

Tangata Whenua, Tangata Tiriti, Huia Tangata Kotahi

People of the land, People of the Treaty, Bring Everyone Together

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The Salvation Army Social Policy & Parliamentary Unit

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STATE OF THE NATION REPORT

Framing the Issues

From the Director

Introduction

OUR CHILDREN

WORK & INCOMES

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Māori Inequalities

Endnotes

Publishing Details



Framing the Issues

From the Director

Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Do we have the vision—and the policy imagination—to make our nation a better place to live? Our thirteenth *State of the Nation Report*, ‘Tangata Whenua, Tangata Tiriti, Huia Tangata Kotahi: People of the Land, People of the Treaty, Bring Everyone Together’ explores this vital question, particularly meaningful as we stop and reflect this election year.

We acknowledge some good outcomes over the year, but recognise that more needs to be done to realise the aspirations we have for our most vulnerable citizens. As always, our motivation in producing this report is to highlight the challenges experienced by our brothers and sisters, so that each of us, as citizens, is motivated to do what it takes to enable all of us to thrive.

FROM THE DIRECTOR OF THE SOCIAL POLICY & PARLIAMENTARY UNIT

The *State of the Nation Report 2020* looks back on one decade and forward to a brand new one. These reports measure the progress of people's wellbeing. The focus of social progress is often set against dominant public discourse around narrow measures of economic growth. It is heartening to see a 'people-oriented' emphasis adopted by economists and the current Government, with wellbeing increasingly incorporated into measures of economic prosperity.

This election year, we need to ask: How are we doing as a nation? Where do we want our nation to head? Where do we want our politicians to lead us?

This report points to significant progress, including:

- an increase in average incomes
- a much needed extra spend on welfare and hardship support for beneficiaries
- a decline in offending and imprisonment rates
- an increase in the number of social houses
- new house builds at a 45-year high.

However, we do not see the change required to deal with normalised, entrenched inequality and poverty in New Zealand. Many key indicators of social concern are not improving: the increase of people on the social housing register; the affordability of housing in Auckland and now the regions; and no decrease in 10 years for children in deepest poverty.

This report indicates that change has not yet taken place to remedy this situation—not surprising as governments often struggle to make courageous changes when its citizens do little to endorse the changes required.

We live in a world where democracy appears fragile. New Zealand has avoided the divisive aspects afflicting other democratic countries. A competitive and individualistic economic philosophy, coupled with the rise of groups galvanized by group identity and perceived loss of status, sometimes undermines the basis of democratic nationhood. We are not immune to currents circulating the world.

The theme of this year's report—Tangata Whenua, Tangata Tiriti, Huia Tangata Kotahi—has within it a call to both the people of the land and the people of the Treaty (non-Māori) to come together, kotahitanga, to forge a relationship that enhances and enriches one another's mana.

Our Christian values underpin our work at The Salvation Army Te Ope Whakaora, emphasising the need to defend the rights of the poor. It has been said: 'A nation's greatness is measured by how it treats its weakest members'.

This year's *State of the Nation* report indicates some positive signs of change for a significant group of whānau in Aotearoa New Zealand who are experiencing distressing poverty; for example, the less punitive approach to beneficiaries is a very encouraging sign. However, unless the country strongly endorses a more wholehearted effort to tackle the kind of poverty we are seeing in New Zealand, our political leaders are unlikely to demonstrate the courage required to lead this change.



Framing the Issues

From the Director

Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

The future state of people and communities of Aotearoa New Zealand is in our hands. We have the responsibility as active and engaged citizens to strive for a more equitable nation that enhances and enriches each other's mana. It is hoped that this *State of the Nation Report 2020* will help inform this process.

'Speak up for those who cannot speak for themselves, for the rights of all who are destitute. Speak up and judge fairly; defend the rights of the poor and needy.'

Proverbs 31:8–9 (NIV)

Lieutenant-Colonel Ian Hutson

Director—Social Policy & Parliamentary Unit



Framing the Issues

From the Director

Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

TANGATA WHENUA, TANGATA TIRITI, HUIA TANGATA KOTAHI

PEOPLE OF THE LAND, PEOPLE OF THE TREATY, BRING EVERYONE TOGETHER

The indicators and commentary presented over the coming pages are inspired by the vision of our nation becoming a more inclusive and better place to live, for all. To make real the vision, 'Huia Tangata Kotahi', we need to work collectively as a nation to ensure positive outcomes for all. The wellbeing of each one of us is linked to the wellbeing of others. Allowing disadvantage and disparities that are too great means others are denied the chance to flourish.

This report looks at five specific areas of social wellbeing and measures outcomes that impact on the wellbeing of the communities, whānau and individuals that The Salvation Army Te Ope Whakaora works with: Our Children, Work & Incomes, Crime & Punishment, Social Hazards and Housing. Many of these indicators have been tracked in *State of the Nation* reports for more than a decade. We have also included a further set of indicators measuring outcomes for Māori inequalities that were first used in the *State of the Nation Report 2019*.

The information used in this report is taken mainly from publicly available statistics and reports, using the very latest indicators where possible, including statistics for the year to 31 December 2019, if available before publication. The focus is on national-level trends and outcomes that can tell us something of the overall state of our nation in 2020.

For each of the 24 indicators used to support our analysis in each area, an assessment is made whether there is overall improvement (+), no change (NC), or deterioration (-) is occurring. These assessments are intended to promote debate and discussion about our progress towards greater

wellbeing. In this year's report, the mix is split into roughly one-third of indicators 'improved', one-third 'unchanged', and one-third 'worsening'. The overall assessment of the 18 indicators for Māori, shows inequality and limited progress to reduce disparity, with most indicators unchanged or worsening.

Our viewpoint is unashamedly from the perspective of the people and communities we know are disadvantaged and excluded. It is the state of their wellbeing that defines our success as a nation.

[Framing the Issues](#)[From the Director](#)[Introduction](#)[OUR CHILDREN](#)[WORK & INCOMES](#)[CRIME & PUNISHMENT](#)[SOCIAL HAZARDS](#)[HOUSING](#)[Māori Inequalities](#)[Endnotes](#)[Publishing Details](#)

OUR CHILDREN

Child wellbeing and child poverty have been at the forefront of social policy this year with the launch of the Child and Youth Wellbeing Strategy in August, setting out the Government's vision that Aotearoa New Zealand is 'the best place in the world for children and young people'.¹ The Government has committed to a programme of action towards achieving outcomes and reporting progress across a range of more than 40 different indicators.

The *State of the Nation* has reported on the wellbeing of children in this country for over a decade, and a consistent theme is that a significant proportion of children and young people are not experiencing the kind of life that most New Zealanders would expect to be the acceptable minimum.

Income poverty and hardship levels are still too high; too many children are at risk of harm or violence; education inequalities are not declining fast enough, if at all; and a significant group of young people are struggling to participate in society and face real mental health challenges. Among the main influences of this are the long-term impacts of policy decisions made, and continue to be made, that exclude people—either actively or through oversight and omission.

It is pleasing to report progress in the reduction of child poverty and declines in youth offending and teenage pregnancy rates. But we are, at best, on the first steps towards the society-wide change that is needed. There are still too many children and teenagers living in poverty, at risk of being harmed or experiencing violence. Children in-care numbers continue to rise, and the disproportionate impact on Māori is significant and

has become a major public controversy. Youth suicide rates are near record levels this year, which is a clear signal of problems.

Outcomes in reducing educational inequalities are mixed and, as the latest Programme for International Student Assessment (PISA) report suggests, the small reduction in inequality is partly due to socio-economically advantaged students not doing so well, rather than lifting achievement for disadvantaged students.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

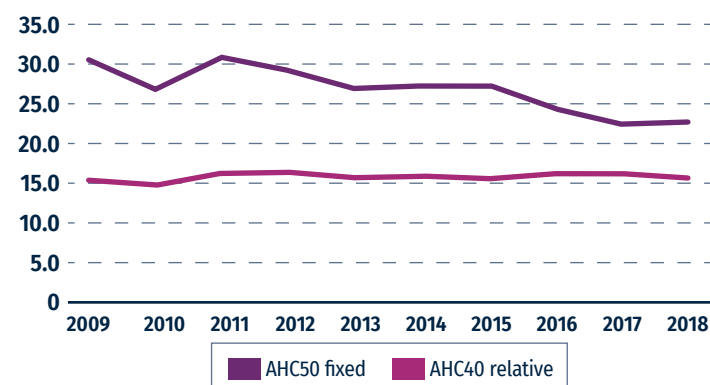
CHILD POVERTY

Child Wellbeing is a key focus for the current government and a significant reduction in child poverty is central to this wellbeing work. The Child Poverty Reduction Act includes four primary and six supplementary indicators of child poverty that will be measured and reported. The first official Child Poverty Report was released in May 2019 as part of the 2019 Wellbeing Budget. A Child Wellbeing Strategy was also finalised and released in August 2019, which includes a focus on reducing poverty and material hardship.

Official statistics released in April 2019 do not include the impact of the main poverty reduction policies of the current government, so they serve as the baseline point from where progress towards the government's poverty reduction targets will be measured.

For this year's *State of the Nation*, we have adjusted our child poverty reporting to align with the official measures used by Statistics New Zealand (StatsNZ). One of the four primary measures is children in households with incomes less than 50% of the median household income after housing costs (AHC) are deducted (50% AHC 2018 base year). This measure ends up being very similar to the 60% AHC 2007 base year used in *State of the Nation* reports in previous years.

Figure 1: Child Poverty 50% After Housing Costs (AHC) and [constant value 2018] and 40% AHC (relative)²



In 2017/18 there were around 250,000 children, or 22.8% of all children (**Figure 1**), living in households with incomes that are very low (i.e. below 50% of the median income AHC). The positive news is that the number is trending downwards from the peak during the global recession in 2009/10. The disappointing fact is that at the peak of the economic cycle, with growth in employment and average incomes and relatively low unemployment, there is still nearly a quarter of all children in this country living in households with low incomes and many of those whānau and families will be struggling to get by.

As noted in the Work & Incomes section (see page 20), welfare spending over the year to June 2019 increased substantially, including around \$1.5 billion in additional spending on the Families Package. Treasury forecasts of the impact of the Families Package and other additional welfare assistance is that child poverty on this measure will reduce by a further 4.2%–7.6%, to below the 18.8% target set for 2021—about 50–74,000 fewer children over the three years 2019–2021.³



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

While headline child poverty may be reducing, the proportion of children in deepest poverty—those living in households with the lowest incomes (i.e. under 40% of the median AHCs, see [Figure 1](#))—has not decreased over the past 10 years. Most of the 174,000⁴ children in deepest poverty live in households relying on welfare benefits. Core benefit rates are set so low that they are less than 30% of average wages, which means these families are not able to meet housing costs and other basic living costs. The income shortfall for basic needs for households with children relying on benefits is estimated as being from \$50 to \$230 per week, depending on the type of household in the Welfare Expert Advisory Group Report 2019.⁵ While the Families Package spending is lifting incomes for the families in deepest poverty, it is not enough to achieve adequate income levels. Future welfare investment by government will need to have a strong focus on lifting these lowest incomes through welfare transfers, such as changing the In-Work Tax Credit to a Child Tax Credit that children in benefit households will also receive.⁶

Children in benefit households

During 2019 the number of children estimated to be living in households which rely on a working-age benefit dropped as low as 172,000 in March 2019, coming back up to 187,400 in Dec 2019, 7,000 (3.7%) more than Dec 2018. This is around the same level as December 2015 (185,700). This represents a reversal of the decline seen through to December 2017, although still 4% fewer than December 2014. The proportion of children in benefit households has remained around 16% for the last 4 years ([Table 1](#)).

Table 1: Estimates of number of children in benefit-dependent households⁷

As at December	Working-age benefits paid	Number of children living in benefit-dependent households	Children in benefit-dependent households as % of all children
2013	321,869	209,100	19.1%
2014	309,145	194,500	17.7%
2015	301,349	185,700	16.8%
2016	297,010	181,600	16.3%
2017	289,788	178,300	15.9%
2018	299,345	180,700	16.0%
2019	314,408	187,400	16.3%

Figures (page 29) from the Ministry of Social Development (MSD) show that the majority of whānau and families relying on welfare will need support for more than one year. Such an extended time on low income means these children are at much higher risk of spending vital early years of their lives in poverty, and this greatly increases the risk of long-term effects on their health and social outcomes. This further underlines the urgency for action to lift incomes for people relying on welfare benefits.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

CHILDREN AT RISK

The number of child abuse and neglect reports-of-concern received by Oranga Tamariki fell by around 5,000 (5%) to June 2019, in contrast to a large rise of more than 10,000 in 2018 (**Table 2**). The 87,260 notifications in 2019 is 2% lower than five years ago in 2014 (88,760). Despite this drop in the number of reports, the number judged to warrant further action stayed at a similar level between 2018 and 2019 at around 41,750. This may indicate that Oranga Tamariki is giving more attention to the reported cases despite the reduction in reports-of-concern. However, it must be noted that in 2014, with a similar number of reports-of-concern, 12,250 more cases were considered to need further action (total 54,065), so the reasons behind these trends are unclear.

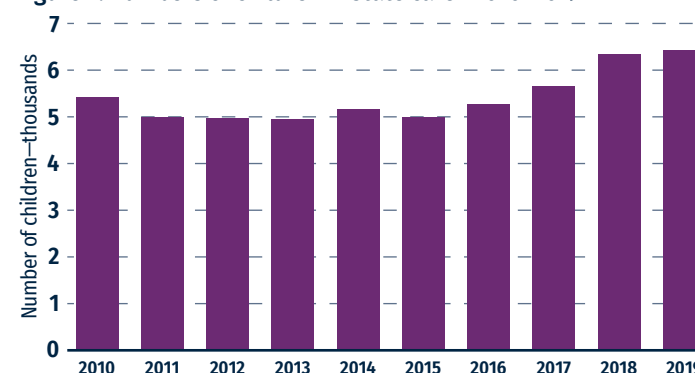
Oranga Tamariki has now changed the way it publicly reports casework volumes, and the agency no longer reports the numbers of instances where the abuse or neglect of a child is substantiated. It also does not report on the referrals it has received from police, when instances of family violence occur with children present. This means that comparisons of trends from previous *State of the Nation* reports are limited in this year's report.

Table 2: Child protection agencies' case volumes—2014–2019⁸

Year ending 30 June	2014	2015	2016	2017	2018	2019
Care and protection reports-of-concern	88,768	83,871	84,228	81,840	92,250	87,260
Reports requiring further action	54,065	45,463	44,689	38,975	41,780	41,733
Substantiations of abuse or neglect	19,623	16,472	16,394	14,802	14,263	Not reported

The number of children in care rose slightly this year, to reach 6,447 at June 2019 (**Figure 2**). This number is slightly more (1.3%) than the number of children in state care at the end of June 2018, but 24% greater than five years previously. Some of this increase is explained by raising the age for state care to 18 years during the previous year, but the scale of the increase indicates that the number of younger children in care is also rising. Over the past two years to June 2019, the number of children in state care younger than 14 years increased by 425 (9.2%) and the number aged 14 years or more increased by 314 (28.5%).

Figure 2: Numbers of children in state care—2010–2019⁹



OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

The rising number of Māori children in state care has become a controversial issue this year. Around 25% of all children are Māori, yet, in June 2019, there were 4,424, or 69%, of all children and young people in state care who identified as Māori (70%, 2018). This is a 42% increase over the past six years, from the 3,104 (63%) in 2013. The Children's Commissioner has released figures showing that a high proportion of very young children (aged 0–3 months) taken into care are Māori.¹⁰ Iwi-based and kaupapa Māori services are wanting to take a greater role in supporting tamariki and their whānau, and are calling for meaningful partnerships alongside the state agency, Oranga Tamariki, in this work.

CHILDREN AND VIOLENCE

A significant trend emerging from the latest statistics on violence towards children is the 40% increase in serious assaults resulting in injury, over the past four years. This is in the context of overall offences against children—including serious sexual offences—remaining at similar levels over the same time.

Tables 3A and **3B** summarise violent offending against children aged under 15 years old. **Table 3A** records the number of reported offences or victimisations, while **Table 3B** reports the number of unique victims which these offences relate to. These figures are subject to continuous review, as victims report past offences and offences are investigated. This data used in the tables was downloaded from the Police Victims and Offenders database in late December 2019.

The number of children who have been victims of serious assault increased steadily over the past four to five years, but the most important part of this increase is in injury assaults. Victimisations for serious assaults resulting in injury (**Table 3A**) have grown by more than 40% over the past four years, to

1786 in the year to 30 June 2019. The number of unique victims (**Table 3B**) of serious injury assaults has grown by 44% over the past five years, to 1672 recorded victims.

Aggravated sexual assault offences have remained relatively stable over the past four years, but the number of reported victims does seem to be trending down, with a 15% reduction over the past five years. It is not possible to know if this reflects a change in the incidence of sexual assaults, or a change in reporting behavior relating to sexual offending.

Table 3A: Recorded violent offences against children aged under 15 years old—2016–2019¹¹

June years	2016	2017	2018	2019
Common assault	1246	1133	1195	1106
Serious assault without injury	2648	2905	2478	2667
Serious assault resulting in injury	1271	1368	1658	1786
Aggravated sexual assault	1414	1544	1472	1454

Table 3B: Numbers of children aged under 15 years old who have been reported as being victim of a violent crime—2015–2019¹²

June years	2015	2016	2017	2018	2019
Common assault	1041	1088	990	1054	954
Serious assault without injury	1937	2343	2603	2324	2424
Serious assault resulting in injury	1158	1197	1303	1557	1672
Aggravated sexual assault	1476	1336	1465	1311	1252



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

YOUTH OFFENDING

Youth offending has declined again this year, continuing the trend over the past decade—as noted in the *State of the Nation Report 2019*—and is the lowest for more than 25 years. The number of offences is now around one-third of what it was a decade ago. Rates of offending and the number of children and youth going through the court system have both hugely decreased.

Within this good news is a rise in the proportion of violent offending among those recorded. While the total number of violent offences (573) has reduced considerably over the past 10 years and is 35% lower than in 2010 (885), these offences now make up a higher proportion of all youth offending (see [Figure 3](#)).

Figure 3: Number of recorded offences committed by 12- to 16-year-olds—2010–2019¹³



The youth justice system is one place where the continuing inequalities experienced by young Māori people play out. While youth offending for all young people is reducing, this is not happening as quickly for young Māori, so inequality in youth justice outcomes are actually increasing. Nearly two-thirds of children 16 years or under charged with offences were Māori. The Youth Court appearance rate for young Māori people is 9.4 times that for non-Māori, and the rates of reoffending almost a third higher than for non-Māori. This further underlines the importance and urgency for more investment in models of youth justice that work for Māori, such as the Rangitahi Court; along with other responses that recognise impact of inequalities in education, employment and poverty on young Māori.

EARLY CHILDHOOD EDUCATION

Total enrolments at licensed Early Childhood Education Centres (ECE) fell by 0.8% between 2018/19, from 200,600 to 198,800 children aged under five years old. The overall rate for children aged under five years fell from 64.6% at 30 June 2018 to 63.8% 12-months later. The enrolment rates for children aged in the target group of three- and four-year-olds fell almost 2% over this 12-month period, from 94.2% to 92.2% (see [Table 4](#)). Although these falls are slight, they continue a declining trend since 2017. Enrolment rates are the lowest in more than five years, although changes in the way data was collected in 2014 makes comparisons beyond this timespan unreliable.

There has been no further progress in overcoming the inequalities in participation in ECE this year. The participation gap this year remains similar to that of the past four years, but still well below that of 2014.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

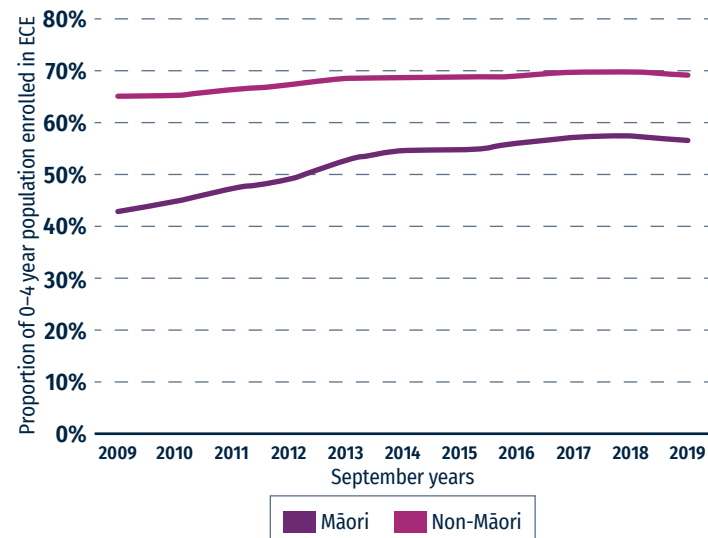
Publishing Details

Table 4: ECE enrolment patterns—2014–2019¹⁴

June years	2014	2015	2016	2017	2018	2019
Total ECE enrolments	200,002	198,887	201,675	202,772	200,588	198,923
ECE enrolment rate—under-5 population	63.9%	63.9%	65.5%	65.7%	64.6%	63.8%
ECE enrolment rate for 3- and 4-year-olds	95.0%	93.9%	95.4%	95.5%	94.2%	92.3%
Overall prior ECE participation rate on starting school	95.9%	96.1%	96.6%	96.8%	96.9%	96.9%
Prior ECE engagement rate—lowest three deciles	91.4%	92.5%	93.7%	94.0%	94.2%	94.0%
Prior ECE engagement rate—highest three deciles	98.5%	98.7%	98.7%	98.8%	98.7%	98.8%
Participation gap	-7.1%	-6.2%	-5.0%	-4.8%	-4.5%	-4.8%

The Ministry of Education records the prior ECE participation of new entrants into primary school. This data is offered in **Table 4**. For the children enrolling in primary school in the lowest three deciles of schools during the year to 30 June 2019, 94% were reported as attending ECE beforehand. For children enrolling in the highest three deciles of schools, this prior participation rate was 98.8%, meaning a participation gap of 4.8%. In 2018, this gap was 4.5% (94.2% v 98.7%) and in 2014 it was 7.1% (91.4% v 98.5%).

Enrolment rates for Māori preschoolers fell slightly from 57.3% at 30 June 2018, to 56.7% a year later (**Figure 4**). For non-Māori, the rates were 69.0% and 68.2%, respectively. The enrolment gap consequently fell from 11.7% in 2018, to 11.5% in 2019, but only because the enrolment rate for Māori fell less than for non-Māori. In 2014, the enrolment gap was 13.7%.

Figure 4: ECE enrolment rates for Māori and non-Māori children under 5 years—2009–2019¹⁵

Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

EDUCATIONAL ACHIEVEMENT

When comparing schools across deciles, there is little overall progress to report on overcoming inequalities in educational achievement in 2019. Decile rankings of schools are grouped according to the social and economic status of the communities from where the students are drawn—with decile 1 the lowest ranked, drawing students from more disadvantaged neighbourhoods. The NCEA results for 2018 show mixed trends, with some differences in achievement between decile groups widening a little, while others have narrowed by a small margin. This narrowing has occurred because the achievement rates amongst students from higher decile schools have fallen, while rates for students from lower decile schools remained stable. This trend is also reflected in the international data on New Zealand compared with other countries, reported through the recent PISA reports,¹⁶ which shows modest reductions in some inequalities, but this is due to socio-economically advantaged students' scores declining at a faster rate than disadvantaged students.

