

# HOW MUCH IS ENOUGH?

## LIFE BELOW THE POVERTY LINE IN DUNEDIN 2003

October 2003

UPDATE One

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### **Introduction**

In 2002 Presbyterian Support Otago printed 5000 copies of **How Much Is Enough? Life Below the Poverty Line in Dunedin**. This UPDATE continues the discussion as we attempt to stay current with the issues and the stories that form the continuing realities of life below the poverty line.

Some things have changed since July last year. WINZ and IRD are committing resources to improved communication with clients about their entitlements. Housing costs for low income families in state rental show reductions, but families and individuals in private rental accommodation face increases.

Other things have not changed, notably the great and increasing disparities between Pakeha, Maori and Pacific Islands lives below the poverty line. The burden placed on women and children of inadequate income remains a national and international disgrace. We await the fulfilment of conditional promises by the Government to move on this.

Dennis M Povey  
Director of Community Mission  
Presbyterian Support Otago.

The system for delivering help to the poorest individuals and families is the Special Benefit. It surprised people last year that so many entitled people were not receiving the help that was their right. The good news is that the number of people receiving the Special Benefit weekly in Dunedin has almost trebled since May 2002.

The bad news is that the need exists at all!

# Student Reflection

Anna is a Social Work Student.

Poverty is a word that conjures so many negative images - the poor, the homeless, the uneducated. We think because we study it we understand it, we are part of it yet so far removed. Poverty is not our daily reality, and we do not live it as so many families do. Poverty is not biased in its selection. Poverty's open arms welcome all sectors of society, from the young mother with five children and an advanced university degree, the single male, to the older couple adjusting to a new situation after losing their jobs.

These are the recipients of poverty's embrace, however the affection is not mutual. Before I started working as a student at a Dunedin welfare agency poverty to me was a word to describe substandard living, it was not REAL. However through my interactions with clients I have seen it affect individuals, families and communities. Like a virus I have seen it slowly eat away at people from the inside out, destroying dignity, mana and self-worth, and these, like all great strengths, can become our greatest enemy.

Working in the food bank has provided me with an amazing insight into human nature. How ignorant I was to the deceit, manipulation, resilience and pure strength of people. These characteristics are heightened by the situation of having to ask for such a basic human need, food. Never have I felt so humbled as when a young mother came in and told me she had no food to feed her three children. I saw the humiliation, degradation and desperation in her eyes and it all seemed so unnecessary. I went home that night and wondered what had led to her situation and what I might do if I was she. Someone else's misery and helplessness made me suddenly more grateful for everything in my life. Even though I am a student and have lived on \$3 for a week, I always had a back up. I knew that if worst came to worst I had someone else to turn to for help and that I was never alone.

I was suddenly conscious of everything I ate and with each bite aware that children were going hungry. These people belong to us. They are part of our community, they are mothers, fathers, daughters and brothers, their well-being is not the responsibility of one but everyone and yet we go about our daily lives almost unaffected.

A colleague and I still went for lunch in a nice cafe in the Octagon and then returned to the agency for a one o'clock appointment so a family could eat properly for the first time this week. It is such a bizarre concept, but at the same time necessary for us to have that time away to have our own space and satisfy our own needs so that we didn't drown in others' desperation.

I went home each night pleased that I was able to make a difference in someone's life and satisfied that at least for one day a family would not go hungry. How self-righteous I had become to think that I was saving these families, when it was the system that was letting them down. Was I fuelling my own ambitions of self-fulfilment? Here I realised the importance of agencies to continue to fight social injustice on a macro level so not to become the remedial cushion for a government that should be doing more to alleviate poverty in our communities.

The clients have taught me so much. This kind of experience does not come in a textbook or a classroom; it comes through the stories of people who live it. It is a story of survival, and how honoured I have been for clients to share these experiences with me. It can never be easy to explain to a stranger why your family needs food at this time and to admit that your addictions are affecting your ability to provide. (I don't suggest that addictions are the domain of the poor, however addictions are harder to sustain on a benefit).

