

ASSESSING THE SOCIAL IMPACTS OF THE NEW ZEALAND HOUSING REFORMS DURING THE 1990s

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Throughout the twentieth century, and particularly since the late 1930s in New Zealand, there has been a recognition of the importance of housing to individual and social well-being, such that State involvement in housing provision has been a central part of welfare and social policies (Thorns 1988, Roberts 1992, Fergusson 1994). A particular feature of these policies from the 1930's through to 1992, was the provision of state rental properties for low-income households, at income related rents. (Thorns 1986, Fergusson, 1994).

The 1992 Housing Restructuring Act signaled a fundamental change in the way the state delivered housing assistance to low income households. The most notable of the reforms signaled by the 1992 Act involved a move from away from the provision of properties by the state at income related rents, to be replaced by a system of provision of properties at market rents, with direct income supplements to low income households. A new State Owned Enterprise (Housing New Zealand, or HNZ), replaced the previous corporation (Housing Corporation of New Zealand or HCNZ) in the administration of the state housing stock. The new body (HNZ) was charged with meeting both social and profit making objectives.

The reforms were controversial both in the manner of their implementation, and in the impacts many predicted they would have on tenants (Waldegrave et.al 1991, Murphy and Kearns, 1993, Roberts, 1992). The essential argument for the change was that providing the same level of assistance to all low income households was fairer and more equitable than providing substantial assistance to those in state rentals, but not those in the private sector. Proponents of the 1992 changes argued that the provision of income-related rents reduced housing choices for low-income households, created a dependency on state housing rentals, reduced incentives for people to improve their housing situations, and led to an inefficient distribution of available housing, where people did not move into smaller accommodation as their need for space reduced. (Luxton, 1991).

Opponents of the 1992 Act pointed out that the introduction of market rents has often meant that rents for state house tenants have substantially increased and sometimes doubled since 1991, that the rent increases for state house tenants greatly exceeded

both inflation and rises in accommodation supplement allowances over the same period, that the condition of many HNZ properties became sub-standard, that the amounts of rent charged often exceeded market values, and that HNZ housing stock was being sold off at a time when many low-income households were unable to access adequate accommodation. From this perspective, the commercial goals of HNZ have been associated with an increasing incidence of overcrowding, homelessness, poverty and associated health and social problems. (Clark, 30.6.97; Kelly, 4.7.98; Kelly, 13.7.98)

Limited research has been undertaken since the phasing in of market rentals. However, Parliament's Social Services Select Committee have expressed concerns about changes evident since the introduction of the 1992 Housing Restructuring Act. In particular, the Committee expressed concern about the conflict between Housing New Zealand's social goal of providing housing for low-income tenants, and its commercial objectives. In addition, concern was expressed about the adequacy of HNZ maintenance of its properties, and the high level of sales of HNZ properties in areas where there is a demand for HNZ rental accommodation. In 1997, the Committee concluded that "Housing NZ's policy should be reviewed to give more weight to the affordability of housing." (Dominion, 11.6.97)

Assessing the Housing Reforms

Assessing reforms in housing policy is always a difficult subject to research, because the market and human behaviour variables are many. With the exception of the Ministry of Social Policy Accommodation Supplement monitoring data, the following studies have been carried out by the Family Centre Social Policy Research Unit, (one in association with the New Zealand Poverty Measurement Project), in an attempt to analyse the impacts on low income households of the housing reforms through a range of different methodologies. The following pieces of research provide a picture, from different snap shot angles, of the impacts of the housing reforms on low income households.

Monitoring the Accommodation Supplement

This is a regularly updated piece of research carried out by the Ministry of Social Policy in New Zealand (MOSP 2000). It updates the statistics on the 300,000 plus New Zealand households who receive the Accommodation Supplement benefit (AS). Given that beneficiaries in state houses, prior to the reforms, paid a maximum of 25% of their income on rent, it is interesting to note in table 1 that in March 2000 11.2% of those receiving the AS had housing costs that took up 50% or more of their income. Another 16.6% had costs of between 40% and 50% as set out in table 2. Thus around 28% of all AS recipients were paying housing costs of 40% or more of their household income.

