

Off the Track

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February 2017

STATE OF THE NATION REPORT

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**Social Policy &
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Working for the eradication of poverty in New Zealand

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Introduction

This is the 10th State of the Nation report from The Salvation Army's Social Policy and Parliamentary Unit. The report is produced each year to provide a marker of how New Zealand is doing as a nation. It is intended to stand alongside other oft-referenced indicators that serve to identify how our nation is doing economically. Economic reports are important in identifying one measure of how well we are doing as a country, but they cannot fully capture what is happening in the lives of ordinary New Zealanders at a social and personal level.

In measuring data around the five key areas of Our Children, Crime and Punishment, Work and Incomes, Social Hazards, and Housing, the State of the Nation report gives an indication of how we are progressing socially—and how this relates to economic trends.

The title of this year's report is *Off the Track*. It draws on the picture of the tramping tracks so familiar to many Kiwis. Walking these tracks requires frequent checking of maps and track markers to ensure the trail is not lost. Failure to do so in the New Zealand bush can carry significant and sometimes tragic consequences.

In the context of this report, 'off the track' reflects a sense that many of the markers routinely analysed for the State of the Nation report currently suggest we are not heading in the best direction for New Zealand as a whole. There are some undeniably positive signs, such as rising employment and wage growth, reduction in youth offending and a falling

teenage pregnancy rate. However, in some of our most critical areas the nation appears to have stalled or even gone backwards. In publishing this report, The Salvation Army wishes to particularly highlight the following areas:

- seemingly entrenched rates of child poverty and child abuse
- the burgeoning incarceration rates of prisoners, along with high recidivism rates
- an alarming lack of safe, affordable housing that has resulted in a level of homelessness not seen in New Zealand in the lifetime of most Kiwis.

These concerns alone seem sufficient reason to ask the question: *Are we off the track?*

In an election year, it is timely to challenge all who would aspire to govern—and, in fact, all New Zealanders who are part of the fabric of Aotearoa New Zealand—to think deeply about the social progress we want to achieve for ourselves and our children. Are we heading off the track in a way that benefits only a few (and perhaps only in the short term), while leaving others at risk? Or will we work together to establish a track leading to a New Zealand where all children and families are able to live, grow and be supported to flourish in a nation we might gladly call 'God's own'.

The question all voting citizens will consider this year is: Who has the insight, the imagination and the courage to identify a path that might lead to such a country?

Lieut-Colonel Ian Hutson | Director
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The title of the 2017 State of the Nation report is, in part, inspired by the famous Robert Frost poem, ‘The Road Not Taken’. The final verse of this poem reads:

*I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.*

This poem describes the choice of which route or track to take, and acknowledges that this single choice made all the difference to what happened subsequently.

And so it is with our national life—the policy route chosen by a Government can make all the difference to what happens subsequently in our collective and individual fortunes.

The National-led Governments of the past eight years have made it very clear that their priority was economic growth and the increase in job numbers and the expansion of incomes that may attend this growth. And this has occurred—especially over the past five years. Such success should be acknowledged both as social progress in its own right and for the opportunities it offers for other sorts of social progress.

However, it is the lack of these other sorts of social progress that most concerns The Salvation Army and, no doubt, many other New Zealanders. This concern has given rise to the focus of this report. We ask: *Are we still on the path or track to a shared prosperity as a national community, or have we started to wander off this track?*

Three stark conclusions emerge for us from the data and analysis offered in this report:

1. We have failed to put a dent in rates of child poverty over the past decade.
2. Our efforts to reduce the prison population have failed and we are planning to expand the already record high prison population by a further 18%.
3. Housing investment and speculation have been allowed to distort the economy, make us still more indebted, and create levels of homelessness unseen in more than a generation.

We believe the evidence to support these three claims is clear and unequivocal, and some of this evidence is offered in this report.

No matter how we choose to measure child poverty, the emerging conclusion is that nothing much has changed in child poverty rates despite continued economic growth and political rhetoric. A commonly used child poverty measure suggests that 20% of New Zealand’s children (or 212,000 children) live in relative income poverty, while perhaps 8% (or about 85,000 children) face severe material hardship. These numbers are little changed from a decade ago.

While a reliable way of measuring crime rates continues to elude us, it does appear that levels of offending are falling. For example, the number of adults convicted of an offence fell from 90,700 in 2010/11 to 64,600 in 2015/16. Despite this fall, New Zealand’s prison population has grown from

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8,400 at the end of 2011 to almost 10,000 by the end of 2016. Furthermore, in October 2016, Government announced a \$1 billion plan to expand prisons by a further 1,800 beds.

Auckland's housing bubble continued to grow during 2016, with the median house price jumping 12% to almost \$854,000. Median house prices New Zealand-wide grew 12% during 2016 as well, indicating that Auckland's housing pressures are spreading elsewhere. Alongside these price increases, rents have also increased—growing by around 25% over the past five years, while average wages have risen by half this amount. There is considerable regional variation in these rent increases, with Auckland rent increases slowing recently, while rents in the Waikato have suddenly jumped.

As could perhaps be expected, this rapid increase in house prices has been supported by growing household indebtedness. By September 2016, household debt amounted to 96% of GDP and 160% of disposable household income—both are record highs.

The Government's strategy has been to drive economic growth, and through this expand job opportunities and incomes. Over the past five years, it has delivered on this strategy—with jobs growing by more than 12% to over 2.5 million and the average weekly incomes of employees growing 9% to \$987 per week at the end of 2016.

But more jobs and better incomes for those with jobs are not the only contributor to social progress. It is difficult seeing social progress if homeownership rates continue to fall and homelessness becomes more prevalent. A growing prison population is the antipathy of social progress. It is difficult seeing social progress in persistent rates of child poverty—even as the economy grows robustly.

As Robert Frost deduced, the choices made in the past make all the difference to the life we end up living. This is as true of nations as it is of individuals. It appears to The Salvation Army that, either by neglect or silence, we have made political and social choices that have paid scant regard to the interests and future of thousands of New Zealanders—especially our young. This neglect or silence needs to be recognised and addressed if we are to get back on track.

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Our Children

The social indicators offered here around children's wellbeing show mixed results, as probably should be expected in any survey of social progress. Modest and generally sustained progress has been identified in areas such as infant mortality, teenage pregnancies, participation in early childhood education, and educational achievement. Many of these gains can be aligned with Government budgets, policies and programmes.

The violence experienced by some New Zealand children is showing little sign of abating, but recent gains in the reduction of youth offending appear to have consolidated.

Of greatest disappointment is the persistence of child poverty, which appears to have become embedded in New Zealand's social and economic settings. The culpability of Government in this lack of progress should be noted—especially through its welfare reforms, which have yet to identify any positive impacts on the lives of poorer New Zealand children.

CHILD POVERTY

Entrenched child poverty has become the new normal

Child poverty rates have changed little over the past five years, despite robust economic growth and promises made about the impact of Government welfare reforms.

Three commonly used income measures of relative poverty are reported in **Table 1** for 2010 to 2015. The proportion of children judged to be living in households with relative income poverty has declined little over this period for measures based on the contemporary median income for similar households. These measures essentially produce consistent estimates of child poverty of 20% to 30% of children (between 210,000 and 310,000). A more demanding income poverty measure based on income distributions in 2007 (the constant value measure) suggests that the child poverty rate has fallen from 26% in 2010 to 21% in 2015.

Child poverty measures based on material hardship or deprivation show a similar variability in fortunes, although the more stringent measure in this case shows the greatest intransigence. These trends are given in **Table 2** for estimates of the proportion of children facing moderate or severe levels of material deprivation. These measures suggest a smaller proportion of children live in poverty than the income measures suggest—generally between 8% and 15%. The number of children living in severe material hardship fluctuated from 80,000 to 105,000 between 2010 and 2015, but in 2015 the number was similar to 2010.

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Table 1: Proportion of children living below selected poverty lines (after housing costs)—2010–2015¹

Year	Constant value	Relative to contemporary median	
	60% of 2007 median	50% of contemporary median income	60% of contemporary median income
2010	26	20	30
2011	25	20	27
2012	24	20	27
2013	22	19	24
2014	23	21	29
2015	21	20	28

Table 2: Estimates of the proportion and number of children facing material hardship—2010–2015²

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
2015	14	155,000	8	85,000

While there may be disputes around which poverty measure is most accurate or realistic, the overall impression gained from these measures is that little has changed over the past five or even 10 years. In other words, child poverty rates of between 8% and 20% have become entrenched into New Zealand’s economic and social structure. This is despite relatively strong economic growth that has seen real per-capita GDP grow by 10% between 2011 and 2016.³

Contribution of indifferent policies

Policies that could perhaps be expected to have some impact on child poverty rates can be blamed for much of this lack of progress. Specific policies to blame are welfare reforms that have sought to make access to income support more conditional, and the slow bleeding away of the Working for Families income support programme.

Table 3 reports changes in benefit volumes and the number of children likely to be living in benefit-dependent households. This data shows the number of working-age adults receiving a benefit declined by 52,000 people between 2011 and 2016, and the number of children dependent on them fell by 53,000. In other words, 105,000 fewer people were dependent on welfare support. Just what has happened to these people and whether they are better or worse off is a mystery. No Government agency has completed a review of the impacts of these policies, although the Government has claimed its welfare reforms have contributed to the alleviation of poverty in New Zealand.⁴

A comparison of benefit numbers with unemployment numbers suggests these people have not necessarily moved into work and consequently lifted themselves out of poverty. As reported in **Figure 14** in the Work and Incomes chapter of this report, unemployment numbers declined by around 14,000 people between December 2011 and December 2016.

Neither is this puzzle explained by any change in the type of households from which poorer children come. As indicated in **Table 4**, there was no discernable shift, between 2011 and 2015, in either the number of children falling below a particular poverty threshold (in this case the 60% of constant value median income measure) or in the mix between children from benefit-poor and working-poor households.

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Table 3: Estimates of the number of children living in benefit-dependent households—2011–2016⁵

As at December	Working-age benefits paid	Number of children in benefit-dependent households	Children in benefit-dependent households as % of all children
2011	350,932	233,600	21.3%
2012	339,095	221,700	20.2%
2013	321,869	209,100	19.1%
2014	309,145	194,500	17.7%
2015	301,349	185,700	16.1%
2016	297,101	181,600	16.4%

Table 4: Children in low-income households by source of incomes—2011–2015⁶

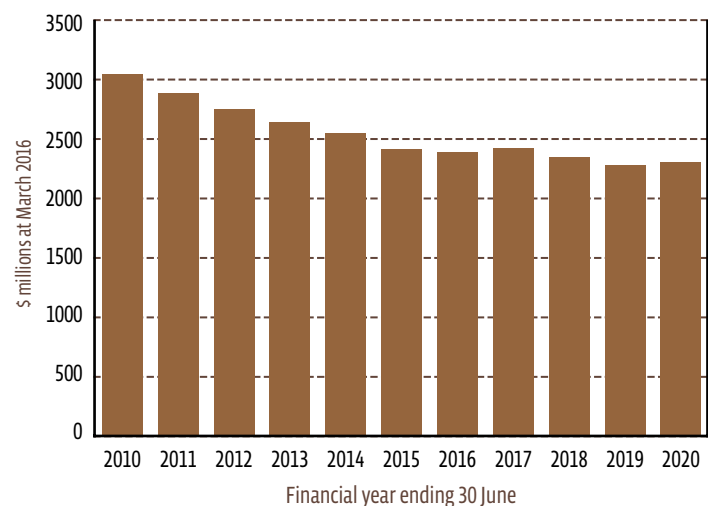
	2011	2012	2013	2014	2015
PROPORTION OF CHILDREN LIVING IN LOW-INCOME HOUSEHOLDS					
Market incomes	37%	45%	47%	NA	45%
Income-tested benefit	63%	55%	53%	NA	55%
ESTIMATES OF NUMBER OF CHILDREN LIVING IN LOW-INCOME HOUSEHOLDS					
Market incomes	99,000	113,000	110,000	NA	100,000
Income-tested benefit	168,000	138,000	124,000	NA	123,000
Total children involved	267,000	251,000	234,000	243,000	223,000

The Working for Families package of income support was introduced in 2006 in a bid by the Labour-led Government to reduce child poverty, especially amongst working poor families. The programme had this effect, halving child poverty rates amongst working families.⁷ However, since 2010, the value of Working for Families has been eroded through an opaque series of adjustments to thresholds and abatement rates. **Figure 1** plots these changes in spending on Working for Families from 2010 to 2019/20 based in part on 2016

Budget forecasts. These expenditures have been adjusted for inflation and show a decline to date of over \$600 million, from \$3.06 billion in 2009/10 to an expected \$2.41 billion in 2016/17.

There is no evidence to suggest child poverty rates amongst working households over this period have increased, so it seems these cutbacks impacted mainly on higher-income families—as they were designed to do. The savings achieved from this paring back could have been invested in a redesigned family support programme that does not discriminate against children whose parents are on benefits, thereby reducing child poverty rates amongst the benefit poor. Instead, they have been spent elsewhere and including on New Zealand Superannuation, which is projected to account for just under 25% of new Government spending over the next four years.⁸

Figure 1: Real expenditure on Working for Families in March 2016 \$s—2010–2020⁹



CHILDREN AT RISK

Child abuse numbers at similar levels to last year

Child abuse and neglect statistics remained more or less stable during 2015/16, as Child, Youth and Family continued to work to its new priorities. These were rolled out in 2014/15 and discussed in the 2016 State of the Nation Report.

For the year to 30 June 2016, Child, Youth and Family received 142,249 notifications for possible child abuse or neglect, 6% fewer than during the previous year when 150,905 notifications were received. Almost the whole reason for this decline was a 13% reduction in notifications by Police attending family violence incidents. During 2015/16, such referrals amounted to 58,021, compared with 67,037 during the previous year.

Notifications during 2015/16 involved 60,605 individual children, compared with 59,713 individual children in 2014/15 and 65,144 children five years previously in 2010/11.

Of the 142,249 notifications, Child, Youth and Family elected to investigate or take further action on 31% or 44,689 cases. This proportion of notifications leading to further action is similar to 2014/15, but significantly lower than in earlier years, when over 40% of notifications were investigated.

Of the 44,689 cases investigated by Child, Youth and Family, a finding of neglect or abuse was substantiated in just under 37% or 16,394 cases. These involved 13,598 individual children. The numbers of substantiated cases and of individual children as victims remained constant between 2014/15 and 2015/16, as reported in **Table 5**. The overall trends in notifications, investigations and substantiations for the period 2011 to 2016 are reported in **Figure 2**.

Table 5 confirms the continuation of Child, Youth and Family's recent practice of giving less priority to reported cases of emotional abuse and neglect. The substantial reduction in substantiations and the number of individual children as victims is mainly due to fewer substantiated cases of neglect or emotional abuse. The recent reduction in substantiated cases should be interpreted in light of these changed priorities and not necessarily seen as a reduction in New Zealand's levels of child abuse and neglect.

Table 5: Child, Youth & Family's substantiations of child abuse and neglect —2011–2015¹⁰

Year ending 30 June	2011	2012	2013	2014	2015	2016
Emotional Abuse	12,711	12,454	12,777	10,406	8,318	8,490
Physical Abuse	3,253	3,330	3,343	3,305	3,235	3,073
Sexual Abuse	1,514	1,418	1,459	1,329	1,275	1,167
Neglect	4,813	4,970	5,405	4,583	3,644	3,664
Total substantiations	22,291	22,172	22,984	19,623	16,472	16,394
Number of individual children as victims	18,167	18,277	18,595	16,289	13,833	13,598

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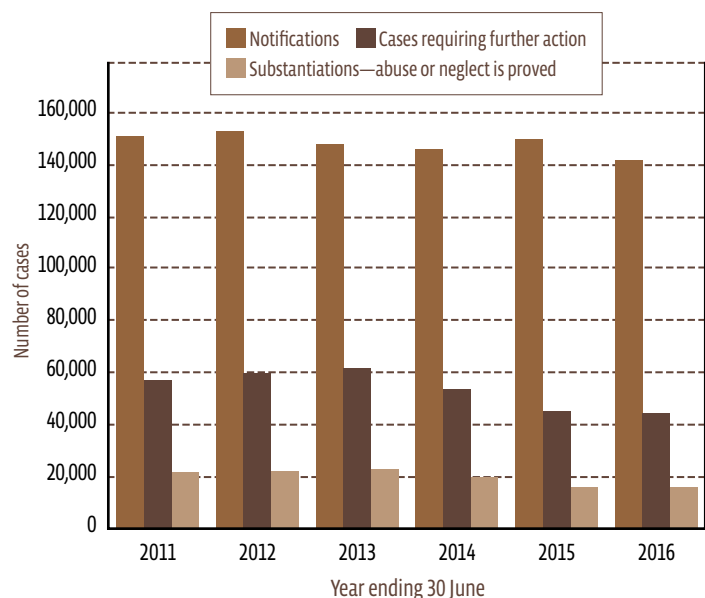
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Figure 2: Child, Youth & Family—notifications & substantiations—2011–2016¹¹



Record number of children in State care

The number of children in State care reached at least a five-year high of 5,380 at the end of September 2016. This is 68 children more than in June 2016 and 354 more than in June 2015.¹²

CHILDREN AND VIOLENCE

Modest decline in serious assaults and sexual assaults on children

With two years of consistent data on criminal offending and victimisation, it is now possible to gain a glimpse of what might have changed in terms of reported violence against New Zealand children. This data is presented in **Table 6**. It shows a welcome 15% decline between 2014/14 and 2015/16 in aggravated sexual assaults against children, and a more modest 2% fall in serious injury assaults. The numbers of common assaults of children and the individual children who suffered such assaults remained stable over this two-year period, while serious assault without injury rose 15% on a victimisation basis and 21% in terms of unique victims.

This data is difficult to reconcile with Child, Youth and Family reported substantiations in **Table 5**. In 2015/16, Child, Youth and Family could only substantiate 1,167 cases of sexual abuse, while Police identified 1,428 separate victimisations involving 1,324 victims. Similarly, Child, Youth and Family could only identify 3,073 cases of physical abuse of children, yet Police recognised 5,229 separate cases of assault on children.

