

**CHILD  
POVERTY  
ACTION  
GROUP**

**Hard to Swallow:  
Foodbank use in New Zealand**

**Donna Wynd**

*Child Poverty Action Group (Inc) is a non-profit group, formed in 1994 and made up of academics, activists, practitioners and supporters. CPAG advocates for more informed social policy to support children in Aotearoa New Zealand, specifically those children who currently live in relative - and occasionally absolute - poverty. CPAG believes our high rate of child poverty is not the result of economic necessity but is due to policy neglect. Through research and advocacy, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in. If you are not already supporting CPAG and you would like to make a donation to assist with ongoing work, please contact us at the address below or through our website: [www.cpag.org.nz](http://www.cpag.org.nz)*

This is the second CPAG working paper in a technical series.

Child Poverty Action Group also publishes an on-going series of monographs about government policies and their impact on children:

<b><i>Our Children: The Priority for Policy</i></b>	<b>(2001, 2003)</b>
<b><i>Room for Improvement: Current New Zealand housing policies and their implications for our children</i></b>	<b>(2003)</b>
<b><i>Cut Price Kids: Does the 2004 “Working for Families” budget work for children?</i></b>	<b>(2004)</b>

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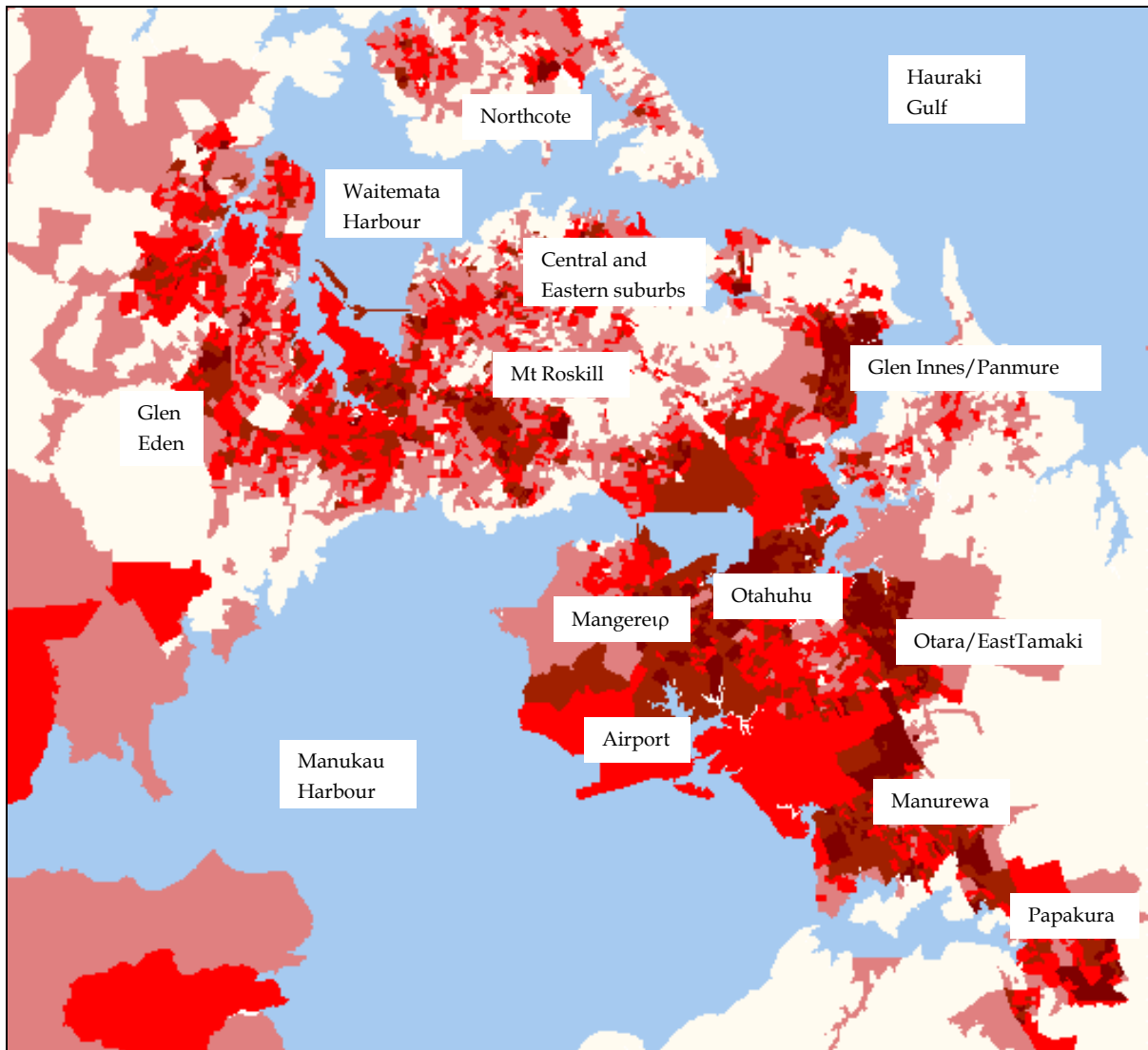
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## ***Map of Auckland region showing suburbs by Deprivation Index***



*Source: Ministry of Health and Auckland Regional Council*

The darker the area, the greater the level of deprivation indicated by the index. Areas with the highest deprivation scores are Glen Innes/Panmure, Otahuhu, Mangere, Otaru in South Auckland, Glen Eden in West Auckland, Owairaka on the Auckland Isthmus, and Northcote and Beach Haven on the North Shore. By far the single largest area occurs in the belt that includes Mangere, Otahuhu and Otaru.

## ***Acknowledgements***

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Being able to start a research project from scratch, and to have the space to explore material, and be appalled, delighted or astonished is a rare privilege indeed. The author would like to thank Child Poverty Action Group for the opportunity to compile this report, and all those who gave so freely of their time.

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## ***Preface***

It is hard to deny that there is poverty among New Zealand children when so many go hungry. While the causes vary, the basic fact is that the parents of these children lack the means to buy adequate, nutritious food.

Trends at foodbanks, which cater to families in that situation, are thus potent poverty indicators. Their very existence, not to mention their meteoric growth in the 1990s would seem to be irrefutable evidence of a serious poverty problem. Of even greater concern is that their use has not substantially diminished in the last five years despite improved economic growth. If their use does not decline when times are buoyant, what of the future when the next recession strikes?

It is well documented that sole parents comprise the greatest proportion of foodbank users. They also have the highest incidence of children in poverty. The 2004 social indicators show that 43% of children in sole parent households live with an income under the 60% net-of-housing costs median income, an income considered to be at the poverty level (Ministry of Social Development, 2005). The Child Poverty Action Group is concerned that any adult needs to use a foodbank, but believes the implications are particularly worrying for the poorest children who already suffer multiple disadvantages.

This report was commissioned by Child Poverty Action Group after data from the country's most authoritative source, the Auckland City Mission, showed an ongoing, alarming escalation of foodbank use in Auckland. It presents a picture of a present-day New Zealand, a food-producing nation, in which there is widespread food insecurity. It is salutary to realise that there is no comparable foodbank story to tell in Australia, and that in New Zealand there was almost no call for foodbanks prior to the 1990s. Two decades ago we were a much poorer country as measured by economic statistics, but we could feed our children without resort to foodbanks.

Since its inception in 1994, Child Poverty Action Group has promoted and researched better policies for children. The group's previous publications include many background papers and three major reports: cross-sectoral overviews of child poverty issues in New Zealand (*Our Children – The Priority for Policy*), housing issues (*Room for Improvement: Current New Zealand Housing Policies and Their Implications for Our Children*) and family income measures (*Cut Price Kids: Does the 2004 'Working for Families' Budget Work for Children?*).

Child Poverty Action Group is pleased to publish this second working paper in a technical series that aims to investigate specific issues in depth using expert research. The author Donna Wynd is an experienced researcher in social welfare issues with qualifications in Law and Economics.

Initially Child Poverty Action Group envisaged that this report would help set up a national database and website to record foodbank data and perhaps to monitor trends over time. However, given the complexity of data and limited resources, it was decided to focus on Auckland where the greatest number of food parcels is issued. After further consideration, it was decided that the coordination problems involved in setting up even a regional database were too great given the limited time available, and that for the immediate future Auckland City Mission's extensive database, supplemented by interviews and qualitative data from other foodbanks, should be used.

This paper first outlines the background, and history of foodbanks. The second part looks at some statistics and identifies the shortcomings inherent in them. Establishing this is vital because where foodbank data is quoted to support the success or otherwise of economic policy, it is very important that changes in that data tell us something meaningful, rather than merely reflecting, say, changes in eligibility policies or recording methods. It also considers the social context of foodbank use, and discusses why so many families continue to have to use foodbanks during an economic boom. Part three discusses the consequences of poverty and food insecurity for children and the wider community. Case studies illustrate how the picture is likely to change for individual families with the introduction of government's Working for Families package from April 2005.

Current policy on family incomes emphasises parents' work status ahead of children's income needs, as convincingly argued by Susan St John and David Craig in Child Poverty Action Group's 'Cut Price Kids'. The day-to-day reality, as well as the future, is bleak for the nation's most vulnerable children. Child Poverty Action Group urges the government to take full account of foodbank data as bottom line indicators of ongoing desperate need in our communities. Counting those who fall below the poverty line is undeniably necessary but must be supplemented by other indicators, of which foodbank usage is one. As we wrote in the preface to *Cut Price Kids*:

*'In urging the government to take up child poverty issues specifically and in their own right, Child Poverty Action Group also urges adoption of a courageous long-term vision which will prioritise the security and future of the most vulnerable New Zealanders.'*

## ***Executive summary***

Food is a fundamental human requirement. In the first five years of this century, the New Zealand economy has been robust, yet for the first time ever under such conditions foodbanks such as the Auckland City Mission have been reporting record demand for their services. The evidence shows that while some families have been able to take advantage of improved economic conditions, those who have not have fallen further behind.

Some recent reports, citing data from the New Zealand Council of Christian Social Services' Poverty Indicator Project – the first attempt to comprehensively track foodbank data - have claimed the number of foodbank users fell by 25% from 2001 to 2004. However, underlying this claim was a change in policy at the largest foodbank participating in the project, the Salvation Army foodbank in Manukau. While it is true that use fell at this agency, most agencies did not record the same dramatic reduction, and many reported increased usage in 2004, with further increases in 2005. Figures from the Auckland City Mission, an agency that has had consistent policies in place since 1996, show the demand for food parcels has increased since late 2003, and continues to do so.

Lack of income is the key determinant of foodbank use. Incomes for foodbank users have fallen in real terms since the 1991 benefit cuts, and indeed, most foodbank users are beneficiaries. However, increasing numbers are low-paid workers. Moreover, foodbank users are increasingly presenting with multiple, complex problems, which will require substantial resources to resolve. While increased income is needed for these users to attain basic income adequacy, it will not be sufficient in itself to resolve the secondary poverty-related problems they endure. Income inadequacy is indicated by the explosion in the number of Special Benefits granted by Work and Income over the last three years.

For those on low incomes, rising house prices and rents have been a disaster. Unable to afford to buy, they have been squeezed by high rents, which continue to rise in low-income neighbourhoods. While income-related rents have helped some, many people in state houses continue to use foodbanks as living costs overtake their incomes. In addition, because their rents are income-related, if their incomes improve, their rents go up.

Approximately 80% of foodbank users report being in debt. As with foodbank use itself, the key factor in debt is lack of income. Debt to Work and Income New Zealand (WINZ), in particular, is a significant issue for foodbank users, as is gambling. According to a

Salvation Army report, approximately 37% of foodbank users have a gambling problem themselves, or live with someone who does.

In response to the acknowledged need, the Ministry of Social Development has developed a Foodbank Strategy. However, this is an internal document, and has not been posted on their website. The placement of Work and Income officers at Salvation Army Manukau and other foodbanks to ensure beneficiaries are receiving their correct entitlements, is the key to the strategy. Yet with benefits still at levels below what they were in 1991, ensuring people are getting their correct entitlements is helpful but will not deal with the fundamental issue of low income. In reporting on the increase in the number of Special Benefits granted, the Ministry of Social Development acknowledges that low income is one of the reasons there are so many applications for supplementary assistance.

Over 100,000 New Zealand households experience low food security. Food insecurity has been shown to have a detrimental effect on children's physical and psychological health and development. Children from food-insecure households are more likely to suffer physical and psychological harm as a result of food insecurity, and to be obese. Obesity is a risk factor for many chronic diseases, notably Type 2 diabetes, which costs the country more than \$300m per year, and the rate is increasing rapidly. The good news is that most of the harm can be reversed with a nutritious, adequate diet. Overseas research shows that children in school food programmes, such as school breakfast and lunch programmes, are at a lower risk of obesity and are more likely to attend school regularly and achieve higher test scores.

## ***Recommendations***

- Child Poverty Action Group recommends that data from the Auckland City Mission be used by official agencies, along with qualitative data from other agencies, to gauge the level of food insecurity in the community.
- Child Poverty Action Group recommends that the Child Tax Credit be added to Family Support, and made available to all families with children, as advocated by previous Child Poverty Action Group reports.
- Child Poverty Action Group recommends that beneficiaries not make payments in excess of \$40 per week unless they are doing so voluntarily. When beneficiaries are under severe financial stress, debt repayments in excess of policy guidelines are unconscionable. It is clear that benefit rates are too low, and priority must be given to increasing benefits to enable families with children to house and feed themselves adequately.
- Child Poverty Action Group recommends that a greater effort be made by Work and Income to ensure eligible parents are aware of, and apply for, their childcare subsidies. We also recommend that Work and Income processes be more user-friendly to help ensure parents receive the childcare payments they are entitled to.
- Child Poverty Action Group recommends that the Ministry of Social Development post the Foodbank Strategy on its website. In addition, the strategy must focus on the wider issues around poverty, which are more complex than merely providing budgeting and cooking advice, and ensuring people get their benefit entitlements.
- Given the present and future costs to society of obesity, Child Poverty Action Group recommends that policymakers adopt more concerted measures to reduce its impact. Credible policy responses must go beyond merely promoting healthy eating and rectify the low income that is at the heart of the food insecurity of too many New Zealand children.
- Child Poverty Action Group recommends that free, quality breakfasts be provided to children in decile one and two schools. The provision of in-kind transfers to a class of recipients has an immediacy, consistency and certainty that is absent from targeted measures such as the Child Tax Credit. Children must also be able to eat adequately at home, so school meals must be accompanied by improvements in income for the lowest income families.

*Rich relations give  
Crusts of bread and such  
You can help yourself  
But don't take too much  
Mama may have, Papa may have  
But God bless the child that's got his own  
That's got his own*

Billie "Lady Day" Holiday

## **1. Introduction**

This report arose as the result of a feature on poverty that appeared in the *Sunday Star-Times* on 5 December 2004. The report cited data from the New Zealand Council of Christian Social Services (NZCCSS) showing a fall of between one quarter and two thirds in the number of food parcels dispensed between 2001 and 2004. While Child Poverty Action Group was hopeful that this reflected an improvement in the standard of living of those on low incomes, it was at variance with the information available from the Auckland City Mission, which gave out a record number of food parcels in the 2004 calendar year.

While Child Poverty Action Group did not doubt the NZCCSS figures, they did raise a number of questions, not least being why different organisations were showing such different results. Did the Auckland City Mission figures reflect increased need in the community, or the fact that applicants who had been declined food parcels elsewhere were simply going to the Auckland City Mission rather than risk a second refusal? This report was ultimately unable to answer that question due to a lack of tracking mechanisms between agencies. Each question led to several more. What eventually emerged from looking at a myriad of data was that the position of those on low incomes has not improved in the last few years, and for those on the lowest incomes it has worsened. In the midst of the most sustained economic boom for over 20 years, New Zealand's foodbanks are in business, filling the income gaps left by low wages and benefits, a point acknowledged by the Ministry of Social Development. This report is an attempt to document foodbank usage, to reduce confusion round the interpretation of foodbank figures, and to explore why they are needed at all.

