

Key strategic issues for the wider social development sector

Outline of what the Ministry considers to be the key strategic issues for the wider social development sector, at this time.



Overview

The fast pace of demographic, social, economic and technological change is influencing social issues in New Zealand.

Some of the key medium-term strategic issues are outlined below and described in more detail in the following sections.

- In many areas of the country housing costs continue to rise, homeownership is declining, and increasing numbers of people are finding it difficult to afford housing and secure tenancy.
- The economy is buoyant and unemployment is steadily reducing, so there are more opportunities for paid employment for many people on benefit. However, there are labour market challenges and future economic risks, including low productivity, lack of job security and modest wage growth for lower-skilled workers.
- Even with recent improvements since the global financial crisis, more work is needed to tackle persistent poverty and hardship, including on the wider issues of housing affordability and quality.
- Māori continue to be disproportionately affected by unemployment, low pay, insecure housing, lower life expectancy and other adverse social outcomes.
- Individuals with a disability or health condition continue to face higher barriers to employment.
- Family violence and sexual violence have significant impacts on outcomes for those affected, and carry a high cost to New Zealand as a whole.
- Older people are making up a growing proportion of the New Zealand population, which is becoming more diverse. This will have both positive and negative impacts on the economy and the level of government spending on health and superannuation.
- Technological innovations are continuing at a fast pace and New Zealanders are increasingly expecting new and innovative approaches to the way they receive services.

These are increasingly complex issues that will not be resolved by one agency working in isolation. Sustainable, long-term solutions will involve cross-agency work from a number of government agencies as well as greater partnerships with other players, including service providers, community groups, iwi, Māori organisations and employers.

Access to affordable housing continues to be an issue for many low-income individuals and families.

Housing plays a critical role in the lives of families and individuals, directly in the form of a place to live and through an impact on family budgets.

Both demand for and supply of state/social housing and emergency housing are affected by policy and regulatory settings and pressures elsewhere in the housing market. Demand for state/social housing from low-income households is increasing faster than supply, and increased by 27 percent in the year to September 2017¹. Taken over a two year period from September 2015 to 2017, it has increased by 72 percent.

Demographic changes, including population growth, the ageing population and the decline in home ownership influence demand for state/social housing and housing subsidies. Pressures in the private rental market are also decreasing affordability, with growth in market rents outstripping growth in the incomes of beneficiaries and low-income workers. In some areas, the seasonal labour market also contributes to accommodation shortages. These factors combine to increase numbers needing state/social housing, and also make it more difficult for tenants to exit state/social housing. This has a flow-on impact on the ability to meet demand and on the length of time people spend on the state/social housing register.

Demand for state/social housing is also affected by a number of risk factors that increase people's likelihood of requiring emergency housing or long-term state/social housing. This includes a Corrections history, mental health or drug and alcohol issues, low educational achievement and a history of contact with child protection services.

On the supply side, housing market conditions that decrease affordability for households also increase the costs of building or procuring additional state/social houses. The changing composition of New Zealand households and the ageing population will also need to be reflected in the future state/social housing stock.

¹ This includes households already in state/social housing on the Transfer Register

Employment rates are historically high but issues remain around insecure employment and wage growth for low-income workers.

Reducing unemployment and joblessness is an important social priority.

Not only are employment and earnings an essential foundation for better living standards, they also have health and wider social benefits.

There is currently high economic growth and a strong demand for many types of workers in many labour markets across the country. There are historically high rates of employment and the unemployment rate has fallen to 4.8 percent in the June 2017 quarter, the lowest rate since December 2008.

However, important areas of concern are that productivity remains well below that of comparable OECD countries, wage growth among low-paid workers has been modest, and fixed-term and temporary employment is high. The ageing workforce is exacerbating skill and labour shortages in some sectors, though the impact of this is being 'cushioned' as more people work beyond pension age.

Rapid and accelerating changes in technology will also have implications for the labour market, particularly on the skills required and the likelihood that job changes and periods of unemployment and retraining will become more common in the future. A high-performing education system and continual upskilling of the workforce are essential to maintain our high levels of employment in the face of the changing labour market.

Many people continue to face multiple barriers to employment, including childcare, transport, health and disability. It is important to ensure that these groups can find employment, but also that this employment is secure and leads to sustainable increases in earnings.

Even with recent improvements since the global financial crises, more work is needed to tackle poverty and hardship, including the links to wider issues around housing affordability.

Protecting individuals against persistent low income and hardship is not only a widely supported goal in itself, it also has a range of potential positive impacts for other aspects of wellbeing.

For example, adequate family income is important for parenting and child development as it enables parents to better invest in their children. For all households, adequate income reduces the stress that arises from having to make spending decisions about which essentials to go without.

Over the last two decades or so, the bulk of New Zealand households have experienced a steady and solid increase in household incomes in real (inflation-adjusted) terms. Very few other OECD countries have such a consistently strong record in the period.

There are, however, those who have not shared in that growth and who are struggling financially. Even with recent overall improvements arising from the growing economy since the global financial crisis, and the expected further improvements when the Families Package is implemented in 2018, more work is needed to tackle persistent poverty and hardship.