It is particularly interesting to note that those percentages change very little when the state house tenants are singled out. In March 2000, 10.5% of Housing New Zealand (HNZ) tenants receiving the AS, had housing costs that took up 50% or more of their income. 13.9% had costs of between 40% and 50% as set out in table 2.

**Table 1 Proportion of AS Recipients with Outgoings to Income (OTI) > = 50%
by Tenure Type**

Quarter	Boarders	Council Renters	Private Sector Renters	HNZ Renters	HCNZ Mortgagors	Private Sector Mortgagors	Total
Mar-99	0.8	1.6	13.3	10.1	6.4	17.1	10.3
Dec-99	0.8	2.0	13.5	10.1	6.8	17.8	10.6
Mar-20	0.9	2.2	14.2	10.5	7.7	18.4	11.2

Source: Ministry of Social Policy

**Table 2 Table Proportion of AS Recipients with Outgoings to Income 40%<=
(OTI) < 50% by Tenure Type**

Quarter	Boarders	Council Renters	Private Sector Renters	HNZ Renters	HCNZ Mortgagors	Private Sector Mortgagors	Total
Mar-99	8.6	5.3	19.9	12.9	8.9	17.2	15.7
Dec-99	9.6	5.6	20.4	13.7	10.4	18.2	16.6
Mar-00	9.5	5.1	20.3	13.9	10.2	18.1	16.6

Source: Ministry of Social Policy

The figures probably under-estimate the full extent of the affordability problem that many New Zealand low income households experience. There are many overcrowded households where one or two families are not entitled to the AS, and therefore do not even make it on to the database. The ministry also acknowledges that, as with many benefits, there are problems with 'take up' particularly with low wage workers for a range of bureaucratic, literacy, perceived dignity and cultural reasons. Furthermore the method of calculation of housing costs as a percentage of income gives a lower estimate than other accepted methods. Statistics NZ use a different method, which if used by the Ministry of Social Policy, would furnish a greater number of households paying 40% plus and 50% plus of their household income on housing costs. The difference is explained in more detail ahead under the section 'Urban Maori Responses to Changes in State Housing Provision'.

The New Zealand Poverty Measurement Project

The problems of housing affordability pointed to in the AS monitoring data, become much clearer in the New Zealand Poverty Measurement Project (NZPMP) research programme (Stephens et al 1995, Waldegrave et al 1996, Waldegrave et al 1997, Stephens et al 2000). This programme of poverty research is currently led by Bob Stephens and the author.

The NZPMP consists of a micro focus group aspect and a macro statistical aspect. The focus group work has involved continuous sampling throughout New Zealand, since 1993, of low income households estimates of *minimum adequate budgets* for households of different sizes. The sampling has included rural, mid town and city dwellers, Maori, Pacific and Pakeha (European) groups, single parent householders, two parent householders, those in the paid workforce and those out of it.

The budget estimates in the same regions in the same years are remarkably similar. Costs are lower in rural areas, whereas in the city housing is the main variant.

Housing costs in Auckland are significantly greater than the rest of the country. Apart from that, there is a general agreement as to weekly amounts needed to live modestly out of poverty. The focus groups enable the poverty level to be calculated out of the range of experience of people who actually live on low incomes, as opposed to bureaucrats or academics who are more distant from it.

The weekly estimates are multiplied into annual budgets and then calculated as a percentage of household, disposable, equivalent, median income through use of the Household Economic Survey database (Statistics NZ 1993-98). In 1993 the poverty threshold, using this method, was set at 60% of median household income. This was below the level of superannuation for the elderly and around that of the sickness benefit at the time. Due to the drop in New Zealand median income, the threshold had increased to 66% by 1998.

Table 3 sets out the poverty data for three poverty thresholds, 60%, 66% and 50% of median income. 50% is about the base level of the employment benefit.