Table 6: Violent offences against children under 15—2015 & 2016¹³

June years	VICTIMISATIONS		UNIQUE VICTIMS	
	2015	2016	2015	2016
Common assault	1244	1277	1037	1092
Serious assault without injury	2323	2683	1930	2326
Serious assault resulting in injury	1301	1269	1171	1162
Aggravated sexual assault	1680	1428	1468	1324

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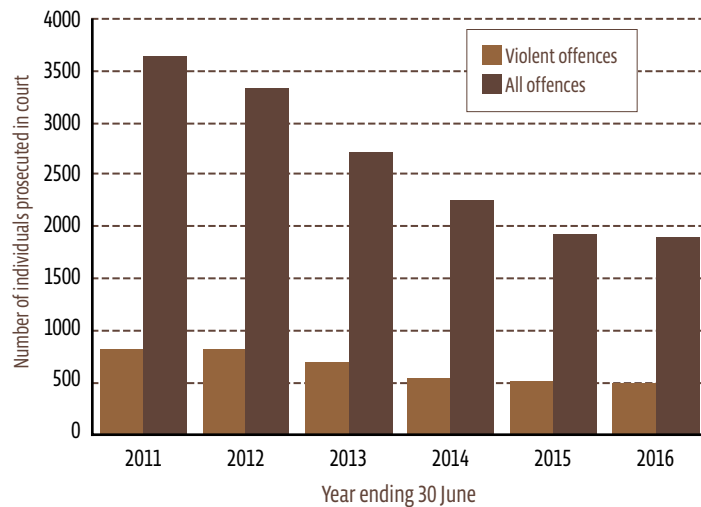
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YOUTH OFFENDING

Little change in youth prosecution numbers

After five years of significant decline in the number of 14- to 16-year-olds prosecuted for criminal offences, these stabilised during 2015/16. The trend for the past five years is offered in **Figure 3**. During the year to 30 June 2016, just under 1,900 prosecutions were taken against 14- to 16-year-olds for criminal offences, just 30 fewer than for the previous year. Of these prosecutions, 25% were for violent offences, ranging from common assault and aggravated sexual assault to robbery. The good news is youth prosecutions during 2015/16 are almost half that of five years earlier in 2010/11.

Figure 3: Prosecutions against 14- to 16-year-olds—2011–2016



EARLY CHILDHOOD EDUCATION

ECE participation lifts in poorer neighbourhoods

Pre-schooler participation in early childhood education continued to improve during 2015/16, especially for children in the poorest 30% of neighbourhoods. In mid-2016, almost 97% of new entrants to primary school had attended some form of early education programme prior to starting school—a 2% improvement over five years earlier. The biggest lift in ECE participation occurred in the poorest 30% of towns and neighbourhoods—the result of a concerted effort by Government to improve ECE provision in these communities. Prior ECE participation by new entrants into decile 1, 2 or 3 schools lifted from 88% in 2010/2011 to almost 94% in 2015/16. Data on trends in prior ECE participation by new entrants is provided in **Table 7**.

Table 7: Prior participation in ECE by new entrants to primary school—2011–2016¹⁴

June quarter	2011	2012	2013	2014	2015	2016
Number of new entrants into primary schools	59,331	61,067	63,495	62,946	63,633	63,148
Overall prior ECE participation rate	94.6%	94.9%	95.6%	95.9%	96.2%	96.6%
Prior ECE engagement – poorest three deciles	88.0%	88.5%	90.3%	91.5%	92.5%	93.7%
Proportion of new entrants in poorest three deciles	27.6%	27.4%	27.4%	27.3%	27.1%	27.2%

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Total ECE enrolments taper off

Recent growth in ECE enrolments has declined as enrolment rates amongst three- and four-year-olds have fallen for some reason. Over the two years between June 2013 and June 2015, total enrolments fell 1% from 200,900 to 198,000. This decline was due to a fall of almost 4,400 in the number of three- and four-year-olds enrolled, which is somewhat offset by an increase of almost 900 in the number of children under three who were enrolled. This decline is illustrated in **Figure 4**.

The recent decline in ECE enrolments amongst three- and four-year-olds is not entirely due to a population change, but also falling enrolment rates. This trend is illustrated in **Table 8**, which reports total enrolments by one-year age bands and the enrolment rate (as a proportion of the total population) for under-three olds and for three- and four-year-olds combined.

Figure 4: Enrolments in ECE services and centres—2006–2015¹⁵

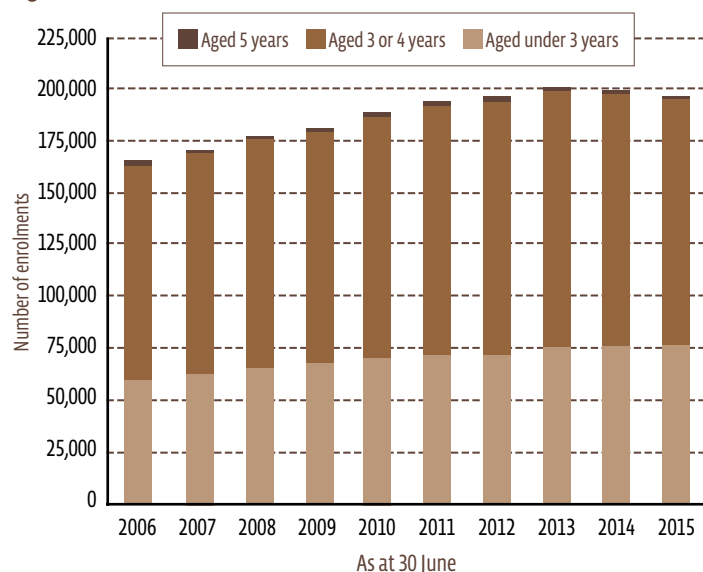


Table 8: Enrolments and enrolment rates by age—2010–2015¹⁶

Year ending 30 June	2010	2011	2012	2013	2014	2015
Less than 1	8,705	8,775	8,425	9,209	9,329	9,774
Age 1	24,772	25,416	25,064	26,375	26,797	26,312
Age 2	36,893	37,185	38,105	39,930	39,856	40,320
Age 3	57,716	58,896	58,906	60,564	58,623	57,332
Age 4	59,165	61,835	63,411	62,496	62,712	61,354
Age 5	1,702	1,994	2,615	2,368	2,122	1,871
Total enrolments	188,953	194,101	196,526	200,942	200,002	198,887
Enrolment rate - under 3 years	36.9%	37.8%	38.5%	41.0%	41.9%	42.5%
Enrolment rate - 3 and 4 years	96.6%	96.2%	97.0%	96.3%	95.1%	94.2%

Anomalies in decile-based enrolments persist

Anomalies in the social gradient around ECE participation are evident from the available enrolment data. These anomalies are illustrated in **Table 9**, which shows proportions of enrolments, ECE services and ECE places located in the poorest 30% of neighbourhoods and communities. In terms of availability of ECE opportunities, the poorest 30% of communities appear to enjoy a proportionately larger share of access—around 40% to 43% against an expected 30%. Yet in terms of prior ECE participation, only 25% to 26% of new entrants with such participation are enrolling in the poorest three deciles of schools. Some of this under-representation is due to a bias by parents toward lower decile schools that leads families in low-decile communities to effectively bus their children to middle-income schools. This trend is seen in the bottom line on **Table 7**. However, the lower prior participation of children from poorer families is borne out by other data in **Table 7**.

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Table 9: ECE availability for the poorest 30% of communities—2011-2015¹⁷

Year ending 30 June	2011	2012	2013	2014	2015
Total number of enrolments in licensed ECE centres or services	194,101	196,526	200,942	200,002	198,887
Proportion of enrolments in poorest three deciles of neighbourhoods	38.9%	39.3%	39.5%	39.3%	38.8%
Number of licensed ECE centres or services	4,483	4,282	4,282	4,341	4,451
Proportion of centres in poorest three deciles of neighbourhoods	42.6%	43.3%	43.2%	43.3%	43.3%
Number of places in licensed ECE centres or services	165,345	173,297	179,395	187,103	196,273
Proportion of places in poorest three deciles of neighbourhoods	43.0%	42.9%	42.7%	42.5%	42.1%
Proportion of all new entrants with prior ECE from poorest three deciles	25.6%	25.5%	25.8%	26.0%	25.9%

EDUCATIONAL ACHIEVEMENT

Small gains in reducing educational disadvantage

NCEA results for 2015 show small and generally consistent gains in student achievement and a small but appreciable closing in the educational gaps between students from poor and wealthy communities. However, these gaps do remain considerable and it seems unlikely—given present progress—that they will close to any great extent over the next decade. In other words, while there is some progress in closing these achievement gaps, this progress appears almost incidental to the broader educational goal of lifting student achievement across the board.

Table 10A reports the proportion of students leaving secondary school without a NCEA Level 1 qualification. As expected, the greatest gains have been achieved in the poorer (lower-decile schools), where the proportion of students leaving decile 1, 2 or 3 schools with no qualification declined from 27.1% in 2010 to 19.4% in 2015. The educational gap between decile 1 to 3 schools and decile 8 to 10 schools has closed modestly from 19.6% in 2010 to 15.2% in 2015.

A similar but reversed pattern can be seen in students leaving school with NCEA Level 2 or better. Here, the proportion of students achieving to this level from decile 1 to 3 schools has improved from just under 55.6% in 2010 to 67.8% in 2015. The gain for students from decile 8 to 10 schools is again more modest—from 84.0% in 2010 to 90.6% in 2015. Hence, the achievement gap has narrowed from a massive 28.4% in 2010 to a slightly better 22.8% in 2015. This data is reported in **Table 10B**.

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Table 10A: Students leaving school without NCEA Level 1—2010–2016¹⁸

	2010	2011	2012	2013	2014	2015
Decile 1 (poorest)	32.4%	29.8%	27.6%	27.1%	25.3%	24.3%
Decile 2	27.2%	25.0%	24.8%	22.9%	21.5%	17.7%
Decile 3	22.3%	21.1%	18.8%	17.8%	17.1%	16.7%
Decile 4	22.0%	19.0%	19.0%	16.7%	15.3%	12.9%
Decile 5	15.6%	15.3%	15.9%	13.6%	11.9%	10.4%
Decile 6	15.6%	14.2%	13.3%	12.5%	11.0%	10.6%
Decile 7	11.7%	10.7%	9.7%	10.0%	8.0%	7.5%
Decile 8	11.3%	9.2%	8.9%	8.1%	7.1%	6.1%
Decile 9	7.4%	6.1%	5.8%	4.6%	4.4%	3.8%
Decile 10 (richest)	4.3%	4.7%	3.5%	3.3%	2.9%	2.8%
1 to 10 ratio	7.5	6.3	7.8	8.3	8.7	8.7
Deciles 1-3	27.1%	25.1%	23.6%	22.4%	21.0%	19.4%
Deciles 8-10	7.6%	6.7%	6.0%	5.3%	4.8%	4.3%
Achievement Gap	19.6%	18.5%	17.5%	17.1%	16.3%	15.2%

Table 10B: Students leaving school with better than NCEA Level 2—2010–2016¹⁹

	2010	2011	2012	2013	2014	2015
Decile 1 (poorest)	52.2%	55.3%	57.3%	57.7%	61.3%	62.7%
Decile 2	53.5%	58.1%	59.9%	62.5%	65.3%	67.9%
Decile 3	61.2%	64.1%	67.5%	69.2%	69.6%	71.8%
Decile 4	61.6%	66.7%	67.1%	69.4%	73.1%	76.3%
Decile 5	70.1%	70.9%	72.4%	75.6%	77.9%	79.4%
Decile 6	69.8%	72.3%	73.8%	75.3%	78.1%	78.6%
Decile 7	76.5%	78.7%	80.6%	81.0%	83.3%	84.1%
Decile 8	77.9%	80.5%	82.2%	83.0%	85.1%	87.0%
Decile 9	83.9%	87.1%	87.3%	89.4%	90.7%	91.1%
Decile 10 (richest)	89.8%	90.7%	92.4%	92.7%	93.1%	94.0%
1 to 10 ratio	58.1%	61.0%	62.0%	62.3%	65.9%	66.7%
Deciles 1-3	55.6%	59.3%	61.8%	63.4%	65.7%	67.8%
Deciles 8-10	84.0%	86.1%	87.4%	88.4%	89.6%	90.6%
Achievement Gap	28.4%	26.9%	25.7%	24.9%	24.0%	22.8%

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But achievement gaps around University Entrance widen

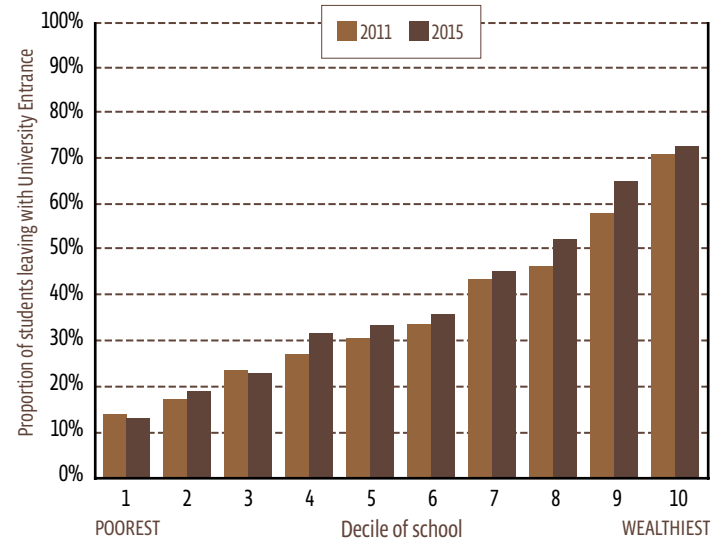
Figure 5 presents the social gradients around student achievement of University Entrance. These social gradients are for 2010 and 2015 and so also show the extent of improvement for each school decile over this period.

Two trends are apparent. The first is that improving pass rates are evident across the decile range. For example, the proportion of school leavers attending a decile 1, 2 or 3 school increased from 16.2% in 2010 to 18.5% in 2015—an improvement of 2.3%. Over the same period, the proportion from decile 8, 9 and 10 schools increased from 57.2% to 62.8%—a gain of 5.6%.

The second trend emerges from these different rates of improvements. In effect, most of the UE pass rate improvement is from students attending schools in wealthier areas. Furthermore, the overall gradient (between decile 1 and decile 10) increased from 58.0% in 2010 to 59.4% in 2015.

Given the importance of UE for entry into the more prestigious university courses, the apparent steepening of this social gradient is perhaps a sign of reducing social mobility—especially for the most disadvantaged students.

Figure 5: Proportion of students leaving school with University Entrance by school decile—2010–2015²⁰



INFANT MORTALITY

Further decline in infant mortality rate to record low

New Zealand’s infant mortality rate fell further over the year to 30 September 2016—to the lowest rate on record. Trends in numbers of infant deaths and in the infant mortality rate are reported in **Table 11**. This data shows a decline in the infant mortality rate over most of the past five years to sit a new low of 3.9 infant deaths for every 1,000 live births.

While New Zealand’s infant mortality rate is quite low by international standards, it remains an important measure of social progress. This is partly because a number of factors impact on rates of infant mortality, including maternal pre-natal health, the quality of maternity care and post-natal factors such as housing quality and family wellbeing. This makes infant mortality something of a barometer of the social environment.

On balance, the ongoing decline in the infant mortality rate points to continual, although perhaps small, improvements in social conditions and in the quality of New Zealand’s health services. The Māori infant mortality rate remains 50% to 70%, higher than that of non-Māori. This persistent gap seems likely to remain a reality for the foreseeable future, which is concerning.

Table 11: Changes in New Zealand’s infant mortality rate—2011-2016²¹

Year ending 30 September	Live births during the preceding 12 months	Total infant deaths (under one year)	Estimated infant mortality rate (per 1000 live births)
2011	62,262	297	5.2
2012	60,462	282	5.1
2013	59,646	255	4.3
2014	57,837	318	4.6
2015	60,558	249	4.1
2016	59,214	231	3.9

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TEENAGE PREGNANCY

Further decline in teenage pregnancy rates

The age of a baby’s mother when she gives birth appears to be an important determinant of the baby’s future prospects and wellbeing.²² For this reason—and for the reason of the young woman’s own prospects—it is better for young women and perhaps young men also to delay parenthood until they are out of their teens. Because of this, the trend of declining rates of teenage pregnancy can be seen as positive social progress.

The teenage pregnancy rate (for 15- to 19-year-olds) fell further during 2015 to the lowest level on record. The pregnancy rate for 15- to 19-year-olds is reported for the most recent 10 years of available data in **Figure 6**. This rate fell a modest 5% during 2015 to 29.2 pregnancies for every 1,000 women aged 15 to 19.

Data on live births and abortions is offered in **Tables 12A and 12B**. Both tables show ongoing declines in the number of live births and abortions, and a declining share of pregnancies terminated through abortions.