These are the unsung heroes of society; not the million-dollar businessman who donated a tenth of his fortune to a worthy charity or the sports star that got the winning tries against the Wallabies. These agency clients are the people who make something from nothing and through all adversity, smile at the end of the day and still see good in the world that is so stacked against them. I admire them and am humbled by their fortitude. In no way does money equate to happiness, and money is not a measure of richness. Poverty is cruel and heartless and no one should have to experience it. No matter what level of society you may think you are part of we are all destined for the same place, rich and poor alike.

## DEBT

Debt and managing debt remains a major factor in family stress for New Zealand families. In a period of low inflation New Zealanders are using high cost credit at an increasing rate. It is not surprising that high cost credit also features large as a way of trying to manage very low incomes.

When we published last year, 70% of our clients were in debt of a kind that was seriously impairing their ability to manage on a low income. It looked then as if things were improving on that front at least. In fact that quarter was the odd one in the whole series. 75% is a truer figure.

### Debt to WINZ

Government debt still features large for many people on low incomes. It is difficult to understand why the graph of percentage of applicants in debt to WINZ has such seasonal fluctuations. There may have been some relaxation in a debt recovery policy or it may relate to the fact that we are seeing clients who have more and more complex problems. WINZ reports a similar trend. Our figures now could represent more of the people with multiple and complicated issues. Without figures from WINZ on debt reduction this is hard to gauge. We will be seeking this information.

**In July 2002 we proposed that WINZ consider writing off 'innocent overpayment debt' (caused by administrative error) not repaid after 18 months of attempts to do so. To the best of our knowledge this policy has not been adopted.**

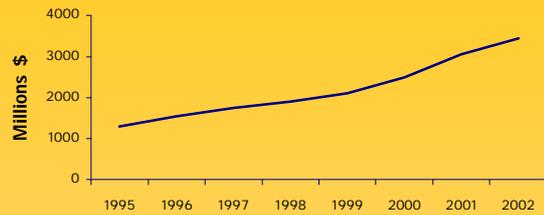
### An Unhealthy Trend?

For five person families the top two creditors remain the same as at July last year; WINZ and the courts.

A trend that must be of concern however is the growth of "other loans". (15% 2002 to 24% 2003).

A new study by the New Zealand Council for Christian Social Services highlights the fact that because assets back so little of this low-income debt it is often **high cost credit**. Occasionally in Dunedin we run into clients who are struggling with a loan arranged for them by a professional at very high establishment and credit costs. The graph identifies that credit for these families is shifting in this direction. It is a dangerously slippery slope.

**Credit Card Advances Outstanding in NZ**



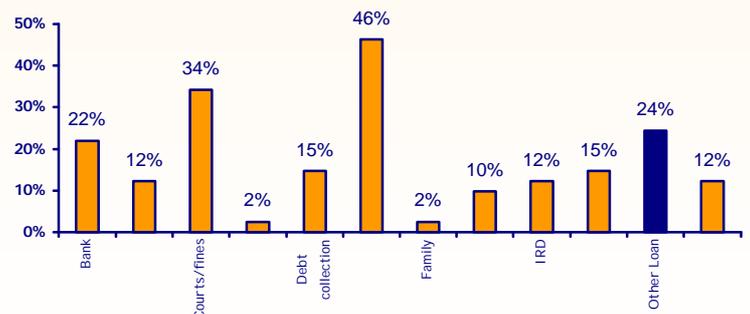
**Clients in Debt**



**Percentage of applicants in debt to WINZ**



**Whom do they owe?  
Five person families April-June 2003**



## HOW MUCH IS ENOUGH?

The income from all sources, before a Special Benefit, for a family of five is now \$459.28 a week.

However you calculate how much it costs that family to live, what is currently paid to that family on the benefit or in part time work is not enough!

