Child Poverty Action Group's response to the United Nations Special Rapporteur on the right to adequate housing February 2020

Child Poverty Action Group (CPAG) is a civil society organisation established in 1992 in response to rising rates of child poverty. These rises were brought about by welfare cuts and other attacks by the Government of the time on the living standards and rights of poor families. Amongst other things CPAG is a research-based advocacy group which advocates for the rights of children and their families with a view that it is possible and necessary to build a New Zealand where all our children prosper, materially, emotionally and culturally. We are funded by philanthropy and our membership, so we are completely independent of Government.

This submission outlines CPAG's perspective on the current state of housing and housing policy in New Zealand. The submission takes the form of discussion around key pieces of data and our interpretation of the relationship between policy and the housing outcomes we are witnessing in New Zealand.

CPAG's overall perspective is that the Government's rhetoric around housing and the relief of housing-related poverty is not being matched closely by what it is doing and achieving through its housing policies. Our perspective is that this mismatch is driven in part by a lack of financial commitment to building a sufficient stock of publicly owned social housing units and partly by an underlying policy perspective which is misinformed and fails to understand the nature of housing need and housing-related poverty amongst New Zealand's poorest households.

Housing in New Zealand's political-economy

It is important to see the central place which housing has in New Zealand's political economy in order to understand why it is that as a country we have rising rates of homelessness and housing-related poverty, in the middle of record rates of housing building and record house prices and during an era of sustained economic growth.

In mid-2019 the total wealth of New Zealand households was almost $1.6 trillion. Of this wealth more than 53% or nearly $850 billion was wealth held in land and housing. Over the previous 10 years household wealth rose 86% or by $736 billion while the value of wealth held in housing and land grew 91% or by more than $400 billion[1]. Over this 10-year period general inflation was 17% while wages rose 32%[2].

HOUSEHOLD WEALTH 1999 to 2019

Over the decade to June 2019 New Zealanders invested almost $80 billion in new housing[3]. In other words, around $320 billion of the total increase of $400 billion in housing-related wealth was from the appreciation in house values. Almost none of this capital income was taxed and there is little likelihood that future capital gains to house owners will be taxed. In April 2019 the Prime Minister Jacinda Ardern guaranteed that a capital gains tax would not be introduced under her leadership[4].

The majority of the wealth held in housing and land and in various financial assets is held by less than 8% of households and less than 7% of individuals. The poorest 50% of New Zealanders own just 2% of the total wealth and the poorest 50% of households have just 7% of the wealth.

The wealthiest 5% of New Zealand households collectively own more than five times the wealth of the poorest 50% of households[5]. Without doubt Prime Minister Ardern's promise not to impose a capital gains tax on housing advantages

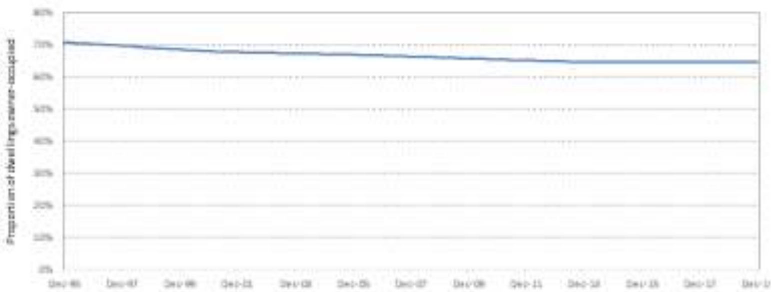
[1] Reserve Bank Key Household and Housing Statistics Table C.21
[2] Statistics New Zealand Consumer Price Index and Quarterly Employment Survey
[3] Statistics New Zealand's Building Consents date set.
[4] https://www.stuff.co.nz/business/112099876/live-capital-gains-tax-ruled-out-by-government-prime-minister-jacinda-ardern-tax-working-group
[5] Statistics New Zealand's Household Net Worth Statistics for the year ended June 2018.

the wealthiest 10% of New Zealanders at the expense of the poorest 50%. This is the political economy of housing in New Zealand and is the basis both for the current housing situation and for inadequate policy responses to problems of homelessness and housing-related poverty.

For the record CPAG does not support the idea of a capital gains tax as it believes that it will not be effective in taxing wealth or in raising revenue as a means of off-setting income taxes. CPAG believes that a board wealth tax based on the risk-free rate of return should be imposed on all personal wealth above a threshold of perhaps $1 million[6].