- The high cost of accommodation relative to income for lower-income households is a major driver of financial hardship.
- Paid employment is the best protection against poverty and hardship for the majority of working-age households, but it is not a panacea, as:
 - the ‘working poor’ remain a challenge for most OECD countries including New Zealand (low wages and insecure employment) – for example, even with the assistance of the In-work Tax Credit, around 40 percent of children in families experiencing financial hardship live in households with at least one adult in full-time employment (on most standard income and non-income measures).
 - A growing proportion of those receiving a benefit have health or disability issues, which increases barriers to employment and the chances of long-term benefit receipt and therefore persistent low incomes, through their working age and into their older years.
- Groups with relatively high poverty or hardship rates are children, sole parents, single adults with no dependent children, and Māori and Pacific people.

Warm, dry, affordable and secure housing is important for meeting basic shelter and health needs for people of all ages. It also provides a stable platform for children and working-age adults to help them achieve better outcomes in other areas such as improved education and employment. Around 130,000 children (12 percent) live in households that report a ‘major problem’ with heating the home and keeping it warm in winter.

There is more work to be done to further address poverty and hardship, and to ensure that the overall welfare system is able to meet the demands of a changing labour market and the wide diversity of family structure.

There is a higher rate of economic and social disadvantage among Māori and addressing this in a meaningful way remains a critical priority.

Unemployment, low pay, insecure housing and other adverse social outcomes disproportionately affect Māori.

For example, Māori represent 15 percent of the working-age population yet comprise 37 percent of those receiving Job Seeker Support and 48 percent of Sole Parent Support recipients. Māori households are also over-represented in state/social housing (36 percent of tenants and 43 percent of those on the housing register).

Factors influencing this include intergenerational welfare dependence, low levels of education and poor health. Available information suggests that successful approaches for Māori are likely to be community-led and strengths-based, use kaupapa Māori frameworks, and focus on positive relationships within whānau and communities.

Economic development also provides a critical solution for addressing social issues for Māori. The Māori economy is growing rapidly (currently estimated at \$43 billion) and there is scope to further leverage partnerships with Māori businesses.

Most disabled people and people with health conditions can and want to work but more needs to be done to ensure they have equal opportunities to achieve their goals and aspirations.

One in four New Zealanders live with a physical, sensory, learning, mental health or other impairment.

Disabled people and people with health conditions have the right to work on an equal basis with others, and most can and want to work. The social, economic and health benefits of employment are significant.

However, disabled people and people with health conditions often face additional barriers to employment including discrimination, lack of work experience or relevant skills, caring responsibilities, and additional costs of work due to their health or disability.

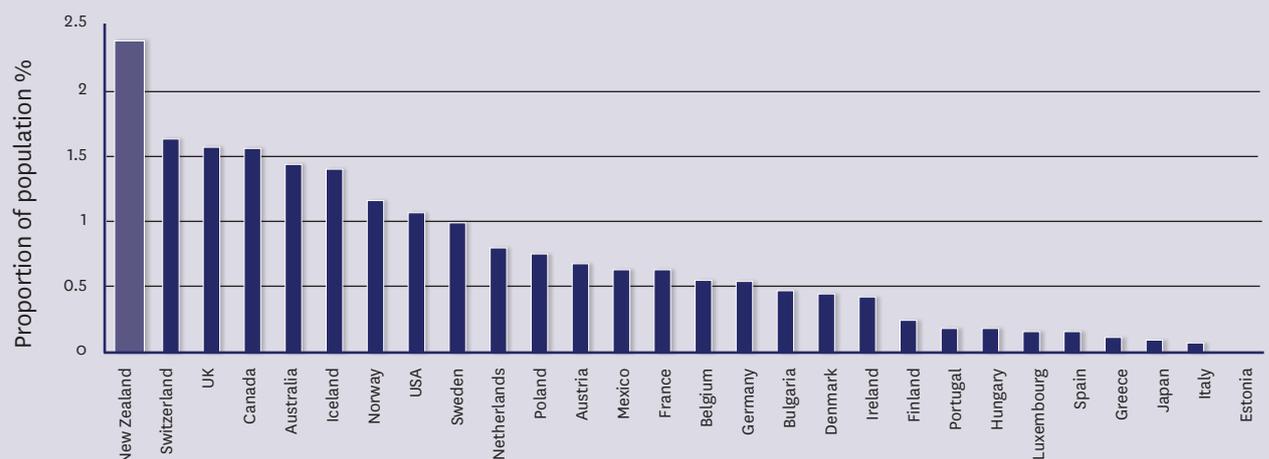
A large proportion of individuals receiving welfare benefits have a health condition or disability, with poor mental health being particularly prevalent. Ensuring that individuals with health and disability needs have sufficient income and opportunities to support themselves, as well as to meet the additional cost of health care, is an important function of the benefit system.

Family violence and sexual violence have significant impacts on the individuals and families affected and cost New Zealand approximately \$6 billion each year.

Family and sexual violence has a significant impact on many New Zealanders and their families.

