

can we do better?

VOICES OF POVERTY * DUNEDIN 2008



Presbyterian Support Otago



Family Works
A PRESBYTERIAN SUPPORT INITIATIVE
OTAGO

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FOREWORD



If our society is examined as to how it attends to the least of its members, how well do we fare – can we do better?

Six years ago Presbyterian Support Otago looked into poverty in Dunedin and found a critical shortfall in income for the more vulnerable in our midst – those who depend on government assistance.

We then proposed a number of recommendations, but despite our discussions with politicians and policy makers, most have not been acted upon.

Six years on, it is clear that we need to do better, as we have discovered through this research. One of the Government's most comprehensive packages of social assistance has been introduced through Working for Families, but this has failed to impact on the lives of the most vulnerable, particularly those on benefits, who for whatever reason, are not able to reap the benefit of in-work family payments.

As we look more closely through this study at the reasons for, and impact of, poverty in the lives of those who seek assistance from a helping agency such as Presbyterian Support, it is clear to me we need to give greater priority to the plight of the poor.

Key actions include improvement of benefit levels and ensuring that people are not socially excluded. In doing this, we recognise that raising young New Zealanders is an important investment in our nation's future.

How long can we tolerate the sanitised form of begging that occurs in our food bank every day? Would we respond more urgently if it was seen in our streets instead of behind closed doors?

The apparent widening of the gap between rich and poor continues unabated as we embark on a journey through uncharted waters of economic uncertainty.

We cannot afford to focus on economic growth at the expense of the poor, we must do better.

A handwritten signature in dark ink that reads "Gillian Bremner". The signature is written in a cursive, flowing style.

Gillian Bremner
Chief Executive
Presbyterian Support Otago

EXECUTIVE SUMMARY

In 2002 and 2003 Presbyterian Support Otago reported on poverty in Dunedin. In 2008, we thought it timely to once again look at the lives of those in our community who live below the poverty line. Despite six years of economic growth and a major government redistribution programme, Working for Families, we find that low income households are still struggling on vastly insufficient incomes.

Our research utilised two widely recognised poverty measurement tools: a modified form of the Ministry of Social Development's Economic Living Standards Index (ELSI) survey and the Minimum Adequate Expenditure Budget (MAEB) focus group process developed by the New Zealand Poverty Measurement Project. We conducted 90 interviews with survey participants and held a total of six focus groups.

The main challenge faced by participants in our study was an acute lack of money. Budget focus group participants estimated that a two-adult, three-child family living in Dunedin requires \$872.50 per week to achieve a minimum adequate standard of living. By comparison, a family with benefit-only income would receive \$622.92, leaving a deficit of \$249.58 each week. With one parent earning a full time minimum wage and receiving Working for Families assistance this weekly deficit reduces to \$117.30. Budget data collected during the survey confirmed the gap between income and expenditure. Deficits were reported across all household types and by both those receiving market and benefit income.

Working for Families has not resulted in a significant improvement in income adequacy for the majority of participants in our study. Despite increases in family assistance, the budget deficit faced by a two-adult, three-child beneficiary family has increased since 2003, with these families now a further \$20 a week away from making ends meet. Nearly a third of participants were not eligible for Working for Families assistance because they were single adults, non-custodial parents or married couples without children.

Those receiving wage income have however seen a marked improvement in income adequacy between 2003 and 2008 as a consequence of increases in the minimum wage and the additional assistance provided by Working for Families. The most positive comments regarding Working for Families came from participants who received the In-Work Tax Credit, but only ten participants (11%) received these payments.

Our participants faced significant barriers to entering or returning to the work-force, in particular ill health and caring for children: 28 percent of participants described themselves as "unable to work", while another 24 percent said that they were running the home full time. Our qualitative research also suggests that current abatement and taxation regimes often discourage beneficiaries from participating in the workforce.

Life on a low income was a daily struggle for our participants, worrying about money is a constant feature of their lives. They are usually juggling multiple debts (90 percent of our participants had debt, with 72 percent owing money to Work and Income New Zealand); they often go without food and are unable to meet health costs; a large proportion of their income is dedicated to housing costs (46 percent on average for participants in private rentals), they report not being listened to by government departments, and feeling socially isolated and excluded.

Clearly there remains much to be done in the area of poverty alleviation. Our study echoes what others before us have already found: those who have the least have not fared well in recent times. Working for Families has failed to impact significantly on those who have the greatest need. This is no accident. The package deliberately increases the differential between benefit and market incomes, with the aim of “encouraging” more people into the workforce. Unfortunately this approach ignores the fact that participation in the paid workforce is not achievable for all. In rewarding only paid work it also fails to recognise the value of those whose work is caring for children and other dependents.

At the conclusion of this report we propose a number of initiatives to ease the plight of the most disadvantaged members of our society. Of these, we believe that achieving income adequacy, so that families and individuals have sufficient income to meet their fundamental needs, remains the most urgent priority.

CHAPTER 1

Researching Poverty in Dunedin



INTRODUCTION

What is life like for someone on a low-income in Dunedin in 2008? Are we doing enough to find practical and workable initiatives to assist those in hardship? In 2002 a Presbyterian Support Otago report, *How Much is Enough? Life Below the Poverty Line in Dunedin* found that levels of government income assistance were glaringly deficient, a situation compounded by many beneficiaries not receiving their full entitlements. The report revealed the financial stress, challenging life circumstances, material hardship and daily struggle that many people faced as a consequence of living on low and often inadequate incomes.

Since 2002 much has changed in Dunedin and across New Zealand. We have, until very recently, enjoyed strong economic growth, unemployment hit a 27 year low, and the Government boosted the incomes of many working families with a major programme of social spending, Working for Families. However, benefit levels have remained relatively static and many households continue to struggle with fluctuating petrol and food costs and mortgage interest rates.

This report turns the spotlight onto those living on the lowest incomes in Dunedin. How well are clients of social service agencies across the city faring in times of economic growth, expanded government provision and rising costs? Our aim is to provide a clear picture of life below the poverty line in 2008. We do so to give voice to those people whose daily experience is one of economic, social and political marginalisation and to urge change where change needs to be made.

BACKGROUND

Presbyterian Support Otago

Presbyterian Support Otago is dedicated to making a positive difference in Otago by helping those in need and responding to changing individual and community circumstances. This mission has inspired the provision of extensive practical assistance and welfare services. It also encompasses a commitment to advocate on behalf of the clients we serve in order to foster social justice, political change, and, ultimately, a more compassionate society.

Our clients

Family Works (Presbyterian Support's child, family and community service department) provides advocacy, budgeting and social work services and offers emergency assistance through a food bank. Our staff encounter daily the material hardship and deprivation suffered by people living on low and often inadequate incomes.

Despite a period of substantial economic growth, low unemployment levels, and the introduction of Working for Families and, demand for Family Works' services has steadily increased since 2002. In 2002 Family Works received, on average, 65 client visits per week. At present we receive over 100 visits each week. Hardship and poverty is an ongoing reality for many members of our community.

«At times I have to choose, you know, food, bills or kids. It is blimmin' hard...I have diabetes myself and even though I should be having so many meals a day, I give up my rations so that the children can eat and have what they need... [This happens] every week for me. It does get really tough. My youngest is 17 weeks and I've had to put him on half and half now, half breast and the bottle, because I haven't got enough energy within myself to cope.»

For our clients, life on a low income means constantly struggling – struggling to keep warm, to pay the bills, to feed oneself and one's family; struggling with debt and ill health and struggling to be heard in their interactions with government agencies – a situation described by one client as a daily obstacle course. For many it also means living a lonely life; socialising can be a long way down the list of priorities when you are unable to afford food or adequate heating. Although living on a low income does not inevitably lead to poverty, the lack of food, poor living conditions and limited choices that our clients routinely face illustrate a strong correlation between the two.

Approximately half of our clients visit us multiple times each month and many would go without food if unable to access food bank services. Some Family Works clients require short-term support to make it through a difficult patch; others are long-standing clients dealing with multiple challenges. Many find themselves unable to cope with complex situations alone. They feel humiliated about approaching an agency for help but have often exhausted all other avenues.

Not all clients are beneficiaries; eleven percent of the people visiting Family Works receive income from wages alone. They too struggle in low-waged employment.

With the considerable increases in the price of food, petrol and electricity,¹ we are concerned that people already unable to meet the costs of living will be further impoverished. A substantial swell in food bank clients during the months of May and June 2008 suggests the detrimental impact of these costs was already being felt by many.²

« We were at rock bottom. I came in here [to PSO] and there wasn't a thing in our cupboards and I struggled for, it must have been for about eight weeks, because they wouldn't let him [my ill partner] work, WINZ wouldn't pay out anything straight away - they had to wait for everything from the hospital and doctors... We just didn't have anything in the cupboards. Not a thing.»

POVERTY IN OUR COMMUNITIES

In New Zealand and in developed countries generally, poverty is usually not defined in absolute or subsistence terms. Instead, poverty is measured in relative terms, through a comparison with the living standards of the society as a whole. A prominent definition of relative poverty states that poverty arises where individuals, families and groups «lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns and activities.»

PETER TOWNSEND, 1979

The presence of poverty in our community brings with it an imperative to act, in the knowledge that we can, and should, do better to ensure the wellbeing of the most disadvantaged members of society.

Poverty means more than living on a low income; it refers to a situation of severe and ongoing material deprivation that causes lasting and irreparable damage to both individuals and society – it affects us all. Poverty is associated

with a raft of negative outcomes including ill-health, poor educational attainment, crime, unemployment, violence, social exclusion, and debt.³ It can also be self-perpetuating: a child who grows up in poverty is considerably more likely to become a disadvantaged adult.⁴ Poverty is economically and socially costly, as well as being at odds with the egalitarian ideals to which New Zealand is ostensibly committed.