Food is *the* fundamental human requirement. The proliferation of foodbanks in New Zealand signals that some citizens are not able to acquire the food they need through the socially acceptable means of market incomes or state support. In a country enjoying robust economic growth, the presence of foodbanks should be a cause for concern. Not only are some people falling further behind despite rising national income, they are falling through the safety net that is ostensibly in place to ensure their basic needs are met. Busy foodbanks also raise broader issues about the long-term costs to society when children are brought up in food insecure households. Although a substantive analysis of the costs of food insecurity is beyond the scope of this report, it will consider some of the implications for children and their families.

The Working for Families package commenced roll-out on 1<sup>st</sup> October 2004, with changes to the Accommodation Supplement and Childcare Assistance. Changes to Family Support rolled out on 1<sup>st</sup> April 2005. According to the Ministry of Social Development, Working for Families will lift 29%<sup>1</sup> of poor children out of poverty by 2008. Working for Families is premised on the notion that the New Zealand economy will continue to grow, and that suitable jobs will be available to beneficiaries, enabling them to leave welfare and become “independent”, through a generous package of tax credits and in-work supplements. Unfortunately, economies do not boom forever and the New Zealand economy will eventually slow down, creating fewer jobs and possibly even losing some. What happens to those who lose jobs and find themselves once again on a benefit? The oft-stated outcome of Working for Families is that the major gains will go to those in work. For those who remain on benefits or lose jobs, Working for Families will deliver very little. To assess what the effect of Working for Families will be for foodbank clients, we have included several case studies (Appendix 1). We also briefly consider whether foodbank clients will be better off overall under the when Working for Families package.

“We know perfectly well that ‘charity’ to the down-and-outers should be quite unnecessary. There should be no *need* for it.”

Jasper Calder,  
*Drifter*, 27 May 1922

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<sup>1</sup> This figure is based on 60% of median disposable household income before housing costs. If 50% of median income is used, the reduction in measured poverty is 71%. These figures assume a 100% take-up of assistance (Perry, 2004).

## **2. Background to Foodbanks in New Zealand**

### ***What is a foodbank?***

The initial task of this report was to define what a foodbank actually is.<sup>2</sup> Some organisations dispense food parcels as part of a comprehensive range of social services, while at others volunteers simply dispense the occasional loaf of bread or packet of pasta through the local church. This suggests that there are differing levels of foodbank. It also signals that it may not be possible to compare organisations in the absence of a common, agreed method of recording data. For our purposes a food bank is defined as “a not-for-profit organisation serving people in need by securing and distributing food through local service agencies.” This describes foodbanks at their most basic level. Where foodbanks do more than simply provide food they may be described as providing food, products and services to help people overcome barriers to their basic survival, and to further their self-reliance.<sup>3</sup>

### ***History of foodbanks in New Zealand***

New Zealand enjoys a reputation for pioneering a progressive welfare state. This is somewhat at odds with the reality of New Zealand’s almost non-existent welfare provisions up to the end of the nineteenth century, and with the inadequate safety net installed in the early 1990s.

The early colonists did not bring the poor relief system that operated in Great Britain; rather, there “was to be no poor law” (Thomson, 1998). Those who would have been among the deserving poor “at home” in England, notably the elderly, did not retain this status in the young colony. If people could not support themselves, by law their families were expected to do so. By 1910, “family” included brothers, stepfathers and stepmothers, grandchildren, daughters and sisters. Families were not always on hand for those unable to earn a living, and the embarrassment engendered by large numbers of elderly living in poverty eventually led to the introduction of the old-age pension in 1889. Foreshadowing the moral righteousness that would accompany later welfare debates, pensions were only available to those of “good character”.

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<sup>2</sup> Note that the definition used here is slightly different from that used in the U.S., where “foodbank” refers to a central food distribution centre used by local food distribution agencies.

<sup>3</sup> This definition is derived from the definitions used on the websites of Second Harvest and Freestore foodbank. See <[www.secondharvest.org](http://www.secondharvest.org)> and <[www.freestorefoodbank.org](http://www.freestorefoodbank.org)>. Accessed March 2005.

For the unemployed, there was no state relief until the 1930s. Even in the misery of the Depression, Condliffe (1951) famously observed that New Zealand's attitude to unemployment was one of "primitive morality requiring that adverse conditions be conquered by sacrifice and hardship."

In the absence of state or parochial support, private charities, especially churches, stepped in to fill the gaps where they could. The mainstream churches were established, in a mostly missionary role, in the first half of the nineteenth century, while the more relief-oriented St Vincent de Paul Society and Salvation Army were established in 1850 and 1883, respectively. Church-based relief agencies provided "residual stop-gap services for the needy" (Mackay, 1995), including soup kitchens and shelters, which provided for the down-and-out and homeless.

The Auckland City Mission was established in 1920.<sup>4</sup> It was one of several church-based organisations providing relief in Auckland at that time. Included among the larger agencies were the Salvation Army, the Order of the Good Shepherd, the St Vincent de Paul Society, the Jewish Aid Society and the Methodist Mission. Although the Auckland City Mission was initially set up as an evangelical mission, its Minister, Jasper Calder soon found that conditions in Auckland's inner-city slums necessitated that he "leave the Word of God and serve tables" (Ball, 1997).

The Depression saw an explosion in the number of relief agencies and then, as now, little cooperation between them as they all competed for the limited charitable dollar. A formal alliance of the larger agencies was eventually established to integrate services and avoid duplication, as well as to overcome the problems of "double-dipping" - nobody was to get more than was their due. Food and meals were given to those out of work or ineligible for government relief. In the absence of universal welfare, missions were "the last line of defense between poverty and extreme destitution" (Ball, 1997). In 1932 the unemployed rioted in Auckland, Christchurch and Dunedin. In response, the government introduced unemployment relief and demand for food relief diminished.

In 1938 the Social Security Act set up social security payments and the National Health Service. Thereafter, many charitable medical and dental clinics run by the mainstream churches were absorbed into government schemes.

There have always been foodbanks in Auckland, but until recently these were small-scale operations and, like the soup kitchens, were there to deal with emergencies and the requirements of the handful of indigents that have always been present in the urban

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<sup>4</sup> Much of the material in this section is from "*The Amazing Jasper Calder*". For a full reference, see bibliography.

areas of New Zealand. Data from the Presbyterian Support Services Foodlink Directory<sup>5</sup> shows there were 16 foodbanks in Auckland in 1989. By 1994 this had mushroomed to over 130 (Mackay, 1995).

Nationally, the number of foodbanks exploded following the 1991 benefit cuts, and the passage of the Employment Contracts Act (ECA). For those in already low-paid and casual jobs, the ECA resulted in even lower wages (McLaughlin, 1998), a situation exacerbated by the high unemployment of the early 1990s (11% in 1991). The benefit cuts left many with debts, and little money to buy food (Downtown Community Ministry, 1999). In 1992 the introduction of market rents for state houses dealt another blow to state tenants on low incomes. By 1994 it was estimated that there were about 365 foodbanks nationally, one-fifth of which had been set up in the previous year (Downtown Community Ministry, 1999). This figure was an estimate, based on information from the 1994 foodbank conference. There were no nationally collated figures, a weakness that persists in the sector today.

**Figure 1: Don Brash congratulates Ruth Richardson on the 1991 budget.**



*Source: www.scoop.co.nz*

Regarding what in some cases was a quadrupling of demand for food parcels after 1991, Mackay cautiously hypothesizes that “it is likely that much of it was driven by the benefit cuts of April 1991” (Mackay, 1995). Foodbank workers themselves were unequivocal that the 1991 benefit cuts were the key driver of increased foodbank use. Reflecting those most likely to be unemployed or on low wages, up to 90% of foodbank users were dependent upon some form of income support, and Maori and Pacific Island families were over-represented among those seeking assistance (Mackay, 1995).

Clearly, the major driver for escalating foodbank use was inadequate income, not the personal failings of individuals. The National government quietly agreed, increasing expenditure on supplementary assistance, and reducing the \$20 threshold for special benefits in the mid 1990s. These changes reduced demand by about 30% in Auckland and around 13% elsewhere, although “in some localities demand increased” (Mackay, 1995). This fall in demand was lower than anticipated, possibly because, at the same time, the government began to make greater use of recoverable loans and benefit advances. This was accompanied by a “high-level decision...to increase recovery rates”

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<sup>5</sup> Now the Auckland City Mission Foodlink service. Foodlink provides food to other foodbanks.

(McGurk & Simmers, 1999). Although the poorest did get some extra assistance, many more simply became indebted to the government. Loan repayments compounded benefit cuts, with the result that high levels of foodbank use continued through the 1990s and into the present.

In 1999, following the 1997-8 recession and many years of high unemployment, the economy began an export-led recovery. This recovery ushered in the strongest sustained period of growth since the 1970s, providing opportunities for many people to obtain work where previously jobs had not been available. Yet, as one foodbank worker observed to the author in 2005, “foodbanks ain’t going away”. New Zealand wages are among the lowest in the OECD (Smith, 2005), and an increasing number of foodbank users are the working poor, caught between low wages, debt and high housing costs.

Writing several years after the neo-liberal welfare reforms of the early 1990s, Mackay (1995) ponders what level of extra expenditure would be required to make significant reductions in the demand for food parcels. The question remains a pertinent one: the inadequate safety net installed by the National government remains in place, and benefits have never been restored to their 1991 levels. Working for Families is budgeted to cost \$1 billion by the time it is fully implemented, and will assist the working poor provided they meet certain criteria (see St John & Craig, 2004), but it is unlikely to materially improve the lot of those who continue to rely on benefits.

Philosophically, the concept of universal provision was abandoned in the 1990s. Instead, various 19<sup>th</sup> century responses to poverty were dusted off, for example the view that families ought to be a person’s primary support. These responses continue under the present administration:

*“Families/whānau are responsible for the wellbeing of their members, particularly that of dependent children. While there are and must be exceptions, it is a reasonable expectation that families will, for the most part, ‘look after their own’.”*

(Ministry of Social Development, 2004b)

For people who cannot rely on family, or whose families have collapsed under the weight of years of poverty, this can only be regarded as a pipe dream. Families “support their own” when they have sufficient resources to do so. Families who rely on foodbanks to feed themselves are not in this happy position.

### **3. Foodbanks: Statistics and users**

#### ***Foodbank data: Reasons to be cautious***

Obtaining reliable and systematic information about the nature of foodbanks and the distribution of food parcels is a monumental challenge. Many of the data problems are founded on a lack of agreed definitions. There is the question of what services the term “foodbank” encompasses and, just as fundamentally, what a food parcel is. If we are interested in ascertaining how many people are food-insecure in a community, then we need to know how often clients come in for food parcels, how many people each parcel feeds, what is in the food parcels, and how long a food parcel can be reasonably expected to last. There is no agreed method for recording any of this information. Moreover, agencies are often reluctant to give out what information they have for reasons of client confidentiality and funding.

The New Zealand Council of Christian Social Services’ Poverty Indicator Project noted data measurement problems, and cautioned against comparing the statistics of different foodbanks. This was because different regions can have differing client bases (for example families with children at Manukau, or single males in Central Wellington), or different policies concerning how parcels are dispensed. Data can only be tracked for a particular foodbank over time. This cross-foodbank incomparability means that Poverty Indicator Project data cannot be directly compared to that of the Auckland City Mission. Auckland City Mission’s database is extensive, and from a research point of view more valuable as it goes back to 1997. Unfortunately, the Auckland City Mission data and the Poverty Indicator Project represent the sum of data pertaining to foodbanks and foodbank users, and cover only eight of the nation’s estimated 365 foodbanks (Downtown Community Ministry, 1999).

There are three reasons why foodbank data may be misleading. The first is that the foodbank itself may not be interested in keeping records of clients and the number of food parcels distributed. As one foodbank worker put it: “We are more interested in feeding people than taking their details.” Moreover, staff may lack the skills to elicit information from clients. The second source of variability comes from the recording process. Information is not audited for accuracy, and errors in data collection and entry are unlikely to be picked up and corrected.

The third source of data inadequacy arises from the foodbank users themselves. A number of factors can moderate the accuracy of the information clients give to foodbanks. Some clients “play the system” and collect food parcels from several different sources, or give bogus details (for example by claiming to have more children than they

actually do). It is generally believed that the number of clients who do this is relatively small. The other significant factor for clients is that they are often reluctant to disclose personal information. They may be embarrassed or ashamed, or concerned that their details will be disclosed to Work and Income. One foodbank participating in the Poverty Indicator Project stated: "Although we are supposed to get the information, some of our clients aren't in that space where they want to answer questions, and I have to respect that." Another said: "If there's children in the car, I just give them the food. I don't make them answer questions the first time they come in."

This suggests that references to foodbank data need to be qualified. For now, we turn to what data there is, and what it purports to tell us.

## **The Poverty Indicator Project**

From 2001 to 2004 NZCCSS made an attempt to use selected data to monitor low-income families through the Poverty Indicator Project. From the outset, the potential for foodbanks to provide useful data about how low-income persons are faring was recognised, as was the difficulty in collecting and collating it in any meaningful way. The project had three main aims (New Zealand Council of Christian Social Services, 2001):

- "to strengthen NZCCSS and its members' data-gathering processes,
- to obtain regular and reliable information about members' clients and to trend this information over time,
- to use this information to more effectively inform the public about poverty issues."

The Poverty Indicator Project focused on key results about housing, income, employment and debt using information provided by foodbank users. The foodbanks were located in Invercargill, Dunedin, Christchurch, Wellington, Palmerston North, Hamilton, and Manukau City. Each foodbank had a slightly different constituency, and they were selected because they had provided a foodbank or budgeting service, had a pre-existing data collection process, and were sufficiently well-resourced to deal with changes as they arose (New Zealand Council of Christian Social Services, 2004). Quarterly reports<sup>6</sup> detailed the results of the survey. The focus of the project was the larger issue of the underlying causes of poverty. The reports noted that comparisons between foodbanks were not relevant due to local variation, and differences in operational policies, but were nevertheless produced on the assumption that longitudinal data could help identify useful trends in foodbank clients and use.

NZCCSS withdrew from the project at the end of 2004. The reasons for doing so are relevant to this report, so will be outlined here.

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<sup>6</sup> The final quarterly report is available at <[www.nzccss.org.nz](http://www.nzccss.org.nz)>. Accessed February, 2005. Copies of other reports are also available for a nominal fee.

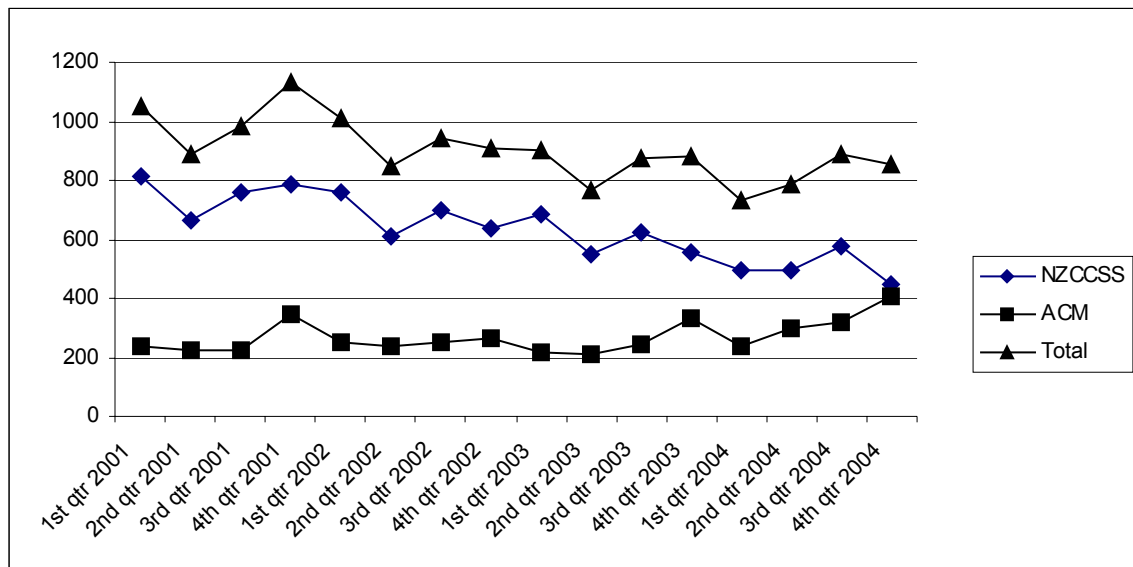
The fundamental problem was unreliability in the collection and measurement of data. As noted, there are issues of definition of terms, and measurement, as well as consistency within agencies. Ultimately, this difficulty around the consistency of the data was insurmountable, and was a major factor in the decision to terminate the project.