The proportion of students leaving secondary school with less than a NCEA Level 1 qualification grew slightly between 2017 and 2018, from 10.2% to 11.2%. This rate is the highest since 2014 (**Table 5A**). The achievement gap, as measured by the proportion of students from deciles 1–3 and deciles 8–10 schools who left without NCEA Level 1 or better, widened between 2017 and 2018, from 13.7% to 14.1%, continuing a widening trend since 2016. This gap remained significantly smaller than in 2013 when it was 17.1%.

Table 5A: Proportion of students leaving school with less than NCEA Level 1—2013–2018¹⁷

	2013	2014	2015	2016	2017	2018
Decile 1 (poorest)	27.2%	25.2%	23.2%	21.2%	22.5%	24.4%
Decile 2	22.8%	20.8%	16.5%	15.3%	16.0%	16.6%
Decile 3	17.7%	16.7%	15.7%	12.8%	14.3%	14.5%
Decile 4	16.6%	14.9%	12.1%	11.7%	12.2%	12.1%
Decile 5	13.5%	11.6%	10.0%	9.0%	10.1%	12.1%
Decile 6	12.5%	10.7%	10.1%	8.9%	8.3%	10.0%
Decile 7	10.0%	7.8%	7.1%	7.1%	6.6%	7.7%
Decile 8	8.0%	6.8%	5.6%	5.3%	4.9%	5.5%
Decile 9	4.6%	4.1%	3.5%	3.8%	3.3%	3.6%
Decile 10 (richest)	3.2%	2.9%	2.6%	2.3%	3.2%	3.7%
Total	14.3%	12.2%	11.0%	10.2%	10.2%	11.2%
Deciles 1–3	22.3%	20.6%	18.4%	16.2%	17.5%	18.4%
Deciles 8–10	5.3%	4.6%	3.9%	3.8%	3.8%	4.3%
Achievement gap	17.1%	16.0%	14.4%	12.4%	13.7%	14.1%

The University Entrance (UE) achievement gap narrowed between 2017 and 2018, from 44.0% to 42.2%, but remained higher than 2013 when it was 41.1% (see **Table 5B**). Criteria for gaining a UE qualification tightened in 2014 with the result that fewer students passed. Between 2013 and 2014 the overall achievement rate (as measured by school leavers leaving with UE) dropped from 42% to 39%. This tightening of criteria appears to have disadvantaged students from lower decile schools disproportionately, as the achievement gap widened from 41.1% to 43.4% between 2013 and 2014. UE achievement rates for students from poorer schools (deciles



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

1 to 3) recovered between 2014/15 rising from 17% to 19/20% and have been constant since then. By comparison, the achievement rates for students leaving high decile schools has fallen since 2016, from 64.6% to 61.2% in 2018. This fall is the reason for the closing UE achievement gap.

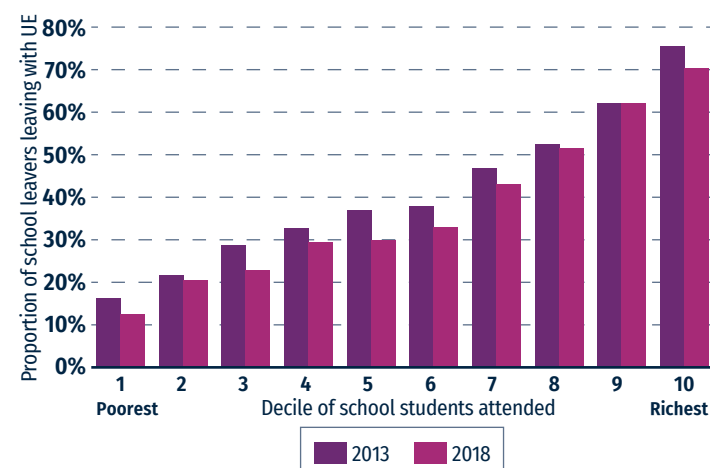
Table 5B: Proportion of students leaving school with UE—2013–2018¹⁸

	2013	2014	2015	2016	2017	2018
Decile 1 (poorest)	16.4%	13.9%	13.2%	14.8%	13.1%	12.8%
Decile 2	21.6%	16.3%	19.5%	19.9%	19.9%	20.8%
Decile 3	28.7%	21.3%	23.4%	24.2%	23.3%	23.0%
Decile 4	32.8%	27.7%	32.3%	30.3%	29.5%	29.8%
Decile 5	36.9%	31.2%	33.9%	30.9%	31.4%	30.2%
Decile 6	37.9%	31.8%	36.1%	35.8%	34.2%	33.0%
Decile 7	46.8%	44.6%	45.6%	45.8%	45.0%	43.2%
Decile 8	52.6%	49.4%	52.8%	54.5%	53.5%	51.6%
Decile 9	61.9%	60.0%	65.5%	66.0%	64.3%	62.1%
Decile 10 (richest)	75.6%	72.1%	73.0%	73.7%	71.6%	70.4%
Total	42.2%	39.3%	41.2%	41.0%	40.4%	39.4%
Deciles 1–3	22.5%	17.4%	19.0%	20.0%	19.0%	19.0%
Deciles 8–10	63.7%	60.8%	63.5%	64.6%	62.9%	61.2%
Achievement gap	-41.1%	-43.4%	-44.5%	-44.7%	-44.0%	-42.2%

Figure 5 records the social gradient of UE achievement rates for 2013 and 2018. Trends across the decile range are mixed—most have fallen, except decile 9, while deciles 8 and 2 have little change. This means that students leaving decile 2 schools still have on average one-third of a chance of leaving with UE than students from decile 9 schools. These sorts of outcomes seriously limit the social mobility which

can be gained from the education system, and tend, in fact, to reinforce disadvantage.

Figure 5: Proportion of students leaving school with UE, by decile of school—2013 and 2018¹⁹



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

TEENAGE PREGNANCY

The teenage pregnancy rate has continued to fall, extending a declining trend from 2008. The pregnancy rate for 15- to 19-year-olds fell in 2018 to 22 pregnancies for every 1000 women (see **Tables 6A** and **6B**). Ten years earlier, it was almost three times this rate at 59 pregnancies per 1000. New Zealand still has one of the highest rates of teenage pregnancy compared with other wealthy countries, although the international data is based on earlier years. The evidence is that young people in this country are delaying becoming sexually active and using more effective contraceptive methods.²⁰

There is an established link between teenage motherhood and the subsequent poverty for a woman and her children. But the social, economic and cultural dynamics that lie behind this, are complex. Māori and Pacific teenagers are more likely to become parents, and the Māori teen birth rate is higher, even when considering the social and economic situation of the mothers. The level and quality of support provided to teen parents has a significant impact on the outcomes for both the parents and their children. A recent review of the evidence for supporting teen parents emphasises that the support is most effective when it is done as early as possible and uses strengths-based and comprehensive approaches.²¹

Table 6A: Pregnancies and abortions for 11- to 14-year-olds—2013–2018²²

Year ending December	Live births	Abortions	Pregnancy rate per 1000	% of pregnancies aborted
2013	21	48	0.6	70%
2014	27	57	0.7	68%
2015	24	32	0.5	57%
2016	15	27	0.4	64%
2017	18	30	0.4	63%
2018	15	22	0.3	59%

Table 6B: Pregnancies and abortions for 15- to 19-year-olds—2013–2018²³

Year ending December	Live births	Abortions	Pregnancy rate per 1000	% of Pregnancies aborted
2013	3,282	2,096	35.3	39%
2014	2,895	1,758	30.6	38%
2015	2,841	1,635	29.2	37%
2016	2,466	1,451	25.4	37%
2017	2,298	1,413	24.1	38%
2018	2,061	1,289	21.8	38%

A rapid decline in the pregnancy rate for teenagers has meant a large decline in the number of abortions in that age group. Over the past 10 years, the abortion rate for teenagers has dropped considerably and is now lower than in the 1980s.²⁴ While the number of abortions has declined significantly, the proportion of pregnant 15- to 19-year-



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

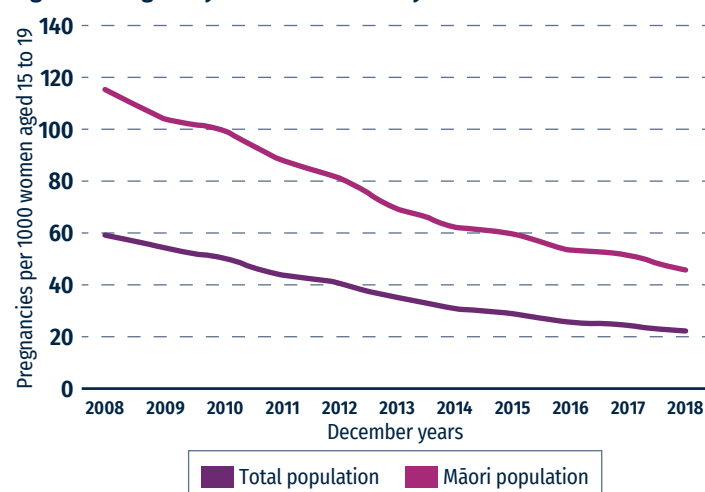
Māori Inequalities

Endnotes

Publishing Details

olds who elect to have an abortion has remained the same this year at 38%. The proportion has been consistently in the range of 37% to 39% since 2013; whereas in 2008, 44% of pregnancies to 15- to 19-year-olds were terminated. As noted in *State of the Nation Report 2019*, there is a large ethnic difference between Māori and non-Māori teenage abortion rates (see **Figure 6**). Half of non-Māori teenage pregnancies end in abortion (49%), around twice the rate for Māori teenagers (26%).

Figure 6: Pregnancy rates for 15- to 19-year-olds—2008–2018²⁵

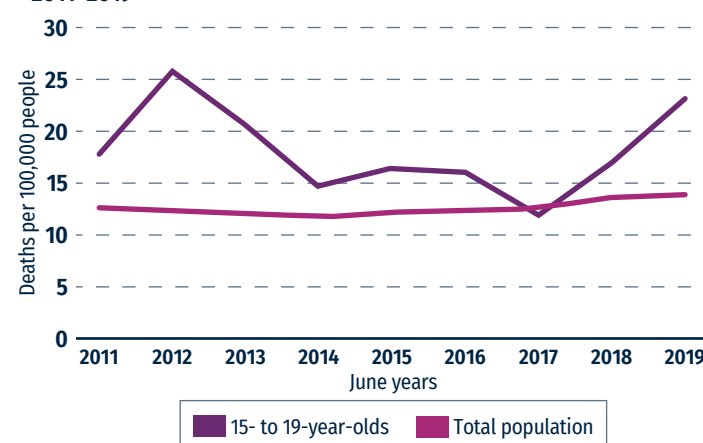


YOUTH AND ADOLESCENT SUICIDES

The youth suicide rate leapt sharply in the year to June 2019. This was driven by a nearly 50% increase among 15- to 19-year-old males. There was also a continuing rise among 15- to 19-year-old females, after the rate had doubled in 2018. During the year to 30 June 2019, 73 young people aged 15 to 19 years committed suicide, the highest number since 2012 when 80 people in this age group took their own lives (**Table 7**).

This also coincides with a recent rise in the overall suicide rate for the whole population. It dropped steadily from 14.2 in 1996, to 11.3 per 100,000 in 2016, but is rising again,²⁷ with Māori having the highest rate of 28 per 100,000—more than double the whole population rate. While there is some variability in youth suicide rates, the apparent reversal of the downward trend seems a clear signal of a growing problem.

Figure 7: Suicide rates for 15- to 19-year-olds and overall population—2011–2019²⁸



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 7: Youth suicide deaths and rates (per 100,000 population)—2014–2019²⁶

June	2014	2015	2016	2017	2018	2019
10- to 14-year-olds						
Males–number	2	5	5	6	3	5
Males–rate	1.32	3.33	3.32	3.89	1.88	3.02
Females–number	4	5	3	7	5	6
Females–rate	2.77	3.49	2.09	4.76	3.3	3.83
Total–number	6	10	8	13	8	11
Total–rate	2.03	3.41	2.72	4.10	2.57	3.41
15- to 19-year-olds						
Males–number	25	35	34	28	33	48
Males–rate	15.49	21.41	20.75	17.23	20.49	29.69
Females–number	21	17	17	10	20	25
Females–rate	13.80	11.09	11.00	6.49	13.06	16.26
Total–number	46	52	51	38	53	73
Total–rate	14.67	16.41	16.02	12.01	16.88	23.14
Total population						
Males–number	385	428	409	457	475	498
Males–rate	17.42	18.96	17.71	19.36	19.72	20.58
Females–number	144	136	170	149	193	187
Females–rate	6.26	5.81	7.13	6.12	7.79	7.49
Total–number	529	564	579	606	668	685
Total–rate	11.73	12.27	12.33	12.64	13.67	13.93

The current government has committed significant additional spending to suicide prevention in the 2019 Wellbeing Budget, along with further spending on wider mental health initiatives. The announcements also showed greater recognition of the impact of the wider social and economic factors that affect suicide rates under the wellbeing approach to social policy—the employment, education, housing, health, justice systems all impact on the life situation of young people and influence their sense of cultural and social connection.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

ASSESSMENT: OUR CHILDREN

CHILD POVERTY	RESULT
There has been some progress towards reducing child poverty. There was significant additional spending on welfare and increased access to hardship support for people in need. Official statistics have set a baseline to measure future progress, but do not yet capture the impact of these changes that are expected to bring significant reduction in child poverty over the next 2–3 years. Of most concern, however, is the continuing high level of children in deepest poverty and that their households will not receive enough additional support without further increases in welfare support.	+
CHILDREN AT RISK	
The number of children in state care continued to rise this year, and the proportion of Māori children in care is rising fastest and has become a public controversy. In contrast to this, the number of reports-of-concern about possible abuse and neglect of children has declined again, after a large increase in 2018. Overall, not enough real progress seems to be being made for those children at risk of abuse and neglect.	NC
CHILDREN AND VIOLENCE	
A concerning continuing rising trend in serious assaults on children is the main feature of latest figures. The number of other violent offences is not rising, and the number of victims of serious sexual assault is declining. The negative impact of the increasing injury assaults suggests that we may be losing ground in the attempts to help children to be less at risk of violence.	—
YOUTH OFFENDING	
The reduction in the youth offending trend continued this year and is at historic low levels. Within this encouraging trend is the reality that violent offending is not reducing as fast as overall offending and makes up a higher proportion of these offences. Of concern also is that the success in reducing youth offending is not benefitting Māori as much as non-Māori. Offending rates for young Māori are not reducing as fast and inequality in youth justice outcomes is actually increasing. This underlines the urgency to further expand youth justice approaches such as the Rangitahi Courts that help deliver better outcomes for young Māori.	+

+ Tangible or consistent progress - Slipping back NC No change



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

EARLY CHILDHOOD EDUCATION

This year brings further evidence that progress to increase equity in ECE seems to have stalled. Participation in ECE overall fell slightly during the year, the gap in participation rates between low- and high-income families has not reduced and is back to levels of 4 or 5 years ago. Growth in Māori participation rates have also slowed, meaning that the inequality gap has not further narrowed during this year.

NC**EDUCATIONAL ACHIEVEMENT**

Progress on reducing inequalities in achievement gaps seems to have largely stalled this year. Any progress that is being made to close gaps seems to be through declining achievement among students in socio-economically advantaged schools, rather than rising achievement for students of schools in disadvantaged areas.

NC**TEENAGE PREGNANCY**

Teenage pregnancy rates continue to decline, which in turn means fewer abortions. The pregnancy rate for young Māori women is also steadily falling but remains three times that of young non-Māori women. There is still a need for improved quality and more comprehensive support for young parents that is strengths based and culturally appropriate.

+**YOUTH AND ADOLESCENT SUICIDE**

Teen suicide rate has increased sharply this year and is part of a recent increasing trend. This is a signal of real concern for the social and mental wellbeing of young people.

—

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



Framing the Issues
From the Director
Introduction

OUR CHILDREN**WORK & INCOMES****CRIME & PUNISHMENT****SOCIAL HAZARDS****HOUSING**

Māori Inequalities

Endnotes

Publishing Details

WORK & INCOMES

The 2019 year has been marked by the continuing efforts of Government to lift low incomes. Measures include: increases to the minimum wage; increased income support through the continued implementation of the Families Package measures as a centrepiece of the Welling Budget 2019; and increased hardship assistance for people on welfare.

The impact of these policies is not yet captured in official poverty and inequality statistics, but the past year has seen the continuation of the overall trend of growth in average incomes. The scale of the challenge of poverty, inequality and hardship suggest that further significant investment is needed to bring about sustained decreases.

Overall employment continues to rise, as the growth in total numbers employed remains consistent, and unemployment levels are around the lowest levels for more than a decade.

The pattern to changes to the labour force is that population ageing is combining with only modest progress in engaging young people and others outside the workforce in paid employment. This is an important time for re-thinking the approach to employment policy in this country, and how the productivity and earnings of workers, especially those on lower wages, can be improved.

The future wellbeing of our communities will be strongly affected by the approach to economic growth and employment. Economic growth has slowed—though remains positive—but growth per capita is slowing, and if the social and economic objectives are to be orientated to raising wellbeing for all, this will require policy to be designed for inclusion of those currently missing out.

The overall assessment is that despite some significant progress, much more needs to be done to ensure the growing prosperity of our economy is shared more fairly.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

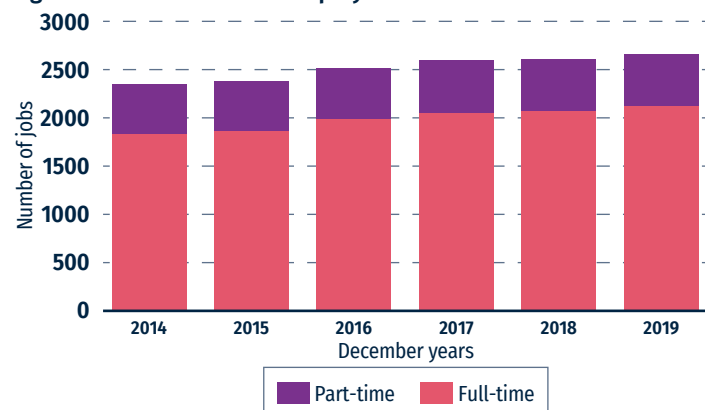
Publishing Details

EMPLOYMENT AND UNEMPLOYMENT

Employment growth

Employment growth continued again this year, with the total number of people employed in the New Zealand economy reaching 2.66 million at the end of 2019 for the first time in the country's history (**Figure 8**). This represented annual growth of around 1.4% (estimated on an annual average basis, rather than quarter-on-quarter basis).²⁹ Over the previous five years, the total number of people employed grew by 12.4%, or by almost 340,000. Ministry of Business, Innovation and Employment (MBIE) forecasts average growth of 1.4%, just under 40,000 per year, for the next 10 years.³⁰

Figure 8: Total numbers in employment in New Zealand³¹



The proportion of people employed part-time declined steadily over the past five years. During 2014 (December year), those employed part-time made up 22% of all people employed (on an average annual basis), and by 2019 it had fallen further to 19.9%. The number of people employed part-time (525,000) is slightly more than in 2014 (506,000)

while the number employed full-time has risen from 1.80 million to 2.11 million since 2014.

Labour market participation rates appear to have plateaued near a record high, just under 70% of the working-age population. While the rate fell slightly in 2019 to an average 69.8% compared with 70.1% in 2017 (the highest rate on record), it is still well ahead of the 68% from 10 years ago in 2009. The under-utilisation rate that measures overall unmet demand for work reported by MBIE, fell further from the 10-year low in September 2018 (11.4%) to reach 10.4% in September 2019 (includes the underemployed who are part-time workers wanting more hours, as well as people wanting work but not actively looking or immediately available).³²

The underemployment rate is strongly reducing for women, reflecting healthy employment growth, and this indicates more women are moving into full-time work.

Developments over the past year confirm that the labour force is ageing. The impact of an aging population on labour market participation and the emergence of a stable low level of unemployment of around 4% (forecast to continue over the next few years), indicates changing dynamics in the labour force. These changing dynamics are an opportunity to consider labour market policy in terms of the number and type of jobs created in this country, as well as how inclusive labour policy should be for those still excluded from the employment market.

Unemployment

Unemployment levels appear to have risen slightly during 2019 but remain around recent low levels. The 'number of jobless', counts all people who would like employment, including those not currently available for work, and also includes people no longer actively looking but would take



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

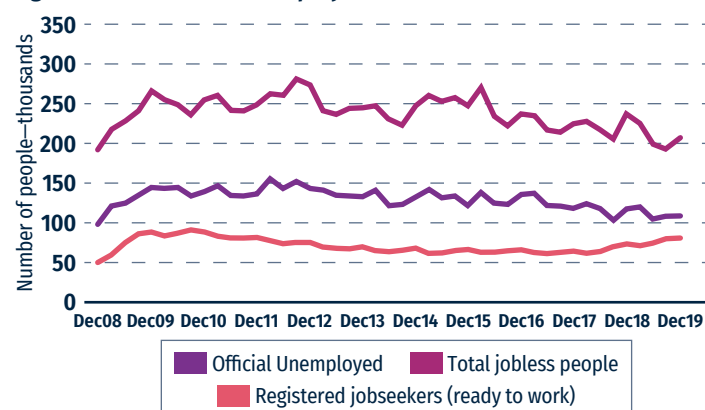
Endnotes

Publishing Details

work if it was available (the ‘discouraged’ unemployed). The total of 203,000 jobless in December 2019 (Figure 9), was the lowest December figure since 2008, before the GFC. The Official Unemployed number is around 112,000 (4.0% of labour force) at December 2019 and is the lowest level for more than a decade, and NZ Treasury forecasts the rate to continue to be around 4% for the coming years. While some economic analysts are tending to view the 4% rate as the ‘limit’ for sustainable low unemployment,³³ lower rates have been achieved in recent times (e.g. 2007) and in earlier decades. It is worth noting that around one-third (14) of OECD countries currently have lower unemployment rates than New Zealand.³⁴

The number of people who receive Jobseeker payments and are deemed ‘ready to work’ rose from 74,100 in December 2018, to 83,100 in December 2019. The December quarter figure is always the highest in the year, due to the influx of out-of-work students and school leavers, but the December 2019 figure is the highest December figure since at least 2011.

Figure 9: Measures of unemployment—2008–2019³⁵



This increase is in sharp contrast to the overall decrease in jobless and official unemployment numbers noted above. Unlike the other two measures that are survey-based, the Jobseeker category is a product of welfare policy and administrative decisions on categories of welfare benefits (see Figure 20, p.29). The increase in Jobseeker numbers has been the main driver in the increase in those receiving welfare benefits (Figure 21, p.29). Combined with the lack of progress in reducing NEET (not in employment, education or training) numbers significantly (see Figure 13, p.25), the picture suggests there is still not enough being done to actively support young people and jobseekers into work. It may be that employers are still not focusing enough on developing young people and others on the margins of the labour force.