The Government may make some changes next year but with each year the mountains of debt and deprivation get bigger.

### **Worst Case Scenario**

Income \$459.28  
Minimum Adequate spend \$540.90

DIFFERENCE per week -\$81.62

### **Part Time Work Scenario 20 hrs**

Income \$500.72  
Minimum Adequate spend \$540.90

DIFFERENCE per week -\$40.18

### **Part Time Work Scenario 29 hrs**

Income \$511.65  
Minimum Adequate spend \$540.90

DIFFERENCE per week -\$29.25

Fig 1: MINIMUM ADEQUATE WEEKLY EXPENDITURE ESTIMATE FOR A FIVE PERSON FAMILY (two adults and three children under 16)

As published in 2002 statistically updated to June 2003 CPI

|                           | 2003             | (2002)          |
|---------------------------|------------------|-----------------|
| Food                      | \$ 137.00        | (137.56)        |
| Housing                   | \$ 178.00        | (171.70)        |
| Power/heating             | \$ 24.50         | (23.28)         |
| Phone                     | \$ 10.65         | (10.12)         |
| Appliances                | \$ 7.45          |                 |
| Furnishings               | \$ 5.32          | (12.15)         |
| Other household operation | \$ 11.71         | (11.13)         |
| Medical                   | \$ 13.81         | (13.08)         |
| Transport                 | \$ 47.78         | (47.43)         |
| Clothing/shoes            | \$ 20.89         | (20.73)         |
| Activities/Recreation     | \$ 27.95         | (27.19)         |
| Education                 | \$ 11.74         | (11.64)         |
| Insurance                 | \$ 14.90         |                 |
| Life assurance            | \$ 15.82         | (29.56)         |
| Exceptional/emergency     | \$ 13.38         | (13.02)         |
| <b>TOTAL</b>              | <b>\$ 540.90</b> | <b>(528.59)</b> |

## **FAMILY EXPENDITURE Estimated Budgets.**

Last year we published the Minimum Adequate Expenditure budget for three and five member families. Those budgets were derived from Wellington studies done in 1993 and updated using appropriate cost price indexes.

We feared those budgets were low in the energy, food and housing areas, three biggie budget items.

Last year's published figures were **\$528.59** for a five-person family living on an adequate minimum and \$378.99 for a three-person family.

### **UPDATE Budgets**

This year we have updated the figures in two ways.

In Fig 1 we have continued the Consumer Price Index revision. The annual changes are small and produce a total of **\$540.90** per week for a five-person family. These figures have been produced annually since 1993 but Governments seem to want to ignore them.

Fig 2: MINIMUM ADEQUATE WEEKLY EXPENDITURE BUDGET FOR A FAMILY OF FIVE AS PER DUNEDIN FOCUS GROUP RESEARCH 2003.

|                           |           |               |
|---------------------------|-----------|---------------|
| Food                      | \$        | 165.00        |
| Housing                   | \$        | 195.00        |
| Power/heating             | \$        | 48.00         |
| Phone                     | \$        | 22.08         |
| Appliances                | \$        | 17.33         |
| Furnishings               | \$        | 11.60         |
| Other household operation | \$        | 29.83         |
| Family/Personal care      | \$        | 16.33         |
| Medical                   | \$        | 10.09         |
| Transport                 | \$        | 57.83         |
| Clothing/shoes            | \$        | 34.00         |
| Activities/Recreation     | \$        | 42.50         |
| Education                 | \$        | 31.67         |
| Insurance                 | \$        | 7.75          |
| Life assurance            | \$        | 27.46         |
| Exceptional/emergency     | \$        | 10.00         |
| <b>TOTAL</b>              | <b>\$</b> | <b>726.48</b> |

### Otago University Estimates – 2003

#### Weekly food costs:

|                                   |           |
|-----------------------------------|-----------|
| Man                               | \$50      |
| Woman                             | \$48      |
| Adolescent boy                    | \$64      |
| Adolescent girl                   | \$53      |
| 10-year-old                       | \$43      |
| 5-year-old                        | \$29      |
| Children aged 1-4                 | \$24-\$27 |
| 2 adults and 3 children aged 7-11 | \$213     |
| Non-food items                    | \$16      |

Last year the University received many calls expressing disbelief at its estimates - mostly that they were too high. This is an **adequate nutrition** shopping expedition result. It is a useful benchmark.