In 2004 the Ministry of Social Development's Economic Living Standards Index (ELSI) indicated that 24 percent of New Zealanders were living in some degree of hardship, with eight percent falling into the "severe hardship" category.⁵ In June 2007 a poverty line measure indicated that 13 percent of New Zealand's population had incomes too low to prevent impoverishment.⁶

At present, Dunedin-specific poverty statistics are not collected, but anecdotal evidence from Dunedin food banks suggests that Family Works is not unique in facing increased demand for its services. This is a worrying trend; in an affluent food-producing nation like New Zealand, food banks should not be

« This is not a lifestyle choice. I'm here because I need to be here for now. I've suddenly gone from a head chef working 5-6 days a week to being a solo parent to a 2-year old. For me this whole being poor DPB thing is for now... this is not a situation I've asked to be in. »

1- Patrick Gower, *What's going up? Everything*, New Zealand Herald, April 26 2008, www.nzherald.co.nz/topic/story.cfm?c_id=195&objectid=10506354&pnum=0

2- Family Works received 550 client visits in May 2008, up from the usual 450 per month. This June the food bank distributed 353 food parcels, over twice the number (147) given out in the corresponding month a year ago.

3- David Byrne, *Social Exclusion*, 2nd Edition, Berkshire: Open University Press, 2005, pp. 61-2. M. Claire Dale and Donna Wynd, 'Social Hazards', in Susan St John and Donna Wynd (eds), *Left Behind: How Social and Income Inequalities Damage New Zealand Children*, Child Poverty Action Group, March 2008, pp. 119-133. Michael Fletcher and Marie Dwyer, *A Fair Go for All Children: Actions to address child poverty in New Zealand*, Office of the Children's Commissioner 2008, pp.14-17

4- Fletcher and Dwyer, *A Fair Go*, pp.4, 14-17

5- *New Zealand Living Standards 2004*, Ministry of Social Development, 2006, pg.3

6- *The Social Report 2008*, Ministry of Social Development, August 2008, pp.62

necessary at all, let alone relied upon by increasing numbers of people who are unable to afford food - “the fundamental human requirement”⁷

Taken together these indicators paint a compelling and unequivocal picture: poverty continues to blight our communities. This is unlikely to change, unless we all - government and ourselves included - begin to view poverty eradication in Aotearoa New Zealand as a higher priority than it is currently.

RESEARCHING THE ISSUES IN 2008

Methods

Using a modified ELSI survey, we conducted one-on-one interviews to gather information on household composition, employment, budgeting, how people tried to keep costs down, and what people chose to go without.

The minimum adequate expenditure budget-setting process established by the New Zealand Poverty Measurement Project was also used. Participants in group discussion estimated a minimum adequate expenditure for a Dunedin family of two adults and three children. Three further focus groups discussed people’s experiences living on a low income and how they coped with the challenges they faced. During the focus group process income constraints, stress and serious health problems routinely prevented clients from attending the focus groups. Many clients face difficulties participating in activities outside their home. This has implications for their ability to participate in the workforce. A further focus group was held with staff involved in advocacy, budget advisory and food bank services to enable us to compare their observations with focus group participants.

“To be honest it’s good to sit in a room of people [during the focus group] who are in the same situation, you know, instead of other people. They sometimes look down on you. Sometimes they say, “why don’t you get off your arse, you know, get work?”. Everyone’s got their own different situation.”

The participants

Ninety self-selected participants completed the survey, with a subset also attending the focus groups. The majority were former or existing clients of Family Works. The remainder were referred to us from Anglican Family Care, Family Start, Catholic Social Services and the Salvation Army Community Ministries. Although all participants were involved with a social service agency, not all were food bank clients.

The participant group (see chart on page 9) replicates a documented trend – the number of sole parent families that fall below the poverty line is two to three times that of two-parent families.⁸ In the area of employment once again, this is representative of broader trends: poverty is six times greater for households where there is no full-time worker.⁹

7- Donna Wynd, *Hard to Swallow: Food Bank Use in New Zealand*, Child Poverty Action Group, 2005, p.5, New Zealand Council of Christian Social Services, *Poverty Indicators Project Update: A Snapshot Comparative Analysis of Food bank Use*, August 2008

8- *The Social Report 2007*, Ministry of Social Development, 2008, pg.61

9- Michael Fletcher and Marie Dwyer, *A Fair Go for All Children: Actions to Address Child Poverty in New Zealand*, Office of the Child Commissioner, 2008, pg.4

FOCUS GROUP PARTICIPANTS	
Gender	
Male	26%
Female	74%
Ethnicity	
Pacific Island	6%
Maori	16%
European	78%
Family Composition	
Sole parent	48%
Two parent families	22%
Two adults	7%
Single, no children	23%
Age	
Under 25	15%
25-39	50%
Over 39	35%
Caring for children	
Full or part time carers of children	70%
Source of income	
Benefit only income	66%
Some wage income	30%
Wage only income	4%
Additional support	
Receive the Accommodation Supplement	52%
Receive Temporary Additional Support or Special Benefit	22%
Reported a weekly deficit budget	72%

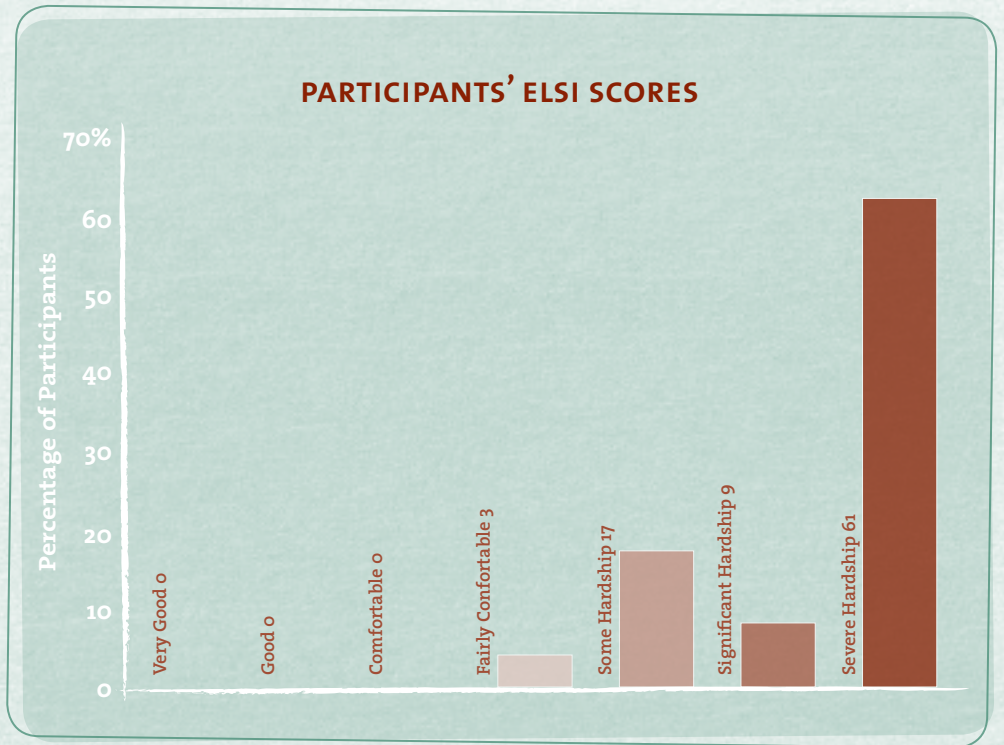
Although many participants held a vocational qualification (34%) and a further 13 percent had received a diploma or degree, twenty-four participants (25%) had no qualifications.

ELSI Scores

The ELSI scale on which our survey was based has seven categories. They range from “Very Good” living standards to a “Severe Hardship” category, which relates to those who live in the most deprived circumstances. The majority of participants in our study (68%) fell into the Severe Hardship category of the ELSI scale. People in this category are likely to have financial problems, live in substandard and crowded housing, wear worn out clothes and shoes and be unable to afford medical treatment or certain foods, such as fresh fruit and vegetables.

All but three of the 90 participants we interviewed returned ELSI scores in one of the hardship categories. Two of the three participants who fell into the fairly comfortable category were members of two-adult families with wage income.

While participants spoke of their own experiences, we believe their voices provide an insight into the problem of continued hardship and poverty in Dunedin and across New Zealand.



CHAPTER 2

Hearing the Voices - Life on a Low income



« My situation is being a solo Dad with two girls and ending up on a benefit through no fault of mine. I was always finding I was beating my head against a brick wall. Everywhere I went I had doors slammed in my face, people don't want to know you. If you're not battling WINZ, you're battling the IRD. There's always someone you're battling and then you've got everyday things like running a house, trying to find money and trying to work out how to pay people. It's a constant mind blowing thing.»

Life on a low income is a daily struggle. Many people feel embattled and caught in a spiral of events beyond their control or making. The obstacles that arise when families live week after week with insufficient income are multi-faceted and compounding: low incomes negate the possibility of savings, without savings debt is incurred, debt repayments further erode income levels, more debt is incurred, and this cycle rolls on and on. In a similar vein, poor health status is compounded by

inadequate nutrition and lack of access to affordable healthcare. Poor health limits employability and hence the ability to increase one's income.

This is the everyday reality of people in poverty across New Zealand. In the following paragraphs we outline what our clients told us through the survey and in the focus groups about how poverty manifests itself in their lives. We also include some words from the staff members who stand alongside clients in difficult times.

