



MINISTRY OF
SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Pockets of significant
hardship and poverty

Centre for Social Research and
Evaluation

Ministry of Social Development

Internal advice: in confidence

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Executive summary

Purpose

The 2004 Living Standards Survey identified a group of people living in severe hardship. Since the survey was undertaken, the Government has introduced the Working for Families package, with a range of interventions aimed, among other things, at reducing hardship. Although WFF has increased the weekly payments for eligible families, there may be special circumstances which mean WFF and social assistance may not be sufficient to keep some people from significant poverty and hardship.

Rather than wait until the fuller evidence of the impact of WFF is available over the coming years, additional focused research was undertaken over September and October 2006 to seek to identify particular situations (for beneficiary families especially) that could be alleviated by relatively minor changes to policy, to inform budget bids for 2007/08 and outyears.

The research also sought to explore factors influencing the scope and depth of any pockets of significant hardship and to identify longer-term approaches to address pockets of significant hardship.

Key findings

Household incomes for beneficiaries with no market income generally fall within the bounds of two commonly used poverty lines of 50%-60% of the median equivalised disposable household income. At this level income situations are precarious, with little left over to cope with additional or unexpected costs.

In terms of outgoings to income, the WFF changes to the Accommodation Supplement have helped eligible low income working families and beneficiaries with earned income. But the research found that after paying for housing costs - and even with Accommodation Supplement - the median equivalised disposable household income for beneficiary families with some earned income falls to between 45% and 48% and for beneficiary families with no earned income it falls to below the very stringent 40% after housing costs poverty line, where there is nothing in reserve.

The current AS area divisions were not seen as sufficiently accounting for inter-regional price variations in accommodation caused by booming local economies, housing markets or the influx of seasonal workers.

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There have also been some significant price shocks for beneficiaries this year, and items which have risen more quickly than the CPI include: housing, the power component of household operations costs, transport and credit services. These price increases have caused problems for some beneficiaries. And as CPI adjustments to main benefit are made using national averages, beneficiaries in some regions may be worse off than others, for example those living in cold areas (especially over such a cold winter) will have been affected by the large increases in electricity costs.

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The qualitative research and the literature distinguished between households whose main pressure point was financial hardship and those experiencing multiple disadvantage, for whom increased income alone would not alleviate hardship, and for whom a broader range of support is needed.

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Background

The 2004 Living Standards Survey identified a group of people living in severe hardship. Since the survey was undertaken, the Government has introduced the Working for Families package, with a range of interventions aimed, among other things, at reducing hardship.

For those in work, the WFF package aims to improve income adequacy for low-to-middle income families with dependent children, and to improve rates of take-up of social assistance for working families. For those on benefit, WFF aims to improve income adequacy and financial incentives to work, and to increase the viability of work as a route out of poverty.¹

The \$1.6 billion invested annually in WFF is expected to have a significant positive impact for many families. However there are special circumstances which may mean WFF and other elements of the social assistance package are not enough to keep some people from significant poverty and hardship.

Rather than wait until the fuller evidence on the impact of WFF is available over the coming years, additional focused research was undertaken over September and October 2006 to seek to identify particular situations (for beneficiary families especially) that could be alleviated by relatively minor changes to policy, to inform budget bids for 2007/08 and outyears.

The research also sought to explore factors influencing the scope and depth of any pockets of significant hardship and to identify longer-term approaches to address pockets of significant hardship.

The timeframe meant relying on existing data sources, and 'front line intelligence' gained from interviews and workshops with MSD staff and external stakeholders.

Analysis of existing data included reviewing changes in CPI by expenditure type and regional variations, profiling of the Living Standards' 2004 Survey data, and reviewing information collected for the WFF evaluation, Accommodation Supplement Review and MSD administrative data.

Front line intelligence was collected through focus groups with work brokers, contracts managers, and regional policy advisors. Analysis also incorporated case manager and stakeholder feedback received in the concurrent review of the Accommodation Supplement. Interviews were also undertaken with key stakeholders, for example the Salvation Army and health care providers (see Appendix 1), and research and recent relevant publications from advocacy agencies were reviewed (see Appendix 2). Previous interviews with benefit recipients and MSD case managers were also re-reviewed to glean information relevant to this project.²

Despite the short timeframe, the findings are likely to be robust as there were high levels of agreement between issues raised by MSD staff and by external stakeholders, which in turn were supported by the quantitative data and the literature.

¹ The Working for Families (WFF) package includes:

- increased assistance with accommodation and childcare costs (in stages from October 2004)
- increases to Family Support (the first in April 2005 and the last in April 2007)
- changes to abatement of Family Assistance tax credits
- a new In-Work Payment (introduced in April 2006).

² This included interviews undertaken on the food bank strategy, 2002 DPBWB reforms, support to the very long term unemployed, support to mature job seekers and the mobile employment brokers' initiative.

Who experiences significant poverty and hardship?

Profile from the Living Standards Survey Data

The Living Standards 2004 survey provides the baseline for this research. The Working for Families package has been put in place since 2004 and can be expected to have improved the following findings.

From the 2004 Living Standards Survey it was estimated that 15% of the New Zealand resident population living in permanent private dwellings had very low living standards, with 8% experiencing severe hardship and 7% experiencing significant hardship.³⁴

Of the adult members (18 years and over) of that population in either severe or significant hardship, most:

- were European New Zealanders (50%), followed by Maori (23%), Pacific people (17%) and 'other' (10%)⁵
- had dependent children (54%), in families headed by two adults (33%) or by a sole parent (21%)
- had equivalent disposable incomes⁶ of less than \$20,000 per annum (81%)
- earned a market income (50%), received a main benefit (44%) or NZ Super (6%)^{7 8}
- lived in rented accommodation (63%).

Beneficiary families with dependent children in 2004 had lower living standards than those in 2000. Nearly a third of all families with children who received a main benefit lived in severe hardship in 2004. Since 2000, living standards have also declined on average for families with three or more dependent children, for Housing New Zealand tenants, people with few assets and people with low incomes (relative to family size).

Being a benefit recipient, Maori or Pacific, working in unskilled occupations, being a Housing NZ tenant and having few assets all increased the likelihood of experiencing severe or significant poverty and hardship. Multiple life shocks like marriage break up, job loss, bankruptcy or going to prison, restrictions due to poor health and having multiple payments/debt also increased the risk.

³ The ELSI living standard is based on a score ranging from 0 to 60, based on a set of 40 self-rated economic living standard items. A score of between 0 and 15 indicates severe hardship and a score of between 16 and 23 indicates significant hardship.

⁴ Note that these percentages are for all individuals, including children. The estimates are based on scaling up the survey results (allowing for non-responses) in a way that matches basic demographic characteristics of the population including age, gender, ethnicity and EFU composition. Of the adult (18+) population, 11% had very low living standards (5% severe hardship, 6% significant hardship).

⁵ These figures are based on prioritised ethnicity, the order of priority being Maori, Pacific, Other, European.

⁶ Incomes equalised using the Revised Jensen Scale.

⁷ When the data is analysed by economic family unit (EFU) the proportion receiving a main benefit increases to 50%.

⁸ See Appendix 3 for a fuller explanation of why a larger proportion of people with low living standards are working, rather than on benefit.

Poverty continuum

In line with the Living Standards findings, the qualitative research and the literature distinguished between households whose main pressure point was financial hardship (which increased income alone could alleviate) and those experiencing multiple disadvantage, for whom increased income alone would not be sufficient to alleviate hardship, and for whom a broader range of support is needed.