### Focus Groups in 2003

We have now conducted six Dunedin focus groups asking people to estimate a minimum adequate weekly expenditure for a family of five.

The groups consisted of four pakeha groups, (one middle income, one low waged, one solo parent, one low income), one Maori low income and one mixed income Cook Islands. Using the same headings in the budget (Fig 1) we allowed groups to consider what a minimum adequate budget should include and then to estimate the cost.

We reached a result (Fig 2) that is considerably higher than the figure we published last year.

- ✓ Energy estimates are doubled.
- ✓ Housing is 10% higher partly reflecting the low proportion of state house rentals in Dunedin and higher private rental costs.
- ✓ We did not expect to see such a variation in the cost of food. The Fig 3 estimate is much the same as last year, the Focus groups say \$165. Why do CPI figures not reflect shopping basket realities?

**We conclude that the results published last year were conservative and the focus group result gives a picture of the expectations of a cross section of Dunedin families what is needed to participate at a fair level in 2003 Dunedin.**

### Estimated Family Food Costs Survey - University of Otago

Every year, since 1973, dieticians at the University of Otago carry out a survey at supermarkets around the country's larger cities. The survey shows weekly food costs for a family, breaking it down to age and gender. The most expensive person to feed is a teenage boy, estimated at \$64 per week. A family of 2 adults (man and woman) and 3 children aged 7-11 would have to pay \$213 per week to keep in good health.

Compared to our focus group results, this is more than \$30 higher than the highest estimated figure of \$180. A lot of people spend much less than the estimated costs, cutting out on essential items. Long-term this could lead to health problems.

## What every Kiwi should know about Welfare Reform in the USA

Various politicians express wonder at the reduction in welfare rolls in the United States since the Clinton Welfare Reforms. The reduction has been based on the assumption that any work is better than none and that work is the answer to poverty. The discussion on work and its place in our lives by Susan Singley and Paul Callister (Social Policy Journal of NZ, 20 pp 142-143) is helpful. It points out that many of the single mothers who have disappeared from the low rate welfare rolls in the U.S. have switched to even lower rate wages.

No improvement to their poverty has occurred but presumably they are now the worthy poor. This only supports the contention that most people on welfare rolls would rather be earning their income – but not at any cost.

The Welfare rolls have plummeted but often at the cost of pushing single parent families deeper into debt and poverty. Is that an outcome we would prefer in the name of welfare reform?

**Job creation must go hand in hand with employment conditions that make work pay.**

## “Bowling for Columbine”

The movie “Bowling for Columbine” (2002) by American director/writer Michael Moore tells the story of a solo mum who was forced to “work for the dole”. She got a minimum wage job at an ice-cream parlour. Everyday she sat on a bus for 2 hours to get to and from work. She also had to get another job to be able to pay the rent. Relatives took care of her 6-year-old boy, since the state did not provide enough for qualified childcare. The boy found his uncle’s gun, went to school and shot a 6-year-old girl. All this happened while his mum was working for \$8 an hour at the ice-cream parlour, so she would not lose her benefit/payment. Instead of letting the mother take care of her child the state *paid* for ‘childcare’ the same amount they would have paid her if she were to stay at home. All for the great ‘Welfare to Work’ scheme!

