



The cost of living in Te Whanganui a Tara

Wellington City Mission

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Introduction

The Wellington City Mission (the Mission) has been supporting communities in the Wellington region since 1904, celebrating its 120th anniversary in 2024. For over a century, the Mission has been empowering and transforming people and communities by providing holistic support and assistance in the following areas:

- **Housing:** The Mission offers temporary shelter and guidance to people and families who are homeless or at risk of homelessness, helping them find long-term and stable accommodation. Transitional housing offered by the Mission not only provides shelter, but kaimahi also help residents get back on their feet and achieve positive outcomes
- **Social supermarket:** In a shift from the traditional food parcel model, the Mission's Social Supermarket enhances the dignity of shoppers by providing the freedom of choice. People can choose their own food items instead of receiving pre-packaged food parcels. This enhances their dignity and autonomy. The Social Supermarket is open and free to anyone across the Wellington region in need of some extra help
- **Community:** The Mission's community services span a wide array of services, including social work, counselling, alcohol and drug support, support workers, and financial mentors. It operated Tā Te Manawa, a community lounge that provided daily meals, activities, and opportunities for connection to people who are isolated or struggling. The Mission also provides residential care at Kemp Home and Hospital. They treat everyone with dignity and respect, regardless of their background or situation.

Business and Economic Research Limited (BERL) is proud to support the mahi of the Mission, a charitable trust that has been serving the people of Wellington since 1904. We see this relationship as integral to our kaupapa about people and wellbeing, and are eager to support them in a number of ways. We have tapped into our professional expertise to provide research and advice to the Mission for their grant applications, and to offer evidence-based insights into the social and economic challenges facing Wellingtonians, especially those who are the most vulnerable and marginalised. This report is part of our contribution to the Mission's vision of a fair, just, and caring community where everyone can thrive.

Cost of living straining households and community organisations

Since mid-2021, households in Aotearoa New Zealand have been experiencing rapidly increasing prices for essentials such as food and housing. These increases have outstripped growth in wages and salaries. This has resulted in a cost-of-living crisis where many households now struggle to meet their basic needs. The result of this crisis has been that more individuals and families need additional support as their incomes fall short.

The impact on community organisations such as the Mission has been multifaceted.¹ On the one hand, demand for services has increased significantly, with a growing number of people needing to access support. Not only are those who already access such support in need of additional help, but there are also new groups of people who would previously not have been in such a situation. At the same time, as the cost of basic necessities eats into household budgets, taking up a larger share of income, fewer people have been able to make donations and grants that many community organisations rely on. From a cost perspective, community organisations have not been immune to inflation. Operating costs, i.e., the cost of providing services, have grown rapidly. This includes staff wages, utilities, rent, food, and other materials.

In the Catalytic Foundation's *2023 Community Needs Survey*, 96 percent of community organisations surveyed said that their communities were impacted by cost-of-living increases in the last year.² Nearly all (98 percent) organisations surveyed said that they had seen an increase in the demand for their services over the last year. This was a nine-point increase from the year before (2022), and a 16-point increase from 2021.

In *Community Network Aotearoa's 2024 State of the Sector Survey*, 64 percent of community organisations reported experiencing financial stress due to rising costs.³ Organisations of all sizes faced challenges, such as increased operational expenses, reduced donations and fundraising, and higher demand for services. Many reported struggling to maintain staff, with some forced to increase wages or reduce staff numbers to cope. The financial strain was exacerbated by funding not keeping pace with rising costs, creating a "double whammy" effect of decreased income and increased service demand. Some organisations also noted declining participation in their programmes as families prioritised essential expenses, further impacting their financial viability.

This trend closely mirrors the evolution of cost-of-living pressures since 2021. The three main areas of need identified by charities were: food and financial security; warm and affordable housing; and mental health support, particularly for young people. In the face of increasing need in the community and the accelerating costs of service provision, organisations are struggling to maintain services. The Catalytic survey showed that 91 percent of respondents' organisations had needs they could not resource; 62 percent could not resource their operational costs; and 41 percent were unable to appropriately resource their staffing costs.

¹ <https://socialink.org.nz/wp-content/uploads/2022/03/Impact-of-inflation-on-not-for-profit-sector-and-communities-FINAL.pdf>

² https://assets.nationbuilder.com/unitedwaynz/pages/421/attachments/original/1698272659/2023_Community_Needs_Survey_Report_v231011.pdf?1698272659

³ <https://www.communitynetworksaotearoa.org.nz/state-of-the-sector-survey-2024>

Why this report matters

The prevailing economic conditions have resulted in a real and growing negative impact on our communities, particularly for those who are the most vulnerable. In addition to this, an increasing number of people are unable to meet their basic needs. For whānau in Wellington, both the city and the region more broadly, housing that is both affordable and liveable is increasingly out of reach; prices for fresh, healthy food continue to climb; and wages are becoming increasingly inadequate. The need for community organisations such as the Mission has never been clearer.

Community organisations play a crucial role in the lives of many individuals and households, particularly when incomes fall short of being able to cover basic needs. Our research examines the situation of housing need in Wellington, focusing on groups that are particularly vulnerable to the effects of the housing crisis, facing multiple challenges in accessing adequate and affordable housing, such as low incomes, limited savings, discrimination, and health issues. We also provide an overview of the national and regional trends in housing unaffordability and supply, and discuss some of the policy implications and potential solutions for addressing the housing needs of these groups.

The aim of this report is to illustrate how the cost-of-living crisis has grown over the 2019–2024 period and the income deficit experienced by several groups of households. The specific groups this report looks at are:

- Single-person households, including individuals on Jobseeker Support, experiencing in-work poverty, or in full-time work on the minimum wage
- Sole-parent households with two children on the Sole Parent Support benefit, living in a home
- Single superannuitants, with no housing costs (rent or mortgage repayments) or paying rent.



Housing need in Wellington

A story of growing unavailability and unaffordability

Housing is one of the most fundamental human needs. Without access to appropriate housing, it is impossible to fulfil subsequent needs like employment, social connection, a sense of personal security, and mana or self-esteem. Housing in New Zealand is becoming increasingly unaffordable on the whole, and home ownership is a distant dream for many. This is a result of the persistent undersupply of houses, which has been an ongoing social and political issue for years. This issue has only worsened since the COVID-19 pandemic, with housing unaffordability soaring to new heights. House and rental prices have been growing at unprecedented rates, and housing costs make up the single biggest expenditure within most household budgets. This section illustrates the growing lack of affordability and need for decent housing at a national and regional level in Wellington.

