418	1,459	1,329	1,275
Neglect	4,813	4,970	5,405	4,583	3,644
Total substantiations	22,291	22,172	22,984	19,623	16,472

Figure 2: Child, Youth and Family notifications and substantiations 2010–15³²



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CHILDREN AND VIOLENCE

New crime reporting formats make it difficult to establish trends around violence toward children

As discussed in the Crime & Punishment chapter, the format of reporting criminal offences and offending has changed. This new approach provides different types of information on offending against children that may in the longer term prove a more valuable approach for reporting on and discussing issues of child physical and sexual abuse. However, at the moment there is no consistent long-term data available that would allow a comparison of trends over an extended timeframe.

Data on the number of separate incidences of recorded violence toward children and of the number of unique victims of this violence is reported in **Table 5** for the year to 30 June 2015. This reporting format will be used in future State of the Nation reports. The relationship of these results to reported abuse and neglect by CYF is discussed in the preceding section.

Table 5: Violent offences toward children 2015³³

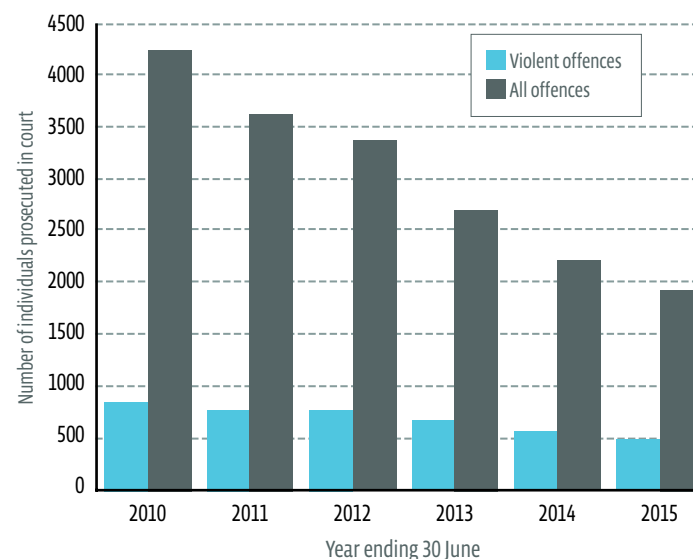
Offence type	Number of Victimisations	Unique victims
Murder	6	2
Manslaughter	6	5
Serious assault resulting in injury	1,257	1,089
Serious assault not resulting in injury	2,223	2,004
Common assault	1,227	1,086
All assaults	4,698	4,170
Sexual assaults	1,626	1,299
Abduction-kidnapping	81	39

YOUTH OFFENDING

Youth offending continues to fall

Given the changes to the way in which crime is reported, it is not possible to extend the analysis on youth offending from previous State of the Nation reports. However, data on court-based outcomes for offending by youth aged 12 to 16 years is available and shows a continuing decline in rates of youth offending. Such outcomes for 14- to 16-year-olds are reported in **Figure 3** for offences prosecuted in the Youth Court and, on a few occasions, in adult courts over the past five years. Violent offending dealt with in court declined by 43% between 2010 and 2015 to 492 individuals. Over the same period, the number of young people prosecuted in court for a criminal offence declined by 55%, from 4,239 cases during the year ending 30 June 2010 to 1,926 cases for the June 2015 year.

Figure 3: 14- to 16-year-olds prosecuted in court 2010–15³⁴



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EARLY CHILDHOOD EDUCATION

Small improvement in access to ECE for poorer families

Although some data offered around early childhood education (ECE) access and engagement is conflicting and slightly dated, it appears access to ECE for poorer families continues to improve gradually.

The Ministry of Education, through its Education Counts website, offers data on a number of indicators of access to and take up of ECE opportunities. Although much of this data runs through to June 2015, information on overall enrolments in ECE services is only available through to 30 June 2014. This enrolment data for the 10-year period 2005 to 2014 is provided in **Figure 4** and for a five-year period in **Table 6**. **Table 6** also offers data on ECE availability in terms of the number of places and number of centres or services, and the proportion available in poorer neighbourhoods. **Table 7** provides summary data on prior ECE participation of new entrants to primary school for 2010 to 2015.

ECE enrolments appear to have plateaued at around 200,000 children, with 76,000 under three and most of the remaining 125,000 within the target age of three and four years.

Data on access to ECE for low-income families and communities gives a conflicting picture. Of those children enrolled in ECE, around 43% are attending ECE centres or services located in the poorest 30% of neighbourhoods. This share matches almost identically the share of ECE places and centres/services in those neighbourhoods. This data is provided in **Table 6**.

On the face of it, children from lower-income households and communities appear to have disproportionate access to ECE opportunities. However, **Table 7** offers a glimpse of a different experience. Data on prior engagement in ECE suggests children from the poorest 30% of neighbourhoods show consistently lower rates of participation—around 92% compared with 96% for the total population of preschoolers. This rate of participation by children from lower-income backgrounds has gradually improved over the past five years, suggesting Government's efforts to increase participation is working. But as the *quality* of such engagement is not covered by this survey data, a degree of caution should be exercised to avoid seeing rising participation as a solution to the educational inequities that appear in primary school and persist to the end of secondary school.³⁵

When a head count is taken of the children involved in the prior participation survey of new entrants, only around 26% of children whose parents report prior ECE engagement end up attending a low-decile school.³⁶ On the one hand, it appears as though children from low-income neighbourhoods have disproportionately high access to ECE services; and on the other, they report lower than expected participation. This disparity may be caused, in part, by the fact that a higher proportion of ECE centres are located in lower-income neighbourhoods. This is because such neighbourhoods are close to employment zones such as industrial areas and where land is cheaper. Many of the children attending these centres would come from other communities and neighbourhoods, but their ECE location is more convenient for their parents' employment. Additionally, many families prefer higher-decile schools to lower-decile ones, and because of this bias it is simply the case that fewer children enrol in lower decile schools.³⁷

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Figure 4: Enrolments in Early Childhood Education centres and services 2005–14³⁸

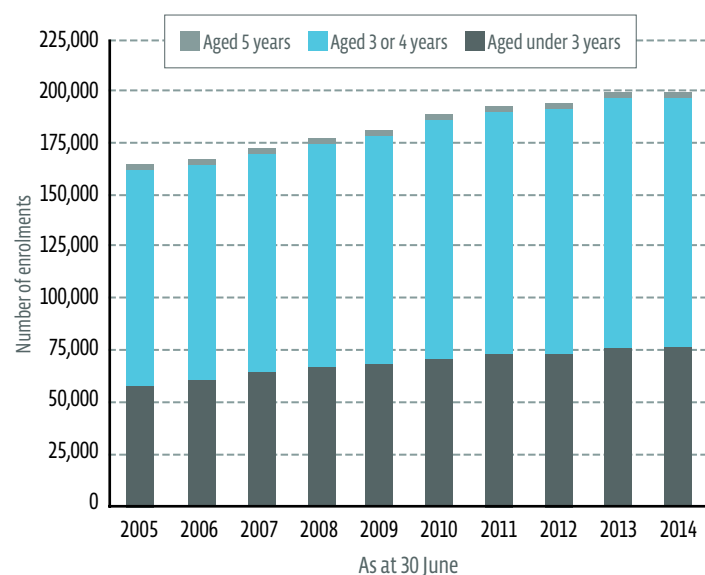


Table 6: Distribution of ECE enrolments, places and services 2010–15³⁹

At 30 June	2010	2011	2012	2013	2014	2015
Number of enrolments in licensed ECE centres or services	188,953	194,101	196,526	200,942	200,002	
Proportion in poorest three deciles of neighbourhoods	39.1%	39.2%	39.6%	39.7%	39.5%	
Number of licensed ECE centres or services	4,361	4,483	4,282	4,282	4,341	4,448
Proportion in poorest three deciles of neighbourhoods	42.8%	42.6%	43.3%	43.2%	43.3%	43.1%
Number of places in licensed ECE centres or services	160,025	165,345	173,297	179,395	187,103	196,273
Proportion in poorest three deciles of neighbourhoods	43.3%	43.0%	42.9%	42.7%	42.5%	42.1%

Table 7: New entrants' prior participation in ECE 2010–15⁴⁰

June quarter	2010	2011	2012	2013	2014	2015
Number of new entrants into primary schools	57,541	59,259	60,978	63,354	62,694	63,391
Overall prior ECE participation rate	94.4%	94.6%	94.9%	95.6%	95.9%	96.2%
Prior ECE engagement—poorest 3 deciles	87.2%	88.0%	88.5%	90.3%	91.5%	92.5%
Proportion of new entrants in poorest 3 deciles	28.2%	27.6%	27.4%	27.4%	27.3%	27.1%
Proportion of new entrants with prior ECE from poorest 3 deciles	26.1%	25.6%	25.5%	25.8%	26.0%	25.9%

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EDUCATIONAL ACHIEVEMENT

Little progress on closing NCEA achievement gaps

Overall, the achievement gaps between senior students in poor and wealthy secondary schools narrowed slightly between 2013 and 2014, although the gap in UE pass rates widened. These gaps remain considerable and so current progress in closing them should offer little confidence that they will become negligible even over the next decade. Results on NCEA pass rates by school decile are provided in **Figure 5** and **Tables 8A** and **8B**.

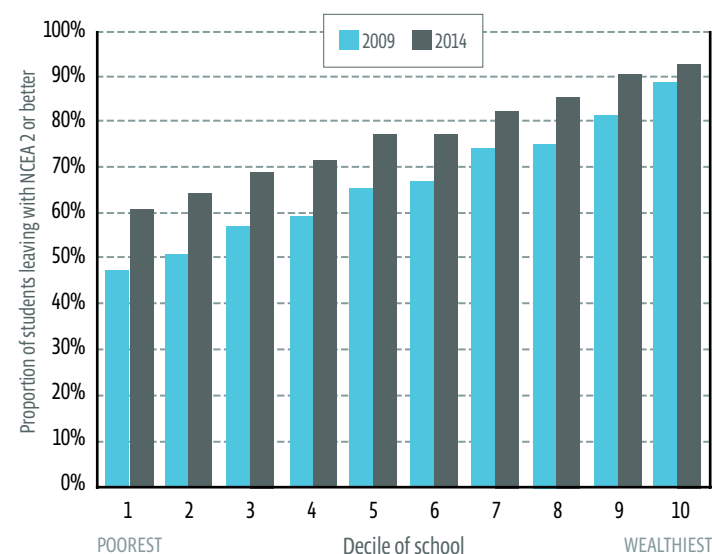
Table 8A reports the proportion of students leaving school without a full NCEA Level 1 qualification. This data shows the extent of the gap between low-decile schools attended by students from low-income households and high-decile schools. For example, the achievement gap between the aggregates of deciles 1, 2 and 3 schools and of deciles 8, 9 and 10 schools has remained at around 17% for the three most recent years, although it has closed by around 5% since 2009.

Figure 5 illustrates the social gradient of student results with NCEA Level 2 or better across the decile range and for 2009 and 2014 NCEA results. Although this gradient is consistent and enduring, it has flattened somewhat. In 2009, student achievement rates improved 4.6% for every decile, while in 2014 the gradient had declined to 3.6%.

In 2014, changes were made in how University Entrance (UE) qualifications are assessed. Consequently, fewer students gained UE and entry into more highly ranked universities and more popular university courses. In this sense, UE can be seen as a passport to social mobility. The proportion of students leaving school with UE declined from 42.0% in 2013

to 38.4% in 2014—a difference of almost 3,000 students. While this setback was felt by students in every school, it has particularly affected low-decile students, thus widening the achievement gap for this important qualification. This widening is illustrated in **Table 8B**, where the gap between deciles 1, 2 and 3 schools and deciles 8, 9 and 10 increased from 41% in 2013 to 43% in 2014. In 2009, this gap was 39%.

Figure 5: Proportion of students leaving school with NCEA Level 2 or higher by school decile 2009–14⁴¹



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Table 8A: Students leaving school without NCEA Level 1 2009–14⁴²

	2009	2010	2011	2012	2013	2014
Decile 1 schools	35.1%	32.6%	30.0%	27.8%	27.6%	26.1%
Decile 10 schools	6.0%	4.3%	4.8%	3.5%	3.3%	3.1%
Achievement gap	-29.1%	-28.3%	-25.2%	-24.2%	-24.3%	-23.0%
Decile 1, 2 & 3 schools	30.8%	27.2%	25.2%	23.7%	22.7%	21.8%
Decile 8, 9 & 10 schools	9.4%	7.6%	6.7%	6.1%	5.4%	5.0%
Achievement gap	-21.4%	-19.6%	-18.5%	-17.6%	-17.3%	-16.7%

Table 8B: Students leaving school with University Entrance 2009–14⁴³

	2009	2010	2011	2012	2013	2014
Decile 1 schools	12.8%	11.8%	13.7%	16.3%	16.3%	13.5%
Decile 10 schools	69.6%	69.8%	70.7%	73.7%	75.2%	71.1%
Achievement gap	56.7%	58.0%	57.0%	57.4%	58.9%	57.6%
Decile 1, 2 & 3 schools	16.7%	16.2%	18.2%	21.1%	22.3%	16.8%
Decile 8, 9 & 10 schools	55.9%	57.2%	58.5%	61.3%	63.4%	59.9%
Achievement gap	39.2%	41.0%	40.3%	40.2%	41.1%	43.1%

INFANT MORTALITY

Further declines in infant mortality rates

Infant mortality rates in New Zealand continue to fall, with the most recent decline from 4.6 infant deaths per 1,000 live births during the year to 30 September 2015 to 4.1 per 1,000 most recently. During the year to 30 September 2015, there were 251 deaths of babies and infants aged less than one year, compared with an estimated 268 deaths the previous year. Although longer-term child mortality data is only available for calendar years, on present trends it appears likely that the 2015 results will report the lowest number of infant deaths on record.⁴⁴ Data on infant mortality over the past five years is provided in **Table 9**.

Table 9: Changes in New Zealand's infant mortality rate 2010–15⁴⁵

Year ending 30 September	Live births during preceding 12 months	Total infant deaths (under one year)	Estimated infant mortality rate (per 1,000 live births)
2011	62,261	323	5.2
2012	60,462	305	5.0
2013	59,644	255	4.3
2014	57,837	268	4.6
2015	60,558	251	4.1

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TEENAGE PREGNANCY

Teenage pregnancy rates fall to historic lows

Pregnancy rates for teenagers fell to historic lows in 2014 as New Zealand witnessed a dramatic shift in the fertility patterns of young women. These changes are reported in **Tables 10A** and **10B** for the most recently reported five-year period, and in **Figures 6** and **7** for longer periods.

Table 10A reports recent changes in the numbers of live births and abortions to women aged under 15 years, while **Table 10B** provides the equivalent numbers for women aged 15 to 19 years. The data covers the 2010 to 2014 calendar years.

The pregnancy rate among 11- to 14-year-olds rose slightly between 2013 and 2014—from 0.6 pregnancies per 1,000 women in this age group in 2013 to 0.7 per 1,000 in 2014. The total number of pregnancies (live births and abortions) rose from 68 to 84 over the same period. However, the 2014 results remain significantly lower than in 2010, when there were 110 pregnancies among 11- to 14-year-olds.

The real good news story concerns teenage women aged 15 to 19 years. This story is told in **Table 10B** and **Figures 6** and **7**. Between 2010 and 2014, the pregnancy rate among New Zealand women aged 15 to 19 dropped from 51 per 1,000 to 31 per 1,000, while the total number of pregnancies fell from 7,915 to 4,653—a decline of over 40% in five years. As well, the proportion of terminated pregnancies among 15- to 19-year-olds has fallen consistently, from 43% in 2010 to 38% in 2014.

These declines can be seen as significant in a historic sense. The fertility choices, and hence the fertility patterns, of young New Zealand woman appear to have changed in a structural sense since 2008, when the pregnancy rate among 15- to 19-year-olds was around 60 births per 1,000 women.

This decline is illustrated in **Figure 6**, which offers data on the pregnancy rate for 15- to 19-year-olds for the 11-year period 2004 to 2014.

A similar story is told in **Figure 7**. This graph considers changing fertility rates of 16-year-olds in Australia and New Zealand for 1994 to 2014. Fertility rates of 16-year-olds have shown a declining trend in both countries over the period considered in **Figure 7**, although the pattern of change in New Zealand is more volatile—perhaps because of the smaller population. **Figure 7** also indicates the extent of difference between 16-year-old Australian women and their Kiwi cousins—a gap of around three births per 1,000 women per year in recent times. This gap does appear to be closing, which from some perspectives is good news.

The back story to that of declining fertility rates among 16-year-old Australian women is, of course, what is happening to teenage abortion rates. Abortion rates in Australia appear similar to those in New Zealand, although data on abortions in Australia is surprisingly sketchy.⁴⁶ It would seem, therefore, that the comparisons made in **Figure 7** around fertility rates are an accurate reflection of what has happened to overall pregnancy rates which include live births and abortions.