Table 3 Incidence and Severity of Poverty, 1998, by Poverty Measure

<u>Before Adjusting for Housing Costs</u>						
Poverty Measure	Poverty Household	Incidence People	Poverty Incidence	Reduction Pov. Gap	Poverty \$m	Gap % PLine
50%	4.1	4.7	86.0	96.0	146.1	19.0
60%	15.4	14.7	52.3	91.6	400.6	11.7
66%	23.8	22.8	30.0	85.4	788.4	13.5
<u>After Adjusting for Housing Costs</u>						
50%	12.4	13.1	60.1	86.6	572.3	30.5
60%	19.3	20.6	42.9	80.5	1010.0	28.8

Source: Calculated from NZ Poverty Measurement Project data base.

Poverty incidence refers firstly to the number of households and then the number of individuals below the poverty line. Poverty reduction refers to the effectiveness of the welfare payments in reducing poverty in terms of numbers and severity of poverty. The poverty gap refers to the number of dollars people below the line are short of the threshold. Thus before housing costs are taken into account, at the 60% level, 15.4% of households and 14.7% of individuals in New Zealand are poor. The social welfare transfers are 52.3% effective in reducing poverty incidence and 91.6% effective in reducing the severity of poverty. The collective dollars those below the threshold are short is \$400.6 million and those in poverty are on average 11.7% of the threshold below it.

Using the method adopted by the British Department of Statistics 'Below Average Income Series', the data can be recalculated at the same percentile level after paying housing costs. This enables another snap shot of the impact of housing costs on the budgets of low income families. At the 60% level the incidence jumps to 19.3% of

households and 20.6% of individuals. The effectiveness of welfare payments to reduce poverty declines and the poverty gap increases to \$1,010 million. The substantial impact of housing costs pushes more low income households into poverty, and those already in poverty deeper into it. Using this latter calculation of the leap from \$400 million to \$1,010 million, one can suggest that housing makes up about 60% of the income shortfall for poor families.

Table 4 sets out the incidence and severity of poverty in relation to housing tenure. There is a wealth of data in this table, but for the purposes of this paper it is very interesting to note that after housing costs have been paid, most of the increase in poverty is due to public and private renters paying open-market rents. Thus, despite the operation of the targeted Accommodation Supplement, over 70% of state tenants and a third of private renters were poor after housing costs. The numbers in both sectors almost doubled. The structure of poverty changed increasing HNZ, private rental and mortgagor households, while reducing freehold owners. The poverty gap more than quadrupled for state house tenants (HNZ) and trebled for private renters.

Table 4 Incidence and Severity of Poverty, 1998: by Housing Tenure

Before Adjusting for Housing Costs				
Tenure	Incidence %	Structure %	Poverty Gap \$m	PR Effectiveness Incidence (%)
<u>Owned</u>				
With mortgage	8.4	17.2	69.0	22.9
No mortgage	15.0	38.9	139.7	63.1
<u>Rented</u>				
HousingNZ	36.9	13.4	66.5	51.3
Employer	14.9	2.2	3.5	30.9
Private	18.1	17.9	81.2	42.9
Other	28.5	10.4	40.8	48.4
Total	15.4	100.0	400.7	52.3
After Adjusting for Housing Costs				
Tenure	Incidence %	Structure %	Poverty Gap \$m	PR Effectiveness Incidence (%)
<u>Owned</u>				
With mortgage	17.2	28.0	245.0	n.a.
No mortgage	4.7	9.8	83.2	n.a.
<u>Rented</u>				
HousingNZ	71.9	20.7	254.9	n.a.
Employer	17.3	2.1	18.7	n.a.
Private	32.2	25.4	280.3	n.a.
Other	48.2	14.0	128.0	n.a.
Total	19.3	100.0	1010.1	42.9

Source: Derived from the data base of the NZ Poverty Measurement project.

Urban Maori Responses to Changes in State Housing Provision

This study was carried out by the Family Centre Social Policy Research Unit (Waldegrave and Stuart 1996, Waldegrave, Love and Stuart 2000) for the Ministry of Maori Development. The aim of the research was to gain some insight into the experience and circumstances of urban Maori state-tenant and ex-state-tenant households under the housing reforms

A face to face survey was carried out with 99 urban Maori households in the greater Wellington region, made up of three participant categories: those who had recently left state housing and were occupying private rentals (referred to hereafter as “Left”); those who wanted to leave state housing but still remained in state houses (“Leaving”); and those who had chosen to stay in state housing (“Staying”). The questionnaire focused on eliciting patterns in the experiences of the three groups, particularly with regard to their current housing situations, and how they perceived their involvement in the housing market.