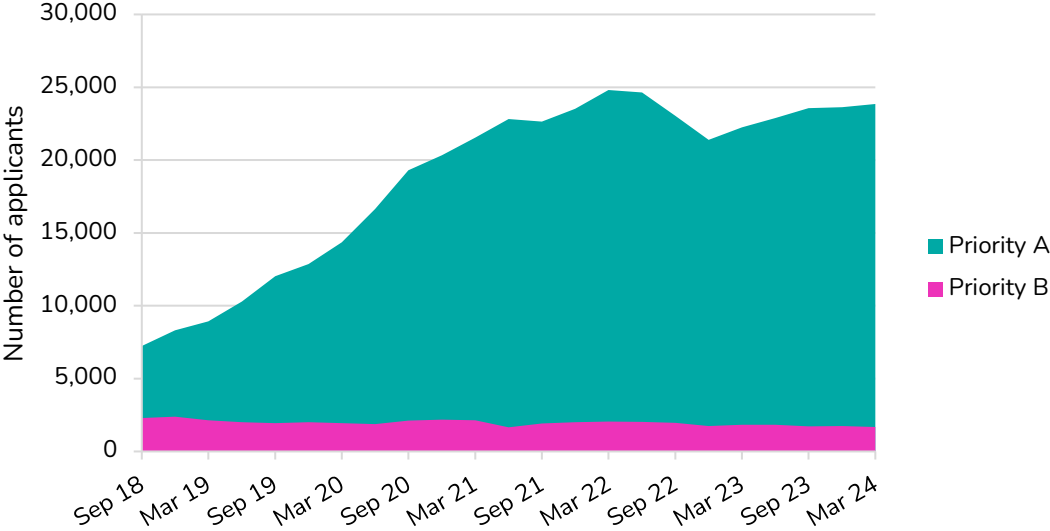


Housing register shows growing need

At the national level, there has been a huge increase in the number of people on the housing register since March 2019. In March 2024, there were just over 25,500 applicants on the social housing register, a 131 percent increase since March 2019. As shown in Figure 1, 93 percent of these applicants were classified as having a “Priority A” housing need, which means that they are considered at risk and have a “severe and persistent housing need that must be addressed immediately.”

Over 2022, the demand for social housing seemed to decline slightly, and there are various factors that may have contributed to this. The increase in main benefit levels may have alleviated some of the impacts of rising housing costs. There were also some changes to the Residential Tenancies Act, which could have led to a reduced frequency of rent increases. The Ministry for Social Development (MSD) has also stated that this decline could be associated with the additional resources and tools dedicated to register management, which means that contact with applicants was made more swiftly. Over the 2023 year, the number of people on the housing register was on the rise again.

Figure 1 Number of priority A and priority B applicants on housing register, 2018 – 2024

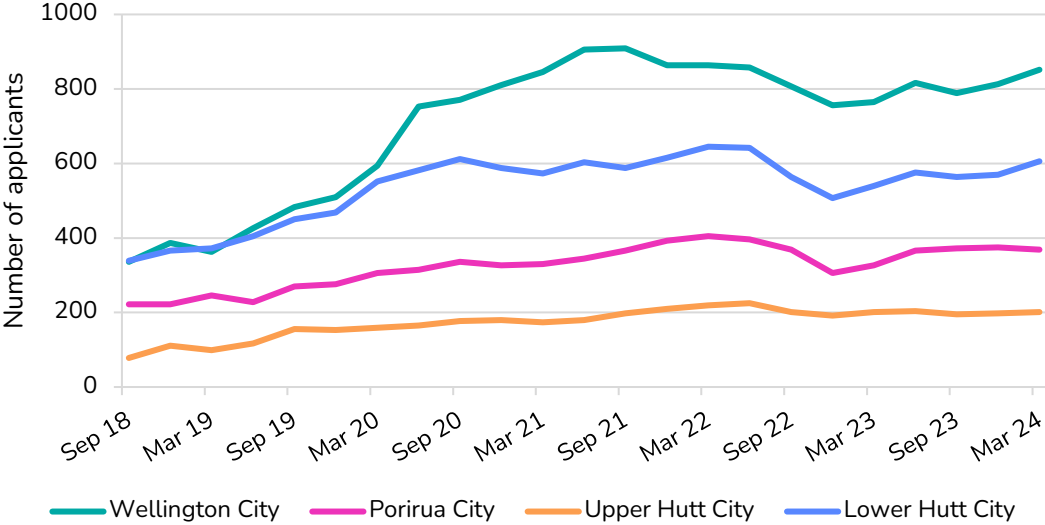


Source: Ministry of Social Development

Variation in housing needs across Wellington’s sub-regions

Historically, Upper Hutt City has consistently had the smallest number of applicants on the housing register in the Wellington region (Figure 2). Following closely is Porirua City, and subsequently, Lower Hutt City. Wellington City has the greatest housing need in the region, with the largest number of applicants on the register. The need for housing in Wellington City in particular has increased drastically post-2020. In September 2018, Lower Hutt and Wellington City had a similar number of people on the register. However, as of March 2024, Wellington City had 246 (41 percent) more applicants compared to Lower Hutt City. This need continues to grow as housing unaffordability increases, and the need to increase the supply of good-quality homes continues to remain unaddressed.

Figure 2 Housing register by sub-region in Wellington, 2018 – 2024



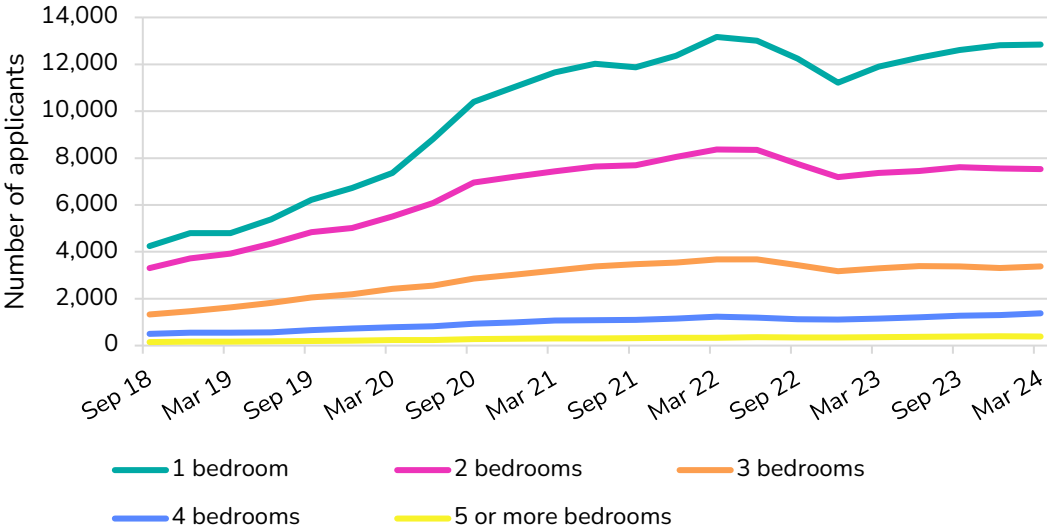
Source: Ministry of Social Development

Houses with one- or two-bedrooms in greater demand

Comparing the overall demand and supply of housing does not take into consideration the nuances of housing demand and the aspirations of individuals and families. The current housing stock does not meet the changing need for housing. It is largely made up of three to four-bedroom houses on a single block of land. However, family structures are changing. The number of single-parent households is growing, and family sizes are decreasing in general as people have fewer children.