There is limited evidence that wealth inequalities are becoming worse in New Zealand although it is probably the case that the boom in house prices has benefited a smaller and smaller share of New Zealand households. The current homeownership rate is estimated to be 64.5% which is the lowest rate in 65 years. This rate has fallen continuously since 1991 when it was 73.5% and when meaningful Government support for homeownership programmes was withdrawn[7].

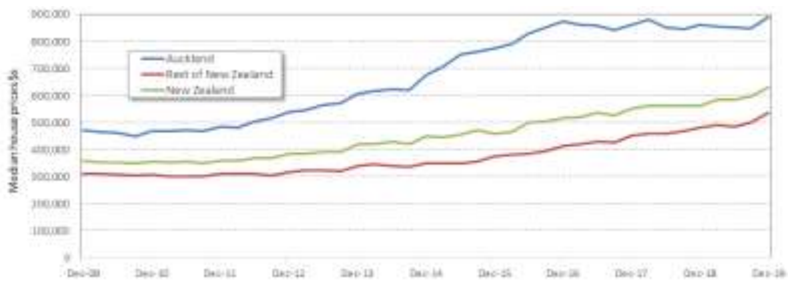
HOME-OWNERSHIP RATE 1995 to 2019



The distortions caused by neglectful housing policy

It is CPAG’s view that New Zealand’s housing problems are the result of policy neglect which has advantaged the richest New Zealanders, further impoverished the poorest New Zealanders and left a massive debt legacy for future New Zealanders.

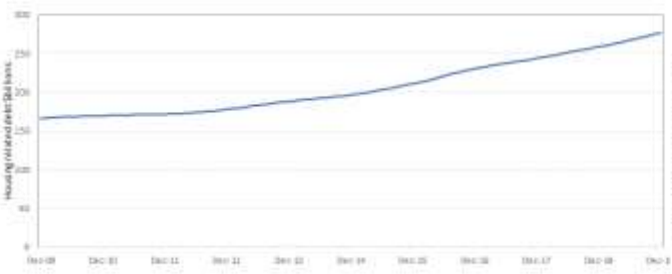
MEDIAN HOUSE PRICES – 2009 to 2019



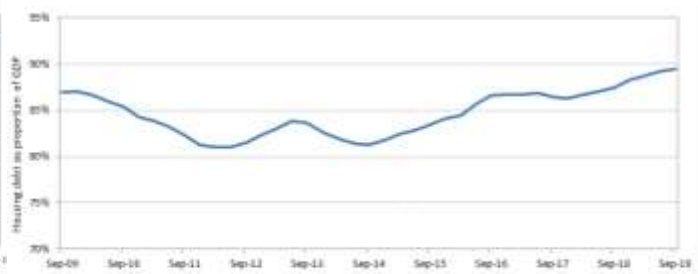
New Zealand’s median house prices rose more than 75% over the past decade and by around 40% over the past five year to sit at $629,000 at the end of 2019. In Auckland median house prices rose by almost 90% over the past decade and by over 35% over the past five years to $890,000[8]. Over the past five years total headline inflation has been around 7% while wages have risen by 15%.

These house price rises have been driven by increased debt which has reached record levels in nominal terms and against GDP. Between 2009 and 2019 housing-related debt rose $110 billion or by 66% to $277 billion. Over the past five years this debt has grown 40%. In terms of GDP, housing-related debt reached 87% just prior to the GFC but fell to 81% of GDP by 2012 as households curbed borrowing and began paying down debt. By late 2019 housing-related debt had reached a record level of 89.4% of GDP[9].