All households participating in the survey, both beneficiary and non-beneficiary, were paying the minimal rent, 25 percent of their income, for their State Houses during 1991. At the time of the survey in 1996, most households continued to live on low incomes, but circumstances had improved for a few. Eleven households had incomes over \$30,000 (household income) per annum. Twenty seven households did not receive a state benefit, but most of them were on a low income.

As has been stated earlier, prior to the 1991 housing reforms, beneficiaries in state houses paid “income-related” rents. The formula ensured that these particular low-income households paid a maximum of 25% of their income on rent. As most of the respondents had been living in state rentals long enough to have gone through the process of rent increases, it was expected that they would have experienced significant changes in their ratio of housing costs to income.

Information gathered in the survey allowed the calculation of the proportion of net (after tax) income that respondents spent on their housing. There are two ways officials in New Zealand calculate this. Statistics New Zealand in the Household Economic Survey, and the New Zealand Council of Christian Social Services (1994) consider the Accommodation Supplement to be an income item, because the tenants pay a market rent and receive an income supplement. Other income supplements to benefits are treated in the same manner. Their calculation expresses rent as a proportion of after tax income including the Accommodation Supplement.

The Ministry of Housing (more recently absorbed into the Ministry of Social Policy), on the other hand, argues that the Accommodation Supplement is a rent subsidy and thus they deduct it from the market rent. Their calculation expresses rent minus the AS as a proportion of after tax income not including the AS.

There is some debate about which method of calculation most accurately reflects rent as a proportion of income. The Ministry of Housing/Ministry of Social Policy method results in lower proportions. Both calculations are presented in this report.

Tables 5 and 6 set out rent as a proportion of disposable income by each respondent category. Table 5 shows the results of performing the calculation by adding the Accommodation Supplement to income, as practiced by Statistics New Zealand and the New Zealand Council of Christian Social Services. Table 2 shows the results when the Accommodation Supplement is treated as a rent subsidy, as suggested by the Ministry of Housing/Ministry of Social Policy.

Table 5 shows that of those surveyed, 80% (79.5) paid 30% or more of their household income on rent. Nearly half (49.4%) spent 40% or more and 30% spent half their income or more on rent. This latter group was spending at least twice the maximum payable by a beneficiary in a state house prior to the reforms. According to Table 6, using the same base data but a different method of calculation, 64% (63.9) paid 30% or more of their household income on rent. Over one third (37.3%) spent 40% or more, and 18% (18.1%) spent half their income or more on rent. Whichever method of calculation is used, significant numbers of tenants were paying more than one quarter of their disposable income on rent. In each case, a few more HNZ tenants were paying 50% or more of their incomes in rent than were those in private rentals.

Table 5 Rent as a Proportion of After Tax Income by Respondent Category, Calculated according to the method employed by Statistics NZ

	Left	Leaving	Staying	Total	
Number paying 30% or more	24	20	22	66	79.5%
Number paying 40% or more	17	10	14	41	49.4%
Number paying 50% or more	7	8	10	25	30.1%
Total	29	28	26	83	100%
Average rent as a % of income	40.8%	43.7%	47.7%	44.1%	

Table 6 Rent as a Proportion of After Tax Income by Respondent Category, Calculated according to the method suggested by the Ministry of Housing/Ministry of Social Policy

	Left	Leaving	Staying	Total	
Number paying 30% or more	21	16	16	53	63.9%
Number paying 40% or more	10	10	11	31	37.3%
Number paying 50% or more	2	4	9	15	18.1%
Total	29	28	26	83	100%
Average rent as a % of income	35.7%	39.2	42.0	39.0	

Despite the impact of rents on household budgets, 78 households reported having not missed a rent payment in the past year, and only 14 had missed payments more than once. This indicates the priority that was given to housing in household budgets. Rents were almost always paid by automatic payment or direct debit. The impact of these housing costs is highlighted by other information that was gathered in the survey.