These shifts can be observed in the data on housing needs. Nationally, smaller houses (one- or two-bedroom homes) are generally in higher demand compared to larger houses with more bedrooms. This reflects the fact that, as of March 2024, 49 percent of the demand for public housing is from single individuals over 25 years of age. This disproportionate need for smaller houses continues to grow, and this is where the largest deficit is. Just 11 percent of state rentals are one-bedroom homes. The number of people on the housing register for one-bedroom houses has increased by 8,595 people (202 percent) since September 2018, which is much higher than the increase in demand for other house types (Figure 3).

Figure 3 National housing register by number of bedrooms, 2018 – 2024



Source: Housing Register data (Ministry of Social Development)

In the Wellington region, demand for housing by type follows a similar trend to that at the national level. There does not seem to be much difference between all the sub-regions for four and five or more bedrooms. However, Lower Hutt City and Wellington City have a larger number of housing register applicants looking for one-, two-, and three-bedroom houses compared to the other two sub-regions.

Wellington City has the highest demand for one-bedroom houses in the Wellington region, with 588 people on the register for such houses (Table 1). This accounts for nearly half the demand for such homes in the region. Within Wellington City, 70 percent of the people on the housing register require one-bedroom homes, and 19 percent need two-bedroom homes. Just four percent of the housing register is made up of applicants for four- or five-bedroom houses.

Table 1 Number of housing register applicants by region and number of bedrooms, 2024

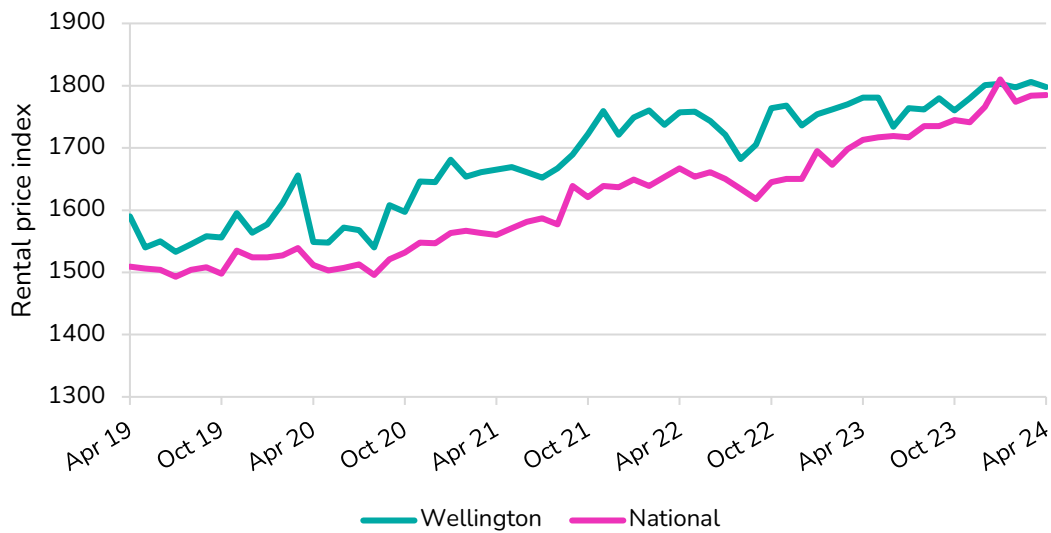
Sub-region	One bedroom	Two bedrooms	Three bedrooms	Four bedrooms	5+ bedrooms	Sub-region total
Lower Hutt City	330	198	57	18	3	606
Porirua City	177	141	24	21	3	366
Upper Hutt City	114	54	18	9	3	198
Wellington City	588	159	63	30	6	846



Rental prices have increased regionally and nationally

Figure 4 visualises the increase in the flow measure of the rental price index in Wellington Region and at a national level. The flow measure of rents captures rental price changes for dwellings that have a new tenancy started in the reference month. Since April 2019, the rental price index has increased by 13 percent in the Wellington Region, compared to 18 percent nationally. So, while rental prices have risen both in Wellington and across New Zealand, the increase has been more significant at the national level. Wellington's rental prices, however, have consistently been higher than the national average.

Figure 4 Rental price index, 2019 to 2024, November 2006 = 1000



Source: Stats NZ

Over the past few years, Wellington Region has experienced notable changes in rental prices across various types of dwellings and bedroom counts, including:

- **Rent increases:** Median rents in Wellington City have been rising from 2019 to 2023
- **Types of dwellings:** Rent prices for apartments and houses with the same number of bedrooms are similar, but flats are slightly cheaper. Boarding houses have rents similar to individual rooms
- **Bedroom differences:** The rent difference between different numbers of bedrooms can be up to \$200 for apartments and houses, but only about \$100 for flats:
 - Apartments: From early 2019 to mid-2023, two-bedroom rents increased by 18 percent, while one-bedroom rents increased by 15 percent
 - Flats: At the same time, rents for both one-bedroom and two-bedroom flats increased by 19 percent and 29 percent, respectively, from \$480 to \$570 for one-bedroom and from \$350 to \$450 for two-bedrooms
 - Houses: Rents for one-bedroom houses fluctuated in quarterly periods but were stable over the five years, while two-bedroom rents increased by 15 percent over the same time, from \$550 in early 2019 to \$630 in mid-2023
 - Rooms and boarding houses: Rents stayed at around \$250 a week throughout the period.

In short, rents have been going up across different types of dwellings and bedroom counts from 2019 to 2023, with some variations in the rate of increase.

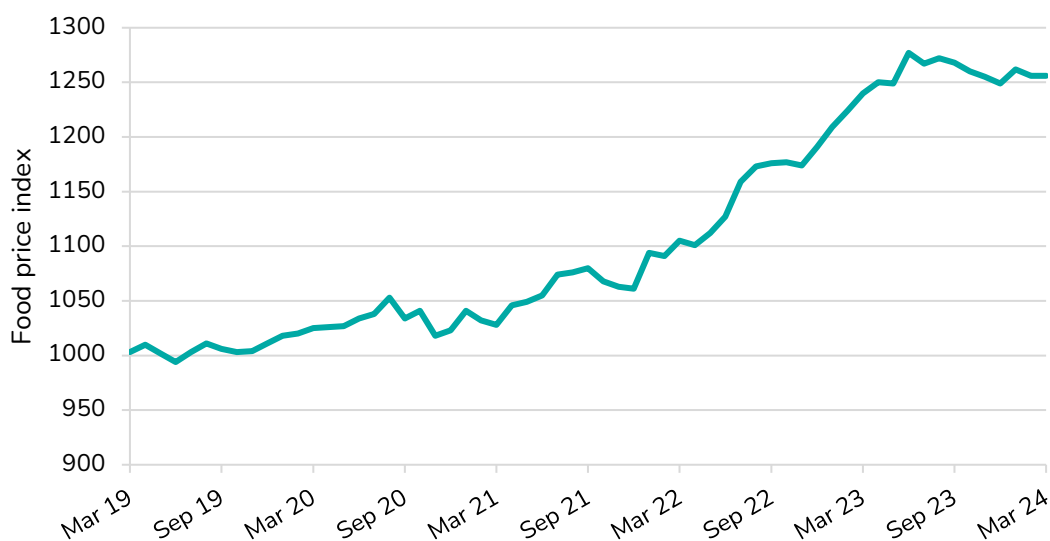
Food prices in Wellington

Over the past few years, food prices have increased at a particularly strong pace. This has only added to the budgetary constraints felt by households in the context of rising housing costs and prices for other basic necessities. A survey conducted by the New Zealand Food Network (NZFN) highlighted just how severe the impacts of these price rises have been in communities across the country.⁴ NZFN surveyed 51 of its registered food hubs and found that since the onset of the COVID-19 pandemic, there has been a 165 percent increase in the number of people receiving food support. Over two-thirds of the food hubs surveyed were feeding more people than they did in 2020. Over half a million people were supported by NZFN food hubs each month, and the need was only growing. The top reasons for accessing this support were reported to be the cost of living crisis (88 percent), followed by inadequate income (70 percent), and unemployment (65 percent).

