

Ka Mākona

Income adequacy in Aotearoa New Zealand: Three Household Scenarios



kore hiakai
Zero Hunger Collective

Executive Summary

Kore Hiakai Zero Hunger Collective have a vision for a food secure Aotearoa where everyone in Aotearoa New Zealand has dignified access to **enough** good food.

So what does it look like to have **enough**? This is the question that lies behind the **Ka Mākona** – Income Adequacy in Aotearoa Report. In this report we explore what it might mean that everyone has **enough to thrive**. Food is only one part – Thriving requires sufficient income, affordable housing, affordable living costs such as power and transport, as well as access to enough good food.

All these are needed to enable people to thrive – to participate fully in life.

To help facilitate conversations around how much is enough, Kore Hiakai has researched and developed these three household scenarios. They provide a snapshot in time from mid 2021 of what the current reality is for many of our whānau in Aotearoa New Zealand. This snapshot starkly illustrates that current incomes and income support are inadequate to enable people to thrive.

Our hope is that this initial research will inform and shape some much needed conversations about what might happen next, to enable Ka Mākona – to enable an Aotearoa in which all are food secure, in which all can fully participate and thrive.

Mai te Whai-ao, ki te Ao mārama

This part of the whakapapa of creation speaks of the coming of dawn, of hope and the potential of the new day.

Ngā mihi nui to those who assisted in peer reviewing the initial phases of this research, to our partner organisations whose frontline work informs these findings and to Ariki Creative for weaving their magic over our words to create the visuals that bring life to this report.

He kai kei āku ringaringa

I have food at the end of my hands

Ka Mākona

Income adequacy in Aotearoa New Zealand: Three Household Scenarios

Dr Ashley Bloomfield notes that the 2019 Household Food Insecurity Among Children: New Zealand Health Survey “highlights the association between low socioeconomic position and household food insecurity.”¹

Introduction

Kore Hiakai have constructed the following household budget scenarios to illustrate what needs to change so that all have enough to thrive – Ka Mākona. **These scenarios have been formed using publicly available data, to highlight how households on low income have insufficient financial resources to cover basic costs of living.** What remains after housing and fixed costs such as transport, utilities and basic healthcare is often barely enough for a basic food basket and leaves little to nothing for variable costs such as clothes, insurance, debt repayment, childcare, appliances, sports or cultural activities, gifts and any unexpected expenses.

Methods and assumptions

The scenarios cover three types of households – single adult living alone, single adult with two children, and two adults with two children. There is an average scenario and then we have modelled it for income and expenditure across the four main centres – Auckland, Wellington, Christchurch and Dunedin. These scenarios include information that is easily accessible publicly and are quite simple as a result. Both multiple people households have children aged 10 and 4, requiring a three-bedroomed house, in keeping with Housing New Zealand guidelines that children 10 years and over of different gender should have their own bedroom.³

While including a figure for food costs in these scenarios, we acknowledge that food also often ends up being a variable or ‘discretionary’ budget item, more negotiable than other fixed calls on finances. As Dr Rebekah Graham notes, “Families can draw on coping strategies such as making do and stretching meals for a short while, but when food insecurity, food poverty, and hidden hunger become an everyday reality, it has long-term, negative impacts on mental well-being and physical health.”²

Food insecurity is about more than food, it is about insufficient income

Aotearoa: Land of the Long, Wide, Bare Cupboard.
Child Poverty Action Group paper

Income: For a 1 adult 2 children family, income figures are the same whether the sole parent is on Sole parent or Jobseeker support. We included all basic entitlements from the July 2021 benefit increases – base benefit, accommodation supplement, Working for Families and Disability Allowance.⁴ We have not included additional entitlements as the variances are too specific to each whānau circumstance. Temporary Additional Support (TAS) was not included because it is “temporary” (must be reapplied for every 12-13 weeks), and while it can be calculated from formulas within Work and Income New Zealand (WINZ) policy, this is not particularly easy information to access publicly. From others’ research we can see that most households receive less than \$50/wk in TAS. We also did not include the Winter Energy Payment (WEP). This is an extra \$20/adult or \$32/family is only available to those receiving WINZ support, for a portion of the year, and so is not included in these scenarios. By looking at the end discretionary figure, you can see that the extra \$20-50 in TAS and \$20/\$32 WEP

makes a difference, however they do not substantially alter the reality of deficit.