As demonstrated in the Table 7, 21 of the 99 (that is more than one in five) households reported being short of other essentials every week, after paying housing costs. Overall, 83 households reported being short for other essentials after paying for their housing, at least some of the time, and half the total sample reported being short every month or more frequently.

Table 7 Number Short for Essentials After Paying Housing Costs, by Respondent Category

	Left	Leaving	Staying	Total
Never short	4	4	7	15
Sometimes short	11	11	12	34
Short every month	3	3	3	9
Short every fortnight	5	10	4	19
Short every week	9	5	7	21
Invalid	1	0	0	1
Total	33	33	33	99

The term “crowding” is frequently employed in official descriptions of that which is more commonly and contentiously referred to in community circles as “overcrowding”. Measuring overcrowding can also be complex and controversial (for discussion of such issues see Morrisson 1994). The survey revealed overcrowding among the sample, a substantial amount of which was directly related to financial difficulties.

Table 8 shows that 31 survey households reported “extra” people were living in their home, because they could not afford to live anywhere else. In other words, just under a third of the survey households had people from outside their immediate family living with them, because those people could not afford housing costs. (This does not take into account close family members, who may also have been living in the home.) Participants also reported that they sometimes needed the income from “extra” people to meet their own living costs. Having “extra” people seemed to be most common for those wishing to leave state housing.

Table 8 Reason For People From Outside Immediate Nuclear Family Living In Home By Respondent Category

	Left	Leaving	Staying	Total
Can't afford other housing	10	15	6	31
Other reasons	2	6	6	14
No others living in home	21	12	21	54
Total	33	33	33	99

The picture of overcrowding gained from this survey expands when information about the numbers of adults and children are compared with the number of bedrooms in a

property. This is graphically illustrated in Figure 1, by listing the numbers of adults and children in different sized homes. The three tables in this figure cluster the households into three categories, sole-parent-headed households, couple-headed households, and other households. The shaded areas indicate overcrowding, based on a formula of one bedroom for each single adult, each adult couple and for two children of the same gender, or under the age of 10. For example, one adult and three children would be overcrowded in a two-bedroom house, two adults and two children in a sole-parent headed-household would be overcrowded in a two-bedroom house, and three adults and three children would be overcrowded in a three-bedroom house.

Figure 1 Household Type by Number of Adults and Children in Household and Number of Bedrooms

Sole-Parent-Headed Households					
	Number Of Bedrooms				
	1	2	3	4	6
1A +1C	1	5			
1A+2C		4	4		
1A+3C or more		4	4	1	
2A+1C	1		5		
2A+2C			2		
2A+3C or more		2	4		1
3A+1C		1	4		
3A+2C			1		
3A+3C			2		
4A or more + 3C			1		
4A or more +4C or more		1	1		
Total	2	18	28	1	1

Couple-Headed Households				
	Number Of Bedrooms			
	1	2	3	4
2A		1		1
2A+1C			3	
2A+2C	1	3		1
2A+3C or more		2	7	1
3A+1C		1		
3A+3C or more		1	2	2
4A or more		1	1	
4A or more + 2C				1
4A or more +3C			1	
4A or more + 4C or more				1
Total	1	9	14	7

Other Households			
	Number Of Bedrooms		
	1	2	3
1A	3	4	3
2A		1	2
2A+3C			1
3A		1	1
3A+1C			1
4A or more		1	
Total	3	7	8

KEY: "A" denotes adults and "C" denotes child/ren. Thus, for example, 1A + 2C refers to one adult and two children.

As shown in the shaded areas of Figure 1, 37 households are "crowded". The household types and their numbers are identified in the tables. In terms of proportions, 46% of sole-parent-headed households, 35% of couple-headed households and 17% of other households were calculated to be crowded. Housing New Zealand houses were the most crowded, including 14 (42%) for those leaving and 10 (30%) for those staying, while there were eight (24%) crowded houses in the private sector. Thus, despite difficulties in gaining agreed estimates on levels of crowding, it is fair to say that there is a substantial number of respondent households, over one-third, that can be regarded as crowded.

The combination of market rentals and the accommodation supplement was aimed at creating a fairer housing market for all low-income households, and thereby increasing choice. This was, therefore, also a point of investigation in the survey.