In the Wellington Region, the Wellington City Mission is one such organisation providing food support to those who need it. The Mission's Social Supermarket is open and free to anyone across the Wellington Region in need of some extra help. Tā Te Manawa, the Mission's Community Lounge, is also a place that provides food. It also helps visitors create connections and fosters a sense of community.

Food price inflation is higher now than pre-pandemic

Figure 5 Food Price Index, Wellington region, June 2017 = 1000



Source: Stats NZ

⁴ <https://www.nzfoodnetwork.org.nz/foodbanks-feeding-165-more-people/>

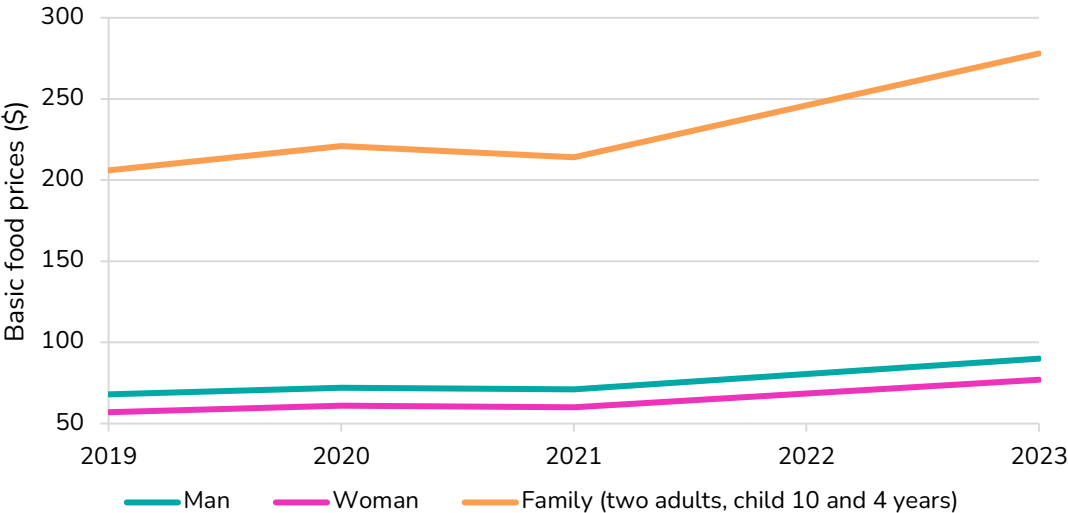
Heightened demand for food products, driven by factors such as population growth, economic changes, pandemic effects, and supply chain disruptions, has led to significantly increased food prices post-2020. As consumer desire rises, the limited supply struggles to keep pace, resulting in inflation within the food market. Food prices in the Wellington region increased by 23 percent between March 2020 and March 2024 (Figure 5). The price for food has been declining slightly since June 2023, but is still far higher than it was pre-pandemic.

Basic food prices have escalated since 2019

The cost of food can vary depending on dietary requirements and preferences. For our analysis, the cost of food has been taken from the Food Cost Survey conducted annually by the University of Otago since 1970.⁵ The survey is based on a basket of foods designed to meet the dietary needs of different age and gender groups across four cities in New Zealand, including Auckland, Wellington, Christchurch, and Dunedin. Note that these are the **minimum** costs associated with the basic dietary needs of each demographic group. These amounts are based on the New Zealand Food and Nutrition Guidelines, and will meet the nutritional needs of most healthy people. Spending less than this amount, however, increases the risk of not getting all the necessary nutrients.

Figure 6 illustrates the trends in these prices for basic food. There has been a significant increase in basic food prices since 2021. As of 2023, a man living in Wellington would need to spend a minimum of \$90 a week on food to meet the basic dietary requirements, up from \$68 in 2019, an increase of 32 percent. For a woman, the average weekly spend would need to be \$77, up from \$57, a 35 percent increase. The estimated basic food costs for a family of four were \$278 in 2023, compared to \$206 in 2019, a 35 percent increase.

Figure 6 Basic food prices, Wellington, 2019 – 2023



Source: Department of Human Nutrition, University of Otago

⁵ <https://ourarchive.otago.ac.nz/esploro/outputs/report/Information-for-users-of-the-New/9926478644401891/filesAndLinks?index=0>



Food prices reaching record highs

Since 2021, food price inflation has been driven by a combination of factors. The COVID-19 pandemic disrupted the food supply chain, affecting production, processing, and distribution, while also changing consumer behaviour and increasing demand at grocery stores. Supply chain issues, including labour shortages and higher costs for inputs like fertilisers and fuel, have further exacerbated the situation. The war in Ukraine has significantly impacted global grain markets, as both Ukraine and Russia are major exporters of wheat and other grains, leading to higher prices for these essential commodities. Additionally, poor weather conditions in key agricultural regions have affected crop yields, straining the supply of food products. Overall inflation, including rising energy costs, has also contributed to the increase in food prices. These combined factors have created a perfect storm, resulting in significant food price inflation globally.

In New Zealand, food price inflation has had a significant impact on the cost of living. Our data shows that since 2021, food prices have reached record highs, with the highest annual increase in over a decade. A wide range of foods, including fruits and vegetables, meat, poultry, fish, and grocery products, have been impacted by this increase. The rising cost of food, along with housing prices, has led to higher overall inflation for households. This has put additional financial pressure on many New Zealanders, making it more challenging to afford basic necessities and affecting their daily lives.



Money coming in and money going out

The Wellington Region has the second highest average household income in the country, just behind Auckland. As of June 2023, the average annual household disposable income for the Wellington region was \$111,600. These incomes are not evenly spread across the population, however, with many individuals and families needing income support across the region. This section outlines the trends in incomes across the Wellington region, which will then be compared to expenditures in a basic budget.

Unemployment rates measure the percentage of people in the workforce who are actively looking for a job but can't find one. It's a key indicator of economic health. Underutilisation rates, on the other hand, include not just the unemployed but also those who are working part-time but want full-time work and those who are available to work but aren't actively seeking a job. This gives a broader picture of how well the workforce is being used. Essentially, while unemployment rates show how many people are out of work, underutilisation rates show how many people could be working more or are not fully employed.