These declines are good news if we consider the future prospects of both mothers and their children. The reasons for these declines have not been established. They may be due to a combination of factors, including improved health education for adolescents, changing personal and familial expectations, and perhaps more stringent welfare entitlements. Further declines—perhaps to a 15-19 year pregnancy rate of less than 25 per 1,000 women—are feasible if New Zealand eventually catches up to Australia in terms of fertility rates.

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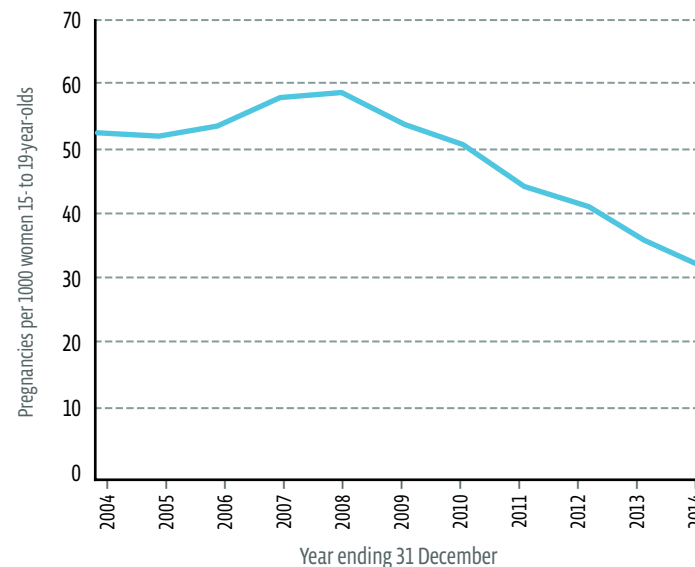
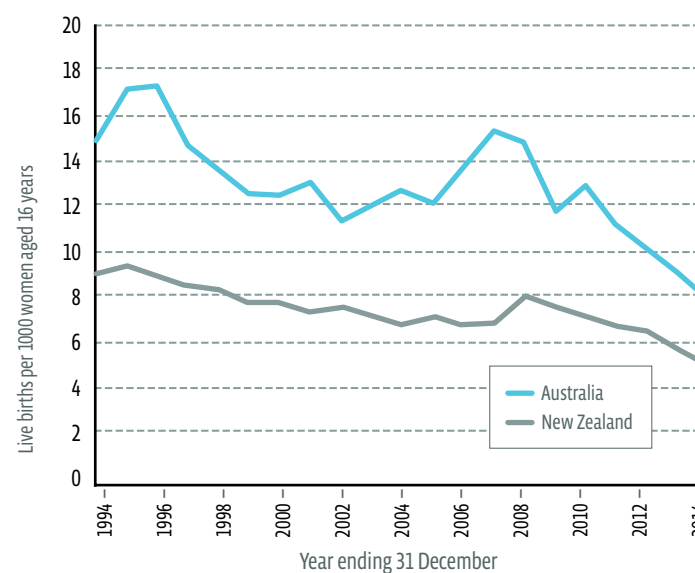
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Table 10A: Pregnancies and abortions to 11- to 14-year-olds 2010–14⁴⁷

Year ending December	Live births	Abortions	Pregnancy rate per 1,000	% of Pregnancies aborted
2010	26	84	0.9	76%
2011	25	68	0.8	73%
2012	18	51	0.6	74%
2013	20	48	0.6	71%
2014	27	57	0.7	68%

Table 10B: Pregnancies and abortions to 15- to 19-year-olds 2010–14⁴⁸

Year ending December	Live births	Abortions	Pregnancy rate per 1,000	% of Pregnancies aborted
2010	4526	3389	50.7	42.8%
2011	3981	2822	44.1	41.5%
2012	3768	2489	40.9	39.8%
2013	3283	2096	35.3	39.0%
2014	2895	1758	30.6	37.8%

Figure 6: Pregnancy rates for 15- to 19-year-olds 2004–14⁴⁹Figure 7: Fertility rates for 16-year-old women in Australia and NZ 1994–2014⁵⁰

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ASSESSMENT

CHILD POVERTY	RESULT
While the data offers a mixed picture, in total it is difficult to see any meaningful change in rates of child poverty and material hardship since the GFC. It is beginning to appear that this area of social progress is not a political priority at present given that the economy and household income have continued to grow modestly.	NC
CHILDREN AT RISK	
While the data shows some improvement, its reliability needs to be questioned, particularly given the acknowledged change in approach by Child Youth and Family and the direct link between organisational targets and their reporting of results.	?
CHILDREN AND VIOLENCE	
Changes in the way crime is reported may improve our understanding of offending and victimisation patterns, but they do not at this stage allow us to gain any sense of what has changed over the past year in terms of violence against children.	?
EARLY CHILDHOOD EDUCATION	
It appears levels of ECE engagement among poorer families and communities have improved and the Government's commitment to making this happen needs to be acknowledged. While questions remain about the quality of a small proportion of ECE services, the real test of its value is the impact for poorer families. Improvements in ECE engagement will take time to flow into tangible results around student achievement. The gap between low decile and high decile communities remains large.	+
EDUCATIONAL ACHIEVEMENT	
While NCEA achievement gaps continue to close (albeit at very moderate rates at Level 1 and 2), recent setbacks around the important University Entrance qualification are quite disappointing.	NC
INFANT MORTALITY	
Another solid year of progress in reducing the numbers of infant deaths. These numbers are probably at an all-time low.	+
TEENAGE PREGNANCY	
The ongoing reduction in rates of teenage pregnancy is very encouraging and points to a cultural change that should be celebrated.	+

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

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- 9 See Children's Commissioner (2012) *Solutions to Child Poverty in New Zealand: Evidence for Action*. Available at <http://www.occ.org.nz/assets/Uploads/EAG/Final-report/Final-report-Solutions-to-child-poverty-evidence-for-action.pdf>
- 10 See Perry, B. (2015) *Measuring and Monitoring Material Hardship for New Zealand Children: MSD Research and Analysis Used in Advice for the Budget 2015 Child Hardship Package*. p.12. where it is suggested the deprivation rate for children as compared with the overall population is highest in a comparison on 20 European countries.
- 11 Source: Perry, B. (2015) *Household Incomes in New Zealand: Trends in Indicators of Inequality and Hardship 1982 to 2014*. Table F.5 p.101. The Regulatory Impact Statement for the Budget 2015 Child Material Hardship package has a more elaborate version of Fig A.1 or p.38. (Appendix) giving a fuller picture of the drivers of low income and material hardship.
- 12 Ibid. Unnumbered table p.133.
- 13 Source: Perry, B. (2015) *Household Incomes in New Zealand: Trends in Indicators of Inequality and Hardship 1982 to 2014*. Figure G.6 p.132.
- 14 Ibid. Figure A.1 p.92.
- 15 Ibid. Figure G.6 p.132.
- 16 Ibid. Table F.7 p.103. See p.22. for explanation of these poverty measures.
- 17 Ibid. Unnumbered table p.133.
- 18 See State Services Commission's website at <http://www.ssc.govt.nz/bps-results-for-nzers>
- 19 See, for example, Prime Minister Mr Key's comments on Radio New Zealand on 10/09/2014 at <http://www.radionz.co.nz/news/political/254184/key-hits-back-over-poverty-claims>
- 20 See, for example, the Minister of Finance's 2015 Budget speech where he said, 'Two-thirds of children in more severe material hardship have a parent on a benefit, and nine out of 10 of those are sole parents ... The best thing we can do for these children is to get their parents into sustainable, fulltime work, where that is possible ... So, as part of a child hardship package in this Budget, we are strengthening work expectations for parents on a benefit ... From 1 April next year, most sole parents, and partners of beneficiaries, will have to be available for part-time work when their youngest child turns three, rather than five as it is now ... In addition, all beneficiaries with part-time work obligations will be expected to find work for 20 hours a week, rather than 15 hours a week under the current requirements.'
- 21 Perry, B. (2015) *Household Incomes in New Zealand: Trends in Indicators of Inequality and Hardship 1982 to 2014*. p.124.
- 22 Ibid. Figure H.6. p 129.
- 23 Perry, B. (2015) *Measuring and Monitoring Material Hardship for New Zealand children: MSD Research and Analysis Used in Advice for the Budget 2015 Child Hardship Package*. p.32.
- 24 Source: Ministry of Social Development Benefit Fact Sheets. Estimates of the numbers of children living in benefit-dependent households taken either from the Ministry's Statistics Report 2012 Table DB.1 p.31., or from answers by the Minister of Social Development to Parliamentary questions, available at http://www.parliament.nz/en-nz/pb/business/qwa/QWA_06923_2015/6923-2015-carmel-sepuloni-to-the-minister-for-social
- 25 Source: Estimates of the proportion of children on benefits from MSD Benefit Fact Sheets and Parliamentary questions as above. Income measures from Perry (2015). Table F.6 p.102.
- 26 Ministry of Social Development Annual Report 2014/15. p.18
- 27 Data from Statistics New Zealand's 'Recorded Victims of Crime' database for total victimisations and unique victims aged between 0 and 14 years.
- 28 Data on notifications to CYF, and investigations and responses by CYF taken from CYF's website at <http://www.cyf.govt.nz/about-us/key-statistics/notifications.html>
- 29 Ibid. p.22.
- 30 See Children's Action Plan p.3.
- 31 Source: Key Statistics from CFY's website at <http://www.cyf.govt.nz/about-us/key-statistics/notifications.html>
- 32 Ibid.
- 33 Source: Statistics New Zealand—Recorded victims of crime statistics.
- 34 Source: Statistics New Zealand—Child and Youth Prosecutions data set.
- 35 Reported National Standards results do not include analysis based on socio-economic status, although NCEA results do (and these are reported elsewhere in this report). However, reported National Standards results do report a consistent achievement gap between Māori and Pākehā children and between Pacific and Pākehā children. For example, in 2014, what may be called 'the progress gap' across the three curriculum areas (reading writing and mathematics) was around 15% between Māori and Pākehā and 17% to 19% between Pacific and Pākehā. While these differences are reported on an ethnic basis, there is a socio-economic dimension to them as well. Source: Education Counts website on student achievement at http://www.educationcounts.govt.nz/statistics/schooling/national-standards/National_Standards

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- 36 Confusingly, the Ministry of Education uses the NZDep index to report socio-economic status of ECE statistics and a reverse deprivation index for schools. In this index NZDep 10 is the poorest decile, while Decile 1 in the school classification is the poorest decile. The comparison made here is NZDep 8, 9 and 10 for ECE with Deciles 1, 2 and 3 for school socio-economic status.
- 37 For example, 27% of five-year-olds attending school in June 2015 were enrolled in a decile 1, 2 or 3 school (the poorest 30%), while 38% of children were enrolled in a decile 8, 9 or 10 school. The bias against low-decile secondary schools is even more pronounced.
- 38 Data on ECE engagement and access is taken from the Ministry of Education's Education Counts website at <http://www.educationcounts.govt.nz/statistics/early-childhood-education>
- 39 Ibid. The method of collecting ECE enrolment data changed in 2014, so enrolment figures over the period considered here are not strictly comparable.
- 40 Ibid.
- 41 NCEA results data is taken from the Ministry of Education's Education Counts website at <http://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2>
- 42 Ibid.
- 43 Ibid.
- 44 Statistics New Zealand reports infant mortality data for calendar years back to 1948 when there were over 1,300 infant deaths each year. On current trends, the number of infant deaths for 2015 will be around 250, which is probably less than the actual results for 2012 and 2013 where similar numbers of deaths were reported—although this was a result of delays in reporting around 50 deaths during these years.
- 45 Data is sourced from Statistics New Zealand's Infoshare database and the Deaths data series. These results, including those of infant deaths and the resulting mortality rates for 2012, 2013 and 2014, have been adjusted to take into account a delay in reporting around 50 infant deaths during 2012 and 2013 by an Auckland DHB.
- 46 Abortion in Australia is regulated at a State rather than Federal level, which means each state has different rules around women gaining access to abortions and differences in how abortions are recorded and reported. Most States do not appear to have a comprehensive public record of the abortions being carried out. The exception is South Australia. The general abortion rate in that State was 14.4 abortions per 1,000 women age 15 to 44 in 2012, falling to 14.4/1,000 in 2013. The equivalent figures for New Zealand were 16.3 per 1,000 in 2012 and 15.6 per 1,000 in 2013, falling to 14.4 per 1,000 in 2014. For South Australia data, see Scheil W., Jolly K., Scott J., Catcheside B., Sage L., Kennare R. (2015) *Pregnancy Outcome in South Australia 2013*. Pregnancy Outcome Unit, SA Health, Government of South Australia.
- 47 Source: Statistics New Zealand Infoshare data base—Births and Abortion Statistics datasheets.
- 48 Ibid.
- 49 Data on New Zealand births and abortions from Statistics New Zealand's Infoshare database. Population rates based on Statistics New Zealand's Nation Population Estimates of the mean population for June years.
- 50 The single-year fertility rates for 16-year-old women. New Zealand figures are from Statistics New Zealand's Infoshare database and its 'Births' dataset, while Australian figures are sourced from the Australian Bureau of Statistics.

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Crime & Punishment

Major changes in the way crime is reported have made it difficult to report on trends in rates of criminal offending and victimisation. Although the recently released New Zealand Crime and Safety Survey provides credible evidence of recent trends in falling offending and victimisation, the public's perception of crime remains more or less unchanged. Against such declines, prisoner numbers have reached record levels and imprisonment rates have increased further. Despite promises and rhetoric from the Department of Corrections there are emerging signs of rising recidivism and reoffending rates.

CHANGES IN CRIME REPORTING

In July 2015, New Zealand Police and Statistics New Zealand changed the way they reported crime and criminal offending. This was in response to recommendations made in 2009 by Statistics New Zealand in its review of justice statistics and is ostensibly a response to 'the Government's drive for government departments to be more open and transparent'.⁵¹

The new approach separately records criminal offending and crime victimisation. Offending is recorded around the identity of the offender and their most serious offence in a data series known as Recorded Crime Offender Statistics or RCOS. RCOS data is reported by the numbers of unique offenders and the number of proceedings Police have taken against an offender. Proceedings can include referral to court, as well as diversion and warnings, etc. Victimisation is recorded in the Recorded Crime Victims Statistics or RCVS. This series too is offered in two forms: as the number of

reports received of crimes where there is a victim and as the number of individual victims of crime.⁵²

These changes present a number of advantages as well as what can be seen as a few temporary disadvantages. Among the disadvantages is the lack of a headline 'crime' figure, and alongside this the absence of measures to record the effectiveness of Police in addressing crime. Previously, such a measure was the resolution rate: the proportion of reported crime resolved by Police. Headline crime statistics and resolution rates have formed the basis of measures reported in previous State of the Nation reports.

One of the main purposes of State of the Nation reports is to record changes in important social indicators over time. Of course, such recording requires a consistent approach to the way data is gathered, structured and reported, so clearly these recent changes in the way crime statistics are reported make such consistency very difficult. Such change is inevitable and worthwhile—especially if new ways of collecting and providing data can inform better practice, such as the more effective targeting of Police resources. Problems of consistency eventually disappear when a moderate record of data is available to once again consider changes over time.

A summary of the data provided in the new RCOS and RCVS data sets is offered as a table in **Appendix 1** for all the main categories of crime for the year to 30 June 2015. This table includes an estimate of the total number of offences, although such a figure is somewhat illusory and probably always was—even in the days of headline crime figures. The illusory nature of such a figure and the definitions behind

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it is in part due to the complex and inter-temporal nature of offending. A single incident can involve a number of related offences, and the time lags between commission of an offence, the apprehension of the offender and his or her prosecution can make period-based reporting seem more precise than it is.

The headline figure for the number of offences offered in **Appendix 1** is a combination of the number of victimisations in the case of personal or victim-centred offending such as assaults and burglaries, and of the number of proceedings against offending where the offences committed might be described as victimless. As discussed below, the recognition of these offences requires either a complaint by a victim or the apprehension of an offender. In many victim-centred crimes the apprehension of the offender can be difficult; hence it is more appropriate to count the number of complaints. Future State of the Nation reports may use this somewhat limited definition to report a headline crime figure.

OVERALL CRIME

Further modest fall in overall crime

Table 11 compares recorded offence statistics for the period 2009/10 to 2013/14 with headline estimates offered in **Appendix 1** for 2014/15. This table covers four offence categories: assaults, sexual offences, unlawful entry/burglary, and theft as well as the total number of offences. **Table 12** reports resolution rates for these offence categories for 2009/10 to 2013/14. **Table 12** also offers an alternative measure of resolution rates based on the proportion of proceedings to victimisations.