In addition to the quality problems of the data, collating and publishing the results of the surveys was a resource-intensive process. Disappointingly too, it was difficult to maintain media interest, and it was felt resources could be better employed for other poverty work.

### Foodbank statistics 1996 – 2005

Although foodbank data is not statistically robust, it is possible to discern trends, although what those trends imply is another question. Figure 2 shows the average number of food parcels given out by NZCCSS foodbanks and the Auckland City Mission for the four years from January 2001 and to December 2004. This is the period covered by the Poverty Indicator Project. Prior to this, nobody systematically collated the data.

**Figure 2: Monthly average number of food parcels issued by NZCCSS foodbanks (not Christchurch), Auckland City Mission and overall total, Jan 2001 - Dec 2004.**



Source: NZCCSS and Auckland City Mission

Overall the number of food parcels distributed has been trending downwards since December 2001 at the NZCCSS foodbanks, but was relatively stable at the Auckland City Mission until late-2003, when it started trending upwards. The Auckland City Mission's high numbers have continued into 2005 (Figure 3). An annual pattern is also discernible, with a peak occurring in the third or fourth quarter, and reduced demand in the first or second quarter. In general, demand for food parcels is high at Christmas, at the end of January when the Christmas bills come in, at the beginning of the school year, and Easter.

At first glance, it appears the Auckland City Mission and NZCCSS figures are telling different stories. Auckland City Mission's clients represent a broad range of people, including a substantial number of Auckland's inner-city homeless, families from the suburbs, and a surprising number of families from far-flung rural areas. It is therefore unlikely that their clients are significantly different to those of the combined Poverty Indicator Project foodbanks. This suggests there is something about the foodbanks themselves that is influencing the data. It is not sufficient to claim, as recent headlines have, that "foodbank usage has fallen by a quarter" (Collins, 2005a) if this has occurred for reasons that have little to do with underlying demand.

While a four-year study gives a basis on which to observe some foodbank trends, it is not long enough to observe long-term trends or draw any conclusions about economic or social changes that may be imputed to them. A clearer picture is provided by Auckland City Mission data, which goes back to the start of the 1996 calendar year<sup>7</sup> (see Figure 3). Here, we see numbers rising in 1998 through to 2000, signalling the recession brought on by the Asian currency crisis of 1997, then stabilise through to late 2003 as the economy recovered. What is notable is that the figures stabilised at over double the pre-1998 figure. In other words, many of those who went over the edge financially as a result of the 1997-98 recession never recovered. From 1999 onwards, despite the re-introduction of income-related rents, an extremely modest increase in the Family Support threshold, and an increase in the minimum wage,

This is the first time ever that we have seen numbers at the Mission increasing under such great economic conditions. We urgently need to be advancing children's interests on key points like incomes and housing yet this [2005] budget shows no change in these areas. We will thus continue to see more children coming to the Mission for our services. When the Prime Minister needs to be photographed giving out oranges because there is so much poverty amongst the children of this country, we should be standing up and shouting about it.

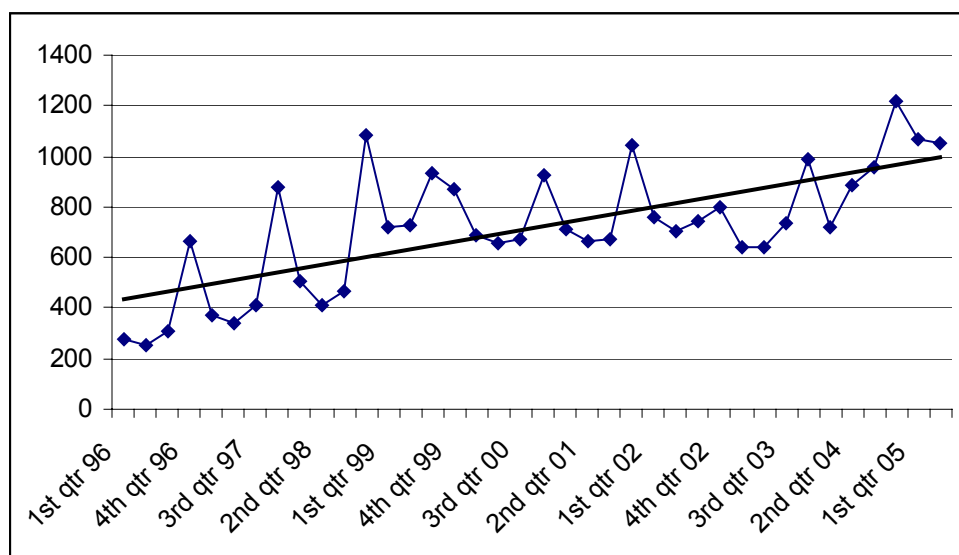
*Diane Robertson,  
Auckland City Missioner.*

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<sup>7</sup> Prior to 1996 food parcels were not given out systematically, and data was not recorded in a consistent manner. It is therefore not suitable for drawing any conclusions about the need for supplementary assistance from the Auckland City Mission.

the demand for extra assistance from the Auckland City Mission still did not fall back to its 1998 level. Since late 2003 the figures have been tracking upwards again, yet there is no recession that explains this – in fact economic growth has been higher expected (The Treasury, 2004). At present, demand for food parcels is approximately double that of 1998, and there is little sign of any slowing-down of the underlying trend.

**Figure 3: Quarterly Auckland City Mission figures showing number of food parcels given out, January 1996 - June 2005 (figures for May and June 2005 are estimates).**



*Source: Auckland City Mission*

While we believe that the trend shown here is representative of what is happening in the wider community, this is difficult to confirm as information is fragmented, and often simply anecdotal. Reliable information still tends to come from larger organisations with greater resources. The result is a mixed picture, although once again a trend is discernible. At some foodbanks, demand has fallen. For example, at one South Auckland foodbank demand has fallen from 240 foodparcels per week in mid-2004 to about 140 per week in April 2005. Asked what was driving this, the trustee said she had “no idea”, but thought it might have “something to do with the government’s new package”. Similarly, a foodbank based in Auckland’s eastern suburbs has recently had a “record low month”. This is welcome news, and supports the thesis that strong economic growth in Auckland has helped move some people from foodbank queues. Also welcome are figures from the Salvation Army at Manukau (“stable numbers”), and Wellington’s Downtown Community Ministry (demand “holding steady”), although at an estimated 20-25 parcels per week, the Downtown Community Ministry’s figures are still well up on those recorded in 2003 and 2004.

Unfortunately, in some areas it appears that the normal post-Christmas fall in numbers has not occurred. Most strikingly, the largest foodbank in the country, the Auckland City

Mission, has continued to dispense high numbers of food parcels, after issuing its second highest number ever in December 2004 (632 parcels). Numbers have also risen in Howick and Christchurch City Mission (verbal confirmation of increasing number of applicants), and Southland (6% increase on 2004 figures so far in 2005). Wairarapa appears to show the same pattern as the Auckland City Mission in 2005 – numbers have not fallen away in January and February, as would normally be expected (NZPA, 2005b). Waitakere Community Outreach provided 733 food parcels in 2004, up from 476 in 2003 (Collins, 2005a), and reports a further increase of 12-15% for 2005. The Loaves and Fishes foodbank on Auckland's North Shore also reports it is "struggling to keep up with demand", while it tries to feed 150 people per week (Bethell, 2005). There appears to be no one reason for this increase across such a disparate range of locations, although possible factors influencing foodbank use are discussed later.

## **Policies and data**

How an agency chooses to distribute food parcels affects apparent demand for them, as do changes in policies. For example, an agency that tightens its eligibility criteria will obviously show a reduction in the number of food parcels distributed. Therefore, it cannot be concluded *prima facie* that demand for food parcels has lessened if distribution figures fall. Figures can only be assumed to reflect demand if the policies behind them are consistent for the period under consideration.

As one of the largest foodbanks in the country, the Salvation Army in Manukau City was a major influence on trends seen in the NZCCSS data (Figure 2). The number of food parcels distributed by the Manukau foodbank fell from 317 in the first quarter of 2001 to 92 in the last quarter of 2004, a fall of 71%. One of the key contributors to this dramatic reduction is the fact that there has been a full-time Work and Income officer on site since 2003 ensuring that clients are getting their full benefit entitlements. This does not solve all the problems faced by these clients, but it means that where there are childcare costs, or extraordinary costs, clients can get assistance to help with these. This can often make the difference between needing a food parcel and not.

Anecdotal evidence suggests that one unanticipated effect of having a Work and Income officer on site at Manukau has been that some clients would prefer to go elsewhere for a food parcel, even though seeing the officer is voluntary.<sup>8</sup> Many foodbank clients, particularly those who have been on benefits for some time, find dealing with Work and Income difficult and will go to some lengths to avoid doing so. There is no way of

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<sup>8</sup> This should not be taken in any way as impugning the ability of the Work and Income officer, who has twenty-seven years of frontline experience and by all counts does excellent work on behalf of the clients. On the contrary, it appears such a person ought to be installed at every large foodbank.

measuring the extent to which this has occurred, although staff elsewhere suggest that the number is probably small.

Manukau has also benefited from the high growth the economy has experienced in the last several years (Otto, 2005). It is also likely that this is what is driving the lower figures noted for the Papakura foodbank. This is a positive trend, and it is hoped that these favourable employment conditions continue.

A further example of how policy can affect figures comes from the Christchurch City Mission, another foodbank that participated in the Poverty Indicator Project. The number of food parcels given out daily is capped at 20. Thus, from a data point of view, what is of interest is how many people are being turned away rather than the number of parcels distributed, assuming that the cap of 20 is being met.

A further source of variation occurs in the definition of “food parcel”. Auckland City Mission has two types of food parcel. One is sufficiently substantial to feed a family for approximately four days; the other will feed a single person for a couple of days. Several other Auckland foodbanks also give out substantial parcels that ought to last several days. The Salvation Army at Manukau simply divides the amount of food available by the number of applicants. Other, less formal foodbanks give out whatever is at hand. Hence, the level of need in a community cannot be determined simply by the number of food parcels given out. *Ceteris paribus*, an organization whose parcels feed a family for two days may appear to have twice as many clients as one that feeds a family for four days (assuming more than one parcel is allowed to be given out).

Child Poverty Action Group recommends that data from the Auckland City Mission be used by official agencies, along with qualitative data from other agencies, to gauge the level of food insecurity in the community.

A further quirk arises from the fact that foodbanks are mostly staffed by volunteers. If there are insufficient volunteers, as happened in Carterton recently (NZPA, 2005b), not every applicant receives a food parcel. In such a case the data will not reflect the level of need.

### **Interpreting the data**

It is clear that care needs to be taken when citing foodbank statistics, particularly when doing so to support a given economic stance or policy. This is best exemplified by the figures from the Salvation Army foodbank at Manukau, which had such a profound impact on the NZCCSS data, but which were largely driven by the presence of the Work and Income officer on site. To represent the changes at Manukau as a nationwide trend is at best misleading. It also implies that so long as people are getting their full benefit

entitlements they will have no need for foodbanks. The evidence suggests this is not the case.

Unfortunately, since the Poverty Indicator Project has terminated, there is no comprehensive collection and collation of data to inform policy makers how the bottom 20% of income earners are – or are not – getting by. The larger foodbanks collect statistics, but there appears to be a lack of collective will to collate and distribute them. And, as the NZCCSS found, it can be a resource intensive process. However, several of the agencies spoken to were enthusiastic about some form of centralised data collection, although the success of such a scheme would also be dependent upon agencies' willingness to make data available.

The Auckland City Mission has a comprehensive database going back to 1997. Indeed, most of the data in this report is sourced from the Auckland City Mission because of the time period it covers, and its ready availability. Moreover, the Auckland City Mission's policies have been consistent since 1996, so data is comparable from year to year. It is likely that due to the breadth of its client base, its data is a reasonable reflection of what is happening in the wider Auckland community.

The Auckland City Mission database is better placed than most other agencies to provide useful information to official agencies. Preferably, it would do so in conjunction with data from other foodbanks. Ideally, there would be a system in place where Auckland's largest agencies could simply send their monthly figures in, along with qualitative information such as changes to eligibility rules, which would then be collated and made publicly available. This would provide information for community organisations and advocates, who could use the information to push for real change for those who have no political voice of their own.

### ***Foodbank trends: The embarrassing face of our economic boom***

In 1992, when the benefit cuts took effect, the economy was in the midst of the deepest recession since the Great Depression. Many of the unemployed at that stage were skilled tradespeople who lost jobs in the fallout from the sharemarket and property crash of the late eighties. For some of them, foodbanks provided help until their situation improved, which it did slowly but surely through the nineties, as the consumption-led boom took hold. However, others lost jobs in the wave of redundancies that swept the country in the late eighties and early nineties, and, because they were often unskilled, did not find opportunities for employment in the down-sized, efficient economy the decimation of the manufacturing sector left in its wake. The benefit cuts tipped some of these newly marginalized citizens into poverty, and for some of them foodbanks became

not a temporary stop-gap, but a permanent feature of their lives. According to Bonnie Robinson, a Salvation Army policy analyst, the number of foodbank users peaked in 1991, then tapered off as those who were able returned to the workforce. A similar pattern happened during the 1997–98 recession, and again foodbank-user numbers stabilized as employment conditions improved, although at a level well above that which prevailed prior to the recession.

In 2005, foodbank users are still mostly beneficiaries. With the best employment conditions for over twenty years, it is probably fair to say that if they could work, they would already be doing so. The majority have children, and many are in debt and have chronic health, including mental health, problems. Most of the agencies talked to for this report noted that now, to a much greater extent than in the past, clients are presenting with multiple, complex problems. Assuming that a food parcel or two will suffice “until their situation improves” is no longer viable. As a result, larger agencies such as the Salvation Army and Auckland City Mission now offer multiple services to assist clients, including drug rehabilitation facilities and counselling for problem gamblers. Christchurch City Mission is also in the process of setting up a wrap-round service for clients with multiple problems. This complexity is the face of New Zealand’s ever-increasing income gap. Those fortunate enough to get a toehold on the ladder are getting by. The rest are falling further behind, collecting all the problems associated with entrenched poverty. It is most likely this that is driving the need for foodbanks at a time when they should be redundant. Moreover, the 2004 Working for Families package will not address the needs of most of these people and their families, because it is focused on low and middle-income families in work.

Despite foodbanks often viewing themselves as something people use until their situation improves, this is not happening in many instances. This is clear from case notes where phrases such as “referred to us by Agency X as they are not eligible for any further help there”, or “has reached food parcel limit for the year, so have referred to Agency Y” are depressingly common. Foodbank users are being shunted from agency to agency, as each hopes the other will be able to arrest the downward spiral.

In short, many foodbank users are unlikely to be able to take advantage of the present favourable economic conditions without expensive intervention by either the state or private welfare agencies. For those with drug and alcohol addiction, there are only nine state-run beds available nationally providing drug rehabilitation services. Others with mental health problems are already in “community care”, or have fallen through the gaps. In reality, foodbank users – and the disenfranchised generally – will have to rely on the resources of private charities, whose programmes may be inappropriate for complex needs clients, or simply not available.<sup>9</sup>

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<sup>9</sup> Note that the government has set up an “*Intersectoral Strategy for Children and Young People with High and Complex Needs*”. However, “[w]hile this strategy has some funding for the

While the dominant family type using foodbanks remains sole parents with children, several foodbanks mentioned that there has been a slow but steady increase in the number of young single people using their services. This marks a quiet but significant change for foodbanks, and suggests that greater numbers of young people are either unable to find work, or are being squeezed by low wages and high rents. According to Gerry Walker from the Salvation Army Manukau foodbank: “They could become our long-term unemployed” (Otto, 2005). This trend needs to be monitored to ascertain if this is a statistical spike or a long-term change that requires a policy response.