Unemployment and underutilisation rates are closely linked to income levels. When unemployment rates are high, more people are out of work and have no income, which can lead to financial stress and lower overall spending in the economy. Similarly, high underutilisation rates mean that many people are not working as much as they would like, often resulting in lower income than if they had full-time jobs. This can also lead to financial difficulties and reduced spending power. In both cases, lower income levels can affect the quality of life for individuals and slow down economic growth. Essentially, the more people who are fully employed and earning a stable income, the healthier the economy tends to be.

Figure 7 Unemployment and underutilisation rates, 2019 – 2024



Source: Stats NZ

Unemployment has been increasing across the country as the labour market weakens. In March 2024, unemployment stood at 4.3 percent, increasing from 3.4 percent in March 2023 (Figure 7). Unemployment is predicted to continue to increase for the rest of 2024, with many more job losses on the way. The number of hours worked, and the rate of wage increases are also expected to decline over the rest of 2024. As conditions in the labour market deteriorate, the number of people who require additional support from the government and community organisations is likely to increase.

Minimum wage rate increases are slowing

The minimum wage rate is legally required to be reviewed annually by the Minister for Workplace Relations. The minimum wage has increased every year since at least 2019 (Table 2). From 2019 to 2024, hourly wages increased by 31 percent (from \$17.70 to \$23.15), and take-home pay increased by 33 percent (from \$564.42 to \$749.13). The largest increases in hourly wages (seven percent) and take-home pay (seven percent) occurred between 2022 and 2023, while the smallest increases in hourly wages (two percent) and take-home pay (four percent) were between 2023 and 2024. Under current government policy, minimum wage increases have slowed. This indicates a deceleration in wage growth compared to previous years.

Table 2 Minimum wage rates on 1 April 2019 – 2024

Year	Date	Hourly (\$)	40-hour week (\$)	Tax (%)	ACC levy (%)	Take home pay (\$)
2024	1/04/2024	23.15	926.00	17.50	1.600	749.13
2023	1/04/2023	22.70	908.00	18.96	1.530	721.95
2022	1/04/2022	21.20	848.00	18.96	1.460	674.84
2021	1/04/2021	20.00	800.00	18.89	1.390	637.76
2020	1/04/2020	18.90	756.00	18.89	1.390	602.68
2019	1/04/2019	17.70	708.00	18.89	1.390	564.42

Source: Employment NZ

In-work poverty causes households to struggle despite being employed

In-work poverty occurs when employed individuals are unable to meet their basic needs with the income they earn. In this situation, people are employed but still live below the poverty line due to low wages, insufficient working hours, or both. Despite having a job, these workers struggle to meet basic living expenses such as housing, food, and healthcare. In-work poverty is more likely to occur when people are underutilised (Figure 7). Households with incomes below the 60 percent of the household median income in Wellington, and no other income sources, can be classified as being in in-work poverty. Research from 2019 showed that in New Zealand, 7.2 percent of adults and 10 percent of children lived in households that were considered to be in in-work poverty.⁶

Median household equivalised disposable income is a measure of the average income available to a household, adjusted for the number of people living in the household. This adjustment, known as equivalisation, accounts for the fact that larger households need more income to achieve the same standard of living as smaller households. The median value means that half of the households earn more than this amount, and half earn less.

From 2019 to 2023, the median household equivalised disposable income increased from \$42,222 to \$56,662, a rise of 34 percent (Table 3). The threshold for 60 percent of the median income also went up from \$25,333.20 to \$33,997.20, an increase of 34 percent. Similarly, the weekly income level rose from \$487.18 to \$653.79, which is a 34 percent increase. These figures show a consistent upward trend in household income over the past five years, indicating that households have generally been earning more each year. It should be noted that Wellington has the highest household equivalised disposable income in the country, which means that the threshold for in-work poverty is also higher than it is in other regions.

Table 3 In-work poverty income level in Wellington as of June 2019 – 2023

Year	Median household equivalised disposable income (\$)	60% of median annual income (\$)	60% of median weekly income (\$)
2023	56,662.00	33997.20	653.79
2022	52,505.00	31503.00	605.83
2021	50,072.00	30043.20	577.75
2020	47,095.00	28257.00	543.40
2019	42,222.00	25333.20	487.18

Source: Stats NZ

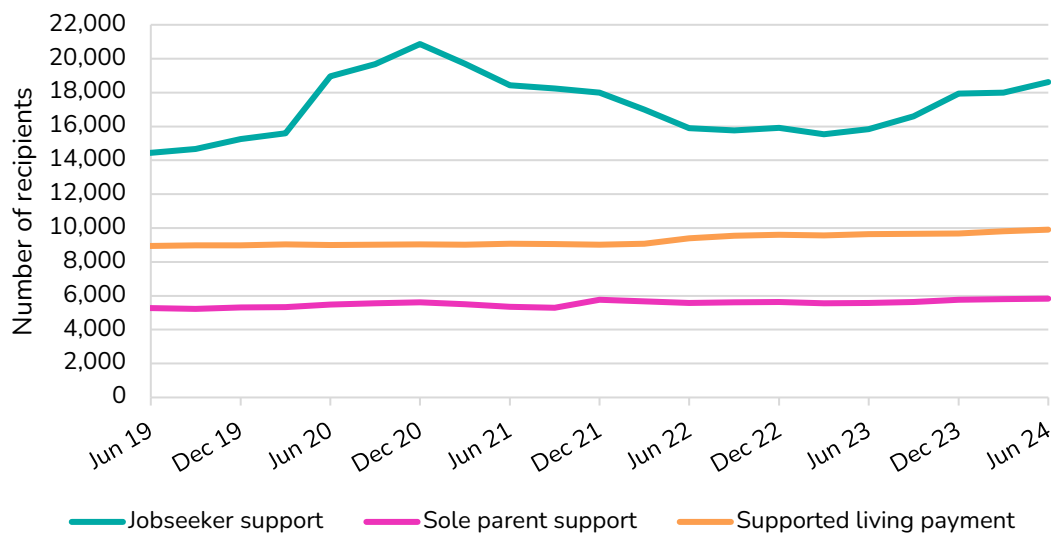
⁶ <https://tikatangata.org.nz/our-work/in-work-poverty>

Number of people receiving benefits has spiked since late 2023

Figure 8 shows the number of social support and assistance recipients between 2019 and 2024 in Wellington. There was a spike in the number of people receiving Jobseeker Support payments in the 2020 year, when the COVID-19 pandemic first struck. As unemployment decreased and labour market conditions improved, the number of people in receipt of Jobseeker Support decreased between 2021 and 2023.

Since the end of 2023, however, the number of people requiring additional support has been on the rise, in line with increasing unemployment rates. As of June 2024, 5.3 percent of the working-age population, or 18,615 people, in Wellington received Jobseeker Support. This was an increase of 0.8 points from the year before, the highest increase in any other region (tied with Auckland). The number of people receiving other benefits, such as the Supported Living Payment and Sole Parent Support, is also increasing.