Figure 1 shows the poverty continuum, based on the qualitative research and the literature.

Figure 1: Poverty continuum and type of response needed to alleviate hardship

Just coping, but no reserves for big bills	power bills dental treatment	car repairs rates	Increased income addresses problem
Costs higher than income	high housing and/or transport costs high power costs high food costs health costs debt repayment		
Life shocks and accumulated adversity	ill-health, job loss, separation funeral costs, poor start in life		Need for additional support increases
'Diseases' of poverty	poor mental and physical health, diabetes, obesity, smoking, drug and alcohol abuse, gambling, debt, family violence, transience, low attachment to education and work		
Poverty entrenched and transferred	long-term benefit receipt, intergenerational dependency		Intensive, wraparound services needed

The following section looks at the extent to which the WFF package has helped reduce significant poverty and hardship through increasing income, helping with accommodation costs and providing financial incentives to work.

Remaining issues contributing to poverty and hardship are then described, including accessibility, affordability and adequacy of housing, transport, power, health services and services to respond to people with multiple disadvantages.

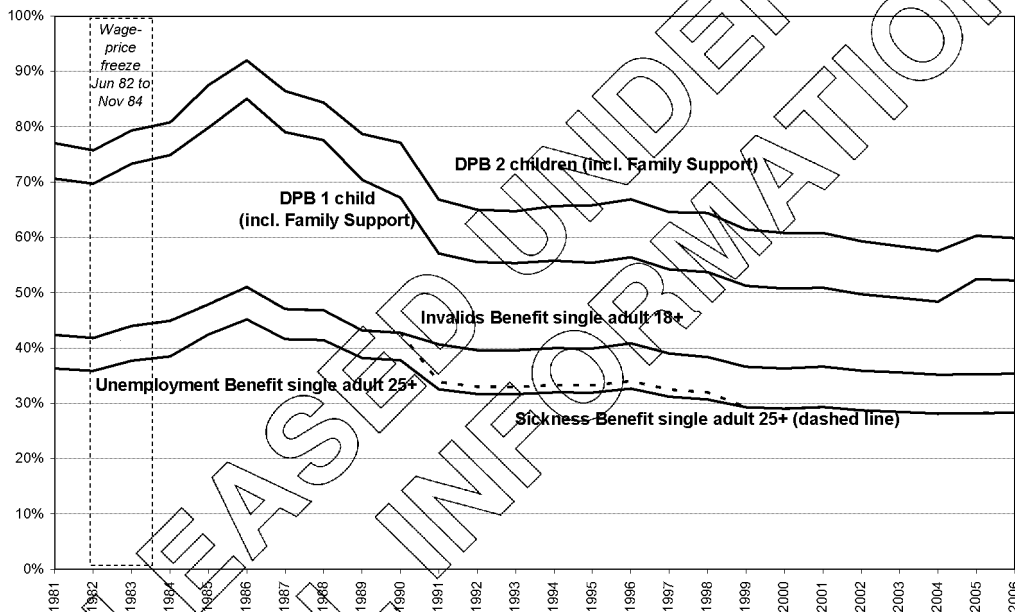
Income

As the 2004 Living Standards Survey showed, poverty and hardship is not limited to people with a benefit income, as nearly half of those identified as experiencing severe or significant hardship received market income (50%). However a higher proportion of the beneficiary group experienced hardship compared to those receiving market income.

WFF has made a difference: between June 2004 and June 2006, WFF has increased the weekly payments for eligible working families by an average of \$64 and by \$31 for beneficiaries who were recipients of Family Assistance, Accommodation Supplement or Childcare Assistance.⁹

However Figure 2 shows that, even with Family Support, DPB recipients' benefit rate sits between 50%-60% of the net average earnings – a level which allows little buffer for additional or unexpected costs.

Figure 2: Real net benefit rates as a percentage of real net average earnings, 1981 to 2006



DPB 'benefit income' includes the rise in Family Support in April 2005 and the restructuring of benefit rates that ended the difference between basic rates for those with only one child and those with two or more children.

In the qualitative research there was a commonly raised view that DPB recipients with one child were comparatively worse off than those with 2 or more children. When the benefit rate is equalised (to take account of different family size), the adjusted rates are very similar for DPB recipients with one child, and two, three or more children. However, there may be higher set up costs faced by DPB recipients with one child, which may explain the view that this group is comparatively worse off.

Benefit rates for single adults with no dependent children sit between 29%-35% of the net average wage.

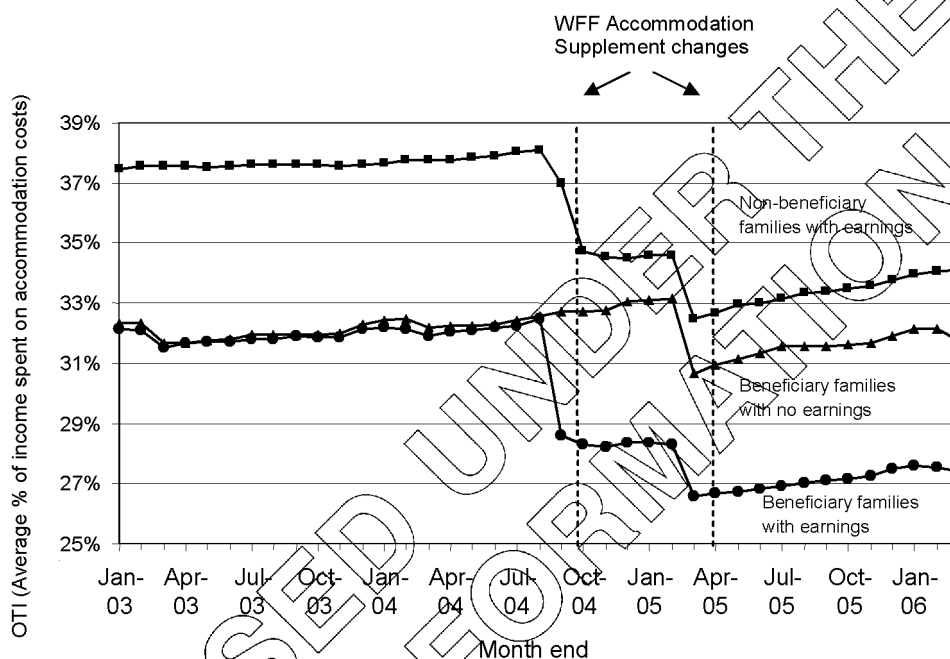
⁹ Data sourced from MSD Information Analysis Platform and IRD Data Warehouse.

¹⁰ 'Benefit income' here does not include targeted third tier assistance such as Accommodation Supplement, Disability Benefits or Child Care Supplements.

Accommodation

Accommodation costs are one of the largest items of household expenditure. As Figure 3 shows, the WFF Accommodation Supplement changes¹¹ helped reduce outgoings to income (OTI) for low income working families and for beneficiaries with dependent children with earned income. OTIs for beneficiary families with no earned income reduced slightly, but is now close to pre-WFF levels.

Figure 3: Outgoings to Income (OTIs) for low income families with dependent children



While the previous section compared benefit rates relative to net average wage, this section compares benefit income relative to the median disposable household income, adjusted for household size and composition (equivalised).

Income before housing costs for beneficiaries with no market income falls within the bounds of two commonly used poverty lines of 50%-60% of the median equivalised disposable household income,¹² a level where income situations are precarious, with little left over to cope with additional or unexpected costs (Table 1).

