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POVERTY
ACTION
GROUP

A New Zealand where Children can flourish

Priorities for family housing

There are about 40,000 hospital admissions of children in New Zealand every year, with preventable illnesses that have links to poverty and unhealthy housing. The number of such admissions has increased since 2000.

If our we had adequate systems for regulating the supply and condition of housing, the numbers of children admitted to hospital with illnesses associated with poverty would be reduced. So far, they haven't been.

Warm, dry, secure housing provides a foundation for children's health.

CPAG's priority for the 2017 election is the introduction of measures to substantially reduce child hospital admissions for preventable diseases.

For children: *"The combined effects of inadequate family incomes, high living costs and poor housing conditions can lead to serious and prolonged illness."*¹

Access to healthcare services and education, sufficient family income, and good housing provide the foundation for the health of children.

In 1993, signing the United Nations Convention on the Rights of the Child, New Zealand recognised the right of every child to adequate housing. Article 27 of that convention states: *The Government recognises the right of every child to an adequate standard of living for the child's physical, mental, spiritual, moral and social development... And the Government shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing.*²

Recent changes in housing markets and in housing policies have impacted badly on New Zealand's poorest children. This paper describes those changes and offers some recommendations to address the identified challenges.

1 Gibson, Abraham, Asher, Black, Turner, Waitoki & McMillan, 2017, *Child poverty and mental health: A literature review*, prepared on behalf of the New Zealand Psychological Society and Child Poverty Action Group. Available at http://www.cpag.org.nz/assets/170516%20CPAGChildPovertyandMentalHealthreport-CS6_WEB.pdf.

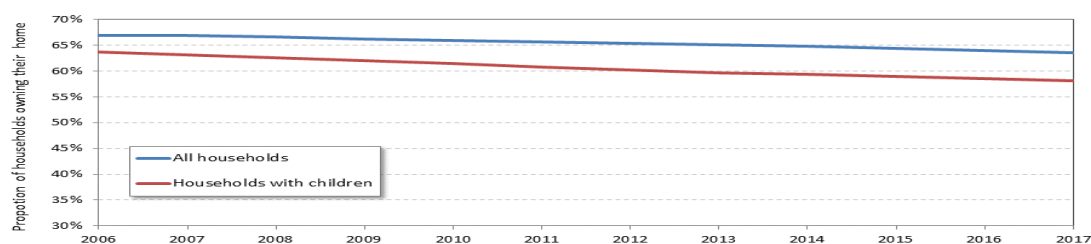
2 United Nations Human Rights Convention on the Rights of the Child, at: <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx>

What we know about children's housing

Children's housing needs are of course not distinguishable from those of their parents, caregivers or extended families. This means that to understand what is happening around children's housing needs we must have some idea of the size of their household and house, the income of their household, and the tenure of their housing. Such data are difficult to find outside of the Census. The data offered here is in part based on Census data and on more recent general household data.

Children are more likely to live in rented accommodation than adults: the 2013 Census showed 40.3% of households with children rented, compared to 35.0% of households overall. Figure 1 traces the continuing decline in levels of homeownership for households overall and for households with children. In early 2017 Statistics New Zealand estimated that 36.5% of households did not own their home and on this basis it is likely that this proportion for households with children will now be around 42%.

Figure 1: Ownership rates for all households and for households with children^{3,4}



Tenant households tend to be poorer than owner-occupied households, in part because renter households are younger. The ability to make it into the homeowners' ranks is dependent on income and wealth, yet for 2016 Statistics New Zealand estimates that 63% of tenant households earn less than the median household income compared to just 44% of owner-occupier households⁵. Because it is unlikely that many of the tenant families will be able to make the transition to homeownership, the cost, quality and security of rental accommodation for families is critical for the health and well-being of their children.