OBSTACLES FOR PEOPLE ON A LOW INCOME

Worry and stress

For our participants, a lack of money caused ongoing and severe anxiety and stress. In the absence of adequate income, participants had low or no savings, often turning to expensive credit to make up shortfalls

between income and day-to-day expenditure. This left them without a financial buffer and susceptible to being overwhelmed in times of emergency or crisis.

Juggling multiple debt

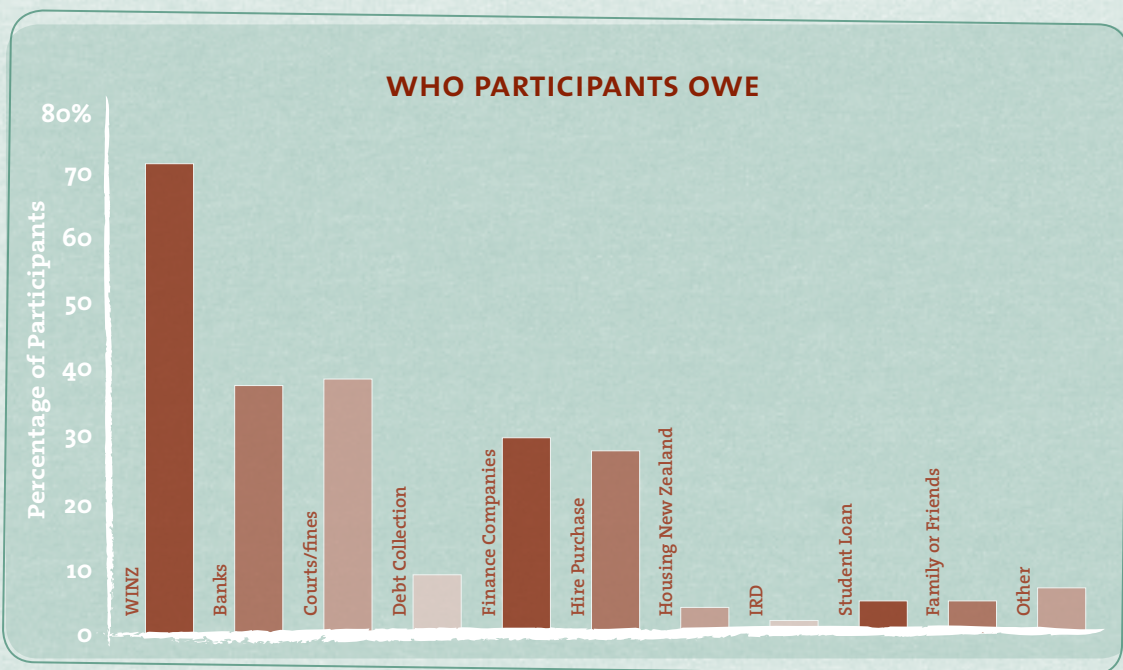
Debt was a major presence in the lives of the participants in our study. Ninety percent of participants indicated that they presently had some form of debt. Those in debt reported

«I'm a full-time working mum on my own and things are tough when you've taken out a loan to get personal belongings shipped down and taken out an extra loan to get a car so that you can get to work and back. I think the biggest struggle for myself and my son at the moment is that, as we are all aware, the price of everything has gone up. Petrol has hit the \$2 mark...»

«You don't answer the phone if it's a proper phone call. Or I say, "Yeah, send me a form. I'll take it to my budget advisor." There's not a lot else I can do with debt, as in debt collection agencies...Other debt, well, that just goes out as an AP [automatic payment] and I cry the next day when I have no money.»

owing as little as \$20 through to as much as \$18,000, with around \$5,000 being the average amount owed. Even if participants are able to escape recurrent cycles of debt, their relatively low incomes mean that debt of this magnitude could take years to discharge. A debt of \$5,000 amounts to 19 percent of the average annual income reported by participants. When you are already struggling to pay for food and your latest power bill, finding a way to pay back this money is a significant challenge.

Managing debt appeared to be less about clearing debt and more about juggling payments to various creditors. Juggling involved striking a fine balance between paying the minimum amount possible to placate creditors while avoiding incurring further debt elsewhere.¹⁰



10- John Farnsworth and Bronwyn Boon, *Low Income Life in Dunedin*, a report compiled for Presbyterian Support Otago, 2008

Debt ranged around some common themes: buying household furnishings and appliances on credit, securing a loan to buy or maintain a car or to pay utilities or services bills. A number of participants also stated that their debt had accumulated gradually in order to cover “general living expenses” and they had turned to credit or loans in an effort to make up the shortfall between income and day-to-day expenditure. Some participants had secured credit at exorbitant rates of interest – rates of up to 35% per annum were reported. Very little of this debt had any substantial asset backing.

As in 2002, the level of debt to government agencies especially Work and Income, is particularly striking. In 2002 56% of all Family Works clients reported debt to Work and Income. An astounding 72% of participants in the 2008 survey reported having debt with Work and Income. Most of this debt stems from advanced benefit payments or Innocent Overpayment Debt (IOD), a situation in which clients continue to receive money for which the entitlement has run out.¹¹ Although a one-off overpayment may not result in a large amount¹², over a number of years overpayments and benefit advances can accumulate, resulting in substantial sums being owed by Work and Income clients. Regardless of the way in which it is incurred, this government agency views it all as debt which must be repaid.

Special needs crop up

During the survey process we were struck by the high number of participants who reported presently having money deducted from their benefits to cover Work and Income advances. Benefit advances are only available to cover an immediate and essential need, yet over half of benefit-dependent participants in our study needed this assistance. This provides further evidence that income levels are too low even to cover the bare essentials.

Nothing to fall back on

Given that most of the participants we talked to had debt and weekly deficits it is not surprising that most were unable to accumulate savings or assets or benefit from the financial security that this can provide during difficult times. Seventy-two percent of participants had no savings at all.

The majority of those with savings and investments had a fairly modest amount, most commonly between \$1 and \$1,000.

Some participants were unable to access their funds when faced with large unexpected costs – for at least four participants this money acted as security for loans from Credit Union.

Although the lack of savings among participants is largely explained by their dire financial situations it appears that welfare policies may also contribute. Because certain types of assistance, such as Temporary Additional Support and benefit advances, are not available if you have cash assets above a set threshold¹³ those on a benefit are forced to dissipate their savings before they can get extra help.

« When you're on such a limited income, with savings there's always the temptation to dip into it so you'd never get it saved up and enough money in cash to actually buy anything...Saving and buying something second hand you need cash up front. It's easier to get a loan.»

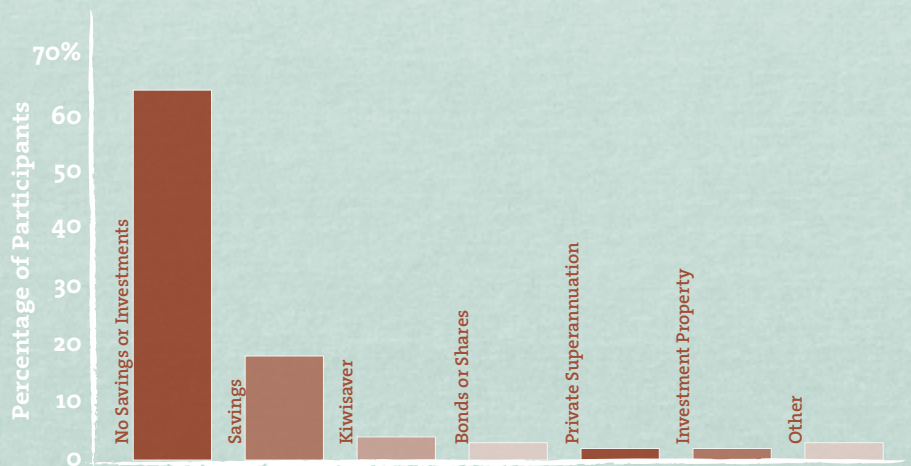
WELFARE AGENCY STAFF MEMBER

11- IOD is different from benefit fraud in that clients do not intentionally mislead WINZ, although their misunderstanding or mistake may contribute to the overpayment occurring. IOD can be caused by delays in notifying WINZ about employment, or when fluctuations in yearly earnings cause people to be paid more than they should be. Errors by WINZ staff can also lead to overpayment: Anne Heynes, *The Causes of Innocent Overpayment Debt: A Research Report Prepared for the Ministry of Social Development, Ministry of Social Development, October 2001.*

12- Over the space of a year newly incurred overpayment debt averaged \$91. Heynes, *The Causes of Innocent Overpayment Debt, pg.6*

13- These thresholds are set at \$892.69 for a single person up to a maximum of \$1,487.46 for sole parents or married or civil union couples.

PARTICIPANTS' SAVINGS



Going without

Living on such limited incomes forced participants to make difficult choices about what to go without. Using different strategies in an effort to get by, almost all recounted periods in which a lack of money deprived them of basic necessities, in particular food, power, heating and healthcare.