Ageing workforce

A key trend that we have been mapping over recent years is the pattern of the ageing workforce in this country. This demographic trend means that the proportion of young people in the population is not growing as fast as that for older people. Figure 10 maps this shift by counting 65-year-olds as a proxy for those leaving the workforce, and 16-year-olds to indicate young people who are about to reach the age where they would enter the workforce (although the official definition of ‘labour force’ used by Statistics New Zealand [StatsNZ] includes all people aged over 15 years). Since 2007, the number of 16-year-olds has decreased, while the number of 65-year-olds has continued to increase. The difference has closed from more than 30,000 in 2004—about the time the ‘baby boomer’ generation started to reach the age of 65—to less than 11,000 in 2019.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

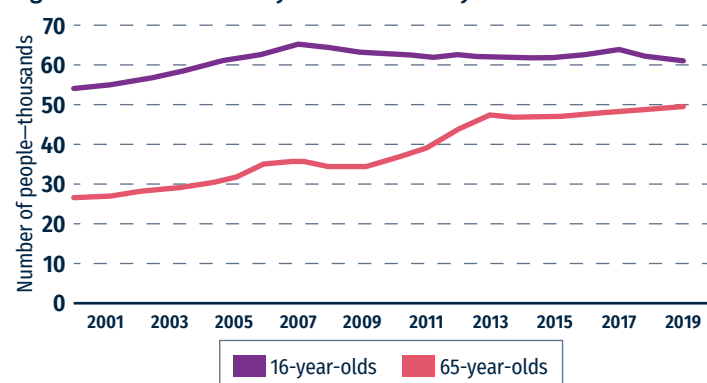
SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Figure 10: Numbers of 16-year-olds and 65-year-olds—2001–2019³⁶

The makeup of the labour force will continue to age, and the total growth will become more dependent on the participation rate of those aged over 65. StatsNZ labour force projections, released in late 2017, indicate that the number of young people in the labour force aged 15 to 24 years, will remain at around the 2018 level of 413,000 through to 2028; while the number of people in the workforce aged over 65, will increase by nearly 50%, from 179,000 to 265,000.³⁷

The economic policy model this country currently relies on is based on continuing economic and employment growth. To continue the employment market growth of 45,000–50,000 per year that has happened consistently over the past decade, would require continued growth in labour market participation by over-65s. This would be alongside other factors that influence the supply of workers, such as the need to better engage young people, and others, who have been marginalised in the employment market. If social and economic objectives are to be orientated towards increasing wellbeing—through rising per-capita living

standards, more inclusive job growth, lower joblessness, and less poverty and exclusion—then employment market policy will need to be adjusted for inclusion of people currently missing out.

Young people continue to be among the most marginalised in the employment market. **Figure 11** compares the numbers of 15- to 19-year-olds in work, with the numbers of workers aged over 65 years old. While the number of over-65s in workforce continues to grow, the number of young people in employment is sitting around the same number it was in 2009. This does not mean that over-65s are displacing younger people in the employment market. It partly reflects the fact that the total over-65 population is growing, while the 15- to 19-year-old population is not. Alongside this is the fact that there were 20,000 more 15- to 19-year-olds in the workforce prior to the GFC in 2008 than there are today. It may be that more of those young people are staying in school, or other educational and training opportunities, to build their skills, which is a positive factor. But the continuing challenge to reduce the number of young people NEET points to another challenge of inclusiveness in the workforce this country is facing.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

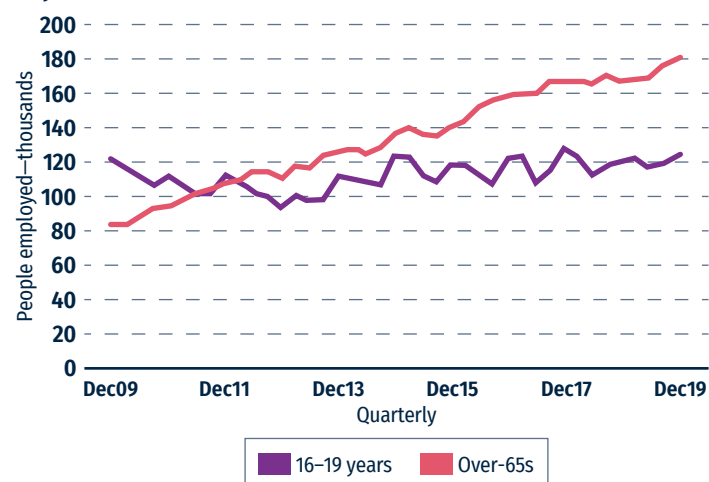
SOCIAL HAZARDS

HOUSING

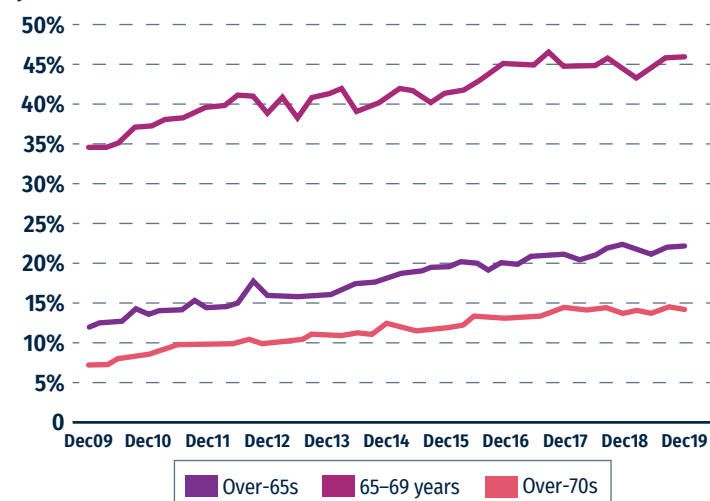
Māori Inequalities

Endnotes

Publishing Details

Figure 11: Employment of 15- to 19-year-olds and people aged over 65 years—2009–2019³⁸

There are two recent trends affecting older and younger workers that are important, because they give some indication of how well our labour market is including those on the margins of the market. First, older people's labour market participation appears to be plateauing; and second, there is a small but encouraging reduction in young people who are not in NEET. **Figure 12** shows labour market participation rates of those aged over 65 increased steadily through to late 2016 but have been fairly stable since then. In 2019 this trend continued, with the participation rate for those aged 65 to 69 years sitting at around 46%, and for those aged over 70, it has remained at just under 10%.

Figure 12: Labour force participation rates for people aged over 65 years old—2009–2019³⁹

The number of people aged 15 to 24 years old who are NEET (**Figure 13**) fell by around 4% during 2019, to just under 75,000 people (annual average). The 2019 number is the lowest since 2015, but is still around 4% higher than in 2014, when around 72,000 people in this age group were NEETs. This welcome progress needs to be put into the context of the sharp rise in NEET numbers at the time of the GFC in 2008, and they have not yet returned to pre-GFC levels (65,800 in 2007). The bulk of NEETs are aged between 19 and 24 years, due in part to higher participation in school and mainstream education and the government's concentration on offering training and job support to 15- to 19-year-olds. In 2019 there were around 27,000 in this age group who were NEET, compared with 47,000 who are 19- to 24-year-olds, with NEET numbers for both age groups declining at the same rate of 4%.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

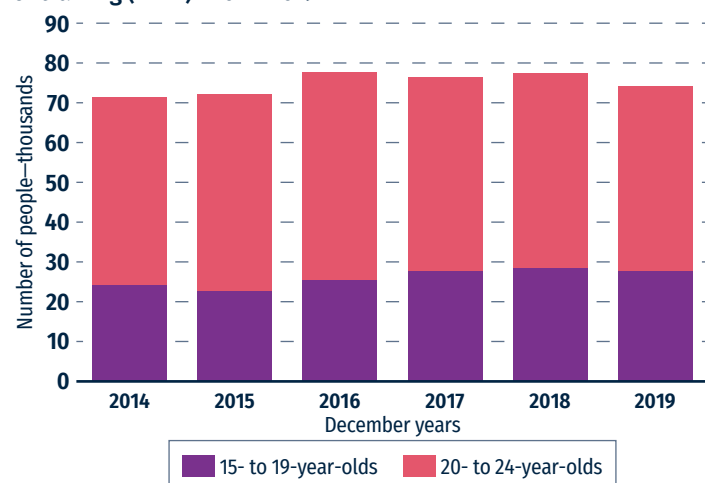
HOUSING

Māori Inequalities

Endnotes

Publishing Details

Figure 13: Numbers of young adults not in education, employment or training (NEET)—2014–2019⁴⁰



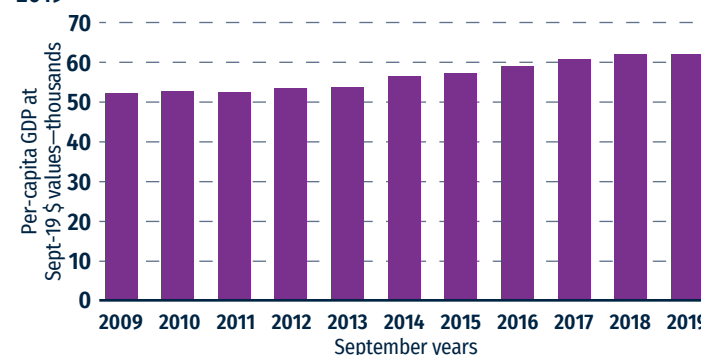
INCOMES

This year has seen the average income continue to rise ahead of inflation, but the situation is more mixed in relation to indicators of inequality in wage and gender earnings. Further significant rises in the minimum wage and a reduction in the wage gap between low- and high-paid sectors are signs of progress towards reducing inequality, but GDP growth per capita is slowing further, and there was no overall progress in closing the gender wage gap.

Inflation-adjusted per-capita GDP has grown little since 2017, and stands at just under \$62,000 per person, calculated

using estimates of per-capita GDP based on quarterly data to September 2019 (Figure 14). Despite real economic growth that has averaged 2.5% to 3.0% over the past five years, when averaged out on a per person basis, the share is not growing. While modest growth in average wages and salaries has continued, this points to the fact that overall productivity is not increasing. This could undermine future economic growth and needs to be seen in the context of continuing reliance on a low-wage economic model that does not invest enough in building the skills, income and productivity of workers.

Figure 14: Changes in real per-capita GDP (in Sep-19 values)—2009–2019⁴¹



Average weekly wages for employees (Figure 15) rose 4% in nominal terms and 2.2% (both on an annual average basis) in inflation-adjusted terms, during the 12 months to 31 December 2019, to \$1,101 per week. This figure included average overtime payments of \$24 per week. Over the five years to 31 December 2019, wages for employees rose by just under 10% on an average annual inflation-adjusted basis.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

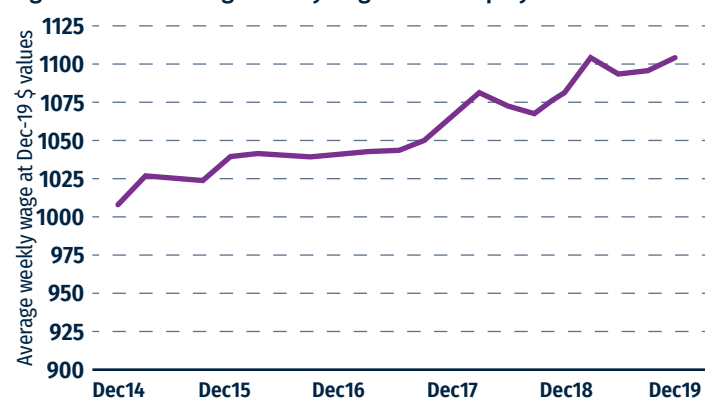
SOCIAL HAZARDS

HOUSING

Māori Inequalities

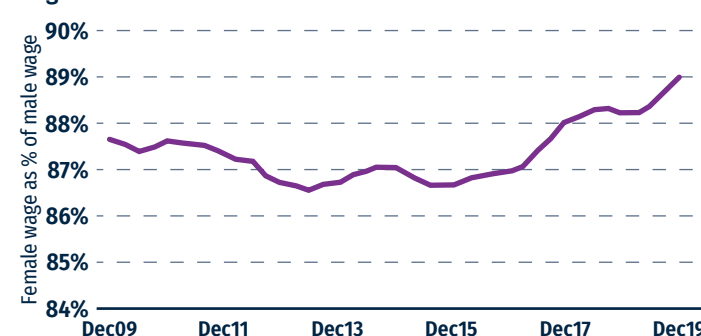
Endnotes

Publishing Details

Figure 15: Real average weekly wage for all employees—2014–2019⁴²

Wage and gender inequalities

The past two years have seen some progress on reducing gender wage inequality when measured on average earnings, with females earning 89% of males (Figure 16). At the end of 2019, the average ordinary-time wage for females was \$30.73, while that of males was \$34.51—representing a gap of \$3.78 per hour. Five-years earlier (December 2014), the gap was \$4.08 per hour (86.7%), with the female wage at \$26.58 per hour compared with males at \$30.64. Overall, since 2013, there has been progress, with women's earnings increasing from around 86.5% to 89% of men's earnings.

Figure 16: Comparison of female and male ordinary-time hourly wages—2009–2019⁴³

Comparing ordinary time wages in the lowest paid sector with the highest paid sector, this gives a picture of trends in wage inequality. The highest paid sector is the Finance and Insurance Services sector, while the lowest paid sector is the Food and Accommodation or Hospitality sector. Ten-year trends in this comparison (Figure 17) show that at the end of 2019, and on an average annual basis, the ordinary-time wage in the hospitality sector was 46% of that of the finance sector. The average ordinary-time hourly wage during 2019 was \$21.29 in the hospitality sector, and \$46.16 in the financial sector. This continues the improving trend in equality compared with five years ago in 2014, when the proportion was 42%, but the current level represents a return to the ratio that existed 10 years ago.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

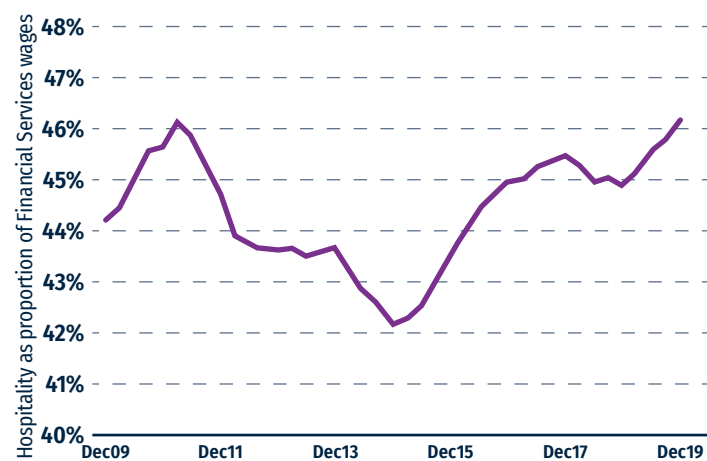
HOUSING

Māori Inequalities

Endnotes

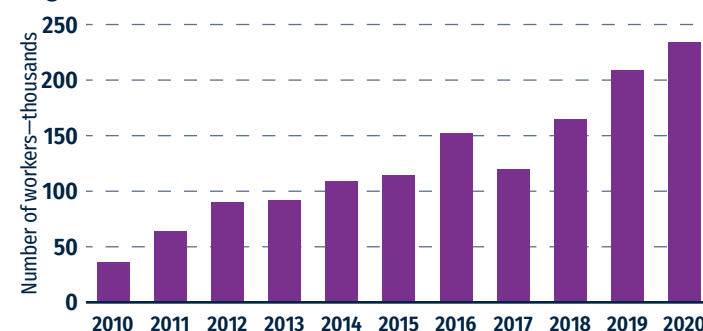
Publishing Details

Figure 17: Comparison of ordinary-time wages in hospitality and finance sectors—2009–2019⁴⁴



The numbers of workers covered by increases in the statutory minimum wage is used as an indicator of the proportion of workers on the lowest wage, but also of the importance of statutory minimum wage increases to addressing poverty and inequality. At 1 April 2018, the statutory adult minimum wage was lifted from \$16.50 per hour to \$17.70 per hour and, at that time, this increase lifted the wages of 209,000 wage earners, or 8.1% of the workforce. The adult minimum wage will be increased to \$18.90 on 1 April 2020, and it will cover an estimated 242,000 workers, or 9.1% of the workforce.⁴⁵

Figure 18: Numbers of workers receiving the statutory minimum wage—2010–2020⁴⁶



The minimum wage plays a vital role in reducing inequality, by lifting the bottom end of the scale. The fact that more workers are being included in the minimum wage, shows the continuing challenge to lift incomes just above the minimum wage (Figure 18). There is evidence to suggest that increases in minimum rates are not flowing through into rates immediately above the minimum wage. This ‘hollowing out’ of the wage scale in previous years is reflected in the next 4 deciles above the bottom decile of hourly wages, where lower wage earners have had smaller percentage increases than those in the higher income deciles in the period 1998–2015.⁴⁷

Welfare benefits as proportion of average wage are still declining, and this underlines the urgency of lifting core benefits and indexing them as a percentage of average wages, as it is done with NZ Super. The government has committed to indexing the current benefit levels to increases in average wages, starting in April 2020, but this will only stop the existing gap between average wages and benefits from growing larger. Figure 19 compares the adult minimum wage and the value of sole parent payments with the average wage, as an indicator of inequality trends.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

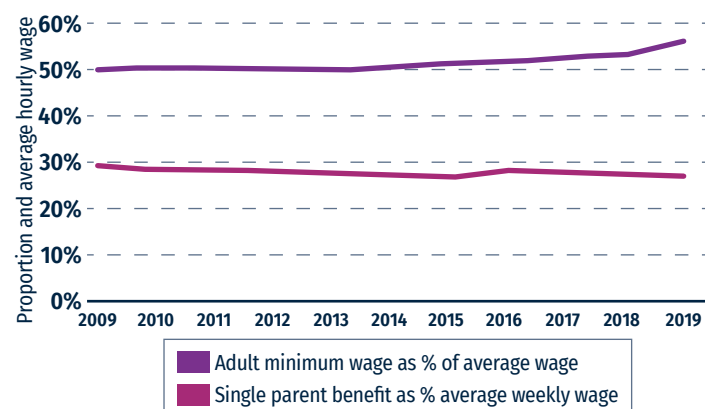
SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Figure 19: Comparisons of adult minimum wage and benefits with average wages—2009–2019⁴⁸

The adult minimum wage has risen from just over 50% of the average wage in 2014 to 55% in 2019 and may reach 57% with the increase to \$18.90 on 1 April 2020. Welfare benefits are indexed against inflation, which has been consistently lower than the rise in average wages. As a result, the sole parent payment, as a proportion of the average weekly income of those employed, has declined from 29% in 2009 to 27% in 2019. It would need an 11% increase in this benefit to bring it back to 30% of the average weekly income, where it was in 2006.

INCOME SUPPORT

This year, to 30 June 2019, has seen a major increase in welfare spending of \$2.64 billion, an 11.4% increase on 2018 (**Table 8**). More than half of this increase (\$1.5 billion) was to fund the government's Families Package, income support for low- and middle-income families, that is aimed at significantly reducing child poverty (see **Our Children**, page 6).

Table 8: Government spending on main income support programmes—2014–2019 (\$ millions)⁴⁹

	2014	2015	2016	2017	2018	2019
NZ Superannuation & Veterans' Pensions	11,078	11,769	12,453	13,218	13,862	14,716
Main working-age benefits	4,508	4,385	4,347	4,390	4,355	4,526
Housing subsidies	1,806	1,832	1,919	1,977	2,094	2,606
Working for Families tax credits	2,532	2,403	2,352	2,359	2,195	2,814
Other benefits & allowances	1,263	1,291	1,370	1,395	1,499	2,083
Total benefit expenses	21,187	21,680	22,441	23,339	24,005	26,745
Real growth in spending on benefits	1.9%	2.3%	3.5%	4.0%	2.9%	11.4%
Core Crown Expenses	71,174	72,363	73,929	76,339	80,576	87,300
Benefits as share of Core Crown Expenditure	29.8%	30.0%	30.4%	30.6%	29.8%	30.6%
NZ Superannuation as share of Core Crown Expenditure	15.3%	16.0%	16.6%	17.1%	16.8%	16.8%

Key elements of the additional \$1.5 billion spending on the implementation of the government's Families Package are: increases to Working for Families, of around \$500 million; the Winter Energy Payment, of \$450 million; the Best Start payment for new born babies, \$48 million; and increases in housing support through the Accommodation Supplement (AS) changes and income-related rent subsidy (IRRS) for public and community housing, of around \$600m.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

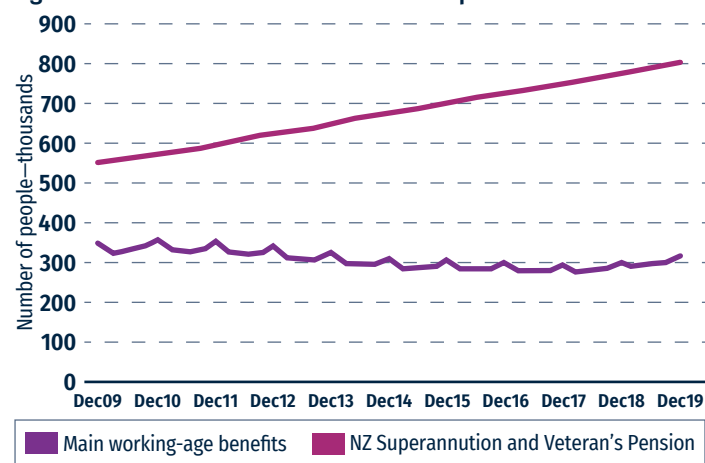
Endnotes

Publishing Details

The biggest single increase in spending was for NZ Super, which increased by \$900 million to reach \$14.7 billion, as part of the long-term trend resulting from the ageing population. This spending makes up more than half of the total \$26.75 billion government spend on income support programmes.

During December 2019 the number of people receiving NZ Super, or a Veteran's Pension, exceeded 800,000 for the first time (**Figure 20**). This number is growing by around 23,000 each year, and will most likely exceed 900,000 in the first quarter of 2024. These numbers will continue to rise in line with the ageing population until they peak in the mid-2030s.