¹¹ There were two sets of policy changes to AS as part of the Working for Families package:

- from 1 October 2004, AS was no longer abated for main beneficiaries with non-benefit earnings and entry thresholds were lowered and income thresholds raised for non-beneficiaries
- from 1 April 2005, the number of AS Areas was increased from 3 to 4, effectively by separating out a new area of highest housing cost (central and northern Auckland); the maxima were increased for larger households and higher cost areas; income thresholds were increased again for non-beneficiaries and there were small adjustments in entry thresholds following changes in benefit and Family Support rates.

¹² See Appendix 4 for fuller details on poverty measures.

Table 1: 'Benefit income'¹³ relative to the median equivalised disposable household income for beneficiaries with dependent children with no earned income – before housing costs

For people with dependent children and receiving:	Income relative to median equivalised disposable household income	
	AS Area 2 (eg South and West Auckland)	AS Area 3 (eg most of South Island)
Unemployment Benefit	50%-55%	Around 50%
Domestic Purposes Benefit	55%-60%	50%-55%
Invalid's Benefit	Just over 60%	Just over 60%

After deducting housing costs - and even with Accommodation Supplement - the median equivalised disposable household income for beneficiary families with no earned income falls to below the very stringent 40% poverty line, where there is nothing in reserve (Table 2).¹⁴

Table 2: 'Benefit income' relative to the median equivalised disposable household income for beneficiaries with dependent children with no earned income – after housing costs

For people with dependent children and receiving:	Income relative to median equivalised disposable household income	
	AS Area 2 (eg South and West Auckland)	AS Area 3 (eg most of South Island)
Unemployment Benefit	Around 30%	Around 33%
Domestic Purposes Benefit	30%-33%	Around 35%
Invalid's Benefit	Around 40%	Just over 40%

The qualitative research highlighted some of the additional costs faced by some single beneficiaries, who – due to poor mental health – find it hard to share accommodation. The Salvation Army report, *Forgotten People: men on their own* also identified this issue, as well as the additional accommodation costs faced by men who needed appropriate accommodation to maintain shared custody of their children.

¹³ 'Benefit income' here includes Family Support and the Accommodation Supplement.

¹⁴ For beneficiary families **with** earned income, their total income is between 45% and 48% of the median equivalised disposable household income.

Increased costs: housing, power transport and credit services

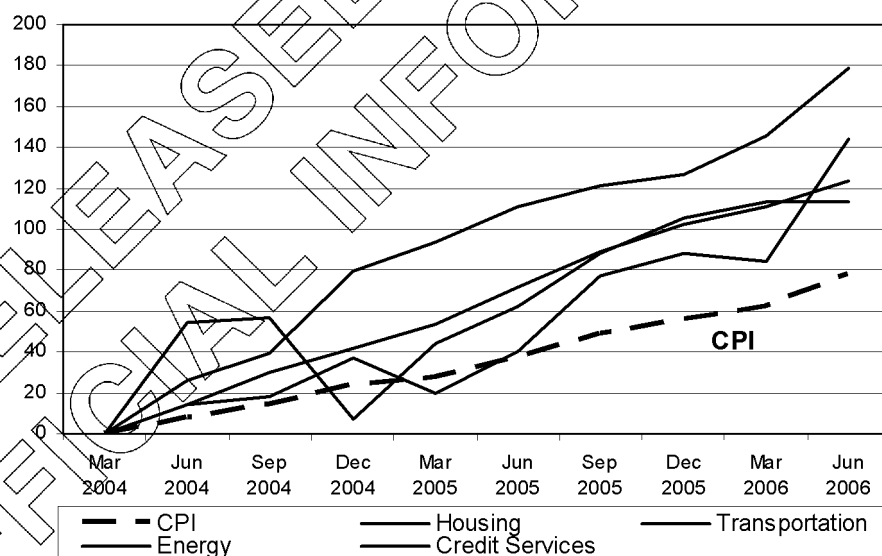
CPI measures average price changes across the population and across the country and is used to adjust beneficiary incomes on an annual basis to account for increased costs. Because the adjustment occurs 'after the event', beneficiaries may experience difficulties coping with price increases before the annual CPI adjustments are made to main benefits, particularly if there are significant price shocks in the interim.¹⁵

As the CPI measures *average* price changes naturally the price of some goods and services will rise more slowly than the CPI, while other components increase more rapidly. Components that have risen more slowly than the CPI in the year to June 2006 include food, apparel, household operations and recreation and education. Items which have risen more quickly than the CPI in the same period include:

- housing (excluding rental)
- the power component of household operations costs¹⁶
- transportation
- credit services.

These rises have presented some significant price shocks for beneficiaries, and include items that may be much more difficult to economise on than such items as apparel and recreation. The rate at which the cost of these items has increased above CPI is shown in Figure 4.

Figure 4: Key items that have risen higher than the CPI 2004-2006



¹⁵ Some social assistance payments (like the Accommodation Supplement) are not CPI adjusted.

¹⁶ Although the household operation group has risen more slowly than the CPI in the year to June 2006 (2.1% as opposed to 4%), the electricity component of this category rose at a faster rate than CPI, at 6.3% during this period. This is highlighted by the identification of a composite subset of energy items (Figure 4), which includes electricity, gas and coal, charcoal and firewood (disaggregated in Figure 6).

These price increases have caused problems for some beneficiaries. And as CPI adjustments to main benefit are made using national averages, beneficiaries in some regions may be worse off than others, for example those living in cold areas (especially over such a cold winter) will have been affected by the large increases in electricity costs.¹⁷ Price increases in basic living costs like electricity can have an even greater effect on beneficiaries, as they spend proportionally more on electricity than higher income groups.

Accommodation Supplement areas and maxima

The Accommodation Supplement (AS) maxima were set at four different levels to account for regional variation in accommodation costs. While AS has reduced the outgoings to income in all four AS areas, the OTI gap between regions has not closed, and the high housing cost areas are still more expensive than other areas.

The current AS area divisions were also not seen as sufficiently accounting for inter-regional price variations in accommodation caused by booming local economies, housing markets or the influx of seasonal workers. Examples given were the West Coast and coastal regions (eg Whitiangia) in which the previously cheap accommodation is now much more expensive. Pressure on accommodation supply had driven up prices in places with booming local economies (eg Palmerston North), and in areas with high seasonal labour markets (Whitiangia, Nelson, Marlborough, Gisborne). Having large student populations (eg Christchurch and Dunedin), was also seen as a factor in driving up accommodation costs due to limited supply.

In some regions, accommodation price increases and lack of availability had led to people sleeping rough (eg in Blenheim at the height of seasonal work), or in house-buses without services like water and sanitation (there are estimates of 70 families living in house buses in the West Coast).

The qualitative research also strongly indicated the need for AS maximas to be re-calculated to take account of increased accommodation costs.

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Also raised was the financial stress placed on homeowners (particularly the elderly) in areas where house prices have increased dramatically, driving up rates and water charges (where these apply).

Interaction between housing and transport

Increased transport costs have offset the lower accommodation costs for people living outside main areas to save money. This has affected people in places with high seasonal work and expensive accommodation (eg Queenstown) or with high accommodation costs due to limited rental stock (eg Dunedin). Also in some places people move between AS area boundaries, and may live in an area with lower AS rates, but face high transport costs to get to work (eg Wanaka and Alexandra, Christchurch and Kaiapoi, Gisborne and East coast, and within Auckland).

A lack of public transport was raised as problem in many areas - from rural areas to poor urban areas. Often poor communities are not well serviced by public transport, and are located at a distance from industries or places where residents are able to find work.