### ***Who uses foodbanks and why?***

Clearly, food security for some low-income households is tenuous. How do we reconcile this with what appears to be a period of jobs and wages growth? Is economic opportunity more illusory than real for some, or do the figures simply reflect the moral laxity of increasing numbers of individuals? To try to answer these questions, we need to take a closer look at who is using foodbanks, and why.

#### **Foodbank users**

The final Poverty Indicator Project report, released in April 2005, showed that sole parent and single person households are the most common household types seeking foodbank assistance. The percentage of households with children was 50% or greater, and the majority of clients at six of the seven foodbanks are women. Very few clients are aged over 65 years, confirming research showing that poverty is not widespread amongst the elderly.<sup>10</sup> Maori were over-represented at every foodbank participating in the survey, while 30% of foodbank clients in Manukau were Pacific Islanders. For

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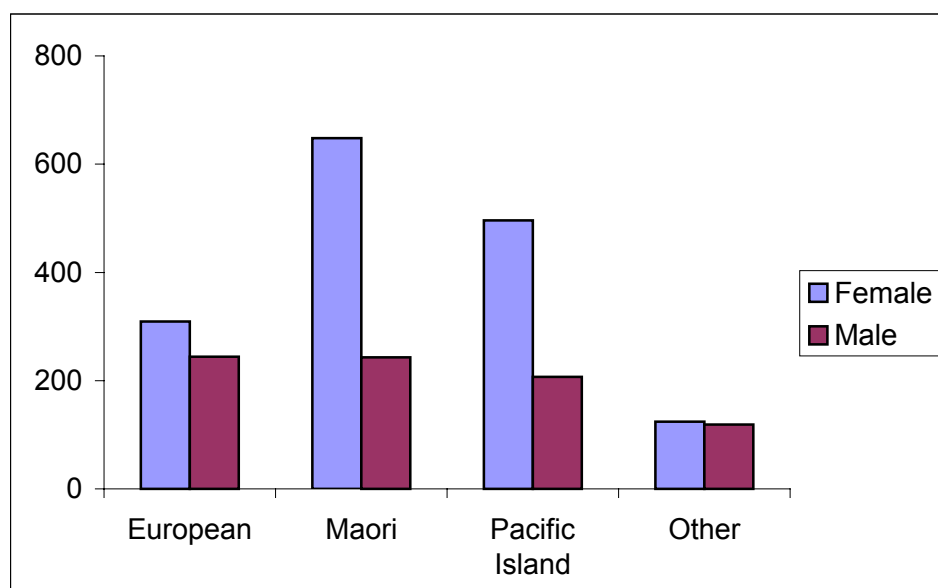
exceptional and extreme individual cases, its purpose is to foster collaboration...” The Strategy is available at <[www.hcn.govt.nz](http://www.hcn.govt.nz)>. Accessed May 2005.

<sup>10</sup> This is not to suggest the elderly do not have issues of their own that ought to be addressed. Moreover, NZCCSS data suggests that, although the elderly remain a tiny percentage of foodbank clients, that percentage has doubled in the past several years.

approximately 70% of NZCCSS foodbank clients, a benefit is their only source of income.

Similarly, an analysis of Auckland City Mission foodbank clients from three of the poorest suburbs in Auckland<sup>11</sup> for the calendar year ending March 2005 shows 56% were Maori or Pacific Island women. According to one Auckland City Mission social worker “at least 80% of those clients have children”. Overall, excluding clients from Central Auckland,<sup>12</sup> of the Auckland City Mission’s clients, 66% were women, 66.8% were of Maori or Pacific Islander descent, and 64.5% were aged 30 – 50, that is, the age group most likely to be raising children.

**Figure 4: Auckland City Mission clients (excluding Auckland Central) by ethnicity and sex for the year ending 31 March 2005. Total clients: 2390.**



*Source: Derived from Auckland City Mission data.*

Poverty, it seems, is borne predominantly by Maori and Pasifika women with children who rely on welfare for income. Often with little education, few skills, and isolated in suburbs or rural areas, these women make little political impact, and they and their families’ needs are effectively ignored by policymakers.<sup>13</sup>

<sup>11</sup> NZDep2001 Index of Deprivation.

<sup>12</sup> Central Auckland clients tend to be single men, reflecting the preference of these, often homeless, clients for inner city environs.

<sup>13</sup> This is not to say they themselves are ignored. Politicians from across the political spectrum find it convenient to shamelessly scapegoat the alleged personal failings of sole mothers for all manner of societal ills.

## Reasons for using foodbanks

### Income

The Poverty Indicator Project, echoing the findings of Mackay (1995), consistently found lack of income to be the key determinant of foodbank use. Those over-represented in the foodbank statistics, notably Maori or Pacific Island women, are also over-represented in low-paid work and benefit statistics. From 2001 – 2004, “median and average weekly incomes of foodbank clients [were] less than half that of the average New Zealand household” across the NZCCSS foodbanks (New Zealand Council of Christian Social Services, 2005). In addition, Statistics New Zealand data show that the average weekly income of sole parents with children for the year ending 30 June 2004 was \$508, compared to the national average of \$1203 (Statistics New Zealand, 2004). Indeed, sole parents have the lowest income of any family type.

One foodbank worker stressed that for clients on benefits, and no hope of getting off them in the foreseeable future, real incomes are still well below where they were in 1991. The benefit cuts have not been reversed, nor has the Universal Family Benefit been restored. In 1996 the discriminatory Child Tax Credit was introduced to top up the incomes of those independent of the state. Beneficiaries are not eligible for the Child Tax Credit, regardless of whether or not they are able to work, or what their personal circumstances merit.

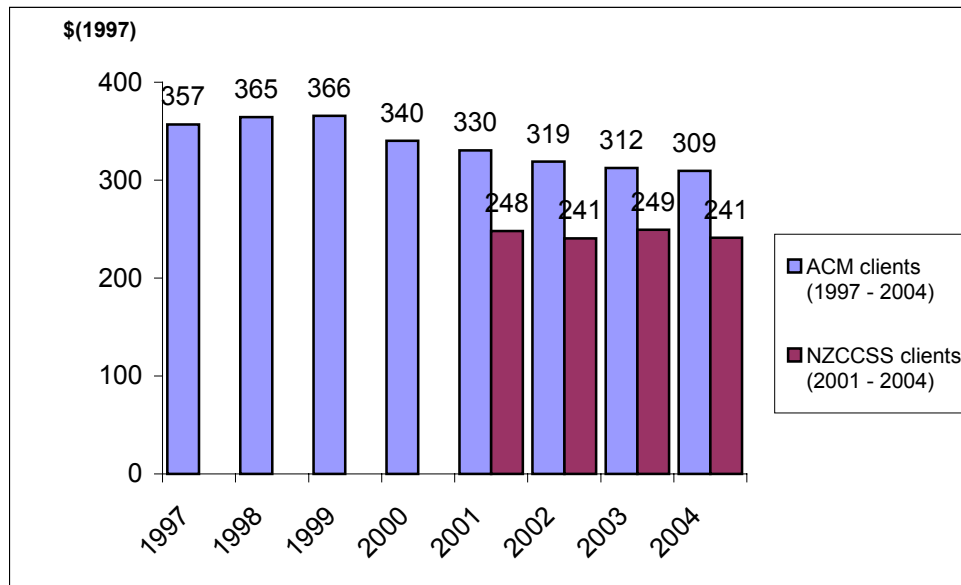
The impact of the 1991 benefit cuts can be seen by comparing benefit rates prior to the cuts with current rates. In March 1991 a couple on a sickness benefit with two children would have received a benefit of \$319 including \$64 in Family Support and Family Benefit. Adjusted for inflation this is equal to \$430 today. In 2005, even after Working for Families is added in, this couple only gets \$400, a fall in real income of 7%. Similarly, a sole parent with two children is \$35 worse off, a 9% fall in real income (see Appendix 2 for calculations).

Data from the Auckland City Mission shows that the average income for clients using foodbanks has fallen steadily in real terms since 2000, having risen slightly in 1998-99 (Figure 5). This probably reflects slow wage growth in traditionally low-pay industries such as retail and hospitality, and the failure of benefits and supplements to keep pace with living costs, in particular housing. NZCCSS data also shows the real income of clients falling slightly between 2001 and 2004.<sup>14</sup>

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<sup>14</sup> Direct comparisons between the two sets of data cannot be made. Auckland City Mission data uses the annual mean, while the NZCCSS records the median income at each foodbank. The NZCCSS figure here is the mean of the seven foodbanks for the year.

**Figure 5: Real average weekly income of Auckland City Mission<sup>15</sup> clients (1997-2004) and NZCCSS clients (2001 – 2004).**



*Source: Derived from Auckland City Mission and NZCCSS data.*

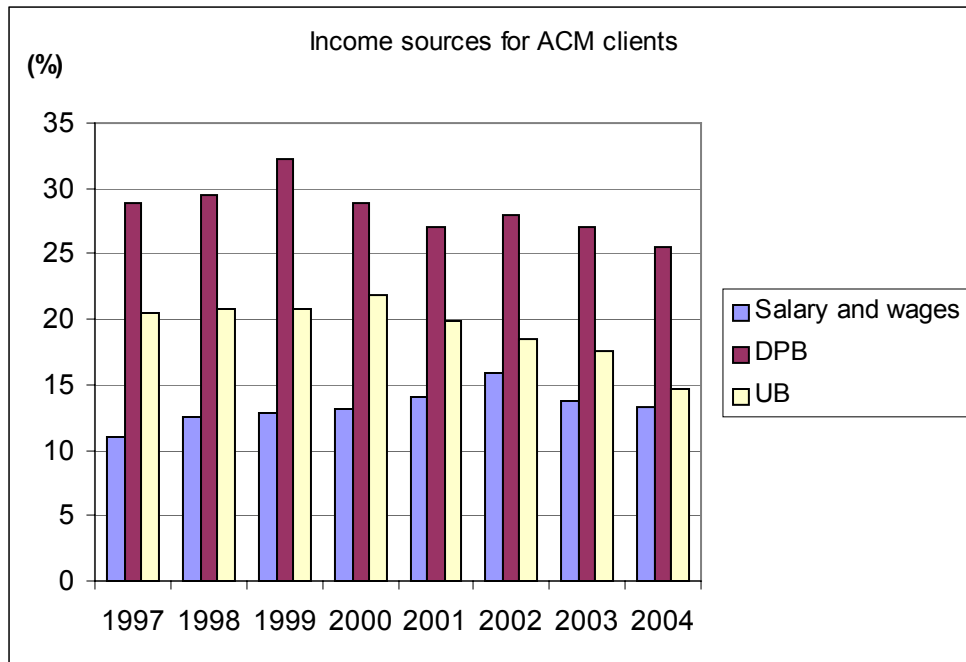
Not all foodbank clients are beneficiaries. Between 7% and 18% of the NZCCSS clients receive income solely from wages. In 2001, 11% received a wage-only income, falling to 0% in the second half of 2003, before rising to 11% again in early 2004. Disaggregating these figures shows the proportion of foodbank clients receiving a wages-only income rose everywhere except Southland and Manukau during this period. The number of clients receiving a wages-only income at Wellington’s Downtown Community Ministry trebled between 2001 and 2004, although “this client group has reduced” in 2005. The proportion of Auckland City Mission clients receiving a wages-only income went from 11.0% in 1997 to a peak of 15.9% in 2002, before falling again to 13.3% in 2004. These figures suggest that high wage growth has not occurred evenly across all sectors, and those whose wages have risen slowly, or not at all, are finding it harder to cope. Interestingly, none of those clients on wages-only incomes selected for study from the Auckland City Mission’s database were receiving the Child Tax Credit, despite being eligible. This is consistent with Ministry of Social Development figures (Ministry of Social Development, 2001) showing take up rates for the Child Tax Credit are very low.

Child Poverty Action Group recommends that the Child Tax Credit be added to Family Support, and made available to all families with children, as advocated by previous Child Poverty Action Group reports.

<sup>15</sup> Note that all foodbank data including income is as reported by clients. Data collected from clients cannot always be checked.

Consistent with improved employment conditions, the percentage of clients receiving the Domestic Purposes Benefit and the Unemployment Benefit has fallen, down to 72.5% in 2004 from a high of 82.3% in 1999. However, the figures suggest that some clients have simply swapped a low-paying benefit for an equally low-paying job.<sup>16</sup> This validates the claims of Work and Income clients who, according to one interviewee, would “do anything” to escape the benefit system.

**Figure 6: Sources of income for Auckland City Mission clients, 1997 – 2004.**



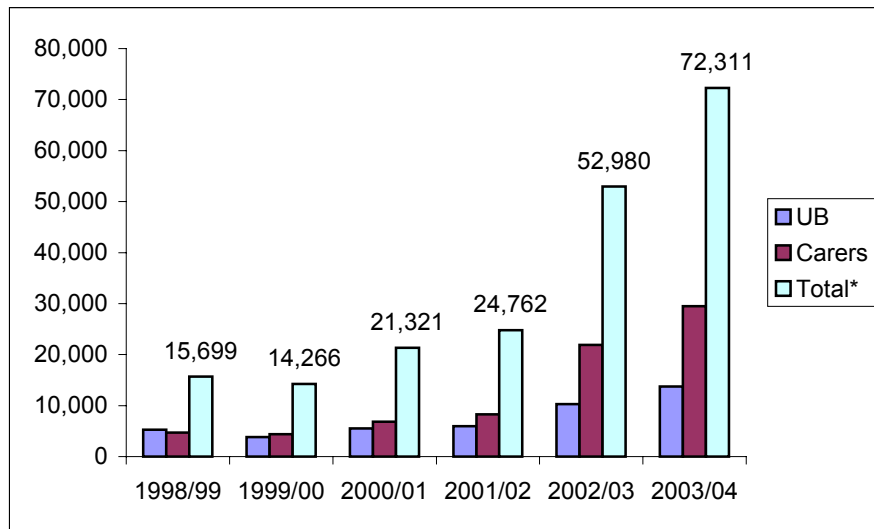
*Source: Auckland City Mission*

An indication of the gap between living costs and incomes, especially benefit income, can be seen in the number of special benefits granted by Work and Income from 1998/99 to 2004. Special Benefits are paid to beneficiaries or other low-income earners who have a deficiency between their ongoing income and their costs, and whose circumstances warrant receiving a Special Benefit (Ministry of Social Development, 2005). Unavoidable costs that may warrant the granting of a Special Benefit include medical costs, transport costs for work or the purposes of medical treatment, hire purchase commitments, rent, and childcare costs. Food, clothing, line charges for utilities, and debt repayments to government agencies are viewed as standard costs – unavoidable costs that most people would face. Standard costs are every day living costs that it is expected will be met from a benefit or, if the person is working, the

<sup>16</sup> This appears to pose a problem for those who insist that beneficiaries will only be forced back into the workforce if the differential between benefits and wages is increased (by cutting benefits, of course).

unemployment benefit that would be payable to that person if they were not working. In other words, standard costs are those it is supposed will be met from a benefit, even though it is clear that this is patently impossible for many beneficiaries.

**Figure 7: Number of Special Benefits granted to carers, unemployed (UB), and total. July 1998 - June 2004.**



*Source: MSD 2003 and 2004*

\* “UB” plus “Carers” do not sum to the “Total” as low-income earners, superannuitants and other beneficiaries have been omitted.