... last time I tried to live on a benefit [in a house] I was running a hundred dollars a week short ...

Daniel’s story from “Income Support in the wake of Covid-19: Interviews” (University of Auckland April 2021)

Housing: We have modelled the housing costs from suburbs with low-income populations, using Q1 2021 Tenancy Services bond information for lower quartile rents in Mangere, Kilbirnie, Linwood and South Dunedin. Included in the figures are the percentage of after-tax income spent on housing. The government acknowledges that “spending

more than 30% of disposable household income on housing costs is generally considered unaffordable.”⁵ Mortgage calculators work on affordability as at no more than 40% of net income. One anomaly highlighted by these scenarios is the discrepancy in accommodation supplement amounts in different localities. We chose to include Kilbirnie as a Wellington suburb to highlight that Wellington rents are in many instances comparable or higher than Auckland, but the mechanism for calculating accommodation supplements has not kept pace with these actual rental figures⁶.

Thus, low-income households in Wellington are struggling to an even greater extent – the deficit is worst in Wellington across each household type. We acknowledge that these households could choose to live further out of town, but the rental difference would be replaced with higher transport costs for working adults and would move people away from whānau and neighbourhood support networks.⁷

Fixed Living Costs: Living costs include transport and vehicle expenses, utilities, telephone, internet, health and medical costs – all relatively fixed, non-negotiable costs. The figures included are drawn from the average household spending figures used by Inland Revenue Department (IRD) in their “Household Expenditure Guide”.⁸ Insurances are not included – these are one of the first things to be dropped off family budgets, according to the “Measuring Child Poverty – Material Hardship Deprivation index” used by Statistics New Zealand.⁹ The final column shows the discretionary funds (minus housing, basic living and food costs) that remain to cover debt repayments, insurances, other basic but variable everyday expenses (clothing, childcare, education and school activities or uniform, cultural, sporting and recreational, gifts, holidays, appliances and IT equipment), as well as any unexpected expenses.

Food and Grocery: Food and grocery costs are shown, along with the percentage of income (after housing costs) that is spent on food. These scenarios are based on what the University of Otago Food Survey deems a basic weekly food ‘basket’ for adequate nutrition and include a figure for grocery items such as cleaning and sanitary products usually bought with food.¹⁰ Food affordability benchmarks suggest a food budget of around 25% of income, after housing costs (AHC), is acceptable. Where food costs more than 30% of AHC income, families are deemed to be in ‘food stress’. We also want to acknowledge that not all households have easy access to affordable food sources such as supermarkets based on geographic locality and transport options available to them.¹¹

Exclusions: These scenarios exclude debt repayments – a reality for many low-income households. The Welfare Expert Advisory Group (WEAG) Example Families and Budgets paper published in February 2019 uses the average Ministry of Social Development (MSD) debt repayment amount made by MSD clients of \$13/week as a low-debt scenario. For many families this is much higher.

WEAG notes that “having high-debt obligations can significantly affect the financial resources available to families and influence the amount spent on other essentials.”¹² The WEAG paper uses a similar approach modelling scenarios for different households receiving benefits, however there are some key differences in these models regarding what is included as basic living costs. The WEAG model included insurance, school and childcare costs, whereas the scenarios below exclude these, in keeping with our ‘simple, easily publicly accessible, fixed household costs’ approach. This means the scenarios below are very skeletal in terms of basic, fixed household necessities, and omit variable necessities such as clothing. By way of comparison an adequate income, such as the Living Wage, would include these and other costs deemed necessary for thriving.

Covid-19 impacts: There has been little rationale for why the Covid-19 Income Relief Payment was set at a level different from other Unemployment Benefits. A recent study from University of Auckland notes “For those who lost their jobs due to Covid-19 between March and October 2020, the Covid-19 Income Relief Payment was paid at \$490 per week for 12 weeks. This support was untaxed and paid at a higher level than the base rate of main benefits. For instance, those on Job Seeker Support received only \$250 per week (after tax) during the Covid-19 Income Relief Payment period.”¹³ Kore Hiakai also note that the increased cost of basic household and grocery items impacted low-income households most during

the 2020 Covid-19 lockdowns, as those with greater discretionary funds could purchase cheap items in bulk, unlike families who struggle to finance even a weekly grocery shop.