Table 11: Estimates of criminal offences 2010–15⁵³

Year ending 30 June	2010	2011	2012	2013	2014	2015
Acts intended to cause injury	45,350	43,594	40,646	40,625	39,416	45,867
Sexual assault, etc	2,961	3,327	3,448	3,820	3,448	5,382
Unlawful entry/burglary, etc	60,142	59,361	57,351	51,532	51,954	63,390
Theft and related offences	141,357	136,524	129,378	117,475	122,206	143,625
All offences (excl. traffic)	441,960	416,324	394,522	365,185	353,564	339,297

Table 12: Estimates of resolution rates for reported crime 2010–15⁵⁴

Year ending 30 June	2010	2011	2012	2013	2014	2015
Acts intended to cause injury	85%	84%	83%	79%	74%	59%
Sexual assault, etc	61%	59%	58%	54%	58%	40%
Unlawful entry/burglary, etc	15%	15%	15%	15%	13%	11%
Theft and related offences	56%	56%	56%	58%	56%	16%
All offences (excl. traffic)	48%	47%	48%	47%	42%	NA

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A number of things are apparent from the comparisons made in **Table 11 and 12**. The most obvious is that the new reporting format of RCOS and RCVS has few if any similarities with the previous approach of statistics based on Police reports of recorded offences and their resolution. Although this earlier approach produced some hard numbers, it is doubtful the numbers were that reliable given the large difference between victimisation of crime and reporting of offences to Police and between this reporting and the actual recording by Police of an offence.⁵⁵ **Table 11** shows clearly that the counting of individual victims of offences produced significantly higher volumes of offences than relying on Police practice to record reported offences. **Table 12** shows a marked reduction in the proportion of recorded offences or victimisations somehow dealt with by Police.

The new response category reported in the RCOS series is that of 'proceedings'. A proceeding is defined as 'actions taken against offenders' by Police, and can include 'laying charges, warnings diversion, Family Groups Conferences, etc'. The data offered in the RCOS data set counts 'each separate occasion on which Police take action against an offender'.⁵⁶

Given this completeness, the wide discrepancy between the number of 'proceedings' reported by the RCOS dataset and the number of prosecutions reported in justice statistics published by Statistics New Zealand is puzzling and perhaps points to the continued vagueness of Police-generated reporting of crime statistics. An analysis of these differences is offered in **Appendix 2**. As an example, and for the year to 30th June 2015, the number of 'proceedings' against adult offenders reported by Police for various assault offences totalled 27,060. Of these, 18,263 are reported as having been referred to court. Yet justice statistics report 21,429

'outcomes', of which 13,615 resulted in convictions and 5,750 were not proven. The discrepancies are even larger for sexual offences.

It would appear there is little reliable trend data on crime and criminal offending. While the headline statistics reported by Police and published by Statistics New Zealand had serious limitation, especially against the estimates of criminal offending provided by the New Zealand Crime and Safety surveys, the figures offered could credibly be used to consider offending trends over time. Clearly, it will take some time to collect credible trend data under the new data collection and reporting arrangements, although the focus on victims in these arrangements should be applauded.

Prosecution data from Ministry of Justice and published by Statistics New Zealand does provide some useful trend data, and this is summarised in **Table 13** for selected categories of offences. This data confirms the overall decline in offending over the past five years, which has been witnessed both by former headline figures reported by Police and the recently released New Zealand Crime and Safety Survey. Most of this decline was due to significant drops in prosecutions for administrative-type offences such as public order and justice procedures and in enforcement-driven offending such as illicit drug offences.⁵⁷ While the decline in offending appears to have continued during 2014 and 2015, the rate of decline may have tapered off. Prosecutions for all offences, excluding traffic-related ones, dropped just 3% between 2013/14 and 2014/15, while they declined by 18% over the previous 12-month period. There is no way of knowing from the data publicly available if these declines are due to changing enforcement practices or to falling levels of offending behaviours.

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The recently released report of the 2014 New Zealand Crime and Safety Survey (NZCASS) has essentially confirmed claims in previous State of the Nation reports and elsewhere that crime rates and criminal offending have fallen. NZCASS 2014 estimates that personal incidents of people being a victim of crime fell from 1.825 million in 2008 to 1.375 million in 2013, and the number of household incidents of crime fell from 834,000 to 497,000 over the same period.⁵⁸ Burglaries are reported to have fallen from 213,000 to 136,000 between 2008 and 2013, while vehicle thefts fell from 27,000 to 17,000 over the same period.⁵⁹ These are significant and valuable gains that point to a societal change at least in terms of property-related offending.

NZCASS 2014 confirms previous findings from the Crime and Safety Surveys that crime is concentrated in poorer communities and younger, poorer people and that Māori and Pacific Island people are more likely to be a victim of a crime. For example, people living in the poorest 20% of communities are nearly 1.6 times more likely than those in middle-income communities to be a victim of a crime and more than twice as likely as those living in the richest 20% of communities.⁶⁰ Remarkably, crime is highly concentrated personally, with two-thirds of crime happening to just 6% of the adult population and three-quarters of New Zealanders not affected by crime in any one year.⁶¹

Table 13: Total charges prosecuted against adults 2010 to 2015⁶²

Year ending 30 June	2010	2011	2012	2013	2014	2015	2010-15
Acts Intended to Cause Injury	32,376	29,719	27,441	26,499	21,603	21,429	-10,947
Sexual Assault, etc	5,111	4,934	4,823	5,564	5,044	5,144	33
Unlawful Entry/Burglary etc	9,888	8,396	8,108	7,791	6,171	5,844	-4,044
Theft & Related Offences	30,992	26,076	24,647	23,890	21,154	20,017	-10,975
All offences (excl traffic)	270,611	238,733	216,334	209,688	171,174	166,107	-104,504

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VIOLENT CRIME

Clearer picture around violence in homes

Changes in the way offending is reported makes it difficult to gain a complete picture of recent changes in violent offending. **Table 13** reports total charges prosecuted against adults for assault and sexual offences and this data suggests little change in the levels of sexual offending over the past five years, although there has been some decline in rates of reported assaults.

Such a decline is backed by results of the 2014 New Zealand Crime and Safety Survey (NZCASS). The Survey's authors estimate the number of violent interpersonal crimes fell from 1.794 million in 2008 to 1.379 million in 2013. In 2008, 530,000 people were victims at least once of some form of interpersonal violence, but this fell to 376,000 people in 2013.⁶³

The 2014 NZCASS provides useful insights into the extent to which this violence is perpetrated by family members or acquaintances of victims, or by strangers. Predominantly, reported violence is between family members—whether this is counted as the number of separate offences or the number of unique victims. For example, 57% of violent offences identified in the 2014 NZCASS involved family members and 29% involved current intimate partners. These results are reported in **Table 14**.

Table 14 also reports results from the RCVS for the year to 30 June 2015. This new reporting format is intended to make government departments such as the Police 'more open and transparent' and 'will provide new information about victims and a more complete picture of who is affected by crime in New Zealand'.¹⁴

The results from the RCVS reported in **Table 14** have little relationship to the results reported in NZCASS and this difference points to the limitations in the data offered in the RCVS—at least until now. Two significant problems emerge in any comparison between the RCVS and NZCASS data offered in **Table 14**.

The first is the large difference between the volumes of victims covered in each of these data sets. The NZCASS covers 376,000 unique victims over the year of the survey (2013), while RCVS identifies just 37,800 victims or 10% of the population identified in the NZCASS. This difference is consistent with results and analysis offered in the NZCASS Main Findings Report. The report suggests that only 24% of assaults, including assaults by intimate partners, are reported to Police⁶⁵ and that just 26% of the assaults reported to Police are actually recorded by them.⁶⁶ Police-generated figures on violent crime are therefore a fairly dismal under-representation of what is really happening in New Zealand homes and neighbourhoods.

The second anomaly identified in **Table 14** is the non-reporting of offender identities in RCVS data. For assaults, for example, the relationship between the offender and victim is not recorded in 53% of cases. It seems remarkable that over half the victims of violence who come to Police attention are unsure of whether they know their assailant or not.

While the emphasis placed on victims of violence in the new reporting approach should be applauded, the obvious and major flaws in the information offered by this approach give it little policy or operational value. The need for a more comprehensive approach to gathering and reporting data on domestic violence remains and it seems unlikely that current efforts will produce reliable information.

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Table 14: Relationship between victims and perpetrators of violence 2013 and 2015⁶⁷

	Homicide & related offences (RCVS)	Assaults (RCVS)	Sexual assaults (RCVS)	Unique victims (NZCASS)	Total offences (NZCASS)
Total number	70	37,791	4,125	376,000	1,379,000
Offender known to victim	56%	38%	20%	68%	83%
Offender is a family member	24%	23%	7%	61%	57%
Offender is a partner of victim	10%	9%	0%	29%	29%
Offender known but not a family member	31%	15%	12%	43%	27%
Stranger	11%	9%	5%	32%	14%
Offender not identified	20%	44%	69%		
Not stated or inadequately described	13%	9%	6%		

SENTENCING AND IMPRISONMENT

Sentencing becoming more punitive

Two gradual but appreciable trends are evident in changes around how New Zealand courts are dealing with offenders.

While the crime rate is falling and while it appears incidences of violence are also dropping, more people are in prison than ever before. It appears the judicial system is becoming more punitive, although this may be on account of a compositional change in offending patterns. As noted above, the recent sharp decline in numbers of prosecutions is due to disproportionate falls in types of offences that required some level of enforcement activity rather than a complaint from a victim.⁶⁸ These declines have never been analysed or explained, so it is difficult to know if they are changing due to Police practice and priorities or a more law-abiding population.

Table 15 reports data on criminal prosecution trends over the past five years. This data clearly shows the increasing willingness of courts to convict prosecuted offenders (rather than discharge or divert them) and for courts to hand out imprisonment sentences. The proportion of sentences involving a prison term has risen gradually from just over 9% in 2009/10 to almost 11% in the most recent fiscal year.

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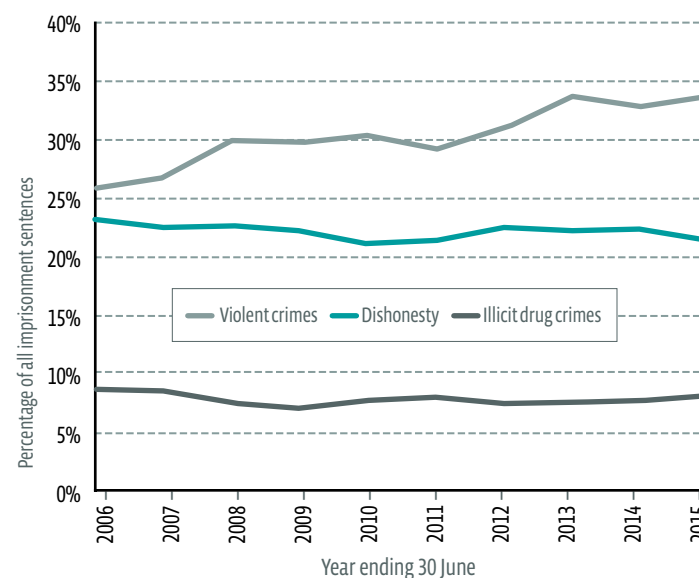
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Table 15: Criminal prosecution trends 2010 to 2015⁶⁹

Year ending 30 June	2010	2011	2012	2013	2014	2015
People prosecuted for offences	125,000	112,022	102,520	95,393	84,095	79,823
People convicted of offences	98,502	90,713	83,935	77,851	70,314	66,002
% of prosecutions leading to convictions	78.8%	81.0%	81.9%	81.6%	83.6%	82.7%
People diverted or discharged without conviction	14,565	10,622	8,696	7,768	6,528	6,441
% of proven cases leading to discharge/diversion	12.9%	10.5%	9.4%	8.9%	8.4%	8.8%
Imprisonment sentences	9,118	8,728	7,986	7,876	7,151	7,176
Imprisonment sentences as % of all convictions	9.3%	9.6%	9.5%	10.1%	10.2%	10.9%

Figure 8 offers a 10-year perspective of the offending that leads to imprisonment. There is an obvious trend for more violent offenders to be sent to prison, although over the same period the proportion of prosecuted offences that might be classified as violent has also risen slightly.⁷⁰ The proportion of custodial sentences given to violent offenders has, however, risen from around 26% in 2005/06 to 34% in 2014/15. There is insufficient publicly available data to determine if this increase in imprisonment rates of violent offenders is due to an increasing severity of offending or an increasing willingness for courts to use prison terms in response to such offending.

Figure 8: Offences leading to imprisonment sentences 2006 to 2015⁷¹

Prisoner numbers rise to new record

Against a background of falling rates of recorded crime, New Zealand's prison population has hit an all-time high. The monthly average prisoner population in August 2015 exceeded 9,000 for the first time, reaching 9,112 inmates and surpassing the previous record set in late 2010. Prisoner population trends over the past 15 years are reported in **Figure 9**.⁷²

The main reason for this rise in prisoner population appears to be the growing number of remand prisoners. The average prisoner population for the year to 30 June 2015 was 8,732, up 3% on the previous year when there were on average 8,460 prisoners in New Zealand prisons. However, between 2014 and 2015 the average population of sentenced prisoners

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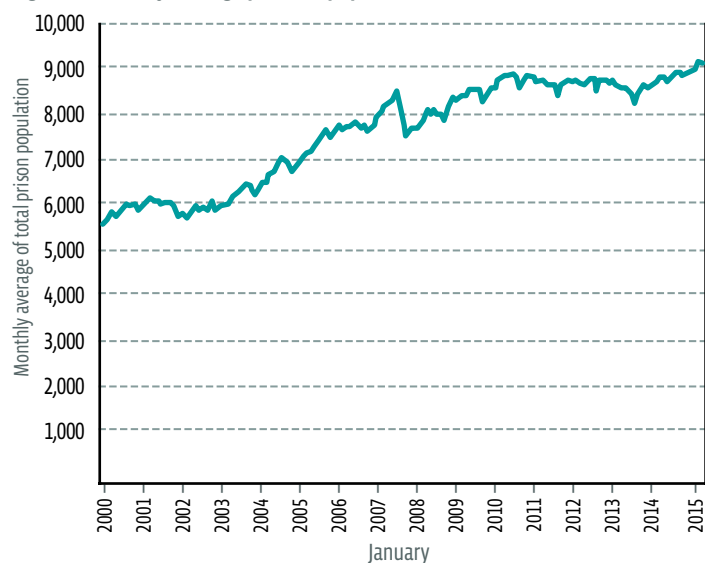
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remained virtually unchanged—falling from just 6,766 to 6,755 prisoners. Over the same period, the average number of remand prisoners in custody increased from 1,694 to 1,977. In its Justice Sector Forecasts, the Ministry of Justice reported that the remand prisoner population had exceeded 2,250 in September 2015.⁷³

Māori prisoner numbers rise to highest on record

Statistics New Zealand reports that around 55.7% of all prisoners incarcerated in any one year are Māori. The Department of Corrections no longer reports the ethnicity of prisoners and, on any account, consistently reported a lower proportion of the prisoner population as Māori than Statistics New Zealand.⁷⁴ Based on this higher ratio, it seems likely that the average Māori prison population reached 4,800 to 4,900 people during the year to 30 June 2015. This figure is around 1,000 inmates higher than 10 years previously.

Figure 9: Monthly average prisoner population 2000 to 2015⁷⁵



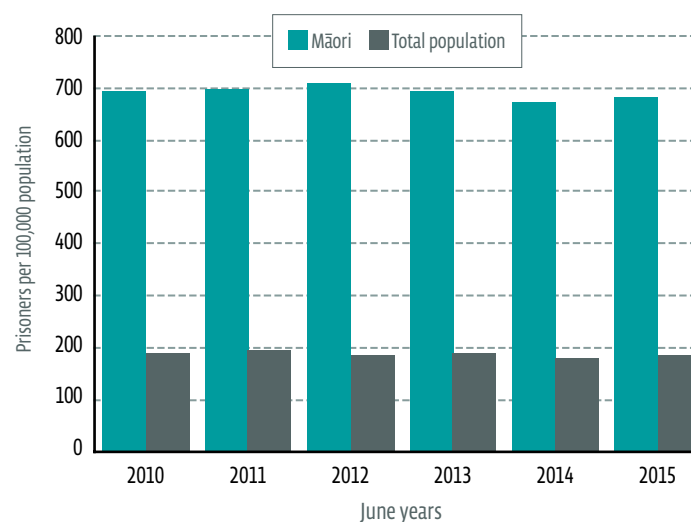
Imprisonment rates rise slightly

On the back of these higher prison numbers, imprisonment rates have also risen, reversing a trend of modest declines over the past few years. For the year to 30 June 2015, the overall imprisonment rate was 192 prisoners per 100,000 population, up slightly on the 189 per 100,000 recorded for the previous year, but still less than the record of 198 per 100,000 reached in the June 2011 year.

The Māori imprisonment rate rose more sharply during 2014/15, to reach an average of 693 prisoners per 100,000 population for the year to 30 June 2015, up from an average of 674 per 100,000 the previous year. For the 2014/15 fiscal year, the Māori imprisonment rate was 7.0 times that of non-Māori, a record difference equalled only in the 2011/12 fiscal year.

Imprisonment rates over the past five years for the overall population and for Māori are reported in **Figure 10**.

Figure 10: Imprisonment rates 2010–15⁷⁶



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Community sentencing shows a sharp decline

The number of convicted offenders who commenced community-based sentences during the year to 30 June 2015 declined by 5% over the previous year, continuing a five-year trend of such declines. During 2014/15, almost 46,500 offenders commenced some form of community sentence, compared with more than 49,000 the previous year and 64,000 five years earlier. However, home-based detention new starts during the 2014/15 year remained at similar numbers as in previous years, at 3,300.