¹⁷ For example, electricity consumption in Dunedin is 20% higher than the national average.

Recent price hikes in public transport has meant that, where it does exist, it is now much more expensive. Whether using public or private transport, for some, the financial gains from work have been seriously eroded through increased transport costs, and in some cases, the high costs of getting to work mean work no longer pays.

In some areas poorly served by public transport (eg Northland, Central Otago, Central North Island) there was concern that people were driving unregistered and unwarranted cars (often without drivers' licences), as the costs of obtaining car registrations, warrants of fitness and licences are prohibitive. Incurring fines for driving illegally further reduce people's financial ability to address the problem.

Through Special Needs Grants (SNGs) Work and Income can assist people to get driver's licences, and Special Benefit (SB) and now Temporary Additional Support (TAS) can be released to help with car maintenance, repairs and registration. A relocation fund is also being developed to help benefit recipients move to areas with greater employment opportunities, and will be in place by April 2007.

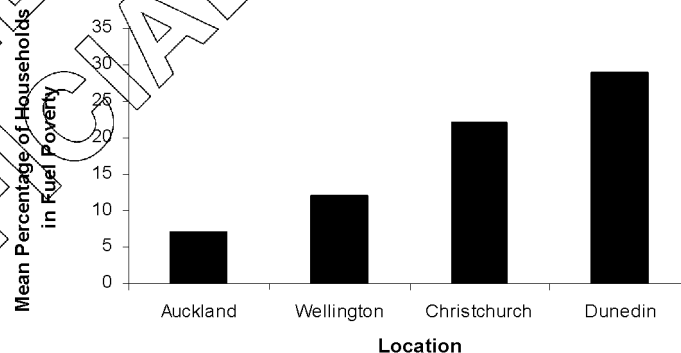
Local Industry Partnerships (LIPs) can provide funding for transport for participants taking up pre-employment training. In some areas funding can be made available to provide transport to work, for example the Rapid Response funding in Whitianga to provide transport for 120 workers for a fish factory that instituted shift work to remain viable.

Interaction between housing and power (heating)

A recent New Zealand study found that households with total gross earnings below \$19,000 - 20,000 per annum are likely to be experiencing fuel poverty¹⁸, which is defined as "...the inability to heat one's home to an adequate (safe and comfortable) temperature owing to low income and poor (energy inefficient) housing"¹⁹

Unsurprisingly, fuel poverty was more likely to occur in areas with lower temperatures (Figure 5). The qualitative research also suggested there may be a cultural tendency for older people in the Canterbury/Otago-Southland regions to 'go without' and not adequately heat their homes.

Figure 5: Mean percentage of households in fuel poverty, by location



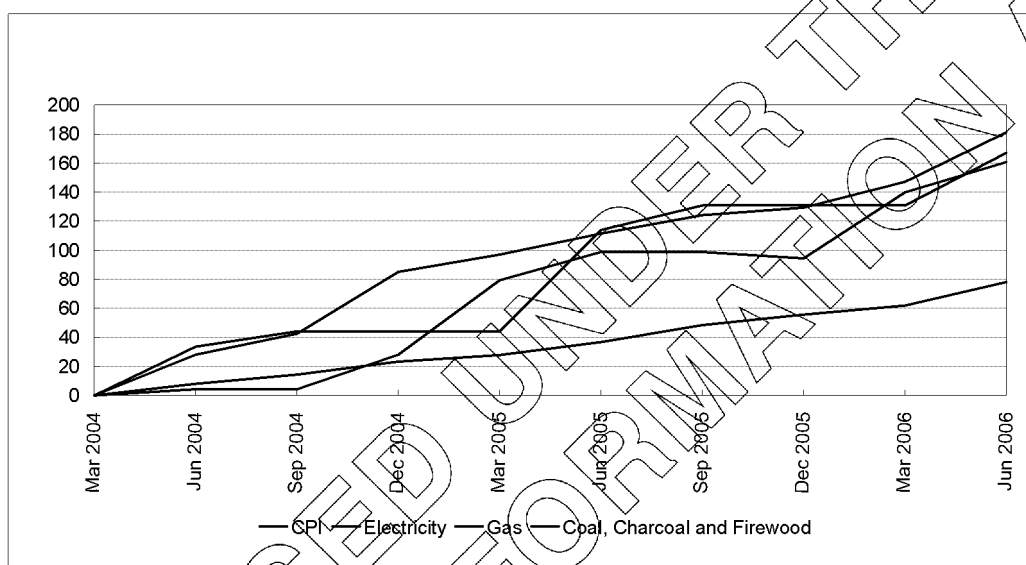
¹⁸ Lloyd, B. (2006). Fuel Poverty in New Zealand. *Social Policy Journal of New Zealand*. 27, 142-155.

¹⁹ Sustainable Energy Ireland (2003). A review of fuel poverty and low income housing. Website: www.sei.ie

Overall, people on low incomes tend to live in rented accommodation, which is often poorer quality housing and much less likely to be insulated. People on low incomes spend a disproportionate amount on electricity relative to the average family. The proportion of expenditure spent by lower income houses on energy has increased more rapidly than the proportion spent by higher income households.²⁰

Recent price hikes in home heating are likely to have exacerbated this problem, as Figure 6 shows that the cost of electricity, gas, coal, charcoal and firewood have all increased at a faster rate than inflation (CPI). These price increases have a greater impact on lower income households, as they already spend a higher proportion of their income on fuel than other families.

Figure 6: Costs of electricity, gas, coal, charcoal and firewood against CPI



Low indoor temperatures are associated with increased health risks in vulnerable people. This includes asthma and other respiratory conditions in young children, and increased risks of coronary and cerebral incidents in older people.

There are currently two main types of assistance with power costs available to Work and Income clients: ongoing assistance via the power component of the Disability Allowance, and one-off third tier assistance via Special Needs Grants and Advances on Benefit.²¹ Temporary Additional Support may also be available for electricity costs in some circumstances. Take-up of this additional income assistance is higher in cold areas, but even in cold areas, older people are less likely to take-up this assistance than others.²²

²⁰ Isaacs, N., Camilleri, M., & Pollard, A. (2004). Housing, health, and energy. In *Housing & Health: Research, Policy, and Innovation*. (Eds. P. Howden-Chapman, & P. Carroll) pp. 126-143. Steele Roberts: Wellington.

²¹ Ireland have introduced a standard winter supplement for beneficiaries, together with an additional payment for IB/SB (equivalent) clients who meet certain criteria, and free electricity for some beneficiaries (those in most severe circumstances).

²² Of the total mean number of Disability Allowances paid per month, the proportion paid for electricity is two to five times higher in the Canterbury and Southern regions than other regions. A higher proportion of Special Needs Grants (SNGs) were paid for electricity in the Canterbury and Southern regions compared to other regions. For every 100 SNGs paid for electricity in other regions (North Island plus Nelson), 133 SNGs were paid in Canterbury and 266 in the Southern region. Older people may also be less likely to seek assistance

In addition to income assistance, many of the external and some internal stakeholders thought that more could be done to increase landlord responsibility, with some suggesting introducing 'warrant of fitness' for rental properties and financial incentives to improve housing quality (eg insulation).

MSD's Labour Market Development 'Enterprising Communities' grant funding for 'Healthy Homes' has creating employment opportunities as its main goal, and provides training and employment opportunities for disadvantaged people employed by the programme as well as improving home insulation and health outcomes for residents. MSD also supports housing retro-fitting projects (insulation and heat pumps), with local iwi, community groups, Housing New Zealand, District Health Boards and the Energy Efficiency and Conservation Authority (EECA).