Findings: Even with the considerable increases to benefits due to come into full effect April 2022, these models demonstrate the level of deficit low-income families will continue to live with on a weekly basis. This constant deficit creates levels of unsustainable debt. One of the biggest differences that would improve the wellbeing of these households would be an increase in basic benefit and wage levels.



¹Household Food Insecurity Among Children: New Zealand Health Survey. Ministry of Health, 2019.

²Dr Rebekah Graham, Food Insecurity in New Zealand Part 2: Living with hunger: How families manage when things are tight, Child Poverty Action Group paper, August 2019

³<https://cdn.auckland.ac.nz/assets/arts/schools/anthropology/rale-06.pdf>

⁴Data drawn from MSD and WINZ websites, April – June 2021

⁵Child Poverty Related Indicators Report. New Zealand Government, May 2021

⁶This discrepancy was mentioned in the WEAG report in Feb 2019, but has remained unchanged, while Wellington rental increases have been among the highest nationwide in the past year.

⁷We note that research often focuses on East Porirua or Hutt Valley low socio-economic areas for the greater Wellington region, however there are low-income families trying to make budgets work within Wellington City whose reality is often unseen.

⁸Living costs are taken from the IRD Household Expenditure Guide, using Statistics NZ 2019 Household Economic Survey data. Costs have been CPI-adjusted for Q1 2021.

⁹<https://www.stats.govt.nz/methods/measuring-child-poverty-material-hardship>

¹⁰The Otago Food Cost Survey provides costing for basic, moderate and liberal weekly spend. These scenarios use the basic costing with figures CPI-adjusted to Q1 2021.

Department of Human Nutrition, 2019, Information Package for Users of the New Zealand Estimated Food Costs 2019 [Food Cost Survey 2019]. [C. Smith, Ed.], University of Otago

¹¹Food Costs for Families, paper prepared for Wellington Regional Public Health by Vicki Robinson, November 2010. (updated 2012).

¹²Example Families and Budgets background paper, Welfare Expert Advisory Group, Feb 2019.

¹³Income Support in the wake of Covid-19: Interviews, by Louise Humpage and Charlotte Moore, Auckland University, April 2021.

Appendix One: Income Adequacy: Average across Aotearoa New Zealand

	Income (gross)	Income (net)	Accomm supplement ¹	Other supplements	Total net income	Housing cost ²	housing as % of income	AHC income ³	Fixed living costs ⁴	Food & grocery cost ⁵	food as % of AHC income	remainder income / deficit	Budget'21 base benefit after tax	\$ benefit increase by April 2022	remainder / deficit from April 2022
Single adult family															
jobseeker	314.73	278.50	105.00		383.50	248.75	65%	134.75	210.01	91.07	68%	- 166.33	315.00	36.50	-129.83
supported living	385.22	336.65	105.00	66.00	507.65	248.75	49%	258.90	210.01	91.07	35%	- 42.18	359.00	22.35	- 19.83
minimum wage ⁶	800.00	677.33	38.00		715.33	248.75	35%	466.58	210.01	91.07	20%	165.51			
living wage ⁷	884.00	745.86	17.00		762.86	248.75	33%	514.11	210.01	91.07	18%	213.04			
median wage ⁸	1,080.00	875.22	-		875.22	248.75	28%	626.47	210.01	91.07	15%	325.40			
1 adult 2 children family															
jobseeker / sole parent	470.22	406.78	220.00	204.00	830.78	501.25	60%	329.53	206.87	186.96	57%	- 64.30	434.00	27.22	-37.08
supported living	529.37	455.58	218.00	270.00	943.58	501.25	53%	442.33	206.87	186.96	42%	48.50	485.00	29.42	77.92
minimum wage	800.00	677.33	199.00	276.00	1152.33	501.25	43%	651.08	206.87	186.96	29%	257.25			
living wage	884.00	745.86	178.00	255.00	1178.86	501.25	43%	677.61	206.87	186.96	28%	283.78			
median wage	1,080.00	875.22	129.00	205.00	1209.22	501.25	41%	707.97	206.87	186.96	26%	314.14			
2 adults 2 children family⁹															
jobseeker	537.76	481.30	220.00	204.00	905.30	501.25	55%	404.05	307.84	259.03	64%	- 162.81	566.00	84.70	- 78.11
supported living	655.20	578.24	220.00	336.00	1134.24	501.25	44%	632.99	307.84	259.03	41%	66.13	640.00	61.76	127.89
minimum wage	1,200.00	1020.62	118.00	176.00	1314.62	501.25	38%	813.37	307.84	259.03	32%	246.51			
living wage	1,326.00	1123.22	88.00	147.00	1358.22	501.25	37%	856.97	307.84	259.03	30%	290.11			
median wage	1,620.00	1342.06	83.00	75.00	1500.06	501.25	33%	998.81	307.84	259.03	26%	431.95			