Data on community-based and home-based sentences is provided in **Table 16**.

Table 16: Community-based and home-based sentences new starts 2010–15⁷⁷

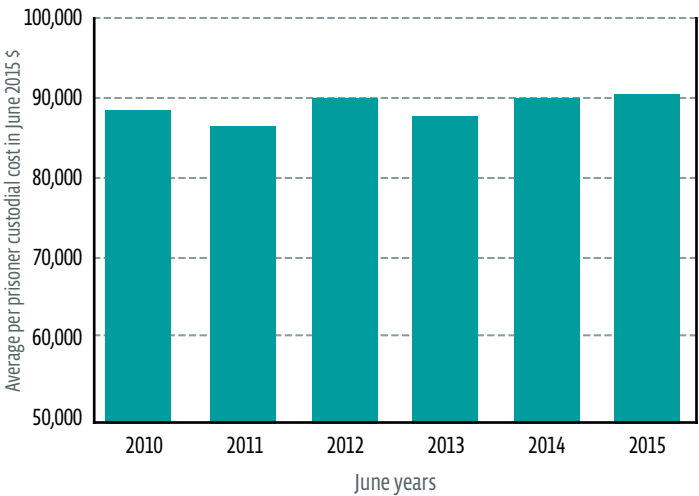
	2010	2011	2012	2013	2014	2015
Non-custodial community-based sentences	62,146	60,823	58,810	54,778	49,121	46,463
Home detention sentences and orders	3,485	3,641	3,363	3,527	3,340	3,253
Rate of non-custodial community sentences (per 100,000 population)	1920	1858	1781	1645	1453	1344

Slight rise in prisoner costs

For the 2014/15 fiscal year, the Department of Corrections received \$789 million from taxpayers to pay for custodial services. This was a \$30 million increase on the previous year. On a per-prisoner basis this represents almost \$90,400 per prisoner, which is 0.3% more in inflation-adjusted terms than the previous year when average costs were \$90,100. The 2014/15 per prisoner cost is, however, much lower than the record set in 2007/08 when it cost taxpayers \$93,600 (at 2015

\$ values) to keep each prisoner. A comparison of prisoner costs since 2010 is offered in **Figure 10**.

Figure 10: Average custodial cost per prisoner 2010–15⁷⁸



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RECIDIVISM

Sharp increase in 12-month recidivism rates

Despite the good news that the Department of Corrections offers the public around its efforts to provide prisoners with skills and jobs, the rates of re-offending and re-imprisonment have shown a disappointing increase for the year to 30 June 2015. This rise is for the total population and for Māori, as shown in **Table 17**. For example, for the total prison population, the 12-month re-imprisonment rate rose from 25.9% for the year to 30 June 2014 to 28.1% the following year. For Māori released prisoners, the re-imprisonment rate rose from 29.3% to 32.1% over the same period.

Two-year re-imprisonment and reconviction rates do show some improvement between 2013/14 and 2014/15, although these gains may yet be eroded during 2015/16 as higher 12-month recidivism rates flow into the following year.

This deterioration in recidivism is disappointing given the Government's ongoing commitment to funding rehabilitation and reintegration services. The per-sentenced-prisoner spend on such services increased between the 2013/14 and 2014/15 fiscal years to stand at just over \$25,000 per prisoner—the highest on record. The real shame here is that the Department of Corrections has not been able to convert this ongoing and increasing commitment into real on-the-street gains.

Table 17: Prisoner recidivism and spending on rehabilitation and reintegration services⁷⁹

Year ending 30 June	2010	2011	2012	2013	2014	2015
TOTAL PRISON POPULATION						
12 month re-imprisonment rate	28.4%	27.1%	27.0%	26.7%	25.9%	28.1%
12 month prison to reconviction	47.5%	45.3%	43.3%	44.2%	41.7%	43.7%
24 month re-imprisonment rate	37.9%	39.2%	37.0%	37.3%	36.8%	36.5%
24 month prison to reconviction	61.9%	62.2%	59.9%	58.8%	58.9%	57.0%
MĀORI PRISON POPULATION						
12 month re-imprisonment rate	32.6%	29.7%	30.4%	30.1%	29.3%	32.1%
12 month prison to reconviction	52.2%	50.0%	47.3%	48.4%	46.2%	49.0%
24 month re-imprisonment rate	43.3%	44.0%	40.8%	41.8%	41.2%	41.3%
24 month prison to reconviction	68.2%	67.3%	65.6%	63.5%	64.4%	63.2%
SPENDING ON REHABILITATION & REINTEGRATION SERVICES						
Total spend in June 2015 \$millions	134	135	158	149	163	169
Average spend per sentenced prisoner in June 2015 \$	20,227	19,732	23,518	21,845	24,034	25,037

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ASSESSMENT

OVERALL CRIME	RESULT
Recent modifications in how crime statistics are reported makes it difficult to determine the extent to which overall crime has changed over the past year or so. Prosecution statistics offer a consistent glimpse of what is happening and these suggest further modest falls in overall offending between 2013/14 and 2014/15. The more authoritative view offered by the recently released 2014 New Zealand Crime and Safety Survey provides good reasons to be optimistic that recent falls in rates of offending have become imbedded into New Zealand society. The high concentration of victimisation from crime remains an alarming feature even of this new landscape.	+
VIOLENT CRIME	
Recent reporting changes make year-on-year comparisons difficult. The encouraging longer-term trends of declining rates of violence and victimisation as reported by the New Zealand Crime and Safety Survey needs to be acknowledged as a positive structural change in New Zealand society. The new reporting format and the apparent focus on victims is to be applauded, although given the gaps in victims' reporting behaviour this approach does not yet add up to a credible official response to measuring and reporting domestic violence.	+
SENTENCING AND IMPRISONMENT	
A mixed bag here, with the encouraging decline in community-based sentences offset by a record high in prisoner numbers. This record is, however, driven by sharp increases in the numbers of remand prisoners, which may or may not be a passing trend.	NC
RECIDIVISM	
A disappointing year for Department of Corrections with a sharp deterioration in 12-month recidivism rates eroding the modest gains of past years. This is despite Government's ongoing commitment to funding rehabilitation and reintegration services. Despite all the good news stories from Corrections, things are not working as well as we might expect and hope for.	—

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

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Appendix 1: Criminal offending as reported in the RCOS and RCVS data sets year to 30 June 2015

Offence category	Number of unique offenders	Proceedings against offenders	Number of victimisations	Unique victims	Estimates of offences
Homicide and related offences	187	197	87	70	87
Acts intended to cause injury	23,070	27,060	45,867	37,791	45,867
Sexual assault and related offences	1,851	2,175	5,382	4,125	5,382
Dangerous or negligent acts endangering persons	12,087	13,518			13,518
Abduction, harassment and other related offences against a person	5,361	7,203	336	207	5,361
Robbery, extortion and related offences	1,047	1,266	3,003	2,424	3,003
Unlawful entry with intent/burglary, break and enter	3,813	6,762	63,390	51,927	63,390
Theft and related offences	12,849	23,469	143,625	114,885	143,625
Fraud, deception and related offences	2,094	3,216			3,216
Illicit drug offences	6,681	9,678			9,678
Prohibited and regulated weapons and explosives offences	2,676	3,906			3,906
Property damage and environmental pollution	5,028	8,817			8,817
Public order offences	11,172	19,272			19,272
Traffic and vehicle regulatory offences	23,253	35,094			35,094
Offences against justice procedures and government operations	4,107	13,359			13,359
Miscellaneous offences	552	816			816
Total of all offence categories	115,833	175,818	261,690	211,429	374,391

Appendix 2: Analysis of outcomes from reported criminal offending year ended 30 June 2015

Year ending 30 June 2015	Total outcomes	Convicted	Diversion etc	Not proved	Other	Proceedings reported	Court action	No court action	Not proceeded with
Acts intended to cause injury	21,429	13,615	1,901	5,750	163	27,060	18,273	8,532	249
Sexual assault, etc	5,144	2,672	20	2,280	172	2,175	1,638	444	87
Unlawful entry/burglary, etc	5,844	4,345	149	1,316	34	6,762	5,094	1,554	126
Theft and related offences	20,017	15,568	959	3,438	52	23,469	13,269	9,882	330
All offences (excl. traffic)	166,107	118,319	7,809	39,187	792	140,724	83,127	56,361	1,224

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- 51 See New Zealand Police (2015) *New Recorded Crime Offender Statistics: Counting the Offenders Behind the Crimes*. Go to <http://www.police.govt.nz/sites/default/files/publications/rcos-briefing-factsheet.pdf>
- 52 For a more detailed discussion of these new data series see <http://www.police.govt.nz/about-us/publication/recorded-crime-victims-and-offenders-statistics-rcvs-and-rcos>
- 53 Source: Statistics New Zealand's recorded crime data set for 2010 through to 2014 and its Recorded Victims of Crime (RVOC) data set for 2015.
- 54 Ibid.
- 55 The 2014 *New Zealand Crime and Safety Survey Main Findings* reports that only 36% of comparable crime was reported to Police, and of that reported just 47% was recorded as a crime—in others words, only 17% of crime was captured in official statistics (see pp. 119-120).
- 56 See New Zealand Police (2015) p.2.
- 57 Between 2009/10 and 2014/15, prosecuted public order offences declined by 23,000 or 71%, while prosecutions for offences against justice procedures dropped by 17,800 or by 31%. Over the same period, prosecutions for illicit drug offences declined by 10,100 or 41%. Declines in prosecutions over these three categories of offences accounted for almost half (49%) of the decline in prosecutions and 54% of the decline in convictions. Source: Statistics New Zealand's justice statistics data series, available at <http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7371>
- 58 Ministry of Justice (2015) *2014 New Zealand Crime and Safety Survey: Main Findings*. p.19. Available at <http://www.justice.govt.nz/publications/global-publications/n/new-zealand-crime-and-safety-survey-2014>
- 59 Ibid. p.24.
- 60 See 2014 *New Zealand Crime and Safety Survey* data set Table 28, which reports the average incidence of crime is 68.8 offences per 100 people, while the incidence in the most deprived quintile of communities was 108.4 and 52.7 in the least deprived quintile.
- 61 See 2014 NZCASS Main Findings report Graph 3.10 p.57.
- 62 Source: Statistics New Zealand's '*Criminal conviction and sentencing tables*', available at http://www.stats.govt.nz/tools_and_services/nzdotstat/tables-by-subject/criminal-conviction-and-sentencing-tables-fiscal-year.aspx
- 63 2014 NZCASS data set Table 2.
- 64 New Zealand Police (2015) *New Recorded Crime Offender Statistics: Counting the Offenders Behind the Crimes*. Available at <http://www.police.govt.nz/sites/default/files/publications/rcvs-stakeholder-briefing.pdf>
- 65 2014 NZCASS Main Findings Report p.107.
- 66 Ibid. p.122.
- 67 Source: Statistics New Zealand's 'Recorded Victims of Crime' data set and Ministry of Justice (2015) *2014 Crime and Safety Survey: Main Findings* report.
- 68 See endnote 7 above
- 69 Source: Statistics New Zealand's '*Criminal conviction and sentencing table*'.
- 70 For the purposes of this analysis violent offences includes homicide-related offences, all assaults and sexual offences, as well as abductions and robberies. Over the decade to 30 June 2015, the proportion of offences (excluding traffic offences) that might be classed as violent offences has risen from 18% to around 20%.
- 71 Source: Statistics New Zealand's '*Criminal conviction and sentencing table*'. Violent crime is defined in the previous endnote. Dishonesty crimes include unlawful entry/burglary, thefts including car related thefts and frauds.
- 72 Source Ministry of Justice (2015) *Justice Sector Forecasts: Update September 2015*. Available at <http://www.justice.govt.nz/publications/global-publications/j/justice-sector-forecast-monitoring-report-quarter-ending-june-2015-1/justice-sector-forecast-monitoring-report-quarter-ending-september-2015>
- 73 Ibid. See the Ministry's data set and 'Prisoner pop tables (short term)'.
- 74 Statistics New Zealand's data is provided in its '*Remand and sentenced prisoner tables*', available at http://www.stats.govt.nz/tools_and_services/nzdotstat/tables-by-subject/Remanded-sentenced-prisoners-2014-tables.aspx. For the 2014 calendar year a total of 12,003 prisoners were imprisoned on remand of whom 55.8% or 6,681 were Māori, while a further 7,662 prisoners were given a custodial sentence of whom 55.7% or 4,275 were Māori. The Māori share of new prisoners has averaged 55.7% over the past five years, yet Department of Corrections in previously published monthly prisoner muster numbers suggested that only around 51% of inmates were Māori.
- 75 Ministry of Justice (2015) *Justice Sector Forecasts*.
- 76 Source: Department of Corrections Annual Reports for average prisoner numbers for each fiscal year and Statistics New Zealand for population estimates.
- 77 Source: Department of Corrections annual reports and financial statements.
- 78 Ibid.
- 79 Ibid. and in particular the Department's 2014/15 Annual Report, Appendix One pp.132-133.

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Work & Incomes

Over the past year, there has been modest growth in New Zealand's job numbers and incomes. This is encouraging, especially given the fragility of the world economy. Against these small gains unemployment has changed little, income inequality has not narrowed, and dependency on Government income support programmes has exceeded one million people for the first time. These trends create an overall sense that little has changed over the most recent past and that as a country we are treading water—not progressing but not slipping backwards.

Our ability to stay where we are in terms of jobs and incomes may be tested over the next 12 months, especially if further job growth evaporates and growth in the workforce continues at recent rates.

EMPLOYMENT AND UNEMPLOYMENT

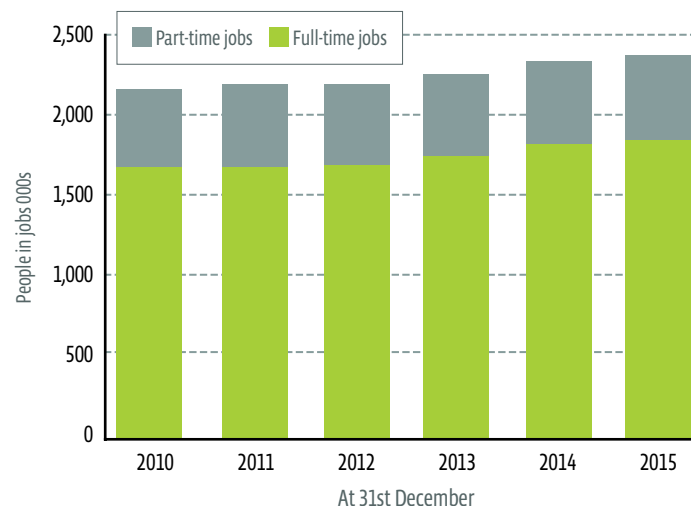
Moderate though steady job growth continues

Modest but steady job growth occurred during 2015, continuing a similar trend for the previous four years. At the end of 2015, there was an estimated 2.37 million jobs in the New Zealand economy, of which 78% or 1.85 million were full time and 523,000 part time.

This overall job figure represents an annual growth of 30,000 jobs or just over 1%, and a growth over the past five years of 208,000 jobs or just under 10%. Part-time employment fell slightly during 2015 at the expense of full-time employment, although over the five-year period the full-time/part-time proportions remained quite stable. Job growth over the past five years is reported in **Figure 11**.

Employment growth for women has been slightly behind that of men over the past five years, although it appears that this gap has mainly opened up in the past 12 months. Since 2010, the number of women in employment grew by 103,000, while the number of men in work grew by 106,000.

Figure 11: Total employment in New Zealand 2010–15⁸⁰



Strong workforce growth soaks up available jobs

Encouraging job growth over the past five years has largely been matched by similar growth in the working-age population and in the workforce. Between 2010 and 2015, the working-age population grew by 246,000 people, just over 7%.

Against this, the labour market participation rate also rose 1% to 69% meaning that the labour force grew slightly faster than the working age population. Between 2010 and 2015 the workforce grew by 185,000 people or by more than 8%.

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Unemployment stays the same as benefit numbers fall

The residual between demand and supply for jobs in the labour market is, of course, unemployment. As a result of relative strong growth in both the labour force and in job numbers, levels of unemployment have not reduced significantly. This is well illustrated in **Figure 12** for two measures of unemployment derived from Statistics New Zealand's Household Labour Force Survey (HLFS).

The 'Official Unemployment Rate' taken from the HLFS shows that around 145,000 people have been consistently unemployed since 2010—around 6% of the labour force. At the end of 2015, the official unemployment rate was 5.3%, with an estimated 133,000 people out of work and actively seeking work. A year earlier, the rate was slightly higher at 5.7%. While at the end of 2010 (as the economy wavered in the wake of the GFC), the official unemployment rate was 6.7%. Averaged across four consecutive quarters, 'official unemployment' was slightly higher during 2015 than during 2014—144,000 people against 141,000. During 2010 official unemployment averaged 151,000.