« I've had a number of pregnant young women come in, first baby, no food, not living in good situations, not looking after themselves. And that's a concern. A huge concern. »

WELFARE AGENCY STAFF MEMBER

« I only buy food three weeks out of every four, and even then some weeks for me and my daughter I've got \$20...I've found with having no money I've lost 12 kilos already this year...I'm not going to stop them going on a school trip, but I'll go without food before she doesn't go. My kids won't ever know how poor I am. They'll always get their dinner. They don't need to know I'll have toast later on. They don't need to know that, they don't need to see it. »

Food

When we asked participants what they went without when they did not have enough money for all they needed the most common answer given was food. Despite the importance of good nutrition in maintaining health and well-being, food was regarded as the only “discretionary” item in participants’

budgets. Other costs would be covered first, often leaving little for food. 80 percent reported regularly buying less or cheaper meat, while 52 percent frequently went without fresh fruit or vegetables. Welfare staff also alerted us to this trend, reporting that when asked what they spent on food, clients would often respond, “Whatever’s left, if anything.”¹⁴

Parents repeatedly outlined the lengths they went to in order to try and protect their children from the worst of this deprivation. They would regularly miss meals or go without so that their children could have more to eat. Even with their best efforts their children sometimes went hungry, with potentially lasting consequences for their health and development.¹⁵

14- Participant at Welfare Staff Focus Group, May 7 2008

15- Nikki Turner and Innes Asher, 'Health Perspectives on Child Poverty' in Susan St John and Donna Wynd, *Left Behind: How Social and Income Inequalities Damage New Zealand Children*, Child Poverty Action Group, pp.73-90. Michael Fletcher and Marie Dwyer, *A Fair Go for All Children: Actions to Address Child Poverty in New Zealand*, Office of the Children's Commissioner, 2008, pp.14-17

Participants also reported buying poor quality food and trying to make food last as long as possible by means such as watering down milk.

Power and heating

Inadequate heating is a huge issue in Dunedin, where cold temperatures are exacerbated by the poor quality of local housing stock. In a 2004 study of low income private rental housing, *Old, Cold and Costly*, Presbyterian Support Otago found that a majority of the 104 participants did not, or could not, heat their homes to safe levels in winter.¹⁶

In 2008 this was also a reality for many participants in our study. In an effort to save on heating costs, over half reported regularly staying in bed in an effort to keep warm. Fifty percent said that they often put up with feeling cold because they were unable to afford higher heating bills. A further 28 percent resorted to this cost saving on occasion.

Participants in our study spent an average of seven percent of their income on power. Our suspicion, largely confirmed by the above findings, is that this did not enable them to heat their homes adequately. Budget focus groups regarded \$63 per week as the minimum acceptable amount for a family to spend on power, but the two-adult, three-child families involved in our study spent on average almost \$20 per week less than this minimum amount.

Welfare staff report that power bills sometimes get completely out of control, reaching levels that clients have little hope of paying off and driving them further into debt. High power bills commonly cause people to approach community agencies for help. In Dunedin, low-income households can apply to the Dunedin City Council Consumer Electricity Fund for assistance with payment of an electricity bill. This financial year, the DCC pledged \$167,000 to the Fund. The Fund provides a one-off grant to cover the electricity costs of eligible applicants up to a maximum of \$203.50, or \$350 if the applicant is receiving budgeting advice. At the upper limit of \$350 this amounts to assisting approximately 477 households over the course of a year.

Although the Council must be commended for providing some level of support, the unfortunate reality is that demand for this service is so great that the fund is usually exhausted before the year is out. In 2008, the fund ran out in May and was not replenished until mid-July, leaving applicants without assistance at one of the coldest times of year.

« Usually the worst time of year for people is winter with power bills, but last year it was October. You know, people were having crises in October and November, so this year is going to be...I don't even want to think what this winter is going to look like for our clients...They haven't caught up from last winter and its here again...We can see people coming in with over \$1,000 power bills. For them to try and pay that off and survive, it's just too hard. »

WELFARE AGENCY STAFF MEMBER

¹⁶- Dennis Povey and Ulrika Harris, *Old, Cold and Costly?* pp.4 and 23

Postpone Healthcare

Ill health was a significant factor in the day-to-day lives of the majority of participants in our study. For some, existing conditions such as asthma were exacerbated by poor living standards. For others; serious and ongoing illness, both physical and mental, had temporarily or permanently impacted upon both their quality of life and ability to participate in the work-force.

« When you can't breathe you have to go to the doctor...I'm an asthmatic and I went to hospital twice last year and I've had to pay for bits and pieces with that...If the doctor's good enough they'll run up an account. As long as you don't let it get two months overdue they won't refuse to see you. You know, I try to pay off a bit at a time...I mean I've taken three months to pay off \$35. »

The costs associated with ill health, both in terms of lost earnings and the costs of visiting healthcare professionals, medicine, transport and parking are often substantial. Some participants attempted to ignore the problem for as long as possible – 48 percent of participants reported regularly postponing visits to the doctor. A further 26 percent said that they sometimes had to do this. Our qualitative research suggests that for participants visiting a doctor meant either acquiring further debt,

« We've run into trouble because we both don't keep good health. We pay \$170 a week for rent and we get \$200 a week for food because I work 29 hours and get a top up from the benefit since my husband's permanently disabled. Today I had to go to the doctor because my lungs weren't too good and there's \$25 that has to come out of that food money to pay for the doctors. »

because money was rarely available to cover these costs immediately, or cutting into spending elsewhere - most commonly the already modest amount set aside for food.

Some participants told us their doctor refused to see them until they paid their outstanding fees. This often led to them having to go to the Urgent Doctors and incur larger fees that they were even less able to afford.

The high costs of housing

Low income households typically spend a high proportion of their total income on housing, causing severe financial difficulty. They are left with insufficient money for other basic needs: food, clothing, transport, medical care and education.¹⁷ For these households, housing costs are deemed to be unaffordable if they exceed 30 percent of gross income.¹⁸

In Dunedin low-income families must compete with a large student population for limited rental stock.¹⁹ This impacts not only upon the price that low income families pay for rental accommodation, but also upon the location and quality of the housing they are able to access.²⁰

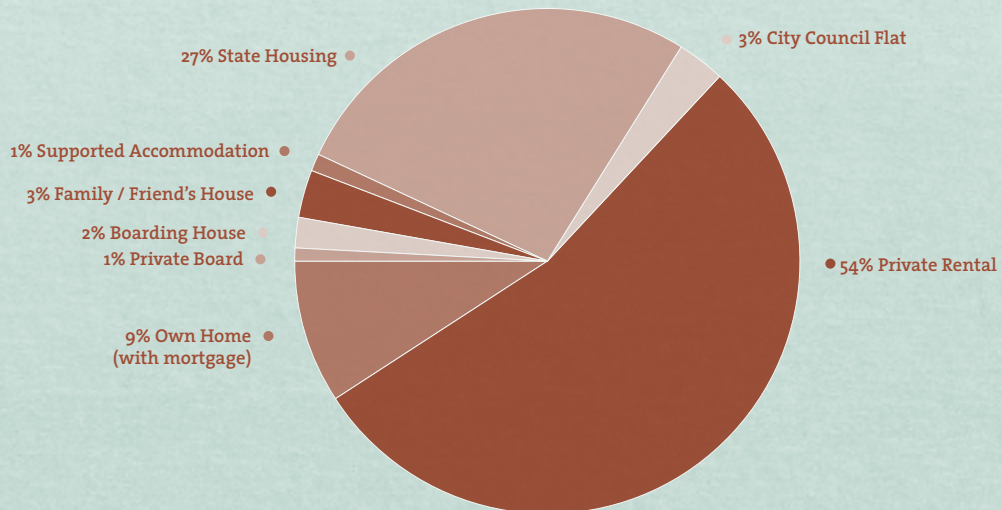
17- *The Social Report 2007*, Ministry of Social Development, pg.62

18- *Ibid.* CHRANZ Fact Sheet: Affordable Housing in New Zealand, Centre for Housing Research Aotearoa New Zealand, 2006 <www.chranz.co.nz/pdfs/chranz-fact-sheet-affordable-housing-in-nz.pdf>

19- *Pockets of significant hardship*, pg.10

20- *Dennis Povey and Ulrika Harris, Old, Cold and Costly? A Survey of Low Income Private Rental Housing in Dunedin 2004*, Presbyterian Support Otago, 2005, pg.9

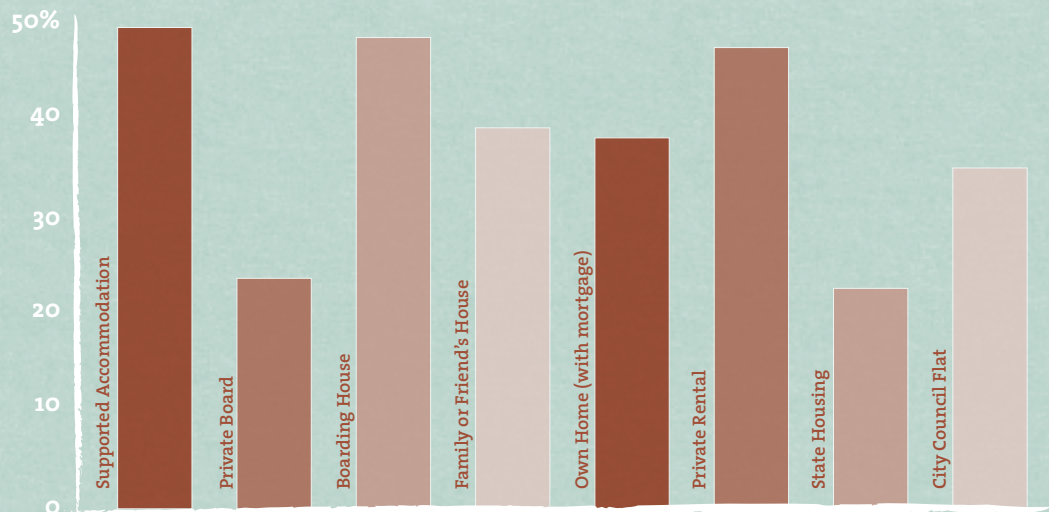
HOUSING TYPE OF PARTICIPANTS



Rents

The majority of participants in our study lived in private rental housing and received an accommodation supplement to help with their housing costs. For these participants the proportion of total income spent on housing was significantly above the recommended 30 percent. Despite taking into account the increased income provided by the accommodation supplement, on average the proportion of income spent by those in private rentals (46%) was more than twice that spent (22%) by those in state housing.

