

THE COST OF HOUSING AND HOUSING SUPPORT

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Abstract

This paper investigates what impact housing costs may have had on the financial outgoings of households over the past decade. Two sources of data are used for the analysis. The first is a population-level analysis of housing cost outcomes using Statistics New Zealand's Household Economic Survey. The second is data from Work and Income Systems on those receiving the Accommodation Supplement. This study demonstrates that escalations in housing costs have had the potential to affect the financial fortunes of individuals and households over the past decade. Housing assistance has been crucial in containing negative housing cost outcomes for many low-income New Zealanders. Housing cost outcomes are not uniform across the population, with considerable compositional differences in terms of who might be experiencing housing-related financial difficulties.

INTRODUCTION

The past decade has seen major changes in housing policy. The most fundamental of these changes saw a shift from the direct provision of housing to the provision of a tenure-neutral cash subsidy in 1993. This direct cash subsidy, Accommodation Supplement (AS), replaced all other existing forms of housing assistance. The underlying rationale, advanced by the National Government of the day, was that housing policy should focus on ensuring that people had enough money to participate in the housing market rather than ensuring an adequate supply of affordable housing through the direct provision of rental housing and mortgage finance for low-income households (Campbell 1999).

AS, administered by Income Support Services, replaced subsidised rents, home loans and several smaller programmes. In addition, state tenants were gradually moved from income-related to "market" rents and the Housing Corporation was restructured into

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Housing New Zealand and the Ministry of Housing. Housing New Zealand administered state rental housing as a commercial enterprise, while the Ministry of Housing provided policy advice to the Minister and managed Tenancy Services, an information and disputes-resolution service relating to tenancy law (Campbell 1999). A final element of this reorganisation was the Cabinet reshuffle in August 1998. This resulted in removal of the position of Minister of Housing and a shift of responsibility for policy advice on housing to the Social Policy Agency of the Department of Social Welfare.

The election of the Labour Coalition in 1999 signalled a partial reversal of this policy. The reintroduction of income-related rents for state house tenants had been a major election platform. From 1 December 2000, the rents of state house tenants (who meet eligibility) will be set at 25% of their income and state houses will be allocated on a needs basis to those with serious housing need. Those currently in receipt of AS, who do not rent from the state, continue to receive AS at existing levels.

This current shift in policy will involve the merging of Housing New Zealand, the Housing Corporation of New Zealand and Community Housing Limited into a single organisation. The new integrated agency, known as Housing New Zealand Corporation (HNZC), will deliver integrated housing services for low-income New Zealanders and community groups. Housing policy advice will also be provided by HNZC.

These changes in housing policy over the past decade have been accompanied by research and criticism about growing poverty and hardship, with some commentators arguing that housing, and in particular the cost of housing, has had a worsening effect on poverty and financial hardship in New Zealand (Stephens et al. 1995, 2000, Brosnahan 1995, Campbell 1999, Christchurch Housing Network 1994, New Zealand Council of Christian Social Services and Roberts 1992).

This paper attempts to investigate what impact housing costs may have had on the financial outgoings of households over the past decade. Two sources of data are used for the analysis. The first is a population-level analysis of housing cost outcomes using the Household Economic Survey. The second is data from Work and Income Systems on those receiving AS (many of whom are beneficiaries) who, in order to qualify, must be experiencing financial difficulties in otherwise paying for accommodation. The analysis provides an indication of:

- whether housing cost outcomes have worsened for households below defined low-income thresholds; and

- whether housing cost outcomes have worsened for beneficiaries and others on low incomes who receive AS.

It must be noted however, that this is not a definitive analysis of poverty or financial hardship, nor is it a comprehensive analysis of housing affordability in New Zealand. It is merely an attempt to quantify to what extent housing costs have affected the “affordability outcomes” for different groups in New Zealand over the past decade. It must also be acknowledged that “affordability outcomes” measured more comprehensively would attempt to quantify the ability to purchase other essential goods and services after paying housing costs. In this sense, the affordability outcome measure used in this paper is a narrower definition of affordability, but has been applied as a constant benchmark to monitor before-and-after housing assistance changes over time.