MSD has undertaken work with the Electricity Commission developing the retailers' *Guidelines to Assist Low Income Domestic Consumers* and a *Protocol between Electricity Retailers and Social Agencies*. MSD is currently meeting with electricity retailers at a regional level to discuss initiatives aimed at reducing disconnections and supporting low income households to pay their bills (for example, Contact Energy's Smooth Pay, which spreads payments across the year).

Other accommodation issues

External stakeholders raised the need to extend AS to people in respite care, community housing or not-for-profit housing. There was also suggestion that AS should be available for people who are asset-rich but income-poor: for example, people whose homes had increased in value, making them asset-rich, but who now faced difficulties paying their rates bills. This was seen a particular problem for older people.

The disincentive for Housing New Zealand tenants to enter employment was also raised by both internal and external stakeholders, as their increased income means they are no longer eligible for Housing New Zealand support, and they face the double hit of having to move as well as having to pay market rents.

The Living Standards Survey showed that having assets can help protect people from poverty and hardship, and in the qualitative research the need to provide better pathways to home ownership was often raised. It was also noted that while AS helps people to meet their accommodation costs, it does not help them avoid the 'rental trap'.

Broader structural issues were also raised in terms of the effect on social cohesion and safety resulting from housing mix, where high levels of community housing and/or rental accommodation could create 'ghettos' with high concentrations of vulnerable or poorly functioning families, which in turn made areas less attractive to home owners and businesses. In Auckland, Wellington and Christchurch there were also concerns raised about housing for refugees, for example overcrowding and its effect on health outcomes.

with electricity costs, as indicated by the low numbers of New Zealand Super clients seeking Advances on Benefit for electricity. (Source: Southern Comfort discussion paper).

Health

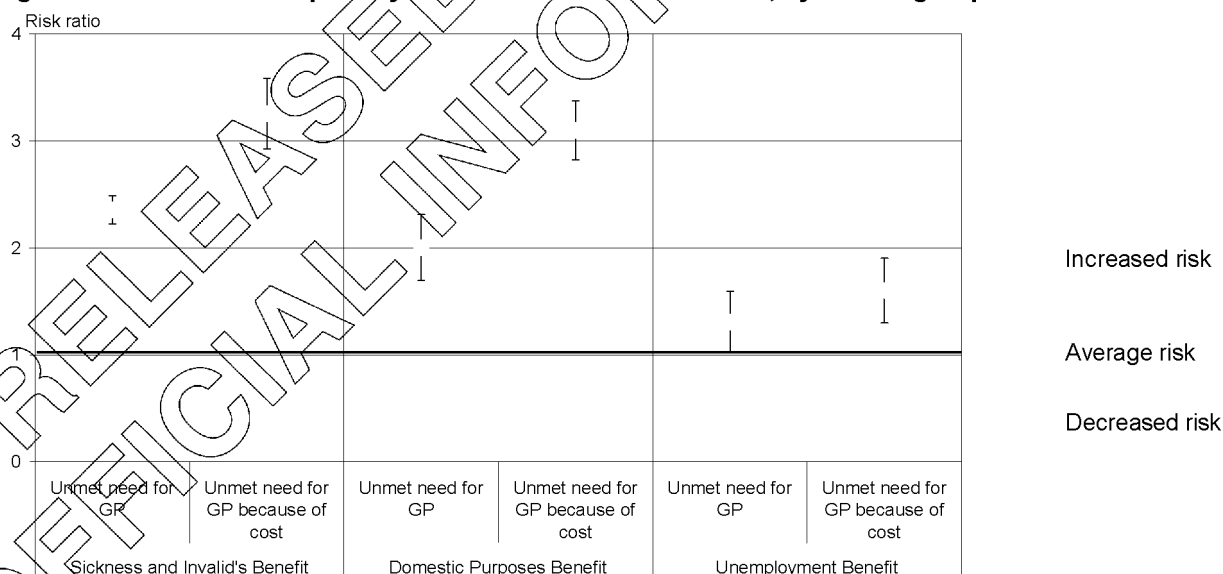
There is a clear link between poverty and ill-health, and people who are financially worse off nearly always experience higher rates of illness and premature death.²³ People with health problems also have lower rates of employment than the general population. Poor health and impaired physical or mental functioning can make it hard for people to find and keep work, and employers may also discriminate against people with ill health and disabilities. Less directly, time spent accessing health care can also act a barrier to finding and keeping work.²⁴

A 2005 survey on barriers to employment experienced by benefit recipients found that, as expected, poor health was seen a barrier by nearly all respondents receiving Sickness and Invalid's Benefits, but also by nearly half of those receiving Unemployment Benefit and over a third of respondents receiving Domestic Purposes Benefit.

Poor health can restrict a person's ability to access higher income from work, and living on a low income from benefit can exacerbate health conditions through financial stress, inability to adequately heat homes, purchase nutritious food and afford health care.

Data from the 2002/03 New Zealand Health Survey shows that compared with non-beneficiaries²⁵ people receiving Sickness and Invalid's Benefit or Domestic Purposes Benefit were about twice as likely not to have gone to a GP when they needed to in the last year, and in most cases cost was the reason given. Figure 7 shows the relative risk for having unmet need for primary health care among benefit recipients who were asked 'In the last 12 months, was there a time when you wanted or needed to see a GP but didn't get to see one?'

Figure 7: Unmet need for primary health care in last 12 months, by benefit group



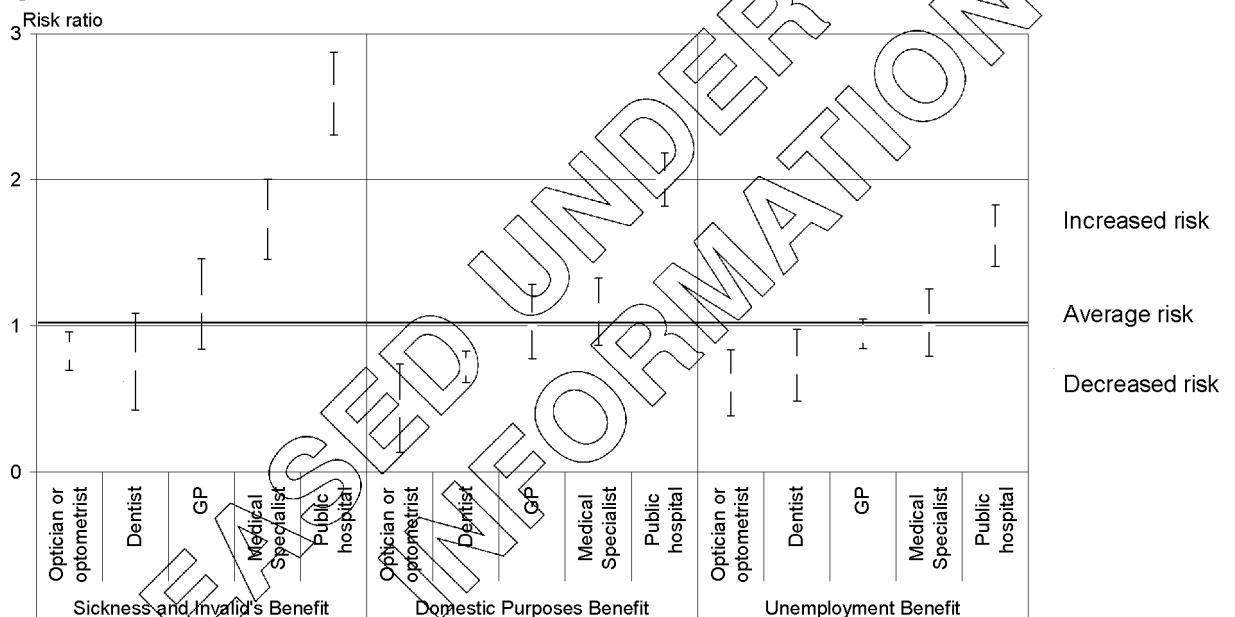
²³ Tobias M and Howden-Chapman P (eds). Social inequalities in health, New Zealand 1999: a summary.