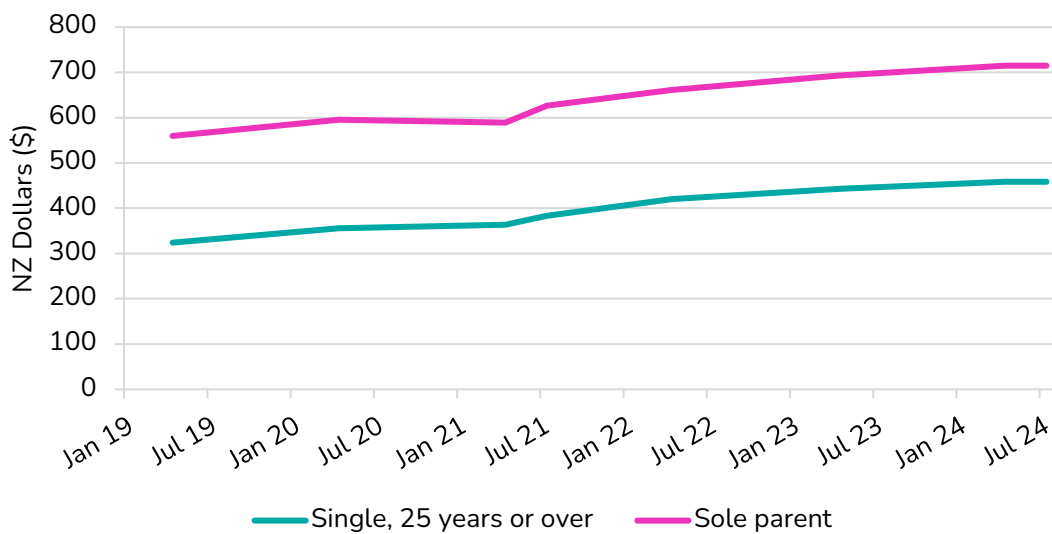
Figure 8 Number of benefit recipients, by type, Wellington region, 2019 – 2024



Source: Ministry of Social Development

Individuals who are unable to work or to find work have incomes that are much lower than the minimum wage. For an adult over the age of 25 with no children, the gross weekly rate for Jobseeker Support is \$402.98 (Figure 9). This equals a net (after tax) weekly rate of \$353.46, which is equal to 47 percent of the wage for someone who earns the minimum wage and works 40-hour weeks. The gross weekly rate for Sole Parent Support is \$574.30 (net \$494.80). In addition to jobseeker payments, individuals can also be eligible for accommodation support payments. In Figure 9, we have combined these payments with the net benefit payments. The Wellington region is included in Area 2 for accommodation support payments.

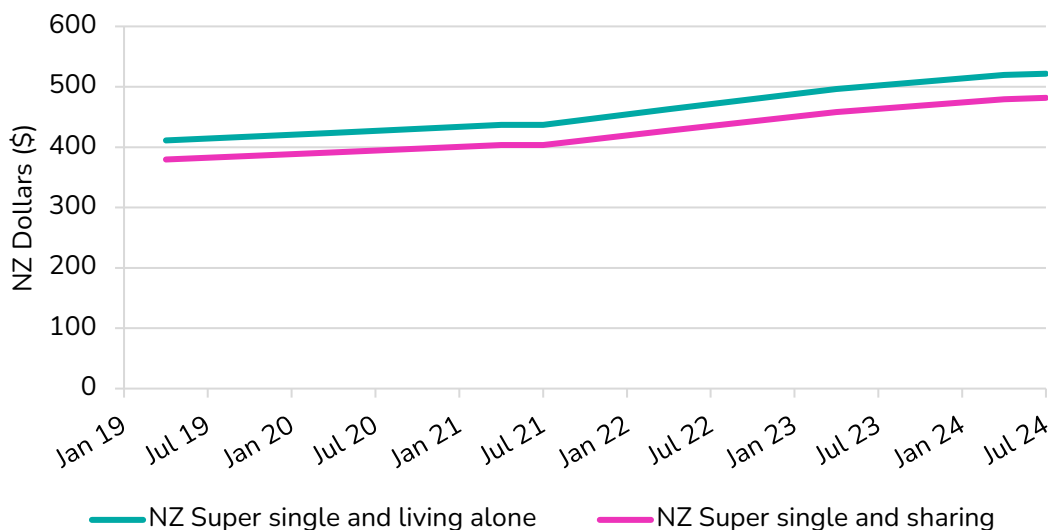
Figure 9 Rates for Jobseeker and Sole Parent Support after tax and accommodation supplement (Area 2), 2019 – 2024



Source: Work and Income

The rate of NZ Superannuation (NZ Super) is not means-tested and varies by living status. Figure 10 shows how the rate differs by living status for single individuals (without a partner). The weekly amount for those living alone is \$521.62, while the rate for those who live with another non-dependent person is \$481.66. Older people who do not own their own home, and may not have been able to accumulate enough savings over their working lives are much more likely to experience income inadequacy.

Figure 10 NZ Superannuation rates, 2019 – 2024



Source: Work and Income

Income deficits in Wellington households

The unprecedented increase in the cost of living over the past few years has left many households in need of additional support as incomes fall short of basic expenses. This section estimates the income deficit for three categories of households:

- Single-person households, including individuals on Jobseeker Support, experiencing in-work poverty, or working full-time on the minimum wage, paying rent
- Sole-parent households with two children receiving the Sole Parent Support benefit, paying rent
- Single superannuitant households, with no housing costs (rent or mortgage repayments) or paying rent.

The expenditure estimates are highly conservative. For instance, \$84 is estimated as the weekly spend on food based on what it costs to live on a basic diet (Figure 6). However, expenditure statistics from the 2023 Household Economic Survey (HES) showed that the average one-person household spent nearly double that amount (\$132) on food every week. Therefore, these are the absolute minimum costs of living and do not include any extras such as holidays and other leisure activities, unexpected expenses, sports and fitness, restaurant or take-away meals, etc.

A full breakdown of expenses can be found in **Error! Reference source not found.**, including the methodology and data sources used.

Some single person households cannot cover basic expenses

Table 4 shows the weekly income and expenditure breakdown for individuals on Jobseeker Support, those in in-work poverty, and individuals working full-time on the minimum wage. The basic cost of living for single individuals living alone ranged from \$556 to \$636 a week. Rent alone accounts for between 45 and 52 percent of these expenses. Spending on goods and services such as food, health, transport, household contents, and utilities makes up the remainder of budgets. Most expenses are on basic necessities and therefore are the same across the different groups. However, those who are in work are assumed to have higher levels of spending on items such as clothing and transportation.

Table 4 Deficit scenarios single person households, 2024

Category	JSS only	Single In-work poverty (\$)	Single minimum wage (\$)
Income	458.46	653.79	749.13
Rent	286.95	286.95	286.95
Food	83.50	83.50	83.50
Other spending	185.31	237.06	265.48
Total expenditure	555.76	607.51	635.93
Net surplus/deficit	-97.30	46.28	113.20

Source: BERL analysis

Of the three scenarios for single person households in Wellington, individuals who work full-time (40 hours a week) at minimum wage have the highest surplus left over after expenses have been accounted for. We stress again that the expenditure estimates are highly conservative and do not include any spending beyond the basics, including on any social or cultural activities. The rent estimate also assumes some form of shared accommodation, given the high prices of one-bedroom dwellings.