METHODOLOGY

The analysis in this report is based on two sources of data:

- Data on recipients of AS held on the Ministry of Social Policy’s Information Analysis Platform; and
- Statistics New Zealand’s Household Economic Survey data².

AS was introduced on 1 July 1993. Recipients of AS include those receiving core income support (beneficiaries and New Zealand Superannuitants) and those not receiving any core income support but qualifying for and receiving AS (non-beneficiaries). AS data used consist of snapshot profiles of recipients of AS as at the end of June each year from 1995 to 2000.

A measure of hardship is defined using a residual income ratio. Residual income is income that is left after housing costs have been paid. The residual income ratio is calculated using the following formula:

$$\text{(net income1 – (housing costs – housing assistance)) / net income2}$$

² Access to the Household Economic Survey data used in this study was provided by Statistics New Zealand under conditions designed to give effect to the confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the author.

Net income¹ is total net income excluding family support.

Net income² is the relevant benefit rate + family support for beneficiaries, or the basic unemployment benefit rate relevant to a particular family configuration + family support for non-beneficiaries³.

This approach allows for the standardisation of net income² for non-beneficiaries so that a comparison can be made between the two groups. The residual income ratio that results has the inherent qualities of being price-adjusted, and adjusted to family size and family type. The formula subtracts accommodation assistance from housing costs, treating accommodation assistance as additional assistance to deflect accommodation costs, rather than as a general income supplement.

Because housing assistance is netted out, examination of this residual income provides an indication of the degree to which AS has succeeded in maintaining the income that recipients have to meet other expenses.

Furthermore, as the majority of those who receive AS are beneficiaries, these data allow us to monitor changes in the income and housing circumstances of those in the population who are financially the most vulnerable.

For the purpose of this analysis, those who have a residual income ratio of less than 30% are classified as having “low residual income ratios”. Examination of the distribution of residual income ratios shows that 75% of AS recipients have a residual income (after accommodation costs and AS are netted out), of between 30% and 70% of their total income. It is likely that those in the bottom quartile of this distribution, who have residual incomes below 30%, would be unable to meet other living costs such as food, clothing and medical care on an ongoing basis. This expectation is reflected in the current income assistance structure, as the 30% threshold forms an important part of the qualifying circumstances for the granting of Special Benefit assistance. It must be noted, however, that the threshold applied reflects the tail end of the distribution of residual income for those who receive AS and is not based on any notion of “income adequacy”. It merely sets a constant benchmark around the bottom quartile of the distribution of residual income, in order to monitor changes over time.

³ When this formula was first trialled, family support was excluded from the numerator net income¹ because it is not counted as income when assessing eligibility for AS. A sensitivity analysis including family support in net income¹ shows that those with residual income ratios $\leq 30\%$ fluctuates around 4% (with housing assistance included).

A similar residual income ratio is calculated for households below two low-income thresholds using the Household Economic Survey. The formula⁴ used is:

$$\text{Residual Income Ratio} = \frac{\text{Household Disposable Income} - \text{Accommodation Cost}}{\text{Household Disposable Income}}$$

This approach is used to examine trends in housing cost outcomes for all low-income households in New Zealand. Reasons for including this population-level analysis is because it is difficult to assess the rate of take-up of AS amongst low-income New Zealanders who do not access a core benefit. Furthermore, some low-income people may not be eligible for AS because they have low accommodation costs. The two low-income thresholds used are⁵:

- households with disposable household incomes below the married couple Invalids Benefit rate; and
- households with disposable household incomes below the Benefit Datum Line (BDL).

The married couple Invalids Benefit rate is used because it equates to the point at which AS starts to abate for non-beneficiaries (i.e. those who do not receive a core income support but may qualify for supplementary assistance such as AS).

The BDL is used as a slightly higher low-income threshold that equates to the inflation-adjusted 1972 married couple Unemployment Benefit rate. The 1972 Royal Commission on Social Security adopted this rate as the practical minimum income level that was consistent with the principle of “participation and belonging”. Embodied in this concept is the notion that the state has a role in ensuring, not “a mere hand-to-mouth security”, but “a modest affluence for all” (De Bruin 1994).

The analysis of both Work and Income and Household Economic Survey data enables trends across the two sources to be compared and validated.