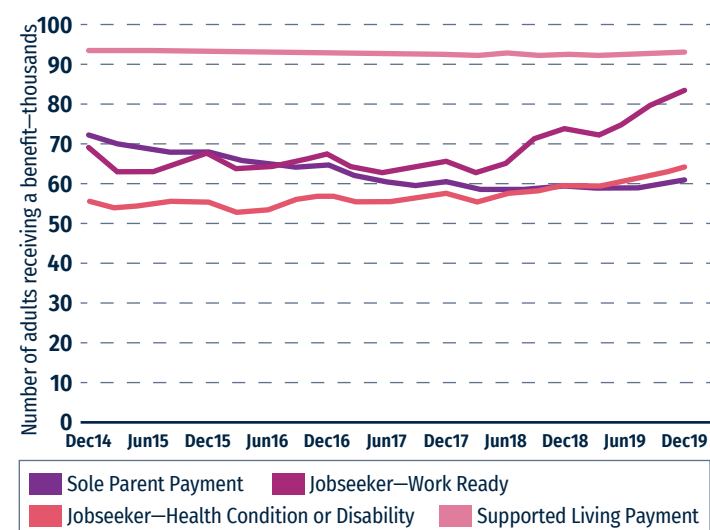
Figure 20: Welfare benefits and retirement pensions—2009–2019



The 314,408 people receiving a working-age benefit in December 2019 is the highest December figure since 2013, 5% higher than at the end of 2018, and 2% higher than in 2014. There has been a slight but consistent growth in benefit numbers since mid-2017.

Figure 21 shows the numbers of people receiving each of the main working-age benefits over the past five years. Most of the growth in benefit numbers during 2019 has been in those receiving the Jobseeker Support Payment—13,416 of the over 15,063 increase. Over the 12 months to the end of 2019, there was 12.1% growth in the numbers of people receiving a Jobseeker 'work ready' payment, while the number of people receiving a Jobseeker payment, who also have a health condition or disability (not immediately available for employment), rose by 7.4%.

Figure 21: Numbers of people receiving a working-age benefit—2014–2019⁵⁰



Of the 314,000 people receiving welfare income support, some two-thirds are not immediately available for paid employment—they are caring for children, living with a disability or caring for someone with a disability, or they are unwell. Most of these people need income support over the



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

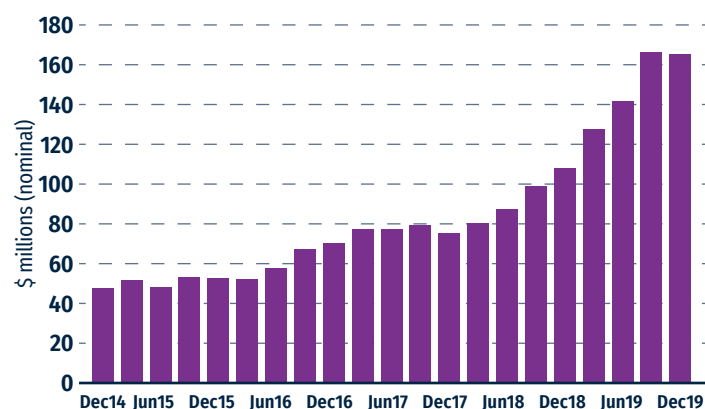
Publishing Details

medium to long term (i.e. more than one year), which means they are likely to face significant hardship and poverty because core benefit rates are set too low. There are around 480,000 people in households relying on welfare benefits, including around 187,000 children.

LIVING COSTS AND FINANCIAL HARDSHIP

Hardship assistance expenditure has grown rapidly since late 2017, and doubled between December 2017 and December 2019 quarters, from around \$80 million to more than \$160 million (see [Figure 22](#)). The number of payments made has also doubled, from 290,000 in December 2017 quarter to 574,000 in December 2019 quarter. The total number of payments exceeded two million in 2019 and is another indicator that current core welfare benefits are not adequate to meet even basic living needs of households.

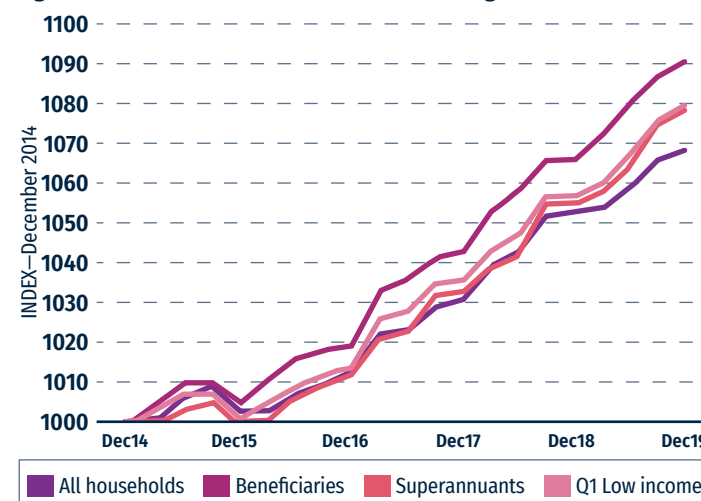
Figure 22: Government spending on additional hardship assistance—2014–2019⁵¹



The biggest increases in spending on hardship assistance over the past two years are for emergency housing grants (introduced in December 2016), with \$48.1 million paid in December 2019 quarter compared with \$6.6 million December 2017, an increase of \$42 million; and ‘other’ assistance that reached \$46.8 million in December quarter of 2019, nearly double the payments two years earlier of \$24.9 million.⁵²

Living costs for people in the lowest income households (beneficiaries and superannuants) have been rising faster than those across all households, and this is a consistent pattern over the past five years. [Figure 23](#) reports trends in living costs for representative low-income households, between December 2014 and December 2019.

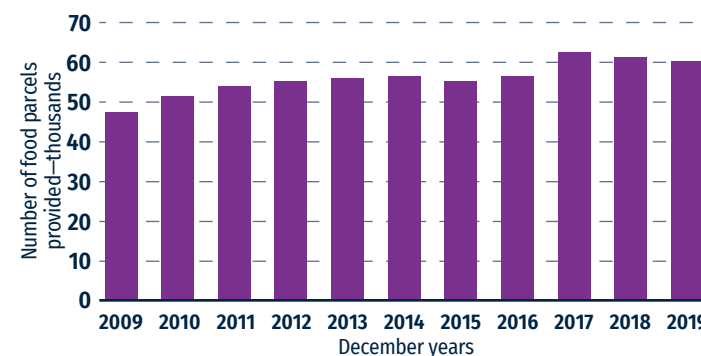
Figure 23: Low-income households cost of living indices—2014–2019⁵³



The lower purple line reports the Household Living Cost Price Index (HLPI) for all households as the basis for comparison. From December 2014 to December 2019, beneficiary households' costs rose 9.1% compared with 6.9% for all households. In 2019 the official inflation rate Consumer Price Index (CPI) was 1.9%, but the lowest 20% of household incomes faced increases of 2.2% in living costs. The main differences in household costs affecting those on lower incomes, are housing-related costs—rents, insurance, rates, food, electricity and other energy costs.⁵⁴ Because welfare benefits are indexed to CPI, this means the purchasing power of benefits is declining and adding to the hardship pressures on whānau/families and households.

The number of food parcels distributed by The Salvation Army's network of over 60 foodbanks fell again this year by around 1700 (2.8%), to 59,722 (**Figure 24**). This is some 3,000 less than the peak of 62,700 parcels in 2017, and closer to levels for the years 2013–2016. The impact of the Families Package lifting incomes, along with increases in hardship assistance—such as Work and Income hardship grants (see above)—are likely to be contributing to this small reduction in demand for food assistance. Hardship grants for food, paid out by Work and Income, have doubled over the past two years, from \$14.4 million during the quarter to December 2017 to \$30.3 million in the December 2019 quarter.

Figure 24 Food parcels distributed by The Salvation Army—2009–2019⁵⁵



While the decrease in food parcels is a welcome sign, it is too small to indicate sustained improvement. Other social agencies, such as the City Missions in Auckland and Christchurch, have reported record high demand for food assistance this year. There are now many different types of responses to food insecurity in this country, such as food rescue and free-stores, making an overall assessment of the level of food security challenging. There is a lack of recent research or comprehensive survey data that could give a clearer picture.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

ASSESSMENT: WORK & INCOMES

EMPLOYMENT	RESULT
Reasonable job growth continues on the back of modest economic growth and increasing labour force participation by women and people aged over 65. The make-up of the workforce is changing as the growth in the number of people aged over 65 participating in the labour force slows, at the same time as the number of young people in the workforce is static.	+
UNEMPLOYMENT	
Unemployment remains at a relatively low level, although higher than many other OECD countries, and is forecast to remain so in the future. Increases in Jobseeker numbers point to the need for further progress in engaging young people and others who are available to work in the labour force.	NC
INCOMES	
Overall income growth continues at a reasonable rate for wage earners, but the distribution of the gains is still limited and not sufficient to reduce overall income inequality. Increases in the minimum wage are helping to boost lower incomes, and there is some progress to reduce wage differences for women.	+
INCOME SUPPORT	
Numbers of people on welfare benefits are increasing slightly, mainly due to rising numbers of Job Seeker Support recipients. Some additional income is going into lower income households through welfare transfers from the Families Package and other welfare changes, but core benefit levels remain too low and have fallen further behind average wages. Apart from indexing of benefits to wages due to begin from April 2020, no increases in core benefits or other significant structural changes to the welfare system have yet come into effect that are likely to change this. The number of those receiving NZ Super also continues to grow in line with population ageing.	—
LIVING COSTS AND FOOD POVERTY	
Living costs for low income and beneficiary households continue to increase faster than the overall inflation rate. A continuing huge increase in government hardship grants, indicates both a growing need but also a more proactive government response to lack of income. The trend of the reduction in number of food parcels distributed by The Salvation Army has continued after a peak in 2017 and is back closer to levels closer to earlier years 2013–2016.	NC

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



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

CRIME & PUNISHMENT

Crime and the appropriate management of offenders remained key policy areas in 2019. This is shaped, to some extent, by the way it is framed by stakeholders and reported in the media. Our assessment shows some headline improvements in justice outcomes, but, more broadly, offending and rehabilitation outcomes have not shifted substantially. Improvements are not significant and will require further bedding down before definitive appraisals can be made.

The nature of offending and victimisation has been quite predictable over several years, but we are beginning to gain a better sense of the wider socio-economic deprivations that are correlated with crime. These are promoting a clearer framework for reform.

Levels of violent crime (including sexual violence) merit concerted policy attention. It is estimated that current figures on crime-reporting in general—and family violence, in particular—are not representative of the true scale of these problems. Furthermore, while victimisation levels have not reduced, apprehensions, prosecutions and case resolutions are lower. Does this signal a change in approach on the part of the Police and Justice authorities to redirect resources to more serious crime?

There appears to be more use of alternative resolution programmes, such as diversion, supervision, and pre-trial and pre-charge options. Approved paroles are also slowly climbing. More data is required on this if we are to accurately evaluate their effectiveness compared to conventional incarceration. Datasets like the *Crime and Victims Survey* (CVS), *Alcohol and Drugs Survey* (ADUS) and more research on victimisation and family violence, will become crucial as alternative approaches are implemented.

In addition, if transformative programmes are to be implemented on the back of the many recommendations made to Government during 2019, then a further area for reform will be recidivism, which remains stubbornly high, especially for Māori.

In the wider policy arena, there is a pressing need to address socio-economic wellbeing, because poverty and deprivation play a significant role in generating mental health, addictions, family dysfunction and lack of achievement in school, which are shown to be correlated with crime. And given our high recidivism numbers, further work will be required in the reintegration space.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

OVERALL CRIME

No further analysis from the major CVS 2019 have been released since December 2018. It may be worthwhile recapping these results as presented in last year's *State of the Nation* report. Results from that survey highlighted the widespread under-reporting of criminal offending.

Key results to emerge from the survey, which we set out in our 2019 report, are as follows:

- About 1.777 million offences were experienced over a 12-month period prior to the data being collected. Of these offences, a little under 1.2 million were personal offences (against an individual), while the remaining 577,000 were against households or property related. Not included in these offences are what are generally known as 'victimless'; for example, illicit drug use, administrative offences or those known as 'against justice' (breaches of order, public nuisance). Also not included were offences against businesses or offending against children.
- These offences happened to 355,000 households, while personal offences victimised 575,000 adult New Zealanders. Adults live in households, and, as mentioned in our 2019 report, if we take into account the numbers of adults impacted by household offences and/or personal offences, then 1.155 million adults were victims of criminal offending during the 12 months to the survey or 29% of the adult population. Over the same period, 32% of households experienced a household-related offence.
- The three most common offences were burglary, 17% of households; harassment or threatening behaviour, 8% of adults; and fraud or deception, 7% of adults.

- Men were as likely as women to be victimised, and people living in the large cities were as likely as other New Zealanders to be victims.
- Māori faced a greater chance of being a victim of a criminal offence at 37% compared with the New Zealand-wide rate of 29%.
- Younger adults were more likely to be a victim of crime than were those aged 65 years or older—40% for the 20–29 year age group and 18% for the over-65s.
- Another important insight from the survey was that a victim of crime was likely to possess similar social characteristics, such as income or home region, as their offenders.
- And finally, crime was shown to affect those who experienced other deficits in their lives—mental health, alcohol or other drug use, illiteracy, poverty, insecure housing, or other types of deprivation such as childhood violence.

The CVS is a broad-ranging source of insight; while other indicators of trends in criminal offending and victimisation may not be as comprehensive, they do offer some insight into the extent and nature of criminal offending. Much of the subsequent analysis offered in this chapter is this type of information.

Table 9 provides four measures of trends in offending and victimisation since 2015. These are taken from the Recorded Crime Victims Statistics (RCVS) and Recorded Crime Offenders Statistics (RCOS), both collated by the New Zealand Police Nga Pirihimana O Aotearoa and published



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

at policedata.nz. In general, there has been a decline in all indicators over the four years, although volumes of offenders apprehended have fallen much faster than recorded victimisations. Over the 12 months (to June) of data, the number of total victimisations (reported offences involving a victim) has remained stable, while the number of actual offenders apprehended fell almost 5%, or below 100,000 people. These trends suggest declining resolution rates for reported offending (meaning those victimisations that result in a judicial process) and this is borne out by other indicators discussed below.

Proceedings against offenders refers to those whose cases are dealt with at trial and do not include diversion programmes that are increasingly used to manage offending.

Māori individual offenders (see **Māori Inequalities Table** on page 76) have made up slightly more than one-third of the total (37.7%). Such high offending rates are concerning, and mirror a widespread perception of disadvantage to Māori in the criminal justice system as well as deeper life experiences—such as poverty and deprivation—that correlate with crime.

It is also important to note that New Zealand's population has been growing, so a 1% decline in offending year-on-year reduces the actual decline. However, under-reporting

of crime, noted in the CSV, makes any conclusion difficult to draw. Dishonestly offences (covering theft, fraud, and breaking and entering) stand at about 40% of the total, which is equal to other offences (drugs, offences against public order, offences against justice), while violent crime makes up the remaining 20%.

Offending and proceedings against those charged with a crime have declined at a far higher rate than victimisations. While there is no data to explain this, you could speculate this may be because of less apprehensions achieved by police, or a shift in focus to more serious crime. This could also reflect changing Corrections policy in the use of diversionary solutions, some of which were described in our criminal justice policy notes published late last year.

Overall, there appears to be a rapid decline in offenders apprehended and proceedings against, than in the numbers of victimisations reported. As previously mentioned, this may reflect a change in policy and the greater availability of diversionary options but we are not able to verify this without further data. It would be useful for such data, if available, to be published, because it would provide a fuller picture of offending, as well as the effectiveness of alternative resolution methods, particularly given New Zealand's high recidivism rate and recent openness by the government to more restorative programmes.

Table 9: Summary of adult offence volumes—2015–2019 (June years)⁵⁶

June years	2015	2016	2017	2018	2019	1Y	4Y
Number of unique offenders	116,305	113,027	107,182	99,960	95,317	-4.6%	-18.0%
Proceedings against offenders	172,605	170,868	164,952	154,031	148,524	-3.6%	-13.9%
Number of unique victims	208,132	217,156	221,554	211,198	206,569	-2.2%	-0.8%
Number of victimisations	249,692	262,517	270,180	260,797	261,607	0.3%	4.8%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Resolution rates (the number of offences proceeded with by the police as a proportion of all offences reported to them) offer some indication of the resolution rates of specific offences reported. **Table 10** considers resolution rates for violent and dishonesty offences. Violent offending is aggregated to include homicide, assaults, sexual assaults and robbery; while dishonesty offences include fraud, theft and burglary. Where data reports 'victimisations', these are for violent crime, because crimes where there is no direct victim are counted as being 'victimless'.

There has been a sharp decline in the number of proceedings against violent offenders—22.5% between 2015 and 2019—but increases of 2% in the number of victimisations from violent offences. Consequently, the proportion of recorded offences (victimisations) that are resolved in some way has fallen from 54% in 2015 to 41% in 2019—this raises questions about whether there has been a shift in policy or,

indeed, effectiveness. This is particularly so in light of the publication, in December 2019, of the Chief Victim Advisor to the Government's report, *Te Tangi o te Manawanui: Recommendations for Reform*, which identified challenges to achieving justice for victims of crime; the fact that Māori are more likely to be victimised than the overall population (37%–29%); and systemic and structural issues which operate at the heart of the justice system to hinder the needs of victims from being addressed adequately and appropriately.⁵⁷

The number of recorded dishonesty offences (victimisations) has fallen slightly by 6% between 2015 and 2019, while the number of proceedings against apprehended offenders fell by 30% over this period. This meant a fall in resolution rates from 15% in 2015, to 11% in 2019; similarly, a concern arises as to what might account for this variation between victimisation and proceedings, and whether a wider debate needs to be had.

Table 10: Estimates of overall numbers of violent and dishonesty offences—2015–2019⁵⁸

June years	2015	2016	2017	2018	2019	1Y	4Y
VIOLENT OFFENCES							
Number of proceedings	28,514	28,656	24,642	23,184	22,090	-4.7%	-22.5%
Number of victimisations	52,843	51,530	52,641	52,341	53,780	2.7%	1.8%
Rate of proceedings to victimisations	54.0%	55.6%	46.8%	44.3%	41.1%	-3.2%	-12.9%
DISHONESTY OFFENCES							
Number of proceedings	30,908	29,934	25,543	23,271	21,687	-6.8%	-29.8%
Number of victimisations	207,673	198,102	203,359	194,757	195,885	0.6%	-5.7%
Rate of proceedings to victimisations	14.9%	15.1%	12.6%	11.9%	11.1%	-0.8%	-3.8%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

The recording by Police of victimisations (reports of crime) and proceedings (where alleged offenders are proceeded against) lead notionally to two sets of crime data. However, not all crimes are considered to have a victim, for example, public order offences. Therefore, a combination of the Police's victim and offender data have been used to offer a more comprehensive picture. Additionally, given how crime data is collected and whether a crime has a victim, may be recorded at different times, such as when a victim reports the crime, or when an alleged perpetrator is found. This complicates the overall crime figures. Therefore, the combination offered here tries to provide a better estimation of overall crime levels.

The almost 9% decline in overall levels of offending over the last four years (**Table 11**) is to be welcomed. The big declines are in theft and unlawful entry. Drug offending is stable, although there was a slight rise last year, but an overall 8% decline over four years. It is not known at the time of writing if the ADUS is to be resurrected—if so, it will provide more data on drug consumption trends, including choice and volume of drugs.

Offences against the person, property and environmental damage, fraud and similar-related offences, traffic offences, and miscellaneous offences have all declined, while homicide has climbed significantly over the previous year (2018), as have robbery, extortion and similar offences.

Overall there has been a fall in some offending, as previously mentioned, while homicide and robbery have increased. The CVS 2019 suggests that about 70% of New Zealanders did not experience crime, but it is likely that three-quarters of all crime goes unreported. Without any knowledge of the types of crime that go unreported, it is a challenge to assess the overall state of crime.

Court data from the Ministry of Justice (MOJ) set out in **Table 12** offers a perspective on cases that are dealt with through a court process. There has been a gradual decline in the number of convictions across more than half (59%) of offence types, while there was an increase in about 41% of offence types. Key declines include dishonesty, traffic offences and public order matters.

However, as noted, this does not provide an account of offending or how many cases reached court, but merely how cases were resolved once they reached court. Declines in rates of conviction could be due to a lessening of offending or of Police apprehensions. On the assumption that offending is more likely to occur in one's younger years, we can presume that more offending is carried out by youth. **Figure 3** (page 11) shows youth offending to be declining,⁶⁰ which would provide a proxy for the general decline in offending. If we can decrease youth offending even further, the impact on criminal justice as a whole would be very beneficial.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 11: Estimates of offending volumes—2015–2019⁵⁹

June years	2015	2016	2017	2018	2019	1Y	4Y
Homicide and related offences	191	197	151	169	193	14.2%	1.0%
Acts intended to cause injury	47,206	46,263	47,048	46,576	47,963	3.0%	1.6%
Sexual assault and related offences	5,637	5,267	5,593	5,765	5,817	0.9%	3.2%
Dangerous or negligent acts endangering persons	13,609	14,688	13,858	14,693	14,143	-3.7%	3.9%
Abduction, harassment and other related offences against a person	7,075	6,938	5,466	4,977	4,874	-2.1%	-31.1%
Robbery, extortion and related offences	3,405	3,599	4,101	3,766	3,412	-9.4%	0.2%
Unlawful entry with intent / burglary, break and enter	59,777	62,652	67,731	61,378	61,296	-0.1%	2.5%
Theft and related offences	144,491	131,851	131,527	129,613	131,177	1.2%	-9.2%
Fraud, deception and related offences	3,008	3,294	3,099	2,878	2,687	-6.6%	-10.7%
Illicit drug offences	9,004	9,160	8,015	8,194	8,305	1.4%	-7.8%
Prohibited and regulated weapons and explosives offences	3,762	3,979	3,519	3,409	3,556	4.3%	-5.5%
Property damage and environmental pollution	8,659	8,153	6,345	5,576	5,310	-4.8%	-38.7%
Public order offences	19,147	17,984	14,382	12,680	11,713	-7.6%	-38.8%
Traffic and vehicle regulatory offences	34,323	33,006	29,779	26,590	25,342	-4.7%	-26.2%
Offences against justice procedures, government security and operations	13,547	14,872	14,813	14,431	15,291	6.0%	12.9%
Miscellaneous offences	869	814	652	606	561	-7.4%	-35.4%
Total of all offence categories	373,710	362,717	356,079	341,301	341,640	0.1%	-8.6%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 12: Convictions by category of offence—2014–2019 (June years)⁶¹

Year ending 30 June	2014	2015	2016	2017	2018	2019	1Y	5Y
Homicide and related offences	142	135	144	123	158	156	-1.3%	9.9%
Acts intended to cause Injury	14,079	13,641	15,263	15,316	15,075	14,389	-4.6%	2.2
Sexual assault and related offences	2,500	2,983	2,726	2,255	2,931	2,589	-11.7%	3.6%
Dangerous or negligent acts endangering persons	8,404	7,934	8,594	9,253	9,711	9,072	-6.6%	7.9%
Dishonesty offences	32,701	31,164	32,584	32,398	30,983	29,168	-5.9%	-10.8%
Illicit drug offences	9,423	9,362	9,888	10,788	10,814	10,004	-7.5%	6.2%
Offences against justice procedures	32,285	31,875	34,298	35,431	34,314	34,710	1.2%	7.5%
Traffic offences	42,736	39,370	38,084	38,877	37,075	35,453	-4.4%	-17.0%
Public order offences	7,400	6,481	5,339	5,329	5,347	4,881	-8.7%	-34.0%
Other offences	23,895	29,439	21,003	17,597	16,616	20,217	21.7%	-15.4%
Violent offences including robbery	17,376	17,376	18,798	18,512	18,992	17,909	-5.7%	3.1%
Total offences	190,941	189,760	186,721	185,879	182,016	178,548	-1.9%	-6.5%

VIOLENT CRIME

A more detailed account of violence offences, including victimisation and resolution rates, are presented in [Table 13](#). This expands the data provided in [Table 10](#). Last year, *State of the Nation* reported a moderate increase in violent crime and a decline in rates of resolution. The picture this year is similar. Victimisations are on a general increase while proceedings and resolutions have decreased, some significantly so. For example, there was a 16% decline in proceedings against violent offenders, but only 2% in terms of recorded offences.