PROPORTION OF TOTAL INCOME SPENT ON HOUSING BY TENURE TYPE



Housing costs were particularly onerous for single adults living in private rental accommodation. Seven of the 11 single adults renting privately spent over half of their income on housing costs. In some cases this was because non-custodial parents were paying for larger houses so that their children were able to stay with them. This placed significant strain upon their budgets because they did not receive any additional government assistance in recognition of their partial care of the children.²¹

²¹ This issue was also identified in the publication, *Forgotten People: Men on their Own*, Salvation Army Social Policy and Parliamentary Unit, 2006, pg.58

For the vast majority of participants, home ownership and the stability and financial security this can provide, was completely out of reach. Only nine percent of participants owned the home they lived in, all of whom were paying a mortgage. Although the cost of paying a mortgage appeared to be proportionately less than paying for rental accommodation, the income levels of the majority of participants exclude the possibility of saving to place a deposit on a house.

Struggling to be heard in your dealings with government departments

For the benefit-dependent, contact with government agencies was often frustrating and humiliating. Because these agencies act as gatekeepers, controlling access to government assistance and resources, those who are reliant on government support have little choice but to engage with them.

In the focus groups, this topic attracted heated discussion, with many participants recounting tales of negative interactions with government departments, in particular Work and Income. Participants felt that they were frequently treated without due respect or empathy and had to “battle” even to obtain basic entitlements. Because the benefit system is hugely complex and many beneficiaries have limited access to information, they are often heavily reliant upon Work and Income Case Managers to ensure they are receiving their full entitlements. According to participants in our study Case Managers frequently failed to inform them of their entitlements.

At Work and Income, participants often encountered negative, suspicious, indifferent or unhelpful attitudes, with some participants suggesting that they were made to feel greedy and as though they were, “asking for money out of their (the Case Manager’s) pocket.” Many were subjected to constant scrutiny and comment regarding their spending and life choices. This had discouraged many participants from going to Work and Income even when they were in desperate need of help; many refused to go altogether or would not go unless accompanied by an advocate. Disappointingly, both low-income participants and welfare staff suggested that more courteous and proactive assistance was often contingent upon an advocate’s presence.

Despite this, the stories participants told were not universally critical. Some

«There’s a huge power imbalance...I remember going into WINZ with a man who knew he was a week out and that they were in the wrong. It took him ages to convince them. I thought it was amazing how he just kept on explaining it because the guy wasn’t going to hear it, but eventually he had to admit that he was in the wrong. It is frustrating if you’re not fluent enough to actually speak up and get upset before you’ve got your point across.... They’re so vulnerable really.»

WELFARE AGENCY STAFF MEMBER

«I’ve been going through quite a lot lately so I didn’t get my review into WINZ so they didn’t put my money in. I had no money and I used the last of my petrol to get to WINZ. They wouldn’t give me any money, not even to get nappies at the supermarket across the road. I had the kids with me and they were crying....five minutes after I left they rung me back and said I could come and get a \$20 food voucher, but only after I’d got really upset and being asked to leave by the security guard.»

focus group participants spoke favourably about their Case Managers and highlighted the significant difference an attitude of understanding and compassion could make.

Feeling isolated and socially excluded

Many of the participants in our study were isolated and excluded from everyday forms of social activity because they did not have enough money to “get out of the house and break out of the system.” Focus group participants told us that costs associated with socialising, for example transport, parking, admission and food, were often prohibitive. As a consequence, they frequently withdrew both themselves and their children from social activities.

«I dread birthday invitations. There's 30 bucks. I instantly look at a birthday invitation and go, 30 bucks where the hell am I going to get that money from. If it's a school friend they need a present... We've had times where we just haven't gone. I've got no gas so we just can't get there. For me that's one thing that I find hard for the 6 year old.»

Poverty manifests not only in unacceptably low levels of material resources, but also in having inadequate resources to participate in society, a situation referred to as social exclusion. Social exclusion encompasses a range of non-participation, including exclusion from the labour market, social isolation, political marginalization and disempowerment, and exclusion from public and private services.

A lack of convenient or affordable transport was a vital contributor to participant's isolation, often restricting them to the home. A quarter of participants did not own their own car because of the cost, a sizable proportion in a country in which 92 percent of households have access to a vehicle.²² Sixty percent of participants said that they frequently cut back on visits to family and friends, while for some income constraints and transport costs had meant being unable to receive or provide support to others during times of grief – almost a quarter of participants said they had often been unable to attend funerals or tangi.

Income constraints also deprived 64 percent of participants of the ability to participate in hobby activities. In some cases this also extended to participants' children who missed out on vital interactions with their peers because they were unable, for example, to take part in out-of-school sports, dance classes or attend other children's birthday parties.

CHAPTER 3

Income Inadequacy: has “Working for Families” addressed poverty in our communities?



When a Labour-led Government came to power in 1999, it expressed a commitment to “tackling poverty and social exclusion.”²³ The Working for Families Package, introduced in 2004, was presented as the Government’s major initiative in pursuit of this aim. It was designed to “ensure income adequacy” by easing hardship among low to middle income working families and responded to growing concern about high levels of child poverty in New Zealand.²⁴

As a poverty alleviation measure Working for Families has been subject to considerable criticism on the basis that it provides the least assistance to those who are most in need.²⁵ Despite the high incidence of poverty amongst benefit-dependent families, Working for Families was designed to provide additional assistance to those in work, with the greatest cash increases accruing to “families with incomes somewhat above the poverty line.”²⁶ Non-working beneficiaries were ineligible for the most generous assistance provided by the package, the newly introduced In-work Tax Credit, while those without children were almost entirely excluded from its benefits.²⁷

23- *Pathways to Opportunity*, June 2001

24- Dr Michael Cullen, *Budget 2004: Budget Speech*, available at www.treasury.govt.nz/budget/2004

25- See for example, Nick Johnson, “Working for Families” in *New Zealand: Some Early Lessons*, Fullbright New Zealand, 2005, pp.17-18; Susan St John and David Craig, *Cut Price Kids*, Child Poverty Action Group 2004,

26- Johnson, *Working for Families*, pg.17

27- Some beneficiaries and low-income earners without children may have benefited from changes to Accommodation Supplement entitlements

MAJOR COMPONENTS OF THE WORKING FOR FAMILIES PACKAGE

Working Families	Benefit-Dependent Families
<ul style="list-style-type: none"> • Increases in family assistance, with these payments being made available to more low and middle income earners • In-Work Tax Credit for those working a minimum number of hours • Minimum Family Tax Credit to guarantee a minimum income to those who earned below a set threshold • Up to 50 hours per week of subsidised care for children over 3 years. • Additional assistance with accommodation costs 	<ul style="list-style-type: none"> • Increases in family assistance, which were partially off-set by reductions in core benefits and other supplementary assistance • Up to 9 hours per week subsidised care for children over 3 years • Increases in Accommodation Supplement maxima

INSUFFICIENT INCOMES

Minimum Adequate Expenditure Budget Focus Groups

In light of the changes introduced by Working for Families, we set out to establish whether, and to what extent, present income levels for low income families were adequate. We asked focus groups to estimate a minimum but adequate level of expenditure for a two-parent, three-child Dunedin family. We performed the same exercise in 2003 and wanted to see what had changed in the intervening five years.

The methodology, drawn from the New Zealand Poverty Measurement Group Project, utilised the knowledge of members of low income families. Their daily experience of stretching minimal budgets was recognised as giving them expertise as to what people actually need to live on.²⁸

Participants were advised that the budget was to be sufficient to allow a family to participate adequately in their community and live independently (without needing to visit a food bank or go into debt). They were asked to provide a categorised account of necessary expenditure. Although some parameters were outlined at the beginning of the session, the groups were also charged with defining the major assets necessary to allow the family to function at the minimum adequate level. The question of home and car ownership was part of this definition.

When inflation is taken into account there is a striking consistency with the figures reached in 2003 and 2008.

28- Charles Waldegrave, Shane Stuart and Robert Stephens, 'Participation in Poverty Research; Drawing on the Knowledge of Low Income Householders to Establish an Appropriate Measure for Monitoring Social Policy Impacts', *Social Policy Journal of New Zealand*, Issue 7, December 1996

**WEEKLY MINIMUM ADEQUATE EXPENDITURE
BUDGET ESTIMATES FOR A TWO-ADULT, THREE-CHILD DUNEDIN
FAMILY, 2003 AND 2008**

Expenditure Category	2003 \$ per week	2008 \$ per week
Food	150.00	162.50
Housing	210.00	275.00
Power/Heating	50.00	63.00
Appliances and Furnishings	25.60	30.00
Phone	20.50	30.00
Other household operation/ Personal Care	42.00	60.00
Clothing and shoes	30.00	50.00
Medical/Dental	5.00	15.00
Transport	80.00	80.00
Activities and Recreation	40.00	27.50
Education	35.00	30.00
Insurances	29.50	32.00
Emergency	10.00	17.50
Total Budget	727.60	872.50
Percentage Increase MAEB 2003-2008		19.9%
Dunedin Inflation Increase 2003-2008		16.6%

A comparison of 2003 and 2008 figures indicates that, as well as the overall total increasing, the proportion of expenditure required in different areas has also changed. We note, in particular, that the proportion spent on clothing, housing and household operations and medical and dental care has increased, while the overall proportion spent on “discretionary” items such as food, transport and activities and recreation has decreased. As other costs have increased, participants expect to have less to spend on these costs and their budget expectations, even in this theoretical model, reflect such anticipated choices. At \$162.50 per week for a two-adult, three-child family, the 2008 figure for food is substantially below the \$241 per week that the University of Otago Food Costs survey suggests is required for a family of this size to achieve a “basic” diet.