¹ Working for Families, Disability supplement

² Based on average of actual rents in four main centres, from Tenancy Services Median Rental figures Oct-Mar 20-21

³ AHC: After Housing Costs

⁴ Based on average across four main centres from IRD Household Expenditure Guide, using Statistics NZ 2019 Household Economic Survey. This figure includes transport, utilities, phone/internet, vehicle costs, health and medical. Doesn't include any insurances, clothing, school or childcare costs.

⁵ Based on average across four main centres of the basic diet from Otago University Food Cost Survey 2019, plus non-food grocery expenses

⁶ \$20/hr for 40 hour/wk

⁷ \$22.10 for 40hr/wk

⁸ Median income as per Statistics NZ employment indicators for week ending 28 March 2021

⁹ Two adult family income is calculated at 1.5FTE, as per living wage calculations.

Appendix Two: Scenarios for four main centres Income Adequacy: Auckland

	Income (gross)	Income (net)	Accomm supplement	Other supplements	Total net income	Housing cost <small>*based on lower quartile rents for Mangere, Q1 2021</small>	housing as % of income	AHC income	Fixed living costs	Food & grocery cost	food as % of AHC income	remainder income / deficit	Budget'21 base benefit after tax	\$ benefit increase by April 2022	remainder / deficit from April 2022
Single adult family															
jobseeker	314.73	278.50	165.00		443.50	310.00	70%	133.50	200.99	92.90	70%	-160.39	315.00	36.50	-123.89
supported living	385.22	336.65	162.00	66.00	564.65	310.00	55%	254.65	200.99	92.90	36%	-39.24	359.00	22.35	-16.89
minimum wage	800.00	677.33	98.00		775.33	310.00	40%	465.33	200.99	92.90	20%	171.44			
living wage	884.00	745.86	78.00		823.86	310.00	38%	513.86	200.99	92.90	18%	219.97			
median wage	1,080.00	875.22	28.00		903.22	310.00	34%	593.22	200.99	92.90	16%	299.33			
1 adult 2 children family															
jobseeker / sole parent	470.22	406.78	298.00	204.00	908.78	550.00	61%	358.78	172.29	190.09	53%	-3.60	434.00	27.22	23.62
supported living	529.37	455.58	290.00	270.00	1015.58	550.00	54%	465.58	172.29	190.09	41%	103.20	485.00	29.42	132.62
minimum wage	800.00	677.33	221.00	276.00	1174.33	550.00	47%	624.33	172.29	190.09	30%	261.95			
living wage	884.00	745.86	201.00	255.00	1201.86	550.00	46%	651.86	172.29	190.09	29%	289.48			
median wage	1,080.00	875.22	151.00	205.00	1231.22	550.00	45%	681.22	172.29	190.09	28%	318.84			
2 adults 2 children family															
jobseeker	537.76	481.30	288.00	204.00	973.30	550.00	57%	423.30	275.36	263.20	62%	-115.26	566.00	84.70	-30.56
supported living	655.20	578.24	271.00	336.00	1185.24	550.00	46%	635.24	275.36	263.20	41%	96.68	640.00	61.76	158.44
minimum wage	1,200.00	1020.62	203.00	176.00	1399.62	550.00	39%	849.62	275.36	263.20	31%	311.06			
living wage	1,326.00	1123.22	173.00	147.00	1443.22	550.00	38%	893.22	275.36	263.20	29%	354.66			
median wage	1,620.00	1342.06	98.00	75.00	1515.06	550.00	36%	965.06	275.36	263.20	27%	426.50			