Common assault victimisations have decreased, while sexual and serious assault victimisations have increased—serious assault has almost doubled in five years. Proceedings, on the other hand, show a decrease in sexual and common assault, as well as serious assaults without

injury. Proceedings for serious assaults resulting in injury have increased by 25% in the last year and increased almost 50% in the previous five years.

Some of these rapid changes may have come about as a result of differences in how offences are categorised, or there may be other factors. For example, the seriousness of such violence may be increasing, or the police may be taking violence more seriously and increasing the level of the charges. However, without further feedback from the authorities, a fuller analysis is impossible. Interestingly, resolution rates are also significantly down in almost all offence categories.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 13: Recorded violent offence victimisations and subsequent proceedings⁶²

	2015	2016	2017	2018	2019	1Y	5Y
VICTIMISATIONS							
Aggravated sexual assault	4,755	4,344	4,700	4,822	4,838	0.3%	1.7%
Non-aggravated sexual assault	882	923	893	943	979	3.8%	11.0%
Sexual assaults	5,637	5,267	5,593	5,765	5,817	0.9%	3.2%
Common assault	26,027	24,795	24,122	23,444	20,279	-13.5%	-22.1%
Serious assault—no injury	12,364	12,895	13,814	12,294	12,860	4.6%	4.0%
Serious assault—resulting in injury	8,815	8,573	9,112	10,838	14,824	36.8%	68.2%
Acts intended to cause injury	47,206	46,263	47,048	46,576	47,963	3.0%	1.6%
PROCEEDINGS							
Aggravated sexual assault	1,316	1,285	1,216	1,091	1,086	-0.5%	-17.5%
Non-aggravated sexual assault	335	390	381	356	374	5.1%	11.6%
Sexual assaults	1,651	1,675	1,597	1,447	1,460	0.9%	-11.6%
Common assault	12,502	11,909	10,519	9,545	7,491	-21.5%	-40.1%
Serious assault—no injury	6,044	6,376	6,363	5,321	4,574	-14.0%	-24.3%
Serious assault—resulting in injury	5,842	5,951	5,978	6,713	8,402	25.2%	43.8%
Acts intended to cause injury	24,388	24,236	22,860	21,579	20,467	-5.2%	-16.1%
RESOLUTION RATES							
Aggravated sexual assault	28%	30%	26%	23%	22%	-1%	-6%
Non-aggravated sexual assault	38%	42%	43%	38%	38%	0%	0%
Sexual assaults	29%	32%	29%	25%	25%	0%	-4%
Common assault	48%	48%	44%	41%	37%	-4%	-11%
Serious assault—no injury	49%	49%	46%	43%	36%	-7%	-13%
Serious assault—resulting in injury	66%	69%	66%	62%	57%	-5%	-9%
Acts intended to cause injury	52%	52%	49%	46%	43%	-3%	-9%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Family violence, violence in the home, or intimate partner violence continue to be serious issues in New Zealand. According to specialists, such violence includes physical, emotional and sexual violence, as well as controlling or coercive behaviour. In recognition of our expanded knowledge of this issue, legislation was amended to make the law more responsive to the needs of victims. The same legislation⁶³ also made strangulation or suffocation a serious criminal offence.

On some estimates (although slightly dated), up to three-quarters of all family violence incidents are not reported to the Police and, of those that are, Police are said to investigate one family violence incident between every four to five minutes.⁶⁴ About 24% of women experience violence. Half of all homicides are said to be committed by someone identified as ‘family’. The CSV estimated 21% of women and 10% of men experienced one or more incidents of violence from their partner in their lifetime. A million people, including 300,00 children, are said to be directly impacted each year.⁶⁵

MOJ data, captured in **Table 13**, show a slight upward trend in breaches of protection orders, but a massive increase if viewed over the last five years. However, imprisonment for breaches were down on the previous year. Imprisonments for common assaults were significantly down across both the one- and five-year periods. Male assaults female⁶⁶ imprisonments were also significantly down from the previous year, although there was limited and rather mixed change over the five years. The New Zealand Family Violence Clearinghouse website offers further data and insight but is somewhat dated.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 14: Trends in reported family violence offences—2014–2019 (June years)⁶⁷

June years	2014	2018	2019	Change 2018–19	Change 2014–19
BREACH OF PROTECTION ORDER					
Total reported cases	3,732	5,326	5,477	3%	47%
Proven	2,867	3,937	4,064	3%	42%
Convicted	2,839	3,890	4,020	3%	42%
Imprisonment	645	899	853	-5%	32%
Imprisonment as % of convictions	22.7%	23.1%	21.2%	-1.9%	-1.5%
COMMON ASSAULT (DOMESTIC)					
Total reported cases	3,302	3,222	2,539	-21%	-23%
Proven	2,823	2,685	2,147	-20%	-24%
Convicted	2,170	2,077	1,631	-21%	-25%
Imprisonment	240	292	229	-22%	-5%
Imprisonment as % of convictions	11.1%	14.1%	14.0%	-0.1%	2.9%
MALE ASSAULTS FEMALE					
Total reported cases	5,081	6,096	5,397	-11%	6%
Proven	3,805	4,304	3,703	-14%	-3%
Convicted	3,488	3,938	3,360	-15%	-4%
Imprisonment	783	1,012	780	-23%	0%
Imprisonment as % of convictions	22.4%	25.7%	23.2%	-2.5%	0.8%
ALL FAMILY VIOLENCE OFFENCES					
Total reported cases	12,115	14,644	14,457	-1%	19%
Proven	9,495	10,926	10,640	-3%	12%
Convicted	8,497	9,905	9,666	-2%	14%
Imprisonment	1,350	1,818	1,623	-11%	20%
Imprisonment as % of convictions	15.9%	18.4%	16.8%	-1.6%	0.9%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

SENTENCING & IMPRISONMENT

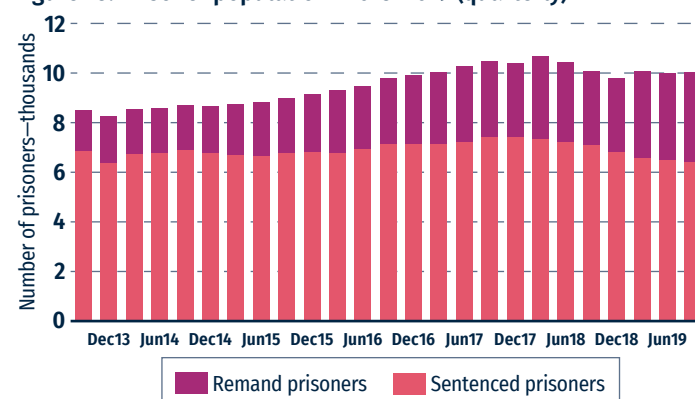
Prosecutions and convictions have been consistently falling, although the percentage of prosecutions that lead to convictions and discharges or diversions have remained largely stable. Consistent with the data in [Table 13](#), prosecutions are falling. However, there are no major shifts to diversion options, except intensive supervision which has risen sharply over the last year and 10-year periods. Community sentences (excluding intensive supervision) have declined. Levels of imprisonment peaked in 2017, after which they began to fall. It is possible that these trends are consistent with wider government aspirations to reduce the prison muster and/or the greater availability of pre-charge or pre-trial opportunities as well as supervision options.

At September 2019, there were 41,099 sentences being served either in prison (15.6%) or in the community (84.4%). Of the community sentences, 80% were male. The ethnic distributions were 46.7% Māori, 34% European, 10.4% Pasifika, and 9% other or unknown.

Table 15: Criminal prosecution trends for adults—2010–2019 (June years)⁶⁸

Year ending June	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
People prosecuted for offences	125,136	112,196	102,995	95,477	84,809	79,868	77,695	77,903	75,475	72,594
People convicted of offences	98,544	90,757	84,272	77,869	70,906	65,984	64,607	64,531	62,256	58,991
% of prosecutions leading to convictions	78.7%	80.9%	81.8%	81.6%	83.6%	82.6%	83.2%	82.8%	82.5%	81.3%
People discharged without conviction	4,312	3,498	2,915	2,484	2,027	2,145	2,121	2,062	2,070	2,302
% of proven cases leading to discharge/diversion	3.4%	3.1%	2.8%	2.6%	2.4%	2.7%	2.7%	2.6%	2.7%	3.2%
Imprisonment sentences	9,128	8,748	8,044	7,905	7,293	7,497	8,176	8,665	8,130	6,883
Imprisonment sentences as % of all convictions	9.3%	9.6%	9.5%	10.2%	10.3%	11.4%	12.7%	13.4%	13.1%	11.7%

Figure 25: Prisoner population—2013–2019 (quarterly)⁶⁹



Prison muster at September 2019 was 10,040, with 6,419 serving sentences and 3,621 on remand awaiting trial. Males made up 93%. It is a matter of concern that of the 7% of women in prison, Māori women made up two-thirds, according to the Justice Advisory Group's report, *He Waka Roimata*. Young people (to the age of 24) made up 14% of the prison population and those over 60 were 6%. The largest age group was in the 30- to 39-year range at 32%.⁷⁰

Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

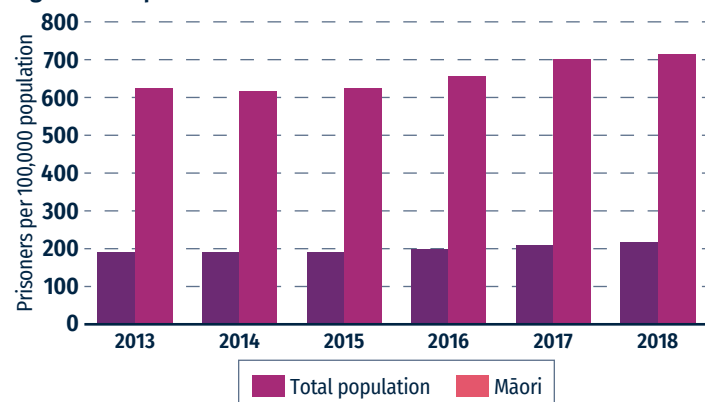
Māori Inequalities

Endnotes

Publishing Details

Imprisonment rates per 100,000 of the total population are reported alongside imprisonment rates of Māori for the June years to 2018 in **Figure 26**. There has been a slight increase in the overall prison rate over the last three years of the sample, and a more rapid increase for Māori. By comparison, the imprisonment rate for Māori was significantly higher than for the total population.

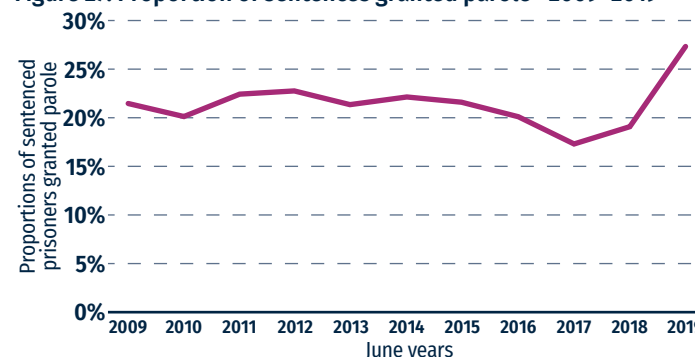
Figure 26: Imprisonment rates—2013–2018⁷¹



The number of prisoners on sentence and granted parole has increased, since declining in the 2014–2018 period. In 2018, 1424 prisoners were released, an increase of 14.4% from the year before. In the year to June 2019, 1882 prisoners were released on parole, representing a 32% jump from 2018.⁷²

More parole hearings have been convened in these two years and more parole applications considered. This may be to do with better and more informed practice, improvements in the Parole Board's online case management system, and the emergence of theories of desistance in offender management.⁷³ It may also have something to do with a less punitive culture building in the correctional system as a whole.

Figure 27: Proportion of sentences granted parole—2009–2019⁷⁴

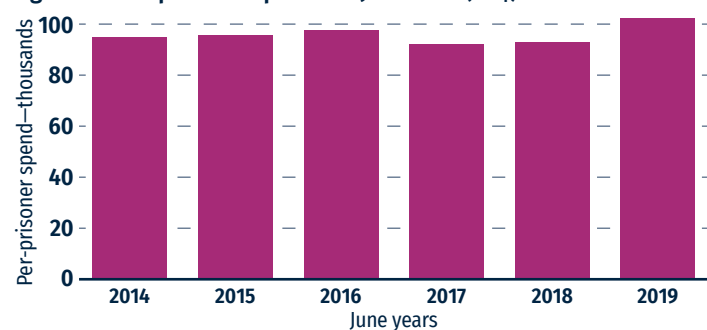


Community sentences (non-custodial) are reported in **Table 16**. All community sentences—except intensive supervision—have reduced, while intensive supervision has expanded by about 70% in the five years to June 2019. Supervision fell in the year 2018 to 2019, but increased slightly (by 3.2%) over the five-year period.

Table 16: Community sentence volumes—2014–2019⁷⁵

Year ending June	2014	2015	2016	2017	2018	2019	2018-19	2014-19
Community detention	1,719	1,655	1,600	1,492	1,602	1,569	-2.1%	-8.7%
Community work	15,825	15,963	15,014	14,599	14,203	12,684	-10.7%	-19.8%
Intensive supervision	2,381	2,577	2,867	3,132	3,587	4,060	13.2%	70.5%
Supervision	7,751	7,300	7,597	8,016	8,206	8,002	-2.5%	3.2%
Total non-custodial community sentences	27,676	27,495	27,078	27,239	27,598	26,315	-4.6%	-4.9%
Home detention sentences commenced	2,947	2,827	2,893	3,017	3,147	1,631	-48.2%	-44.7%
Rate of non-custodial community-based sentences (per 100,000 people over 18)	1454	1348	1271	1203	1116	1095	-1.9%	-24.7%

The average cost of incarcerating a prisoner was \$102,603 per year, a significant rise from \$91,300 in 2017/18—the cost to remand a person awaiting trial was NZ\$302 per day or NZ\$110,230 per year. Overall, the Department of Corrections spent NZ\$1.6 billion in 2018/19, an increase of around 9% from the year before. This rise may be partly accounted for by increases in prison staff recruitment, as well as a NZ\$161.4 million increase in spending on intervention programmes, case management and psychological services.⁷⁶

Figure 28: Per prisoner spend—In June 2019 (NZ\$)⁷⁷

RECIDIVISM

There has been some level of reduction in recidivism rates at the 12-month point. While recidivism remains high—45% reconvictions and 50% for Māori—there was a modest drop in the numbers of offenders being reconvicted or re-imprisoned after 12 months. The decrease was less for Māori offenders—0.6% reconviction and 1.3% re-imprisonment.

However, recidivism rates at the 24-month point were less positive (Table 17). There was a massive reconviction rate of 62% and 68% for Māori, a re-imprisonment level of 43% and 47% for Māori. There was an increase from the year before, except—in welcome relief—reconviction for Māori did not increase at all, and Māori re-imprisonment decreased by 3%. The 12-month reductions may follow through in future years' 24-month figures, but this remains to be seen. These outcomes are hopeful, but it should be noted that recidivism rates over the last 5 years have shown a steady, if modest, increase, particularly in the 24-month re-imprisonment rate.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 17: Prisoner recidivism and spending on rehabilitation—2014–2019 (June years)⁷⁸

Year ending June	2014	2015	2016	2017	2018	2019	Change 2018–2019	Change 2014–2019
TOTAL PRISON POPULATION								
12-month reimprisonment rate	25.9%	28.1%	29.7%	31.7%	32.2%	29.8%	-2.4%	3.9%
12-month prison to reconviction	41.7%	43.7%	44.2%	45.5%	46.8%	45.0%	-1.8%	3.3%
24-month reimprisonment rate	36.8%	36.5%	39.6%	42.2%	43.2%	43.3%	0.1%	6.5%
24-month prison to reconviction	58.9%	57.0%	59.0%	59.7%	60.9%	62.1%	1.2%	3.2%
MĀORI PRISON POPULATION								
12-month reimprisonment rate	29.3%	32.1%	33.0%	36.5%	34.9%	33.6%	-1.3%	4.3%
12-month prison to reconviction	46.2%	49.0%	48.7%	51.4%	50.4%	49.8%	-0.6%	3.6%
24-month reimprisonment rate	41.2%	41.3%	44.8%	47.0%	49.6%	46.6%	-3.0%	5.4%
24-month prison to reconviction	64.4%	63.2%	65.5%	65.8%	67.7%	67.7%	0.0%	3.3%
Spending on rehabilitative programmes & reintegrative services (NZ\$000's nominal)	161,937	169,122	176,308	180,869	215,676	243,102	12.7%	50.1%
Average spend per sentenced prisoner NZ\$ at June 2019	24,916	25,957	26,709	25,672	29,138	34,895	19.8%	40.0%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

ASSESSMENT: CRIME & PUNISHMENT

OVERALL CRIME	RESULT
Overall crime, insofar as it is measured, has declined slightly. Levels of victimisation have remained at a stable level, but apprehensions, prosecutions and disposal of cases have declined.	NC
VIOLENT CRIME	
Violent crime including sexual assault does not appear to have declined in any meaningful way. However, this is not an indication of a wider 'crime wave'—crime tends to be concentrated in specific regions and socio-economic groups. Māori continue to be more vulnerable to violent crime. Family violence rates, despite being measured largely by proxy, are said to remain stubbornly high, alongside high levels of breaches of protection orders.	NC
SENTENCING & IMPRISONMENT	
Imprisonments are modestly down and there is some indication that more cases are being resolved at the pre-charge or pre-trial stages. In addition, there seems to be a greater use of non-custodial intensive supervision. Ethnic proportions among sentenced offenders reflect an unchanging pattern, and the proportion of Māori women in prison is extremely high. Approved paroles have increased on an upward trend in the last two years.	+
RECIDIVISM	
Recidivism remains at stubbornly high levels and still higher for Māori. There has been some improvement in recidivism at the 12-month mark, but 24-month recidivism has not improved, although the 12-month improvements may filter through eventually. While programmes for offenders on remand are being increased, less attention is being given to post-sentence reintegration support. Reoffending has wide social implications, because it creates a trail of victims on the offender's way back to prison—likely including victimisation and re-victimisation in the home environment.	NC

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



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

SOCIAL HAZARDS

There are four activities that we class under the Social Hazards category: alcohol, illicit drugs, gambling and problem debt. All of these activities are enjoyed by various people in society. Most of these actions are legal, but heavily regulated. Some are illegal. All of these activities have an addictive element and can create serious harm for the person engaging with it, as well as for their whānau and other people around them. The Salvation Army aims to help people—without judgment or discrimination—through our various social services. Still, we are acutely aware of the damaging and wide-ranging impacts for individuals, whānau and communities, of activities we categorise as Social Hazards.

Alcohol availability increased slightly from 2018 to 2019. There has been a steady decline in the numbers of people aged 15 to 19 years engaging in hazardous drinking, but hazardous drinking for men, women, those aged 18 to 24 years, and Māori has gotten worse in the last year. Drink-driving convictions have also remained fairly constant, despite Police performing fewer roadside breath alcohol tests.

For illicit drugs, the data indicates that drug offence convictions decreased by about 8%, from 2018 to 2019. Also, Police are increasingly using diversion as a valid option for drug offence charges since 2018. Methamphetamine continues to dominate drug offences in New Zealand; and in 2019, over 47% of all illicit drug prosecutions were for methamphetamine. Furthermore, with the expansion of the Police wastewater testing programme, about 15 kilograms of methamphetamine was detected as being consumed on average per week around

the country. According to the Police, this amounts to about \$18 million per week in social harm across the country. Also, cannabis use continues to increase for the total population, but most of all for Māori and younger people. In terms of gambling, the numbers of pokie machines continues to decline across the country. But the losses to these operating machines has begun to increase again. In 2010, about \$52,000 was spent on each machine. By 2019, over \$62,000 was lost on each operating machine. Pokie machines continue to be the primary cause for people seeking help for their gambling behaviour.

The *State of the Nation Report 2019* was the first time we included an indicator that attempted to measure the effect of problem debt in our nation. We included this new measure because of how connected problem debt is to alcohol abuse, problem gambling and other social problems. Consequently, 2019 was a significant year with regard to problem debt and consumer credit contracts. For example, there has been the Credit Contracts Legislation Amendment Bill, as well as a very robust campaign for an interest rate cap run by a coalition of community groups and NGOs. So, it is timely that we now have a more intentional focus on problem debt in this report.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

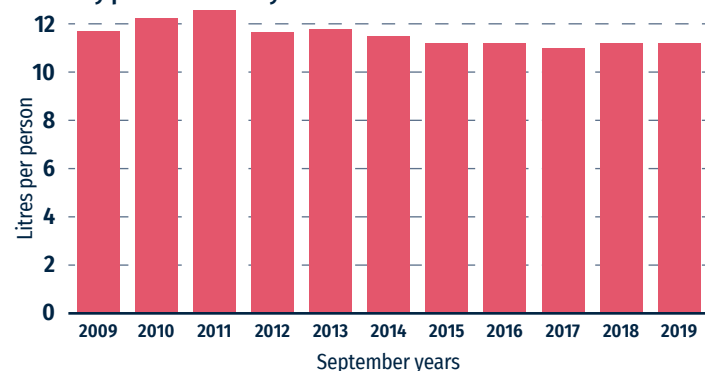
ALCOHOL

Alcohol availability grows slightly

Figure 29 shows that the availability of pure alcohol grew very slightly between 2018 and 2019. For the year ending 30 September 2019, there was 9.37 litres of pure alcohol available per person for those aged 18 and over.⁷⁹ This is still fewer than the 9.62 litres per person that was available in 2014, and significantly fewer than 2011 where 10.50 litres were available per person.

On a total volume of beverage basis, alcohol availability grew by 6.3%—from 2014 (456.8 million litres) to 2019 (485.72 million litres). The availability of beer grew modestly over this period, but beer still makes up the largest proportion (60%) of the total alcohol available. However, the availability of Ready to Drink (RTD) spirit-based alcoholic drinks has continued to steadily grow each year since 2014, with over 71 million litres available for consumption for the year ending September 2019. This is a 33% increase in RTD drinks since 2014, when over 53 million litres were available for consumption.