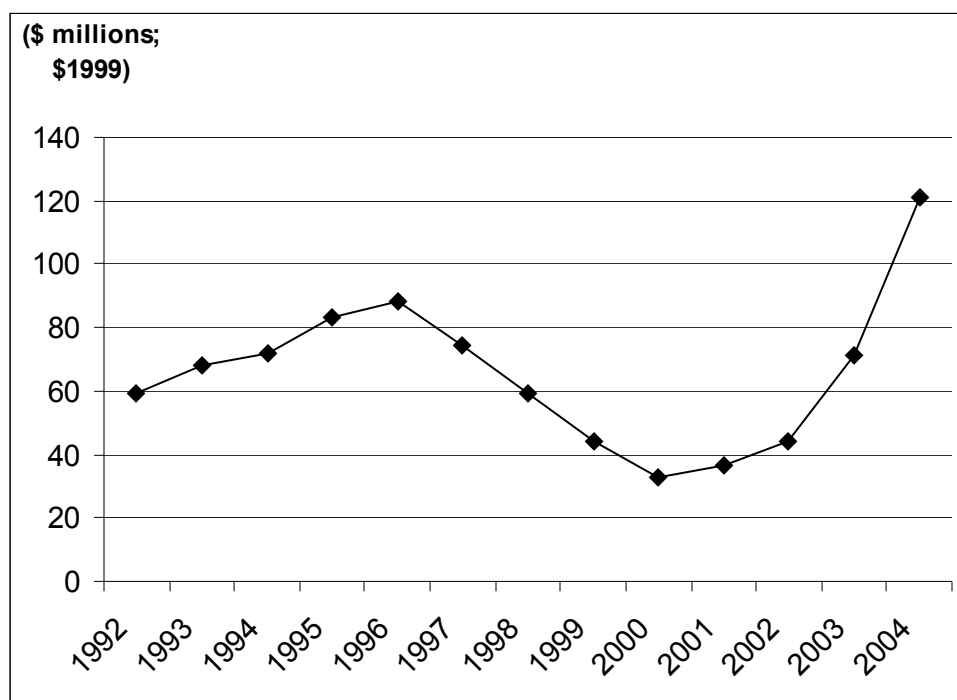
Since 1998/99, the number of beneficiaries and low-income earners unable to meet their ongoing expenses has risen by 56,612, or 461% (Figure 7). For “carers”,<sup>17</sup> the increase was 24,841 or 631%. While superannuitants received only 2.9% of Special Needs Grants and advances in 2004, this was an increase of approximately 80% on the 1998/99 figure.

The Ministry of Social Development (2004) attributes part of the steep increase in Special Benefit numbers between 2002 and 2004 to efforts to ensure that case managers and clients were aware of clients’ eligibility for the Special Benefit. However, they acknowledge that the number of people assessed as being in financial hardship also increased. This suggests that ensuring beneficiaries get their entitlements is insufficient; benefits and supplements are simply inadequate for meeting basic expenses such as food, rent and utilities payments. According to the Ministry of Social Development (2005), approximately 40% of Special Needs Grants and benefit advances were provided to pay for food. While initiatives aimed at ensuring clients get their full entitlements are welcomed, the increase in the number of people unable to meet their

<sup>17</sup> This includes DPB – sole parents, caring for sick and infirm, women alone; and emergency maintenance allowances.

needs from core benefits is less encouraging. Changes to Special Benefit rules brought in as part of Working for Families mean that Special Benefits will be reduced after 1 April 2005, and are likely to be further reduced in 2006. While Transitional Additional Support (as the Special Benefit will be known as from 1 April 2006) is designed to ensure that those receiving Special Benefits will continue to receive the amount they were getting as at 1 April 2005, those coming on to benefits are likely to face reduced extra assistance, and – as the name suggests – even that for a limited time (see case studies in Appendix 1).

**Figure 8: Trends<sup>18</sup> in Special Benefit expenditure, 1991/92 - 2003/04.**



*Source: Derived from MSD data, 2004.*

The effect of increases in electricity and fuel prices varies around the country. Utilities payments are a burden for low-income families, especially so in the South Island where winters are much colder. Foodbanks in the South Island tend to see their numbers rise in winter as people struggle to pay for the fuel and electricity they need to stay warm. Increases in electricity and fuel prices can only mean less money is available for food. In addition, inadequately heated houses pose a hazard to the health of the adults and children living in them. In cold damp housing children are more likely to have sicknesses such as asthma and pneumonia, which are expensive to treat and can lead to lifelong incapacity.

<sup>18</sup> MSD figures are adjusted for the number of payments of Special Benefits made during the month and smoothed using a two-month moving average.

As noted, many foodbank users are low-wage earners. In the 2005 budget, the Minister of Finance announced that those starting work would be automatically signed up to a superannuation scheme, with a two week period during which they could withdraw. The scheme will take 4% of a person's gross wages and invest it in a retirement fund, into which the government will put \$1,000 as a sweetener. Although at first glance, this seems helpful, it has been argued that the scheme is "unethical" (Collins, 2005b). For low wage earners, 4% of gross income is not an insignificant amount of money, particularly when they are facing high housing costs and are struggling to put food on the table. Moreover, they will not be able to access the money for many years – hardly helpful for the immediate task of raising children.

## **B. Housing**

New Zealand's GDP growth of the past several years and falling unemployment has been largely driven by the property boom that began in 2000, although other factors such as favourable export markets and strong net migration (which in turn drives up property prices) have also contributed. By December 2004 median house prices had reached historically high levels and house prices continued to rise, while the average weekly wage had barely increased during the second half of the year (AMP/Massey University, 2004). This has seen housing affordability reach an almost record low, impacting on both house buyers and renters.

For buyers, rising house prices have meant larger mortgage repayments. Rising interest rates have also had an impact on the disposable income of home owners. In January 2004, weekly repayments on a 25-year \$250,000 mortgage were \$416 per week. By December 2004, they were \$473,<sup>19</sup> an increase of \$57 per week. However, only a relatively small proportion of foodbank clients are lucky enough to own their own homes. It is much more likely that they rent in low-decile suburbs.

Both NZCCSS and Auckland City Mission data show that the percentage of clients renting has remained consistent for their respective data collection periods. The proportion of Auckland City Mission clients renting has remained at approximately 87%, while NZCCSS data shows slightly more variability, with the proportion of renters decreasing from 86% in 2001 to 82% in 2004.

In 2001 the government re-introduced income-related rents for state house tenants. Thus, it would be reasonable to expect the number of foodbank users in state housing to fall as their after-housing disposable income increased.<sup>20</sup> In fact, results vary across the

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<sup>19</sup> Figures based on variable first mortgage housing rates from the Reserve Bank.

<sup>20</sup> It should also be noted that state house rents are income-related, so that any increase in income is matched by a rent increase.

foodbanks. In Hamilton, the number of foodbank users in a state housing increased from an average of 40 per month in the second quarter<sup>21</sup> of 2001 to 52 per month in the final quarter of 2004. In Palmerston North, the number of users in state houses remained the same, although state tenants as a proportion of applicants increased. However, in Manukau, both the proportion of applicants in state housing and the total number fell. Auckland City Mission figures show a consistent 40% of clients rented state houses from 2001 to 2004. Although this was down from the high of 45.1% in 1998, the total number of clients in state housing increased from 625 in 1997 to 901 in 2001, and rose again to 1,045 in 2004. All this suggests that income-related rents have not universally improved the lot of state house tenants due to other demands on household expenditure such as electricity.

**Table 1: Rents in Mt Wellington/Glen Innes/Panmure, South Auckland and Papakura**

	Jan 2004 (\$)	March 2005 (\$)	% change
1 bedroom	191	197	3.1
2 bedroom	230	239	3.9
3 bedroom	291	299	2.7
4 bedroom	368	367	0

*Source: Real Estate Institute of New Zealand <[www.reinz.org.nz](http://www.reinz.org.nz)>  
Tenancy Services Bond Centre*

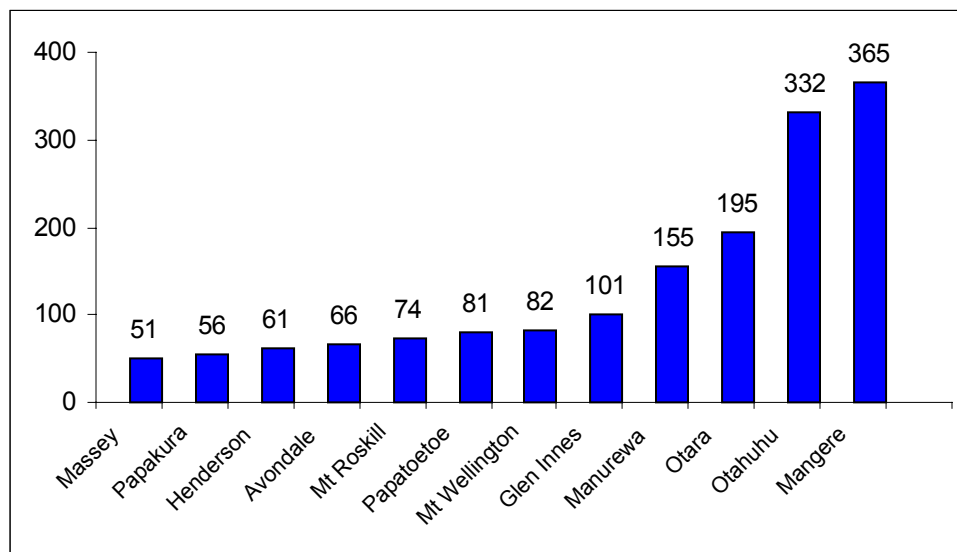
For those in private rental accommodation, the picture is worse. In South Auckland, rents for a three bedroom house rose from an average of \$220-250 per week in 1999 to \$280-300 per week in 2004.<sup>22</sup> Figures from the Real Estate Institute show that during 2004, rents in Auckland stayed the same or even decreased overall. However, this has been attributed to a fall in rents at the upper end of the market. At the lower end, housing remains in short supply, and rents continue to rise. From January 2004 to March 2005, rents for one-, two- and three-bedroom accommodation in Mt Wellington, South Auckland, and Papakura – the poorest areas of Auckland – rose by an average 3.2%. The cost of four-bedroom houses remained the same (Table 1). These are also the suburbs where foodbank clients are most likely to live (see Figure 9).

The clients in Figure 9 represent only the applicants – most are collecting on behalf of spouses and children. Only those suburbs with more than fifty clients have been included. There are, of course, many other suburbs with fewer than 50 clients for the 2004 calendar year.

<sup>21</sup> This is the Poverty Indicator Project base quarter.

<sup>22</sup> Figures from the Real Estate Institute of New Zealand, and “For Rent” column in the New Zealand Herald.

**Figure 9: Suburbs with more than 50 Auckland City Mission clients, calendar year 2004.\***



*Source: Derived from Auckland City Mission database.*

*\*(Excludes Central Auckland.)*

For those on low incomes, rent increases result directly in a decrease in disposable income. This is especially true for foodbank users who often pay 40-50% of their net income in rent. Rent is not a discretionary cost, particularly for families with children, and high housing costs have clearly impacted on people's ability to meet day-to-day expenses. The government provides an Accommodation Supplement that reimburses some of the costs, but the policy has difficulties of its own – not the least of which is subsidising low-income rents for the benefit of landlords (Johnson, 2003).

The difficulties faced by young families renting can be highlighted by noting the low number of elderly using foodbanks. Valins (2004) observes that very few superannuitants have negative worth, that is, most of them at least own their own homes. Although Valins seems to favour the life-cycle hypothesis to explain this, in the New Zealand context the explanation is more likely to be historical. Most superannuitants purchased houses in the post-war period, when intensive state house construction, low-interest government loans, and universal family benefits provided assistance to all New Zealanders. As homeowners, superannuitants are protected from rent rises to a much greater extent than their children and grandchildren.<sup>23</sup>

The reality of expensive but unsatisfactory accommodation was summed up by one foodbank worker who opined that he “wouldn't put my cat in some of the dwellings – I

<sup>23</sup> The booming property market impacts on the elderly through rate rises. For those solely dependent on pensions, rates rises bring their own misery.

don't call them houses" his clients lived in. After years in the business, he was still "appalled" when "some snotty-nosed kid comes running out looking for a lolly because they haven't seen one for so long."

### C. Debt

Debt is often cited by foodbank users as a reason they fail to cope financially. NZCCSS noted that debt was a key issue for foodbank users (NZCCSS, 2004). Approximately 80% of foodbank clients report they are in debt. The most common creditors are government agencies, utilities companies (usually electricity) and firms providing hire purchase finance. Less often acknowledged, but increasingly an issue according to foodbank staff, is money owed to loan sharks and second-tier financial institutions. Hawking "easy credit – no credit checks" services, second-tier financial institutions charge high interest rates, with severe penalty rates for debtors who fail to make payments on time. One firm famously prints a "name and shame" list of debtors in one of the Pacific Island newspapers. This exerts considerable pressure on debtors to ensure that they pay, even if it means going without food.

The most common reason for getting into debt is lack of income. Parker finds: "Of all the relationships uncovered ... none was more striking than that between indebtedness and low *relative* income" [emphasis added] (Cited in Valins, 2004). Income alone is not the problem. It is, as Parker observes, the degree to which the incomes of indebted households have fallen behind those of everyone else. Valins (2004) notes other reasons people become debtors include, *inter alia*, race, culture, education, and money management skills. In New Zealand, these factors are not independent. Hence, we repeatedly find that those in debt are on benefits or are low income workers, are disproportionately of Maori or Pacific Island descent, low-skilled, and carers.

Debt to Work and Income is a significant issue for foodbank clients. Even though more people than ever are receiving Special Benefits, many of them still need to borrow from Work and Income to cover emergencies. Figures show that the number of people receiving hardship assistance – that is assistance to help families to meet basic needs – from Work and Income has risen throughout the period 1998/99 - 2003/04 (Table 2). This includes non-recoverable Special Needs Grants, and loans, in the form of

Child Poverty Action Group recommends that beneficiaries not make payments in excess of \$40 per week unless they are doing so voluntarily. When beneficiaries are under severe financial stress, debt repayments in excess of policy guidelines are unconscionable. It is clear that benefit rates are too low, and priority must be given to increasing benefits to enable families with children to house and feed themselves adequately.

recoverable Special Needs Grants and assistance and benefit advances. Total recoverable assistance increased 42% from 1999 to 2004. The inflation-adjusted average value of the payments fell from \$299 to \$290. Thus, we see beneficiaries and the working poor borrowing increasingly pitiful amounts of money from the government to cover essentials such as bond and medical costs.

**Table 2: Number of Work and Income recoverable and non-recoverable payments, 1998/99 - 2003/04.**

Type of assistance	Number of emergency or hardship payments					
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
<b>Non-recoverable lump-sum emergency or hardship assistance</b>						
Special needs grants	308,817	346,612	369,229	379,890	387,791	395,476
<b>Recoverable lump-sum hardship assistance</b>						
Special needs grants	11,278	14,372	15,105	13,274	14,776	16,615
Recoverable assistance program	3,974	7,234	10,193	12,864	13,905	16,797
Benefit advances	249,990	268,039	294,996	309,948	325,590	343,263
<b>Total recoverable assistance</b>	265,242	289,645	320,294	336,086	354,271	376,675
<b>Total number of lump-sum hardship payments</b>	<b>574,059</b>	<b>636,257</b>	<b>689,523</b>	<b>715,976</b>	<b>742,062</b>	<b>772,441</b>

*Source: MSD 2004 and MSD 2005*

When beneficiaries borrow money to help cover basic costs, this money must be repaid, diminishing what is an already inadequate income. As McGurk and Simmers (1999) pointed out, eventually these debtors become “too poor to help”. It is therefore not surprising that low-income debtors end up further in debt with second-tier financial institutions that aggressively market their services in low-income suburbs.

McGurk and Simmers (1999) clearly documented Work and Income’s “harsh” collection regime of the late 1990s. Anecdotal evidence suggests that this has since moderated, with clients able to “negotiate lower repayment rates.” However, NZCCSS reports that, in violation of Work and Income policy, a number of foodbank clients were still making repayments in excess of \$40 per week. Auckland City Mission data also shows this, although the number is small. Work and Income is aware of how many debt repayments

exceed \$40 per week, and who is making them. It should, therefore, be easy to ensure that these high payments are being made voluntarily, and reduced if this is not the case.

## **D. Other factors**

### **(i) Health and medical costs**

There are many reasons why people use foodbanks, most of them inter-related. Although the reasons outlined above account for most foodbank clients, there are still many for whom the explanation is more complex.