⁴ In this calculation, AS is included in Household Disposable Income, because it has not been possible to separate out AS from income for the 1992-97 HES years. While AS is recorded separately in the 1998 year, the need for a consistent time series has meant that it has been included in Household Disposable Income. An estimate of residual income ratios, which subtracts AS from accommodation costs, results in the same residual income ratio for the 1997-98 HES year.

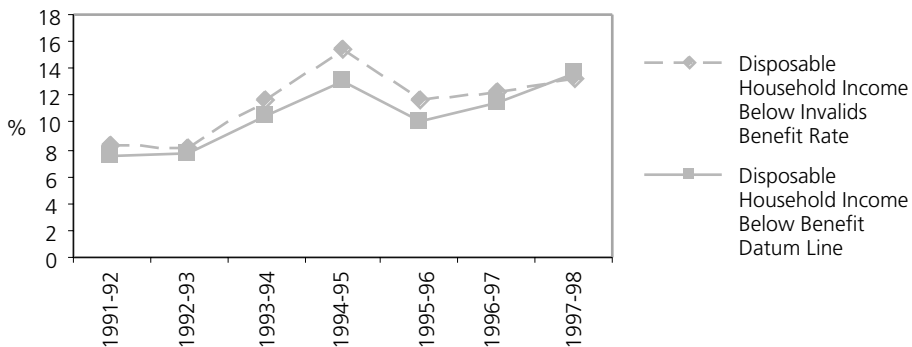
⁵ See Krishnan (1995), Easton (1994), and Mowbray (2001), for background on the use of low-income thresholds.

HOUSING AFFORDABILITY OUTCOMES FOR LOW-INCOME HOUSEHOLDS

The risk of financial difficulties caused by housing costs over time can be monitored by looking at changes in residual income ratios of households. This approach looks at changes in the proportion of low-income households who have less than 30% of their income left to spend after paying for housing costs. For the purpose of this analysis, this group will be defined as having a “low residual income ratio”.

Using the Invalids Benefit threshold, 8% of low-income households had a residual income of less than 30% of disposable household income in 1992. This increased to 15% by 1995 and dropped to 12% a year later. By 1998, however, households with low residual income ratios had increased slightly to 13%. A similar pattern is observed for low-income households with disposable household incomes below the BDL.

Figure 1 Low-Income Households* With Residual Income Less than 30% of Disposable Household Income



*Defined as those with Disposable Household Incomes (DHI) below the Invalids Benefit rate or the Benefit Datum Line.

Source: Derived from Statistics New Zealand’s Household Economic Survey by Ministry of Social Policy.

These results show that over the period 1992 to 1998, real housing costs have increased at a significantly greater rate than disposable household incomes, resulting in lower real residual incomes for low-income households.

Table 1 Price-adjusted Mean Annual Rates of Accommodation Costs and Household Disposable Incomes for Low-income Households*

| Low-income Thresholds | Households with Disposable Household Incomes Below the Invalids Benefit Rate | | | Households with Disposable Household Incomes Below the Benefit Datum Line | | |
|--------------------------|--|--|-----------------------------------|---|--|-----------------------------------|
| | Mean | | | Mean | | |
| | Mean Accomm. Costs \$ | Disposable Household Incomes \$ | Mean Residual Incomes \$ | Mean Accomm. Costs \$ | Disposable Household Incomes \$ | Mean Residual Incomes \$ |
| | 1991-92 | 3056 | 10001 | 6945 | 3083 | 10608 |
| 1992-93 | 3107 | 10480 | 7373 | 3157 | 11310 | 8,153 |
| 1993-94 | 3284 | 9981 | 6697 | 3272 | 10772 | 7,500 |
| 1994-95 | 3597 | 10219 | 6622 | 3443 | 11130 | 7,687 |
| 1995-96 | 3550 | 10072 | 6522 | 3479 | 11069 | 7,590 |
| 1996-97 | 3505 | 9994 | 6489 | 3582 | 10876 | 7,294 |
| 1997-98 | 3803 | 10060 | 6257 | 4040 | 10684 | 6,644 |
| % Change | | | | | | |
| 1992-95 | 17.7 | 2.2 | -4.6 | 11.7 | 4.9 | 2.2 |
| % Change | | | | | | |
| 1995-98 | 5.7 | -1.6 | -5.5 | 17.3 | -4.0 | -13.6 |

*CPI adjusted to 1998, using March Quarter series (June 1999 Base), Statistics New Zealand.