Figure 29: Per-capita availability of alcohol—litres of pure alcohol for every person over 18 years⁸⁰



Community engaging in hazardous drinking behaviour

The indicator we use to measure hazardous drinking comes from the Ministry of Health's New Zealand Health Survey (NZHS). In the NZHS, hazardous drinking is measured using a 10-item questionnaire, called the Alcohol Use Disorders Identification Test (AUDIT). AUDIT asks about alcohol consumption, signs of alcohol dependence, and experience of adverse consequences after drinking. People who score eight or more on the AUDIT are defined as hazardous drinkers.⁸¹ Additionally, the Health Promotion Agency (HPA) defines hazardous drinking as a drinking pattern that could harm our physical or mental health, or have social effects on the drinker or others.⁸² The data in the NZHS has been collected since 2015/16 and some trends are beginning to emerge. **Table 18** shows that in 2018/19, 20% of the total population can be categorised as hazardous drinkers—this is a slight increase from 2017/18. There has been a steady decline in the numbers of those aged 15 to 19 years old engaging in potentially risky drinking behaviours since 2015/16. However, a significant proportion of men in our nation, young people aged 18 to 24 years and Māori, are categorised as engaging in hazardous drinking behaviours.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 18: Proportion of population estimated to be hazardous drinkers—2015–2019⁸³

	2015/16	2016/17	2017/18	2018/19
Total population	20.8%	19.5%	19.8%	20.0%
Men	28.6%	27.1%	27.3%	27.5%
Women	13.4%	12.4%	12.7%	12.8%
15- to 17-year-olds	7.9%	7.6%	7.2%	6.3%
18- to 24-year-olds	37.1%	32.9%	31.7%	35.4%
65- to 74-year-olds	10.1%	10.5%	12.5%	11.7%
Māori	31.1%	33.0%	31.7%	33.2%
Decile 1 income (highest)	19.2%	16.4%	16.2%	19.0%
Decile 2 income	17.3%	15.4%	19.5%	18.2%
Decile 3 income	22.1%	21.6%	21.4%	19.4%
Decile 4 income	21.1%	21.6%	20.5%	19.7%
Decile 5 income (lowest)	24.6%	22.9%	21.5%	23.9%

Drink driving convictions constant, declining roadside breath tests

Total alcohol-related driving offences have remained consistent in 2018 and 2019, however, they are significantly higher than those offences recorded by police in 2014. Drug-related driving offences have increased significantly since 2014, but remain a relatively minor part of the total recorded alcohol- and drug-related driving offences. According to StatsNZ (**Table 19**), the numbers of people convicted of drink-driving charges has remained constant—between 16,000 and 17,000. This is a major decline since 2014 when there were over 21,000 drink-driving convictions. However, the numbers of roadside breath tests (RBTs) have dropped

from over 3 million tests in 2014, to 1.2 million tests in 2019. Convictions have remained stable, despite these decreases in the number of RBTs conducted by police (**Figure 30**). This is likely due to changes and increased effectiveness of police strategies, particularly as police have acknowledged they have made a change in tactics, with more intentional focus on specific risk targeting interventions.⁸⁴ Also, lower blood alcohol concentration (BAC) levels have remained steady since the 2014 law changes that lowered the drink-driving limits for adult drivers aged 20 years.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

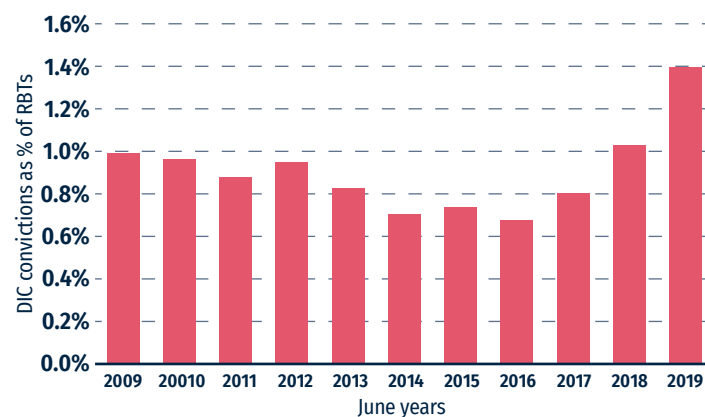
Māori Inequalities

Endnotes

Publishing Details

Table 19: Drink driving indicators—2014–2019⁸⁵

June years	2014	2015	2016	2017	2018	2019
Total alcohol-specific offences (police)	22,297	23,686	25,921	24,967	25,753	25,637
Drug-specific offences (police)	220	252	375	478	637	616
Lower BAC offences (police)	0	4,927	8,264	7,425	7,563	7,331
Total alcohol offences excluding lower (BAC)	22,297	18,759	17,657	17,542	18,190	18,306
Drink-driving convictions (StatsNZ)	21,414	17,951	16,472	16,307	16,535	16,857
Total roadside breath tests undertaken	3,029,072	2,555,957	2,550,000	2,126,280	1,683,314	1,270,648
Convictions as proportion of RBTs	0.7%	0.7%	0.6%	0.8%	1.03%	1.40%

Figure 30: Proportion of roadside breath tests resulting in conviction for driving with excess blood-alcohol levels—2009–2019⁸⁶

Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

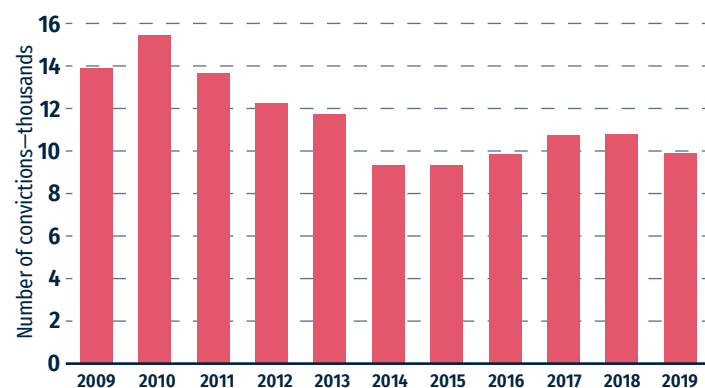
Publishing Details

ILLCIT DRUGS

Drug offence convictions decline, police use increased diversion

The overall number of adult convictions for illicit drug offences fell by nearly 8%, from 2018 (10,814 convictions) to 2019 (10,004 convictions). The 2019 numbers are about 6% higher than 5 years ago but are much fewer than the recent high of over 15,000 convictions recorded in 2010 (**Figure 31**). These convictions resulted from 14,600 prosecutions during the 12 months to 30 June 2019 compared with 16,000 prosecutions during the previous 12 months.⁸⁷ Although the large majority of prosecutions for illicit drug offences resulted in a conviction, there is some evidence that police are increasingly using the diversion option for drug charges. Diversion, as a proportion of convictions, increased from 3.3% in 2018 to 4.1% in 2019.

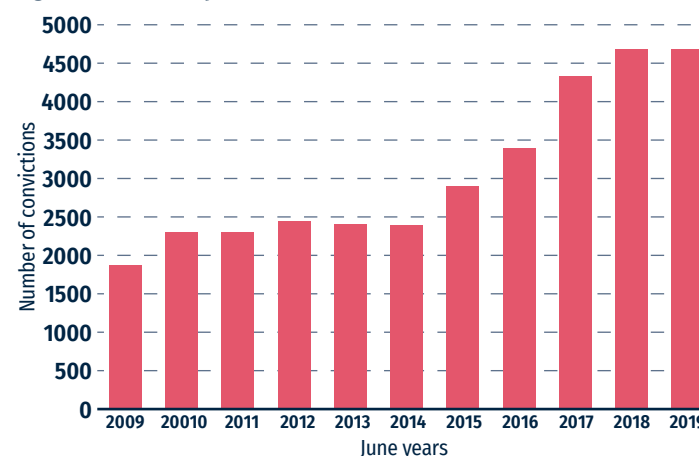
Figure 31: Convictions for illicit drug offences—2009–2019⁸⁸



Methamphetamine dominates drug offences

Convictions for methamphetamine-related drug offences have been increasing since 2008, with a record 4,683 convictions in the year ending 30 June 2018. This was discussed in the *State of the Nation Report 2018*. However, this has decreased slightly to 4,676 convictions in 2019. These 4,676 convictions came from 6,946 prosecutions for methamphetamine-related offences. Since 2014, convictions for methamphetamine-related drug offences have almost doubled from just fewer than 2,400 to almost 4,700.

Figure 32: Methamphetamine convictions—2009–2019⁸⁹



Convictions for the primary categories of illicit drug offences recorded have all decreased from 2018 to 2019: cannabis, 9.6% decrease from 2018 to 2019; methamphetamine 0.1% decrease, and other illicit drugs, 25.5% decrease. **Figure 32** shows the composition of prosecutions for these main drug-type offences. Prosecutions for methamphetamine have steadily grown since 2010, with over 47% of all illicit drug prosecutions in



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

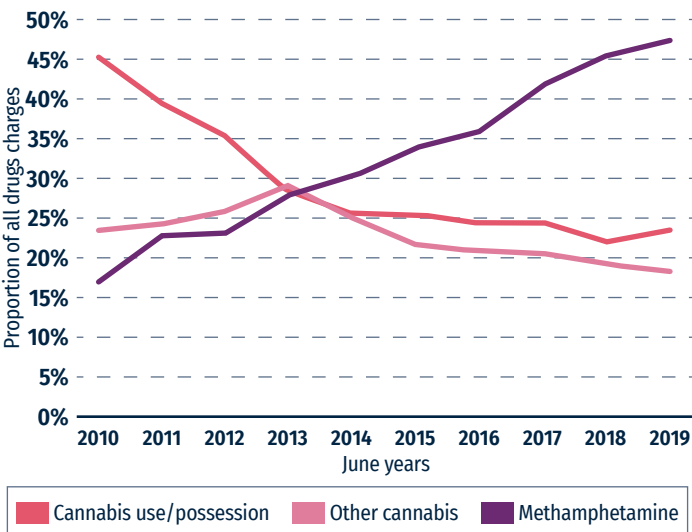
Māori Inequalities

Endnotes

Publishing Details

2019 being for methamphetamine (Figure 33). Furthermore, prosecutions for cannabis offences have steadily declined since 2010, culminating in over 23% of prosecutions in the year ending June 2019 being for cannabis possession or use. It is difficult to determine exactly why these patterns have emerged. Still, it is likely a combination of changing police priorities, changing social attitudes to cannabis, and the profitability of methamphetamine for the importer, manufacturer or dealer who all contribute to this picture.

Figure 33: Composition of illicit drug prosecutions by type of offence—2010–2019⁹⁰

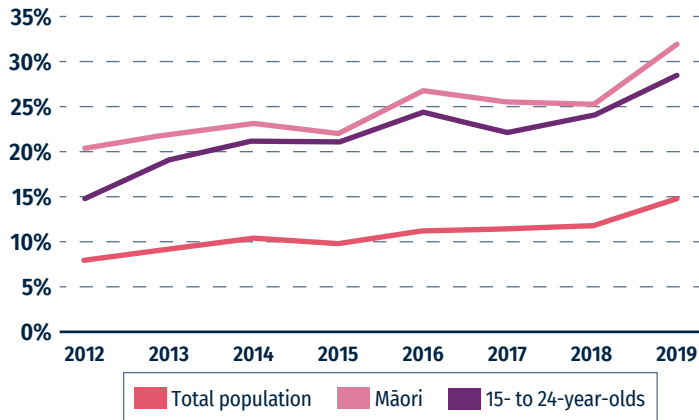


Cannabis use increasing

Figure 34 has data from the NZHS, specifically reporting on the survey's respondents self-reported use of cannabis. This figure depicts the increase of cannabis use across the total population, for Māori and those people aged between 15 to 24 years old. It will be interesting to see if these cannabis-

related statistics reflect key changes in societal attitudes to cannabis, particularly as the nation heads to a national referendum around cannabis later this year.

Figure 34: People self-reporting as recently using cannabis—2012–2019⁹¹



Wastewater testing shows methamphetamine most detected

In October 2019, the police expanded its wastewater testing programme to cover 38 new sites, to obtain a better picture of drug use across the country. This expansion will now cover wastewater used by about 80% of the national population.⁹² We have previously reported data from the pilot wastewater testing project that covered Whangarei, Auckland and Christchurch. Given this expansion, there is only three-quarters of the data available, which is presented in Table 20. However, some interesting data is available; for example, as of July 2019, methamphetamine is the most commonly detected illicit drug according to wastewater testing, with over 15 kilograms being consumed on average per week around the country. According to the Police, the



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

detected average methamphetamine use translates to an estimated 18 million dollars per week in social harm.⁹³ The regional breakdown of estimates of methamphetamine detection shows that it is a relatively more serious problem in Northland, Bay of Plenty and Hawke's Bay/Gisborne, and a less serious problem in the South Island.

Table 20: Estimates of total weekly consumption of selected illicit drugs (kilograms)⁹⁴

Quarter ended	Jan-19	Apr-19	Jul-19
Methamphetamine	16.6	14.8	15.6
MDMA/Ecstasy	4.3	5.7	7.9
Cocaine	0.696	0.85	0.907

GAMBLING

Mixed results in gambling spend

Table 21 shows the total spending on legal forms of gambling between 2014 and 2019. In the year ending June 2019, over \$2.3 billion was spent by New Zealanders on gambling activities. Spending on the TAB and Lotto has declined between 2018 and 2019, while spending on Class 4 gaming machines (pokies) and casinos has consistently grown since 2016/17. In terms of market share, Class 4 machines—as of June 2019—make up 39% of total gambling expenditure; casinos at 25%; and Lotto at 22% of spending. These portions of the overall gambling spend have remained consistent since about 2011. The spend on TAB-related gambling has decreased since 2015, culminating in this

Government's recent racing and gambling reforms that The Salvation Army has consistently opposed.

Table 21: Gambling expenditures—2014–2019⁹⁵

June years	2014	2015	2016	2017	2018	2019
NZ Racing Board—TAB	311	325	342	338	350	332
NZ Lotteries Commission—Lotto	463	420	437	555	561	530
Class 4 gaming machines	806	818	843	870	895	924
Casinos	509	527	586	572	578	580
Total expenditure (in nominal dollars)	2089	2091	2209	2334	2383	2366
Per capita spending in Jun-19\$	655	639	658	668	659	632

Pokie machine numbers decline but losses grow

In terms of Class 4 machines, two key trends are evident. First, the overall numbers of machines in operation continues to decline nationally. In 2009 over 19,200 machines were operating and, as of September 2019, there are over 14,800 active machines. This decline continued between 2018 and 2019 where machine numbers dropped by 448 in that period. However, this trend can be undone gradually, especially if SkyCity Hamilton Casino win in their application to reduce their blackjack tables from 23 to 20, but, at the same time, increase their Class 4 machines by 60 to 80, which would give the casino nearly 400 machines in operation.⁹⁶



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

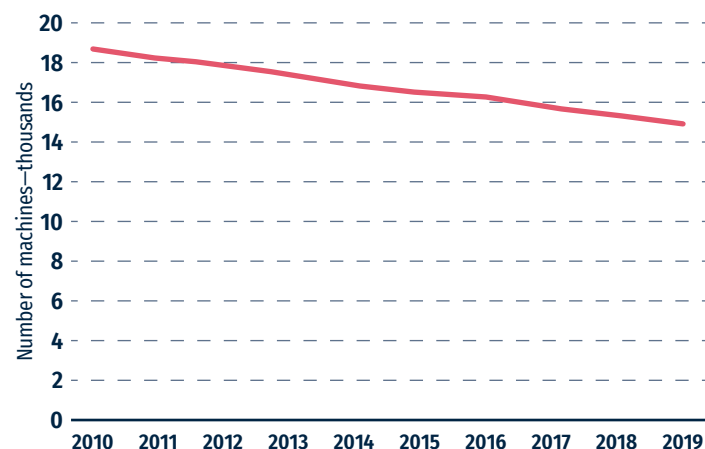
HOUSING

Māori Inequalities

Endnotes

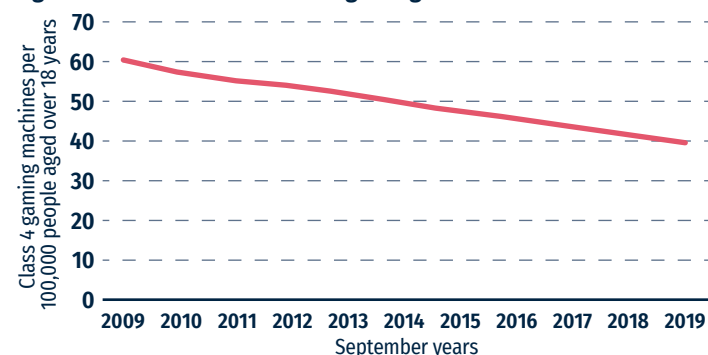
Publishing Details

Figure 35: Overall numbers of Class 4 gaming machines—2010–2019 (September years)



The second key trend is that the turnover from these machines has started to grow again, following a period of contraction. Class 4 machine revenue was declining up until 2014, but it has since risen steadily, amounting to over \$933 million to the year ending 30 September 2019. With the decline in overall machine numbers already discussed above, the per-machine turnover has risen from \$52,000 in 2010, to over \$62,000 spent on each operating machine in 2019. Therefore, more is being spent by New Zealanders on the declining number of Class 4 machines. **Figure 36** shows the prevalence of these machines. In 2009 there were 60 Class 4 gaming machines for every 10,000 people in our nation. By late 2019, this ratio had fallen to 40 machines per 10,000 people. The remaining Class 4 machines are clearly very profitable, and it is likely that they will continue to bring in revenue despite the declining prevalence and overall number of machines.

Figure 36: Prevalence of Class 4 gaming machines—2009–2019⁹⁷



Decline in number seeking gambling support, but pokies primary source of harm

Another indicator we have used in this report is data from the Ministry of Health's Gambling Helpline. The most recently available dataset is from 2017/18. In the year ending July 2010, there were over 13,000 total clients using the Gambling Helpline service. By July 2018, this had declined to just over 10,500 clients. Therefore, there has been a consistent downward trend in the Gambling Helpline's client numbers. Over the five years from 2013 to 2018, total clients had declined by 15% and new clients had decreased by nearly 11%. Clients from Māori, Asian and Pacific backgrounds have also decreased between 2013 and 2018.

In the year ending July 2018, Māori clients accessing help made up 35% of the total number and Pacific people comprised over 19%. Māori and Pacific people are disproportionately represented in these figures. Additionally, as **Figure 37** shows, Class 4 gambling remains the most common reason why people contact the Gambling Helpline. In 2018, over 51% of clients identified Class 4 or



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

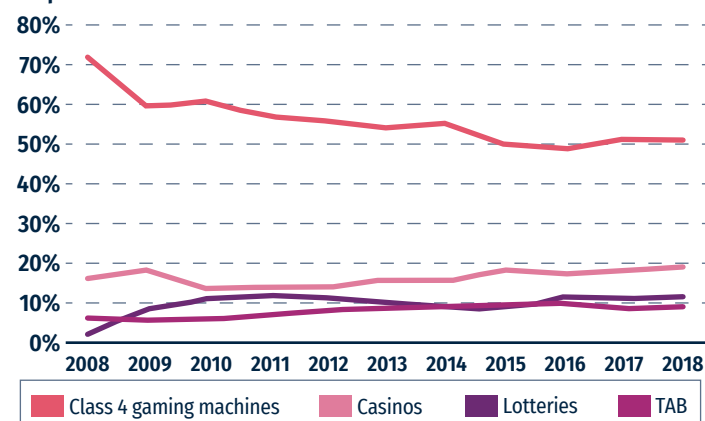
Māori Inequalities

Endnotes

Publishing Details

pokie gambling as their main source of gambling problem. It is useful to note that more people are identifying casino gambling as their main gambling activity, rising from 16% of clients in 2013 to 19% in 2018.

Figure 37: Problem gambling identified by those seeking help from Helpline—2008–2018⁹⁸



PROBLEM DEBT AND PREDATORY LENDING

Non-bank lending stabilising

The *State of the Nation Report 2019*, was the first time we included a measurement of debt and fringe lending. Borrowing money and accessing credit are normal aspects of our financial system; however, if the interest on these loans is exploitative, or the lending is done in an unscrupulous way, then this can trap people and whānau in debt traps or debt spirals. The indicator we used was the Reserve Bank's data on non-bank financial institutions and their consumer finance lending.

Since December 2004, the Bank has conducted a quarterly survey of non-bank financial institutions (NBLIs). NBLIs are financial institutions with total assets of \$5m or more at the consolidated group level, whose principal business is credit provision and borrowing money from the public and/or other sources.⁹⁹ We have continued this measurement in the *State of the Nation Report 2020*. **Figure 38** shows that lending from these types of institutions has stabilised to sit at around \$4.8 billion by September 2019. This is over 3% growth since September 2018, but it is still a massive 40% increase since 2014, which indicates this part of the lending sector has grown in recent years.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

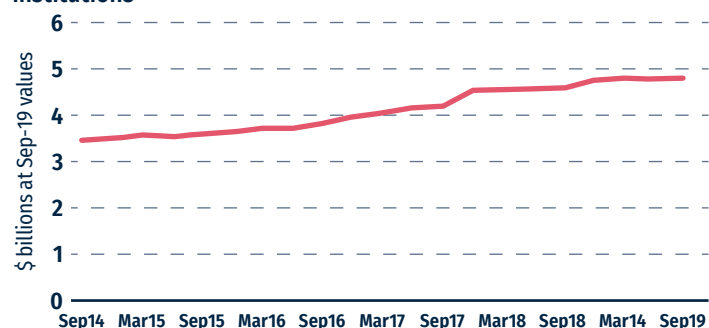
SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

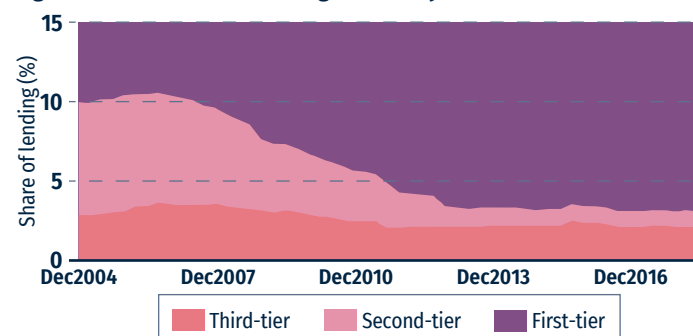
Figure 38: Unsecured consumer lending by non-bank financial institutions¹⁰⁰

Increased focus from on financial hardship, financial wellbeing and capability

In the last 18 months to 2 years, there has been some significant activity in this space, particularly around reforms to the Credit Contracts and Consumer Finance Act (CCCFA) that regulates the majority of credit contracts and arrangements entered into by New Zealanders. In 2019, an alliance of NGOs, community and iwi groups led a campaign for the inclusion of an interest rate cap mechanism into the legislation. The government agreed in September 2019. Furthermore, The Salvation Army launched two Good Shop vans to provide safer and more ethical lending and mobile shopping in poorer communities. Finally, there has been a marked increase in various research reports, discussion papers and debt-related initiatives within government circles, universities and NGOs. For example, a recent 2019 BERL Economics report, *The Harm from High Cost Lending*, gives a detailed broader picture of problem debt in New Zealand, as it relates to people taking out high-cost short-term loans with non-bank lenders (with second- or third-tier lenders). BERL argues that second-tier lenders (e.g. credit unions, building societies, deposit-taking finance companies) are being squeezed out

of the lending market through the rapid growth of first-tier lenders (e.g. major banks).¹⁰¹ BERL adds: *The reduction in the second-tier lenders and the changing structure of the non-bank lending market has resulted in an abundance of market opportunities for third-tier lenders to expand in the personal consumer lending space. While the total quantity of the personal consumer lending is not greater than pre-GFC levels, the reduction of second-tier lenders in this market has allowed third-tier organisations to pick up the lending that was previously served by the second-tier lenders. These changes have driven the visible growth in third-tier lenders, particularly in the high cost short term lending market.*¹⁰²

Figure 39 depicts these changes in the lending market in New Zealand since 2004.