Survey respondents were asked whether they felt free to choose between living in an HNZ or private rental home, and whether they felt free to move if they wanted to. As demonstrated in Table 9, most survey respondents felt that they had a degree of choice about whether they stayed in state or private homes and whether they could move at all (this included moves between private dwellings or between state dwellings), although there is some difference between the various categories.

A considerable number of respondents were, however, negative about their ability to determine their housing options. There were 41 householders who felt they had little or no choice between state or private rentals, while 40 felt they were not really free to move house at all. The majority of responses are clustered in the “Some Choice” and “Not much Choice” categories, possibly indicating some ambivalence or uncertainty about the degree of choice available.

Table 9 Perceived Housing Choice of Respondents, Between State and Private, and to Move at All, by Respondent Category.

	Left		Leaving		Staying		Total	
	Between State&Private	Move At All	Between State&Private	Move At All	Between State&Private	Move At All	Between State&Private	Move At All
A lot of choice	2	7	4	2	7	6	13	15
Quite a bit of choice	9	3	2	1	3	3	14	7
Some choice	9	7	12	18	2	8	23	33
Not much choice	6	9	8	7	11	7	25	23
No choice	3	5	6	5	7	7	16	17
Don't Know/Invalid	4	2	1	0	3	2	8	4
Total	33	33	33	33	33	33	99	99

The study also had a qualitative focus group component to it. The groups were audio-taped and the tapes were transcribed. Each line of transcription was entered into database cell and accorded a theme or multiple theme statuses. The most repeating themes were then categorised and sub-categorised. The following gives a flavour of the most repeating themes as participants described their housing experiences.

Numbers of participants spoke of themselves and their children going without food and of having phone and power cut off so that they could meet their rent payments and emergency medical costs.

“Well your power gets cut off, your phone gets cut off and you don’t eat. But you’ve still got a roof over your heads.”

“Your kids health suffers. Prescriptions. They just come up out of the blue. Well there’s your meat money because it has just gone on prescriptions.”

Some associated a lack of money for essentials, and the resultant stress and worry, to violence in the home.

“It’s very hard, and that’s when they start lashing out at their kids and lashing out at one another. And money is the thing that breaks up marriages, or partners.”

A number of participants described the problems that occurred after paying housing costs when it was necessary to make choices between essentials such as food, heating and medical care, and sometimes having to make a choice between those who most needed these essentials and those who would have to go without.

“And then if it’s the food, and you feed the people who need it the most, like the ones who are sick are usually the kids. Then the adults are going to get sick because they haven’t eaten and there is going to be more medical bills.”

“And you find, I think, that with a lot of the beneficiaries, and especially the elderly, that is happening. They are cutting in places that they really need, their warmth and that, just to make ends meet.”

“Some kids are embarrassed to go to school with no lunch anyway because they have to sit there and watch everyone else eat.”

The importance of maintaining whanau, hapu and iwi relationships, and of social relationships generally, has been associated with mental health for Maori. After paying housing costs, participants spoke of an inability to provide food for visitors to the house which could lead to an increase in the isolation of some low-income Maori households.

“The other thing they [Kids] said was about visitors - it being a Maori thing. They said they hated visitors because they didn’t have enough food.”

Financial reasons predominated for living in situations where people other than immediate family members were a part of the household. Participants spoke of their own and others’ past and present experiences of crowding:

“Overcrowding. We had five adults and 14 children”

“Most can’t afford three-bedroom houses because they are just too dear. More and more people are staying in smaller houses because they can’t afford to move.”

Facilitator “So there were eight of you in a two bedroom?”

“We were there for about three weeks and it was Housing New Zealand and they didn’t know. If they had of, we would have been out of there.”

“All we had to do was just structure ourselves into a routine and basically try to work around one another. I was there for about two months... You just had to learn to sort of – try not to get stressed – stay out of each others way.”

Having to pay rent in advance, paying for two homes at once (while the period of the notice of moving out of a property is paid for) and the difficulty of getting a bond back from HNZ were frequently cited as factors reducing accommodation choices for people.

“It costs \$1200 to move in and then you have to give three weeks notice and you are still paying rent and you are basically paying rent on two houses at the same time. So you get stuck.”