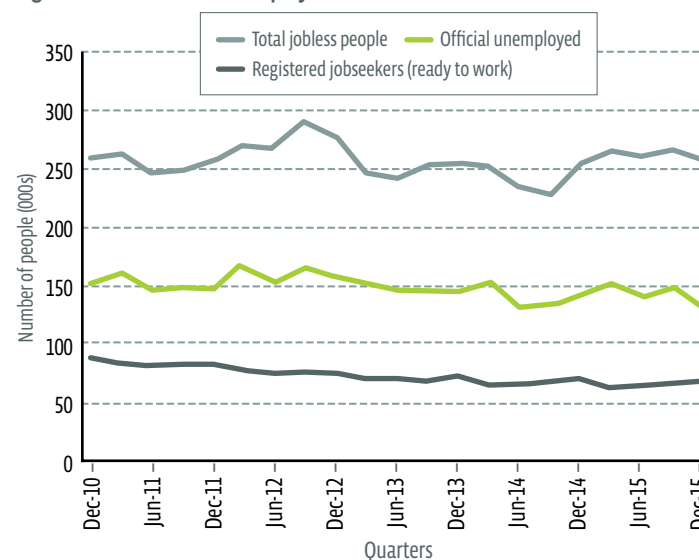
A more generous measure of unemployment is the jobless count. This figure includes out-of-work people who are counted as 'officially unemployed' as well as others not in work but not judged to be actively seeking work, even though they would accept a job if one was available. The jobless count has typically been 100,000 to 120,000 people more than the officially unemployed figure. As indicated in **Figure 12**, the number of jobless people has stayed at around 250,000 to 270,000 since 2010.

The third measure of employment is those people receiving a welfare payment who receive this solely because they are

out of work. Since the re-classification of benefits in 2013, this payment has been known as the Jobseeker Support payment. It has two categories. One category is those people medically fit enough to accept work immediately, with the other category comprising people with a health condition which prevents them from working immediately but that is expected to lessen or disappear at some stage, allowing them to eventually return to work. The measure reported in **Figure 12** shows take up of the Jobseeker work-ready payment.

The number of people receiving the Jobseeker Work Ready payment has declined by almost 22,000 between the end of 2010 and the end of 2015. In December 2015, 67,670 working-age adults were receiving the Jobseekers Work Ready payment, almost 1,500 people less than a year earlier. In December 2010, almost 90,000 people were receiving the equivalent benefit, which at that time was known as the Unemployment Benefit.⁸¹

Figure 12: Measures of unemployment 2010–15⁸²



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Youth employment growth slows a little

The job growth amongst 15- to 19-year-olds during 2014 continued through 2015, although at a slower rate. During 2014 the average number of 15- to 19-year-olds in work rose 10,000 on the previous year, but this growth slumped to 3,600 additional young people in work during 2015. Such growth is modest given there are almost 320,000 people in this age group and that this group suffers the highest rate of unemployment of any age group.⁸³ This recent job growth is illustrated in **Figure 13**.

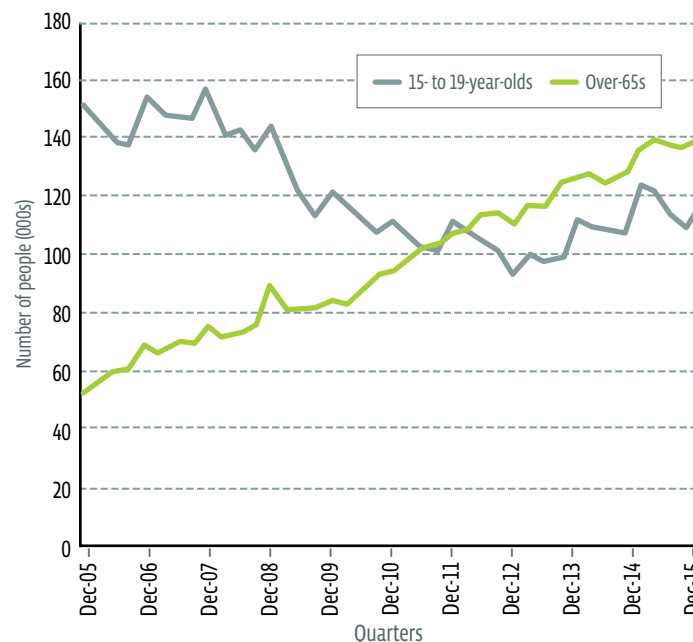
At the end of 2015, an estimated 119,000 15- to 19-year-olds were in work, while the annual average number of this age group in work was around 116,000. This compares with an average of 114,000 people in work in 2014 and 112,000 in 2010. It is important to see this recent job growth as a recovery from a poor position, rather than a longer-term gain. Essentially, the three years from 2011 to 2013 were lost years for employment for 15- to 19-year-olds when the numbers in work fell at times to less than 95,000.

Improving job prospects for 15- to 19-year-olds has meant the participation rate is starting to climb from its lows of 2011 to 2013. The average participation rate during 2015 was just under 47%, comparable to the rate in 2010 and considerably better than the 44% average participation rate of 2012. More young people are engaged in the labour market, which is a good sign.

The unemployment rate among 15- to 19-year-olds is somewhat volatile due to the seasonal nature of labour market participation of many young people. Their average official unemployment rate during 2015 was just over 21%, a similar result to 2014 and slightly better than the 25% unemployment rate of 2010. Most likely, these rates

understate the problems of joblessness among this age group, as prior to the GFC their participation often exceeded 55%. Such rates would equate to an additional 25,000 young people being either in work or actively seeking it.

Figure 13: Employment of 15- to 19-year-olds and over-65s 2010-15



The silver tsunami of workers rolls on

The numbers of people aged over 65 who remain working continued to rise during 2015, although participation rates appear to be tapering off somewhat.

At the end of 2015, an estimated 141,000 over-65s were in jobs. This is a small increase of about 3.5% over the previous year, but a massive 50% more than at the end of 2010 when there were 94,000 over-65s in work. This trend is illustrated in **Figure 13**.

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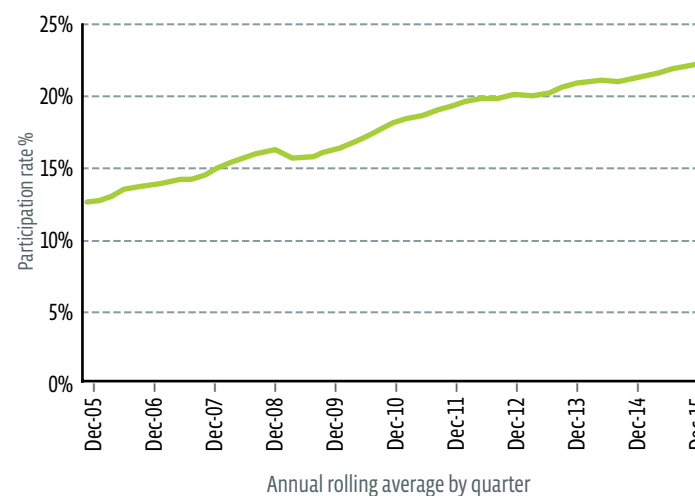
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In 2006, the labour market participation rate among those over 65 was around 13%, and this has risen gradually since, reaching 20% in 2012. Although the participation rate has continued to increase since 2012, its rate of increase has tapered off and at the end of 2015 was around 22%. This trend is illustrated in **Figure 14**.

Because of the aging process, this increasing labour market participation among over-65s will not continue to increase indefinitely. Most of the recent increase has been due to two factors: those between 65 and 69 remaining in work beyond the nominal retirement age of 65, and rapid increases in the number of people within the 65 to 69 age group. While further increases in the participation rate are likely, it seems less likely this will exceed 25% unless there is a significant change in the opportunities for and drivers of people working beyond 65.⁸⁴

Over the past five years (2010 to 2015), increases in the numbers of workers over 65 account for around 23% of the 208,000 jobs created. Clearly, this older workforce is important to the current job market, but reliance on further growth in this workforce is risky given the background demographics that have driven much of this recent growth.

Figure 14: Labour market participation of population over-65s 2006–15



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INCOMES

Modest income growth continues

There appears to have been modest growth during 2015, continuing a five-year trend of sustained (albeit unspectacular) income growth in real terms. These trends are shown in **Figure 15** for per-capita gross domestic product and in **Figure 16** for average weekly incomes for wage and salary earners.

Per-capita GDP grew by a minimal 0.5% in inflation-adjusted terms to just over \$53,500. However, over the past five years, per-capita GDP has grown by almost 7% in real terms or \$3,400.⁸⁵ Such growth, of course, provides the base for subsequent growth in individual and household incomes, although the distribution of this growth might not be even across the society. This distribution appears to have changed little in recent times.

Average weekly income from wages and salaries for employees rose by 3% in real terms during 2015 to \$973 per week in December 2015. This was an \$28 per week improvement on the previous year, although most of this growth appears to have happened in the first quarter of 2015, with little or no growth over the subsequent three quarters. This 3% growth is consistent with income trends over a five-year period when employees' weekly incomes grew 10% in real terms.⁸⁶

Gender pay gap remains the same

The gap between male and female wages remained unchanged during 2015 and there are no signs of any improvement over the past five years. The average ordinary time hourly wage for males in December 2015 was \$31.30,

compared with \$27.14 per hour for women. In other words, on average, women received 87% of men on an hourly basis, with the pay gap \$4.16 per hour in dollar terms.

This gap is virtually unchanged over the past five years. In December 2010, the average ordinary time hourly female wage was \$25.50, 88% of the average ordinary time male wage of \$29.06. At the end of 2014, the ratio of female to male wages was also 87%, with women earning \$26.78 against the average ordinary time male wage of \$30.87 per hour.

Earnings inequalities persist

The earnings gap between those in the highest and lowest paid sectors remained unchanged during 2015. At the end of 2015, average ordinary time earnings in the highest paid finance and insurance sector were \$42.01 per hour, 2% lower in real terms than a year previously when they reached \$42.77 (in nominal terms). Against these rates, workers in the poorest paid sector—accommodation and food—earned \$18.59 per hour on average as ordinary time earnings. This rate was a 3% improvement (in nominal terms) on a year previously when their average ordinary times earnings were \$18.00 per hour.

Given the modest but steady growth in wages in the accommodation and food sector against the slight declines in the finance and insurance sector, the earning gap between these sectors closed a little during 2015. At the end of 2014, workers in the poorest paid sector earned just 42% of those in the best paid sector on an average ordinary time hourly basis. This improved slightly to 44% by the end of 2015, although over the longer term this most recent ratio is little different from results in 2010 when workers in the accommodation–food sector earned 45% to 46% of those in the finance–insurance sector.

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Figure 15: Per-capita gross domestic product 2006–15 (Dec-15 \$ values)

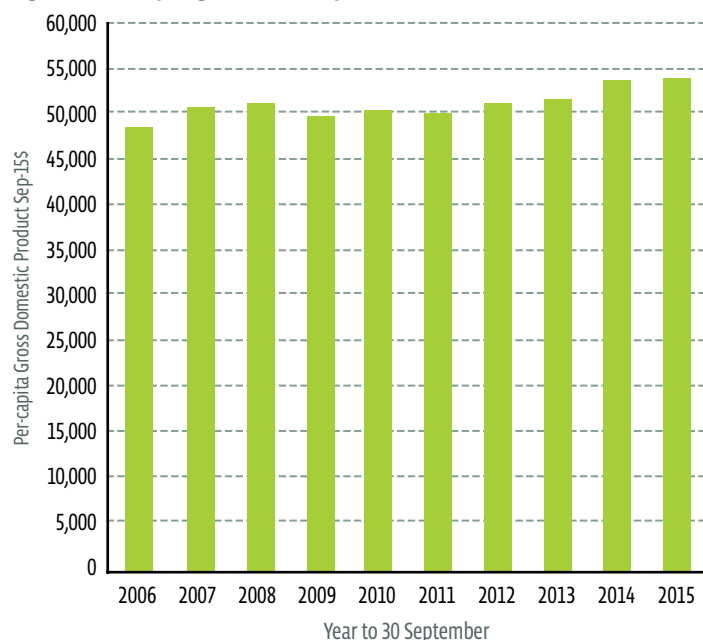


Figure 16: Real average weekly income from wages and salaries 2010–15 (Dec-15 \$ values)



More workers on minimum wage

The importance of regular increases in the minimum wage is well illustrated by the increasing numbers of workers working at or close to this statutory minimum. Every time the minimum wage is reviewed, Government officials prepare a regulatory impact statement to assess the likely consequences of the options being considered. These assessments provide a useful insight into the number of workers who will be included in any reviewed minimum.

The most recent revision of the minimum wage, in April 2015, raised the adult minimum wage from \$14.25 to \$14.75 per hour. At the time of the assessment of this change in late 2014, it was estimated 115,000 workers would be working for the new minimum wage of \$14.75. This number of workers represents 4.9% of the total employed workforce.⁸⁷

One year earlier, when the adult minimum wage was raised from \$13.75 to \$14.25 per hour, an estimated 109,000 or 4.8% of the workforce were estimated to be working for the new minimum wage. In 2010, when the adult minimum wage was raised from \$12.50 to \$12.75 per hour, just 36,000 or 1.7% of those with jobs were likely to be working on this minimum.

It seems likely that regular increases in the minimum wage are partly responsible for lifting average wages in the poorest paid sectors, such as the accommodation–food sector (as discussed above). The small but increasing share of the workforce whose income growth depends in part on increases in the minimum wage illustrates both the importance of such increases to these people's incomes and to reducing inequality among wage and salary earners.

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BENEFITS & PENSIONS

More than one million people receiving income support

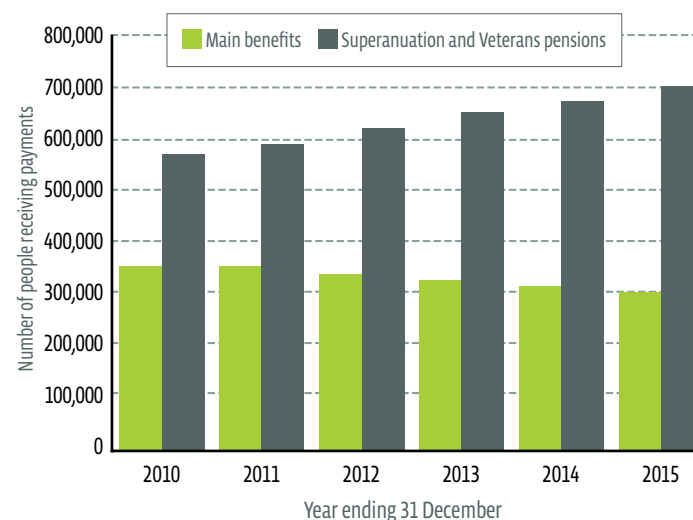
The number of people receiving New Zealand Superannuation exceeded 700,000 by the end of 2015, while the number of people of working age receiving one of the main welfare benefits declined to just more than 301,000 as Government's emphasis on reducing welfare dependency continues. These changes have meant that, in total, the number of people receiving an income support payment from Government grew by 8.5% between 2010 and 2015 and has topped one million people for the first time in New Zealand's history. Trends in these payments since 2010 are reported in **Figure 17**.

The number of people receiving one of the main welfare benefits has fallen from 352,700 at the end of 2010 to 309,100 at the end of 2014 and 301,300 by the end of 2015. Almost all this decline has been due to falling pay-outs of the Jobseeker Work Ready and Sole Parent Support payments, which have both fallen by around 21,500 people. These declines, as noted above, have taken place against fairly static numbers of people counted as officially unemployed or simply as jobless. How such declines have occurred is not known, although it appears likely that entitlement to working age benefits is becoming more limited because of more stringent administration rules.

Entitlement to New Zealand Superannuation is, of course, much simpler. As a consequence, the number of people collecting this payment continued to grow during 2015 by about 500 per week. This growth will continue at least for the next decade as the number of people over 65 is likely to exceed one million by 2027.⁸⁸

The costs of various income support payments—including New Zealand Superannuation, housing subsidies and Working for Families—are provided in **Table 18**. For the 2015/16 fiscal year, various income support programmes are budgeted to reach \$22.5 billion, of which 54.5% is for New Zealand Superannuation. In 2010, just 43.7% of all spending on income support programmes was dedicated to New Zealand Superannuation. By the 2018/19 fiscal year, Superannuation is expected to absorb 57.5% of all spending on income support and 17.2% of core Crown expenditure. To afford these increases, real decreases in other income support programmes have occurred and are expected to continue for the budget forecast period through to 2018/19.⁸⁹

Figure 17: Welfare benefit and retirement pension numbers 2010–15



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Table 18: Expenditure on main income support programmes 2010–16⁹⁰

Year ending 30 June	2010	2011	2012	2013	2014	2015	2016
NZ Superannuation & veteran pensions	8,469	9,008	9,761	10,406	11,078	11,767	12,449
Main working-age benefits	4,636	4,749	4,794	4,660	4,508	4,384	4,322
Housing subsidies	1,676	1,750	1,775	1,788	1,806	1,846	1,911
Working for Families tax credits	2,734	2,697	2,621	2,595	2,532	2,407	2,414
Other benefits & allowances	1,446	1,577	1,424	1,340	1,263	1,295	1,396
Total benefit expenses	18,961	19,781	20,375	20,789	21,187	21,699	22,492
Real growth in spending on benefits		-0.9%	2.0%	1.3%	0.0%	2.3%	2.2%
Core Crown Expenses	64,013	70,450	69,076	70,306	71,467	73,090	74,935
Benefits as share of Core Crown Expenditure	30%	28%	29%	30%	30%	30%	30%
NZ Superannuation as share of Core Crown Expenditure	13%	13%	14%	15%	15%	16%	16%

LIVING COSTS & FOOD POVERTY

Mixed picture for low-income households living costs

The low-income household living costs index has more or less moved in line with the consumer price index (CPI) over the past 12 months and has, of course, reflected the low inflationary environment in which New Zealanders currently live. The low-income household living costs index has been developed by The Salvation Army's Social Policy and Parliamentary Unit in an effort to better reflect changes in living costs faced by low-income households. This index uses various sub-groups from Statistics New Zealand's consumer price indices database and weights these differently to the weightings behind the CPI. A comparison of the CPI and low-income index is provided in **Figure 18**.