Figure 6: Pregnancy rates for 15- to 19-year-olds—2005-2015²³

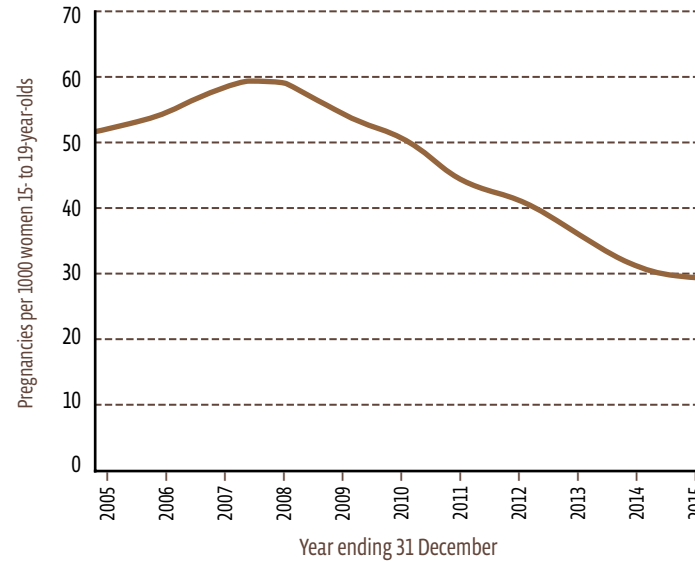


Table 12A: Pregnancies and abortions to 11- to 14-year-olds—2010-2015²⁴

Year ending December	Live births	Abortions	Pregnancy rate per 1000	Percentage 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%
2015	24	32	0.5	57%

Table 12B: Pregnancies and abortions to 15- to 19-year-olds—2010-2015²⁵

Year ending December	Live births	Abortions	Pregnancy rate per 1000	Percentage of Pregnancies aborted
2010	4526	3389	50.6	42.8%
2011	3981	2822	44.0	41.5%
2012	3768	2489	40.9	39.8%
2013	3283	2096	35.3	39.0%
2014	2895	1758	30.5	37.8%
2015	2841	1635	29.2	36.5%

ASSESSMENT

CHILD POVERTY	RESULT
The absence of any meaningful progress in reducing child poverty rates over the past decade—and the lack of interest by Government in using welfare and income support programmes to do so—points to wilful indifference toward the long-term personal and social impacts of this avoidable harm.	NC
CHILDREN AT RISK	
Changing priorities and practice on the part of Child, Youth and Family mean that available data is not altogether reliable. The inconsistency between results reported by Child, Youth and Family and child victimisations reported by Police remains unaccounted for.	NC
CHILDREN AND VIOLENCE	
Modest improvements in the incidence of criminal violence toward children are welcomed; although these results are too preliminary to call this a success story at this stage.	NC
YOUTH OFFENDING	
Recent declines in rates of youth offending appear to have stalled. That these gains have consolidated is good news.	NC
EARLY CHILDHOOD EDUCATION	
The slowly improving ECE participation of children from low-income families and communities is testimony to the Government's commitment to improve ECE access in poorer communities. That much of the most recently available enrolment data is 18 months old is disappointing, given the Ministry of Education spends almost \$1.8 billion annually on funding private providers to offer ECE services.	+
EDUCATIONAL ACHIEVEMENT	
Mixed results in this area. Although achievement gaps between students from poor communities and those from wealthy communities continue to narrow, they are unlikely to close up anytime soon.	+
INFANT MORTALITY	
Another year of progress in reducing New Zealand's infant mortality rate, although the persistent gap between Māori and non-Māori remains a concern.	+
TEENAGE PREGNANCY	
Further progress in reducing rates of teenage pregnancy tell a story of quiet and consistent social progress that should be more openly acknowledged.	+

+ On track - Off track NC No change

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- 1 Source: Perry, B. (2016) *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2015* Table F.7 p.117.
- 2 Ibid p.117.
- 3 See Figure 16 and related text in the Work & Incomes chapter.
- 4 See, for example, Department of Prime Minister & Cabinet (2016) *Government actions to reduce poverty in New Zealand: Report to the Ministerial Committee on Poverty March 2016*. Available at <http://www.dpmc.govt.nz/sites/all/files/publications/3862574-mcop-govt-actions-on-poverty-2016.pdf>.
- 5 Ministry of Social Development Benefit Fact Sheets at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>.
- 6 These figures have been derived from Perry (2016) Table H4.B p.137. Children in low-income households is taken to mean children living in households below the 60% of median income constant value after housing costs. The total number of children estimated here is based on the constant value 2007 estimates provided by Perry (2016) Table F.7 p117.
- 7 See Perry (2016) Figure H.4 p142.
- 8 Between 2016 and 2020, Core Crown Expenditure is forecast to increase from \$77.4 billion to \$88.8 billion, with a cumulative increase over the next four years of \$26.4 billion. Over this period, the cost of New Zealand Superannuation is forecast to grow from \$12.9 billion in the year to June 2016 to \$14.9 billion during the year to June 2020. The cumulative costs of these increases is forecast to be \$6.4 billion.
- 9 New Zealand Government Budgets.
- 10 Data sourced from the Child, Youth and Families website, <http://www.cyf.govt.nz/about-us/key-statistics/>.
- 11 Ibid.
- 12 Ibid.
- 13 Data sourced from the Police website, <http://www.police.govt.nz/about-us/publications-and-statistics/statistics/policedatanz>.
- 14 Education Counts website, <https://www.educationcounts.govt.nz/statistics/early-childhood-education/participation>.
- 15 Ibid. Ministry of Education reports that its data collection system changed in 2014 and claim that the comparison of numbers before and after this year is not strictly valid.
- 16 Ibid.
- 17 Education Counts website, <https://www.educationcounts.govt.nz/statistics/early-childhood-education/services>.
- 18 Senior student achievement data sets, available on the Education Counts website, <https://www.educationcounts.govt.nz/statistics/schooling/senior-student-attainment/school-leavers2>.
- 19 Ibid.
- 20 Ibid.
- 21 Statistics New Zealand's Infoshare database, Births and deaths data set.
- 22 See, for example, Treasury's infographic '*Characteristics of children at risk*', which reports that 19% of children judged to be at higher risk had a teenage mother, compared with 2% of children not at risk. In addition, 39% of children at risk had a mother with no educational qualifications, compared with 14% of children not at risk. Available at <http://www.treasury.govt.nz/publications/research-policy/ap/2016/16-01/ap16-01-infographic.pdf>.
- 23 Source: Statistics New Zealand Infoshare database, Births and Abortion Statistics data set.
- 24 Ibid.
- 25 Ibid.

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Crime & Punishment

The period covered by this survey of New Zealand’s criminal justice system has been one of considerable change. Almost all of this change has been detrimental.

Changes in the way criminal offending is reported have made it more difficult to identify any meaningful trends in offending patterns and rates. These changes may, in time, offer greater insights into criminal offending and, in particular, to victims’ experiences, but presently the picture offered by the data available is of limited value in terms of identifying trends.

Over the past two years, we have seen an explosion in the prison population, and with these the cost to taxpayers of running a system that will soon be incarcerating 10,000 New Zealanders at any one time. Despite the lesson that prisons breed more crime, there is no apparent end to our political ambitions of building more and larger prisons.

OVERALL CRIME

Estimating headline crime numbers

Over the past 18 months, two significant changes have occurred to the way in which crime statistics are reported to the New Zealand public. As discussed in our 2016 State of the Nation Report, in July 2015 Statistics New Zealand and New Zealand Police introduced two new formats for reporting crime. One approach reports the numbers of unique offenders apprehended for an offence, and within this the number of proceedings taken against these offenders. Such proceedings include court prosecutions, warnings and diversions, amongst others. The second approach involves a focus on individual victims of crime, reporting the number of unique victims and the number of times these victims have been victimised.

A second change occurred in September 2016 when responsibility for reporting criminal offence data shifted from Statistics New Zealand to the Police. With this shift came a change in the way data is made available. This new format has been backdated to July 2014, which means that at the time of this report’s publication it is only possible to collect two years of consistent data—for the 2015 and 2016 June years.

In addition, this new reporting approach means it is no longer possible to report a headline crime figure—the number of total offences recorded by Police—as was possible prior to July 2014. In hindsight, this headline figure was somewhat illusory. While a definite figure was able to be

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reported, it was subject to a number of Police administrative practices. These practices have meant reported crime was often not recorded, and hence not included in the headline figure. The 2014 New Zealand Crime and Safety Survey suggested that in 2013 only 47% of offences reported to Police by victims of crime were recorded as offences.¹ In effect, the headline crime figure was a number, but not necessarily a hugely reliable one.

Of course, changes in Police practices and priorities are inevitable over any extended period, and these mean long-term comparisons of crime data will not be entirely useful anyway. However, without such comparisons it is less possible to gain insights into broader changes in the nature and extent of criminal offending.

To give an indication into these changes, an effort has been made here to estimate an overall figure for criminal offending in any year. This estimate, based on 2014/15 data, was undertaken for the 2016 State of the Nation Report and has been repeated for 2015/16 data. Both years' estimates are summarised in **Table 14**.

These estimates make use of data on offenders and victims as reported by New Zealand Police. The basis of these estimates is provided in **Appendix 1** for the 2015/16 year.

When we count crime there are essentially two categories. The first is offences that come to Police attention through their own investigation, such as with drug offences; through surveillance, as with traffic offences; or in the course of their normal operations, as with public nuisance offences. These are now recorded by the Police in their offender data set, as is a record of the proceedings taken against offenders. The second is when a victim reports an offence to Police. As noted

in the 2014 New Zealand Crime and Safety Survey, only around 36% of this second type of crime was reported to Police, and only 26% of violent crime.² There are, of course, offenders associated with victim-reported crime, but these offenders would need to be caught to be counted, so there is no benefit counting offenders as a basis for estimating these types of crime rates.

This dual approach to recording crime means it is possible to count crime in four ways, as illustrated in **Table 13**. This table records total volumes according to each of the data sets assembled by the Police. These volumes are for the years to 30 June 2015 and 2016. This data shows that between 2015 and 2016 offender-related volumes fell marginally by around 2%, while victim volumes rose slightly by just over 4%.

The estimates of total crime volumes are made by aggregating the 'proceedings against offenders' volumes for offences identified directly by the Police, with the 'number of victimisations' volumes where offences are most likely to be reported by victims. This approach is behind the data offered in **Table 14** and **Appendix 1**, but (as caveated in earlier comments), the figures offered here significantly under-report actual offending and victimisations. These figures do, however, represent a consistent way of counting some offences and hence of presenting a comparative position over time.

Table 13: Summary of adult offence volumes—2015 and 2016 (June years)³

June years	2015	2016
Number of unique offenders	115,833	112,720
Proceedings against offenders	175,352	173,563
Number of victimisations	255,234	268,492
Unique victims	215,188	224,251

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Small rise in recorded offences

Between 2014/15 and 2015/16, there was a 3% rise in recorded offences, with total estimated numbers reaching almost 369,000 offences. This increase of around 11,000 offences was mainly due to a 13% increase in recorded burglaries and a 9% increase in assaults. The extent to which these increases are due to changes in victims' reporting behaviours or increased offending is unknown, so little policy importance can be attached to them at least until longer-term data is available. Estimates of offence numbers by type of crime are provided in **Table 14**.

Table 14: Estimates of criminal offences—2015 and 2016 (June years)⁴

June years	2015	2016
Homicide and related offences	195	203
Acts intended to cause injury	44,634	48,566
Sexual assault and related offences	4,957	5,236
Dangerous or negligent acts endangering persons	7,198	6,956
Abduction, harassment & other related offences against a person	1,266	1,401
Robbery, extortion and related offences	2,953	3,309
Unlawful entry with intent/burglary, break and enter	60,711	68,702
Theft and related offences	141,564	142,355
Fraud, deception and related offences	3,241	3,559
Illicit drug offences	9,668	9,641
Prohibited & regulated weapons & explosives offences	819	799
Property damage and environmental pollution	13,319	14,277
Public order offences	3,894	4,091
Traffic and vehicle regulatory offences	8,766	8,183
Offences against justice procedures, Govt Sec & Govt Ops	19,265	17,734
Miscellaneous offences	35,018	33,831
Total of all offence categories	357,468	368,843

A longer-term reliable data set that provides some indication of offending trends is prosecution data published by Statistics New Zealand and the Ministry of Justice. Trends in this data for the past five years and by various categories of offences are provided in **Table 15**. This data shows two noteworthy trends. The first is the overall decline in the numbers of prosecutions taken since 2011—these declines have been in the order of 25% to 35% and (with the exception of prosecutions for sexual offences) are more or less across all types of offence. The second trend is the slight lift in the numbers of prosecutions over the past year or so, particularly in violent offences. Prosecutions for various forms of assault rose 7% over the 2014 to 2016 period, for example.

Table 15: Adult prosecutions by offence category—2011–2016⁵

Year ending 30 June	2011	2012	2013	2014	2015	2016
Assault	29,733	27,581	26,503	21,794	21,470	23,347
Sexual assault	4,936	4,862	5,575	5,078	5,111	5,242
Dishonesty offences	56,312	53,922	55,352	46,284	44,826	43,585
Illicit drug offences	21,559	19,311	19,905	15,149	14,420	14,787
Traffic offences	55,377	53,922	50,969	46,574	43,147	41,653
Other offences	147,877	131,266	122,377	99,500	94,944	97,476
Total offences	294,235	271,553	260,776	219,230	209,498	211,303

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VIOLENT CRIME

Small increase recorded in number of assaults

Recorded physical assaults rose by just under 6% between 2015 and 2016 (June years) to 50,257 on a total victimisation basis. These offences in 2016 involved 43,700 individual victims. The bulk of this increase in recorded offences was for serious assaults not involving injury. Recorded serious assaults resulting in injuries actually declined by 7% to just under 8,200.

Proceedings taken against those apprehended for violence remained the same between 2015 and 2016 at just under 27,000 cases. Since the number of victimisations has risen against this static volume of proceedings, the resolution rate for violent offences has fallen from just under 57% in 2014/15 to 53% in 2015/16.⁶ Of some value within these statistics is an improvement in the resolution rate for serious assaults involving injury from 75% in 2014/15 to 81% in 2015/16. This improvement suggests this area of offending is receiving a greater priority from Police.

Recorded victimisations for aggravated sexual assaults fell slightly between 2014/15 and 2015/16 to 4,625. Against these victimisations, only 1,557 proceedings were taken against offenders, which presents a resolution rate of just one-third.

Data on victimisation and proceedings for physical and sexual assaults is presented in **Table 16**.

Table 16: Violent offending—2015 and 2016⁷

	Victimisations		Proceedings		Resolution rates	
	2015	2016	2015	2016	2015	2016
Aggravated sexual assault	4,755	4,625	1,615	1,557	34.0%	33.7%
Non-aggravated sexual assault	879	984	548	621	62.3%	63.1%
Sexual assaults	5,634	5,609	2,163	2,178	38.4%	38.8%
Common assault	26,252	26,955	13,519	12,782	51.5%	47.4%
Serious assault - no injury	12,503	14,108	6,825	7,178	54.6%	50.9%
Serious assault - resulting in injury	8,816	8,194	6,613	6,662	75.0%	81.3%
Acts intended to cause injury	47,571	50,257	26,974	26,634	56.7%	53.0%

Information to identify domestic violence withdrawn from public domain

Data previously recorded included information on the scene of the offence, such as whether it occurred in a dwelling or public place. With the transfer of the data reporting function to the New Zealand Police this level of information has been taken out of the public domain. The reason given for this change is to protect victims' privacy.⁸ Clearly, however, there are ways of presenting such information at a fairly aggregate level that avoid compromising individuals' privacy. It is difficult to understand why such options have not been taken by the Police in their new reporting role.

For the five years prior to the reporting changes of 2014, the majority of physical and sexual assaults took place in dwellings. For example, just over two-thirds (67%) of sexual assaults and almost three-quarters (73%) of serious injury

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assaults from 2011 to 2014 are reported to have taken place in dwellings.⁹ Whether these dwellings were the home of the victim or the perpetrator is not known, although it seems likely that in most cases the victim and the perpetrator knew each other as offences involving home invasions are relatively uncommon. Yet this familiarity between offender and victim is not apparent in the data on physical and sexual assaults now being released.

Table 17 presents the reported relationships between victims and offenders for physical and sexual assaults for the year to 30 June 2016. The proportions presented here relate to total victimisation counts for the various offence categories listed. Two things are compelling about the figures offered here. The first is the relative infrequency of attacks by strangers. Even when a perpetrator has been identified, that perpetrator is likely to be a stranger in no more than one-in-four assaults. The second compelling issue is the high proportion of cases where an offender is not identified either because they are not apprehended or because Police have insufficient information to begin to identify them. This missing identity is particularly high with aggravated sexual assaults, with almost four-in-five offences unresolved. As noted above, two-thirds of these offences are likely to have taken place in a dwelling, and most likely this dwelling is the home of the victim or the offender.

The likely reality is that most violence, especially sexual violence, is committed by offenders who know their victims, and often—perhaps most often in the case of sexual assaults—the identity of the offender is not reported. While the new reporting approach, which attempts to determine the relationships between offender and victim, is a welcome start to identifying levels of domestic and family violence,

it is a pity the obvious gaps in the information offered are not recognised and critiqued. The inclusion of data on the scene of offences would assist in this more in-depth analysis, as would a more deliberate effort by Police to separately record and report domestic violence. Presently, we have no reliable assessment of the extent, nature and trends around domestic violence. This makes it difficult to develop public policies and programmes to address what remains one of New Zealand’s most serious social problems.

Table 17: Reported victim-offender relationships for violent offences—2016¹⁰

Year ended June 2016	Offender is a family member	Offender known but not a family member	Stranger	Offender unidentified
PROPORTIONS OF ALL VICTIMISATIONS				
Aggravated sexual assault	8%	11%	2%	79%
Common assault	15%	15%	9%	61%
Serious assault not resulting in injury	24%	9%	12%	54%
Serious assault resulting in injury	37%	20%	9%	35%
PROPORTION OF ALL VICTIMISATIONS WHERE OFFENDER IS IDENTIFIED				
Aggravated sexual assault	37%	53%	11%	
Common assault	40%	38%	22%	
Serious assault not resulting in injury	53%	20%	27%	
Serious assault resulting in injury	57%	30%	13%	

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SENTENCING & IMPRISONMENT

Rising share of criminal convictions lead to prison

It appears our criminal justice system is becoming more and more punitive, with an increasing proportion of those convicted of criminal offences being sent to prison. This trend is illustrated for the five years in **Table 18**. During the year to 30 June 2016, almost one-in-eight people convicted of a crime received a prison sentence, although because of falling rates of recorded crime, the total numbers of people sent to prison is 10% fewer than in 2011. The reverse of this trend is that fewer people found guilty of an offence are receiving a discharge or diversion.

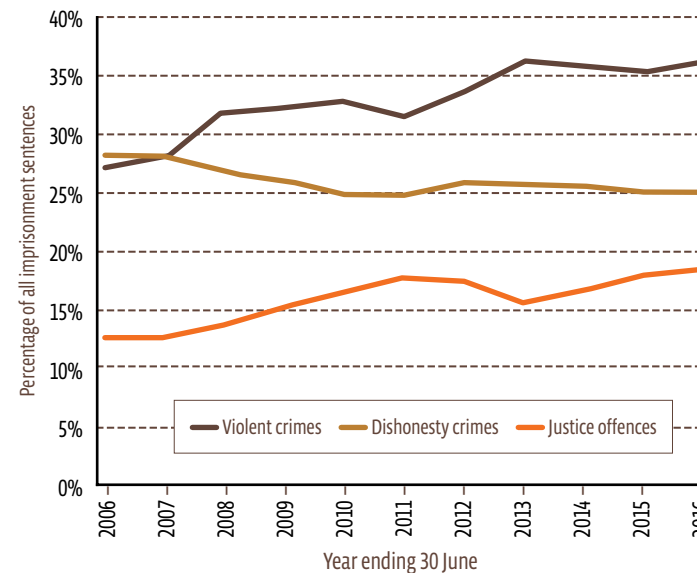
Table 18: Criminal prosecution trends—2011–2016

Year ending June	2011	2012	2013	2014	2015	2016
People prosecuted for offences	112,099	102,924	95,423	84,761	79,856	77,604
People convicted of offences	90,722	84,263	77,854	70,893	66,000	64,616
% of prosecutions leading to convictions	80.9%	81.9%	81.6%	83.6%	82.6%	83.3%
People diverted or discharged without conviction	10,674	8,739	7,785	6,663	6,571	6,390
% of proven cases leading to discharge/diversion	10.5%	9.4%	9.1%	8.6%	9.0%	9.0%
Imprisonment sentences	8,741	8,035	7,898	7,261	7,439	7,828
Imprisonment sentences as % of all convictions	9.6%	9.5%	10.1%	10.2%	11.3%	12.1%

Violent offending and justice breaches drive prisoner population

More than half of all people going to prison are doing so for violent offences¹¹ or for breaches of justice orders such as breaches of custodial and non-violence orders. As a share of all custodial sentences, these two types of offending have risen from less than 40% in 2006 to almost 55% in 2016, and from 3,500 prisoners to 4,200 prisoners. This trend is reported in **Figure 8**.