One factor that emerged clearly during interviews was the relationship between poor health, high transport costs and low income. Sick adults are often unable to work, meaning they and their families are dependent on benefits<sup>24</sup> for the duration of an illness or injury. Many of these families, in turn, have high transport costs. A random sample of data taken from Auckland City Mission's Otahuhu clients showed median petrol costs were \$37.50 per week, with the maximum being \$165. High petrol bills were often associated with family members needing to go to hospital or doctor regularly. Families with members requiring regular medical attention must have reliable transport. Motor vehicles (it is assumed that public transport is not a viable option) incur expenses over and above petrol costs, and families who cannot afford costs associated with running motor vehicles such as registration and a warrant of fitness run the risk of incurring fines, putting an even greater strain on family income. Similarly, motor vehicles are often bought on hire purchase, putting an obligation on people to make payments they may not be able to afford.<sup>25</sup> Credit may be expensive, but it's easy to get and serves a purpose for those with no savings and no chance of accumulating any.

Increases in petrol prices will put a further strain on these families. It is estimated that an increase of 5 cents per litre will add from \$2 to \$6 to weekly transport costs for foodbank users. This equates to two loaves of cheap bread, or a couple of days' milk. If oil prices remain high this will undoubtedly feed through into retail food prices, squeezing budgets even further.

What was notable from interviews was the extent to which the New Zealand health and welfare system has come to resemble what might be thought of as the American model, where an accident or bad luck leading to sickness or injury puts people on a downward spiral from which they are often unable to recover. While ACC provides compensation

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<sup>24</sup> Note that "benefits" in this context includes ACC payments.

<sup>25</sup> Some car yards, along with the finance companies they are tied to, operate on the basis that clients will not be able to make repayments. They make their money repossessing and selling the same car several times over.

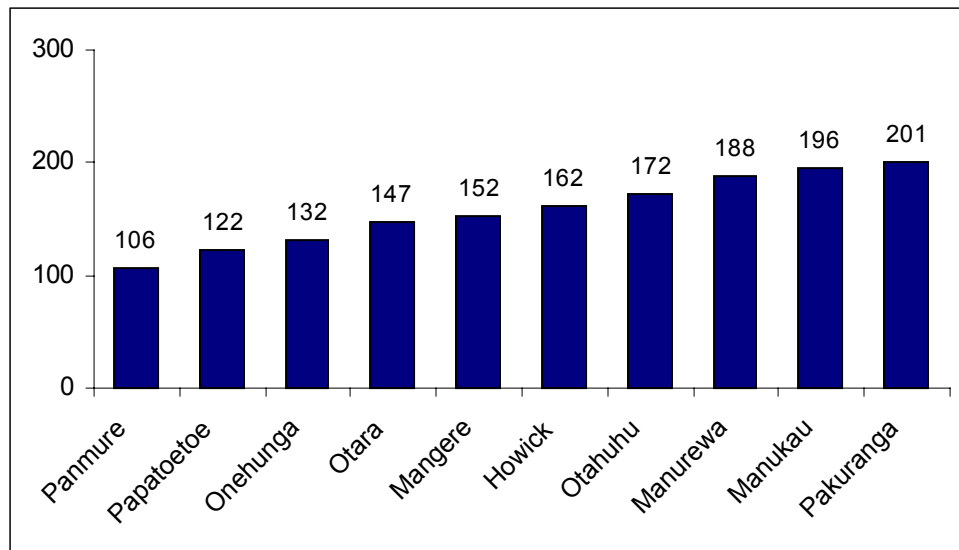
for those who qualify, serious injuries mean a sharp reduction in income for those who do not. Similarly, sudden illness represents a “major difficulty” (Bethell, 2005). This seems far removed from the situation where a temporary setback is dealt with by the health and welfare systems in a manner that enables people to get back on their feet and resume their lives, which is what most New Zealanders assume will happen (to them, at least).

Examples of foodbank clients falling through gaps in the health and welfare systems include a formerly middle-class woman whose husband’s illness incurs over \$900 per week in prescription charges for drugs not fully subsidized by Pharmac, and a sickness beneficiary who allegedly waited 10 years for head injury assessment.

**(ii) Gambling**

Valins (2004) observes that among those seeking help from budget advisors in the UK, almost none confessed to gambling problems. This also appears to be the case in New Zealand. One foodbank staff member described gambling as “the silent problem”. Unlike alcoholics, gamblers are not rowdy, and, shut away in their dark bars, they are invisible. Foodbank clients “almost never” own up to a gambling addiction, although it “sometimes comes out in the interview that there is a gambling problem in the family.” In Auckland, the areas with the highest number of poker machines tend also to be the areas with the highest numbers of foodbank clients (Figure 10).

**Figure 10: Auckland suburbs with over 100 poker machines.**



*Derived from Gambling Watch data. <[www.gamblingwatch.org.nz](http://www.gamblingwatch.org.nz)>*

*These figures differ from those of Gambling Watch as some establishments are listed in the incorrect suburb. This graph shows suburbs with the correct number of poker machines.*

Gambling away scarce income is arguably irrational, but a study by the University of Auckland found that for those on low incomes, gambling is seen as an “instant solution to financial woes” (NZPA, 2005a). For those at the bottom of the pile, gambling is probably perceived as a more likely method of getting ahead than waiting for national income to trickle down. In fact, gambling is an example of trickle up – the money sucked out of poor communities never returns in full (Adams et al, 2004). In addition, a study by the Salvation Army notes that “for those in lower economic circumstances a ‘win’ may ... encourage gamb[lers] to re-experience success in an otherwise stressful life” (Salvation Army and Abacus Counselling & Training Services Ltd, 2005). According to Dr Wiremu Manaia, of the School of Population Health, “what began as gambling being symptomatic of low socio-economic factors has shifted so it is now a cause” (NZPA, 2005a). And, of course, it is addictive.

The Salvation Army report found at least 34.4%, and possibly as many as 37.1% of foodbank clients, either had a gambling problem themselves or were affected by the gambling of others. The survey was voluntary, so the actual number affected is probably much higher. This rate is much higher than that of the general population, and although the report is cautious, it does suggest that “poverty may be a substantial indicator for gambling problems” (Salvation Army and Abacus Counselling & Training Services Ltd, 2005). Of the clients affected by gambling, approximately three-quarters had children directly affected by the loss of household income arising from gambling.

### **(iii) Childcare**

One surprising finding of this report was the extent to which childcare costs are a drain on family resources. According to one Mangere childcare centre, many of the parents at the centre do not receive a state childcare subsidy, even though they are often eligible. The centre has a staff member who liaises with Work and Income to get clients their childcare subsidies, but “the system often falls over, and parents can’t be bothered going through the whole process again so they let it go” and pay for childcare from their own resources. Another person interviewed for this report stated: “I have a Masters degree, and I found the forms so difficult to fill out I flagged it.” Indeed. What hope then for those whose second language is English, or who dropped out of school at age 15?

Childcare allowances are also calculated on the basis of monthly income, and clients with variable hours (for example those in the hospitality or resthome industries) may end up

Child Poverty Action Group recommends that a greater effort be made by Work and Income to ensure eligible parents are aware of, and apply for, their childcare subsidies. We also recommend that Work and Income processes be more user-friendly to help ensure parents receive the childcare payments they are entitled to.

having to repay money. For many childcare allowance recipients, this extra hassle is just “not worth the bother.”

**(iv) Other issues**

Several other issues were cited by foodbank workers as contributing to the increased use of foodbanks.

A factor noted by foodbank staff, particularly in relation to Pacific clients, was the cultural pressure to give money to the church. Again, this was seldom mentioned by the clients themselves, and the extent to which this occurs is difficult to gauge.

Auckland City Mission staff noted have also noted an increase in the number of asylum seekers requesting food parcels. Some are waiting the outcomes of appeals against the decision turning down initial applications. These persons have access to benefits, so they have some income. Those appealing against the second decision not to allow them to remain in New Zealand are not eligible for benefits, and are therefore dependent on family or private charities for support. The Auckland Refugee Service also noted that “benefits are minimal”, and refugees on benefits while having their appeals heard may well be using foodbanks to help get by.

Another agency noted they are increasingly seeing people who have moved to Auckland for work. However, the jobs are so badly paid, and housing is so expensive, they end up homeless and dependent on charity for food. One worker at the agency stated: “We try to encourage them to go back. They didn’t have a job, but at least they had a house and food.” Note that if these families move back to a “location where employment opportunities are severely limited”, they may not be able to “meet their work test obligations [and] face having their benefit suspended or cancelled” (Ministry of Social Development, 2004a).

The final issue, again noted by several agencies, is that foodbanks have been operational for a number of years now, and users have factored them into their economic calculations. That is, they have become part of the institutional setting in which the poor operate. One interviewee who was “philosophically opposed to foodbanks” admitted that weaning people off them would be a challenge, if not impossible. Yet this serves to throw into even sharper relief that fact that until 1991 we had very few foodbanks, and the vast majority of people – beneficiaries included – had no need for them at all. Foodbanks are a symptom of poverty, not a cause.

## ***The Ministry of Social Development's Foodbank Strategy***

### **Box 1: Putting foodbanks “out of business”**

The Labour/Alliance Government is committed to industry development, but the foodbank 'industry' is one that it would like to see go out of business, Social Services and Employment Minister Steve Maharey told the Biennial National Foodbank Conference in Wellington last week. Foodbanks grew rapidly over the 1990s and, while it is unlikely that they will close down over night, the Government's commitment to economic growth, social and community development, and the alleviation of poverty is a necessary condition for that to happen. For example the introduction in last December of income related rents, welcomed as the single most important initiative to alleviate poverty, and dropping unemployment are offering real hope to low income households and will lower the need for foodbank type assistance over time.

*From Maharey Notes, Issue No 31, 14 February 2001.*

In 2001 the Minister for Social Development expressed a desire to put foodbanks “out of business” (Box 1). In 2005 foodbanks are obviously still in business, and nobody spoken to for this project expected they would be disappearing in the foreseeable future. In the interests of fairness and completeness, the Ministry of Social Development's foodbank strategy is outlined below. The Strategy was introduced after the 2002 budget, and has a three-pronged approach:

1. to reduce and prevent the need for foodbank services by ensuring all Work and Income clients receive their full and correct entitlement;
2. where foodbank services are needed, to ensure consistent referral services are in place;
3. to work with foodbank providers to help reduce client's dependence on foodbank services by providing:
  - in-kind support by having a Work and Income case manager located either part-time or full-time at the foodbank, and
  - funding programmes to address the underlying causes of client's need for foodbanks, for example budget advice, cooking-for-less courses, and counselling and life-skills.

The Foodbank Strategy is an operational document, and is therefore not on the Ministry's website. However, since it is referred to in Ministry publications, it ought to be available and promulgated through the website. The placement of the Work and Income officer at Manukau is part of the foodbank strategy, and this has also been trialled elsewhere.

While the efforts of Work and Income to ensure that beneficiaries are getting what the benefits they are entitled to are laudable, on its own the Foodbank Strategy will not put "foodbanks out of business". "The best budgeting in the world can't solve the problem of not having enough money" (Downtown Community Ministry, 1999). Putting foodbanks out of business requires a structural change, not least one where benefits are based on actual costs.

One foodbank worker noted that, in much the same way as foodbank users have factored foodbanks into their calculations, so too have government welfare policies. Shortfalls in wages and benefits can be ignored with the knowledge that foodbanks will fill the gaps. Similar opinions were expressed by others in the sector, although people differed on possible solutions.

Child Poverty Action Group recommends that the Ministry of Social Development post the Foodbank Strategy on its website. In addition, the strategy must focus on the wider issues around poverty, which are more complex than merely providing budgeting and cooking advice, and ensuring people get their benefit entitlements.

## **4. Food and Children**

We now turn to why the food insecurity signposted by the increasing use of foodbanks is an issue that must be addressed.

### **A. Children's rights**

Children are citizens and, as such, they have inherent dignity and rights as citizens, including a right to adequate food and shelter. This right stands on its own – it does not need to be supported by the pragmatic need to produce well-educated, healthy workers for the future. Yet, even in the diminished view of children as future economic units, we are failing them. Poorly nourished children are unlikely to become productive adults.

Article 11 of the International Covenant on Economic, Social and Cultural Rights states: “1. The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions [and] 2. The States Parties to the present Covenant, recognizing the fundamental right of everyone to be free from hunger”. This is supported by Article 27(1) of the UN Convention on the Rights of the Child, which recognizes the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development. Article 27(2) states that states shall take appropriate measures to assist parents and others responsible for the child to provide material assistance and support programmes. Both Conventions were ratified by New Zealand on 28 December 1978 and entered into force on 28 March 1979.

Both the Covenant on Economic, Social and Cultural Rights and the Convention on the Rights of the Child imply that there is a duty on the state to provide adequate nutrition for its citizens. The fact that foodbanks continue to exist in New Zealand says we are failing in our duty. This failure is evident in food security data from the Ministry of Health, and in the foodbank data presented in Chapter 2.

### **B. Children's access to food**

In 1997 the National Nutrition Survey (Russell, Parnell, & Wilson, 1999) found that 4% of households had accessed a foodbank and 7% had needed to acquire food from family and friends. Up to one-third of low-income families had used a foodbank. The survey found concerns about food security were “most frequently expressed by those people living in the most economically deprived areas” (Downtown Community Ministry, 1999). Lack of food security was described as “a serious public health issue which must be

addressed.” (Parnell, cited in Downtown Community Ministry, 1999). Yet the 2002 follow-up survey showed no significant improvement on these figures.

According to the national children’s nutrition survey conducted by the Ministry of Health in 2002 (Ministry of Health, 2003b), 20.1% of households said they could only sometimes afford to eat properly. Only 64.3% of households with Maori children and 46.6% of households with Pasifika children could always afford to eat properly, compared to 86.1% of households with European/Other children. Larger households were less likely to be able to afford to eat properly all the time.

Over 22% of households reported that food runs out because of lack of money sometimes (18.5%) or often (3.6%). Households with Pasifika children were more likely to run out of food (53.9%) than Maori (37.5%) or European/Other children (13%). Again, larger households were more likely to run out of food. Households with more children also reported that food variety was often or sometimes limited due to lack of money.

**Figure 11: Breakfast of champions**



*Source: Auckland City Mission*

Among the poorest 20% of households, 43.8% reported getting stressed about lack of money for food sometimes (32.2%) or often (11.6%). Again, the likelihood of stress increases with household size, and is highest among Pasifika families, followed by Maori, then European/Other families.

These figures point to low food security for about 100,000 households, or, conservatively, 191,000 children,<sup>26</sup> with food affordability being an issue for low-income, large and Pasifika households in particular. This is reflected in figures for foodbanks, and Special Grants<sup>27</sup> from Work and Income (Ministry of Health, 2003b). Overall, less than 1% of all households made use of foodbanks or Special Grants often, while 8.6% did this sometimes. However, the picture changes for low-income households. Those in the bottom quintile households depended on foodbanks or Special Grants often (2.1%) or sometimes (17.6%). Across all ethnicities, families with five or more children were twice as likely to use foodbanks/special grants as families with two or fewer children. Maori and Pasifika families had approximately the same likelihood of using foodbanks and Special Grants, while both groups were significantly more likely to use foodbanks and Special Grants than European/Other (Ministry of Health, 2003b).

### **C. Children's health outcomes**

Food security and nutrition are vitally important for childhood well-being. Children in food-insecure households have a poorer health-related quality of life, including statistically significant lower physical and psychosocial function. (Casey et al., 2005). To gauge the impact of food insecurity on young people we will consider two areas: the importance of nutrition for development in young people, and the relationship between low income and obesity. Obesity disproportionately affects Maori and Pacific people, and the poor. It is also a significant risk factor for many chronic diseases, in particular the development of diabetes, heart disease, osteoarthritis and certain cancers, all of which have the potential to cost New Zealand many millions of dollars in direct and indirect costs in the future.

#### ***Food and development in children***

*“Nutrition has a global role to promote physical growth, enhance neuromotor development, boost host defences to ward off common day-to-day infections, retard the process of ageing, and prevent the occurrence of age-related degenerative diseases like arteriosclerosis, cataract, macular degeneration and cancer etc. and thus improve the quality of life”*

(Singh, 2004)

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<sup>26</sup> Figures derived from 2001 census data. See <<http://www.stats.govt.nz/census/default.htm>>. Accessed April 2005. This estimate is conservative because it is based on the average of 1.9 children per household, whereas it is children in larger households who are at greater risk of food insecurity.

<sup>27</sup> Unfortunately the report does not distinguish between the two.