²⁴ Hill, S and Templeton, R Health and incapacity-related benefits in New Zealand, An analysis using data from the 2002/03 New Zealand Health Survey, unpublished.

²⁵ Age adjusted.

Figure 8 shows benefit recipients' use of health care services compared with non-beneficiaries²⁶, for primary and preventive services (general practice consultation, optometrists, dentists) and secondary or tertiary services (consultation with a medical specialist and treatment at a public hospital). Across all benefit groups, use of preventative services is lower than among non-beneficiaries, and use of secondary or tertiary level services is higher than among non-beneficiaries. The low utilisation of preventive and primary health care is a concern given the high needs for health care that people receiving benefits are known to have. Preventive and primary services are usually much more cost-effective than secondary services. In many cases health problems requiring secondary-level health care result from poor access to preventive and primary health care. The pattern revealed in Figure 8 therefore suggests that an inequality in access to primary and preventive health care services for people receiving benefits exists.

Figure 8: Health service use in last 12 months



Benefit recipients are able to access Disability Allowances to help with costs associated with health conditions. Case managers also refer benefit recipients to health services, guided by information on the intranet and using the Family and Community Services database to help find appropriate local services. In some sites MSD purchases services to address health barriers to employment, for example Pathways to Access Health Services (PATHS) for people with physical health problems. A similar approach is being trialled to provide support to people with mental health problems (Gateways). Specialist workers with health backgrounds assist with making referrals to these contracted services.

Local initiatives include the payment of SNGs for dental treatment to the District Health Board, to ensure access to value-for-money treatment.

²⁶ Age adjusted.

Food

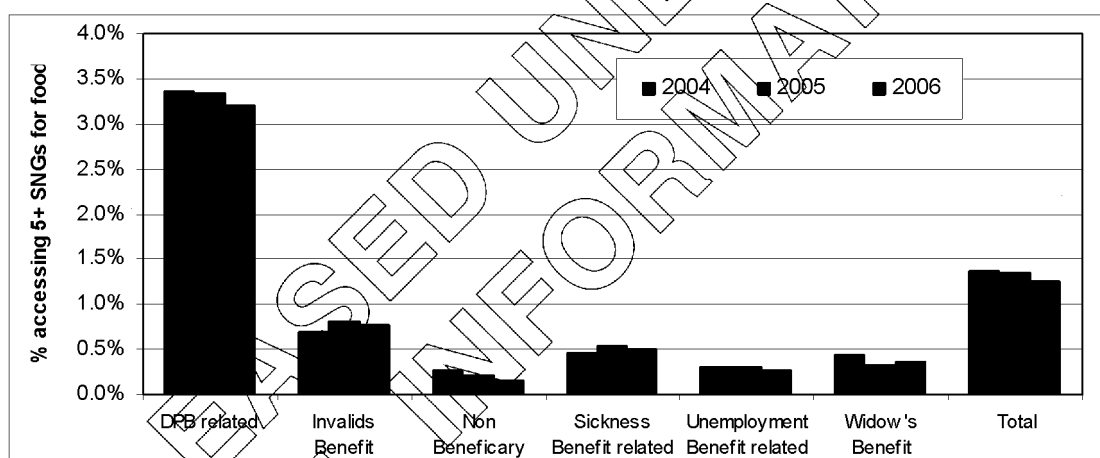
The price of food has risen at a lower rate than the CPI, but the cost of nutritious food was identified by the focus groups convened for this research as a problem in some areas, mainly rural areas and poor neighbourhoods in Auckland.²⁷

Beneficiaries and non-beneficiaries can receive Special Needs Grants (SNGs), and these are most commonly granted to help purchase food. Often people seek SNGs for food as they have prioritised paying bills that attract late payment or reconnection fees (like power bills).

Figure 9 shows the percentage of groups accessing 5 or more Special Needs Grants (SNGs) for food each year to September in 2004-2006. During this period, nearly 3.5% of all DPB recipients accessed 5 or more SNGs for food each year, a much higher rate than other groups. In part this reflects the fact DPB recipients have children to feed, while other benefits are granted to individuals.

Since 2004, the proportion of DPB recipients accessing 5 or more SNGs for food in a year decreased slightly.

Figure 9: Percentage of groups accessing 5+ SNGs for food in a year, September 2004-06



At the annual food bank conference in October 2006, several regions reported lower use (and in Palmerston North food bank use had halved). Some conference attendees thought the WFF package had helped lower the need for food parcels. Only one region reported increases in food bank use (Auckland). Rural areas and central and north of the North Island reported an increase in food bank use by large families and people caring for children over school holidays.

²⁷ In the June 2006 quarter the cost of fresh vegetables rose 12%, while food as an overall category only increased 3%. While this increase in fresh vegetables in part will reflect seasonal prices changes, it is also an indication of what quality of food people can afford, which backs up frontline intelligence.

Debt

Problem debt was consistently raised by internal and external stakeholders as something that could contribute to significant poverty and hardship as well as exacerbating other problems, eg gambling and poor mental health.

Internal and external stakeholders raised concern about the perceived targeting of poor communities by fringe lending agencies. Examples given were lending agencies advertising 'beneficiaries welcome' and trucks selling high interest hire-purchase goods and targeting poor neighbourhoods.

There was a perception that lending agencies had proliferated in Auckland (in particular) and also in Christchurch and Wellington. This was confirmed by the *Fringe lenders in New Zealand*, 2006 report²⁸, which found that 38% of fringe finance companies operated in Auckland, 19% in Christchurch and 9% in Wellington, with the majority in each area located in the poorest communities.

The ability to purchase cars with \$1 down-payments was seen as encouraging people to incur debt levels they may not be able to service. Retailers in communities with a high seasonal workforce offering 'buy now, pay later' schemes at the height of the season was also seen as encouraging people into debt when they felt comparatively well off.

Young people were seen to be vulnerable to problem debt given the cultural norm to 'buy now, pay later' and to lack understanding of the cost of debt. For example attempts to control debt through consolidation could potentially increase the total debt and make people even financially worse off.

As well as contributing to, or exacerbating problems that make it hard to find and maintain work (eg poor mental health), problem debt was also seen to act as a disincentive to work in its own right. People on benefit are often able to avoid debt repayment or have repayments set at levels that are so low they have a negligible effect on overall income. Once earning an income, creditors (including Government agencies) start seeking higher levels of debt repayment. This can substantially reduce the financial gains from work, particularly when combined with liable parent contributions. For some, debt and other repayments can mean 'work doesn't pay', even for those receiving Working for Families support. Having to meet debt and other repayments can act as a barrier to entering and remaining in work.

A three-month debt shelter for Government debt already exists, but is often not activated. MSD frontline staff suggested extending the shelter period and providing advocacy services to negotiate fair repayment with other creditors, and work in these areas is in progress.