As might be expected in a low inflationary environment, the differences in differently weighted indices are not large. During 2015, the CPI moved by just 0.1% and there was no overall change in the low-income index. Over the five years, from 2011 to 2015, the low income index has increased by 6.41%, while the CPI has moved by 5.4%—a difference that is hardly material at this stage.

Forty per-cent of the low-income household living cost index is made up of the cost of rental housing, on the assumption that it is not unreasonable to see such households spending 40% of their income on rent.⁹¹ Statistics New Zealand estimates that over the five years to the end of 2015, rents rose by about 12% in nominal terms. This result is consistent with other New Zealand-wide data offered in this report's chapter on housing, although as reported in that chapter, trends in rents are not consistent across the country. This means low-income households in higher-cost housing areas

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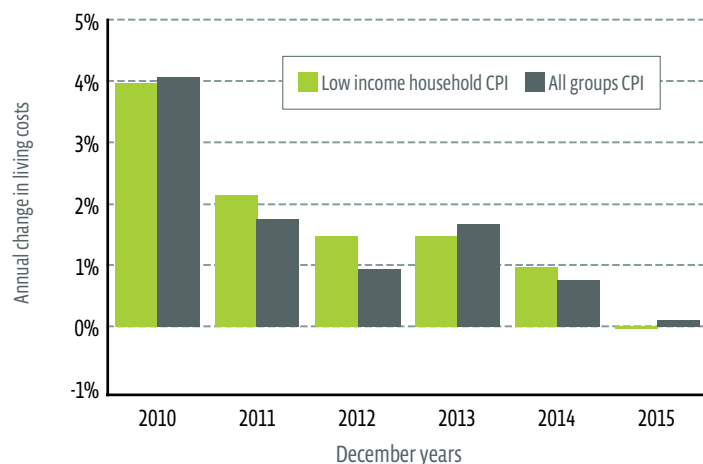
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have probably not experienced the same changes in living costs as those suggested by the low-income household cost index or even the CPI. For example, rents in Auckland have probably risen by 15% to 20% more than background inflation over the past five years, while in Christchurch they may have risen by 20% to 25%.⁹²

These differences point to the limitations in such an indicator as the low-income household living cost index—especially when there is high variability in rents across regional housing markets. Hopefully, the Statistics New Zealand initiative to start reporting living cost indices on a finer-grained basis will begin to highlight the different experiences of different types of households.

Figure 18: Low-income household living cost index 2010–15⁹³



Little change in demand for food parcels

During 2015, The Salvation Army distributed just over 55,100 food parcels to over 28,700 individuals or families from its network of 68 Community Ministries centres across New Zealand. The number of food parcels distributed is just 100 fewer than during 2014, although over 1,000 more individuals and families were assisted. The 2015 results remain slightly below those from 2013, which was a year of record demand for food aid from the Army. In that year, The Salvation Army provided almost 56,400 food parcels, although to about the same number of individuals or families as in 2015. Quarterly figures for distribution of food parcels are reported in

Figure 19.

Figure 19: Food parcels distributed by The Salvation Army 2010–15⁹⁴



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ASSESSMENT

EMPLOYMENT	RESULT
Modest if unspectacular job growth has continued, which in comparison with the Australian experience is worth celebrating. Small but continuing increases in the number of young adults in work is also encouraging.	+
UNEMPLOYMENT	
Levels of unemployment remained the same during 2015, as the workforce and the working age population grew to easily match job increases. However, a fall in the number of people who are out of work and receiving a benefit declined as Government policies to limit access to benefits bit deeper. This may be a source of growing material hardship, although no research exists to identify what is happening to the 50,000 people no longer on welfare rolls.	NC
INCOMES	
Another year of small real increases in incomes, which against the background of the global economy should be acknowledged as modest progress. While income inequality did not improve, neither did it worsen.	+
BENEFITS & PENSIONS	
By the end of 2015, just over one million New Zealanders were receiving a working-age benefit or old-age pension. Whether this milestone is seen negatively or positively will depend on people's political philosophy. Either way, the burden of the \$22.5 billion bill on taxpayers is unavoidable and will only grow bigger under current policy settings.	+
LIVING COSTS & FOOD POVERTY	
Against a background of static unemployment numbers and reducing entitlement to welfare benefits, it should be no surprise that there has been little or no change in demand for food aid.	NC

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

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- 80 Source: Statistics New Zealand Infoshare database—Household Labour Force Survey series, seasonally adjusted.
- 81 Ministry of Social Development has usefully re-categorised the former benefits such as the Unemployment Benefit and Domestic Purposes Benefit into the new categories to allow longer term analysis. This material is available at the Ministry's Benefit fact sheets page at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/archive-2013.html>
- 82 Source: Statistics New Zealand's Infoshare database and its Household Labour Force survey data set, and the Ministry of Social Development's Benefit fact sheets.
- 83 These job estimates are based on annual averages for each of the calendar years cited. This average approach has been taken because employment among 15- to 19-year-olds tends to be seasonal because of their engagement in school and tertiary education, and the quarterly job numbers are somewhat volatile because of the sample sizes of the Household Labour Force Survey.
- 84 Between 2010 and 2015, the number of people aged between 65 and 69 grew by 48,000 to 221,500 (mean for June year). This growth accounted for 45% of the more than 106,000 person growth in the over-65s population over this time. People aged 65 to 69 in 2015 were born between 1946 and 1950. The age cohort that is five years younger (born 1951 to 1955) is estimated to have a population 248,000, of which around 235,000 are expected to live a further five years. In other words, the base population from which the bulk of over-65 workers will be taken from can be expected to grow by a further 14,000 over the next five years. This further growth will raise the over-65 participation rate further, but this growth in participation will not be as robust as in recent years given this slower growth in the 65 to 69 population.
- 85 Statistics New Zealand Infoshare database National Accounts series.
- 86 This data and remaining data on earnings is from Statistics New Zealand Infoshare database Quarterly Employment Survey series.
- 87 These figures are from various Regulatory Impact Statement (RIS), which have reviewed proposed changes in the minimum wages. For the most recent RIS see <http://employment.govt.nz/er/pay/backgroundpapers/2014/mwr-2014-and-mwo-2015-cabinet-papers.pdf>
- 88 See Statistics New Zealand's population forecasts.
- 89 Based on expenditure estimates and forecasts in the Budget Economic and Fiscal Update 2015, Table 6.2 p.126 and inflation forecasts on Table 1.1, spending on benefits excluding NZ Superannuation is estimated to have declined from \$11.6 billion in 2009/10 (at Jun-15 \$ values) to \$10.1 billion in 2014/15 and is forecast to decline to \$9.9 billion by 2018/19.
- 90 Source: Budget Economic and Fiscal Update 2015, Table 6.2 p.126.
- 91 See, for example, the Household Economic Survey, which in 2015 reported that 23% of tenant households spent 40% or more of their income on rent.
- 92 See Table 24 for trends in lowest quartile rents for selected suburbs.
- 93 Source: Statistics New Zealand consumer price index database.
- 94 Source: The Salvation Army's SAMIS database.

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Social Hazards

Social hazards are activities usually pursued for fun and entertainment that present a risk of developing harmful compulsive or addictive behaviours. As well as the possible negative impact on the individual, such behaviours can cause harm to families, friends and the wider community. Because of this, these activities are regulated by the State and in some cases (for example, the use of some drugs and driving while intoxicated) prohibited by law. This chapter considers New Zealand's progress around three of the most common social hazards: consumption of alcohol, use of illicit drugs, and gambling.

Progress in these three areas over the past year has been mixed, with some positive trends alongside slight reversals and signs of emerging problems. Overall, per-capita alcohol consumption and spending on gambling have fallen. Although these declines might be seen as encouraging trends, it is by no means clear if they are driven by the changing preferences of modest drinkers and gamblers, or by behavioural change among problem drinkers and gamblers. With no evidence that levels of problem gambling and hazardous drinking are declining, there are few reasons to be complacent about the overall decline we are beginning to see.

Some recent changes in patterns of drug use and of gambling pose new risks around increasing social harm. Avoiding such risk and harm will require a more vigilant policy stance than appears to exist at present.

ALCOHOL

Decline in per capita availability of alcohol

Per capita availability of alcohol has fallen to a 15-year low, suggesting that overall New Zealanders are consuming less alcohol. For the year to 30 September 2015, 9.34 litres of pure alcohol for every New Zealander over 18 was available for consumption. This compares with 9.60 litres per person (over 18) in 2014 and 10.21 litres in 2010. Availability since 2010 is reported in **Figure 20**.

This pure alcohol is, of course, consumed in the form of alcoholic beverages. Against the recent trend of declining availability of pure alcohol, it appears New Zealanders are consuming slightly higher volumes of alcoholic beverages, albeit of lower alcohol content. In the year to 30 September 2015, 459 million litres of alcoholic beverages were available—2.3 million litres or 0.5% more than the previous 12 months. Over the same period, the population over 18 years grew by 2.3%. So, in fact, there was most likely lower per capita consumption.

Over the past five years, total beer consumption has fallen by 6.5% or 18 million litres, while consumption of spirit-based drinks has fallen by 14% or over 4 million litres. Over the past year, however, consumption of spirit-based drinks of less than 23% ABV (Alcohol By Volume)—usually ready-to-drink alco-pops—has risen by 2.3 million litres. Wine availability, and presumably consumption, has continued to increase continuously since 2008, growing 2.4% or 2.5 million litres between 2014 and 2015 to 107 million litres.

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Figure 20: Per capita availability of alcohol for consumption 2010–15⁹⁵



No appreciable improvement in drink-drive statistics

Police enforcement data and road crash analysis provide useful insights into New Zealanders driving while under the influence of alcohol and drugs. Such insights are in themselves useful as one indicator of the harm caused by alcohol and drugs.

Table 19 summarises data on Police efforts to combat driving under the influence of alcohol. During the year to 30 June 2015, Police conducted 2.55 million breath tests of drivers and netted 17,965 convictions for driving while exceeding the legal limit for alcohol or other substance. This represents a convictions-to-tests proportion of 0.7%. This is the same proportion as for the previous 12 months, but a significant improvement on five years earlier.

Table 19: Drink-driving statistics 2010–15⁹⁶

Year ending June	2010	2011	2012	2013	2014	2015
Total drink-driving tests	3,261,367	3,265,114	2,864,380	2,903,250	3,029,072	2,555,957
Drink/drug-driving convictions	31,125	28,470	27,043	24,003	21,181	17,965
Drink/drug-driving prosecutions	33,392	30,310	28,614	25,780	22,218	18,858
Drink-driving convictions as % of compulsory breath-testing	0.95%	0.87%	0.94%	0.83%	0.70%	0.70%

The Ministry of Transport has published a factsheet on the relationship between road accidents and alcohol and drug use. Some of the data offered in this factsheet is summarised in **Table 20** for the five years to 31 December 2014. This shows a significant decline in the share of fatal accidents and fatalities with alcohol or drugs a contributing cause—from 37% in 2010 to 23% in 2014. However, the proportion of injury accidents in which alcohol and drugs are involved has remained fairly stable over the five-year period reported.

Table 20: Alcohol and drug-related traffic accidents 2010–14⁹⁷

Year ending 30 December	2010	2011	2012	2013	2014
Fatal accidents involving alcohol or drugs	123	79	83	71	62
Fatalities involving alcohol or drugs	144	87	103	77	70
Proportion of fatalities involving alcohol or drugs	37%	30%	31%	30%	23%
Injury accidents involving alcohol or drugs	1414	1330	1279	1185	1120
Proportion of injury accidents involving alcohol or drugs	13%	14%	14%	13%	13%

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Encouraging news from the NZ Health Survey

The New Zealand Health Survey 2012/13 included a module on alcohol use and these results have recently been published by the Ministry of Health.⁹⁸ A comparison with a similar survey conducted in 2007/08 indicates a number of encouraging shifts in New Zealanders' drinking behaviours. These include:

- Fewer people (over 15) drinking with high frequency (3 to 4 times per week), 29% in 2007/08 against 28% in 2012/13, with more low-frequency drinkers, 39% in 2007/08 against 42% in 2012/13.
- Slightly fewer people injured as a result of their drinking, 5.8% in 2007/08 against 4.1% in 2012/13.
- Less harm to family life as a result of alcohol use, from 16% in 2007/08 to 9.7% in 2013/14.⁹⁹

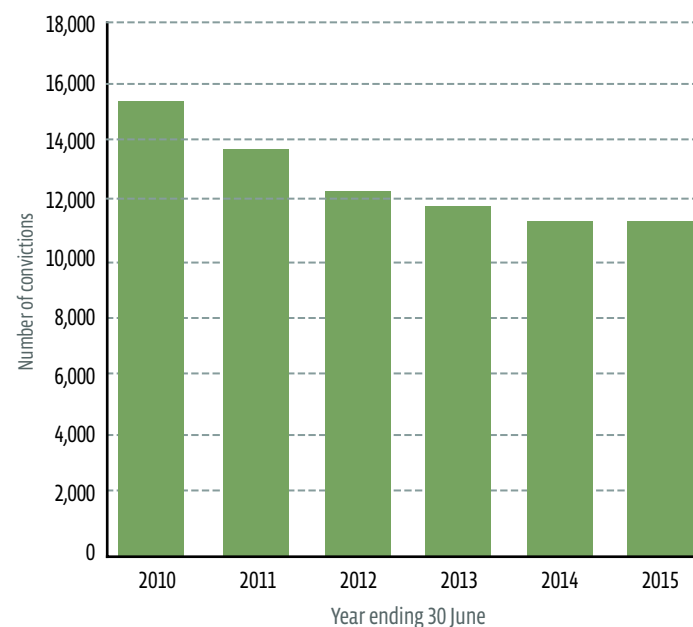
However, more recent results from the 2014/15 Survey show a reversal of the proportion of adults who drank hazardously, rising again to levels reported in the 2006/07 survey, at around 18% of adults. The main reason given for this increase was increasing rates of hazardous drinking among adults aged between 45 and 65. Similarly, rates of hazardous drinking amongst Māori and Pacific Island people also increased between 2011/12 and 2014/15.¹⁰⁰

ILLICIT DRUGS

Little change in drug offence numbers

Changes in the way that criminal offences are recorded and reported make it difficult to compile a long-term data series of offending involving illicit drugs. The most reliable data available is on convictions for such offences and this data is reported in **Figure 21** for the period 2010 to 2015 (June years). This data shows a levelling off in convictions at around 9,300 per year following steep falls in conviction numbers from 2010 through to 2014. Number of convictions are to some extent related to Police enforcement efforts.

Figure 21: Convictions for illicit drug offences 2010–15¹⁰¹



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Survey shows growing problems with methamphetamine use

One of the most insightful research programmes on drug use is the New Zealand Arrestee Drug Use Monitoring (NZ-ADUM) programme by the SHORE and Whariki Research Centre and New Zealand Police⁷. As its name suggests, the programme monitors the drug use experiences of around 800 people who have been arrested for a variety of offences at Whangarei, Auckland, Wellington and Christchurch central Police stations. This research commenced in 2006 and surveys have been undertaken seven times since then.

NZ-ADUM 2014 showed that heavy alcohol use by detainees is becoming less common, while methamphetamine use is becoming more common. Other trends included:

- Although fewer of the detainees were arrested for drug use, the proportion of those arrested for drugs offences were for offences involving methamphetamine. Often, these arrests were made in conjunction with Police activities around domestic violence.
- The proportion of arrestees reporting alcohol-related substance abuse problems declined between 2010 and 2014 from 23% to 19%, while those reporting methamphetamine use as their major problem increased from 10% to 20%.
- Methamphetamine use and dependency is rising among arrestees, with the mean number of days in the previous 12 months that respondents used this drug increasing from 68 days in 2010 to 102 days in 2014. The proportion of those using methamphetamine and who felt dependent on it rose from 25% in 2010 to 37% in 2014.¹⁰³

- Unsurprisingly, a high proportion of those interviewed (89%) reported that their alcohol and drug use had caused them harm—this proportion has remained stable since 2010.
- The use of synthetic cannabinoids or legal highs had replaced cannabis use until May 2014 when these legal highs were subject to more stringent control under the Psychoactive Substances Act.
- Overall, the availability and cost of illicit drugs such as methamphetamine, cannabis and opioids changed little over the past five years.