Source: Derived from Statistics New Zealand's Household Economic Survey, 1992-1998, by Ministry of Social Policy.

HOUSING AFFORDABILITY OUTCOMES FOR AS RECIPIENTS

Changes in the cost of housing have a direct effect on financial well-being, particularly for those on low incomes. Housing costs include such things as mortgage payments, property rates, rent and board payments. The following analysis draws on a subset of low-income households (those who access income support), and profiles trends in affordability outcomes for this group. This will contextualise some of the trends identified above by profiling the characteristics of those who have low residual income ratios. Furthermore, the following analysis will assess the impact of housing assistance on affordability outcomes for those who receive AS.

Movements in Base Rates of Housing Costs and Housing Assistance

In the five years between June 1995 and June 2000 the following changes occurred:

- Average housing costs for those receiving AS increased from \$128 per week to \$143 per week. This is an increase in average housing costs of 12%;
- Average housing assistance paid to those receiving AS also grew from \$39 per week to \$50 per week, a growth of 28%;
- The mean amount of residual income that people had left after paying for housing costs grew by 6% from an average of \$155 per week to \$165 per week;
- The total average net income of those receiving AS increased from \$236 per week to \$256 per week (a rate of growth of 8%).

Most of the increase in accommodation costs over this period seems to have occurred between 1995 and 1997, with a subsequent stabilisation in growth occurring between 1997 and 2000. In the year to June 2000, however, there was a fall in average residual income, reflecting a fall in the average net incomes of those receiving AS over that year.

Table 2 Price-adjusted Mean Weekly Rates for Those Receiving AS*

| | Mean Residual Income \$ | Mean Housing Assistance \$ | Mean Housing Costs \$ | Mean Total Net Income \$ |
|--------|----------------------------------|-------------------------------------|--------------------------------|-----------------------------------|
| Jun 95 | 155.75 | 39.30 | 128.41 | 236.83 |
| Jun 96 | 159.60 | 41.01 | 131.76 | 243.79 |
| Jun 97 | 158.95 | 44.84 | 138.29 | 247.49 |
| Jun 98 | 165.77 | 49.66 | 141.80 | 254.25 |
| Jun 99 | 166.78 | 50.22 | 143.37 | 257.38 |
| Jun 00 | 165.53 | 50.30 | 143.56 | 256.49 |

*CPI adjusted to 2000, using June Quarter series (June 1999 Base including interest series), Statistics New Zealand.

Source: Accommodation Supplement Data, 1995-2000, Ministry of Social Policy.

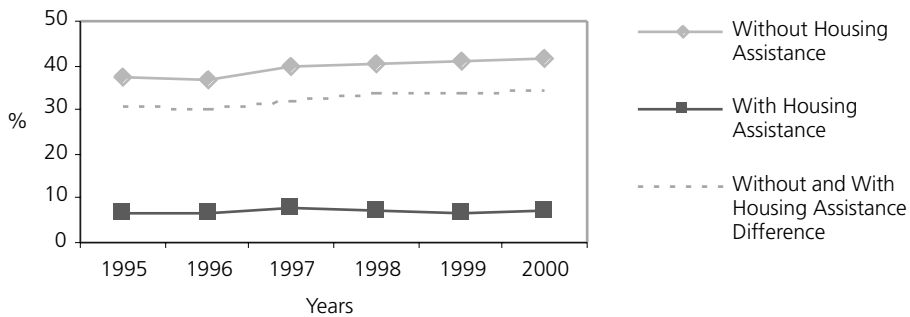
Changes in Residual Incomes for AS Recipients

The proportion of AS recipients with low residual income ratios has fluctuated around 7% over the 1995 to 2000 period. Without housing assistance, the proportion with low residual income ratios would have increased from 37% in 1995 to 41% in 2000.

The net outcome of housing assistance has been to stabilise the proportion with low residual income ratios at around 7%, despite the increase in housing cost.