“They still don’t like giving you your bond back.”

There was an impression that HNZ was “segregating” tenants, along racial and/or socio-economic lines, into certain kinds of housing, or into certain areas. A number of participants felt that they had been allocated particular HNZ homes because of their race, socio-economic status or other characteristics.

“They are designing the whole community. They want this sort of people in this sort of area.”

The aim of this piece of research was to gain some insight into the experience and circumstances of urban Maori state-tenant and ex-state-tenant households under the

reformed policy framework. It is clear from the results that for the Maori households in this study from the Wellington region, there were serious affordability and crowding problems. Furthermore, although most respondents considered they had a degree of housing choice, many felt they had few choices.

The Monetary Constraints And Consumer Behaviour In New Zealand Low Income Households

This study (Waldegrave, King and Stuart 1999) involved face to face interviews with a national random sample of low income New Zealand households. 401 interviews were conducted in Auckland, Hamilton, Tauranga, Napier, Hastings, Palmerston North, Wellington, Christchurch, Dunedin and Invercargill. A.C. Nielsen (NZ) Ltd. was subcontracted to select the sample population, administer the questionnaire and provide a data base of the responses, including a range of requested cross tabulations. The FCSPRU designed the project, developed the questionnaire, carried out the analysis and the write up.

The purpose of the survey was to provide a snap shot of the living conditions of low income households in New Zealand in order to identify the problems and issues facing them. An aspect of the study focused questions upon the areas of housing, food, clothing and health.

A brief summary of the key housing results from the study include the following:

- 44% paid 40 percent or more of their income (after tax) on rent or a mortgage.
- 25% paid half their income or more on rent or a mortgage.
- The majority of those paying between 40% and 50% of their income in rent, and a substantial number of those paying 50% or more were Housing New Zealand tenants.
- 40% of households were overcrowded.
- 22% of Pakeha houses, 51% of Maori houses and 60% of Pacific Island houses were crowded.

Given that the sample was extracted randomly from households within the bottom 20% of household incomes in New Zealand, the housing scenario for the bottom quintile looks rather bleak indeed. The picture looks considerably worse when the food and health data of this study are set along these housing results.

The national random sample of low income households selected for this study can be expected to have a maximum margin of error of plus or minus 4.9 percentage points at the 95% confidence level wherever the total sample of 401 persons is the base of respondents. The

Discussion

These four snap shots of housing impacts through the 90s highlight the housing and income problems in New Zealand. They present a picture of policy failure with large numbers of low income households living in poverty, often as a direct result of inadequate residual income after paying housing costs, or overcrowded conditions.

The primary issue that emerges is the extraordinary high proportions of rent to income many low income New Zealand households have been expected to pay. This in turn appears to have pushed a substantial proportion into overcrowded living.

It is debatable as to how much of this problem is directly due to the housing reforms. That so many poor households were those in state houses however, suggests the reforms have been ineffective in providing security and reducing poverty for low income households. It appears that the policy changes have failed to meet a primary democratic social goal. That goal being that public housing should protect those who cannot survive in the housing market in a manner that enables them to live modestly, but securely and affordably in a state house.

The essential argument for the housing changes was that providing the same level of assistance to all low income households was fairer and more equitable than providing substantial assistance to those in state rentals, but less to those in the private sector. The reforms may have created greater horizontal equity, but at the expense of vertical equity. Whereas, prior to the reforms, at least those in state houses on a benefit, paid an affordable rent and kept 75% of their residual after tax income, while those in the private sector rentals struggled with market rents. It appears as though the reformed housing policy simply equalised everyone downwards to the insecure level of those in private sector rentals.

These studies have shown the very high proportion of net income that low income households have had to part with just to meet their housing needs. The residual income left many in poverty.

From a political perspective, it is interesting to note that the housing reforms were the subject of vigorous public debate throughout the 90s in New Zealand. A policy move away from market rents on state houses back to income related rents was a popular key policy plank of the Labour Party election strategy. They went on to win the election with their Coalition Partner the Alliance and are currently putting through the legislation to return state house rents for low income households to 25% of net income. The policy change will take place 1 December 2000.

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