In the 2016 *Household incomes in New Zealand* report Brian Perry showed that for 2014 to 2015, 54% of children living in Housing New Zealand housing fell below the 60% of median household income poverty measure while 38% of children in private rental accommodation did. Because children living in private rental accommodation are so numerous more than half -54%, of all children living below this poverty line lived in such accommodation while 17% of these children lived in Housing New Zealand housing⁶. This compares with just 13% of children in owner-occupied housing with a mortgage falling below this poverty measure, and only 7% of children in mortgage-free owner occupied housing. Because so many children living in private rental accommodation are also living below this poverty line, it is imperative that private rental accommodation is 'healthy' housing.

3 Gibson, Abraham, Asher, Black, Turner, Waitoki & McMillan, 2017, **Child poverty and mental health: A literature review**, prepared on behalf of the New Zealand Psychological Society and Child Poverty Action Group. Available at http://www.cpag.org.nz/assets/170516%20CPAGChildPovertyandMentalHealthreport-CS6_WEB.pdf

4 Data is from Statistics New Zealand's Estimates of Households and Dwellings series and from the 2006 and 2013 Census.

5 Statistics New Zealand Household Economic Survey - 2016

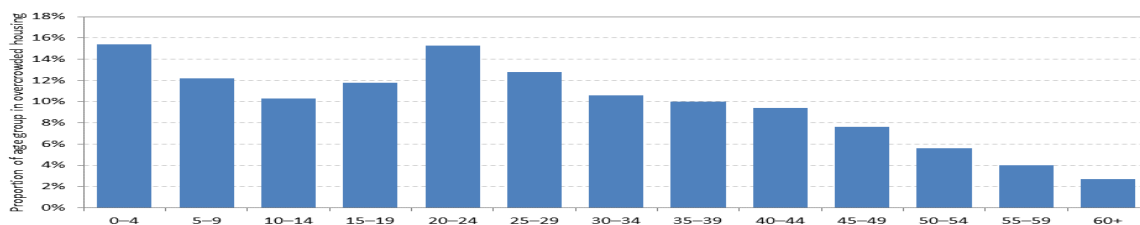
6 Perry, B. (2016) *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2015*. p.135.

Overcrowding

Although Ministry of Health analysis of census data showed the proportion of households judged to be overcrowded fell from 5.2% in 2006 to 5.0% in 2013, the numbers of people involved grew from an estimated 389,390 in 2006 to 398,300 in 2013 on account of background population growth⁷. The national level changes mask important regional shifts with many parts of New Zealand seeing falls in the numbers of people and households living in overcrowded conditions while there were significant increases in Auckland (13,500 people) and Canterbury (1,700 people).

Children are more likely to live in overcrowded housing than adults although there is a clear relationship – as we should expect – between the overcrowding experienced by young children and that experienced by their young adult parents. This relationship is illustrated in Figure 2 which reports overcrowding rates by age from the 2013 Census. This data also shows that 44.4% of Pacific children aged under five years old and 25.9% of Maori children under age five lived in overcrowded housing. In Counties-Manukau 30.1% of children aged under five lived in overcrowded housing.⁸

Figure 2: Proportion of population in overcrowded housing by age - 2013⁹



Residential mobility and transience

We have no reliable data on the extent of residential mobility of households with children although recently released data from Ministry of Education provide some insights into the extent to which this is a chronic and perhaps growing problem for a small minority of children. Figure 3 reports transience rates (the number of children per 1000 children who shifted schools at least twice in a year) for school children across the decile range. This data shows a clear social gradient with children attending the poorest schools – deciles 1 to 3 – having a transience rate of almost five times that of students going to decile 8, 9 or 10 schools. It is of grave concern that this gap appears to be widening with stable rates of transience for students attending higher decile schools and a growing rate of transience for students going to lower deciles schools.

Transience rates in 2016 were particularly high in South Auckland and especially in Manurewa and Papakura, through the whole of Waikato but especially south Waikato as well as the eastern Bay of Plenty. Although there is no direct evidence, it suggests that families in these communities are particularly mobile and may be experiencing difficulties around sustaining permanent housing tenure. The real cost here is around the high education and social costs and lost opportunities for the children involved¹⁰.