It must be noted, however, that there has been no reduction in the proportion of recipients with low residual incomes over this period. The widening gap between the before-and-after housing cost proportions with low ratios indicates that, over this period, housing costs have escalated and housing assistance has had to play a more significant role in moderating their effect.

Figure 2 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income



Source: Accommodation Supplement Data 1995-2000, Ministry of Social Policy.

Regional Variations in Residual Incomes

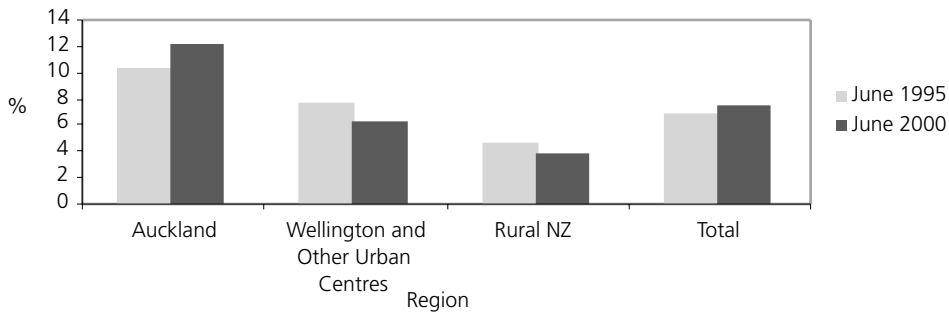
It has been well documented (Waldegrave and Sawrey 1994, Brosnahan 1995) that housing costs have a differential impact on residual incomes across the country with some parts of the country experiencing hyper-inflation in housing costs over the past five years.

An analysis of the data on those receiving AS shows that those living in the Auckland region were more likely to have low residual income ratios, as a result of housing costs, than those in other parts of the country. In June 2000, 12% of Aucklanders receiving the AS were in this category, compared with 6% of those in Wellington or other urban centres and 4% of rural New Zealand.

The likelihood of falling into this category over this period had increased for Aucklanders and declined slightly for other regions⁶.

⁶ The regional analysis could be enhanced by further research into the correlation between overall economic deprivation and housing affordability using the New Zealand Deprivation Index.

Figure 3 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income by Region



Source: Accommodation Supplement Data 1995-2000, Ministry of Social Policy.

Effects of Tenure

Tenure neutrality was an element of the AS rationale. The goal was to target assistance across a broader cross-section of society, based on need. The type of tenure that one held was not to influence the type of assistance that one received, making private sector provision of housing a more significant player in the low-income housing market.

In terms of having low residual income ratios, however, AS recipients who had private sector rentals and private sector mortgages had the highest likelihood of being in this category, after housing assistance, in June 2000.

In June 2000, 9% of private sector renters and 14% of private sector mortgagers had a residual income ratio of less than 30% of their income. This compares with 7% of those who rented from Housing New Zealand, 1% of council renters and 4% of Housing Corporation of New Zealand mortgage holders.

Between 1995 and 2000, private sector renters and private sector mortgagers were the only groups to experience increases in the likelihood of having low residual income ratios.

The representation of private sector renters amongst those with low ratios increased from 40% in 1995 to 58% in 2000 while the representation of private sector mortgage holders increased from 25% to 28% over the past five years.

Table 3 Likelihood of Having Residual Income Less than 30% of Income by Tenure Type

| Tenure Type | June 1995 | | June 2000 | |
|---------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Without Housing Assistance | With Housing Assistance | Without Housing Assistance | With Housing Assistance |
| HNZ renters | 54.9 | 6.8 | 52.7 | 6.7 |
| Council renters | 8.6 | 1.0 | 8.1 | 1.0 |
| Private sector renters | 46.6 | 6.8 | 53.8 | 8.6 |
| Boarders | 7.5 | 3.2 | 6.4 | 0.4 |
| HCNZ mortgagers | 36.6 | 4.8 | 30.2 | 3.9 |
| Private sector mortgagers | 45.2 | 13.9 | 44.7 | 14.4 |
| Total | 37.4 | 6.6 | 41.5 | 7.3 |

Source: Accommodation Supplement Data, 1995-2000, Ministry of Social Policy.