There are volumes of research showing the link between adequate nutrition and the physical and mental development of children, both short term and long term. While most of the research has been conducted in developing countries, the findings are relevant for children everywhere. In New Zealand, the Ministry of Health has recognised this relationship. Its *Wellchild – Tamariki Ora Strategy* states the purpose of health education is to “promote appropriate nutrition for the developmental stage and age of the child...[and] to reduce the incidence of food-related disorders” because “poor nutrition results in poor growth and development in infants and children” (Ministry of Health, 2002). Typically, the government has developed a number of strategies and promotions (Ministry of Social Development, 2004b), but has committed little in funds.

### **A. Short-term effects**

In the short term, malnourished children are more prone to infections, and are more likely to have minor infections develop into severe infections with prolonged convalescence (Gershwin, Beach, & Hurley, 1985). Illness in children is the result of many factors, however well fed children are physically better able to cope with infectious diseases. The cyclical relationship between poor nutrition, increased susceptibility to infectious diseases, leading to immunological dysfunction and metabolic responses that further compromise nutritional status has been well described (Keusch, 2003). Moreover, malnutrition of a degree sufficient to impair immune function has not only been confirmed in children in developing countries without access to nutritionally complete diets, but occurs in up to half of the adult patients hospitalised for medical or surgical services in the US (Keusch, 2003). Undernutrition also impacts on the behaviour of children and their school performance (Centre on Hunger and Poverty, 1998).

“Children who are poor and malnourished often suffer from what is known as ‘failure to thrive’. The effects of Failure to Thrive are: shortened attention spans, increased risk of illness, persistent growth failure and emotional problems, and delayed cognitive development” (Child and Family News Tufts University, 2005). When under-nutrition feeds into a cycle of infectious disease, there is an even greater likelihood that children will fail to grow into healthy, functional adults. Fortunately, not only is under-nutrition preventable, but also many of the effects are reversible. In the US, federal nutrition programmes have shown a positive role in improving the chances of poor children through improving test performance, and school attendance (Centre on Hunger and Poverty, 1998). Likewise, the Failure to Thrive Clinic at Boston Medical Centre provides food for families, and attempts to educate families on healthy eating habits. Up to 85% of the children treated at the Clinic have had their malnutrition resolved.<sup>28</sup>

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<sup>28</sup> See <<http://www.tufts.edu/cfn/poverty-storystarter/ps-failtothrive.shtml>>.

## **B. Long-term effects**

In the longer term, under-nutrition – even in its “milder” forms - can have lasting effects on the cognitive development of children and their later productivity as adults (Centre on Hunger and Poverty, 1998). Worse, chronic under-nutrition may result in:

*“behavioural impairments that restrict educational experiences and later adult productive capability. Poor performance early in school is a major risk factor for dropping out of school in later years...This is a cost the nation pays indirectly through lost contributions, and directly through the provision of additional social welfare services.”*

(Centre on Hunger and Poverty, 1998)

Researchers have shown a link between socio-economic circumstances, nutrition and the risk of coronary disease (Notkola, Punsar, Karvonen, & Haapakoski, 1985; Poulton et al, 2002), as well as adult mortality (Lundberg, 1993). Thus the costs of poor childhood nutrition may last well into the future. This is especially so in the case of overweight and obesity. Obesity is a major public health issue, and is examined in more detail below.

## **C. Results of Children’s Nutrition Survey**

In New Zealand, the national nutrition survey found that the intake of most nutrients was adequate. Iron deficiency, and its associated anaemia were “relatively infrequent” (Ministry of Health, 2003b), with the greatest incidence of iron deficiency anaemia occurring in Maori and Pacific females aged 11-14 (4% and 3.9% respectively). The survey also found that younger children (5-6 year olds) have better nutritional status than older children, presumably because there is greater parental control over food intake. This age group were also more likely to be physically active (Ministry of Health, 2003b). However, the lowest quintile children were more likely to obtain nutrients and energy from potatoes, kumara and taro, or pies and pastries, than from fresh vegetables or milk. This pattern is clearer when the results are broken down by ethnicity. Maori and Pacific children are much more dependent on potatoes, kumara and taro for nutrients than European/Other, and in almost all cases, they are less likely to obtain nutrients from fruit and vegetables. Observation also suggests that low-income children, are more likely to snack on pies, chips and sweets for breakfast – exactly the types of food that leave children hungry and sleepy by mid-morning, and lack the vitamins and minerals essential for healthy development.

## ***Crushing myths: Food insecurity and obesity***

*“Bad food is cheap, heavily promoted, and engineered to taste good. Healthy food is hard to get, not promoted, and expensive. If you came down from Mars and saw all this, what else would you predict except an obesity epidemic?”*

*(Newman, 2004)*

In the United States, the National Centre for Disease Control<sup>29</sup> has dubbed the problem of overweight and obesity there an “epidemic”. Here in New Zealand, although our rates of obesity are lower, the Ministry of Health has adopted the same terminology.<sup>30</sup> It is not difficult to see why. Obesity affects a significant proportion of the population, and causes health problems both now and in the future. It is notably associated with Type 2 diabetes, which is expensive to treat and largely preventable.

One myth about food is that there cannot be under-nutrition in New Zealand because so many people – particularly poor people – are overweight (Downtown Community Ministry, 1999). It seems obvious: people are overweight because they eat too much; if they eat too much they cannot be poor. Thus, at first glance, there is a paradox between food insecurity and overweight/obesity.

In the U.S., a country with a broadly similar overweight and obesity population profile to New Zealand’s, numerous studies have shown a positive link between obesity and food insecurity (Drewnowski & Specter, 2004; Townsend, Peerson, Love, Achterberg, & Murphy, 2001). The answer to this paradox appears to lie in the relative energy density of food, that is, how many calories you can purchase for each dollar spent. To get some idea of the difference between the cost of an energy-dense but nutrient-poor diet and a healthy one, see Table 3 below. Prices are from a randomly selected South Auckland supermarket (these are non-special prices).<sup>31</sup>

The total for the low-cost shopping list is \$28.84. For the high-cost list, using the dry pasta, the total is \$54.12. Neither list includes fresh fruit or vegetables. It is important to bear in mind that although some items, for example Weet-Bix, are cheaper on a day-to-day basis, they require a higher initial outlay. If the box runs out on a Tuesday or Wednesday, it is highly unlikely that there will be sufficient cash on hand in a poor household to replace them. It is more likely that a cheap, high-fat, high-salt snack such as a pie or a packet of potato chips will need to suffice. Moreover, not all families have

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<sup>29</sup> See <<http://www.cdc.gov/nccdphp/dnpa/obesity/>>. Accessed March 2005.

<sup>30</sup> See *Tracking the Obesity Epidemic*. <[www.moh.govt.nz/moh.nsf](http://www.moh.govt.nz/moh.nsf)>. Accessed March 2005.

<sup>31</sup> Note this is *not* a scientific survey. It is a thumb-nail sketch designed to highlight the differences in relative prices between the two diets.

easy access to quality food at discount prices. The bad news is that the cheaper foods (butter, luncheon sausage) are higher in saturated fat. Saturated fat intake is a risk factor for obesity and diabetes (Parillo & Riccardi, 2004), and coronary heart disease, two ailments that disproportionately affect poor (Ministry of Health, 2005), particularly Maori and Pasifika, New Zealanders.

**Table 3: Comparison of two shopping lists.**

<b>Sample of prices in South Auckland, February 2005.</b>				
	<b>Low-cost shopping list</b>		<b>High-cost shopping list</b>	
	<i>Item</i>	<i>Cost (\$)</i>	<i>Item</i>	<i>Cost (\$)</i>
<b>Breakfast</b>	Pie	0.81	Weet-Bix (3)	0.25
	M & M's	1.59	Milk (250 ml)	0.45
	Fizzy drink (250 ml)	0.17	Fresh orange juice (250 ml)	0.62
<b>Snack</b>	Potato chips (50g)	0.85	Bananas (50 g)	0.10
<b>Lunch</b>	Bread (Basics) white	0.99	Bread (Vogels)	3.17
	Butter (500g)	2.58	Olivio spread (500g)	3.93
	Processed cheese slices (200g)	2.07	Cheese (block) (200g)	2.00
	Luncheon sausage (kg)	4.99	Shaved ham (kg)	14.99
<b>Dinner</b>	Spaghetti/Baked beans (4 x 375g can)	4.36	Pasta (Dry)	1.55
	Sausages (kg)	5.49	Pasta (Fresh)	4.79
			Tomato sauce	3.79
			Chicken breast, skinned and boned (kg)	16.79
<b>Dessert</b>	375g can peaches	1.09	Fresh apricots (500g)	2.00
	Ice-cream (Signature range)	3.85	Ice-cream (Low fat)	4.48

*Source: D Wynd*

*Portion sizes have been calibrated so that prices are comparable.*

*Baked beans have been given as an alternative to spaghetti as they are the same price, but are more nutritious.*

Similar results obtain from the Food Cost Survey from the University of Otago. Table 4 shows the food costs per day for three types of diet. Now consider the Ministry of Social Development's model sole mother, Mary,<sup>32</sup> who has net income after rent of approximately \$200 per week. Suppose her two children are aged four and five. The

<sup>32</sup> See Working for Families Factsheet 7 for details of Mary's income and rent. <www.msd.govt.nz>. Accessed March 2005.

minimum amount required to feed the family a basic healthy diet for a week is \$104. A moderate healthy diet will cost \$134, and a liberal one \$162. Thus, for Mary, at least half of her disposable income of \$200 is required to maintain just a basic healthy diet. Moving to a moderately healthy diet adds \$30 to the weekly food bill, and will determine whether she can afford to pay school fees, take a sick child to the doctor, or heat the house in winter. Although many low-income parents are aware that the food they are buying is not healthy, and would prefer to buy healthier food for their children (Downtown Community Ministry, 1999), their options are constrained by their low budgets. Of course, for families using foodbanks, the choice is one of buying food or not, rather than one of what sort of food to buy.

**Table 4: Costs for three types of diet**

	<b>Basic</b>	<b>Moderate</b>	<b>Liberal</b>
	\$	\$	\$
Man	50	65	78
Woman	48	62	75
Adolescent Boy	64	83	100
Adolescent Girl	53	69	83
10yr old	42	55	66
5 yr old	29	37	45
4 yr old	27	35	42
1 yr old	23	30	36
Weekly food costs in Auckland. Food costs have been calculated from supermarkets only. Four supermarkets were included.			

*Source: Otago University Food Cost Survey.*

*<<http://nutrition.otago.ac.nz/research/foodcostsurvey/foodcostsurvey.php>>*

This is backed up by a food pricing study published in the *New Zealand Medical Journal*. The authors surveyed nine foods, and compared the levels of saturated fat and prices. They found that current pricing favours the consumption of foods with higher levels of saturated fat. Overall, foods with lower levels of saturated fat were 35% more expensive than their high saturated fat equivalents (Wilson & Mansoor, 2005). The study assumed food purchases are price-sensitive, a finding that has been confirmed in numerous studies in the U.S. and Europe (French, Jeffery, Story, Hannan, & Snyder, 1997).

Compounding all this is the fact that “if you survey kids from poor families and kids from well-off families, the kids from poor families watch more TV. They get less exercise too” (Toomath, 2002).

Hence, it is not surprising that low-income people are at greater risk of obesity. When income is limited, hunger must be satisfied cheaply. High fat, high sugar foods provide immediate satisfaction. Tomorrow’s health problems are for tomorrow to worry about. For the 20% of households that can afford to eat properly only sometimes, cheap fatty foods will, in most cases be the standby. “If you haven’t got enough money it’s easy to make the wrong choices. When you go to the supermarket to buy the equivalent in calories in fresh food and fatty, starchy food, you have to spend a lot more money to get the fresh food...Why do you have to spend more money at McDonald’s for a salad than a Big Mac?” (McFadden, 2005).

Given the present and future costs to society of obesity, Child Poverty Action Group recommends that policymakers adopt more concerted efforts to reduce its impact. Credible policy responses must go beyond merely promoting healthy eating, and rectify the low income that is at the heart of the food insecurity of too many New Zealand children.

### ***Let them eat porridge***

*“Protecting children against the effects of socioeconomic adversity could reduce the burden of disease experienced by adults...Policymakers should direct energy and resources towards childhood as a way of improving population health”*

(Poulton et al, 2002).

Food insecurity in developed countries such as New Zealand is not inevitable. It is structural. There is, moreover, a “straight-forward” relationship between low wages and low levels of social expenditure on people of working age, and poverty (Gordon, 2004). Thus, poverty is a socio-economic condition,<sup>33</sup> not an “environmental factor” (Danziger & Waldfogel, 2000). Given the costs for children and society of poor nutrition and obesity, policymakers should take positive steps to reduce their impact where possible.

Research from both New Zealand and overseas consistently shows that income is a key determinant of food insecurity. It therefore seems obvious that the most straight-forward way to improve food security is to increase the disposable income of low-income households, either through higher wages and/or cash transfers or transfers-in-kind.

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<sup>33</sup> See <http://www.tufts.edu/cfn/poverty-storystarter/ps-failtothrive.shtml>

Because price is a factor in food choice, one possible option is to lower the price differential between “bad” foods and their healthy equivalents through a mechanism such as a “fat tax”. While this has an intuitive appeal, such a tax would in all probability be regressive (Leicester & Windmeijer, 2004). The goal must be to ensure people have more disposable income, not less.

The Ministry of Health’s *Healthy Eating – Healthy Action (HEHA)* (Ministry of Health, 2003a) outlines a strategy of preventive action for obesity, and promoting healthy eating and physical activity. The Ministry of Social Development’s *Opportunity for All* (2004) identifies “promoting healthy eating and healthy activity” as a critical social issue that is a priority for interagency action over the next three to five years.” Despite this priority, just three pages are dedicated to food and nutrition, most of which repeats the strategy outlined by *HEHA* and the data cited here. There is no commitment to funding, just a vague promise of inter-agency cooperation and “co-ordinated planning to improve nutrition, increase physical activity and reduce obesity” (Ministry of Social Development, 2004b). The many complex issues around food insecurity and unhealthy eating are reduced to an assortment of “barriers”, which, it is implied, can be overcome by changing individuals’ behaviour through promoting healthier eating (Ministry of Social Development, 2004b). Yet if, as it appears, the issue is one of income, then there is clearly a “need for policy responses beyond existing approaches being considered by the Ministry of Health” (Wilson & Mansoor, 2005).<sup>34</sup> The same can be said for the Ministry of Social Development. Addressing income must be the focus of any credible policy response.

There is good news: according to the Centre for Hunger and Poverty, many of the long-term effects of poor nutrition can be reversed with improved diet (Centre on Hunger and Poverty, 1998). Poor school performance can also be improved through the provision of breakfasts in schools. In Massachusetts, children who participated in a school breakfast programme achieved higher test scores and had reduced absenteeism (Meyers, Sampson, Weitzman, Rogers, & Kayne, 1989). Apparently a decent breakfast may be able to achieve what a pie and the wrath of a truancy officer cannot. Food insecure girls who participated in *any* food assistance programmes, including school breakfasts, had a significantly reduced risk of overweight

Child Poverty Action Group recommends that free, quality breakfasts be provided to children in decile one and two schools. The provision of in-kind transfers to a class of recipients has an immediacy, consistency and certainty absent from targeted measures such as the Child Tax Credit. Children must be able to eat adequately at home, so school meals must be accompanied by improvements in income for the lowest income families.

<sup>34</sup> In the interests of accuracy, it should be noted that this refers to the Ministry’s funding, or lack of it, for the prevention of diabetes. Obesity is a risk factor for Type 2 diabetes, a disease that disproportionately affects the same people who are over-represented in foodbank statistics.

or obesity, although this result did not hold for boys (Jones, Jahns, Laraia, & Haughton, 2003). As well, a study using National Health and Nutritional Examination Survey III<sup>35</sup> (NHANES III) data found that children participating in a school breakfast programme consume a better overall diet, and a lower percentage of calories from fat (Bhattacharya, Currie, Haider, & Variyam, 2004).