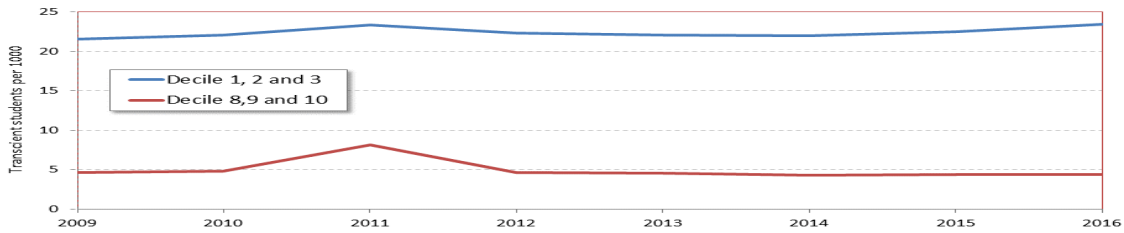
⁷ Ministry of Health (2014) *Analysis of Household Crowding Based on Census 2013 data*. Available at <http://www.health.govt.nz/publication/analysis-household-crowding-based-census-2013-data>

⁸ Ibid Tables 3b and 4a.

⁹ Ibid Figure 3 p.11

¹⁰ Data from Education Counts website at <https://www.educationcounts.govt.nz/statistics/indicators/main/student-engagement-participation/transient-students>

Figure 3: School students' transience by decile – 2009 to 2016¹¹

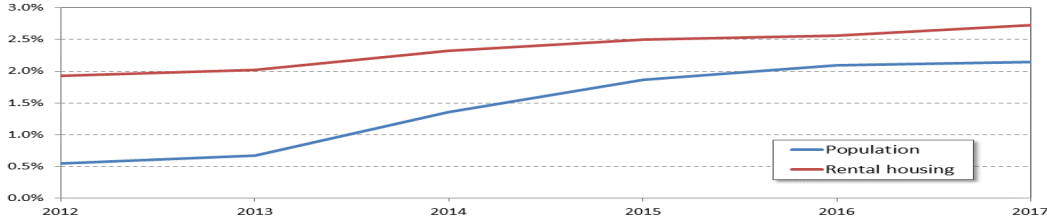


Trends in rental housing

The majority of children living in relative poverty are living in private rental housing or in housing owned by Housing New Zealand. A recent report from the Building Research Association of New Zealand (BRANZ) demonstrated that overall rental housing is of poorer quality than owner-occupied housing. The BRANZ 2015 House Condition Survey showed that 51% of rented houses and 66% of owner-occupied ones were in good or excellent condition. This means that 49% of rented houses were in sub-standard or bad condition. For example the survey showed that 31% of rented houses but only 11% of owner-occupied houses¹² had problems with dampness. Every winter, between 25,000 and 30,000 children have been hospitalised with respiratory infections and illnesses caused by living in cold, damp houses¹³.

Over the past five years New Zealand's population has grown at about two-thirds of the rate of growth in rental housing. This trend is shown in Figure 4 and is of course consistent with the trend reported in Figure 1 of declining rates of homeownership. While it is only an estimate, Statistics New Zealand reports that since 2012 the rental housing stock has grown at an average annual rate of 2.3% and to a total of more than 600,000 dwellings in 2017. Of the 105,000 additional dwellings added to the national housing stock since mid-2012 more than two-thirds or 70,000 have been rental housing.

Figure 4: Growth in New Zealand's population and rental housing stock – 2012 to 2017¹⁴



Despite this growth in the rental housing stock, rents across New Zealand have tended to rise at two to three times the rate of inflation in most regions, driven by increased demand. Increases in lower quartile rents are reported in Table 1 on a region by region basis to offer some idea of changes in rents over the past five years in the most affordable segment of the housing market. Nationally, rents have risen by 12% over the past three years (2012 to 2015) while consumer prices overall have risen by only 5%.