When compared with minimum benefit and wage income levels, the Minimum Adequate Expenditure Budget indicates continued inadequacy of income levels.

**WEEKLY MINIMUM ADEQUATE EXPENDITURE BUDGET INCREASE
LEVELS 2003 AND 2008**

	2003 \$ per week	2008 \$ per week
Minimum Adequate Budget Expenditure Estimates	727.60	872.50
Benefit Income ²⁹	497.28	622.92
Weekly deficit MAEB/Benefit	230.32	249.58
Wage Income	524.60 ³⁰	755.20 ³¹
Weekly deficit MAEB/Wage	203.00	117.30

Despite the introduction of Working for Families, even those receiving one full-time minimum wage income and the support of the In-work Tax Credit fall short of the minimum required to live adequately. At \$117.30 per week this deficit is less substantial than that of benefit-dependent families and shows a significant reduction from its 2003 level. The level of income assistance provided to beneficiary families falls well short of the Minimum Adequate Expenditure Budget resulting in a weekly deficit of \$249.58.

At \$241 per week, the amount the University of Otago Food Costs Survey suggests is required for a two-adult, three-child family to achieve a 'basic' diet, food costs would amount to 40 percent of present benefit income for a family of this size.

According to the 2008 estimated budget figures for a two-adult, three-child family, \$162.50 is needed for food, \$275 is needed for housing, and between them power and phone require a further \$93, amounting to \$530.50 across these four essential areas of spending. Given that the benefit income for a two-adult, three-child family is \$622.92 per week, this would leave only \$92.42 to pay for all other costs associated with maintaining a household. Transport, cleaning, clothing, educational costs, doctor, medicines, dentist, insurances, household appliances and furnishings, family activity and emergencies were considered by our focus group participants to amount to \$342 per week.

Deficits of this magnitude cannot be sustained without either incurring debt or surviving on a budget that is significantly below that required to provide a minimum standard of living. The results of our study suggest that low-income families and individuals have adopted both measures, suffering both high levels of indebtedness and material deprivation as a consequence of insufficient income. Recent food price increases are likely to have led to further deprivation, as the purchasing power of already inadequate incomes is further eroded.

Low-Income Household Budget Surveys

The budget data we collected during our study provided further confirmation of the inadequacy of present income levels, with the

29- Composed of main benefit (unemployment or sickness benefit for married or civil union couples with children), Family Tax Credit (previously Family Support) and Accommodation Supplement. Additional supplements and allowances that may apply in specific circumstances have not been included.

30- Composed of one full-time minimum wage income net of tax (40 hours at \$8.50 per hour), Family Support, Child Tax Credit and Accommodation Supplement.

31- Composed of one full-time minimum wage income net of tax (40 hours at \$12 per hour), In-Work Tax Credit and Accommodation Supplement.

majority of survey participants reporting considerable weekly budget deficits. These applied to all household types and to both market and benefit incomes. On average, weekly deficits by household type ranged from \$12.99 per week for two adult families through to \$84.29 for two-adult, three-child families. For individual participants weekly deficits could be far more substantial – deficits of \$100-\$200 per week were not uncommon. Hence, most participants were a long way from making ends meet.

Participants tried to survive on very low levels of expenditure. Cost deprived 27 percent of participants from having a telephone landline, 22 percent from owning a car, 58 percent from having contents insurance, 28 percent from owning a warm winter coat, and six percent of participants from having a washing machine. The burden of debt servicing further eroded participants' income levels, placing an additional limitation on what they were able to afford.

WORKING FOR FAMILIES: UNABLE TO ACHIEVE INCOME ADEQUACY FOR ALL

Low-income working families benefited most from the package

When combined with annual increases in the minimum wage, Working for Families undoubtedly provided a long-overdue and welcome income boost for many working families.

During the survey process the most positive comments regarding Working for Families came from participants who were receiving the In-work Tax Credit, a form of assistance available only to those who work a minimum number of hours per week. Only 10 participants (11%) received these payments.

The In-work Tax Credit work-test has been criticised on the basis that it places a disproportionate demand upon sole parents who already shoulder a large caring burden.³² Sole parents must work a minimum of 20 hours in order to be eligible for the credit. Couples need work only 30 hours, allowing one parent to stay home as a full-time caregiver while the other fulfills the work requirement.

Our study supports this criticism. Seven of the ten participants receiving the In-work payment were members of two-parent families. Of the 48 sole parents – the most common family type - only three received In-Work payments.

« Working for Families has provided more money for essentials such as rent and food, or has made it easier to budget for large unexpected costs, in other words it had enabled them to “just make ends meet.”»

FOCUS GROUP PARTICIPANTS

IMPACT OF WORKING FOR FAMILIES PACKAGE	With benefit	Without benefit
Benefit income (net)	\$ 191.78 ³³	\$ 0.00
Wage income (net) 25 hours per week at \$12 per hour	\$ 189.60	\$ 237.00
Family Tax Credit	\$ 146.27	\$ 146.27
In-Work Tax Credit	\$ 0.00	\$ 60.00
Accommodation Supplement	\$ 120.00	\$ 120.00
Total	\$ 647.65	\$ 563.27

32- St John and Wynd, Left Behind, pg.48

33- DPB abated from \$263.78 per week

Benefit-dependent families received least assistance from the package

Families whose sole income was a benefit, received small gains under the Working for Families package. Pre-existing family support payments were re-branded as 'Family Tax Credits' and increased, although this was partially offset by reductions in core benefits and other forms of supplementary assistance. They did not benefit from the In-Work Tax Credit.

FAMILY TAX CREDITS	2003	2005	2008
\$ Per week	\$111	\$166	\$196
Per child increase		\$18.33	\$10

According to the Minimum Adequate Expenditure Budget a two-adult, three-child family with benefit-only income faced a substantial deficit in 2003. In 2008, with Working for Families fully implemented, this deficit had reduced slightly from 31.6 percent of the estimated expenditure in 2003 to 28.6 percent in 2008. This was of little consolation; the dollar deficit actually widened between 2003 and 2008, with our family now a further \$20 a week away from making ends meet.

Family Tax Credit recipients largely confirm that, for them, Working for Families has not provided an increase of sufficient magnitude to achieve income adequacy.

Entitlement failure

For some participants a failure to receive full entitlements compounded an already grim financial situation. Many participants, despite their apparent eligibility, were not receiving the Family Tax Credit. Seventy percent of the participants in our study had children. Given that their incomes were well below the cut-off threshold, all³⁴ should have been receiving the Family Tax Credit. Yet only a little over half of the people with children (56%) reported receiving these payments.

Who else did not benefit from Working for Families?

Working for Families was never intended to address the often desperate circumstances of some single adults. At least 30 percent of our participants were ineligible for increased assistance under the package because they were single adults, married couples without children or non-custodial parents.

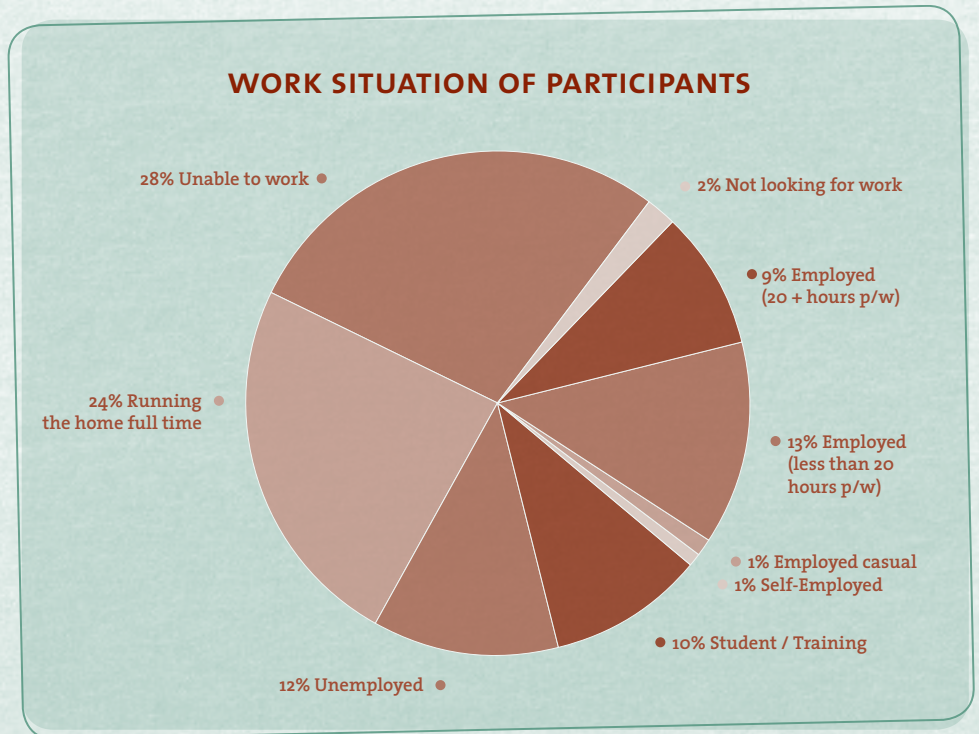
The budget interviews we conducted with single adults revealed the financial situation of this group to be dire. As a group, the weekly deficit of single adults equated to 14 percent of average income, the largest deficit-income ratio of any group included in our study. An unemployment or sickness benefit for a single adult is only \$184.17 per week.³⁵ Single adults are the most common users of the Family Works food bank, providing further evidence of the inadequacy of their income.