Figure 8: Types of offences leading to prison—2006–2016¹²



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Prison population reaches new record high

New Zealand’s prison population exceeded 9,000 for the first time in August 2015 and looks set to top 10,000 prisoners by early 2017.

At the end of December 2016, our prisons detained a record 9,914 people, of whom a record 28% or 2,774 were on remand. Ten years earlier, just 21% or 1,765 of the prison population of 7,700 was on remand.¹³ During 2016, 60% of the increase of the prisoner population was due to this growth in the number of people held on remand.

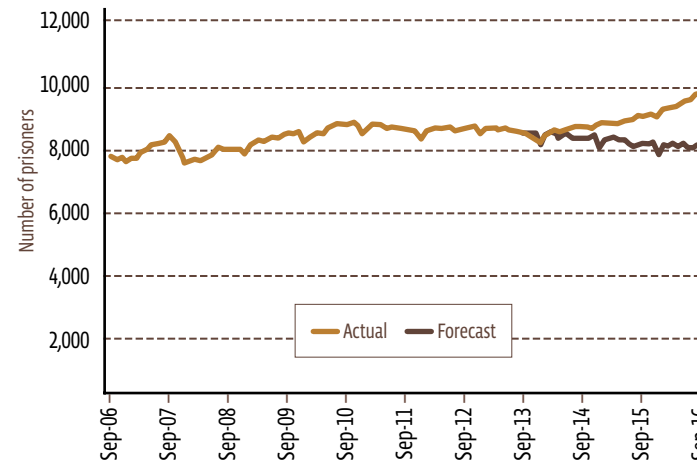
Of the 9,914 prisoners on remand or serving sentences in December 2016, 695 or 7.0% were female. This is a record number of female prisoners as well.

By December 2016, the Māori prisoner population had exceeded 5,000 inmates. This is also a record high and 9% greater than a year previously.¹⁴

Monthly prison population figures for the 10 years to September 2016 are reported in **Figure 9**.

Figure 9 also includes a Ministry of Justice prison population forecast made in June 2014. This forecast suggested that by September 2016 the prison muster would be 8,130 instead of the 9,851 figure noted above. In other words, 1,700 additional prisoners have arrived in prisons than were expected by authorities two years ago. It seems likely that even further growth in the prison population is expected given the Government’s announcement, in October 2016, that it expected to spend an additional \$1 billion to provide an additional 1,800 beds in New Zealand’s prisons.¹⁵

Figure 9: Average monthly prisoner population—2006–2016.¹⁶



Imprisonment rate at record levels

Unsurprisingly, the imprisonment rate for the total population rose between 2014/15 and 2015/16 to regain the record rate set in 2010/11 of 198 prisoners for every 100,000 population. The incarceration rate for Māori remains 3.3 times the rate for New Zealand overall, at 655 prisoners per 100,000 population. This is slightly below the record incarceration rate of 671/100,000 during 2010/11. Imprisonment rates for Māori and all New Zealanders for 2011 to 2016 are reported in **Figure 10**.

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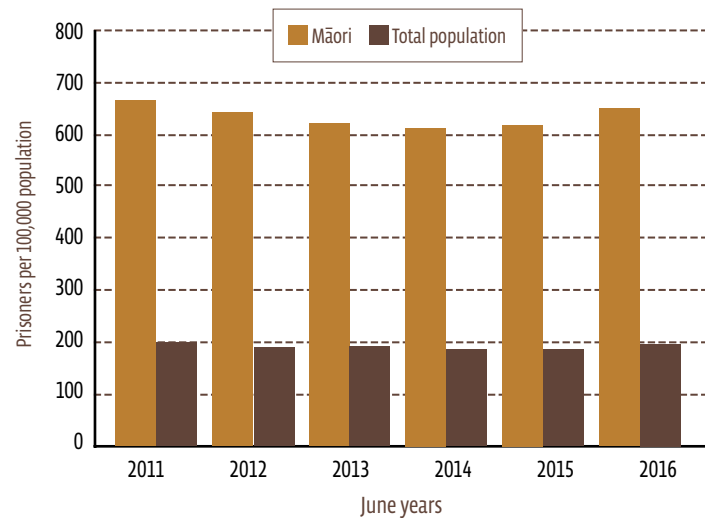
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Figure 10: Imprisonment rates—2011–2016¹⁷



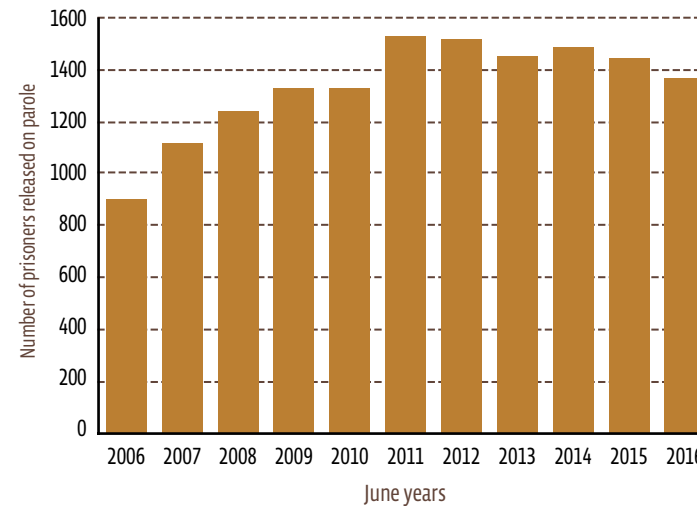
Parole release numbers fall as prisoner population rises

One of the contributors to New Zealand’s record high prisoner population is the more cautious approach of the Parole Board in granting prisoners early release from prison. This approach and the falling numbers of prisoners being granted parole is illustrated in **Figure 11**.

The Parole Board’s approval of parole for prisoners declined from 31% of all parole applications in 2011 to 23% in 2016 (June years). While the decline in actual numbers of this period is relatively small—from 1,542 approvals in 2011 to 1376 in 2016—this decline is against a background of a rising prisoner population, as reported above. As a share of the sentenced prisoner population, parole approvals declined from a high 22.8% in 2012 to 20.2% in 2016.

It seems possible that parole approval rates will decline further due to recent changes in the Parole Act 2002 that came into effect in September 2015. These changes allow the Board to postpone a prisoner’s next application for two years and so further limit the chance of an early release.¹⁸

Figure 11: Prisoners granted early release by Parole Board—2006–2016¹⁹



Further decline in community-based sentences

As the prison population rises and as prosecution and conviction numbers fall, the overall use of community sentences is diminishing. Between 2011/12 and 2015/16 (June years), the number of offenders commencing non-custodial community-based sentences declined 36% or by 14,000 places to 44,800. Over the same period, the number of home detention sentences has remained fairly constant at around 3,500. Trends in community-based and home-based sentences are provided in **Table 19**.

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Table 19: Community & home-based sentences, new starts—2011–2016²⁰

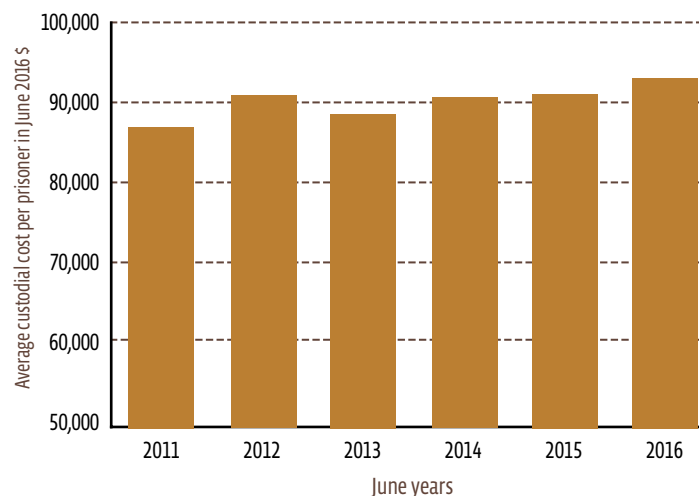
Year ending June	2011	2012	2013	2014	2015	2016
Community detention	1,684	1,770	1,950	1,719	1,655	1,600
Community work	23,962	20,892	17,702	15,825	15,963	15,014
Intensive supervision	2,619	2,531	2,464	2,381	2,577	2,867
Supervision	7,591	7,883	8,243	7,751	7,300	7,597
Total non-custodial community sentences	35,856	33,076	30,359	27,676	27,495	27,078
Home detention sentences commenced	3,001	2,693	2,854	2,947	2,827	2,893
Rate of non-custodial community-based sentences (per 100,000 people over 18)	1,858	1,781	1,645	1,453	1,344	1,265

Further increase in custodial costs

Taxpayer spending on custodial services provided through Vote Correction grew almost 8% between 2014/15 and 2015/16 to \$853 million for the year to June 2016. This is almost 18% or \$128 million more than five years earlier during the year to June 2011.

On a per-prisoner basis and for the June 2016 year, custodial services cost taxpayers almost \$93,000 per year or just over \$254 per prisoner per day. This annual cost in inflation-adjusted terms is 2% higher than in the previous year and 7% higher than in 2010/11, when the average per-prisoner cost was \$86,700 at June 2016 dollar values. **Figure 12** reports these per-prisoner custodial costs between 2011 and 2016.

Figure 12: Average custodial cost per prisoner—2011–2016²¹



RECIDIVISM

Government’s recidivism targets are slipping away

The Government’s Better Public Service target of reducing reoffending rates by 25%²² appears unlikely to be achieved, with most recidivism measures worsening between 2014/15 and 2015/16. These measures are reported in **Table 20** for the total population and for Māori separately. Taken over a five-year period, there has generally been some success in reducing re-conviction rates for released prisoners— in the order of 1% to 3% reductions. Re-imprisonment rates have, however, deteriorated—increasing as a percentage by 1% to 3% over the past five years.

In all but one indicator in **Table 20**, changes over the most recent 12 months have seen some deterioration.

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These disappointing results have emerged despite Government’s continuing commitment to fund reintegration and rehabilitation services. Between the 2010/11 and 2015/16 financial years, the spend on these services on a per-sentenced prisoner basis increased progressively—in inflation-adjusted terms, from just under \$20,000 per prisoner in 2010/11 to \$25,900 in 2015/16. These trends are also reported in **Table 18**.

It seems likely the sentenced prisoners muster will increase further over the next one to two years as a result of the historically high remand prisoner population and tougher stances on parole. If this is the case, it is important Government continues to increase budgets for prisoner reintegration and rehabilitation, including looking to extend out-of-gate programmes.

Table 20: Prisoner recidivism and spending on reintegration and rehabilitation services²³

Year ending June	2011	2012	2013	2014	2015	2016
TOTAL PRISON POPULATION						
12 month reimprisonment rate	27.1%	27.0%	26.7%	25.9%	28.1%	29.7%
12 month prison to reconviction	45.3%	43.3%	44.2%	41.7%	43.7%	44.2%
24 month reimprisonment rate	39.2%	37.0%	37.3%	36.8%	36.5%	39.6%
24 month prison to reconviction	62.2%	59.9%	58.8%	58.9%	57.0%	59.0%
MĀORI PRISON POPULATION						
12 month reimprisonment rate	29.7%	30.4%	30.1%	29.3%	32.1%	33.0%
12 month prison to reconviction	50.0%	47.3%	48.4%	46.2%	49.0%	48.7%
24 month reimprisonment rate	44.0%	40.8%	41.8%	41.2%	41.3%	44.8%
24 month prison to reconviction	67.3%	65.6%	63.5%	64.4%	63.2%	65.5%
Spending on rehabilitative programmes & reintegrative services (\$000s nominal)	130,402	153,567	145,923	161,937	169,122	176,308
Average spend per sentenced prisoner \$Jun16	19,800	23,600	21,900	24,100	25,100	25,900

ASSESSMENT

OVERALL CRIME	RESULT
Given changes in the ways criminal offending is now being reported and the somewhat obscure results offered by official sources, it is difficult to know if crime is reducing or increasing. The small increase in the numbers of adult prosecutions over the past year suggests overall crime and crime rates have remained much the same.	NC
VIOLENT CRIME	RESULT
As with overall crime, the same problems around quality and consistency of data make it difficult to establish if violent crime has got better or worse over the past one or two years. A 6% rise in the number of victim-reported offences would suggest things are worse, but entrenched problems around reporting behaviours makes a settled judgement premature—at least until an extended data set is available. A continued lack of any clear and credible data around domestic violence is disappointing.	NC
SENTENCING AND IMPRISONMENT	RESULT
All records appear to have been broken over the past year or so. Record rates of convictions leading to prison, a record prison muster, and record incarceration rates. On top of this, the taxpayers' bill for these records now exceeds \$850 million, with Government pledging a further \$1 billion for more of the same. Hopefully, New Zealanders may come to appreciate that a society with a growing prison population is a society ill at ease with itself and begin to demand better responses to criminal offending.	—
RECIDIVISM	RESULT
Despite ongoing financial commitment by Government to expanded reintegration and rehabilitation services, and despite the genuine efforts of Department of Corrections, the recent rising rates of reoffending and reimprisonment are bitterly disappointing. Reducing recidivism was always going to be a big ask, and it is perhaps time to look outside the prison gate for more effective responses to this until now intractable problem.	—

+ On track - Off track NC No change

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APPENDIX 1: Criminal offending as reported in the RCOS and RCVS data sets for the year to 30 June 2016

Offence category	Number of unique offenders	Proceedings against offenders	Number of victimisations	Unique victims	Estimates of offences
Homicide and related offences	197	203			203
Acts intended to cause injury	22,673	26,634	48,566	43,719	48,566
Sexual assault and related offences	1,865	2,178	5,236	5,178	5,236
Dangerous or negligent acts endangering persons	13,435	6,956			6,956
Abduction, harassment and other related offences against a person	5,214	1,401	324	258	1,401
Robbery, extortion and related offences	1,186	6,923	3,309	3,094	3,309
Unlawful entry with intent/burglary, break and enter	3,866	22,084	68,702	61,159	68,702
Theft and related offences	11,288	15,069	142,355	110,843	142,355
Fraud, deception and related offences	2,181	3,559			3,559
Illicit drug offences	6,585	9,641			9,641
Prohibited and regulated weapons and explosives offences	2,744	799			799
Property damage and environmental pollution	4,661	14,277			14,277
Public order offences	10,332	4,091			4,091
Traffic and vehicle regulatory offences	21,803	8,183			8,183
Offences against justice procedures, Govt Sec and Govt Ops	4,161	17,734			17,734
Miscellaneous offences	529	33,831			33,831
Total of all offence categories	112,720	173,563	268,492	224,251	368,843

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- 1 Ministry of Justice (2014) 2014 New Zealand Crime and Safety Survey—Main Findings. P.120
- 2 Ibid pp. 115-119.
- 3 This data available from <http://www.police.govt.nz/about-us/publications-and-statistics/statistics/policedatanz>.
- 4 Ibid. See Appendix 1 for more detail of the approach taken in assembling these estimates.
- 5 Source: Statistics New Zealand's Criminal convictions and sentencing tables—Fiscal years. Available at http://www.stats.govt.nz/browse_for_stats/people_and_communities/crime_and_justice.aspx.
- 6 Here the resolution rate is taken to be the ratio of all victimisations to all proceedings.
- 7 Data taken from the Recorded Crime Victims and Offenders data set. Available at <http://www.police.govt.nz/about-us/publications-and-statistics/statistics/policedatanz>.
- 8 See the New Zealand Police's explanation at <http://www.police.govt.nz/about-us/publications-and-statistics/statistics/policedatanz>.
- 9 See Statistics New Zealand's crime data series.
- 10 Data taken from the Victim Demographics (Victimisations) data set. Available at <http://www.police.govt.nz/about-us/publications-and-statistics/statistics/policedatanz>.
- 11 Here violent offences are defined broadly to include homicides, physical assaults, sexual assaults, robbery, and abduction and extortion.
- 12 Data from Statistics New Zealand and Ministry of Justice Adult Convictions data set. Available at http://www.stats.govt.nz/tools_and_services/nzdotstat/tables-by-subject/criminal-conviction-and-sentencing-tables-fiscal-year.aspx.
- 13 These estimates are based on the Department of Corrections' quarterly prison statistics. See the updates available at http://corrections.govt.nz/resources/research_and_statistics/quarterly_prison_statistics.html. Source: Ministry of Justice Justice Sector Forecasts. Available at <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-sector-forecast>.
- 14 Ibid. The December 2016 update reported that 50.8% of the prisoner muster of 9,914 were Māori. This means that around 5,040 Māori were incarcerated at that time.
- 15 See Radio New Zealand's report of 18/1016 'Govt to spend \$1b boosting prison bed numbers' at [http://www.radionz.co.nz/news/political/315932/govt-to-spend-\\$1b-boosting-prison-bed-numbers](http://www.radionz.co.nz/news/political/315932/govt-to-spend-$1b-boosting-prison-bed-numbers).
- 16 Source: Ministry of Justice Justice Sector Forecasts. Available at <https://www.justice.govt.nz/justice-sector-policy/research-data/justice-sector-forecast>.
- 17 These estimates based on average prisoner populations for each June year as reported in Department of Corrections' annual reports and Statistics New Zealand's population estimates of mean resident population for June years. Estimates of Māori prisoner numbers based Department of Corrections' quarterly prison statistics. Available at http://corrections.govt.nz/resources/research_and_statistics/quarterly_prison_statistics.html.
- 18 New Zealand Parole Board's Annual Report 2015/16 p.4.
- 19 Data taken from the New Zealand Parole Board's Annual Reports. Available at http://www.paroleboard.govt.nz/publications/annual_reports.html.
- 20 Department of Corrections Annual Reports.
- 21 Ibid.
- 22 See an update on the Better Public Service Targets at <http://www.ssc.govt.nz/bps-reducing-crime>.
- 23 Department of Corrections Annual Reports, with the exception of 2015/16 recidivism figures, which have been provided directly by the Department.

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Work & Incomes

The work and income area is the success story in our recent social progress. Over the past years, by international standards, New Zealand has seen credible growth in the economy and the job market. This growth has flowed through into a broadly shared prosperity for those who are active in the labour market, with wages and salaries growing at roughly the same rate of the economy.

However, those outside the labour market have largely been excluded from this prosperity and there are emerging signs that this number is stuck at around one-in-12 adult New Zealanders, the 300,000 adults receiving a working-age benefit as their main or only source of income.