Figure 39: Share of the lending market by tiers¹⁰³

Problem debt and predatory lending are critical factors in the interrelated complexity of the social challenges that some people and whānau face. Additionally, financial wellbeing and capability are pivotal to a person's or whānau's overall wellbeing. Therefore, the increased focus and activity on these areas at the community and government levels is welcome.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

ASSESSMENT: SOCIAL HAZARDS

ALCOHOL	RESULT
Alcohol availability continues to grow in our nation, which follows the trend from previous years. But this year, it is difficult to ignore the data on hazardous drinking, particularly from men, people aged 18–24 years and Māori. Convictions for drink-driving related offences remains stable, despite steady incline in the number of RBTs.	NC
ILLICIT DRUGS	
Methamphetamine continues to dominate the illicit drug situation in our nation, particularly with prosecutions, convictions and wastewater testing revealing the scale of the problem. At the same time, cannabis use continues to increase. In light of the cannabis-related referenda in 2020, the debate in this area will continue to heat up and will require robust evidence and open public discussion.	—
GAMBLING	
There was a mixed bag in terms of gambling expenditure, but some clear facts emerged, including the overall decline of Class 4 gaming machines (pokies) across New Zealand. However, the losses from the remaining machines has increased, showing the damage and impact of these pokie machines. Furthermore, pokies remain the primary source of gambling for people seeking help with the Gambling Helpline.	NC
PROBLEM DEBT AND PREDATORY LENDING	
Lending from non-bank institutions has stabilised, most likely due to the increased attention, policy reforms and advocacy in this credit/debit space. The year 2019 was extremely busy with major policy reforms, increased public knowledge, strong community advocacy and a growing awareness of the importance of financial matters when looking at hardship and overall wellbeing.	+

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



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

HOUSING

In the *State of the Nation Report 2019*, we highlighted some significant changes taking place in housing markets and housing policy in New Zealand. In 2020, it became clear that these changes are continuing. The New Zealand housing story basically has two key parts: what is happening in Auckland, and what is happening in other parts of the country. These two key parts are linked. For example, the housing and population pressure that Auckland was facing over the last several years seems to have shifted into other areas, including the Bay of Plenty, Gisborne and Hawke's Bay. Furthermore, this housing pressure in these areas outside of Auckland indicates that more effort is required to build more social housing in these places.

The Auckland part of our national story is still crucial; for instance, rents in Auckland seem to have moved generally in line with wages in the past year, but rent that Aucklanders pay is still significantly higher than the national average and are less affordable relative to wages. The Auckland part of the story is distinctly one where tenants are under more stress and facing increasingly unaffordable renting situations.

Also, Statistic's New Zealand's (StatsNZ) revision of Auckland's population saw a reduction in the estimated population by 77,500. This revision has resulted in some important changes in our *State of the Nation* analysis. The Salvation Army has tried to consistently apply the same methods of analysis over the various versions of this report. For 2020, this has resulted in significant changes due to the population revision. It has highlighted the changes in migration flows within the country, and the

sufficiency of the housing supply in these locations. Data has also revealed that in 2020 our previous reports of the housing shortage in Auckland has now become, what could statistically be considered, a housing surplus. However, the actual nature of this 'surplus' is difficult to completely understand. We have reported on a housing supply deficit in Auckland since 2009. Now with these amended 2018 Census figures, The Salvation Army contends that this 'surplus' is likely to constitute an erosion of the accumulated housing supply deficit that has continued and grown over the last decade. We do not believe that this means there is suddenly an excess of total supply over demand in Auckland, but that the new building may now be catching up with population growth and beginning to reduce the overall shortfall in supply. The conclusions on this must be considered provisional, but we aim to report on the data as it emerges and as we have tracked and reported for over 10 years. A more accurate picture will emerge when StatsNZ releases its final population figures for Census 2018, later in 2020.

Consequently, the real housing problem in Auckland might in fact be about unaffordable house prices, income levels and a resulting potential bias against low-income tenants. We may be seeing a strongly differentiated market, catering well for those who are already homeowners, but not necessarily for low-income families. To address this, a more comprehensive and ambitious social housing building programme is needed in both Auckland and other areas around the country.

Finally, housing-related debt continues to rise relative to both GDP and household incomes. This type of debt



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

is at record levels. In the context of somewhat mixed prospects for our economy, The Salvation Army's view is that the risks associated with these debt levels must become more of a focus for national policy discussion and development.

HOUSING AVAILABILITY

Changes housing supply story

The Salvation Army, alongside other organisations and individuals, has previously talked about the critical effects the Census 2018 had, and will have, on social policy and social research. StatsNZ has now revised its sub-national population estimates, with the release of more preliminary results from the 2018 Census.¹⁰⁴ This revision is a result of the new outcomes-based migration measure, which is part of StatsNZ's Migration Data Transformation project. Also, these revisions will continue into 2020 as final results of the 2018 Census become available. Therefore, these updated 2018 results mean analyses and discussions presented in the *State of the Nation Report 2019* is markedly different from this 2020 report.

As a result of these revised figures, there is now a small reduction, of 44,500, in the total number of people estimated to be resident in New Zealand. There is also a significant redistribution of estimated regional populations. This redistribution massively impacts on the housing shortage statements presented in previous *State of the Nation* reports and elsewhere. A word of caution: the *State*

of the *Nation* reports primarily use data and statistics that are publicly available, and the final Census 2018 figures were not available at the writing of this report. The most up-to-date StatsNZ statistics were the revised figures which we have used. Therefore, even though these revised population figures have led, in our analysis at least, to a housing surplus in Auckland, this must be seen in light of the absence of the final actual population data from Census 2018. A summary of population change, compared with new house building, using these revised estimates is provided in **Table 22** for the most recent ten years of available data.

Table 23 offers a summary of the differences in StatsNZ's sub-national population estimates. This table shows that StatsNZ's 2018 revised estimate of Auckland's population is down by 77,500 people, and the estimate for New Zealand is down by 44,500 people. By implication, the estimate of the population for the rest of New Zealand, excluding Auckland, increased by over 33,000 people.

Previous *State of the Nation* reports have applied a straightforward logic to estimating the mismatch between population growth and new house building by applying the average occupancy rate for New Zealand and for Auckland to the estimated population growth. This application gives the number of new dwellings required for the population growth without the average occupancy rate rising. Such a rise is posited as an indicator of deteriorating housing conditions. The average occupancy rate for Auckland in 2013 was 3.09 people per dwelling, and in New Zealand it was 2.75. This means the average occupancy rate outside of Auckland was around 2.6 people per dwelling.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 22: Estimates of population change and new house building—2009–2019¹⁰⁵

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NEW ZEALAND											
Resident population	4,302,600	4,350,700	4,384,000	4,408,100	4,442,100	4,509,700	4,595,700	4,693,200	4,793,900	4,841,000	4,917,000
Annual population growth		48,100	33,300	24,100	34,000	67,600	86,000	97,500	100,700	47,100	76,000
Dwellings required for population growth		17,491	12,109	8,764	12,364	24,582	31,273	35,455	36,618	17,127	27,636
Consents for new dwellings		16,167	13,539	15,414	18,783	23,316	25,154	29,097	30,453	32,860	34,804
Surplus/deficit		-1,324	1,430	6,650	6,419	-1,266	-6,119	-6,358	-6,165	15,733	7,168
AUCKLAND											
Resident population	1,421,700	1,439,600	1,459,600	1,476,500	1,493,200	1,518,240	1,543,280	1,568,320	1,593,360	1,618,400	1,642,800
Annual population growth		17,900	20,000	16,900	16,700	25,040	25,040	25,040	25,040	25,040	24,400
Dwellings required for population growth		5,793	6,472	5,469	5,405	8,104	8,104	8,104	8,104	8,104	7,896
Consents for new dwellings		3,656	3,394	4,197	5,343	6,873	8,300	9,651	10,364	12,369	14,032
Surplus/deficit		-2,137	-3,078	-1,272	-62	-1,231	196	1,547	2,260	4,265	6,136
REST of NEW ZEALAND											
Resident population	2,880,900	2,911,100	2,924,400	2,931,600	2,948,900	2,991,460	3,052,420	3,124,880	3,200,540	3,222,600	3,274,200
Annual population growth		30,200	13,300	7,200	17,300	42,560	60,960	72,460	75,660	22,060	51,600
Dwellings required for population growth		11,698	5,637	3,294	6,959	16,478	23,169	27,351	28,515	9,024	19,740
Consents for new dwellings		12,511	10,145	11,217	13,440	16,443	16,854	19,446	20,089	20,491	20,772
Surplus/deficit		813	4,508	7,923	6,481	-35	-6,315	-7,905	-8,426	11,467	1,032



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

This approach indicates that if the population growth is less than expected, then the number of additional dwellings to house this population will be less as well.

Table 22 also indicates that the estimated housing shortage in Auckland, commented on in previous reports, has now, at least statistically, become a housing surplus, based on consistently applying the logic we have used in other *State of the Nation* reports. The estimated decrease of 77,500 people from Auckland's population means that at a rate of 3.09 people per dwelling, around 25,000 fewer new dwellings were required to cater for the population growth in the city between 2013 and 2018. Previous *State of the Nation* estimates of the housing shortage between 2013 and 2018 suggested a deficit of 18,000 dwellings. With StatsNZ's revised estimates for Auckland population this deficit of 18,000 units has tuned into a surplus of 7,000. But as stated earlier, this surplus is likely to mean that the deficit we have consistently reported on has now begun to be reduced after considering these StatsNZ revised population figures from the 2018 Census. Outside of Auckland the reverse has applied, with a previously estimated shortfall of 2,300 units between 2013 and 2018, now growing to an estimated deficit of 11,200. The Salvation Army acknowledges this is a major change in housing supply in Auckland that we have previously reported on. But this is the consistent approach we have applied in this report, and these are the best figures we have at hand.

StatsNZ has recently suggested that some of these changes in the estimates might be because population growth has been stronger than expected in Northland, Bay of Plenty and Hawke's Bay, and weaker than expected in Christchurch.¹⁰⁶ This observation is consistent with other data presented in this report of a softening housing market in Christchurch,

alongside growing housing problems for low-income households in Northland, Rotorua and Hawke's Bay.

Subsequently, a fundamental question emerges: If there are sufficient houses being built to cater for the population growth in Auckland (as **Table 22** indicates), what then are the causes of the apparent increases in homelessness and housing stress in our nation's biggest city? Both the current and previous governments have consistently promoted the message that the answer to Auckland's housing problems lays in building more houses across the city. Auckland's housing issues are not just about a lack of housing stock in total; instead, the city's housing stress is more likely the high cost of housing (relative to the incomes of the poorest quarter of Auckland households). Housing is therefore unaffordable for many Aucklanders. The crucial issues are income levels, housing costs and distribution, and not necessarily housing supply.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Table 23: Summary of changes in StatsNZ's sub-national population estimates—2013 and 2018¹⁰⁷

	2013 population	2018 population	Change	Dwellings required	Consents for new dwellings	Difference
NEW ZEALAND						
Previous StatsNZ estimates	4,442,100	4,885,500	443,400	161,236	140,880	-20,356
Current StatsNZ estimates	4,442,100	4,841,000	398,900	145,055	140,880	-4,175
AUCKLAND						
Previous StatsNZ estimates	1,493,200	1,695,900	202,700	65,599	47,557	-18,042
Current StatsNZ estimates	1,493,200	1,618,400	125,200	40,518	47,557	7,039
REST of NEW ZEALAND						
Previous StatsNZ estimates	2,948,900	3,189,600	240,700	95,638	93,323	-2,315
Current StatsNZ estimates	2,948,900	3,222,600	273,700	104,537	93,323	-11,214

New house building consents reaches new heights

Figure 40 shows that consents for new dwellings exceeded 37,500 during 2019, which is the highest level in the last 20 years. Dwelling consents for Auckland amounted to 15,150 in 2019, which is also another record high. The major dip between 2009 and 2011 is a direct result of the GFC and resulting pressures.

Figure 41 reports new dwelling consents as a proportion of the existing housing stock and compares this with annual population change. This comparison offers some explanation for the housing shortage which is emerging outside of Auckland, and reported in aggregate in **Table 24**. Usually, the numbers of new dwelling consents as a proportion of the existing housing stock is larger than population growth. This needs to be so if housing availability is to be maintained, given that a small number of dwellings are abandoned or demolished in any one year.¹⁰⁸

As **Figure 41** shows, the only period where new house building has not exceeded population growth for any extended period over the past 27 years is between 2014 and mid-2017. The recent dip in the rate of population growth alongside sustained growth in building consent numbers may mean that as a country we are beginning to get on top of the aggregate housing deficits, which emerged because of high population growth since 2013. But this shift does not necessarily mean an end to homelessness and other housing stress for low-income households, given that there is no guarantee that the new houses being built will be suitable or affordable for these households.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

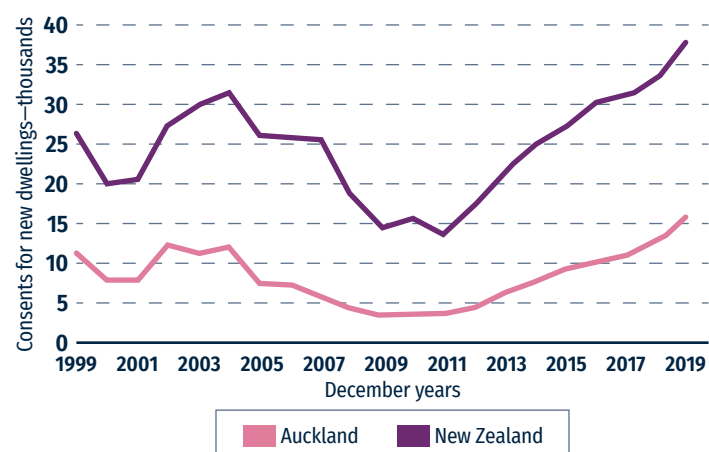
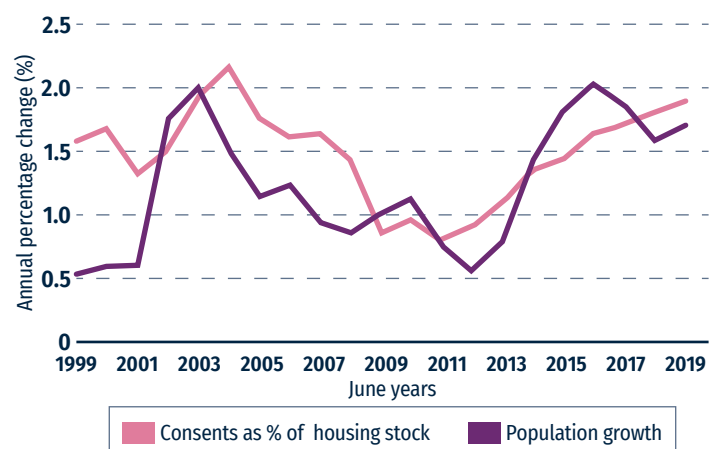
SOCIAL HAZARDS

HOUSING

Māori Inequalities

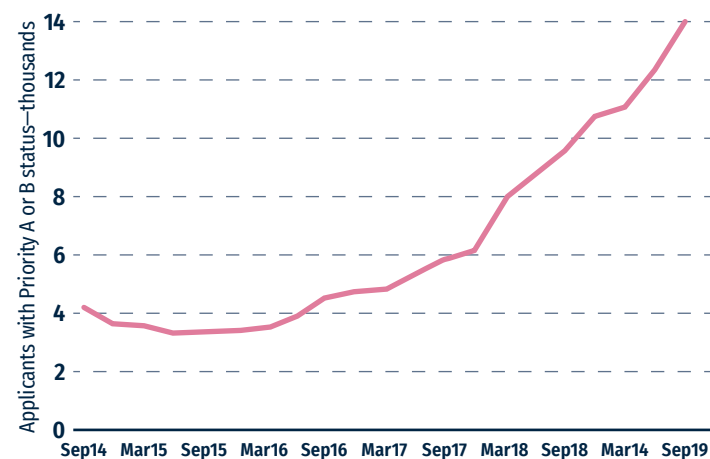
Endnotes

Publishing Details

Figure 40: Consents for new dwellings—1999–2019¹⁰⁹Figure 41: Comparison of population growth and new house building¹¹⁰

Social housing (public housing) waiting list reaches 14,000

The number of households judged to have severe or significant unmet housing needs and who have priority access to social housing, continued to rise during 2019. By the end of September 2019, this number was at 13,966 people or households. Data for the December 2019 quarter was not available at the time of publication, but this waiting list was expected to exceed 14,000 applicant households by the end of 2019. The waiting list for the past five years of available data is reported in **Figure 42**. The total number of households on the priority waiting list grew by 47%, or by 4,430, during the 12 months to 30 September 2019. All of this increase was in the Priority A category, which grew by 66%.

Figure 42: Public housing register—2014–2019¹¹¹

Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Regional challenge for unmet social housing demand

Table 24 highlights the regional distribution of unmet demand for social housing. This table offers data from the September 2019 quarter for the unmet priority demand by housing region¹¹² and compares this with the number of public housing tenancies. This is the number of tenants in housing owned or managed by Kāinga Ora. Kāinga Ora is the new state housing delivery agency that combines Housing New Zealand, the KiwiBuild Unit and the development group HLC. The number of public tenancies is used here as a proxy for the stock of state-owned social housing.¹¹³

The regional breakdown of this growth in unmet housing need shows more acute levels of need in specific areas. For instance, those from Hamilton on the social housing waiting list increased by 402 households in the year ending September 2019—almost an 87% increase in one year. In Rotorua, the list grew by 225 households in the year ending September 2019—a 136% increase. For Auckland, the waiting list grew by 1349 households in the 12 months to September 2019—a 35% increase.¹¹⁴ Nearly 38% of the total list is from the Auckland region, with a large majority coming from local board areas in the South and West Auckland regions.¹¹⁵

Table 24 also shows the stock of state-owned social housing is most inadequate in the Central North Island from Waikato to Manawatu, but excluding Taranaki. Social housing is also insufficient in the West Coast-Tasman region. Supply is most adequate—but still not enough—in the main cities of Auckland, Wellington and Christchurch. Clearly more emphasis needs to be given to building additional public housing in regions with high levels of demand relative to available stock.

Table 24: Regional breakdown of social housing demand and public housing stock—September 2019¹¹⁶

Housing region	Priority demand	Public housing tenancies	Demand as % of tenancies
Northland	485	2,091	23%
Auckland	5,257	31,601	17%
Waikato	1398	4540	31%
Bay of Plenty	999	2,721	37%
East Coast	1,295	4,088	32%
Central	792	2,275	35%
Taranaki	239	1,244	19%
Wellington	1,550	8,448	18%
West Coast-Tasman	526	1,440	37%
Canterbury	1,081	7,887	14%
Southern	332	1,845	18%
Unknown	14	68	21%
New Zealand	13,966	68,248	20%

Gradual growth in social housing units

The Ministry of Housing and Urban Development reports that at the end of September 2019 there were just over 69,600 social housing rental units. This was a growth of just over 3,400 units over the preceding two years—a stock growth of over 5%.

The stock owned by NGO providers, appears, on the face of it, to have grown at an exceptional rate over the past two years. In March 2017, this sector contributed fewer than 3,500 units to the recognised stock of social housing; but, by September 2019, this contribution had almost doubled to



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

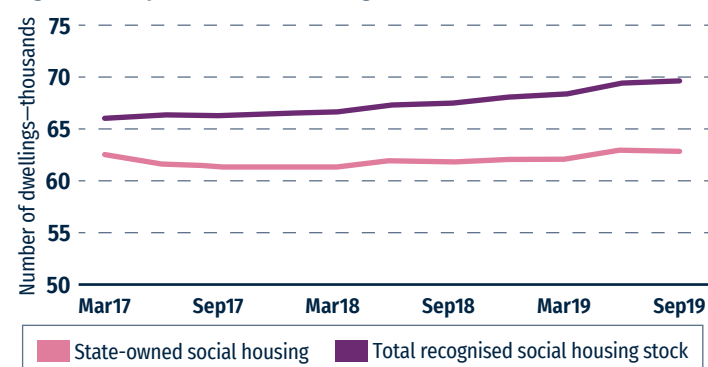
Endnotes

Publishing Details

over 6,700 dwellings. These additional 3,200 units comprise, in the large part, the sale/transfer of over 1200 state-owned units in Tauranga, to Accessible Properties, in early 2017, and the inclusion of social rental housing properties owned by local councils, and now included in the income-related rent subsidy (IRRS) programme. The number of new units brought into this stock by NGO providers over the past two years is not reported but would probably amount to fewer than 200.

The second source of growth is in the numbers of units owned by Kāinga Ora. While there are no definitive numbers reported, it appears that this stock has grown by 1500 to 1600 units over the two years to 30 September 2019. This growth is mainly due to the redevelopment efforts started by Housing New Zealand, which are beginning to show results. But even though these redevelopments are bearing some results, there are still some challenges as to how these redevelopment projects are actually being undertaken within these local communities—particularly in Mangere, Porirua and other similar areas. Community regeneration, revitalisation and ensuring local communities are not damaged by these redevelopment projects is vital. Reported stock of publicly owned social housing units and other units owned by NGOs included in the IRRS programme, is shown in **Figure 43** for the period from March 2017 to September 2019.

Figure 43: Reported social housing units—2017–2019¹¹⁷



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

HOUSING AFFORDABILITY

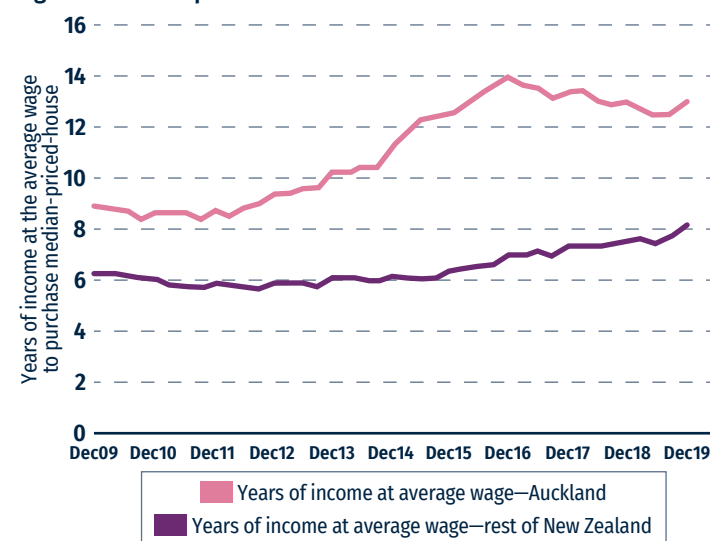
Housing affordability declining outside of Auckland

Median house sale prices continued to reach record levels in regional housing markets outside of Auckland, but, in Auckland, house prices have remained stable, although they are recently beginning to show signs of further increase. Across New Zealand, the median house sale price reached \$629,000 at the end of 2019. Additionally, median prices averaged a record \$600,000 over the four quarters of 2019. This average median is 7% higher than the equivalent figure in 2018, and 39% higher than in 2014.