The weekly estimated income for people in in-work poverty barely covers the basic expenses for these individuals. The remaining surplus of \$46 does not leave much for any unexpected expenses or savings for future financial security. It should also be noted that the base median income used here is for the Wellington region,⁷ which has the highest median income across the country. It is also the upper threshold of the in-work poverty income. If we were to use the national median household equivalised income instead, the weekly income for these individuals would equal \$561, meaning they would end up with a net income deficit of \$47 a week.

The weekly income for single individuals who rely solely on Jobseeker Support falls short of covering even the most basic of expenses. The income deficit for these individuals equals nearly \$100 a week. In reality, this deficit would need to be covered via cuts to basic expenses, such as rent or food. These individuals are unlikely to be able to cover unexpected one-off expenses or save for a financially secure future. Things like home ownership and travel for holidays would be out of reach for these individuals.

Sole-parent families have the largest weekly income deficits

The weekly income and expenditure breakdown for sole-parent families (two children) that rely only on Sole Parent Support as the main source of income is shown in Table 5. The income for this scenario includes the net weekly rate plus the accommodation supplement for a two-child household in Area 2.

Table 5 Deficit scenarios sole parent households with two children, 2024

Category	Sole Parent Support (\$)
Income	714.80
Rent	597.07
Food	206.50
Other spending	278.77
Total expenditure	1082.34
Net surplus/deficit	-367.54

Source: BERL analysis

⁷ The income used to calculate the income level for in-work poverty is 60 percent of the household equivalised disposable income for the Wellington Region.



These households have a large estimated weekly deficit of \$370. This deficit would need to be accounted for via cuts to other expenses. In the most likely scenario, these households would have to account for this deficit by substituting lower-quality housing and inadequate food consumption.

The financial strain may also impact other crucial aspects of life, including the ability of whānau to provide the resources and tools that children need to succeed in education. Tamariki growing up in poverty in New Zealand face significant challenges that can have long-lasting effects on their development and well-being. According to research done by the New Zealand Policy Research Institute (NZPRI, formerly known as the New Zealand Work Research Institute), households with no formal qualifications face a poverty rate of 10.7 percent, compared to 4.9 percent for those with qualifications.⁸

Research from Growing Up in New Zealand shows that one in six 12-year-olds live in food-insecure households, with limited access to nutritionally adequate and safe foods.⁹ This food insecurity is often linked to low disposable household income, particularly affecting sole-parent families. The consequences of childhood poverty extend beyond nutrition, impacting mental health, educational engagement, and overall life outcomes. Further NZPRI research highlighted that Pacific families are disproportionately affected by food insecurity, demonstrating the intersectionality of ethnicity and poverty.¹⁰

This highlights the important relationship between education and outcomes in adulthood, suggesting that lack of support during childhood can perpetuate poverty into adulthood. These figures highlight how critical it is for whānau to have the means to ensure proper nourishment and educational resources for their children, which would enable them to succeed and break free from the cycle of poverty and its detrimental effects on children's futures.

According to Statistics New Zealand data, the rate of children living in material hardship has fluctuated over the past few years. In 2020, approximately 11 percent of children were experiencing material hardship. This figure decreased to 10.3 percent in 2021, meeting the government's target when accounting for sampling error.¹¹ However, 2024 data showed a concerning trend, with the rate increasing to 12.5 percent in 2023, representing about 143,700 children, or 1 in every 8 children in New Zealand.¹² This marked a statistically significant increase of 2 percentage points from the previous year. The rise in material hardship rates is particularly pronounced among Pacific children, with 1 in every 3.5 children affected, followed by Māori children. These statistics highlight the ongoing challenges in addressing child poverty and the impact of economic pressures on vulnerable whānau.

⁸ https://workresearch.aut.ac.nz/_data/assets/pdf_file/0009/326709/In-work-Poverty-in-NZ_PDF.pdf

⁹ <https://www.growingup.co.nz/>

¹⁰ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/food-hardship/uoa-food-hardship-brief.pdf>

¹¹ <https://www.nzchildren.co.nz/>

¹² <https://www.cpag.org.nz/statistics/0auujx6l0f6e7fm103bmkksm2n11p5>

Some superannuitants have very different retirement experiences

The income and minimum expenditures for NZ Super households are outlined in Table 6. NZ Super rates assume that recipients will be mortgage-free homeowners by the time they retire and thus do not account for housing costs. In the face of a growing housing affordability crisis that has been brewing for decades, however, these assumptions do not hold true for an increasing number of older people.

According to Te Ara Ahunga Ora – Retirement Commission, 80 percent of those aged over 65 who are still paying off a mortgage spend 40 percent or more of their NZ Super on housing costs. One in five homeowners aged over 65 is still paying off a mortgage, and 20 percent are still renting. The scenarios in this section account for these two realities for older people.

For single superannuitants who are mortgage-free homeowners, the NZ Super is sufficient to cover basic expenses and daily costs of living. These households end up with an estimated surplus of \$97 a week. On the other hand, older people who do not own their own home and rent are left with a deficit of \$94 a week. Again, this deficit would need to be adjusted for other basic expenses.

Table 6 Deficit scenarios superannuitants, 2024

Telecommunication services	NZ Super - Mortgage-free (\$)	NZ Super - Renting (\$)
Income	519.47	519.47
Rent	0	286.95
Food	83.5	83.5
Other spending	338.74	243.06
Total expenditure	422.24	613.51
Net surplus/deficit	97.23	-94.04

Source: BERL analysis

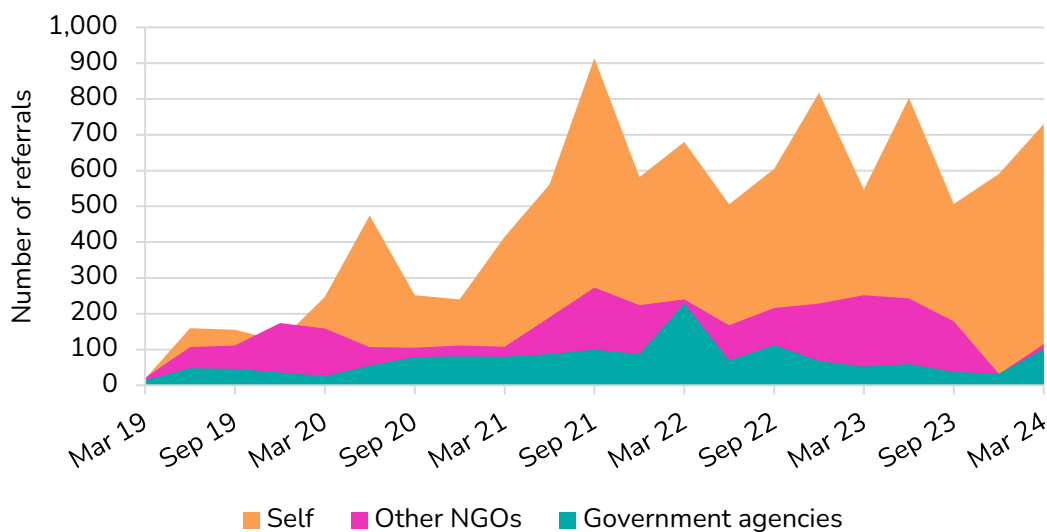
Impact of the crisis on Wellington City Mission

Like many community organisations across the country, Wellington City Mission has experienced a surge in demand over the past few years as the costs for essentials and daily necessities skyrocketed and people required additional support. Figure 11 shows the number of people being referred to the Mission between 2019 and 2024. Overall, the highest number of referrals to the Mission are self-referrals, or individuals who reach out for support on their own in times of hardship.