While the battle against illicit drugs and the harm they do is not being lost, neither is it being won. The Police's targeting of methamphetamine supply and use appears entirely appropriate given the growing harm this drug is causing those taking part in the NZ-ADUM surveys.

GAMBLING

Class 4 gaming machine numbers hit 15-year low

The decline in numbers of Class 4 (non-casino) gaming machines has continued into 2015, with the total number of machines falling to a 15-year low of 16,440.¹⁰⁴ Consequently, the prevalence of these machines on a population basis has also continued to fall. It now sits at 47 machines per 10,000 adults, down from 49 per 10,000 last year (September 2014) and 56 machines per 10,000 in September 2010. The declining trend in the availability of non-casino gaming machines over the past 10 years is reported in **Figure 22**.

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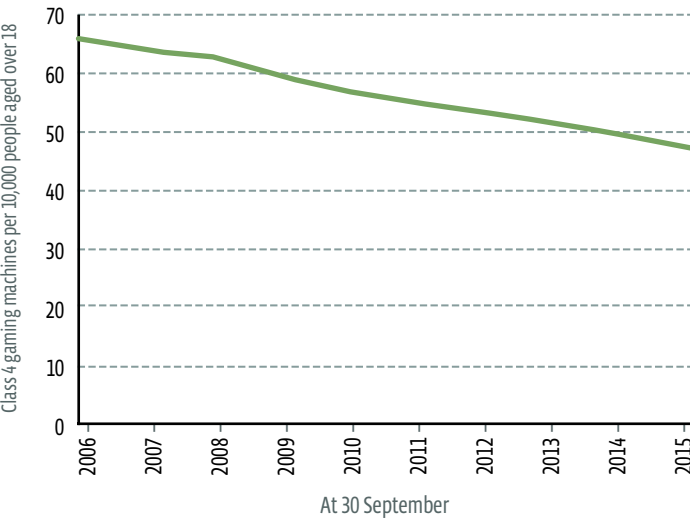
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While the number of Class 4 machines declined, the money lost on them by gamblers rose for the first time since 2011, albeit this rise was modest. In the year to 30 June 2015, total losses on Class 4 machines were \$818 million, up from \$806 million for the previous 12 months, but less than the \$849 million lost in the year to June 2010. At the peak of the Class 4 machines' fortunes, from 2003 to 2005, over \$1 billion per year was being lost by gamblers.

As Class 4 machine numbers continue to tumble alongside stable gambling losses, the average loss per machine rises—making the remaining machines more commercially viable. For the first time, during the June 2015 year, the average loss per non-casino machine topped \$50,000 at \$50,100. This is a \$2000 per machine increase on the previous 12 months when the average loss was \$48,100. For the year to 30 June 2010, the average per-machine loss was \$45,400.

Figure 22: Prevalence of Class 4 gaming machines 2006 to 2015¹⁰⁵



Problem gambling numbers continuing modest growth

The number of people seeking help with problem gambling issues—either for themselves or a loved one—continued to increase during the year to 30 June 2015. The Ministry of Health reports that around 12,700 individuals sought assistance in dealing with a gambling problem, of which 9,500 were new clients. These volumes are slightly ahead of the previous year, but 4% to 9% fewer than in 2009/10 when demand for problem gambling services peaked.

As in past years, the majority of people seeking help have identified Class 4 gaming machines as the source of their problem. However, the proportion of people doing so is declining as more problems emerge around casino-based gambling. A summary of key statistics around demand for problem gambling services is provided in Table 20.

Table 20: Key indicators of demand for problem gambling services 2010–15¹⁰⁶

Year ending 30 June	2010	2011	2012	2013	2014	2015
Total clients	13,244	12,090	11,847	12,438	12,627	12,741
New clients	10,498	9,111	9,003	9,263	9,235	9,579
% of those new people seeking help who are gamblers	71%	75%	70%	65%	65%	66%
% of new clients identifying Class 4 machines as main gambling problem	60%	55%	54%	54%	56%	50%
% of new clients identifying casinos as main gambling problem	13%	13%	12%	15%	14%	18%

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Per-capita gambling spend falls further

During the year to 30 June 2015, the average per-adult spend on all forms of official gambling was \$605. In inflation-adjusted terms, this amount is 2.5% less than for the previous 12 months and 7% less than five years previously. In inflation-adjusted terms, this is the lowest spend since 1999 and before casinos and gaming machines.

The total expenditure on official forms of gambling during the year to 30 June 2015 was an estimated \$2.092 billion, almost the same in nominal terms as the previous year. Five years previous, in 2009/10, the total spend was \$1.928 billion.¹⁰⁷

Lotto dives as the TAB gains

Although overall gambling spending has changed little, there has been a noticeable shift in the market shares occupied by the four main forms of licenced gambling: TAB, Lotto, casinos, and Class 4 gaming machines.

The biggest loser in this shake-up was the various lottery products offered by the New Zealand Lotteries Commission. Overall, its gambling revenue fell by 9%, while gambling revenue through TABs rose by 5% and casino gambling by around 4%. The Lotteries Commission reports that gross revenue from its flagship product Lotto fell 13% between 2013/14 and 2014/15 and was 22% below budget.¹⁰⁸ Most likely, the Commission will act aggressively to recover its position, so we may soon see new promotional campaigns aimed at the idea of gambling as entertainment.

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ASSESSMENT

ALCOHOL	RESULT
Some encouraging news around falling overall consumption of alcohol, although the reversal of recent gains around hazardous drinking and the slowing of progress on drink-driving proves how fragile any improvements can be.	+
ILLICIT DRUGS	
Mixed results given that prosecution figures are mainly driven by enforcement efforts and Police priorities. The rising menace of methamphetamines is of some concern and it seems likely the effects of the Psychoactive Substances Act on patterns of illicit drug use are still settling.	NC
GAMBLING	
Not a great deal of change around the gambling sector, with overall spending on gambling continuing to fall away slowly. The sharp decline in spending on Lotto and smaller increases in TAB and casino betting may lead to greater promotion of gambling as entertainment in a bid to reignite New Zealanders' waning gambling habits.	NC

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

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- 95 Source: Statistics New Zealand data on alcohol availability and its population estimates at 31 March each year.
- 96 Source: New Zealand Police Annual Reports for drink-driving test volumes and Statistics New Zealand's Charges prosecuted against adults' data set for prosecution data.
- 97 Source: Ministry of Transport (2015) *Alcohol and drugs: 2015*. Table 3 p.8 Available at <http://www.transport.govt.nz/assets/Uploads/Research/Documents/Alcohol-drugs-2015>, www.transport.govt.nz/research/crashfacts/alcohol-and-drugs
- 98 See Ministry of Health (2015) *Alcohol Use 2012/13: New Zealand Health Survey*, available at <http://www.health.govt.nz/publication/alcohol-use-2012-13-new-zealand-health-survey>
- 99 Ibid. pp.36-38.
- 100 See Ministry of Health (2015) *Update of Key Results 2014/15: New Zealand Health Survey*. Tables 3, 4 and 5 pp.8-10. Available at <http://www.health.govt.nz/system/files/documents/publications/annual-update-key-results-2014-15-nzhs-dec15-1.pdf>
- 101 Source: Statistics New Zealand Infoshare database 'Criminal convictions and sentencing tables'.
- 102 Wilkins, C, Prasad, J, Parker, K, Barnes, H, Asiasiga, L. and Rychert, M. (2015) *New Zealand Arrestee Drug Use Monitoring 2010-2014*. SHORE-Wairiki Research Centre. Available at <http://www.police.govt.nz/about-us/publication/new-zealand-arrestee-drug-use-monitoring-nz-adum-report-2010-2014>
- 103 Ibid. Table E1 p.21.
- 104 Department of Internal Affairs reports a timeline of Class 4 machine numbers since 1994 at [http://www.dia.govt.nz/Pubforms.nsf/URL/LineGraph_30%20June%202015.pdf/\\$file/LineGraph_30%20June%202015.pdf](http://www.dia.govt.nz/Pubforms.nsf/URL/LineGraph_30%20June%202015.pdf/$file/LineGraph_30%20June%202015.pdf). In June 2000, the number of machines reached 16,396, rising to 17,150 by September 2000.
- 105 Source: Gaming machine data is from the Department of Internal Affairs website: <http://www.dia.govt.nz/Resource-material-Information-We-Provide-Gaming-Statistics>. Population statistics are from Statistics New Zealand's national population estimates.
- 106 <http://www.health.govt.nz/our-work/mental-health-and-addictions/problem-gambling/service-user-data/gambling-helpline-client-data>
- 107 These total expenditures are from Department of Statistics data available at http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics. Remarkably, it takes the Department 18 months to update these figures, so at the time of print only data to 30 June 2014 was available from this source. Estimates for the most recent year are based on reported GMPs through Class 4 gaming machines and annual reports from the New Zealand Lotteries Commission and New Zealand Racing Board. For an estimate of the casino gambling spend for 2014/15, estimates based on SkyCity Ltd's reported gambling revenue have been used, with this information coming from the company's annual report.
- 108 See New Zealand Lotteries Commission's 2015 Annual Report p.31.

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Housing

Rising house prices are a godsend for owner-occupiers and investors, but most likely bad news for tenants and young families aspiring to home ownership. The hidden side to this house price bonanza is increasing household debt, which has now almost reached a level last seen just before the global financial crisis (GFC) in 2008.

Despite polite warnings from the Reserve Bank, most New Zealanders appear indifferent to the emerging housing bubble in Auckland. Government's policy responses have been unconvincing as it continues to rely largely on deregulation as a way of driving a supply-side solution. Although new house building is climbing back to adequate levels in Auckland, the background of migration flows into and around New Zealand are not being considered that closely, thus the demand side is being ignored. The consequence for Auckland is more of the same, with a growing shortage of affordable housing, house prices at previously unseen levels, and rents rising much faster than wages and salaries.

Auckland's housing shortage appears to be spreading to other places, such as Waikato and Wellington, although the pressure on Christchurch is waning as the re-build replaces housing stock destroyed by the 2011 earthquakes.

HOUSING AVAILABILITY

Outward migration reduces pressure on Auckland's housing shortage

Although more consents for new dwellings were issued in Auckland in 2015 than in the previous 10 years, the overall deficit in the supply of housing continued to widen—albeit at a slower pace than in 2014. During the year to 30 September 2015, 8,721 consents for new dwellings were issued, compared with 7,403 the previous year and just 3,794 during the September 2010 year. The last time more consents were issued in Auckland was in 2005, when over 9,000 consents were approved. Building consent data for the period 2010 to 2015 for both Auckland and New Zealand is reported in **Table 21**.

Despite this significant upturn in residential building activity, Auckland's housing shortage probably worsened due to even stronger population growth. This growth and its contributing factors are also reported in **Table 21**. During the year to 30 September 2015, Statistics New Zealand estimates Auckland's population grew by 32,200 people. This is down about 4,000 people on the previous 12 months, but still well ahead of the region's long-term growth trend of 20,000 to 25,000 extra people each year.

What is most unusual about Auckland's recent population growth is the contribution made by net outward migration of Aucklanders to other parts of New Zealand. During the year to 30 September 2015, this net outward migration is estimated to be about 18,500 people—more than three times the number of each of the previous four years.¹⁰⁹ Overall, the

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contribution of natural increase to Auckland's population growth during 2015 remained consistent with previous years at around 14,000 people. There was, however, a spike in net international migration in Auckland and the rest of New Zealand. Net international migration into Auckland during the year to 30 September 2015 was around 36,400 people, up nearly one-third on the previous year when a net 27,600 people migrated to Auckland from overseas. Essentially, this additional net migration from overseas (and more) was lost to the outward migration of Auckland residents to other—most likely less expensive—towns and cities.

Auckland's housing supply deficit for the year to 30 September 2015 is estimated to be around 2,000 dwellings, compared with over 4,600 the previous year. Over the five years to the end of September 2015, the housing deficit in Auckland is estimated to be just over 12,000 dwellings.¹¹⁰

Table 21: Population change and new house building Auckland and New Zealand 2010–15¹¹¹

Year ending September	2010	2011	2012	2013	2014	2015
NATURAL INCREASE						
Auckland	15,721	15,448	14,827	14,655	13,671	14,325
Rest of New Zealand	19,218	17,106	15,679	15,202	13,771	14,651
All of New Zealand	34,939	32,554	30,506	29,857	27,442	28,976
NET INTERNATIONAL MIGRATION						
Auckland	10,841	10,249	7,685	12,051	27,584	36,415
Rest of New Zealand	3,073	-9,476	-10,965	3,123	17,830	24,819
All of New Zealand	13,914	773	-3,280	15,174	45,414	61,234
INTERNAL MIGRATION IN/ OUT OF AUCKLAND	-8,100	-6,500	-5,700	-5,750	-5,200	-18,500
OVERALL POPULATION GROWTH						
Auckland	18,400	19,200	16,850	20,950	36,075	32,200
Rest of New Zealand	26,000	11,800	9,725	21,450	36,325	53,800

All of New Zealand	44,400	31,000	26,575	42,400	72,400	86,000
NEW DWELLINGS CONSENTS						
Auckland	3,794	3,485	4,410	5,648	7,403	8,721
Rest of New Zealand	12,498	10,015	11,590	14,127	16,736	17,464
All of New Zealand	16,292	13,500	16,000	19,775	24,139	26,185
ADDITIONAL POPULATION FOR EACH NEW DWELLING						
Auckland	4.9	5.5	3.8	3.7	4.9	3.7
Rest of New Zealand	2.1	1.2	0.8	1.5	2.2	3.1
All of New Zealand	2.7	2.3	1.7	2.1	3.0	3.3
Auckland's share of NZ's population growth	41%	62%	63%	49%	50%	37%
Auckland's share of NZ's new dwelling consents	23%	26%	28%	29%	31%	33%

Christchurch re-build nears completion

While there are signs new house building in and around Christchurch is tapering off, the level of building activity remained strong during 2015 with 5,850 consents for new dwellings approved. This figure is 12% down on the previous calendar year, when a record 6,668 new dwelling consents were issued, and is still higher than any other annual total on record.

This new house building comes on the back of solid population growth in the Greater Christchurch area. At the end of June 2015, Statistics New Zealand estimate the combined population of the Christchurch City and Waimakariri and Selwyn Districts to be 475,900 people. This total is around 11,000 more than a year earlier and around 13,000 more than the resident population before the most devastating earthquakes in February 2011.

This most recent population growth appears to be migration driven. The population growth through natural increase

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is estimated to have been around 2,000 people during the year to 30 June 2015, meaning the residual 9,000 people have arrived as migrants.

The housing stock of the Greater Christchurch area is estimated to be around 190,000 dwellings at the end of 2015. While this is only an estimate based on building consent and population data, it certainly seems to be the case that today there are more houses in Christchurch and surrounding districts than prior to the earthquakes of 2010 and 2011. Estimates of population growth, new house building and housing stock changes between 2010 and 2015 are provided in **Table 22**.

Table 20: Population change and new house building in Greater Christchurch area 2010–15¹¹²

	2010	2011	2012	2013	2014	2015
Resident population – at 30 June	463,900	457,400	454,600	455,700	465,800	476,900
Housing stock – at 31 December	186,200	176,200	174,700	178,600	184,500	190,000
Average occupancy – people per dwelling				2.6	2.5	2.5
Consents for new dwellings – Dec years	2,343	1,950	3,354	5,061	6,668	5,845
Natural increase – June years		2,300	1,890	1,900	2,100	1,900
Net migration – June years		-8,680	-4,660	4,300	8,000	9,200

HOUSING AFFORDABILITY

Auckland house prices in uncharted territory

The well-rehearsed story of Auckland's house prices has led that region and its home owners and property investors into uncharted territory. House price affordability measures have reached levels never seen before. In the year to 30 September 2015, Auckland house prices increased at an annual average rate of 26.6%. This, of course, contributed to New Zealand-wide house prices rising by 17.5%. Outside Auckland, house prices rose on average just 7.2% over this period.¹¹³

Where this will lead is anyone's guess, although the Reserve Bank in its most recent Financial Stability Report warned that the 'increasingly stretched Auckland market is at risk of a damaging correction, especially if economic conditions deteriorate. House prices now exceed nine times gross income in Auckland, placing it among the most expensive cities in the world'.¹¹⁴

Some recent commentary on national house prices is suggesting the Auckland bubble is no longer inflating and that house prices elsewhere—including in Waikato and Wellington—have reached new record levels.¹¹⁵

A fairly basic measure of house price affordability reported in previous State of the Nation reports is that of the ratio between medium house prices and average gross income from wages and salaries. This ratio is expressed as the number of years it would take at the average wage/salary to purchase a medium-priced house. **Figure 23** reports this ratio for the period 2010 to 2015 for Auckland and the whole of New Zealand.