The median sale price for an Auckland house at the end of 2019 reached \$890,000, which is just ahead of the previous record of \$880,000, set in 2018. On a four-quarter average basis, Auckland's median house sale price during 2019, was \$860,000—the same level as during 2018, and 36% higher than 2014 when it was \$632,500. Outside of Auckland, the average median house sale price reached a record \$502,750, which is nearly 8% higher than the 2018 average of \$467,000, and 46% higher than the 2014 average median price of \$344,000.

Against incomes, Auckland's housing prices have trended slightly downwards since mid-2017, having fallen from a record set in late 2016. At the end of 2019, it took just under 13-years income at the average weekly wage to pay for the median-priced house. This is a similar level to 2018, but still much higher than the 11.1 years experienced in 2014. For house buyers outside of Auckland, this affordability measure has gradually worsened from 6.3 years average in 2015, to 7.5 years in 2018, and now to 8.1 years average for 2019. These trends are illustrated in **Figure 44**.

Figure 44: House price-to-income ratios—2009–2019¹¹⁸



Mixed results in average house sale prices throughout the country

Table 25 reports the changes in average house sale prices for selected cities over the last five years. This table shows that house price growth overall was modest during 2019. It is important to note that these are average house sale prices, and not the median prices that were discussed in the previous section. The main cities saw minimal change in average house prices, with Auckland recording a 2% fall, and Christchurch a small increase of just 1% in the last year. In contrast, some cities with lower than average house values saw significant price increases in the last year. These cities included Rotorua (11%), Palmerston North (10%), Dunedin (11%) and Invercargill (12%). The five-year changes are also significant, showing the major increases in average house sale prices in essentially all the selected cities, except for



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Christchurch. The Christchurch earthquakes might be the likely cause for this slow growth over the last five years. All of these areas have seen increases in house sale prices. But **Table 25** shows the varied results over this five-year period, with Rotorua District experiencing an 82% increase during this period, whereas Christchurch (6%) and Timaru (29%) have seen relatively slower growth in house sale prices.

Table 25: Changes in average house sale prices for selected cities—2014–2019¹¹⁹

	Dec-14	Dec-18	Oct-19	1-Year change	5-year change
Whāngārei District	337,190	563,201	545,547	-3%	62%
Auckland Area	761,945	1,048,145	1,031,447	-2%	35%
Hamilton City	371,819	570,886	592,125	4%	59%
Tauranga City	458,521	720,645	757,521	5%	65%
Rotorua District	269,876	441,722	491,610	11%	82%
Napier City	328,251	526,506	561,394	7%	71%
New Plymouth District	357,617	457,807	481,139	5%	35%
Palmerston North City	289,439	425,543	469,827	10%	62%
Wellington City	541,093	813,052	839,618	3%	55%
Nelson City	410,363	601,571	632,690	5%	54%
Christchurch City	469,742	496,562	499,840	1%	6%
Timaru District	289,474	364,927	374,001	2%	29%
Queenstown Lakes District	693,045	1,193,225	1,202,463	1%	74%
Dunedin City	292,220	434,903	486,395	12%	66%
Invercargill City	204,705	286,275	318,785	11%	56%
New Zealand	487,779	682,938	697,204	2%	43%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

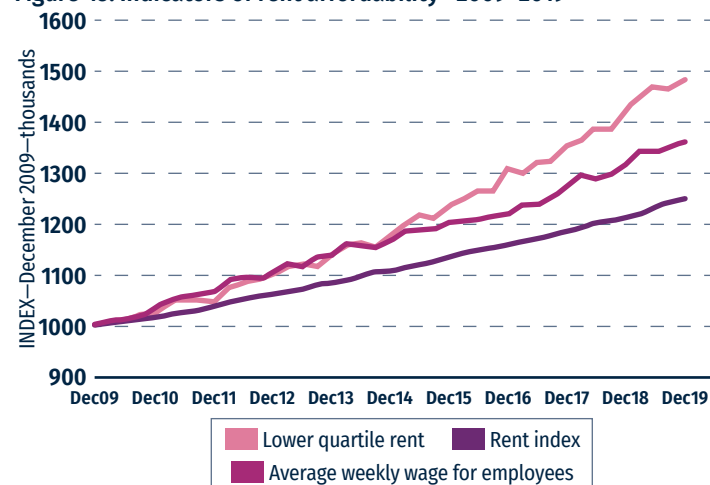
Mixed picture for those renting

Data on trends in rents presented a mixed and somewhat confusing picture of the housing costs faced by tenants. This confusion is represented by the data offered in **Figure 45**. This figure compares two specific indicators: rent index data from StatsNZ's Consumer Price Survey (CPI indicator), and lower quartile rent as reported in MBIE's tenancy bond lodgement data—these are compared with the average weekly wage for employees. The indicators used here have been indexed against a common date (December 2009) to allow comparisons over the subsequent decade.

These two rent indicators do not measure the same thing, and, in fact, offer different glimpses into the housing costs of tenants. The CPI-based indicator is likely to tell a story of changes in rents faced by a broad range of tenants, including those living in social housing and in housing rented at concessionary rates—perhaps because of the relationship between the landlord and tenant. The lower quartile indicator reports on rents faced by tenants establishing a new tenancy in a private sector rental property. This indicator suggests that private sector tenants are having to pay a greater portion of their incomes now, than they would have five or ten years ago.

Essentially, over the period from late 2009 to late 2019, lower quartile rents reported on tenancy bonds rose 48% (in nominal terms), while rents as reported in the CPI survey rose 25%. Over this period, average wage incomes for employees rose 36%. Any argument that rents are rising more quickly or more slowly than wages depends on which of these indicators you choose to rely on. These two indicators began to diverge markedly from each other during late 2014.

Figure 45: Indicators of rent affordability—2009–2019¹²⁰



Summary comparisons of average regional rents and average regional wages are presented in **Figure 46**. The indicators offered here estimate the number of hours it would take at the average gross wage (in each region) to pay the average rent in that region. Each indicator suggests a different trend for tenants. In Auckland, rents were more expensive relative to wages between 2009 and 2016, but they have since stabilised and may now becoming slightly more affordable. In Christchurch, rents rose relative to wages from the time of the earthquakes through to 2014, but have continuously become more affordable since then. Wellington has seen the biggest change in rent affordability over the last decade; in December 2009, it took 11.4 hours to pay the average rent in the region, whereas by December 2019, it would take 13.3 hours of work to pay the average rent. New Zealand overall has also seen a gradual increase in rents relative to wages—from 11.5 hours in 2009, to 13.3 hours in December 2019.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

Figure 46: Rent affordability—average rents compared with average wages—2009–2019¹²¹

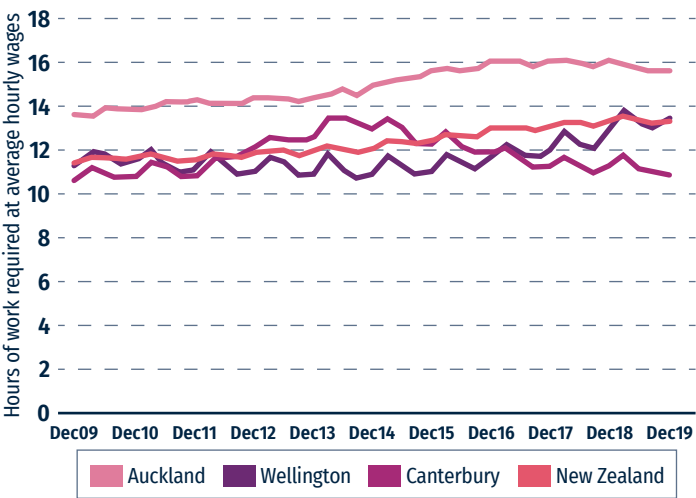


Table 26 records changes in average rents, reported in tenancy bond lodgements for three-bedroom houses in selected lower income suburbs across New Zealand. This data indicates emerging rental pressure in places like Kaikohe, Rotorua, Hastings, Upper Hutt and Dunedin. A confused picture emerges in Christchurch, with suggestions that rents are rising in Aranui but falling in Woolston. This may be due to some equalising process where tenants seeking cheaper accommodation in Aranui are pushing up rents, while demand for accommodation in Woolston and Hornby softens.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities
Endnotes
Publishing Details

Table 26: Average rents for a three-bedroom house in selected low-income suburbs—2014–2019¹²²

	Average 5 years ago	Average 2 years ago	Average last 12 months	5-year change	1-year change
Kaikohe	225	289	325	44.1%	12.5%
Glenfield Central	471	561	582	23.5%	3.7%
Ranui North	402	465	486	20.9%	4.5%
Ākarana—Mt Roskill	486	578	601	23.5%	3.9%
Avondale West	448	538	567	26.4%	5.3%
Mt Wellington North	472	559	585	23.9%	4.6%
Ōtāhuhu East	424	484	500	17.7%	3.1%
Manurewa Central	413	494	539	30.5%	9.0%
Papakura East	375	476	500	33.4%	5.0%
Huntly East	249	348	379	52.3%	8.7%
Claudlands—Hamilton	355	429	460	29.8%	7.3%
Greerton—Tauranga	328	435	460	40.2%	5.6%
Fordlands—Rotorua	204	313	353	73.0%	12.8%
Flaxmere East—Hastings	280	336	387	38.0%	15.1%
Westown—New Plymouth	363	400	412	13.6%	2.9%
Highbury—Palmerston North	256	342	353	38.2%	3.1%
Cannons Creek North	261	346	382	46.0%	10.3%
Trentham North	348	440	535	53.5%	21.7%
Naenae South	327	446	453	38.7%	1.5%
Mirimar South	458	630	658	43.7%	4.5%
Tahunanui—Nelson	346	390	424	22.5%	8.7%
Aranui	365	336	375	2.9%	11.8%
Hornby South	422	405	417	-1.2%	3.0%
Woolston West	382	367	361	-5.4%	-1.7%
St Kilda West—Dunedin	335	401	455	35.8%	13.5%
Richmond—Invercargill	244	296	326	33.7%	10.1%
National	358	440	465	30.1%	5.7%



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

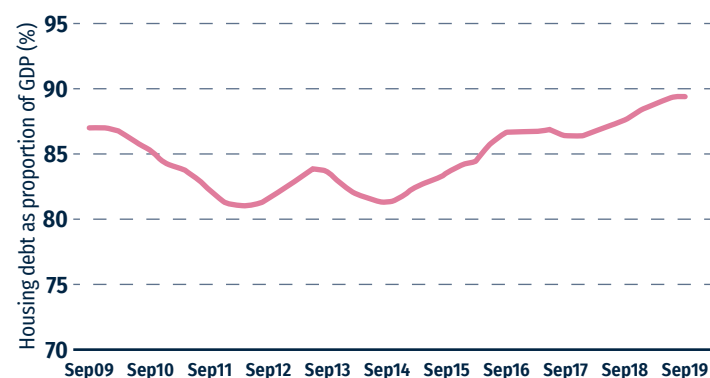
HOUSING AND HOUSEHOLD DEBT

The housing debt binge continues

Housing-related debt rose \$16.6 billion during the 12 months to 30 September 2019 to \$272 billion. This was a 5% increase in inflation-adjusted terms. Over the past five years, housing-related debt has also grown 32% in inflation-adjusted terms, or by over \$77 billion in nominal dollars. As of September 2019, over 27% of this debt is related to rental property, amounting to over \$72 billion. However, it is debt on owner-occupied property which has tended to rise quickly over the past five years—by almost 36% in inflation-adjusted terms, and by \$52 billion in nominal dollars.

As a proportion of GDP, housing-related debt now exceeds the peaks reached by New Zealanders prior to the GFC, around 2008. At September 2019, housing-related debt was 89.4% of GDP for the first time. A year earlier, this ratio was 87.5%, which was slightly higher than the 87% reached in late 2009 at the time of the GFC. Following the GFC, households became less enthusiastic about borrowing, and banks seemingly tightened up in their lending. This is seen in **Figure 47** where housing-related debt as a proportion of GDP, fell to a low of 81% of GDP in early 2012.

Figure 47: Housing-related debt as proportion of GDP—2009–2019¹²³



Household debt remains stable, mortgage-related lending surges

Overall, household debt includes housing-related debt, as well as debt accessed through consumer loans and credit cards. Household debt reached 97% of GDP during 2019 and climbed to more than 158% of household disposable income. On an average household basis, household debt exceeded \$166,400 per household by September 2019. This was a 2.5% real annual increase.

Table 27 and **Figure 48** report various trends in household debt over the past five and ten years.

While total housing-related debt ran ahead of growth in household incomes and GDP, household borrowing, through consumer loans and credit cards, declined in real terms during 2019. At the end of September 2019, total borrowing on consumer loans amounted to \$16.6 billion, and outstanding balances on credit cards totaled \$6.7 billion. Both these figures were virtually unchanged from a year earlier.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

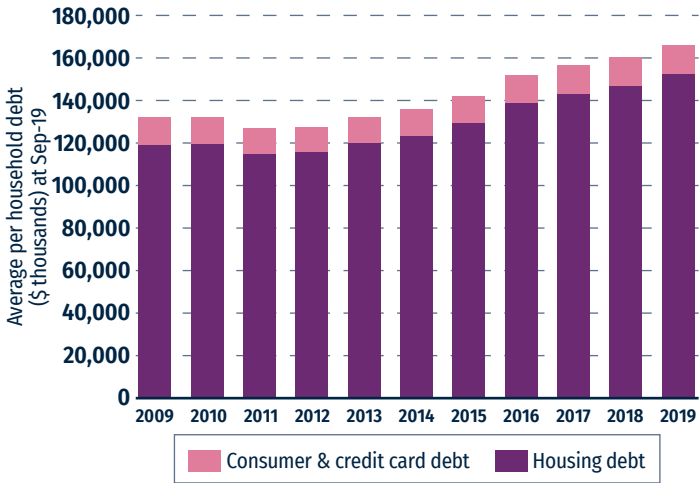
Endnotes

Publishing Details

Table 27: Household debt indicators—2014–2019¹²⁴

	2014	2015	2016	2017	2018	2019
Average per household debt in Sep-19\$	136,239	142,656	152,390	157,101	161,091	166,446
Total household debt as % of GDP	89%	92%	95%	94%	95%	97%
Debt as % of disposable household income	148%	151%	155%	155%	156%	158%

Figure 48: Average household debt—2009–2019¹²⁵



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities
Endnotes
Publishing Details

ASSESSMENT: HOUSING

HOUSING AVAILABILITY	RESULT
In terms of housing availability, the story is mixed. While consents for new dwellings are at an all time high, the social housing register continues to dramatically climb, and there is only modest growth in the stock of public housing. Also, revised provisional population estimate figures from the Government has led us to believe that the more accurate housing story in New Zealand is not about increasing housing supply, but more about household income levels and high housing costs. However, this significant change in our reporting on the housing shortage or surplus in Auckland must be seen in the context of The Salvation Army applying our analysis from previous <i>State of the Nation</i> reports consistently, and also using the most current population figures available at the time of writing. There is still likely to be an overall housing supply shortage in Auckland. But these revised population figures indicate that new building may now be catching up with population growth in the Auckland region and so this overall deficit in supply has begun to be reduced. A clear picture will emerge when StatsNZ releases its final Census 2018 population data later on in 2020.	NC
HOUSING AFFORDABILITY	
Housing affordability remains a problem in Auckland. Cities with lower than average house values saw significant house sale price increases in the last year. These cities included Rotorua (11%), Palmerston North (10%), Dunedin (11%) and Invercargill (12%). For those renting, the affordability issues are even more challenging and mixed. Rents in Auckland seem to be stabilising, while rents relative to wages have been gradually increasing since 2009. There is also evidence of growing rental pressure in Kaikohe, Rotorua, Hastings, Upper Hutt and Dunedin.	—
HOUSING AND HOUSEHOLD DEBT	
Our nation continues to be heavily invested in the housing market, as the housing-related debt and household debt data illustrates. Housing-related debt rose \$16.6 billion during the 12 months to 30 September 2019, amounting to \$272 billion. Housing-related debt is nearly 90% of GDP. Total household debt (which includes housing-related debt and any debt through consumer loans and credit cards) is now equivalent to 97 % of our 2019 GDP.	—

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



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

MĀORI INEQUALITIES—ASSESSING PROGRESS

The vision, 'Huia Tangata Kotahi', seeks positive outcomes for all in this land. This section of the *State of The Nation Report 2020* focuses on outcomes impacting Māori and progress in reducing inequality between Māori and non-Māori.

The indicators were included in the *State of the Nation Report 2019* for the first time, and Te Minitatanga Māori, the Māori Ministry of The Salvation Army, has encouraged us to continue to include these indicators, even as they share our concern that measuring disparity between Māori and non-Māori is not a fully adequate way to measure wellbeing outcomes Māori aspire to. Future reports will look to include measures that better capture these aspirations.

Many of the indicators show improvements for both Māori and non-Māori, but when addressing inequality of outcomes, there is little progress to report. None of the indicators show equal outcomes (i.e. 1.0 ratio).

The best signs of progress in reducing inequality are for young Māori in educational achievement and unemployment. The percentage of Māori leaving school with less than NCEA Level 1 reduced by a quarter between 2014 and 2018, faster than for non-Māori school-leavers, so this area of educational inequality is improving, even though the percentage is still 2.5 times higher. It is important to note that only 11.9% of Māori students who left Māori medium schools (where most of the teaching is done in Māori) in 2018 did not achieve at least NCEA Level 1 compared with 20.6% of Māori leaving English medium schools, suggesting that this form of learning is more effective at reducing the achievement gap.

The rate of young Māori not in employment, education or training (NEET) is slightly lower than in 2014, and the disparity with non-Māori has closed slightly. But the NEET rate for young Māori is still nearly twice as high as for non-Māori.

Nearly half of the indicators (eight) show no reductions in unequal outcomes, but Māori experience significantly worse outcomes than non-Māori over all of them. Average incomes from employment for Māori are rising, but incomes are still on average 20% less than for non-Māori, and the difference is not decreasing. The Māori unemployment rate has reduced, but Māori remain 2.5 times more likely to be unemployed than non-Māori.

Inequality is increasing on seven indicators. Most of the increase in the number children in care has affected Māori. Māori tamariki are more than four times likely to be taken into state care than non-Māori children. The Māori imprisonment rate is higher now than 5 years ago and nearly six times that for non-Māori. Other measures, such as the rate of illicit drug offending, are improving but not as fast as for non-Māori, so inequality has increased despite improved outcomes.

The overall conclusion to take from these indicators is that while reductions in disparity for young Māori in education and employment are to be celebrated, there is too little improvement in overall disparity. The worsening imprisonment rate and the rate of children in state care are areas needing urgent attention.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

MĀORI–NON-MĀORI INEQUALITIES TABLE

INDICATOR	MEASURE	Outcome 2014 Māori	Outcome 2014 Non-Māori	Outcome 2018 Māori	Outcome 2018 Non-Māori	Outcome 2019 Māori	Outcome 2019 Non-Māori	Ratio 2014	Ratio 2018	Ratio 2019
Teenage pregnancies	Pregnancies to 15- to 19-year-olds per 1000 15- to 19-year-old women	62	21	46	15	43	14	2.9	3.1	3.1
Infant mortality	Infant deaths (<1 year old) per 10,000 live births	76	47	40	35	70	36	1.6	1.2	1.9
Children in state care	Children in state care per 1,000 children	10.8	3.1	13.3	3.1	13.4	3.1	3.5	4.3	4.3
Early childhood education enrolment	Proportion of under-5-year-olds enrolled in ECE	54.8%	68.5%	57.3%	68.5%	56.7%	68.2%	0.8	0.8	0.8
Student engagement	Stand-downs per 1000 students	35.7	15	44	18	Not available	Not available	2.4	2.5	Not available
Student achievement	Proportion of school leavers leaving with less than Level 1 NCEA	24.8%	9.0%	20.3%	8.2%	Not available	Not available	2.8	2.5	Not available
Youth offending	Overall offending rate by 12- to 16-year-olds—per 1000 population	18.9	3.9	16.7	2.6	12.9	2.3	4.8	6.4	5.6
Welfare support	Adults receiving a benefit as % of Population aged 18 to 64 years	26.5%	8.2%	24.7%	7.0%	25.1%	7.1%	3.2	3.5	3.5
Unemployment rate	Official unemployment rate	11.8%	4.5%	8.9%	3.6%	8.2%	3.5%	2.6	2.5	2.4
Youth unemployment	Proportion of 15- to 24-year-olds NEET	19.8%	9.3%	18.6%	10.2%	18.6%	9.6%	2.1	1.8	1.9
Personal income from wages & salaries	Average weekly personal income for those employed	\$871	\$1,011	\$969	\$1,162	\$990	\$1,189	0.9	0.8	0.8
Distribution of personal income	Proportion of adults in lowest three income deciles	35.8%	29.3%	34.8%	29.3%	Not available	Not available	1.2	1.2	Not available
Adult prison sentence rates	Proportion of convicted 17- to 19-year-olds who are imprisoned	11.9%	6.2%	11.5%	4.5%	9.3%	2.6%	1.9	2.6	3.6
Imprisonment rate	Number of people imprisoned—per 100,000 population	617	110	717	126	685	119	5.6	5.7	5.8
Recidivism rate	Reimprisoned within 24 months of release	43.2%	36.7%	49.6%	36.7%	46.6%	39.8%	1.2	1.4	1.2
Alcohol consumption	Proportion of adult population as hazardous drinkers	Not available	Not available	31.7%	18.1%	33.2%	18.1%	Not available	1.8	1.8
Illicit drug offending	People convicted of illicit drug offences—per 1000 people	2.6	0.6	2.1	0.5	2.2	0.4	4.3	4.3	5.4
Demand for social housing	Households on social housing waiting list—per 1000 households	Not available	Not available	21.1	3.3	31.5	4.8	Not available	6.3	6.6

A note on the use of ratios: The indicators are assessed using ratios that aim to measure the extent to which the Māori experience diverges from non-Māori on this indicator. A ratio of 1.0 means that Māori outcome is the same as for non-Māori. Ratios greater or less than 1.0 indicate the degree of disparity, either positively or negatively, depending on the type of indicator.



Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

ENDNOTES

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME & PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details

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Framing the Issues
From the Director
Introduction

OUR CHILDREN

WORK & INCOMES

CRIME &
PUNISHMENT

SOCIAL HAZARDS

HOUSING

Māori Inequalities

Endnotes

Publishing Details