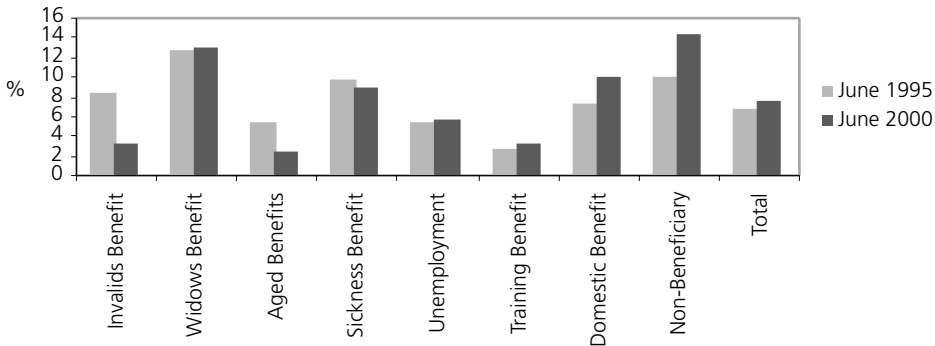
Benefit Status

Part of the purpose of having a form of assistance such as AS is to target assistance to low-income workers as well as those receiving a core social welfare benefit. One of the critical problems with this form of benefit assistance is the difficulty in monitoring how many low-income New Zealanders in paid employment qualify for and take up this benefit. Of those who do, however, having low residual incomes is not an unusual occurrence.

Compared with all AS recipients, non-beneficiaries (those receiving AS but not in receipt of a core Social Welfare Benefit) had double the likelihood of having a low residual income ratio. In June 2000, 14% of non-beneficiaries were in this category, compared with 7% of all recipients (up from 10% and 7% respectively in 1995). The greater likelihood of having low residual income ratios for non-beneficiaries was associated with their higher-than-average likelihood of being private sector mortgagers or private sector renters. The financial status of non-beneficiaries may also mean that they receive less in accommodation assistance than beneficiaries. Furthermore, non-beneficiaries may choose higher cost housing circumstances (such as paying off a mortgage) in order to improve their housing circumstances over the longer term.

Other benefit categories to have a greater than average likelihood of having low residual income ratios were Widows beneficiaries (13%), Sickness beneficiaries (9%) and those receiving a Domestic Purposes Benefit (10%).

Figure 4 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income by Benefit Status



Source: Accommodation Supplement Data 1995-2000, Ministry of Social Policy.

Family Status

Lifecycle stage and family status have an important influence on levels of residual income once housing costs are taken into account. For example, separation and divorce can result in a severe disruption to housing status and result in significant housing affordability problems. Similarly, experiences of unemployment can severely undermine the housing affordability of families with children. Data on AS recipients showed that sole parents and couples with children had a greater-than-average likelihood of having low residual income ratios. In June 2000, 10% of sole parents and 8% of couples with children were in this category, compared with only 5% of single people or couples without children.

Between 1995 and 2000, the likelihood of having low residual income ratios had increased for all family types, except in the case of single people, for whom the likelihood had fallen. This fall in part reflects the fact that single people are more likely than other groups to be boarders. Boarders experienced a decline in proportions with low residual income ratios over the 1995 to 2000 period.

Housing Assistance had the greatest impact on sole parents in terms of reducing the proportions with low residual income ratios. For example, without housing assistance the proportion of sole parents in this category would have been 60%, instead of 10% when housing assistance is taken into account.

Table 4 Likelihood of Having Residual Income Less than 30% of Income by Family Type

| | June 1995 | | June 2000 | |
|----------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Without Housing Assistance | With Housing Assistance | Without Housing Assistance | With Housing Assistance |
| Single | 28.0 | 6.9 | 30.2 | 5.3 |
| Single with children | 54.9 | 6.9 | 60.1 | 10.2 |
| Couple only | 11.7 | 2.8 | 26.6 | 4.9 |
| Couple with children | 37.2 | 6.4 | 41.6 | 8.3 |
| Total | 37.4 | 6.6 | 41.5 | 7.3 |