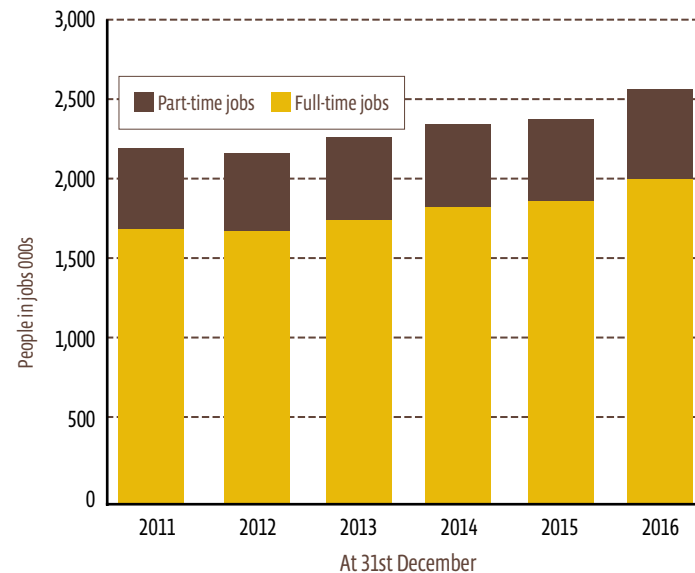
EMPLOYMENT AND UNEMPLOYMENT

Job numbers exceed 2.5 million

The total number of full-time and part-time jobs within the New Zealand economy was over 2.5 million at the end of 2016. Statistics New Zealand’s Household Labour Survey reported that at the end of December 2016 there were 1.99 million full-time jobs and 534,000 part-time ones in the economy. These job figures are a new record for New Zealand and represent an annual growth rate of 4.6% on an annual average basis. Trends in total job numbers over the past five years are reported in **Figure 13**.

Over the last five years, job growth has exceeded 12.7% on an average annual basis. Employment growth amongst men and women has been almost the same over the past five years, with women making up just over 47% of those with jobs in 2016, a similar proportion as five years ago.

Figure 13: Total employment in New Zealand—2011–2016¹



Labour force participation rate reaches 71%

New Zealand’s labour force participation rate reached 70.9% in the December 2016 quarter—the highest rate on record and the third highest rate in the OECD.² The participation rate tends to bounce around from quarter to quarter, so annual average comparisons are more reliable here. The average participation rate during 2016 was 69.8%, higher by 1.1% than 2015 and 1.9% higher than the average rate during 2011. The average male participation rate during 2016 was 75.2%, while for women it was 64.3%.

Modest falls in unemployment numbers

One consequence of strong job growth and more modest expansion of participation rates has been only small falls in unemployment numbers—both over the past year and in comparison with these measures five years ago. **Figure 14** reports trends in three unemployment measures for 2011 to 2016.

These measures are the ‘official unemployment’ number measured through Statistics New Zealand’s labour market survey, the registered jobseeker numbers based on benefit payments through Ministry of Social Development, and a ‘jobless’ total.

In July 2016, Statistics New Zealand changed the way it measured unemployment and underemployment and has introduced a measure known as underutilisation.³ Underutilisation includes ‘underemployed’ people (those employed part-time who would prefer to work more hours), ‘available potential jobseekers’ (those not actively seeking work, but available in a particular reference week and wanting a job) and ‘unavailable jobseekers’ (those actively seeking work, not available in the reference week, but available within a short subsequent period).

These changed definitions mean that Statistics New Zealand no longer publishes an estimate of the so-called ‘jobless’. This figure was made up of those who were officially unemployed and a group of out-of-work adults available for work but not actively seeking it. This ‘jobless’ figure has been reported in previous State of the Nation reports—as an estimate of more broadly defined unemployment.

To continue reporting such a broad definition, the 2017 State of the Nation report has combined Statistics New Zealand’s ‘available potential jobseekers’ and ‘unavailable jobseekers’ in a revised ‘jobless’ measure. This measure is reported in **Figure 14** back to December 2011.

The number of people living on a welfare benefit and classified as ‘jobseekers’ has declined by more than 20% over the past five years (on an annual average basis) to stand at 69,000 at the end of 2016. During 2016, however, the number of registered jobseekers rose by 2% from 67,670 at the end of 2015. This recent rise suggests the reduction in benefit numbers hastened by the Government’s welfare reform measures may have tapered off.

Unemployment measures based on Statistics New Zealand’s labour market survey show more modest declines over the past five years, as well as continued declines over the past year. Official unemployment numbers declined by 4.6% between 2011 and 2016 on an annual average basis and stood at 138,100 people at the end of 2016. On an average annual basis, official unemployment declined by less than 1%, or by 1,000 people, during 2016. The alternative and more generous measure of unemployment—the ‘jobless’ total—also shrunk. Over the past 12 months, the ‘jobless’ measure declined by almost 5% to stand at 240,000, the lowest December-quarter figure since 2008. The five-year fall in the ‘jobless’ total is a more modest 2%.

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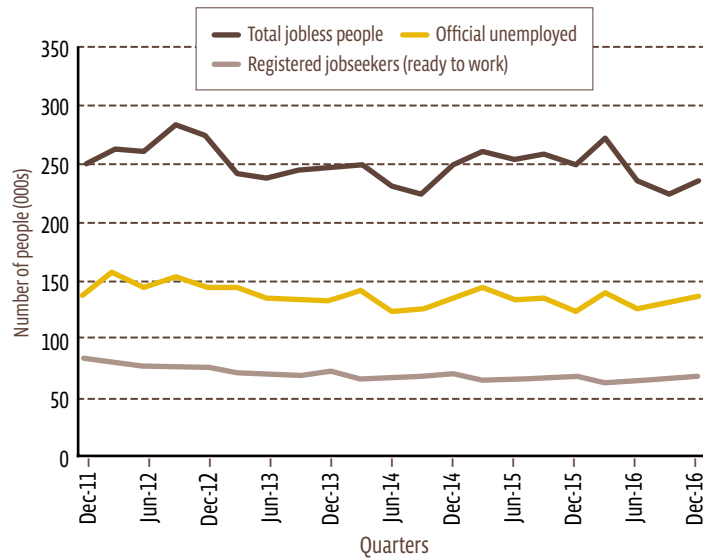
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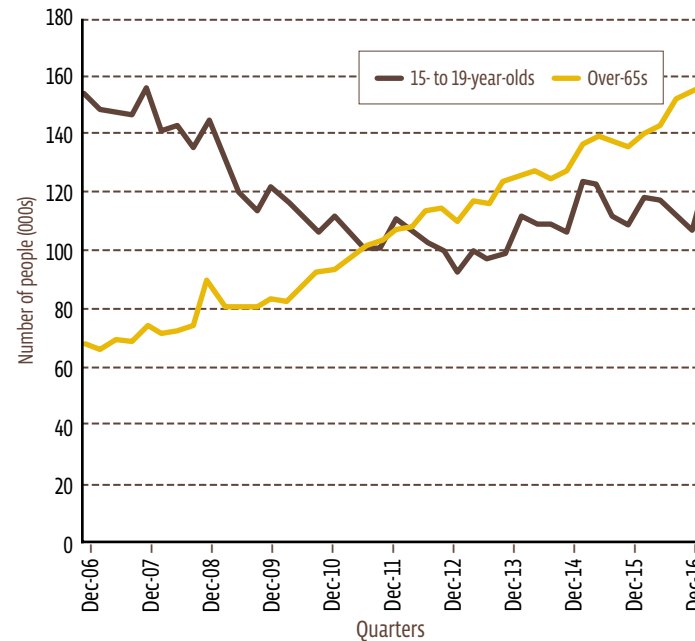
Figure 14: Measures of unemployment—2011–2016⁴



Little change in youth employment despite strong job growth overall

Despite strong job growth in the overall economy, little of this growth has trickled down to 15- to 19-year-olds. The average number of 15- to 19-year-olds in jobs has stayed at around 116,000 for the past two years. This figure is only 3,000 more than the five years ago and 29,000 fewer than 10 years ago. This trend is illustrated in **Figure 15**. The share of the total job market occupied by 15- to 19-year-olds has fallen from 7% in 2006 to less than 5% since 2011.

Figure 15: Employment of 15- to 19-year-olds and over-65-year-olds—2006–2016⁵



Sharp increase in NEET numbers

During 2016, the numbers of younger adults who are NEET (not in employment, education or training) grew by 8.5% to an annual average of 79,700 people aged between 15 and 24 years. Over the past four years, NEET numbers have more or less remained constant at 75,000 to 80,000 people. This trend is reported in **Figure 16**.

Over the past five years—and as a consequence of the Government’s training priorities being given to 15- to 19-year-olds—the number of people in this age group who are unemployed and not in education or training has fallen a

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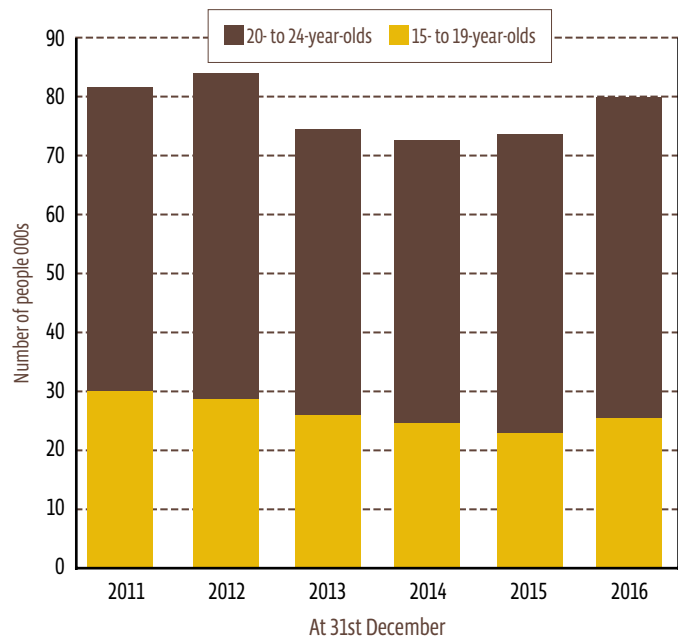
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little from around 30,000 in 2011 (annual average) to around 25,000 since 2014. Over the same five-year period, the numbers of 20- to 24-year-olds has remained unchanged at around 52,000 people.

Figure 16: Not in employment education or training—2011–2016⁶



Employment of over-65s climbs still further

The number of people aged over 65 who have remained in employment beyond the nominal retirement age of 65 has grown by almost 50% over the past five years, from around 103,000 in 2011 (annual average) to 153,000 in 2016. This growth is shown in **Figure 15**.

The growing over-65s workforce is due to two factors: a growing older population, and increasing labour force participation amongst this population. Over the past five years (2011 to 2016), the over-65s population has grown more than 20%, by 115,000 to 672,000 people. During the same period, the labour force participation rate has expanded from 19% to over 23%.

The first Baby Boomers began reaching retirement age in 2011. Since then, the labour market participation rate of 65- to 69-year-olds has risen from 39% to 43%, with the number working growing from 68,000 people to over 100,000. Yet these increases have only contributed 60% of the increase of the overall growth in the numbers of older workers. In other words, much of the recent growth in the older workforce is due to increasing participation of the over-70s population. Further growth in the over-65s workforce may well come from further increases in this over-70s participation rate. Whatever the breakdown between 65- to 69-year-olds and those over 70, it seems premature to predict an end to ongoing growth in this older workforce.

INCOMES

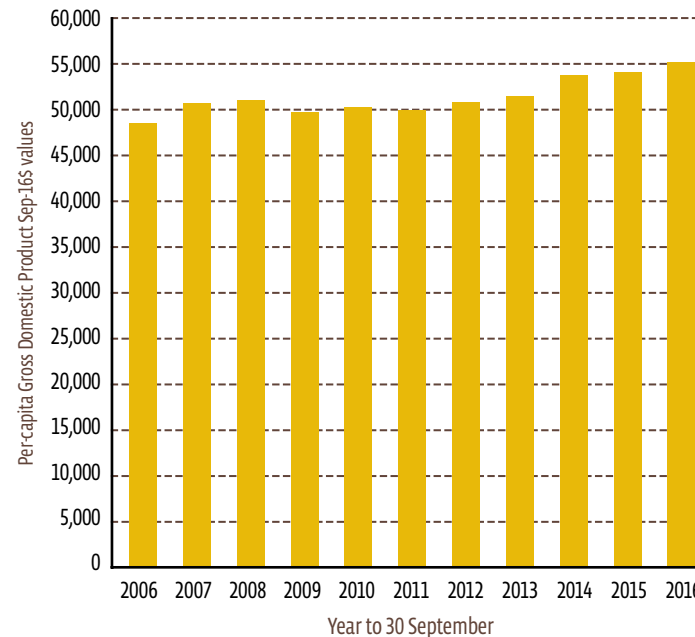
Encouraging growth in per-capita GDP

Real per-capita GDP is a good measure of the economy’s ability to deliver higher incomes to New Zealanders. The question of whether or not incomes for a particular group of people actually rise is a distributional one that is to some extent determined by Government policy, or in some instances the lack of such policy. Part of the good news in recent years is that New Zealand’s economy has grown faster than our population, meaning per-capita GDP has risen. This is seen in **Figure 17**.

Per-capita GDP stood at just over \$55,100 in the September 2016 quarter. This figure is 2% (\$1,000) more than a year previously and 10% (\$5,000) higher than five years earlier. These increases have been adjusted for inflation, so represent real increases in the size of the New Zealand economy and its potential to provide higher incomes to New Zealanders.

As shown in the data offered in **Figure 17**, the most recent four years have been relatively bountiful—especially in comparison with the five years following the GFC (2007 to 2012), when real per-capita GDP moved hardly at all. Much of New Zealand’s material progress over recent years is due to this improvement, although questions around how these gains were made and whether they are sustainable should also be asked.

Figure 17: Real per-capita GDP at Sep-16 \$ values—2006–2016⁷



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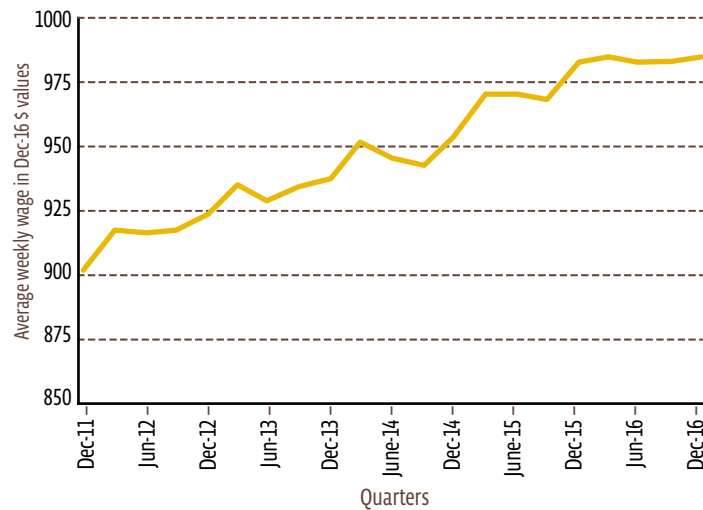
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Wage and salary growth flattens

Wage and salary earners saw modest real growth in their incomes, with the average weekly income rising \$14 between December 2015 and December 2016. However, when considered on an annual average basis—rather than quarter to quarter and accounting for inflation—wages and salaries increased by 1.1% or by just over \$10 per week over this 12-month period.

Taken over a five-year period, the income fortunes of wage and salary earners more closely match the growth in per-capita GDP, as reported above. On an average annual basis, the average wage/salary rose 9.6% between December 2011 and December 2016 and by \$86 per week in inflation-adjusted terms. Trends in average wages/salaries are reported in **Figure 18**.

Figure 18: Real average weekly incomes for employees—2011–2016⁸



No change in male-female wage inequality

Women’s labour market incomes remained at 87% of men’s during 2016—a ratio consistently maintained for the past five years. At the end of 2016, the average ordinary-time income of women was \$27.53 per hour, against an average income for men of \$31.68.

Some signs of small reductions in income inequality

Income inequality appears to have narrowed a little between the highest paid sector in the economy (the finance and insurance services sector) and the lowest paid sector (the accommodation and food services or hospitality sector). At the end of 2016, the average hourly wage in the hospitality sector was \$18.99, which was just over 45% of the average hourly wage in the finance sector of \$41.90. A year earlier, hospitality workers on average earned 44% of finance sector workers and in 2014 they earned 42%. These results are too volatile on a short-term basis to suggest a definite trend at this stage.

More workers working for the minimum wage

The importance of minimum wage legislation to protect low paid workers’ incomes and the value of the recent annual increases in this minimum are illustrated by the fact that more workers are working for, or close to, the current minimum wage of \$15.25 per hour.

The Regulatory Impact Statement preceding the most recent review of the minimum wage estimated that, at that time—in late 2015, as many as 152,000 workers were working for less than the proposed new minimum wage of \$15.25 per hour.⁹ This represented 6.5% of the total workforce of around 2.35 million people. A year previously, when the minimum

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wage was eventually increased to \$14.75 per hour, an estimated 115,000 workers were receiving this new minimum wage. This number was then 5% of the national workforce. In 2011, it was estimated that just 3% of the workforce was likely to be affected by changes in the minimum wage legislation.¹⁰

BENEFITS AND PENSIONS

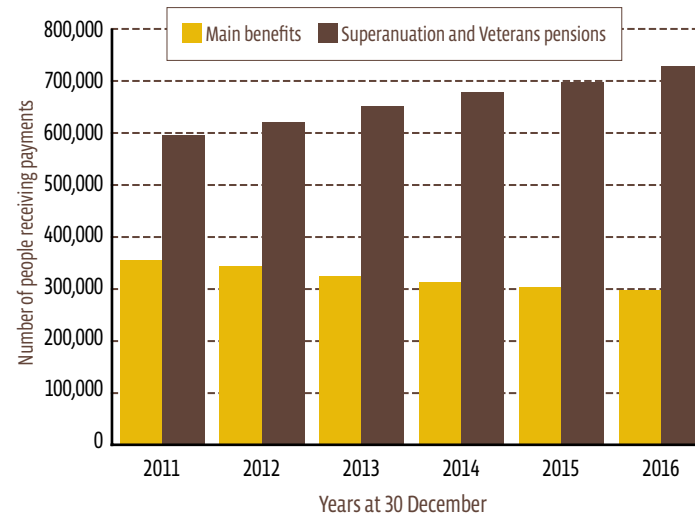
Working-age benefit numbers constant

Recent reductions in the number of people receiving working-age welfare benefits have slowed, with total numbers stabilising at just under 300,000 recipients at the end of 2016. During 2016, the inexorable increase in the number of people receiving New Zealand Superannuation continued, with the total number reaching almost 718,000 and growing by almost 26,000. These trends are identified in **Figure 19**.

At the end of 2016, 297,000 people were receiving one of the main working-age benefits. This was just 4,300 less than a year earlier, although almost 54,000 less than five years previously. Essentially, the rapid decline in welfare numbers that characterised the period 2011 to 2014 has slowed to a trickle, even while strong job growth of over 4% annually has occurred.