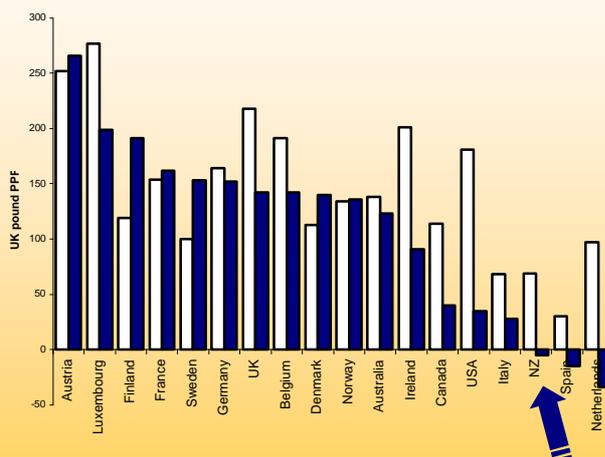
“In the past year, 700,000 people were added to the list of unemployed. The number of people out of work for half a year or more is up 28%. Thanks to “Welfare to Work” (and Bill Clinton), July of 2003 saw 43.8% of the unemployed lose their state support even though they still could not find a job—a record high. Since Bush took over the country, roughly 2.5 million jobs have simply evaporated.”  
**Michael Moore website.**

## CHILD POVERTY

From Child Poverty Action Group Report 2003

- Three out of ten New Zealand children live in poverty. The Government has (following Tony Blair) promised to ‘eradicate child poverty’. Unlike the UK no time line or strategy has followed.
- The government has put aside \$15 million a year for family income assistance. The most a family can get is \$4 a week.
- Inflation adjustments are used only when it comes to taking money from people. The Family Support top threshold of \$27,000 of joint income is being adjusted this year to \$27,481. It has not been adjusted since 1988 so the amount after 15 years of inflation should be at least \$34,000. The Family Support has not been adjusted since 1998; currently it is \$47/week but it should be \$74/week.
- The Child Tax Credit is against Human Rights, since it discriminates against beneficiaries and their children. (CTC, \$15/week/child, is only paid to low-income families not in receipt of benefit.) 300,000 of the poorest children miss out on the CTC because their parent/s are out of work, sick or studying. Everyone over 65 is treated equally, why not the children?

Value of the Child Benefit Package



■ After all taxes, education and health costs.

## **PANDO – Poverty Action Network Dunedin-Otepoti**

This network has representatives from about 35 local organisations and is working collaboratively towards achievement of 'social inclusion in a poverty free Dunedin.'

Pando grew out of a forum sponsored by the Dunedin City Council following the presentation on **How Much Is Enough?** to the Dunedin City Council Community Development Committee in August 2002.

Since its inception Pando has worked on developing its own structure, processes and strategic plan. At the same time it is actively pursuing a range of issues related to poverty and social inclusion. It made a comprehensive submission to the Council's Long Term Community Plan. It is building a working relationship with the Council and other key Government and community agencies and businesses.

Pando's statement of current **desired outcomes** focuses on:

- ✓ increasing social inclusion
- ✓ improving awareness and education about the causes and impacts of social issues
- ✓ generating solutions;
- ✓ community lobbying and advocacy for changes at central and local Government levels;
- ✓ coordination of effective research and identification of needs and issues.

**Specific achievements** so far:

- establishment of an effective network of diverse groups who have committed to working together;
- securing 5000 free rubbish bags from the DCC for distribution through welfare agencies;
- influencing the DCC to maintain the Electricity Fund (which provides assistance to people in hardship) at \$200000 pa;
- influencing the DCC to carefully debate and gather information on the issue of affordability in respect of rates increases and the way Council funds are used;
- obtaining funding for the employment of a co-ordinator;
- **and most importantly consolidating official acceptance that poverty is an issue that requires local awareness and action.**

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### **Some of Our Clients; a Year on**

Last year their stories gave life to facts and figures in HOW MUCH IS ENOUGH? Where are they now?

**Cathy:** "She has not been in to the foodbank for ages. She came in once this year to get some food for her mother".

**Izzy:** The bill juggler - She is on maternity leave. Struggling to make ends meet and looking forward to returning to work.