HOUSING-RELATED DEBT – 2009 to 2019



HOUSING DEBT AS % OF GDP – 2009 to 2019

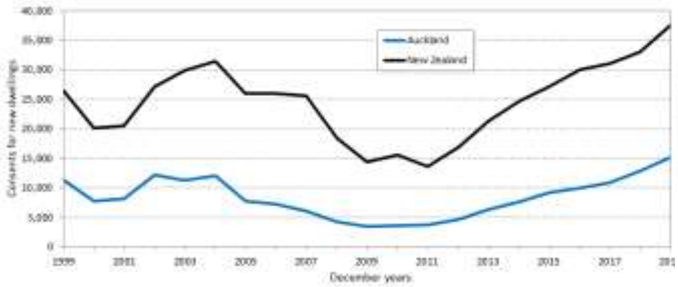


[6] https://taxworkinggroup.govt.nz/sites/default/files/2018-09/twg-subm-3983200-child-poverty-action-group-cpag.pdf
[7] Statistics New Zealand Dwelling and Household Estimates
[8] Real Estate Institute of New Zealand figures
[9] Reserve Bank Lending and Monetary Statistics Table C5

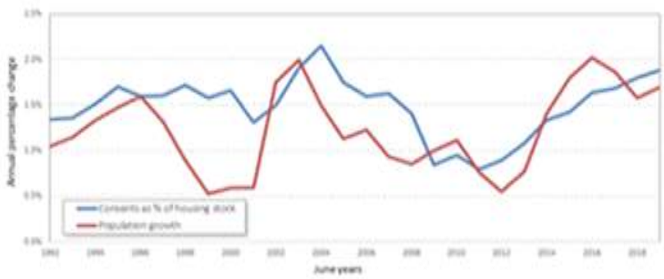
Record housing building activity is probably only just enough

In 2019 over 37,500 new dwellings were consented which is the highest number of consents in 45 years. Of this total number, just over 15,000 were consented in Auckland[10]. While these are record numbers, they are of course against a much larger population and housing stock than that of 45 years ago. Taken in the context of recent population growth (of around 1.8% annually) and a national housing stock on 1.9 million dwellings, these consent numbers can be seen as what is required to maintain housing availability at current levels. Higher volumes of new builds still are required to address the shortage of affordable housing.

CONSENTS FOR NEW DWELLINGS 1999 to 2019



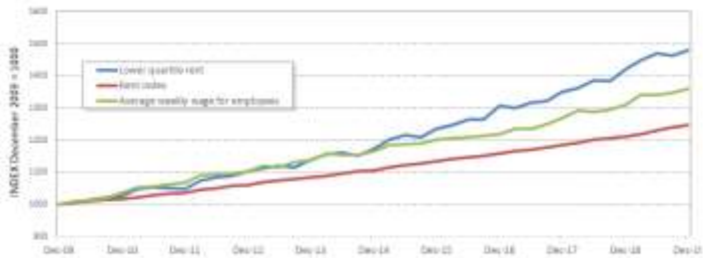
POPULATION CHANGE & CONSENTS 1992 to 2019



Mixed data on rental affordability

Data on changes in rents over the past five years show mixed results depending on which measure is used and which city or suburb is being measured. Mean rents for privately rented three-bedroom houses rose by 30% as a national average between 2014 and 2019 against a 15% increase in average wages over the same period. Some towns or cities such as Kaikohe, Huntly, Rotorua, and Napier-Hastings have seen rent increases significantly above this national average as has the Hutt Valley. Rents in Auckland's lower income suburb have risen by around 25% to 30% while those in Christchurch's lower income suburbs have fallen[11]. Rent price indices published as part of Statistics New Zealand's consumer prices survey suggest rent increases of around 15% over the past five years. This survey is based on households' reported expenditure so will include social housing and housing rented through families.

RENT INDICES - 2009 to 2019

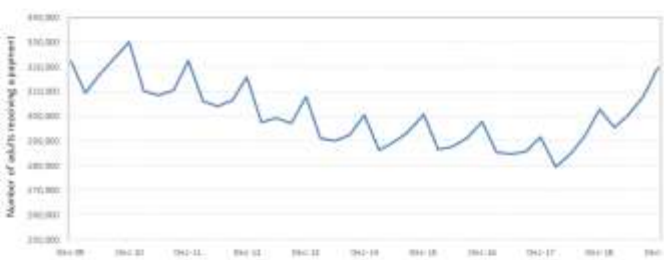


Against rent increases of 30% or more over the past five years, it should be remembered that core benefit rates are fixed to the inflation rate which has risen by 7% during this period. It is those relying on welfare benefits who appear to be struggling most in the private sector rental market despite the additional assistance being offered through Government's supplementary hardship assistance programme.