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Preventative services were identified as an area of need, to help stop people spiralling from being materially poor to experiencing poverty and its diseases. The Ministry has developed a Debt Strategy to oversee the wide range of projects underway to address problem debt.

²⁸ Research New Zealand. Fringe lenders in New Zealand: Desk research project 2006.

Financial incentives to work - as a route out of poverty

A review of literature showed that one of the most important predictors of becoming independent of the welfare system is access to 'work that pays' - where there is an appreciable financial gain after paying for increased costs associated with going to work (childcare, transport, clothing and convenience food).

The WFF package was seen by most stakeholders and MSD staff as helping low income working families achieve a living wage (although some external stakeholders felt WFF allowed a low wage economy to continue).

Qualitative research undertaken as part of the WFF evaluation suggested that some caregivers may require more assistance to access WFF assistance they are eligible for. Examples of barriers to accessing WFF assistance were:

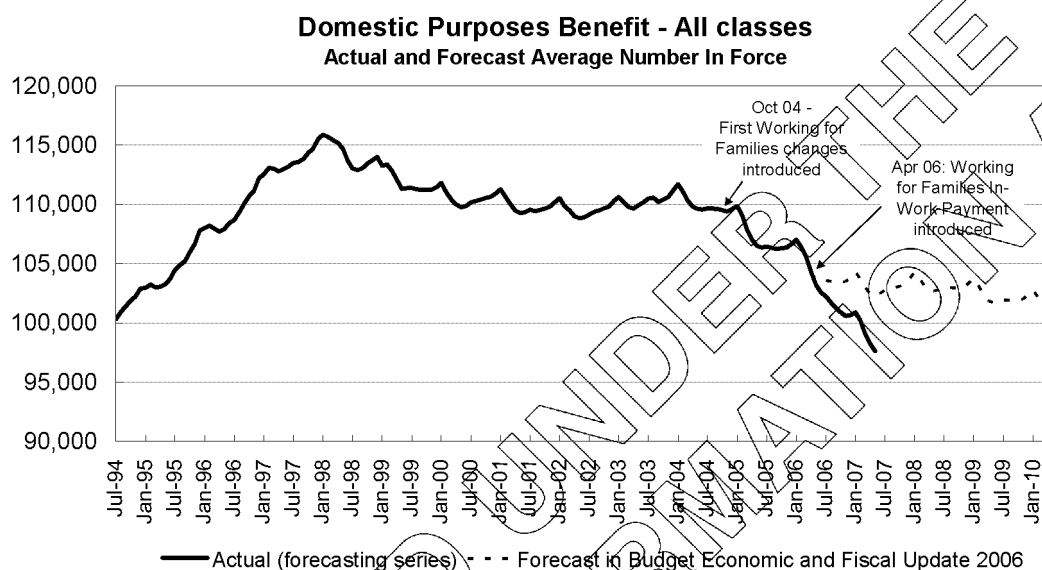
- variable incomes leading to overpayment and debt
- language or literacy barriers
- concerns about interacting with Work and Income (eg privacy in small communities, ex-beneficiaries not wanting no further association with Work and Income).

In addition to WFF media campaigns, steps to increase awareness and uptake of the WFF package have included creating WFF Promotional Case Managers, Working Families Case Managers and Childcare Co-ordinator roles. Existing MSD and IRD staff and resources have also been used to promote WFF to different types of families, for example:

- employed families have been reached through employers and trade unions using work brokers and industry partnerships
- local families have been reached through community organisations and events, as well as at supermarkets, malls and other gathering places
- childcare co-ordinators have promoted WFF through schools
- outbound calls and direct mail have been used to reach existing clients
- some Work and Income offices have had their opening hours extended, to make services more accessible, and assistance is also available through an 0800 number and call centre.

For those on benefit, the WFF package also aimed to improve financial incentives to work and to increase the viability of work as a route out of poverty. Figure 10 shows the reduction of numbers of DPB recipients since WFF was first introduced in October 2004, and the further reduction in DPB numbers since the In-Work Payment was introduced in April 2006.

Figure 10: Actual numbers receiving DPB, July 1994 to May 2007



By increasing the financial returns from work, WFF helps promote work as a route of poverty. However, WFF was not designed to address the barriers to sustainable employment raised in the qualitative research and literature, for example:

- situations where work doesn't pay due to debt and other repayments (eg liable parent contributions)
- low job security, and variable incomes associated with the increased casualisation of the labour market (making the low but secure income from benefit seem 'safer' and easier to manage than variable, possibly insecure, earned income)
- 'qualification inflation' where low-skilled jobs now require certification
- lack of access to public transport, or cars (and drivers' licences, registration, and warrants of fitness)
- shortage of childcare places, making it difficult for parents to enter or remain in work
- restricted employment opportunities caused by poor physical or mental health and employer discrimination
- people with high and complex levels of disadvantage.

A range of MSD initiatives are in place to address these barriers to employment:

Helping make 'work pay'

- As noted, the Ministry's Debt Strategy is in place to oversee debt prevention and address disincentives to employment caused by debt repayment.
- Work Brokers help advocate and place people facing labour market disadvantage. Wage subsidies help reduce the risk for employers when taking on disadvantaged staff and allow people a chance to build a work history. Wage subsidies were seen to be particularly useful in helping young people and refugees and migrants into work.

Increasing sustainable employment

- Enterprising Communities provides grant funding to establish sustainable, self-funding social employers/enterprises which employ disadvantaged people, and these programmes were seen as of particular importance in rural areas and areas with high levels of economic disadvantage.
- In some areas with high seasonal work, Work Brokers seek to arrange a series of jobs harvesting and maintaining different products, and in many cases help people achieve 10 months' employment. Work is also undertaken to ensure good employment conditions.
- Local Industry Partnerships provide training and job placements into industries facing labour shortages. The national Job Partnership with Industry provides a similar role, and also has a programme to assist sole parents into work with employers with employment conditions that help balance parenting and work.
- For DPB recipients, the Training Incentive Allowance (TIA) encourages participation in education or training, which can provide a route out of poverty and provides the chance to improve the lifetime outcomes for sole parents.²⁹

Transport

- As noted, Local Industry Partnerships' funding is also used to help provide transport to work in areas not well served by public transport.

Childcare

- Access to childcare and OSCAR subsidies help address financial barriers faced by sole parents wanting to access these services. However despite increased Government funding to childcare providers since the 1990s, problems accessing childcare places still exist: for example in the Gisborne and Wellington some providers have twelve month waiting lists.³⁰ There is also a lack of formal childcare available for parents working atypical hours. This poses a greater problem for sole parents as they are more likely to work non-standard hours³¹.

²⁹ Wylie 2001 in Aimer 2003.

³⁰ Of sole parents with children aged under 14 responding to the 2004 Living Standards Survey, lack of suitable care had stopped 65% from looking for a paid job, caused 40% to turn down a paid job, and made 19% leave employment in the last 12 months. Sources: MSD, unpublished tables. The corresponding percentages for two parent families were 39%, 21% and 14%.

³¹ The evaluation of the 1998 DPB/WB evaluation found a quarter of sole parents had left benefit for work with non-standard hours: shift work (14%), evening or night work (9%), or working on-call (4%). In comparison, only 1.3% of the total working-age population are employed in evening work

In-work support

- Case Managers and Work Brokers also provide work support to benefit recipients, but it was frequently acknowledged this did not occur as often as hoped, due to other work commitments. And in some cases, it was thought to be more effective to have a third-party provide in-work support, to better meet the person's needs to support ex-beneficiaries who no longer wanted contact with the benefit system. Specialist third parties like Work Bridge are also contracted in some sites to provide work brokerage and in-work support to people receiving Sickness and Invalids Benefits.