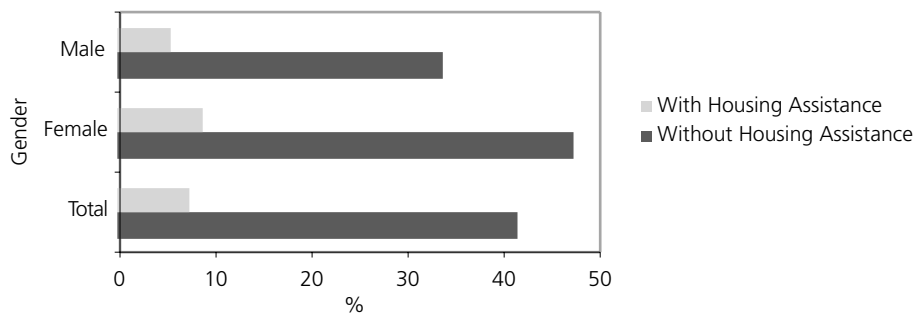
Source: Accommodation Supplement Data, 1995-2000, Ministry of Social Policy.

Gender

Reflecting the fact that the majority of women receiving AS are sole parents, 9% of all female recipients had low residual income ratios. This compares with 5% of male recipients who were more likely to be young and single. In June 2000, 46% of female AS recipients and only 6% of male AS recipients were in receipt of the DPB. Female AS recipients were also more likely than their male counterparts to have private sector mortgages or be renting from the private sector.

Female recipients were also over-represented amongst those with low residual income ratios, making up over two-thirds (69%) of this group in June 2000. At this same time they made up 58% of all AS recipients.

Figure 5 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income by Gender June 2000



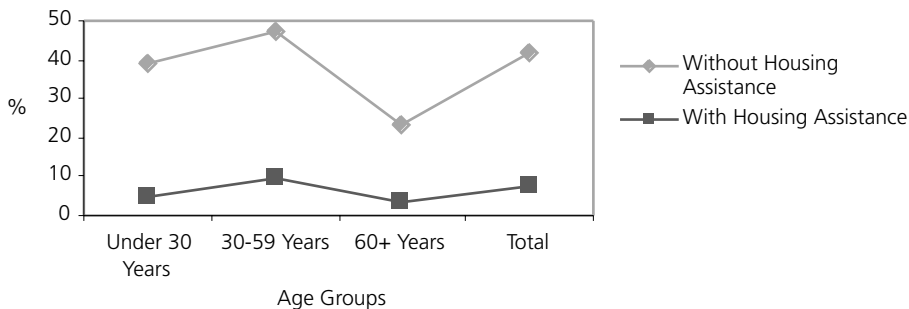
Source: Accommodation Supplement Data, June 2000, Ministry of Social Policy.

Age

Low residual income ratios exhibiting a lifecycle pattern is again evident in the age analysis. Those aged between 30 and 59 years had an above-average likelihood of having low residual income ratios. One in ten (10%) of those aged 30-59 years were in this category in June 2000. This compares with 5% of those aged under 30 years and 3% of those aged 60 years and over. At this same time, those aged between 30 and 59 years made up over half (55%) of all recipients, but a larger proportion (73%) of those with low residual income ratios.

The differences in likelihood of having low residual incomes amongst the different age groups reflect differences in propensity to have children, differences in benefit type received and differences in tenure. For example, those aged 30-59 years were more likely than other age groups to have children and to have private sector mortgages.

Figure 6 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income by Age June 2000



Source: Accommodation Supplement Data, June 2000, Ministry of Social Policy.