11 Ibid
 12 White, V. Jones, M. Cowan, V. and Chun, S. (2017) *BRANZ 2015 Housing Condition Survey: Comparison of house condition by tenure*. Building Research Association New Zealand. Available at https://www.branz.co.nz/cms_show_download.php?id=a1efff0a2fd9885ecf878ce475631df7025cf3b8.
 13 'Health and cold damp houses' *Environmental Health Indicators NZ*, at: <http://www.ehinz.ac.nz/indicators/indoor-environment/health-conditions-related-to-cold-and-damp-houses/>.
 14 Source: Statistics New Zealand's Population Estimates and Estimates of Dwellings and Households

Table 1 also compares 2016 rents with 2016 median household incomes from wages and salaries on a regional basis to compare the affordability of rents.

Several other things stand out from this data. One is a rapid increase in rents over the past three years in Waikato, Bay of Plenty and Taranaki although the rents in these regions are relatively affordable in comparison with median wages and salaries. Note also the high cost of rents relative to median incomes in Northland, Auckland and the combined regions of Nelson, Tasman, Marlborough and West Coast.

Table 1: Trends in lower quartile rents on a regional basis – 2014 to 2017¹⁵

	Lower quartile rent March 2017	Change in rent 2014 -17	2016 Rent as % of 2016 median household income
Northland	260	17.1%	30.0%
Auckland	384	12.2%	29.8%
Waikato	260	19.1%	21.8%
Bay of Plenty	275	19.4%	26.8%
Gisborne - Hawkes Bay	252	13.9%	25.9%
Taranaki	264	21.1%	22.3%
Manawatu-Wanganui	203	13.4%	20.6%
Wellington	302	13.3%	20.7%
N-T-M-WC#	248	4.5%	28.1%
Canterbury	265	-2.8%	21.6%
Otago	241	12.2%	22.0%
Southland	174	4.2%	16.4%
New Zealand	287	11.8%	24.2%

Nelson Tasman Marlborough West Coast regions combined

Trends in social housing

The Government commenced an extensive social housing reform programme in 2013 based on the following main changes.

The introduction of reviewable tenancies for state house tenants in order to move on tenants who are able to rent in the private sector and so utilise the existing stock to better meet unmet housing needs.

The transfer of the needs assessment and allocation processes from Housing New Zealand to Ministry of Social Development.

The creation of a so-called 'social housing market' through the extension of income related rent subsidies to NGO groups which are registered community housing providers. These subsidies are paid by MSD which also has the responsibility for planning for future demand for social housing.

¹⁵ Rent data is from Ministry of Business Innovation and Employment' Tenancy Bond Service's data base while housing income is from Statistics New Zealand's Household Economic Survey 2016. Rent figures are averaged over quarters and relate to the period June 2014 to March 2017. Household incomes are based on Statistics New Zealand's Household Economic Survey 2016 and median reported incomes from wages and salaries on a regional basis.

The sale of Housing New Zealand stock to third parties including community housing providers and the operation of these as social housing with income related rent subsidies. The most notable sale to date has been that of 1138 dwellings in Tauranga in early 2017 to a consortium headed by Accessible Properties – a subsidiary of IHC.