Appendix Two: Scenarios for four main centres Income Adequacy: Wellington

	Income (gross)	Income (net)	Accomm supplement	Other supplements	Total net income	Housing cost <small>*based on lower quartile rents for Kilbirnie, Q1 2021</small>	housing as % of income	AHC income	Fixed living costs	Food & grocery cost	food as % of AHC income	remainder income / deficit	Budget'21 base benefit after tax	\$ benefit increase by April 2022	remainder / deficit from April 2022
Single adult family															
jobseeker	314.73	278.50	105.00		383.50	320.00	83%	63.50	157.70	89.76	141%	- 183.96	315.00	36.50	- 147.46
supported living	385.22	336.65	105.00	66.00	507.65	320.00	63%	187.65	157.70	89.76	48%	- 59.81	359.00	22.35	-37.46
minimum wage	800.00	677.33	38.00		715.33	320.00	45%	395.33	157.70	89.76	23%	147.87			
living wage	884.00	745.86	18.00		763.86	320.00	42%	443.86	157.70	89.76	20%	196.40			
median wage	1,080.00	875.22	-		875.22	320.00	37%	555.22	157.70	89.76	16%	307.76			
1 adult 2 children family															
jobseeker / sole parent	470.22	406.78	220.00	204.00	830.78	645.00	78%	185.78	201.74	181.74	98%	- 197.70	434.00	27.22	- 170.48
supported living	529.37	455.58	220.00	270.00	945.58	645.00	68%	300.58	201.74	181.74	60%	-82.90	485.00	29.42	-53.48
minimum wage	800.00	677.33	199.00	276.00	1152.33	645.00	56%	507.33	201.74	181.74	36%	123.85			
living wage	884.00	745.86	179.00	255.00	1179.86	645.00	55%	534.86	201.74	181.74	34%	151.38			
median wage	1,080.00	875.22	129.00	205.00	1209.22	645.00	53%	564.22	201.74	181.74	32%	180.74			
2 adults 2 children family															
jobseeker	537.76	481.30	220.00	204.00	905.30	645.00	71%	260.30	310.61	252.76	97%	- 303.07	566.00	84.70	- 218.37
supported living	655.20	578.24	220.00	336.00	1134.24	645.00	57%	489.24	310.61	252.76	52%	- 74.13	640.00	61.76	- 12.37
minimum wage	1,200.00	1020.62	118.00	176.00	1314.62	645.00	49%	669.62	310.61	252.76	38%	106.25			
living wage	1,326.00	1123.22	88.00	147.00	1358.22	645.00	47%	713.22	310.61	252.76	35%	149.85			
median wage	1,620.00	1342.06	13.00	75.00	1430.06	645.00	45%	785.06	310.61	252.76	32%	221.69			