The number of people receiving New Zealand Superannuation continued to grow by around 26,000 annually or by 500 additional people per week. This growth is likely to continue for at least another 10 years.

Figure 19: Welfare benefit and retirement pension numbers—2011–2016¹¹



Hardship assistance payments take off

Spending on hardship-related payments rose sharply during the second half of 2016. This spending is mainly to provide additional financial support to people receiving welfare benefits. Such spending has generally amounted to \$50 million per quarter and involves between 200,000 and 220,000 payments in each period. Total payments in the December 2016 quarter reached \$71 million, with more than 250,000 individual payments. This trend is reported in **Figure 19**.

The reason behind this sudden increase in provision for emergency payments is not known as most additional payments are simply classified as ‘other’ by the Ministry of Social Development.¹² This increase does, however, also coincide with greater attention being paid by Government to the emergency housing needs of families.¹³

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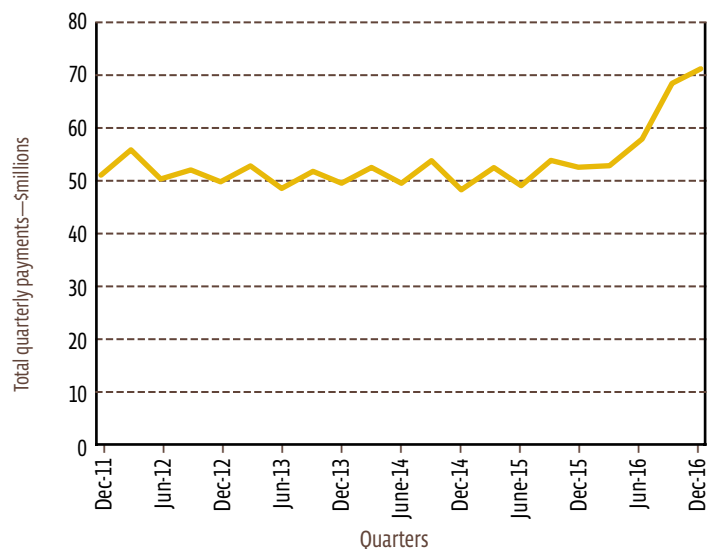
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Figure 20: Spending on additional hardship assistance—2011–2016¹⁴



Superannuation costs dominate additional Government spending

Over the five years from 2010/11 to 2015/16, spending on New Zealand Superannuation has grown by \$3.4 billion —more than three-quarters of all additional core Government spending. Spending on all other income-support programmes, including the various working-age benefits, housing subsidies and Working for Families, shrunk by \$700 million over this five-year period. These trends are reported in **Table 21**.

Table 21: Expenditure on main income support programmes—2011–2016¹⁵

	2011	2012	2013	2014	2015	2016
NZ Superannuation & Veterans Pensions	9,008	9,761	10,406	11,078	11,767	12,449
Main working-age benefits	4,749	4,794	4,660	4,508	4,384	4,322
Housing subsidies	1,750	1,775	1,788	1,806	1,846	1,911
Working for Families tax credits	2,697	2,621	2,595	2,532	2,407	2,414
Other benefits and allowances	1,577	1,424	1,340	1,263	1,295	1,396
Total benefit expenses	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	70,450	69,076	70,306	71,467	73,090	74,935
Benefits as share of Core Crown Expenditure	28%	29%	30%	30%	30%	30%
NZ Superannuation as share of Core Crown Expenditure	12.5%	13.9%	14.6%	15.3%	15.9%	16.4%

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LIVING COSTS AND FOOD POVERTY

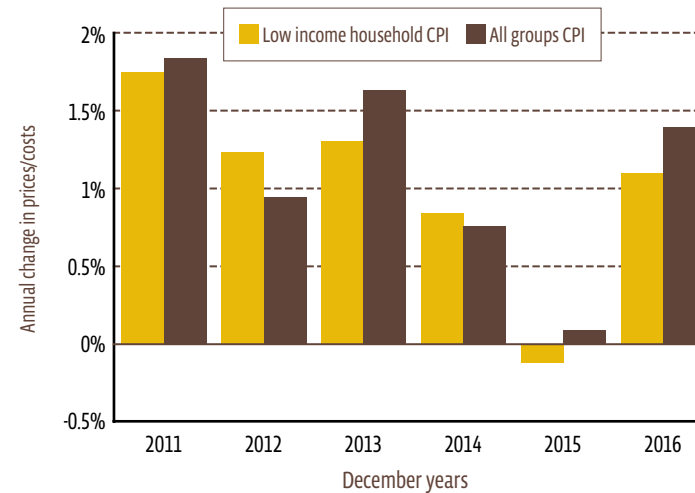
Higher rents lead small differences in low-income households' living costs

Because New Zealand is experiencing a period of historically low inflation, the differences in living cost experienced by low- and middle-income New Zealand households are not likely to be great. The exception is around rents. Given that low-income households are more likely than middle- and high-income households to rent, rapidly rising rents are likely to have a bigger impact on them. This difference explains the small difference in recent changes in the low-income household living cost index and the All Groups CPI. These differences are recorded in **Figure 21** for the period 2011 to 2016.

Over the most recent year, the All Groups CPI has inflated by 1.3%, while the Low-income Household index has risen by an estimated 1.1%. Over the past five years, the All Groups CPI has seen a cumulative inflation of 4.8%, while the low-income index has increased by 4.4%. These differences are not seen as significant.

The conclusion that the low-inflation environment means no significant differences in the living costs of low- and middle-income households is a general one. It probably does not apply in regions identified in the housing chapter of this report as experiencing exceptionally high rent increases of the past year or so.

Figure 21: Low-income household living cost index—2011-16¹⁶



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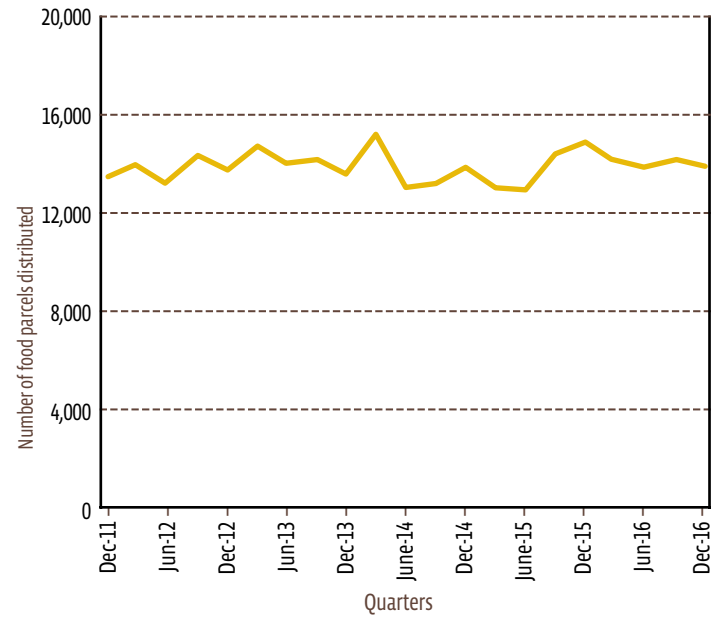
Food bank demand remains steady

Demand for food parcels through The Salvation Army’s national network of 68 Community Ministries centres remained relatively steady during 2016, maintaining the same levels as in 2015. This trend is illustrated for the past five years in **Figure 22**.

During 2016, The Salvation Army provided 56,000 food parcels to 29,500 individuals or families. This is 1.5% higher than 2015 when 55,200 food parcels were handed out to 28,700 families or individuals. Five years earlier, in 2011, just over 54,000 food parcels were distributed.

Between 2015 and 2016, food parcel demand expanded in the lower half of the North Island by almost 7% to 7,400 parcels, while in the South Island, demand grew by more than 4% to 14,400 parcels. These gains were offset by small falls in Auckland and the top of the North Island of around 1%.

Figure 22: Food parcels distributed from Salvation Army foodbanks—2011-2016¹⁷



ASSESSMENT

EMPLOYMENT	RESULT
Relatively strong economic growth has underpinned strong job growth over the past five years and these outcomes form the cornerstones for the Government's political and economic agenda. This job growth is exceptional in the OECD and should be acknowledged as a major success for New Zealand.	+
UNEMPLOYMENT	RESULT
Despite strong job growth, the various measures of unemployment have shown only modest signs of improvement. The persistence of 75,000 to 80,000 NEET 15- to 24-year-olds remains a major concern.	NC
INCOMES	RESULT
Economic growth has clearly created the conditions for income growth, and there is some evidence this income growth has been broadly shared across those households active in the labour market. The recent slowdown in growth in wages and salaries is too recent to describe as a trend.	+
BENEFITS & PENSIONS	RESULT
Rising demand for New Zealand Superannuation is as expected given New Zealand's age structure and current entitlements. Affording these entitlements has been ignored as a political question, with some of the quiet trade-offs including the reduction in the value of other income-support programmes. Recent increases in hardship support payments are welcome news given increasing stress on household budget from rising housing costs in some areas.	+
LIVING COSTS & FOOD POVERTY	RESULT
The low-inflation environment means that there are no significant differences in the living costs of low- and middle-income households. There may, however, be an emerging problem around rising rents in some regions. Demand at Salvation Army food banks has increased moderately at the level established just after the job losses and hardship caused by the GFC in 2008.	NC

+ On track - Off track **NC** No change

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- 1 Statistics New Zealand's Household Labour Force Survey.
- 2 Data on labour force participation rates are published in Statistics New Zealand's labour market survey, which includes the former Household Labour Force Survey. Data from this survey goes back to 1986. The ranking of fourth highest is based on the employment rate and reported by Statistics New Zealand as part of the spreadsheet data, available at http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/LabourMarketStatistics_HOTPDec16qtr.aspx.
- 3 See Statistics New Zealand (2016) *Introducing underutilisation in the labour market*. Available from http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics/introducing-underutilisation.aspx.
- 4 Statistics New Zealand's labour market survey and Ministry of Social Development's benefit fact sheets.
- 5 Statistics New Zealand Labour Market Survey and Household Labour Force Survey.
- 6 Ibid.
- 7 Statistics New Zealand's National Accounts data series.
- 8 Statistics New Zealand Labour Market Survey and Quarterly Employment Survey data series.
- 9 At the time of publication, the Government had announced that it planned to increase the statutory adult minimum wage to \$15.25 per hour on 1st April 2017. In this announcement, the Minister of Workplace Relations & Safety, Michael Woodhouse, claimed that about 119,500 workers would receive this increase. A Regulatory Impact Statement on this change had not been published before the completion of this report.
- 10 Department of Labour and Ministry of Business Innovation and Employment—Regulatory Impact Statements at <http://www.mbie.govt.nz/publications-research/publications/publication-index?topic=employment-and-skills&type=Regulatory+impact+statement>.
- 11 Ministry of Social Development Benefit fact sheets. Available at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>.
- 12 Ibid. See Benefit fact sheet 'National level data tables—December 2016' and 'Supplementary—last 5 years'.
- 13 In May 2016 the Government announced additional budgets to assist with the provision of emergency housing for homeless families. See [http://www.radionz.co.nz/news/political/303386/govt-to-spend-\\$41-point-1m-on-emergency-housing](http://www.radionz.co.nz/news/political/303386/govt-to-spend-$41-point-1m-on-emergency-housing).
- 14 Ministry of Social Development Benefit fact sheets.
- 15 New Zealand Government Budgets.
- 16 Statistics New Zealand's consumer price index data set, using sub-group indices down to Level 2.
- 17 Data sourced from The Salvation Army's SAMIS database. These figures may differ slightly from others reported by The Salvation Army.

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Social Hazards

Social hazards are activities—some legal, some illegal—that are commonly undertaken but pose a risk of harm to those doing them as well as their families and neighbours. This harm most often comes in the form of injury, poor health and diminished incomes. Three common social hazards are considered in this chapter: alcohol use and misuse, the use of illicit drugs, and gambling.

ALCOHOL

Alcohol availability at 17-year low

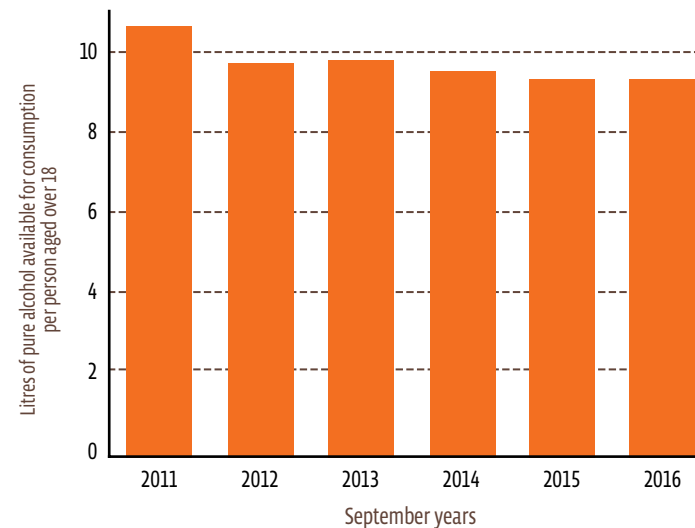
On a volume of beverage basis, the availability (and presumably the consumption) of alcoholic drinks rose 2.5% between 2015 and 2016 (September years) to 470 million litres of beverage. However, this figure is 3% lower than in 2011 when 285 million litres were available for consumption.

Since 2011, the volume of spirits-based beverages available has dropped 11%, with the largest decline of over 12% being lower-strength spirit-based drinks, the so-called ‘RTDs’ (ready to drinks). This decline was matched by an almost 6% increase in the volume of wine available to 108 million, but a 4% decline in the volume of beer to 291 million litres. Changes in consumption patterns over the past year have, however, seen RTDs and beer return to favour, with a 3% to 4% growth in availability.

These recent increases in availability of alcoholic beverages are offset somewhat by recent strong population growth, so that on a per-litre of pure alcohol basis, per capita consumption has fallen slightly over the recent year. Availability of alcohol on a per-litre basis declined marginally

by 0.2% to 9.33 litres for every adult New Zealander. This level of availability is almost 9% lower than in 2011 when 10.50 litres per adult were available. This trend is illustrated in **Figure 23**. The 2016 outcome is the lowest level of availability since 1999.

Figure 23: Per capita alcohol availability—2011-2016¹



But problem drinking is on the rise

Despite this long-term decline in the availability and probably also the consumption of alcohol, results from the latest New Zealand Health Survey suggest the proportion of New Zealanders who drink hazardously has risen recently. This trend is illustrated in **Table 22**.

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Over the whole population, the proportion of people judged to be drinking hazardously rose from 14.9% in 2011/12 to 19.3% in 2015/16. The increase was similar for men and women, although men are still twice as likely as women the drink hazardously.

On a more positive note, hazardous drinking amongst 15- to 17-year-olds has not increased and may even be much lower than 10 years previously. Similarly, the age group most prone to hazardous drinking (18- to 24-year-olds) appears to have moderated its drinking behaviours a little, with no appreciable rise in rates of hazardous drinking over the past four years.

Table 22: Proportion of population drinking hazardously—2006–2016²

	2006/07	2011/12	2012/13	2013/14	2014/15	2015/16
Total population	18.0%	14.9%	15.4%	16.4%	17.7%	19.3%
Men	26.0%	21.6%	22.0%	22.1%	24.7%	26.6%
Women	10.6%	8.6%	9.1%	11.0%	11.1%	12.3%
15- to 17-year-olds	19.5%	11.7%	8.0%	15.3%	10.8%	11.5%
18- to 24-year-olds	43.2%	29.9%	32.4%	33.4%	33.9%	32.6%

Limited evidence of improving drink driving behaviours

One area where the damage done from problem drinking is most apparent is road accidents. Road accident data is not only useful to identify the extent of this harm, but also to provide insights into background trends around harmful drinking and unsafe drinking behaviours.

Unfortunately, there is limited evidence available at this stage to suggest that unsafe drink-drive behaviours are declining. In part, this is due to the inability of New Zealand Police to report how many drink-driving tests they undertook during 2015/16.³

Trend data on drink driving behaviour has been complicated a little by the introduction on 1 December 2014 of a lower blood-alcohol limit for adult drivers, and with this the introduction of a two-level penalty system. This complication is addressed in **Table 23** by stripping out reported offences for infringement of the lower level threshold from the total of alcohol specific offences. This analysis suggests a significant decline in the numbers of higher-level drink-driving offences since 2014—from 22,297 in 2013/14 to 17,653 in 2015/16. However, there were 15% fewer drink driving tests conducted in 2015/16 than in 2013/14, and this accounts for much of the decline. Even with this lower level of surveillance, the rate at which drink driving offenders are being caught has declined over recent years. In 2010/11, there were 96 recorded drink driving offences for every 10,000 roadside tests. By 2015/16, this rate had declined to 69 per 10,000.

On a more positive note, there is some evidence of a modest but consistent decline in the proportion of road accident casualties involving alcohol. As reported in **Table 23**, this proportion declined from 15.1% in 2011 to 13.2% in 2015, and from as high as 20% of all casualties 20 years ago. Behind this modest recent decline may be a behavioural change of less drink-driving, although at more than one-in-eight injuries and more than one-in-four fatalities, the contribution of drink-driving to unnecessary accidents remains too high.