It is the strong recommendation of this report that high-quality free breakfasts be provided free to children in decile one and two schools. Although the decile two cutoff is arbitrary, it is decile one and two schools that have the greatest number of children with the greatest need. For children living in households where food is of poor quality, and often has little variety, breakfast can serve several functions. Firstly, a low glycemic index<sup>36</sup> breakfast can provide energy to the brain for the whole morning – children are not hungry by mid-morning. Secondly, studies have shown that a good breakfast can go some way toward improving children’s nutrient uptake, presumably because they are substituting good quality for poor quality food. Lastly, it appears although little money is spent on children’s breakfasts in many cases, the provision of breakfasts to children in low-decile households will free up some discretionary income which can be used for other necessities.

There are also several reasons for recommending the direct provision of breakfasts as well as increasing the disposable income of families with children. Many decile one and two families may use extra income for other expenses. Food is discretionary expenditure, and if you are so poor you have to go to a foodbank, extra cash is welcome, but will not necessarily be used to improve food quantity or quality. Closely related to this is the political reality that many people assume that “the poor” are poor because of personal failings, one of which is an inability to feed their children. Direct provision of food to children overcomes this perceived agency problem. Making meals available to all children in a school also eliminates the problems of low take-up rates that are associated with targeted programmes such as the Child Tax Credit. School meals targeted on the basis of the likelihood of a family needing assistance, as indicated by decile ranking, would also avoid the discrimination inherent in Working for Families’ In-Work-Payment (St John & Craig, 2004). Similarly, in-kind transfers are better able to protect children from adverse income shocks of the kind likely to occur with the In-Work-Payment. Finally, it would give the government an opportunity to “coordinate planning to improve nutrition” (Ministry of Social Development, 2004b) by working in with the

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<sup>35</sup> Conducted by the US Department of Agriculture. <[www.usda.gov](http://www.usda.gov)>.

<sup>36</sup> “Glycemic index” refers to the effect foods have on blood sugar levels. Glucose has a GI of 100, and raises blood sugar levels immediately, giving an instant energy boost. This is what is known as the “sugar rush”. The energy from low GI foods is more slowly absorbed, and is available to the body for some time after consumption. Low GI foods leave people feeling full for longer. Most commercially available cereals are high GI (they are high in simple sugars), however low GI cereals include raw muesli, rolled oats and bran. Whole grain breads and most fresh fruits are also low GI.

government's Cancer Control Action Plan, which is scheduled to commence handing out free fruit to approximately 20,000 schoolchildren in July. It would also provide an opportunity to promote better nutrition, as envisaged by the Ministry of Social Development. It is, however, important that the provision of breakfast in decile one and two schools not be seen as a substitute for the provision of adequate income for the poorest families to feed their children themselves.

There are approximately 109,000<sup>37</sup> children in decile one and two schools in New Zealand. These are schools in the areas with the lowest rankings in the Deprivation Index (Salmond & Crampton, 2002), including Northland, the East Coast of the North Island, and Manukau (See map). If it costs 25 cents for three Weet-Bix, 45 cents for 250 ml of milk (see Table 3) and 50 cents for a piece of fruit (Johnson, 2005), then the cost per year to give each of these children breakfast each school day<sup>38</sup> is approximately \$25 million per year. Note that the prices for the milk and cereal listed here are retail, so the cost for bulk provision would be much lower, although of course there would be other costs associated with provision.

Although this appears to be a great deal of money, some other figures might help put it into perspective. The government is spending \$15 million to promote the Working for Families package; the Ministry of Health estimates that obesity costs New Zealand \$303 million per year; the government is prepared to spend \$20 million to host the Rugby World Cup; and almost all political parties are keen to implement company tax cuts that will cost \$300 million per year. Providing school breakfasts is a cost-effective way to help the government improve the lives of children, achieve its stated goal of ensuring a productive workforce, and cut medical costs in the future. The effects of under-nutrition and malnutrition on children can be prevented and ameliorated. We must make every effort to do so.

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<sup>37</sup> Ministry of Education enrolments, 2004. This does not include private and integrated schools.

<sup>38</sup> Calculated using approximately 197 days. See <[www.moe.govt.nz](http://www.moe.govt.nz)>.

## Appendix 1: Case studies

Originally it was anticipated that case studies would be used to simply provide a comparison of disposable income and child support payments pre- and post-Working for Families. However, working through the cases it became clear that they would, unfortunately, also prove to be a catalogue of errors on the part of departments administering benefits (Work and Income) and tax credits (IRD). What is less clear is whether or not they point to a systemic problem, of which these cases are but a few examples. All names in these case studies have been changed, as well as some of the minor details to protect the families involved.

Note that from 1 April 2006 the Special Benefit becomes "Temporary Additional Support". According to the Working for Families fact sheets (Ministry of Social Development, 2004), Temporary Additional Support will be no more than 30% of the main benefit rate, even where "allowable costs"<sup>39</sup> exceed this. As well, the \$20 income disregard for the Special Benefit that was eventually removed completely in 2000 has now re-emerged as a loading on nett accommodation costs (that is, rent less accommodation supplement). At this stage the operational policy regarding the administration of the Temporary Additional Support has not been drafted, so figures for 2006 in the case studies are provisional. In 2006 the Child Tax Credit is replaced by the In Work Payment.

The Ministry of Social Development is keen to ensure that nobody will be worse off as a result of the introduction of Working for Families, and it is intended that benefits such as the Special Benefit will be grandparented at the 1 April 2005 rate (ie, beneficiaries will continue to receive what they were entitled to as at 1 April 2005). For their part, beneficiary advocacy groups are less optimistic that this will occur. These case studies note the amounts by which benefits will change *if they are not grandparented*. It is important to bear in mind that - in theory - these beneficiaries will not be worse off unless their eligibility, say for a Special Benefit, changes. While it is envisaged that current beneficiaries will be no worse off, those coming onto benefits in the future are likely to receive less as a result of changes to the Special Benefit, combined with the replacement of the Child Tax Credit by the In Work Payment. Indeed, the very fact that existing benefits will need to be grandparented indicates that future beneficiaries are likely to get less.

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<sup>39</sup> Essential expenses that "cannot be readily avoided or varied". Includes accommodation costs, childcare costs, counselling, expenses related to disability and personal health, transport costs due to a disability, hire purchase agreements, motor vehicles, public transport to work, and telephone rental (excluding fixed line charges).

These cases highlight what beneficiary advocates<sup>40</sup> point out is the biggest problem with the system – it is difficult to access (dealing with Work and Income and IRD takes a great deal of time and effort, particularly for clients in casual work), and complex. Beneficiaries should not have to rely on being “fortunate” enough to find a competent beneficiary advocate to ensure they are getting their entitlements. Most foodbanks either check that users are getting their full Work and Income/IRD entitlements, or send them to an advocate to ensure they do so. In most cases, a letter from Work and Income stating beneficiaries are getting their full entitlements will suffice. However, it appears from the cases presented here that the only thing a letter such a letter confirms is that the beneficiary has a letter from Work and Income.

Note that in the following case studies no adjustment has been made for increases in core benefits or wages.

## **Case #1**

Jarrold is a qualified engineer who spent several years looking for work. When he found it, it tended to be short-term contracts with no sick leave or other benefits. His wife’s second pregnancy was difficult, and he had to take time off work to look after their first child while she was in hospital. Eventually he cracked under the strain and went on an Invalids Benefit. He separated from his wife and has custody of two of the children, while his wife has the third. The two children in his care also suffer chronic illnesses, which means he has high transport and medical costs. He pays child support of \$87 per week,<sup>41</sup> and the power is in arrears. He has spent some time attempting to sort out family support payments, which as at the end of March had still not come through. The calculation below assumes he will get his family support payments.

Jarrold just breaks even, but if he incurs vehicle or legal costs, this tips him over the edge, and sends him back to the foodbank. Under Working for Families Jarrold’s Accommodation Supplement does not increase. All his gains come from getting his correct entitlements. He will get nothing from the In Work Payment as he is on an Invalids Benefit. He should continue to receive \$100.50 Special Benefit from 1 April 2006, assuming he is still eligible for it.

At present Jarrold receives \$112 from a Special Benefit and a Disability Allowance of \$43. His Accommodation Supplement is \$100, but he is receiving a single Invalids Benefit even though has two children. In fact, he should be receiving a benefit of

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<sup>40</sup> Thanks to Colin Turner for assistance with this part of the report.

<sup>41</sup> This seems excessively high since Jarrold’s total income is less than the living allowance used to calculate child support payments. It is not clear why this child support payment is so high. Note child support is administered by IRD.

\$276.83, as well as \$119 in Family Support. There is “no obvious reason” Jarrod is not getting the appropriate benefit for a single person with two children.

	<b>&lt; 1 April 2005</b>	<b>From 1 April 2005</b>	<b>From 1 April 2006</b>
Special Benefit	\$112	\$100.50	\$63.05 (non-grandparented amount)
Disability Allowance	\$43	\$43	\$43
Accommodation Supplement	\$100	\$100	\$100
Invalids Benefit	\$205 (single)	\$ 276.83*	\$276.83
Family Support	None	\$119*	\$119
<b>Total Income</b>	\$460	\$639.33	\$601.88

## **Case #2**

Violet is separated from her partner and has three children, two under fifteen years of age. She is described as by a foodbank social worker as “hard-working”, and works for approximately \$285 per week nett; that is, approximately thirty-five hours at the minimum wage.

A government debtor, Violet’s weekly outgoings include \$20 to IRD, \$70 in fines and court costs, \$24 to Work and Income to pay back Special Needs Grants, and \$40 in Child Support. The weekly budget allocates \$120 per week for food. According to the Otago University food cost survey, this family need to spend at least \$161 on food to have a basic healthy diet. Violet pays \$250 rent, for which she is receiving \$52 in Accommodation Supplement.

Violet needs to receive the correct amount of Accommodation Supplement, she is eligible for Family Support, and she is eligible for the Child Tax Credit as she is not drawing a benefit. These will be paid through IRD as she is working. She may also be eligible for a Special Benefit. If she keeps working she will also benefit from the In Work Payment due to come in 1 April 2006. She may also be eligible for the Family Tax Credit income top-up. This rises on 1 April 2006m, and again on 1 April 2007. However, it also has a marginal tax rate of 100% - every dollar earned over the threshold reduces entitlement by a dollar.

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\* Denotes WINZ entitlements clients are not presently receiving.

	<b>&lt; 1 April 2005</b>	<b>From 1 April 2005</b>	<b>From 1 April 2006</b>
Wages (nett)	\$285	\$285	\$285
Accommodation Supplement	\$52 (should be \$120)	\$120*	\$120*
Family Support	None	\$179*	\$179*
Child-Tax Credit	None	\$45*	\$60
<b>Total nett income</b>	<b>\$337</b>	<b>\$629</b>	<b>\$644</b>

### **Case #3**

Tui is married with three children, two of whom are grown, and has a parent living with the family. They live in a three bedroom house, for which they are paying \$265 per week in rent. She has difficulty covering school fees and uniforms, and is constantly in arrears with utilities bills. Her husband suffers a work-related illness, and they are on an Invalids Benefit.

Accommodation Supplement is reduced as entry threshold increases from \$97 to \$106 on 1 April 2005. Family Support for the child under 15 increases. Special Benefit should remain the same if it is grandparented as proposed. As they are on an Invalids Benefit, they are not eligible for the In Work Payment.

	<b>&lt; 1 April 2005</b>	<b>From 1 April 2005</b>	<b>From 1 April 2006</b>
Special Benefit	\$91	\$47.03	Unclear at this stage
Disability Allowance	\$3.80	\$3.80	\$3.80
Accommodation Supplement	\$118	\$111	\$111
Invalids Benefit (couple)	\$340	\$ 351.22	\$351.22
Family Support	\$47	\$72	\$72
<b>Total Income</b>	<b>\$599.80</b>	<b>\$585.05</b>	<b>\$565.05</b>

## Case #4

Yousef is one of the increasing numbers of young immigrants presenting to the Auckland City Mission for assistance. He moved to New Zealand in 2001 and has been on a benefit most of the time since, though at present he is working for \$162 per week in the hand. He has difficulty finding suitable clothes for job interviews, and pops in to the City Mission from time to time because he's "starving".

If Yousef is working for the minimum wage, he is working approximately 20 hours per week. As a single person, Working for Families will make no difference to him. He is eligible for slightly more accommodation supplement as entry thresholds for non-beneficiaries have decreased.

	<u>&lt; 1 April 2005</u>	<u>From 1 October 2004</u>
Wages (net)	\$162	\$162
Accommodation Supplement	\$13	\$20
<b>Total</b>	\$175	\$182

## Case #5

Elias has three children, one under five. He was released from jail in 2001, and separated from his partner soon thereafter, taking the children with him. He had nothing when he got out of jail and went downhill, quickly getting into debt for car repayments and utilities. Along the way, he lost custody of the children and now pays \$60 per week in child support from his income of \$340, even though he looks after them for three days per week and in the school holidays. In his early forties, he has been diagnosed with cancer and – perhaps unsurprisingly – has lapsed back into drug and alcohol abuse.

Elias gets \$340 in the hand from working, and pays \$215 in rent. He receives no Accommodation Supplement, although he is entitled to one. He budgets less than \$10 per day for food, and still can't make ends meet. Because Elias is reluctant to deal with Work and Income, he is, for the moment, genuinely independent of the state. Working for Families will be of no benefit to him.

## Case #6

Fred works two part-time jobs, has a partner and five school-age children. Fred makes \$220 in the hand from working. This is the family's sole source of income. At the minimum wage, this is approximately 28 hours per week (although it is likely he works for less than the minimum wage). The family rents accommodation for \$123 per week.

They would be eligible for a small amount of Accommodation Supplement as well as Family Support. Work and Income were allegedly going to commence family support payments in early March, but as at 31 March these had still not come through (perhaps the fact that Family Support for those in work is administered by IRD has something to do with this). Because they are not drawing a benefit, the family is also eligible for the Child Tax Credit, which they are not receiving.

On the information available, it appears Fred is working less than thirty hours per week work. Therefore they are not eligible for a Family Tax Credit, nor will they be eligible for the In Work Payment in 2006, although at this stage the government has promised that those receiving the Child Tax Credit will continue to receive it under a grandparenting arrangement. Accommodation Supplement increases slightly due to a lowered threshold for non-beneficiaries, but Special Benefit is reduced. For Fred, improvements will come from somebody ensuring he gets his correct entitlements. Working for Families will give him some extra Family Support, and his Special Benefit will remain at the 1 April 2005 rate if it is grandparented. If the money he is presently entitled to from the Child Tax Credit is discontinued, he will be a further \$75 per week worse off under Working for Families, as will anyone else who loses their job after 2006.

Below is what it is estimated Fred would be getting if the family were receiving their full entitlements.

	<i>&lt; 1 April 2005</i>	<i>From 1 April 2005</i>	<i>From 1 April 2006</i>
Wages (nett)	\$220	\$220	\$220
Accommodation Supplement	\$18*	\$25	\$25
Special Benefit	\$72*	\$60	\$40
Family Support	\$175*	\$260	\$260
CTC (\$15 x 5)	\$75*	\$ 75	\$75
<b>Total</b>	\$560	\$640	\$620

## Appendix 2: 1991 benefit cut calculations

CPI March 1990	846	
CPI December 2004	1141	
Core sickness benefit, couple with two children, March 1991 including \$64 family support		<b>\$319</b>
Inflation adjusted figure:		<b><u>\$430</u></b>
Core sickness benefit, couple with two children, April 2005	\$281	
Family support	\$119	
Total		<b><u>\$400</u></b>
<b><i>Income deficit 1990 – 2005 (\$2005)</i></b>		<b><i>-\$30</i></b>

CPI March 1990	846	
CPI December 2004	1141	
Core DPB, sole parent with two children, March 1991	\$293	
Total		<b>\$293</b>
Inflation adjusted figure:		<b><u>\$395</u></b>
Core DPB benefit, sole parent with two children, April 2005	\$241	
Family support	\$119	
Total		<b><u>\$360</u></b>
<b><i>Income deficit 1990 – 2005 (\$2005)</i></b>		<b><i>-\$35</i></b>

*Source: Child Poverty Action Group, 2005.*

The reference date is the beginning of 1990 because the calculation needs to take into account the non-indexation of the core benefit in 1991, as well as the benefit cuts, the 1996 changes, and now WFF.

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