The cost and extent of this programme have expanded three-fold in five years largely, it would seem, as a result of rising housing costs. In 2014 the Ministry of Social Development's hardship assistance programmes cost taxpayers $204 million and provided 826,000 payments. By 2019 the programme had expanded to cost $604 million and involved 2.1 million payments. Furthermore, the number of adults receiving and Accommodation Supplement payments jumped by

HARDSHIP ALLOWANCE BUDGETS – 2014 to 2019

ACCOMMODATION SUPPLEMENT PAYMENTS – 2009 to 2019



[10] Statistics New Zealand Building Consent data series

[11] See The Salvation Army's 2020 State of the Nation Report Table 26 p.71. Available at https://www.salvationarmy.org.nz/sites/default/files/files/%5Bfile_field%3Atype%5D/tsa_sotn_2020_0.pdf

28,000 between 2017 and 2019. At the end of 2019 319,500 adults were receiving this payment – the highest number since the spike in unemployment in 2011 following the GFC[12].

In effect the current housing support arrangements involve three tiers of assistance – the main benefit, the Accommodation Supplement and additional hardship assistance. This arrangement creates uncertainty around entitlements, poverty traps around multiple abatement regimes and is cumbersome to administer. CPAG is advocating for an increase in the core or main benefit by 25% to 30%, the indexing of this benefit to wage movements and through this the reduction in reliance on the Accommodation Supplement and hardship top-ups[13]

Social housing waiting lists just continue to grow

The numbers of households with an acute or urgent need of housing has continued to grow since 2016. This number is reported as the waiting list for social housing and has grown three-fold since late 2016 from 4,600 housing in September 2016 to almost 14,000 households in September 2019.

Much of this recent increase is due to a more liberal needs assessment process, as it is apparent that Ministry of Social Development had previously worked hard to limit the numbers of people getting on the list. This was done in part by insisting that would-be applicants accepted poor quality alternative housing options being offered by predatory landlords.[14]

Yet social housing builds lag well behind demand

The Government has committed to building or buying 6,400 extra publicly owned social housing units between 2018 and 2022 - a rate of 1,600 per year. This is despite a 2017 estimate of future demand for social housing by The Salvation Army of at least 2000 additional units per year for the following ten years[15].

Some progress is being made in building additional publicly owned social housing units on sites owned by the former Housing New Zealand – now Kainga Ora – Homes and Communities. However, the numbers being reported overall are a little misleading. This is because a few thousand social housing units which were previously outside of Government's subsidy programme known as the income-related rent programme, have now been included and being counted as new units. For example, in March 2017 a total of 66,187 social housing units were reported in the total stock of which 61,313 were Government owned. By September 2019 these numbers had increased to 69,609 overall and 62,901 in state ownership. In other words of the 3,422 additional units reported over this two-year period only 1,580 were additional state-owned units and the vast majority of the remaining stock was transferred from social housing stock owned by local councils[16].

With the pipeline of new supply now in place it appears likely that the Government's target of an extra 1600 unit per year will be met or perhaps exceeded by a small margin in 2020/21. The problem here is that demand for this housing is growing at a far faster rate than this building activity. Between September 2017 and September 2019, the social

[12] Data from Ministry of Social Development's Benefit Factsheets which are available at https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html
[13] https://www.cpag.org.nz/assets/190503%20AS%20report%20May%202%20final%20EMBARGO%20MAY%2019%202019.pdf
[14] https://www.newshub.co.nz/home/new-zealand/2016/07/predatory-property-managers-renting-out-auckland-garages.html
[15] https://www.salvationarmy.org.nz/sites/default/files/uploads/20170814spputakingstockreport.pdf
[16] For data see Ministry of Housing and Urban Development's at Housing Quarterly Report at https://www.hud.govt.nz/community-and-public-housing/follow-our-progress/

housing waiting list grew by 8,122 households yet 3,422 units were added to the stock of which perhaps only 1800 units were actually additional units.

CPAG believes the Government should be placing greater emphasis on building additional public housing and supporting iwi and hapū-led housing initiatives, and less emphasis on its flagship KiwiBuild programme. CPAG is concerned too that the redevelopment of land on which public or state housing has been located for so-called mixed income/tenure communities, is merely a form of state sponsored gentrification. We believe that such gentrification is literally coming at the expense of building decent housing for New Zealand's poorest families and households[17].

[17] https://thedailyblog.co.nz/2018/10/08/must-read-exclusive-call-it-kiwibuild-but-it-is-still-gentrification/