Support services

- A lack of mental health and addiction services were consistently raised by internal and external stakeholders – reinforcing the need to provide better access to services and support for people with mental health and addiction problems. The new Gateways initiative seeks to respond to this need.
- The New Service Model pre-assessments were seen as a useful source of information to guide case managers when developing tailored support to benefit recipients. The new Employment Coordinator role will also help link benefit recipients to the right type of support to help them overcome employment barriers.
- Programme Coordinators (72) have been recruited to build knowledge of and links with local contracted services and training programmes. This new role is seen as having potential to improve the quality and range of services contracted locally.
- As part of the Family Violence Intervention Programme, Family Violence Response Coordinator (FVRC) positions have been established to develop relationships between the non-governmental sector (eg Women's Refuge) and government agencies (eg District Health Boards and Police) and to provide support and oversight to case managers and other front-line staff when responding to family violence.
- The new Vulnerable Families wraparound service being trialled in several sites was also regarded as a positive step towards supporting families experiencing high levels of dysfunction.

Valuing steps to employment, including increased participation

- Areas for further development identified by MSD staff were the need to value incremental steps towards employment, such as addressing health or training barriers and increasing participation, and having this reflected in outcome measures and contracting guidelines.

Responding to different regional costs

- While a level of regional flexibility is retained through enabling regions to contract services locally, better mechanisms are needed to respond to regional price variations experienced by benefit recipients, eg in housing and power.

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Appendix 1: External stakeholders

Organisation
Buller REAP WESTPORT
Salvation Army GREYMOUTH
Councillor Otago Ward Counties Manakau AUCKLAND
Kidstart, Barnados GREYMOUTH
Senior Research Fellow Health Services Research Centre, School of Government, Commerce and Administration Victoria University of Wellington
Strengthening Families GREYMOUTH
Manager Maori Health West Coast DHB GREYMOUTH
Clinical Co-ordinator West Coast PHO GREYMOUTH
Beneficiary Advisory Service CHRISTCHURCH
General Manager Te Puawaitanga ki Otago Trust CHRISTCHURCH
Hope Centre Salvation Army CHRISTCHURCH
Department of General Practice and Primary Health Care, University of Auckland
Roskill Union and Community Health Mt Roskill South AUCKLAND
General Manager Otago Union Central health SOUTH AUCKLAND
ProCare AUCKLAND

Appendix 2: Accommodation Supplement stakeholder workshops – location and attendees

Dunedin	Nelson
<p>Dunedin Council of Social Services Southland Beneficiaries & Community Rights Dunedin Citizens Advice Bureau Platinum Properties NZ Ltd Aotearoa NZ Association of Social Workers YWCA Otago Accommodation Trust Dunedin Budget Advisory Service Catholic Social Services Anglican Methodist Family Care Queenstown-Lakes District Council NZCCS Inc Salvation Army Community Ministries Presbyterian Support Otago Idea Otago Youth Wellness Trust PACT Group Dunedin City Council</p>	<p>Beneficiary and Unwaged Workers Trust The Salvation Army - Community Ministries The Society of St Vincent de Paul Glenn's Vacancies Kaikoura District Council Nelson Property Investors Association Nelson Regional Economic Development Agency Budget Advice Nelson House 44 Stoke Community House Inc. Nelson/Tasman Housing Trust Open Home Foundation (Nelson) Tenancy Services Nelson Marlborough District Council Beneficiary and Unwaged Workers Trust The Salvation Army - Community Ministries The Society of St Vincent de Paul</p>

Christchurch	Gisborne
<p>A1 Property Managers Age Concern Christchurch Agender Canterbury Development Corporation Canterbury Property Investors Association Catholic Social Services Christchurch Budget Service Christchurch City Council Christchurch City Mission Christchurch Council of Social Services Christchurch Women's Refuge Comcare Charitable Trust He Oranga Pounamu Home & Family Counselling & Education Centre Housing For Women Trust Independent Property Managers Association Kingdom Resources Methodist Mission Presbyterian Support Christchurch Salvation Army Te Pita Ora (Te Kakakura Trust) Tenants Protection Association</p>	<p>Tokomaru Bay Community Group Age Concern Gisborne NZCCS Ngaitai Iwi Authority Citizens Advice Bureau Kahungunu Executive Tairāwhiti Community Law Centre Hawke's Bay Property Investors Association Life Unlimited Disability Resource Centre Karmar Consultants Tokomaru Bay Community Group Age Concern Gisborne NZCCS Ngaitai Iwi Authority Citizens Advice Bureau</p>

Appendix 3: Why a larger proportion of people with low living standards are working

Living standards measure

Living standards measure people's economising behaviour, ownership of consumer items and social participation, as well as three self-ratings of standard of living. People tend to have lower living standards if they:

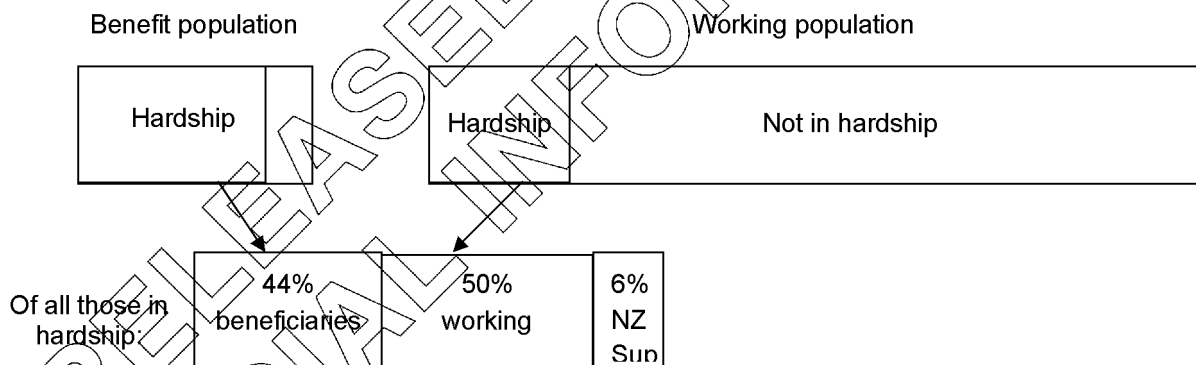
- have lower income and assets
- have experienced multiple marriage break-ups
- have experienced a range of life shocks such as financial shocks, family shocks, employment shocks, convictions or being a victim of a crime
- or their children have a serious health condition that creates multiple restrictions in social and economic participation.

While a high income eliminates the risk of a low living standard, a low income does not exclude a high living standard. Factors that enable people with low incomes to achieve good living standards include home ownership and having savings.

Both working people and benefit recipients experience hardship

When looking just at the **benefit population**, most people have living standard scores of severe or significant hardship. When looking just at the **working population**, a relatively low proportion has living standard scores of severe or significant hardship.

But since the working population is much larger than the benefit population, they make up a larger proportion of all those with severe or significant hardship.



Appendix 4: Poverty measures

New Zealand doesn't have an official measure of poverty (and neither do most other countries). No single indicator can adequately capture 'poverty' which is multi-dimensional, not to mention 'contested'.

In the Social Report, falling below 60% of the median equivalised disposable family income (adjusted for housing costs) is used as a de facto **income poverty measure**, and with living standards' scores of severe or significant hardship (levels 1-3) are used as the as the de facto **deprivation measures**.

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Appendix 5: Literature

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