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Table 23: Drink-driving indicators—2011–2016

June years	2011	2012	2013	2014	2015	2016
Total alcohol specific offences	31,379	29,142	26,336	22,297	23,686	25,916
Lower BAC offences	0	0	0	0	4,927	8,263
Total offences excluding lower BAC	0	0	0	0	18,759	17,653
Total drink-driving tests	3,265,114	2,864,380	2,903,250	3,029,072	2,555,957	2,550,000

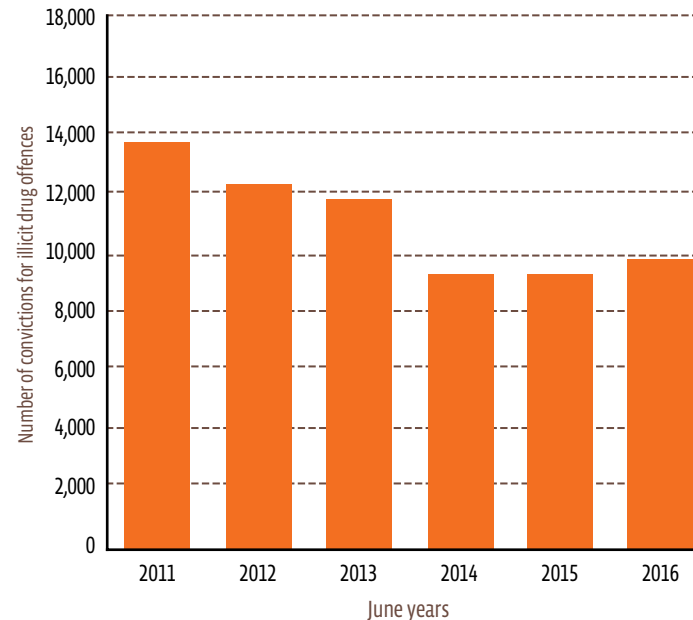
Dec years	2011	2012	2013	2014	2015	2016
Fatalities from alcohol-related accidents	87	103	76	79	90	Unavailable
Proportion of all fatalities involving alcohol	30.6%	33.4%	30.4%	27.0%	28.2%	Unavailable
Casualties from alcohol-related accidents	1901	1814	1666	1565	1623	Unavailable
Proportion of all casualties involving alcohol	15.1%	15.0%	14.1%	13.9%	13.2%	Unavailable

ILLICIT DRUGS

Small increase in illicit drug convictions

Convictions for illicit drug offences rose by 6% between 2014/15 and 2015/16 (June years) to stand at 9,886. This figure is almost 28% fewer than five years previously in 2010/11 when there were 13,708 such convictions. This decline is probably more the result of changing Police priorities than reducing levels of background offending, as more than half this decline in the numbers of convictions is due to fewer convictions for relatively minor offences involving the possession or use of illicit drugs. Conversely, the proportion of all convictions for trafficking or dealing in illicit drugs rose from 23% in 2010/11 to 31% in 2015/16. The trend for illicit drug convictions since 2011 is reported in **Figure 24**.

Figure 24: Convictions for illicit drug offences—2011–2016⁴



Evidence of continuing rise in methamphetamine use

Of course, it is difficult to know the extent of and trends in any illegal activity such as illicit drug use, because by its nature it is hidden. One of the best regular insights we have into trends for illicit drug use is the New Zealand Arrestee Drug Use Monitoring report, based on research undertaken by SHORE—Whariki Research Centre and New Zealand Police.⁵ The most recent research was undertaken in 2015. Results were published in 2016 and show rising use and availability of methamphetamine is being offset by declines in the use of alcohol and cannabis amongst the 835 people participating in the survey. Specifically, the 2016 report identified the following key trends:

- an increase in the numbers of detainees reporting having used methamphetamine during the previous 12 months—from 28% in 2012 to 36% in 2015
- a fall in the mean reported price for methamphetamine declining—from \$788 per gram in 2014 to \$669/gram in 2015
- a drop in the risky and habitual use of alcohol by detainees—eg, in 2015, 28% of respondents reported drinking immediately prior to their arrest against 41% in 2013
- a declining use of cannabis—76% of detainees reported having used the drug during the previous 12 months in 2011, with only 69% doing so in the 2015 survey.

Clearly, the risky and habitual use of any drug—including alcohol—is harmful to families and communities. The continuing growth in the use of methamphetamine by people recently arrested for a criminal offence points to the growing impact of this drug at least on a small section

of New Zealand society. However, results from the New Zealand Health Survey 2015/16 suggest New Zealanders' use of methamphetamine remains limited to around 1% of the adult population and that this rate of use is not growing to any noticeable degree.⁶

GAMBLING

Further decline in Class 4 gaming machines

The number of Class 4 gaming machines—or pokies—in the nation's pubs and clubs continued to decline during 2016, although at a slightly slower rate than in previous years.

At the end of September 2016, there were 16,221 Class 4 machines being operated by gaming societies. This was 219 or 1.3% less than a year earlier and 1,946 or almost 9% fewer than in September 2011.

Given current population growth, this decline is more pronounced on a per-capita basis. By September 2016, there were 46 Class 4 gaming machines across New Zealand for every 10,000 adult New Zealanders. This ratio is down from 48 machines per 10,000 in September 2015 and from 55 machines per 10,000 in September 2011. This decline is illustrated in **Figure 25**.

The ratio of 46 machines per 10,000 and the actual number of machines in operation are the lowest since late 1999.⁷

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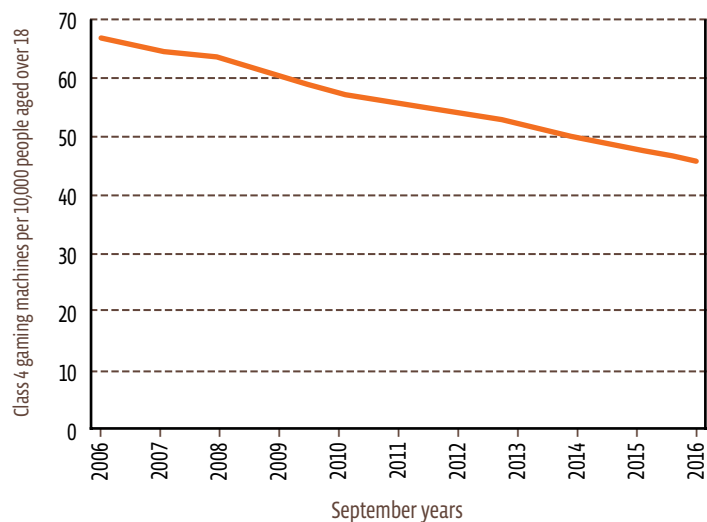
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Figure 25: Prevalence of Class 4 gaming machines—2006–2016⁸



Slight increase in per-capita gambling spend

The amount New Zealanders spend on gambling increased slightly during 2015/16 (June years) for the first time in four years. On average and for the year to 30 June 2016, New Zealanders aged over 18 spent \$623 on various forms of legal gambling. As reported in **Table 24**, this is nearly 3% or \$16 more than in 2015, but still 2% lower in inflation-adjusted terms than in 2011.

Overall, New Zealanders spent \$2.2 billion on gambling during 2015/16, almost 6% or \$117 million more than in 2014/15. This data is also presented in **Table 24**. In inflation-adjusted terms, this overall spend is the highest since 2008/09.

Between 2011 and 2016, the big winners both in terms of total expenditure (or net losses by gamblers) and market share are casinos and the TAB. TAB spending grew almost 26% between 2011 and 2016 in nominal terms or by \$69 million. Over the same period, gamblers’ losses in casinos grew 23% or by \$109 million.

The relative loser in these fortunes has been Class 4 gaming machine operators, with minimal nominal change in punters’ spending at around \$850 million. The good news for Class 4 operators is that spending on their machines grew for the second consecutive year after seven years of static or falling revenue. This consolidation of the Class 4 industry’s revenue and the small recent fall in machine numbers suggest that this sector’s fortunes have stabilised.

Table 24: Gambling expenditures—2011–2016 (in \$millions nominal)⁹

June years	2011	2012	2013	2014	2015	2016
NZ Racing Board - TAB	273	283	294	311	325	342
NZ Lotteries Commission - Lotto	404	419	432	463	420	437
Class 4 gaming machines	856	854	826	806	818	849
Casinos	471	509	520	509	527	580
Total expenditure in nominal dollars	2005	2065	2072	2089	2091	2208
Per capita spending in Jun-16 \$s	638	645	638	624	607	623

ASSESSMENT

ALCOHOL	RESULT
Recent outcomes around alcohol use and misuse have been mixed. Overall alcohol consumption appears to be moderating a little, and there is some—although limited—evidence of a declining harm caused by drink-driving. On the negative side is clear evidence from the New Zealand Health Survey of a rise in risky or harmful drinking, especially amongst middle-aged and older New Zealanders.	NC
ILLCIT DRUGS	—
The rise and rise of methamphetamine use amongst a very small section of New Zealand society is a worrying trend. While there is no evidence this use is becoming a pervasive epidemic, the corrosive impact that hard drugs can have in blighting whole communities and lives is well demonstrated in Europe and the United States. Police tactics to address this threat appear to be responsive and effective to date. However, this is a long-term problem that probably needs to be addressed in more holistic ways, including the reform of drug laws, greater emphasis on public health measures, and providing better opportunities for youth in those neighbourhoods and towns most at risk.	—
GAMBLING	—
Although an increase in gambling spending may be seen as benign or even beneficial to some, sharp increases in losses in casinos and on Class 4 gaming machines over the past year is cause for concern as these forms of gambling present the greatest risk of problem gambling. The recent quiet introduction of new payment rules for Class 4 machine operators may have breathed new life into that sector of the gambling industry and may, in turn, give birth to a new generation of problem gamblers. The lack of an up-to-date report on the use of problem gambling services has made it difficult to assess the social impact of these changes.	—

+ On track - Off track **NC** No change

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- 1 Data from Statistics New Zealand alcohol availability data set.
- 2 Source: New Zealand Health Survey 2015/16. Available at <https://minhealthnz.shinyapps.io/nz-health-survey-2015-16-tier-1>.
- 3 See New Zealand Police Annual Report 2015-16 p.56. The 2016 figure is estimated and is based on information provided directly by the New Zealand Police.
- 4 Source: Statistics New Zealand's Prosecutions data set.
- 5 Wilkins, C, Prasad, J, Parker, K, Rychert, M, Moewaka-Barnes, H. (2016) *New Zealand Arrestee Drug Use Monitoring 2010-2015*. SHORE-Whariki Research Centre. Available at <http://www.police.govt.nz/about-us/publication/new-zealand-arrestee-drug-use-monitoring-nz-adum-report-2010-2015>.
- 6 See Ministry of Health (2016) *Amphetamine Use 2015/16: New Zealand Health Survey*, p.2.
- 7 Available at <http://www.health.govt.nz/system/files/documents/publications/amphetamine-use-2015-16-nzhs-dec16.pdf>.
- 8 See Department of Internal Affairs Timeline of GM Numbers since March 1994 at https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Timeline-of-Gaming-Machine-Numbers-from-June-1994.
- 9 Gaming machine numbers are taken from Department of Internal Affairs website at https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Summary-of-Venues-and-Numbers-by-Territorial-AuthorityDistrict. Population data is based on Statistics New Zealand's quarterly national population estimates.
- 10 Data through to 2015 is from Department of Internal Affairs Gambling Expenditure Statistics available at https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Information-We-Provide-Gambling-Expenditure-Statistics. Data for 2016 is taken from the Department's gaming statistics database for Class 4 gaming machines and NZ Racing Board's NZ Lotteries Commission's and SkyCity Ltd's 2015/16 Annual Reports.

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Housing

There is little, if any, good news in the housing area unless you are a property speculator, residential property investor or own shares in a bank involved in mortgage lending.

Auckland's housing shortage has continued to worsen on the back of record immigration. The average sale price of an Auckland house topped \$1 million, and housing in that region became yet less affordable with house prices and rents continuing to rise much faster than wages and salaries. Auckland's difficulties with housing affordability appear to be spreading to other cities in the top of the North Island.

Housing debt and household indebtedness also reached new record highs despite efforts by the Reserve Bank and the main trading banks to curb highly geared lending. Outside of these Reserve Bank's measures and Government's small efforts to prop up emergency housing providers with emergency funding, there have been few if any credible public policy initiatives to address these growing problems.

HOUSING AVAILABILITY

Auckland short 18,000 houses for the past five years

Despite record housing building activity in Auckland, that region's housing shortage grew by an estimated 5,000 units over the year to September 2016. The main reason for this paradox is immigration. Figures illustrating this are offered in **Table 25**.

During the year to 30 September 2016, almost 10,000 consents for new dwellings were issued in Auckland. This is a 12-year record high and has been celebrated as proof that Auckland's housing problems are being resolved by the market.¹ Seen in a slightly longer context this record is, however, not remarkable. During the 10 years 1994 to 2004, an average 9,500 consents for new dwellings were issued annually in Auckland, so 10,000 new houses in Auckland is not exceptional historically.

Table 25 provides an estimate of the shortfall in housing in Auckland based on an average occupancy of three people per dwelling—the occupancy rate at the time of the 2006 and 2013 Censuses. Based on this standard and given that Auckland's population grew by an estimated 45,000 people for the year to 30 September 2016, accommodating this number of people required 15,000 additional dwellings. Consents for new dwellings over the same period lagged this number by 5000.

Over the past five years, the cumulative shortfall in new housing to cater for Auckland's population growth is estimated to be almost 18,000 dwellings. Between 2011

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and 2016 Auckland saw almost half (49%) New Zealand's population growth, yet has been the site for less than one-third (31%) of new dwelling consents.

Table 25 illustrates the extent to which migration—international and domestic—has impacted on Auckland's population and housing fortunes. Over the past five years, two-thirds of the net international migration into New Zealand appears to have been into Auckland—almost 125,000 of 188,000 people.²

Against this international migration has been a less easily observed exodus of Aucklanders to other parts of New Zealand. This population flow cannot, of course, be readily observed between Censuses because there are no official records of peoples' internal movements outside of individual changes to addresses recorded in electoral, tax and welfare records. The estimates of this movement offered in **Table 25** are a residual of Statistics New Zealand's regional population estimates and population changes observed through births, deaths and international migration records. In the past, Statistics New Zealand has understandably had trouble estimating internal or inter-regional migration between Censuses and it seems likely the estimates offered in **Table 25** for these changes are an underestimate.³ Regardless of this potential for further underestimates, **Table 25** suggests that as many as 34,000 people (net) have left Auckland over the past five years, with almost 10,000 (net) leaving over the 12 months to 30 September 2016.

Table 25: Estimates of population change and new house building—2011–2016

Year ending September	2011	2012	2013	2014	2015	2016
NATURAL INCREASE						
Auckland	15,448	14,827	14,655	13,671	14,326	13,623
Rest of New Zealand	17,106	15,679	15,202	13,771	14,651	14,484
All of New Zealand	32,554	30,506	29,857	27,442	28,977	28,107
NET INTERNATIONAL MIGRATION						
Auckland	10,300	7,700	12,100	27,600	36,500	41,000
Rest of New Zealand	-9,500	-11,000	3,100	17,800	24,784	29,000
All of New Zealand	800	-3,300	15,200	45,400	61,200	70,000
Internal migration in/ out of Auckland	-6,500	-5,700	-5,800	-5,200	-7,400	-9,600
OVERALL POPULATION GROWTH						
Auckland	19,200	16,900	21,000	36,000	43,400	45,000
Rest of New Zealand	10,100	6,700	21,100	37,900	45,600	53,100
All of New Zealand	29,300	23,600	42,100	73,900	89,000	98,100
CONSENTS FOR NEW DWELLINGS						
Auckland	3,485	4,410	5,648	7,403	8,721	9,960
Rest of New Zealand	10,015	11,590	14,127	16,736	17,464	19,975
All of New Zealand	13,500	16,000	19,775	24,139	26,185	29,935
ADDITIONAL POPULATION FOR EACH NEW DWELLING						
Auckland	5.5	3.8	3.7	4.9	5.0	4.5
Rest of New Zealand	1.0	0.6	1.5	2.3	2.6	2.7
All of New Zealand	2.2	1.5	2.1	3.1	3.4	3.3
Auckland's share of New Zealand's population growth	66%	71%	50%	49%	49%	46%
Auckland's share of New Zealand's new dwelling consents	26%	28%	29%	31%	33%	33%

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Christchurch housing rebuild wind downs

New dwelling consents across the greater Christchurch area (Christchurch City, and Waimakariri and Selwyn Districts) in the September 2016 quarter were the lowest in more than four years. Data for quarterly new housing consents over the past six years is provided in **Figure 26**, and shows clearly the wind down in new house building since the peak in late 2014.

Estimates of the housing stock of Greater Christchurch suggest, this reached 195,000 units by mid-2016, against around 186,000 in mid-2010—just prior to the first earthquakes in September 2010. The rebuild over the past six years has replaced the estimated 10,000 dwellings lost in the earthquake and constructed an additional 9,000 units. Statistics New Zealand estimated the population of the Greater Christchurch area to be 489,000 people in mid-2016, compared with just under 464,000 in mid-2010. This data is offered in **Table 26**.

Figure 26: Consents for new dwellings in greater Christchurch—2010–2016

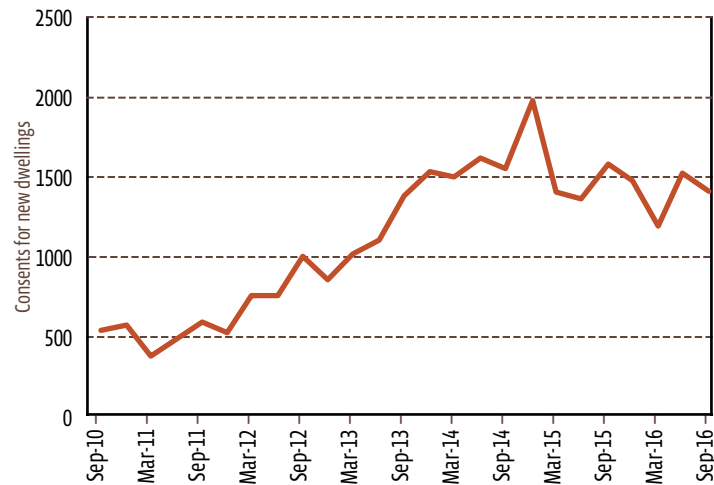


Table 26: Popn. change and new housing in Greater Christchurch—2011–2016

	2010	2011	2012	2013	2014	2015	2016
Resident population —at 30 June	463,900	457,400	454,600	455,700	465,800	476,900	489,000
Housing stock —December quarters	186,200	176,200	174,700	178,600	184,500	190,000	195,000
Consents for new dwellings —for previous December years	2,343	1,950	3,354	5,061	6,668	5,830	5,620

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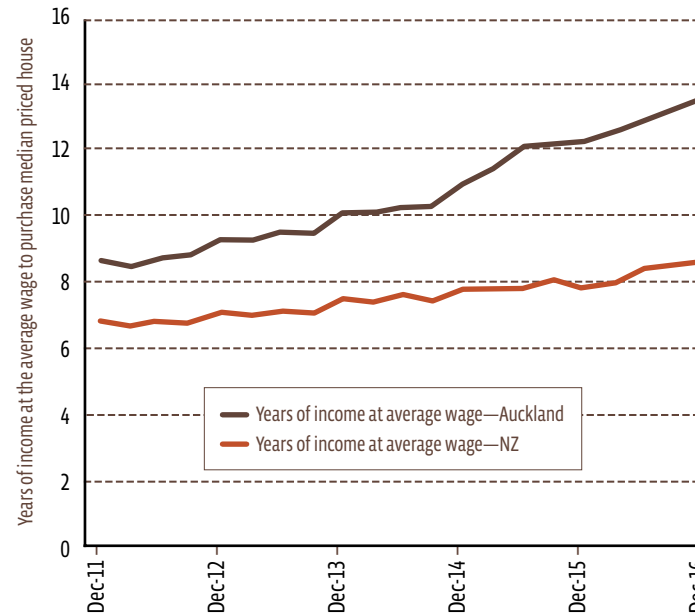
Auckland house prices reach further record highs

Auckland’s housing price bubble continued unabated during 2016, reaching new record highs and showing signs of spreading to other parts of New Zealand. Real Estate New Zealand reports the median sale price for an Auckland house reached \$854,000 during the December 2016 quarter.⁴ This is 12% higher than a year previously and 78% more than five years earlier.