34- Provided that they are the primary caregiver of children aged 18 or under

35- Not including any additional supplements or allowances that clients may be eligible for in specific circumstances.

BARRIERS TO WORK

The majority of participants in our study had not made a “lifestyle choice” to be poor, out of work and reliant on a benefit. More often they faced significant barriers to entering or returning to the work force, in particular ill health and caring for children. Our qualitative research also suggests that the abatement and taxation regime often discourages beneficiaries from participating in part-time work.



HEALTH

« I'm not allowed to work for the rest of my life...»

“His body packed up and they won't let him work no more. It's a big difference to drop down to 29 hours a week...»

HUSBAND AND WIFE, FOCUS GROUP PARTICIPANTS

Many participants suffered from either physical or mental ill-health which either severely limited the number of hours they could work or made them entirely and permanently unfit for employment. Forty-five percent of participants received either the Sickness Benefit or the Invalid Benefit. Twenty-eight percent of participants indicated that they are entirely prevented from working because of health constraints.

Focus group participants spoke at length about the considerable strain ill-health placed upon their lives. Ill-health was not only painful and stressful; it also brought with it increased hassles in dealing with complex bureaucracy, a greater sense of isolation and a substantial drop in income. For many of the participants we spoke to, not being able to work was an unwelcome and frustrating experience. Some participants found it hard to adjust to a limited income, especially when they were now struggling to cover liabilities, such as mortgages, that they had taken on when they were well.

CHILDCARE

The majority of participants were parents, most commonly sole parents with young children. For these parents, who are unable to share caring responsibilities with a partner, childcare can be a full-time and “relentless” undertaking. Twenty-four percent of participants indicated that they presently cared for children and ran the home full-time.

Although childcare subsidies are provided by the Government, taking care of children continues to act as a barrier to employment for some parents. Where parents are only able to secure part-time or low-wage work, childcare was sometimes unaffordable. Twenty-five percent of parents in our study reported that they were unable to afford these costs.

« I've got it into my head that I'm a solo parent until my daughter's ten. Then she's old enough to start getting herself organised after school and to go to day-care. So I've got the next three years to cope. Then I could easily pop back to work. But it's having the time to work. That's the biggest thing at the moment, having the time. I'm in a situation where my daughter's either with me or in paid care and I can't afford paid care so she's with me. »

Although cost appeared to be the major inhibiting factor, inability to find accessible childcare also prevented participation in the workforce, especially where occupations required work at atypical hours. Focus group participants identified a lack of early morning, late night and weekend childcare as a factor that limited their employment options and postponed re-entry into the workforce. Being out of work was not a choice, but a necessity resulting from the need to care for their child in the absence of a viable alternative.

« I was on the sickness benefit. When she went out to work they stopped it and we're actually earning less now than what we did when we were both on the benefit. I've applied to go back on the sickness benefit because it's the only way to get more money. »

ABATEMENTS

In the focus groups a number of participants commented that the harshness of the abatement and taxation regime had discouraged them from taking on part-time work.

« Last year I was working part-time 20-25 hours per week and I was getting my \$80, but really at the end of the day it wasn't worth it after I'd paid out my petrol, my childcare and for all the stress...it just wasn't worth it. I was better off putting my energy into my daughter, which I did. »

At present, beneficiaries are able to earn up to \$80 a week gross before their benefit begins to abate. For earnings above \$80 the combined effect of abatement and taxation at secondary rates is to leave only eight cents of every dollar earned in the pockets of those on Sickness or Unemployment benefits. Those receiving the Domestic Purposes or Invalid benefits lose a lesser, but by no means inconsiderable, 52 cents of every dollar earned, with the higher abatement level applying to earnings above \$180. At minimum wage rates, the \$80 exemption covers approximately six and a half hours of work; finding secure and meaningful jobs that allow one to work such limited hours is not easy.³⁵

35- This is discussed in the publication *Look and Look Again: Poverty in an affluent society: Number 13 in the CARITAS Social Justice Series, CARITAS Aotearoa New Zealand, September 2008, where it is commented that many jobs give people “no permanence, no security.”*

**EFFECT OF ABATEMENT REGIME ON THE INCOME
OF A ONE-ADULT, TWO-CHILD FAMILY**

Benefit Only	Benefit and wage (7 hours)	Benefit and wage (20 hours)
\$530.35	\$592.21	\$647.65

As illustrated in this table, the effect of the abatement regime is to leave a Domestic Purposes Benefit recipient earning the minimum wage with only \$117.30 for 20 hours of work.

When transport, childcare and other work related costs were combined with reductions in benefit, supplement and allowance income, many participants found they were actually worse off in employment.

CHAPTER 4

Government Responses to Poverty and Hardship: can we do better?



In this chapter we consider the labour-lead Government's response to the continued presence of poverty and hardship in New Zealand and ask, "Can we do better as a nation and as a community?" We also examine local initiatives and consider whether these could be improved. Where we identify inadequacies and shortfalls in present policy we attempt to provide practical recommendations for an alternative approach.

WHAT'S BEEN DONE?

Between 1999 and 2008, Labour-led Governments introduced a number of social policy initiatives: national superannuation was indexed against the average wage, state housing tenants paid income-related rents, benefits were adjusted annually to compensate for inflation, the minimum adult wage was regularly increased and healthcare and childcare costs were reduced. In 2004 Working for Families heralded a major programme of social spending in favour of low to middle income families. The Government of the day intimated, and we hoped, that Working for Families would have significant impact upon poverty in New Zealand.

PROGRESS OR CATCH UP?

While Working for Families undoubtedly provided a long-overdue and welcome income boost for many low-income working families,

our research suggests that this has not translated into a substantial improvement in their living standards. In part, this is because the package comes after years of neglect in which levels of family assistance were gradually eroded by inflation. Consequently, for many families, “Working for Families will barely achieve catch-up.”³⁷ By its very name it is clear it was never intended to address the often desperate circumstances of some single adults, who received no increased income under the package. Assistance received by non-working families under Working for Families is essentially a renamed version of already existing family support.

WELFARE TO WORK

Providing sufficient incentive for people to move from welfare to work and be better off has been a social policy aim for a very long time but, as we have seen, some of our participants have found themselves financially worse off in work.

The other reason for Working for Families’ failure to adequately address poverty is simple; Working for Families is not primarily a poverty eradication package.³⁸ Although it was promoted as a response to child poverty, the package of initiatives and reforms was carefully crafted to “make work pay” by increasing the differential between benefit and wage incomes.³⁹ This was predominantly achieved through the introduction of the In-work Tax Credit, a form of assistance for which beneficiaries are ineligible. It also modified the abatement regime with regard to the Accommodation Supplement. Working for Families continues the “work-first” approach to social security dominant throughout our welfare system and in other liberal welfare countries. The work-first principle is underpinned by a belief that government should use the taxation and social security systems to provide financial incentives for people to move off benefits and into the workforce, in the belief that this provides the best route out of poverty. This approach has pervaded government policy on both sides of the political spectrum and finds new emphasis in the National Party’s 2008 welfare policy, with its self-declared “unrelenting focus on work.”⁴⁰

A possibly unintended consequence of this policy is the perpetuation of the old “worthy” and “unworthy” poor distinction. Being in work is the litmus test. Leading anti child-poverty advocates restate the continuation of “the populist belief that people on benefits are lazy, that being on a benefit is a lifestyle choice and that people need to be made very poor in order to motivate them to work.”⁴¹ Supported by this philosophy, no New Zealand Government has increased basic benefit levels since they were drastically reduced in 1991.

Presbyterian Support Otago values a strong work ethic but questions the flawed policy assumptions of the continued focus on work as the only route out of poverty, namely that:

- Paid work is of greater value than all other forms of social and economic activity. This is particularly problematic for those living with significant illness or disability or those whose primary work is caring for children, the sick or the elderly. Twenty four per cent of the participants in our study described caring for children and running the home as their full-time occupation, work which they said was a ‘relentless’ undertaking.

37- Susan St John and David Craig, *Cut Price Kids*, Child Poverty Action Group 2004, pg.5

38- Nick Johnson, “Working for Families” in *New Zealand: Some Early Lessons*, Fullbright New Zealand, 2005, pp.17-18

39- *Cut Price Kids*, pg.7

40- National Party, *Benefits Policy*, available at www.national.org.nz/Article.aspx?ArticleID=28386

41- Susan St. John and Donna Wynd, *Left Behind: How Social and Income Inequalities Damage New Zealand Children*, Child Poverty Action Group, 2008, pg.40

- People’s decisions about participation in the workforce are only motivated by financial considerations. In reality these decisions are highly complex and are influenced by a number of issues including: mental and physical health; difficulties associated with childcare and transport (especially for those employed in shift work); the trade-off between time and money; and historical experiences.
- Any job is better than no job. This is a major problem with work-first approaches, which often fail to accompany an emphasis on work with a commitment to investing in finding people secure jobs with decent conditions. A 2005 Department of Labour survey showed that low quality jobs do not lead to sustained employment or increased productivity. Policies that require beneficiaries to work as a condition of benefit receipt must be rejected. These schemes have been proven not to lead to long-term employment, require beneficiaries to work at below minimum wage levels of recompense, and serve to do little more than punish those who are not in paid work.⁴²
- The barriers to employment are individual (i.e. in the job-seeker’s mind) rather than structural. In fact, people may continue to face discrimination because of a disability, susceptibility to illness, previous work experience or a history of offending. These policies also look good in times of full employment. How will they look in times of recession when, once again, work force restructuring forces many good workers onto unemployment rolls?