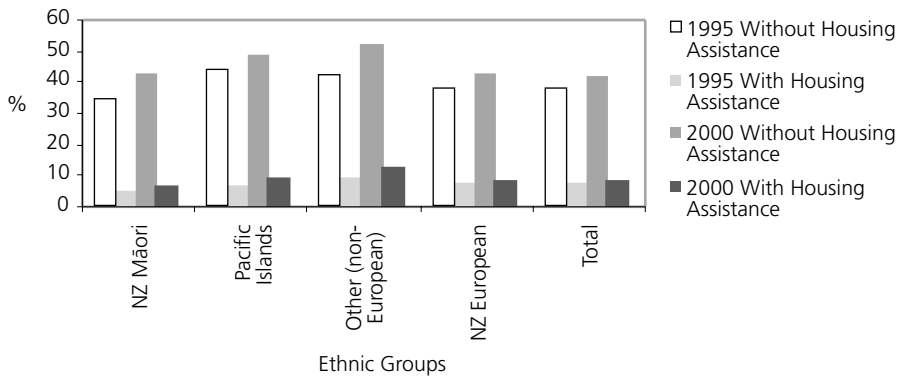
Ethnicity

Amongst those with a classified ethnicity⁷, migrant communities in New Zealand had a greater likelihood of having low residual income ratios than other groups. In June 2000, 8% of Pacific groups and 12% of other (non-European) ethnic groups had low residual income ratios. This compares with 6% of Māori and 7% of European.

⁷ Seventeen per cent (17%) of AS recipients in the June 2000 quarter did not have ethnicity coded.

All ethnic groups experienced growth in the likelihood of having low residual income ratios with those in (other non-European) ethnic groups experiencing the largest increases.

Figure 7 Accommodation Supplement Recipients with Residual Income Less than 30% of Their Income by Ethnicity



Source: Accommodation Supplement Data, 1995-2000, Ministry of Social Policy.

CONCLUSION

The past decade has seen major changes in housing policy. The most fundamental changes were implemented by the 1991 National Government, and saw a shift from the direct provision of housing to the provision of a tenure-neutral cash subsidy. This direct cash subsidy (Accommodation Supplement) replaced all other existing forms of housing assistance. There has since been considerable debate about the impact of this change on low-income households.

This paper has investigated whether housing costs have led to deterioration in financial outcomes over the past decade. The analysis has used data on recipients of AS (mainly beneficiaries) to calculate a residual income ratio. Those with an after-housing-cost income that is less than 30% of their income are defined as having “low residual income ratios”. Similar analysis was undertaken for low-income households using the Household Economic Survey to assess the extent to which the residual incomes of low-income households across the population have been affected by housing costs. The HES analysis has examined affordability outcomes for a wider cross-section of low-income New Zealanders, whereas AS data have examined outcomes for those who access income support.

The analysis of data from the HES shows that the residual incomes of low-income households have been significantly affected by escalations in housing costs relative to incomes, over the period 1992 to 1998. This has particularly been the case over the latter half of this period and has resulted in an increase in the proportion of low-income households who have low residual income ratios.

The analysis of data on AS recipients shows that the proportion of recipients with a residual income which is less than 30% of their total income has fluctuated around 7% since 1995. Had there been no housing assistance, however, the proportion of recipients with low residual income ratios would have increased by 11% over this same period. While housing costs have increased since 1995, housing assistance has also increased and has had to play a greater role in containing housing costs in the latter period compared with the earlier period. Housing assistance has been crucial in cushioning the impact of escalating housing costs on low-income New Zealanders who have accessed housing assistance since 1995.

The higher proportions of low-income households with low residual income ratios, compared with AS recipients, could be associated with factors such as:

- low take-up rates for AS amongst non-beneficiaries;
- the impact of housing cost on a broader group of low-income households that may be at the margins of eligibility for AS; and
- housing choice and the longer-term benefits of home ownership for low-income households.

While the overall proportion of AS recipients with low residual income ratios has remained at around 7%, there are compositional issues within this population that have implications for housing policy. Those living in urban New Zealand (in particular the Auckland urban area), those not in receipt of a primary benefit, families with children, those with private sector rentals or mortgages and those in migrant communities were all more likely than average to have low residual income ratios. These groups have also experienced deteriorating housing cost outcomes since 1995.

While homeowners had a higher-than-average likelihood of having low residual income ratios, it must be noted that only 15% of AS recipients are homeowners and the majority are renters.

This study demonstrates that escalations in housing costs have had the potential to affect the financial fortunes of individuals and households over the past decade. Housing assistance has been crucial in containing negative housing cost outcomes for

many low-income New Zealanders. Housing cost outcomes are not uniform across the population with considerable compositional differences in terms of who might be experiencing housing-related financial difficulties. This has significant implications for the development of housing policy in New Zealand.

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