Appendix Two: Scenarios for four main centres Income Adequacy: Christchurch

	Income (gross)	Income (net)	Accomm supplement	Other supplements	Total net income	Housing cost <small>*based on lower quartile rents for Linwood, Q1 2021</small>	housing as % of income	AHC income	Fixed living costs	Food & grocery cost	food as % of AHC income	remainder income / deficit	Budget'21 base benefit after tax	\$ benefit increase by April 2022	remainder / deficit from April 2022
Single adult family															
jobseeker	314.73	278.50	77.00		355.50	180.00	51%	175.50	240.67	91.85	52%	- 157.02	315.00	36.50	-120.52
supported living	385.22	336.65	68.00	66.00	470.65	180.00	38%	290.65	240.67	91.85	32%	- 41.87	359.00	22.35	-19.52
minimum wage ⁶	800.00	677.33	17.00		694.33	180.00	26%	514.33	240.67	91.85	18%	181.81			
living wage ⁷	884.00	745.86	-		745.86	180.00	24%	565.86	240.67	91.85	16%	233.34			
median wage ⁸	1,080.00	875.22	-		875.22	180.00	21%	695.22	240.67	91.85	13%	362.70			
1 adult 2 children family															
jobseeker / sole parent	470.22	408.78	182.00	204.00	792.78	390.00	49%	402.78	226.72	191.14	47%	- 15.08	434.00	27.22	12.14
supported living	529.37	455.58	174.00	270.00	899.58	390.00	43%	509.58	226.72	191.14	38%	91.72	485.00	29.42	121.14
minimum wage	800.00	677.33	168.00	276.00	1121.33	390.00	35%	731.33	226.72	191.14	26%	313.47			
living wage	884.00	745.86	147.00	255.00	1147.86	390.00	34%	757.86	226.72	191.14	25%	340.00			
median wage	1,080.00	875.22	98.00	205.00	1178.22	390.00	33%	788.22	226.72	191.14	24%	370.36			
2 adults 2 children family															
jobseeker	537.76	481.30	169.00	204.00	854.30	390.00	46%	463.30	322.69	264.25	57%	- 122.64	566.00	84.70	-37.94
supported living	655.22	578.24	152.00	336.00	1066.24	390.00	37%	676.24	322.69	264.25	39%	89.30	640.00	61.76	151.06
minimum wage	1,200.00	1020.62	81.00	176.00	1277.62	390.00	31%	887.62	322.69	264.25	30%	300.68			
living wage	1,326.00	1123.22	50.00	147.00	1320.22	390.00	30%	930.22	322.69	264.25	28%	343.28			
median wage	1,620.00	1342.06	-	75.00	1417.06	390.00	28%	1,027.06	322.69	264.25	26%	440.12			

Appendix Two: Scenarios for four main centres Income Adequacy: Dunedin

	Income (gross)	Income (net)	Accomm supplement	Other supplements	Total net income	Housing cost <small>*based on lower quartile rents for South Dunedin, Q1 2021</small>	housing as % of income	AHC income	Fixed living costs	Food & grocery cost	food as % of AHC income	remainder income / deficit	Budget'21 base benefit after tax	\$ benefit increase by April 2022	remainder / deficit from April 2022
Single adult family															
jobseeker	314.73	278.50	80.00		358.50	185.00	52%	173.50	240.67	89.76	52%	- 156.93	315.00	36.50	120.43
supported living	385.22	336.65	71.00	66.00	473.65	185.00	39%	288.65	240.67	89.76	31%	- 41.78	359.00	22.35	- 19.43
minimum wage	800.00	677.33	20.00		697.33	185.00	27%	512.33	240.67	89.76	18%	181.90			
living wage	884.00	745.86			745.86	185.00	25%	560.86	240.67	89.76	16%	230.43			
median wage	1,080.00	875.22	-		875.22	185.00	21%	690.22	240.67	89.76	13%	359.79			
1 adult 2 children family															
jobseeker / sole parent	470.22	406.78	160.00	204.00	770.78	420.00	54%	350.78	226.72	184.87	53%	- 60.81	434.00	27.22	-33.59
supported living	529.37	455.58	160.00	270.00	885.58	420.00	47%	465.58	226.72	184.87	40%	53.99	485.00	29.42	83.41
minimum wage	800.00	677.33	146.00	276.00	1099.33	420.00	38%	679.33	226.72	184.87	27%	267.74			
living wage	884.00	745.86	125.00	255.00	1125.86	420.00	37%	705.86	226.72	184.87	26%	294.27			
median wage	1,080.00	875.22	76.00	205.00	1156.22	420.00	36%	736.22	226.72	184.87	25%	324.63			
2 adults 2 children family															
jobseeker	537.76	481.30	160.00	204.00	845.30	420.00	50%	425.30	322.69	255.89	60%	- 153.28	566.00	84.70	- 69.58
supported living	655.20	578.24	160.00	336.00	1074.24	420.00	39%	654.24	322.69	255.89	39%	75.66	640.00	61.76	137.42
minimum wage	1,200.00	1020.62	72.00	176.00	1268.62	420.00	33%	848.62	322.69	255.89	30%	270.04			
living wage	1,326.00	1123.22	42.00	147.00	1312.22	420.00	32%	892.22	322.69	255.89	29%	313.64			
median wage	1,620.00	1342.06	-	75.00	1417.06	420.00	30%	997.06	322.69	255.89	26%	418.48			



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Paper prepared by Jennie Sim, for Kore Hiakai Zero Hunger Collective, Oct 2021

www.zerohunger.org.nz