**Don and Gina (couple):** They have got their house valued and it turned out that it was worth much more than they thought. Realising that they have a good asset has meant a lot to them. They also got a mortgage broker to sort out a bank loan for them. They have had a change of lifestyle and they have been rarely seen at the foodbank since last year. Don is doing gardening work. Gina's health is variable now.

**Koa:** She has got health support and is 'tracking on'. Financially they are making large inroads on debt reduction.

**Emma:** She finally got a special benefit after 6 months battling with WINZ. She and her partner are now getting \$118/week. They started out with only \$8/week. Emma's partner is very ill and was referred to a clinic. Initially their case manager at WINZ made an administrative mistake and they did not get the full disability allowance, which made it really hard for them. Emma is coping now that she is in control of the finances.

**Mary:** Unfortunately, Mary got a new case manager and the same story was repeated. She again had to battle for her rights when her car broke down and she had to get financial help to fix it. She needs her car for health reasons but she had to prove this to her new case manager. This tends to happen every time she gets a new case manager: the same thing happens over again.

**Generally:** 50% of the people who shared their stories with us have moved on and have not been seen at the foodbank since last year. The other half are working to improve the circumstances but are still trapped in the system.

*The Poverty treadmill rolls on.*

UPDATE is grateful to these clients who gave their permission for us to comment on their progress.

## Welfare to Work

'Jobs Jolts' and various other slogan programmes for moving people off welfare rolls and into work may offer some limited success to their designers. What does not alter is that much of the movement at the edges of unemployment rolls is from unemployment benefit to low paid, part time work. The positive effect on reducing poverty is very debatable. We know that the vast majority of people on benefits would rather work. The chart opposite shows the discouragements an adult in a five person family on maximum benefits faces in moving into the work force. \$11.15 per hour is top money.

If we were to chart it on the basis of the more common \$9.65 an hour faced by women carers re-entering the work-force the discouragement is even greater.

## Special Benefits

In a targeted benefit regime the Special Benefit is designed to see that those in special need receive assistance. Last year national attention was drawn by Downtown Community Ministry to the fact that a very small percentage of those entitled were receiving this benefit. Some offices of WINZ were targeted with volunteers giving out application forms to everyone walking through the door.

Since then a Work and Income NZ Task Force has looked into this serious under utilisation of the Special Benefit.

It is now policy to attach a Special Benefit application form to every emergency grant application. WINZ has also increased its front line staffing and seconded staff to cooperate with welfare agencies to increase awareness of problems in this area.

The results of all these efforts are evident in the table UPTAKE.

There remains a basic question of whether putting more staff into offices is the best answer to a complex system of delivering assistance. The Minister promises some 'reforms'. Watch this space.

### INCREASED WEEKLY INCOME WHILE WORKING ON AN UNEMPLOYMENT BENEFIT



Vivienne

" I work for a home support agency. The pay is not great but I love the work. I've been with three clients for six years. This year I've had time off because of illness and am still on an invalid's benefit but am doing a few hours a week for my favourite clients. But it's not financially worth it. They also mess up my pay from WINZ and now I've got a bill for \$1000. I think I'll quit and do some study "

## UPTAKE

### Special Benefits In Dunedin

|                                     |             |
|-------------------------------------|-------------|
| <b>August 2001 people qualified</b> | <b>1295</b> |
| <b>Receiving Special Benefit*</b>   | <b>65</b>   |
| <b>May 2002*</b>                    |             |
| <b>Receiving Special Benefit</b>    | <b>263</b>  |
| <b>March 2003*</b>                  |             |
| <b>Receiving Special Benefit</b>    | <b>536</b>  |
| <b>September 2003*</b>              |             |
| <b>Receiving Special Benefit</b>    | <b>752</b>  |

The largest increase in these numbers over the past three months is in Dunedin South, Mosgiel and Dunedin North have declined.