About half of all homicides in New Zealand are committed by an offender who is identified as family². In 2013, 24 percent of women and six percent of men reported having experienced sexual assault in their lifetime³. In 2005 (the most recent international comparison data currently available), New Zealand had the highest rate of intimate partner violence in the OECD, as illustrated by the graph below. More recent unpublished work suggests that New Zealand still has one of the highest levels recorded in comparable developed countries.

Figure 1: Prevalence of partner physical or sexual assault, women and men, around 2005



OECD data accessed from <http://www.oecd.org/social/family/database.htm>

Family and sexual violence is complex and often has intergenerational causes and consequences, which require holistic and sustained responses to address ongoing patterns of behaviour. As well as the devastating personal impact on individuals and families, the economic cost of family and sexual violence is very high.

Research in 2014 estimated that family and sexual violence costs New Zealand more than \$5.8 billion each year (including long-term health effects, lost wages and reduced productivity)⁴. Around \$1.4 billion of this amount is spent by government agencies, and almost 90 percent of this goes to dealing with the aftermath of violence (particularly NZ Police, Health, CYF (now Ministry for Vulnerable Children, Oranga Tamariki), and Corrections).

A more cohesive and integrated approach across agencies, including greater emphasis on prevention, is required to keep families safe and support positive long-term outcomes. Government agencies and service providers have been working together to improve government and community responses to family and sexual violence.

² Family Violence Death Review Committee (2014). *Fourth Annual Report: January 2013 to December 2013*. Health Quality and Safety Commission, Wellington.

³ Ministry of Justice (2015). *2014 New Zealand Crime and Safety Survey (NZCASS): Main findings report*.

⁴ Kahui, S and Snively, S (2014). *Measuring the Economic Costs of Child Abuse and Intimate Partner Violence to New Zealand*, Commissioned by the Glenn Inquiry; Treasury Working Paper 06/04 paper on the costs of crime.

Population ageing will have both positive and negative impacts in the future that need to be prepared for today.

Like other countries, New Zealand has an ageing population.

Older people are key contributors to our economy and our communities through volunteering in community organisations and providing unpaid care for others, particularly family members.

In the coming decades we expect that:

- seniors will make up a greater proportion of the paid workforce, providing an increasingly valuable contribution to productivity and economic growth and tax revenue
- families will rely more on grandparents for the provision of childcare
- communities will rely more on seniors' participation as carers and in the voluntary sector
- business and the economy will be more dependent on seniors' consumer spending and investment
- many New Zealanders currently resident overseas will choose to return to New Zealand to retire, or will remain overseas and look to New Zealand to contribute to their pension in retirement.

Over the coming decades the ageing population will also place growing pressures on government spending, social services, communities, businesses/employers and families. Population ageing is projected to contribute around 25 percent of the projected increase in the cost of health care from 6.2 percent of GDP in 2015 to 9.7 percent in 2060, and the cost of superannuation will rise from 4.8 percent of GDP in 2015 to 7.9 percent in 2060⁵, though this remains lower than the average for OECD countries.

Material hardship among older people is also likely to increase, particularly as mortgage-free home ownership – historically a safeguard of older people's financial security – will be lower for future cohorts of older people. There are relatively high rates of hardship among some groups within the 45 to 64 age group, which for these people is unlikely to change as they move into their older years. There will also be more older people with disabilities over the coming years, and social isolation and elder abuse are likely to continue to be issues. A growing proportion of older people will need to rely on supplementary benefits in addition to their New Zealand Superannuation.

At the same time, the proportion of the population working will decrease, potentially limiting economic growth and government revenue. This highlights the challenge to increase productivity to create the foundation for New Zealand's future economic growth. Responding to future issues in this area needs to be approached in a way that signals likely policy changes well in advance to future generations so that they can save and adjust appropriately.

⁵ This is before-tax expenditure on NZS. The net cost to the Crown of NZS is around 15 percent less.

New Zealanders are increasingly expecting new and innovative approaches to the way they interact with government and receive services and support. Advances in technology and data analytics will improve our ability to respond to these demands and deliver more relevant services.

Technology has changed people's expectations of how services are provided.

The internet has become a two-way forum, enabling people to contribute and interact, as well as to seek and receive information. It has enabled collaboration and sharing of information nationally and globally like never before.

People's expectations of how they interact with government, and the types of services they want, are shifting. As new technologies emerge and become more prevalent in people's lives, they expect that government will both keep pace with the changing digital landscape and use technology to make services simpler.

Systems and structures for providing services should put clients at the centre of decision-making, purchasing and service delivery models. While clients expect more streamlined services, they also expect more individualised, tailored offerings. Improving data analytics, evidence and evaluation functions is critical for providing client-centred services and assessing the effectiveness of interventions and programmes.

Technology is also changing the future of work and the skills demanded by the labour market. Low-skilled jobs will increasingly be replaced by technology, which could result in more frequent periods of unemployment and retraining.

This will require government agencies to adopt a more agile operating model, with frontline staff who are flexible and able to adapt quickly to the needs of individual clients as well as new technologies and ways of working.