We are gravely concerned that a work-first approach, whereby benefit levels are maintained at deliberately low levels in order to make work more ‘attractive’, undermines the importance of the role of carers in our community and entrenches poverty for those who cannot work.

Disappointingly, the Labour-led Government’s 2008 Budget provided no indication that further help and much-needed assistance would be available for the most disadvantaged members of New Zealand society. Beneficiaries continue to be denied what they really need – a substantial and immediate increase in income. Apart from national superannuitants, beneficiaries were not provided with the tax cuts that were given to the rest of the population.

42- The “Work for the Dole” scheme introduced by the National Government at the end of the 1990s was evaluated in 2000 by Work and Income New Zealand which reported that:

• beneficiaries are no better off in Community Work than if left on a benefit;

** their employment outcomes are lower than that of the comparison group not participating in Community Work;*

• the probability of people achieving a positive employment outcome decreases while they are participating in Community Work; and

• the negative outcomes are stronger for community work than for its predecessor programme, Community Task Force.

Work and Income New Zealand, Centre for Operational Research and Evaluation “The outcomes and impact of Expanded CTF and Community Work”, Work and Income New Zealand, November 2000.

CAN THIS BE TRUE OR FAIR?

	Gross	Net
DPB 1 April 2008	\$320.02	\$263.78
DPB 1 October 2008	\$304.93	\$263.78

Apart from national superannuation, all other benefits are paid net of tax. As a result the amount received “in the hand” by beneficiaries did not increase following the introduction of tax reductions in October 2008. This further contributes towards the growing gap between those in paid work and those not in paid work.

RECOMMENDATIONS

Income Adequacy

As the Child Poverty Action Group has asserted, “Income is the bottom line in issues of poverty.”⁴³ Our research revealed substantial weekly income shortfalls for participants on benefits and on low wages, with the difference between income and expenditure peaking at \$249 per week for a two-parent, three-child family with benefit only income.

We are concerned that this finding comes in the aftermath of significant government redistribution through the Working for Families package. Our research indicates that the most impoverished members of our community have received little or no benefit from this package and we question the effectiveness of Working for Families to address poverty at its sharpest end.

In order to achieve a more equitable and just distribution of resources to the most disadvantaged members of New Zealand society, Presbyterian Support Otago endorses the following measures:

- Providing the means for each family and individual to have sufficient income to meet their fundamental needs. Adequate food, clothing, medical care and warm, secure housing must be placed at the top of all political party agendas.
- The comprehensive recommendations contained in the Child Poverty Action Group’s report on child poverty, *Left Behind*, that net income for those on benefits be set at 60 percent of the median household income after housing costs. The principle of relativity with waged income has been approved for New Zealand superannuation levels and should be extended to other benefits.
- The indexation of the minimum wage at a level that guarantees minimum wage earners an acceptable standard of living.
- Joining with the Child Poverty Action Group, the New Zealand Council of Christian Social Services, the Anglican Commission for Social Justice and the Green Party in calling for the reintroduction of a universal Child Benefit as the most efficient, effective and just means of delivering state support to families with children.
- Benefit abatement levels, which continue to provide a disincentive for beneficiaries to participate in the workforce, must be raised to at least take account of inflation. Child Poverty Action Group estimates that this would require the \$80 threshold for Unemployment and Sickness beneficiaries to be increased to \$130, while the second threshold, which presently sits at \$180 for DPB and Invalid beneficiaries, should be increased to \$225.
- Work and Income staff taking a proactive and vigilant approach to ensuring that clients are receiving their full entitlements, including making them aware of the Family Tax Credit and the recently increased Special Needs Grants for food and “other emergencies”.

43- Cut Price Kids, pg.10

Housing assistance

Our research showed that, despite the assistance provided by the Accommodation Supplement, participants in private rental housing continue to suffer hardship because of high housing costs.

Presbyterian Support believes that the provision of secure and affordable housing for low-income families and individuals must form a fundamental cornerstone of welfare policy. We therefore urge Government to:

- Make a substantial investment in social housing to the tune of \$500 million - \$1 billion per annum, as called for by the Salvation Army.⁴⁴
- Increase Accommodation Supplement maxima to take account of increased accommodation costs, so that no low-income household need spend more than 30 percent of its income on housing.

Healthcare

Our participants painted a story of ill health, delayed visits to the doctor and lives hampered by unresolved health problems. Access to primary healthcare is essential to ensuring a decent, healthy and productive society.

We therefore urge that:

- In the absence of universal free healthcare, Government continues to implement policies targeted at removing cost as a barrier to healthcare for the poorest New Zealanders. In particular, we encourage our local Primary Health Organisations to utilise “Services to Improve Access” funding to provide targeted assistance to low-income members of our community. We would also welcome a nation-wide Ministry of Health review to establish how this funding could be most effectively used.
- The thresholds for single adults’⁴⁵ eligibility for the Community Services Card be increased so as to encompass minimum wage earners.

Childcare

Despite the provision of government subsidies and 20 hours free early childhood education for three and four year olds, unaffordable and inaccessible childcare continues to act as a major barrier to participation in the work-force. In order to minimise any remaining barriers to employment for those who wish to combine work and parenthood we recommend that:

- Transition to Work grants, including those for childcare, be more widely publicised to Work and Income clients.
- Government implement funding models that encourage the provision of childcare during atypical hours. We support the Children’s Commissioner in calling for increased funding and support for the development of out-of-school services, especially in low income communities.
- Government continues to work toward the provision of high-quality, universal early childhood education. Elsewhere, the provision of universal early childhood education combined with government-assured income adequacy has seen the virtual elimination of inter-generational inequality.⁴⁶

44- Johnson, Alan, “Rebuilding the Kiwi Dream A Proposal For Affordable Housing In New Zealand”, *The Salvation Army Social Policy and Parliamentary Unit*, June 2007.

45- For both adults living alone, and those living with others

46- See Esping-Andersen (2003a), in A.Giddens (eds), *Progressive Futures*, London, Policy Network (2003b), “Towards the good society, once again?”, paper at the 4th International Research Conference on Social Security, Antwerp, www.issa.int/pdf/anverso3/keynotes/2esping.pdf, accessed 2 October 2007.

(2007), “Towards a Child Centred Social investment Strategy”, www.ciimu.org/wellchi/conference-3/esping-andersen.pdf.

Power and Heating

Our participants reported that they were frequently unable to afford adequate heating. Electricity affordability will worsen for Dunedin residents with Contact Energy's recent and substantial price increases for South Island customers.⁴⁷

At a national level we urge that Government provides:

- Greater regulation of the electricity market so that residential customers do not face frequent price increases that exceed the rate of inflation.
- An extension of the Energy Efficiency and Conservation Authority funding to provide free insulation retrofits to low income households, including those in private rental accommodation. As the New Zealand Council of Christian Social Services has recognised, "unless the retrofits are free the most financially strapped households will not be able to take advantage of this scheme."⁴⁸

At the local level we appeal to the Dunedin City Council to:

- Increase funding to the Electricity Consumer Fund in recognition of the huge demand for this service. We propose that, at minimum, the fund be restored to its 2002 level of \$200,000 per annum.
- Substantially increase funding for insulation retrofits on houses built before 1 April 1978, with priority being given to low income households.

Debt

In keeping with the findings of our 2002 publication, *How Much is Enough?*, our research confirmed a widespread and worrying trend of indebtedness to Work and Income. We are concerned that those already deprived of so much face increased hardship while repaying debt to a government agency. In *How Much is Enough?* we called for the introduction of initiatives to lessen the burden of government debt servicing. We regretfully note that these initiatives have not been adopted and we therefore reiterate:

- That innocent overpayment debt unpaid within 18 months on the basis of minimum instalments be written off.
- That Work and Income staff be empowered to write off unpaid debt older than 18 months that has been incurred for essential items.
- That greater use be made of non-recoverable grants and Temporary Additional Support, although we note that this regretfully provides less discretion to respond to individual circumstances when compared to its predecessor, the Special Benefit.

Social Inclusion

PSO is concerned about the impact of continued social isolation, such as that illustrated in our research findings, on the long-term wellbeing of low income members of our community. We believe that social inclusion could be improved in Dunedin by:

- Increased Government funding for sports and extra curricular activities so that no child needs to be excluded.

47- www.nzherald.co.nz/electricity/news/article.cfm?c_id=187&objectid=10534774

48- New Zealand Council of Christian Social Services, "General Social Services Mailout", June 2008, p.5.

- Improving the affordability and accessibility of public transport. We therefore call upon the DCC and the Otago Regional Council to prioritise spending on public transport as an essential part of infrastructure development.
- The DCC providing free entry to the City's recreational facilities, including its swimming pools, for Community Services Card holders.

CONCLUSION

Our impression is that, despite considerable social spending, there has been little improvement for the most disadvantaged members of our society.

Our clients continue to struggle to make the best of the difficult circumstances they have been handed. We have predominantly focused upon one facet of their lives: the innumerable stresses and difficulties caused by an acute lack of money. Of all the multiple disadvantages many of our clients face, we believe income inadequacy is the one that is most easily addressed.

New Zealand is a relatively affluent nation. We have the resources. What is needed is the political will to distribute them in favour of those most in need.

We must not falter; the social costs are too great. We can do better.

We Must Do Better!

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