Quotable Value reports similar increases in the average sale price for Auckland houses. The average price topped \$1 million for the first time during the September 2016 quarter, up 15% on the previous year and 91% higher than five years before.⁵

Unsurprisingly, price rises of this order have easily outstripped growth in wages and salaries, meaning Auckland’s housing has set new records in unaffordability. Over the two years to December 2016, Auckland’s median house sale price rose 29%, while average incomes from employment in that region rose just 3%.⁶ At the end of 2016, it took 13.7 years of the average employment-related income in Auckland to purchase a median-priced house. A year previously this ratio was 12.3 years, and five years ago (at the end of 2011) it was 8.6. This trend is reported in **Figure 27**.

Figure 27: House purchase affordability—2011–2016



House price inflation spreads across northern North Island

Across New Zealand, average residential property values increased by 14% during the year to September 2016 to almost \$620,000.⁷ Median house prices rose by 13% nationally during 2016 to \$516,000 in December 2016.⁸ As a ratio of income to price, it took 8.6 years of the average wage/salary to purchase the median-priced New Zealand house at the end of 2016, compared with 7.8 years 12 months previously and 6.8 years five years earlier. This trend is also reported in **Figure 27**.

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Auckland's housing bubble distorts statistics such as the national median or average house price because, by value, the Auckland region accounts for half of New Zealand's house sales.⁹ During 2016, average house prices outside of Auckland rose at a similar rate as in Auckland—around 13 to 14%, but over the previous five years average house prices out of Auckland increased by less than 40% compared with the 80% to 90% reported for Auckland.¹⁰

But this 40% increase outside of Auckland has not been evenly distributed, as **Table 27** shows. Essentially, recent increases of more than 20% per annum have been experienced in cities within 200 km of Auckland. With the exception of these cities, Wellington Region and Queenstown Lakes District, house value inflation has been at or below the national average rate of 14%. This is especially so for Christchurch, which experienced house value increases of less than 5% over the most recent 12 months, suggesting an end to the building boom in that city.

Table 27: Changes in ave. house prices in selected NZ cities—2011–2016¹¹

	Sep-11	Sep-15	Sep-16	1-year change	5-year change
Whangarei District	319,975	362,021	441,244	22%	38%
Auckland Area	539,101	896,676	1,031,253	15%	91%
Hamilton City	324,280	416,290	529,236	27%	63%
Tauranga City	420,202	502,771	644,297	28%	53%
Rotorua District	268,935	283,391	354,278	25%	32%
Napier City	317,476	333,411	393,672	18%	24%
New Plymouth District	318,907	362,382	398,091	10%	25%
Palmerston North City	271,303	296,028	331,617	12%	22%
Wellington Area	425,768	456,281	553,023	21%	30%
Nelson City	371,100	417,934	476,817	14%	28%
Christchurch City	365,901	495,215	513,548	4%	40%
Timaru District	242,839	310,844	330,999	6%	36%
Queenstown-Lakes District	610,316	734,050	959,282	31%	57%
Dunedin City	267,434	313,412	348,372	11%	30%
Invercargill City	203,369	209,735	229,991	10%	13%
New Zealand	395,530	542,277	619,660	14%	57%

Rents show modest rise ahead of wages and salaries

Nationally and in Auckland, rents appear to be continuing to rise faster than wages, while Wellington rents have kept pace with incomes and in Canterbury they appear to be becoming slightly more affordable. These trends are reported in **Figure 28**.

Over the five years to December 2016, the average rent in New Zealand has risen 25% in nominal terms from \$307 per week to around \$383 per week. Over the same period,

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average employment-related incomes have risen 12.0%, from \$26.56 to \$29.75 per hour. Consequently, rent affordability expressed as the number of hours at the average hourly rate to pay the average rent increased from 11.6 hours in 2011 to 12.9 hours in 2016, with this ratio increasing from 12.4 hours over the most recent year.

Since 2011, the average rent for an Auckland rental property has increased from \$392 per week to \$490 per week at the end of 2016—a 25% increase. In comparison, the hourly rate received by those in employment in Auckland rose half this amount—11.5% or by \$3.16 to \$30.72 per hour. Rent affordability expressed in hours of work at the average wage required to pay the average Auckland rent increased from 14.2 hours at the end of 2011 to 16.0 hours at the end of 2016. Over the past year, rents in Auckland appear to have lifted by just under 4% in nominal terms, while employment-related income has grown by just 0.5%.

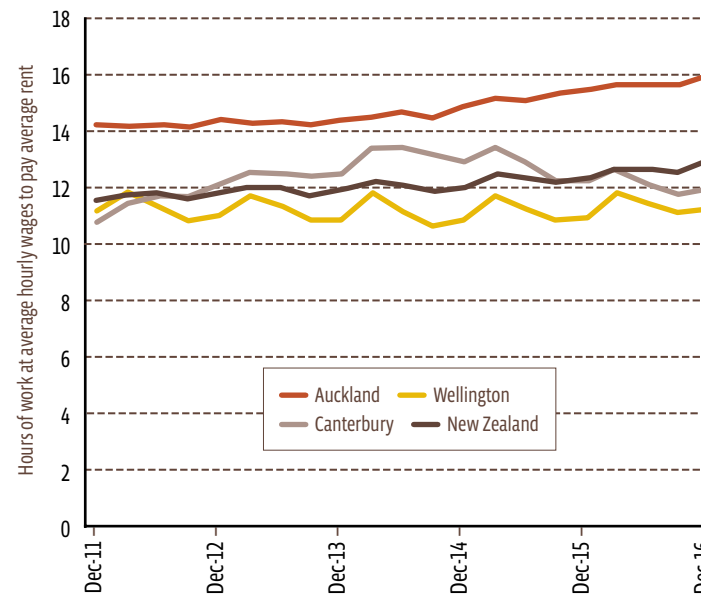
Elsewhere in New Zealand, the fortunes of tenants have been mixed. In Waikato, average rents rose almost 9% in nominal terms during 2016 to \$324 per week, and the hours of work required to pay the rent rose from 10.9 hours at the end of 2015 to 11.6 hours at the end of 2016.

In Wellington, rents over most of the past five years have maintained a fairly stable relationship, with employment incomes in that region taking around 11.2 hours of the average wage/salary to pay the average rent. This ratio rose to an average of 11.5 hours for 2016.

Although there has been a relative increase in Canterbury rents over the past five years, the most recent 12 months suggest a softening. In that region, the average rent has changed little over the 12 months to December 2016 at just

under \$350 per week. Against this stability, employment-related incomes have grown modestly by 2.8%, meaning a slight improvement in rent affordability. Expressed in terms of hours of pay, Canterbury’s rent affordability rose from 10.8 hours of the average wage/salary to pay the average rent at the end of 2011 to 12.2 hours at the end of 2015 and back to 11.8 hours at the end of 2016.

Figure 28: Rent affordability—rents compared with incomes—2011–2016¹²



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Widening gap in local rents

A survey of changes in rents on a local basis for 26 modest-income suburbs or towns is provided in **Table 28**.¹³ This data shows a widening spread of rents for three-bedroom houses, with high rents in Auckland continuing to increase, while relatively low rents in many other part of New Zealand changing little or even declining slightly in nominal terms.

This pattern of stability or modest declines is apparent in the Wellington region and most of the South Island, including the modest income suburbs of Christchurch. An emerging trend is that of rising rents in northern Waikato and parts of the Bay of Plenty, including Rotorua.

Table 28: Geometric mean rents for 3-bedroom houses for selected localities —2011–2016¹⁴

	Average 5 yrs ago	Average 2 yrs ago	Ave last 12 months	5-year change	1-year change
Kaikohe	221	243	257	15.9%	5.7%
Glenfield Central	432	509	536	24.1%	5.2%
Ranui North	350	430	446	27.4%	3.8%
Akarana – Mt Roskill	425	501	539	26.8%	7.5%
Avondale West	393	495	506	28.5%	2.1%
Mt Wellington North	435	522	521	19.8%	-0.3%
Otahuhu East	365	439	478	31.0%	9.0%
Manurewa Central	350	453	489	39.7%	7.9%
Papakura East	339	414	439	29.5%	6.0%
Huntly East	225	260	311	37.8%	19.7%
Claudelands – Hamilton	302	362	379	25.4%	4.7%
Greerton – Tauranga	309	354	385	24.6%	8.6%
Fordlands – Rotorua	191	210	248	29.5%	17.8%
Flaxmere East – Hastings	245	303	316	29.1%	4.2%
Westown – New Plymouth	321	363	377	17.4%	3.9%
Highbury – Palmerston North	251	293	300	19.3%	2.5%
Cannons Creek North	260	267	287	10.7%	7.5%
Trentham North	346	382	373	7.7%	-2.2%
Naenae South	337	357	356	5.7%	-0.2%
Mirimar South	471	510	540	14.7%	5.9%
Tahunanui – Nelson	323	354	369	14.0%	4.2%
Aranui	287	381	368	28.3%	-3.6%
Hornby South	322	440	405	25.8%	-7.9%
Woolston West	303	401	390	28.7%	-2.6%
St Kilda West – Dunedin	318	350	364	14.4%	4.1%
Richmond – Invercargill	239	249	262	9.6%	5.3%
National	320	373	392	22.4%	5.2%

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HOUSEHOLD & HOUSING DEBT

Household debt rises further against incomes

Household debt—and specifically housing-related debt—has risen to new record levels both in dollar terms and relative to incomes. At the end of September 2016, household debt stood at \$246 billion, 8.5% more in nominal terms than the year previously and 30% more than five years earlier. Of this \$246 billion, almost \$225 billion was in housing-related debt, while a further \$11 billion was consumer-related debt and \$6 billion was outstanding balances on individuals’ credit cards.¹⁵ This housing debt of \$225 billion rose 9% in nominal value over the past 12 months.

As a proportion of disposable household income, household debt reached a record high of 160% at the end of September 2016, up from 153% in 2015 and 143% in 2011. Prior to the GFC of 2008 and the subsequent slowing down in household borrowing, household debt as a proportion of disposable household income peaked at 153% in 2009. This data is reported in **Table 29**.

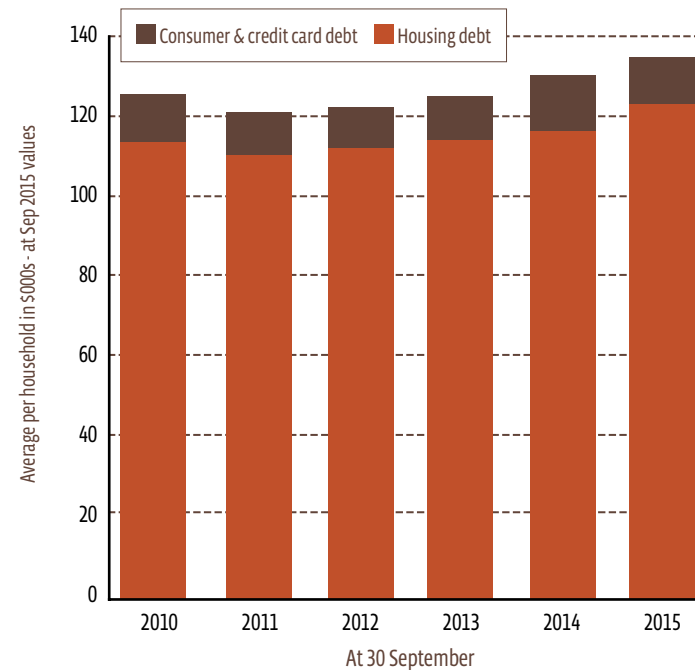
Expressed as a proportion of GDP, household debt reached 96% in September, which matches the record reached in 2009 just after the GFC. In 2015, household debt as a share of GDP was 93% and in 2011 it was 91%.

Taking account of the current modest levels of inflation and New Zealand’s moderately high population growth rate, this rise in average per household debt is more modest, although still at historic records. On a real per-household basis, average household debt reached \$144,500. This was a real increase of just under 7% of a year previously, and 19% on five years earlier when average household debt (at Sept-16 values) was \$121,000. Data on household debt is reported in **Table 29** and **Figure 29**.

Table 29: Household debt indicators—2011–2016¹⁶

	2011	2012	2013	2014	2015	2016
Average per household debt in Sep16\$	121,000	122,000	125,500	129,500	135,500	144,500
Total household debt as % of GDP	91%	90%	92%	90%	93%	96%
Debt as % of disposable household income	143%	141%	144%	147%	153%	160%

Figure 29: Average per household debt—2011–2016¹⁷



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No discussion of household debt would be complete without some consideration of household assets. This \$246 billion of household debt is, in general, secured against financial assets such as shares and bank deposits as well as non-financial assets such as land and housing. While household debt has risen 30% over the past five years, the total net wealth of New Zealand households has grown by almost 41% to \$1.18 trillion in June 2016.¹⁸ Over three quarters (76%) of this increase in wealth is due to increased value of land and housing, although New Zealanders' net financial wealth grew by almost \$81 billion between September 2011 and September 2016. This \$81 billion increase was mainly due to a \$52 billion increase in New Zealanders' bank deposits and \$31 billion more being held in superannuation schemes like KiwiSaver.

Overall, it is clear New Zealanders, in total, are accumulating wealth both through property investment and savings. This recent increase in savings is certainly welcome given our long national history of inadequate saving. The distribution of debt and wealth across households is far from even, with households broadly falling into three categories of debt and wealth.¹⁹ The economic and financial risks associated with New Zealand households' rising indebtedness perhaps only attaches to one-third of households, suggesting this indebtedness is typically much higher for indebted households than the averages reported here.

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ASSESSMENT

HOUSING AVAILABILITY	RESULT
<p>Although Auckland has experienced a 12-year high in new housing consents, this improvement has been easily offset by record levels of immigration. The result is that Auckland’s housing shortage has continued to worsen and the exodus of Aucklanders to other parts of the country has grown. This has resulted in obvious pressure on housing markets in the north of the North Island and perhaps to the displacement of low-income and vulnerable households in these areas. The Christchurch residential rebuild looks to be nearing completion with falling numbers of new consents and with softening house prices and rents.</p>	
HOUSING AFFORDABILITY	RESULT
<p>Rents have continued to outpace wages and salaries in the northern half of the North Island, with more subdued rent increases elsewhere in New Zealand. Although annual house price inflation in Auckland has tapered off to around the national average of 14%, a milestone was passed in late-2016 when average house prices in the region topped \$1 million for the first time. Rapid house price inflation exceeding 20% for 2016 has been observed in the northern North Island as well as in Wellington and Queenstown. Housing markets elsewhere have been less expansive although still reasonably buoyant. This is good or bad news depending on which side of the ownership divide people find themselves.</p>	
HOUSEHOLD AND HOUSING-RELATED DEBT	RESULT
<p>Another year, another set of records around household indebtedness. This may be a welcome trend for mortgage lenders, although some banks are becoming increasingly wary of their exposure to some housing-related lending. There are growing risks around this level of indebtedness—both to the most indebted households and to the wider economy—especially if global interest rates begin to rise or local employment prospects fade. The plus side here is the increased savings activities of other households, which are helping to re-balance New Zealand’s international debt position.</p>	

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- 1 See, for example, the former Housing Minister's comments of 26 July 2016, 'Record house and construction under way'. Available at <https://national.org.nz/news/2016-07-26-record-house-build-and-construction-under-way>.
- 2 Statistics New Zealand's immigration data reports the region of settlement for new migrants and the region of residence for these leaving. This data only covers 83% of those arrived and 90% of those departing, with remainder not clearly reporting a region of residence or origin. Auckland migration figures offered in Table 21 are estimates based on the Auckland proportions of those reporting regions of origin/residence applied to the total inward and outward long-term migration figures.
- 3 For example, following the 2013 Census, Statistics New Zealand revised downward its estimate of Auckland's population by almost 34,000 people. Presumably, some of this adjustment was due to a prior underestimate of people leaving Auckland for other parts of New Zealand.
- 4 Auckland and New Zealand figures are based on the weighted average of the reported monthly median sale price. Data from Real Estate New Zealand's website at <https://reinz.co.nz/residential-property-data-gallery>.
- 5 See Quotable Value's average residential property values at <https://www.qv.co.nz/property-trends/residential-house-values>.
- 6 Ref here to QES for incomes.
- 7 Quotable Value figure.
- 8 Real Estate New Zealand figure.
- 9 Real Estate New Zealand reports that during 2016 total house sales in Auckland reached \$26.5 billion of the \$51.6 billion house sales nationally. Data from Real Estate New Zealand's website at <https://reinz.co.nz/residential-property-data-gallery>.
- 10 Averages from Real Estate New Zealand's reported sales figures show average Auckland house prices rising 80% between 2011 to 2016—\$568K to \$1.021 million, while the comparable increase from Quotable Value's records is 91%—\$539K to \$1.031 million.
- 11 Quotable Value's average residential property values at <https://www.qv.co.nz/property-trends/residential-house-values>.
- 12 Rent data is from Ministry of Business Innovation & Employment's Tenancy Bond Division rent database, and incomes data is from Statistics New Zealand's Labour Market Survey.
- 13 This data is based on selected census areas units as reported by Ministry of Building Innovation and Employment and based on reported rents from tenancy bonds. Available at <http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data>.
- 14 Ibid. Rent values cited are averaged over four consecutive quarters for the 2011, 2015 and 2016 calendar years.
- 15 See the Reserve Bank's Table C21 at <http://www.rbnz.govt.nz/statistics>.
- 16 Ibid.
- 17 Ibid.
- 18 See the Reserve Bank's Table C22 at <http://www.rbnz.govt.nz/statistics>.
- 19 Statistics New Zealand's 2015 Household Economic Survey reported wealth by housing tenure. This data suggests 35% of households are tenants and own just 8% of the wealth; 27% of households are owner-occupiers which pay mortgages and own 27% of the wealth; while 37% of households own their homes without a mortgage or through a family trust and own 65% of the wealth. See the Survey at http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdNetWorthStatistics_HOTPYeJun15.aspx.

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ISBN 978-0-9941296-9-7

Authorised by Commissioner Andy Westrupp, Territorial Commander, as an official publication of The Salvation Army New Zealand, Fiji and Tonga Territory.

'Off the Track' was produced by The Salvation Army Social Policy and Parliamentary Unit, 16B Bakerfield Place, Manukau, Auckland 2104, New Zealand. Director: Lieut-Colonel Ian Hutson.

This report is available for viewing or download from www.salvationarmy.org.nz/OffTheTrack

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