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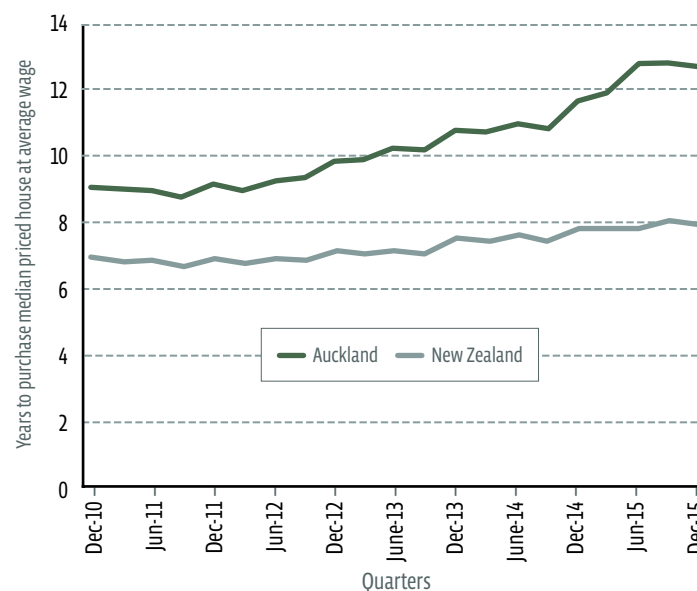
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Over the five years from December 2010 to December 2015, the median sale price of a house in Auckland rose \$300,000 or by 75%, from \$465,000 to \$765,000. Over the same period, New Zealand median house prices rose \$120,000 or by 26%, from \$355,000 to \$475,000.

When compared with average wages, recent Auckland house price increases indicate something of a structural shift. In December 2010, it took nine years of the average wage or salary to pay for the median price house in Auckland. By December 2014, this ratio had risen to a then all-time record high of 11.7 years, and over the most recent 12 months it has risen further to 12.9 years. New Zealand-wide, this ratio has risen from 6.9 years in December 2010 to 7.8 years in December 2014 and up to 8 years at the end of 2015. This change across New Zealand as an average is something of a statistical artefact, as around half of the residential property market by value of sales is in Auckland. This means that almost all other New Zealand cities and towns saw house price increases of less than this average increase. In fact, 23 cities and districts experienced reductions in house prices in inflation-adjusted terms between 2010 and 2015.¹¹⁶

Figure 23: House purchase affordability 2010–15¹¹⁷



Some rents also rise faster than wages

Rents generally do not tend to move closely with house prices, mainly because rents need to be paid out of current income while higher house prices can be funded from greater levels of debt as reported below. In most cases, therefore, rents tend to move with incomes unless there is something of structural shift in local housing markets whereby households are able or willing to pay a greater proportion of their weekly income on rent.

This structural shift appears to be occurring in Auckland, as reported in **Figure 24**. This graph shows the relationship between the lower quartile rent on a two-bedroom flat and the hourly wage likely to be received by a typical worker in the accommodation–food services sector. This relationship

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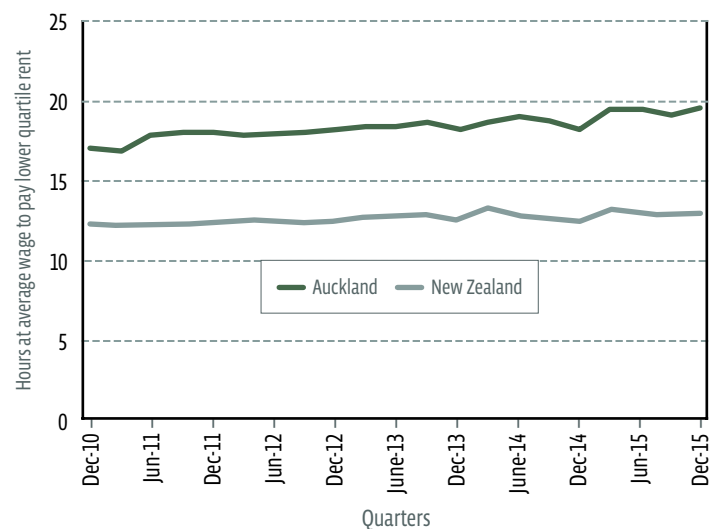
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is expressed as the number of hours of work required to pay the rent.¹¹⁸

In late 2010, it would take a typical worker in the services sector around 17 hours to pay the rent on a relatively affordable two-bedroom flat in Auckland and just under 13 hours for such a representative flat for the whole of New Zealand. By late 2014, a service sector worker in Auckland would be required to pay nearly 18.5 hours of their before tax ordinary time wage, while the same worker facing a typical New Zealand-wide rent would still be paying around 13 hours. By the end of 2015, the rent on the Auckland flat had hit almost 20 hours of ordinary time wages, while a typical New Zealand-wide flat was just below 13.4 hours.

Figure 24: Rent affordability for two-bedroom flat 2010–15¹¹⁹



Canterbury rents stabilise

After four years of sharp increases, rents in Canterbury have stabilised as the re-build nears completion. Auckland rents have continued to increase faster than background inflation and wages, while Wellington is also experiencing modest real rises in rents. These trends are illustrated in **Table 23**, which reports average rents for the aggregate of two-bedroom and three-bedroom properties in Auckland, Wellington and Canterbury regions.

Typical rents in Christchurch and surrounding districts rose by about 35% as a result of the destruction from the 2010 and 2011 earthquakes and the demand for housing from migrating workers on the subsequent reconstruction. As reported in **Table 23** these increases brought rents to levels comparable with Wellington but still below Auckland.

Over the past year, rents in and around Christchurch have tended to stabilise as the re-build tapers off and damaged housing stock is replaced. Meanwhile, Auckland rents have risen by 5% to 7% against background inflation of just 0.1% and nominal wage increases of 3%. These increases are consistent with the indicators reported above that rents are rising much faster than wages in Auckland.

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Table 23: Average residential weekly rents for selected regions 2010–15¹²⁰

	2010	2014	2015	One-year change	Five-year change
TWO-BEDROOM PROPERTIES					
Auckland	345	410	438	6.9%	27.0%
Wellington	321	347	359	3.4%	11.6%
Canterbury	245	327	329	0.6%	34.4%
All New Zealand	275	316	333	5.4%	21.3%
THREE-BEDROOM PROPERTIES					
Auckland	408	483	510	5.7%	25.2%
Wellington	372	402	418	3.9%	12.5%
Canterbury	300	402	408	1.4%	35.8%
All New Zealand	318	363	382	5.0%	20.2%

Greater polarisation of local rents

The story offered above of the two quite different housing markets of Auckland and the rest of New Zealand is also played out to some extent in rental markets at a suburban level. Suggestions that Auckland's housing bubble may be spreading is also borne out by this data, as reported in **Table 24**.

Table 24 provides a snapshot into what is happening in New Zealand's most affordable rental housing markets and for housing generally occupied by households with dependent children. The suburbs selected for inclusion in **Table 24** are the lowest cost markets in their areas. In addition, **Table 24** reports changes in the lowest quartile rents—the least expensive end of the most affordable markets.

The general trend indicated in **Table 24** is that rents in suburbs that already have high rents relative to the New Zealand-wide average have also tended to experience above

average increases. The opposite applies as well: locations with lower than average rents experienced the smallest rents increases. This trend points to the difficulty in using national averages to monitor changes in household living costs and financial welfare. Although wages are different across the regions, these differences are not as significant as differences in rents, which means that families and individuals in high-cost housing areas are likely to be struggling the most.¹²¹

Over the past year, rents appear to have increased significantly in Waikato, Western Bay of Plenty and Wellington, and perhaps also in New Plymouth and Palmerston North. In general, rents in the South Island have been static, including in the more affordable suburbs of Christchurch.

Table 24: Lowest quartile weekly rents for 3-bedroom houses in selected suburbs 2010–15¹²²

Suburb	Dec-10	Dec-14	Dec-15	Real change 5Y	% of NZ lower quartile rent
Kaikohe	203	210	223	5.7%	74%
Glenfield	373	433	467	20.6%	156%
Ranui	331	371	398	15.8%	133%
Mt Roskill	362	449	457	21.8%	153%
Avondale	361	421	438	16.9%	146%
Panmure	388	446	472	17.1%	158%
Otahuhu	325	371	390	15.6%	130%
Manurewa	314	364	403	23.4%	135%
Papakura	312	365	389	20.4%	130%
Huntly	265	264	311	13.5%	104%
Hamilton – Claudelands	273	311	338	19.5%	113%
Tauranga Central – Greerton	278	306	330	14.3%	110%

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Table 24 continued

Suburb	Dec-10	Dec-14	Dec-15	Real change 5Y	% of NZ lower quartile rent
Rotorua – Kurau/Hillcrest	247	263	277	7.7%	93%
Hastings – Flaxmere	219	242	245	7.8%	82%
New Plymouth – outer suburbs	298	330	343	11.1%	115%
Palmerston North – Highbury	236	255	278	13.6%	93%
Upper Hutt – Trentham West	324	324	356	5.8%	119%
Porirua East	244	271	270	6.4%	90%
Wainuiomata	271	284	291	3.6%	97%
Nelson – Central/North	316	327	328	0.1%	109%
Aranui	277	346	341	18.9%	114%
Hornby	307	390	405	27.4%	135%
Woolston	284	354	355	20.7%	119%
South Dunedin	240	255	252	1.4%	84%
Invercargill – outer suburbs	199	209	220	6.3%	73%
New Zealand – total	259	284	299	11.4%	

HOUSEHOLD & HOUSING DEBT

Household debt returning to pre-GFC levels

In the aftermath of the GFC, New Zealanders' appetite for debt waned a little, but there are emerging signs we are returning to pre-GFC sentiments. Average per household debt has risen to the highest level on record, at just under \$135,000 per household. In inflation-adjusted terms, this is more than 4% higher than a year previously, and 7% or \$10,000 per household higher than in 2010 immediately following the GFC. Typically, 90% to 91% of this household debt is housing related, with the remaining being either consumer or credit card debt. The trend in average household debt over the past six years is reported in **Figure 25**.

Although household debt is historically high in dollar terms, relative to the size of the economy and household incomes it appears more manageable. This assurance is seen in data provided in **Table 25**, which compares household debt with GDP and disposable household income in 2005, 2010 and 2015. Under both measures, household indebtedness is at similar levels to 2010, shortly after the GFC. Conditions were appreciably worse in 2009 as the impacts of the GFC began to be felt. Then, household debt was 96% of GDP and 156% of disposable income. However, these are only relative measures and a sharp drop in GDP, even if modest in scale, will quickly impact on household incomes and these indicators.

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Figure 25: Average household debt 2010–15¹²³

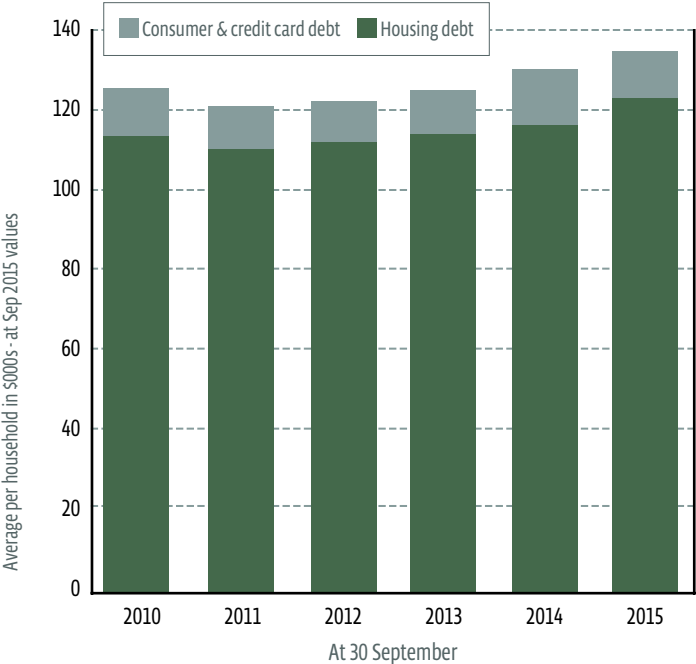


Table 25: Household debt indicators 2005–15¹²⁴

September quarter	2005	2010	2015
Average per household debt in Sep15 \$s	105,900	125,600	134,800
Total household debt as % of GDP	83%	94%	93%
Debt as % of disposable household income	139%	152%	152%

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ASSESSMENT

HOUSING AVAILABILITY	RESULT
House building is increasing in Auckland in response to growing shortages. Additional building has only just kept pace with population growth, which most recently has been fuelled by rising inward and falling outward international migration. The Auckland housing shortage is not worse, mainly because of domestic migration out of Auckland and into surrounding regions. Although such rebalancing is to be expected, it is by no means certain that these regions have the capacity to absorb a continuous outflow of Aucklanders without also experiencing problems around housing availability and affordability. However, regions in the central North Island and in most of the South Island could benefit with a further redistribution of population.	NC
HOUSING AFFORDABILITY	
It is difficult to imagine Auckland housing prices rising much more as the city becomes one of the most expensive housing markets in the world. There are signs of a plateau in prices, but the ongoing housing shortage in the Auckland region is unlikely to see pressure lifting from local rental markets. Signs that house price and rent inflations are spreading out of Auckland are to be expected, but may not be universally greeted as a good thing—especially among low-income tenants. Pressure appears to be coming off housing markets in Christchurch, which is also to be expected at this stage in the city's re-build.	—
HOUSEHOLD AND HOUSING-RELATED DEBT	
While the housing bubble may be an Auckland phenomena, it is impacting on national indebtedness and perhaps the structure of the everyday economy. Although household debt remains slightly below pre-GFC levels, both as a share of GDP and disposable household income, recent trends point to a worsening position.	—

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

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- 109 This estimate of internal migration is a residual calculated from the net of natural increase, international migration flow, and Statistics New Zealand's overall estimate of population change. It is, of course, difficult to estimate such flows outside of censuses, given that people are free to move between regions without formally registering this change as they are required to do with births, deaths and international migrations.
- 110 Estimates are based on the assumption that an adequate level of provision of new houses to cater for population growth is one house for every three additional people. This ratio of three per dwelling is the same as the average household size reported for Auckland in the 2013 census. The deficit (or surplus) is the difference between this assumed number of required dwellings and the number of consents for new dwellings issued during the same period.
- 111 Source: Population estimates are from Statistics New Zealand's sub-national population estimates and its birth, deaths and international visitors data series. Building consents are from Statistics New Zealand's Infoshare database and its building consent data series.
- 112 Ibid.
- 113 Reserve Bank (2015) *Financial Stability Report November 2015* p.25.
- 114 Ibid.
- 115 See the Real Estate Institute of New Zealand's press release of 10/12/15 'Regional Markets Move Ahead as Auckland Region Marks Time' at <https://rein.z.co.nz/Media/Default/pdf/press-releases/REINZ%20Residential%20Press%20Release%20November%202015.pdf>
- 116 This assessment is based on analysis of average house prices over the period January 2011 to December 2015 as reported by Quotable Value. Available at <https://www.qv.co.nz/resources/monthly-residential-value-index>. Outside of Auckland only Selwyn District experienced average house price increases greater than the national average.
- 117 Median house prices are from the Real Estate Institute of New Zealand, while wage data is from Statistics New Zealand's Infoshare database and its Quarterly Employment Survey dataset.
- 118 This indicator attempts to compare the rent of a modest-sized house with the wages received by a low-paid worker. The comparison offered is the number of hours a worker in the accommodation–food sector would have to work at the average ordinary time wage in that sector to pay the lower quartile rent on a two-bedroom flat.
- 119 Rental data is from the Ministry of Business, Innovation and Employment's rental bond dataset, available at <http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data>. Wage data is from Statistics New Zealand's Infoshare database and its Quarterly Employment Survey dataset
- 120 This data is taken from the Ministry of Building Innovation and Employment's rental bond dataset as above. The figures reported here are geometric means reported on a quarterly basis and averaged over four consecutive quarters.
- 121 Statistics New Zealand in its Quarterly Employment Survey reports average wages and salaries for Auckland, Wellington and Canterbury regions and for the remainder of New Zealand separately. At the end of 2015 reported average weekly incomes were \$1,030 for Auckland, \$1,070 for Wellington, \$930 for Canterbury and \$880 for the remainder of New Zealand. There is not, therefore, a one-to-one relationship between wages and housing costs although Aucklanders do on average receive higher wages than other New Zealanders living outside of Wellington.
- 122 Source: Ministry of Business, Innovation and Employment's rental bond dataset as above. Figures are quarterly lower quartile rents averaged over four consecutive quarters.
- 123 Household debt data is from the Reserve Bank statistics database series C6—household credit, and series C13—credit card balances, at <http://www.rbnz.govt.nz/statistics/>. Estimate of household numbers are from Statistics New Zealand's quarterly estimates of households and dwelling.
- 124 Ibid. for average household debt. The GDP-based indicator is derived from Statistics New Zealand's GDP-expenditure estimates, while the disposable household income figures are from the Reserve Bank's key household financial statistics—series C21.

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