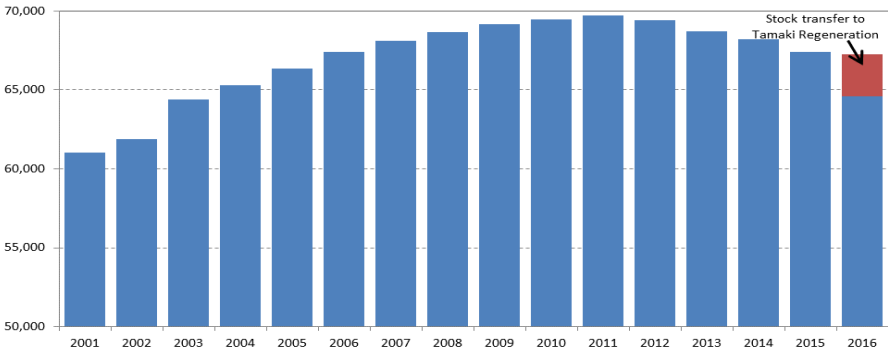
An estimate of the current numbers of social housing units in New Zealand is provided in Table 2. These estimates are divided between the numbers of units receiving an income related rent (IRR) subsidies and those that are not.

Table 2: Estimates of social housing stock in New Zealand – March 2017

	Housing NZ	Local councils	NGO's & others	Total
Receiving IRR subsidies	59,000	0	3,500 ¹⁶	62,500
Not receiving IRR subsidies	3,450	11,800	4,500	19,900
Total	62,450 ¹⁷	1,800 ³	8,000 ⁴	82,400

Figure 5 reports changes in the stock of housing owned or leased by Housing New Zealand since 2001. Included in this data is the transfer of approximately 2700 units in 2016 to the Tamaki Regeneration Company (TRC) which is a joint venture between the Government and Auckland Council. Note that even allowing for the transfers to TRC there are 2,200 fewer state houses in 2016 than in 2010.

Figure 5: Stock of housing units owned or leased by Housing New Zealand – 2001 to 2016²⁰



16 Estimate from Ministry of Social Development Social Housing Quarterly Report – March 2017 p.3

17 Ibid.

18 Estimates of local council housing stock are taken from a survey undertaken in 2014. See Johnson, A. (2014) Homeless Baby Boomer: housing poorer Baby Boomers in their retirement. Appendix 3. Available at <http://www.salvationarmy.org.nz/research-media/social-policy-and-parliamentary-unit/reports>

19 Estimate based on stock of community housing providers reported in Community Housing Aotearoa (2015) Details Matter – Taking stock of the community housing sector in Aotearoa p.17 which reported at total stock in early 2015 of 3,862 units. Since then 344 units were sold by Hamilton City Council to Accessible Properties (Dec 2015), 2700 units were transferred from Housing New Zealand to Tamaki Regeneration Company (Sep 2016) and 1138 units former Housing New Zealand properties were sold to Accessible Properties (Apr 2017) and have been included in these figures. The estimate of units not receiving income related rents subsidies is a residual of this total figure and the numbers of units (3450) reported by MSD as receiving income related rents subsidies. This means that some of the 2700 units in the Tamaki transfer and the 1138 units in the Tauranga are not receiving income related rent subsidy which is an anomaly which cannot be explained by the data reported in the March 2017 Social Housing Survey

20 Source: Housing New Zealand Annual Reports.

Figure 6 reports recent changes in the social housing waiting list as administered by MSD. This data shows a 1300 increase between March 2016 and March 2017 in the numbers of families or households assessed as having a critical or serious unmet housing need.

Figure 6: Social housing waiting list as administered by Ministry of Social Development²¹

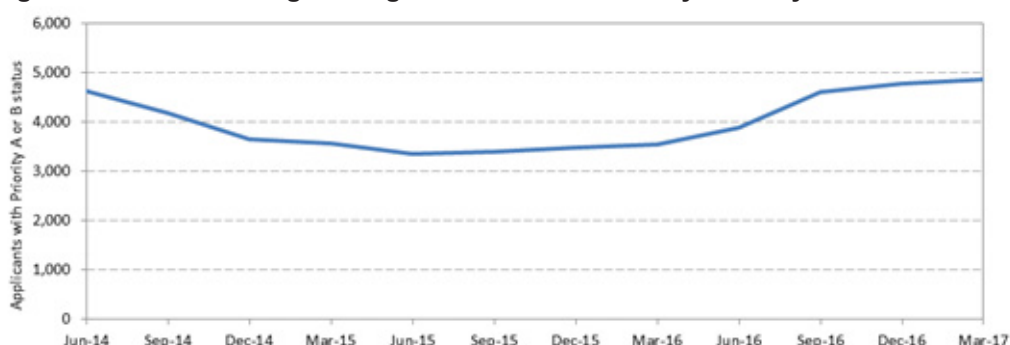


Table 3 reports the MSD's social housing purchasing intentions through to 2020, showing the scale of the proposed transfers between Housing New Zealand, local councils and NGO providers. Aside from these transfers, by mid-2020 the Ministry expects to have added a further 3800 dwellings with half of these being in Auckland.

Table 3: Ministry of Social Development's social housing purchasing intentions to 2020²²

	Auckland	Rest of New Zealand	New Zealand
HOUSING NEW ZEALAND			
Housing NZ – additions	2104	504	2608
Housing NZ – disposals	1252	817	2069
Housing NZ external transfers		1124	1124
Net change for Housing New Zealand	852	-1437	-585
NGO & OTHER NON-STATE PROVIDERS			
Transferred from Housing NZ		1124	1124
Transferred from TLA	420	903	1323
Redirected from existing CHA stock	197	284	481
Leased from private sector	57		57
New builds	183	43	226
TOTALS			
Additional IRRS stock excl Housing NZ	857	2354	3211
Additional IRRS stock incl Housing NZ	1709	917	2626
Additional stock still to be identified	191	973	1164
Total additional IRRS by 2020	1900	1890	3790

21 Source: Ministry of Social Development's Social Housing Quarterly Report at <http://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/msd-social-housing-quarterly-report-march-2017.pdf>

22 Ibid

Conclusions

The data and analysis offered above point to three main conclusions as follows:

Increasingly children are living in rented rather than owner-occupied housing and this will be especially so for children living in low-income households. Generally these children live in poorer quality and less secure housing which poses risks to their health and educational success.

Over the past three years rents have risen at more than twice the rate of CPI inflation and at a faster rate than household incomes²³. Beneficiary households renting in the private sector have been squeezed most by these increases given their incomes are indexed to the CPI. The 2017 Budget approved increases in maximum payments of the Accommodation Supplement from 1 April 2018. This overdue increase may simply fuel further rent inflation given the pressure of unmet demand.

Significant change has occurred around social housing over the past three years and there are signs of some progress in the Government's plans to reconfigure and redevelop the social housing stock. Beneath these changes there has been only very limited progress in addressing serious unmet housing need through increasing the available housing stock. Critically, there is no discernible progress in planning for future demand for social housing.

CPAG's recommended priority for housing in the 2017 election is to significantly increase the supply of state houses in order to markedly reduce child poverty, and instate a system of regulating rental conditions in order to substantially reduce the number of child hospital admissions for preventable illnesses.



Recommendations

CPAG recommends that the following policy changes should be considered by Government in response to the outlined challenges and conclusions:

1. The Accommodation Supplement should be reviewed as a matter of urgency and especially following the April 2018 increases to determine its effectiveness in reducing housing related poverty for New Zealand's poorest families and households.
2. The Residential Tenancies Act should be overhauled with a view to improving tenants' rights and in particular to giving them:
 - more secure tenure,
 - access to effective advocacy and support in disputes with landlords,
 - protections against excessive rent increases, and,
 - guarantees to decent quality housing through a comprehensive warrant of fitness programme.
3. A Social Housing Plan should be developed within 12 months, that is based on realistic forecasts for future demand for social housing and that budgets are allocated to fund this plan over at least a ten year period.

²³ Statistics New Zealand's Quarterly Employment Survey reports at the average weekly wage –taken on a four quarter average basis rose from \$1075 in March 2014 to \$1150 in March 2017 – a 7% nominal increase.