Beginning in early 2021, there was a huge surge in demand for the Mission's services. The number of referrals peaked at over 1,285 people in just the September 2021 quarter alone. 71 percent of these were self-referrals. This included people who required a range of support, from housing to food, as the cost of living soared. The number of self-referrals as a share of total referrals has increased substantially.

Data from recent quarters illustrates that the number of referrals continues to be sustained at levels that are higher than they were before the cost of living crisis, meaning that the need for the Mission's support continues to grow. In fact, the number of referrals in the March 2024 quarter was the highest recorded for that time of the year in the years for which data is available. Referrals increased by 149 percent between the March 2020 and March 2024 years. This was driven by self-referrals, which increased by over 280 percent during the same period.

Figure 11 Number of referrals to the Mission, 2019 – 2024



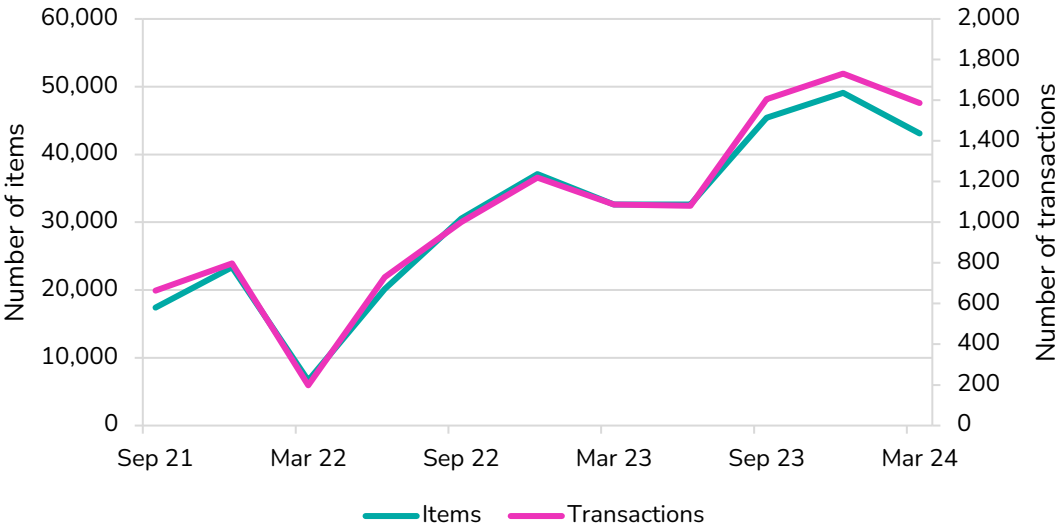
Source: Wellington City Mission

Social Supermarket demand is steadily increasing

Figure 12 shows the number of items sold and transactions made through the Social Supermarket run by the Mission. This indicates how demand for food has increased over time. The Social Supermarket is free for those who need it. Instead of collecting a pre-selected food parcel, shoppers are able to choose their own grocery items from a selection of food and essentials.

The number of items sold increased by nearly 50 percent between March 2023 and March 2024. The number of transactions increased at a similar pace over the period. The spike in demand for the support provided by the Social Supermarket coincides with the rapid pace of food price inflation during the 2022 and 2023 years (Figure 5). Demand has again stayed elevated through the early part of 2024. In the March 2024 quarter, close to 1,600 transactions were made through the social supermarket, which was 46 percent higher than in the March 2023 quarter.

Figure 12 Number of items and transactions through the Social Supermarket, 2021 – 2024



Source: Wellington City Mission

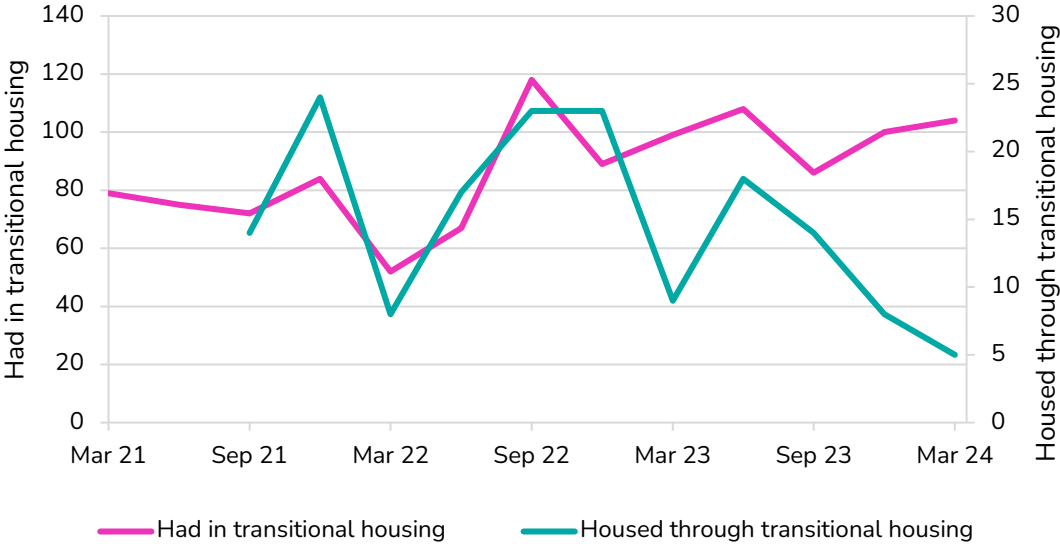
Transitional housing capacity challenged by lack of housing

The Mission operates transitional housing at four sites across Wellington. Ensuring people are supported into permanent housing is one of its key priorities. Figure 13 highlights the trends in housing support provided by the Mission. ‘Had in transitional housing’ refers to the number of people that have been resident in transitional housing, while ‘housed through transitional housing’ refers to the number of people who have been moved from transitional housing into permanent housing.

The number of people the Mission can house is limited by its capacity. However, there has been an upward trend in the number of people that the Mission has supported in transitional housing. In the March 2022 year, the Mission had accommodated 283 manuhiri through transitional housing, compared to 398 in the March 2024 year, a 41 percent increase.

More recently, there has been a sharp decline in the number of people that the Mission has been able to permanently house. An increase in demand coinciding with the lack of availability of suitable housing in Wellington may have contributed to this.

Figure 13 Number of people the Mission has supported transitional housing



Source: Wellington City Mission

The human face of the cost of living crisis

The increase in demand for the Mission’s services highlights the severe impact of the cost of living crisis on the community. Housing has become increasingly unavailable and unaffordable, leaving many without stable shelter. At the same time, food price inflation has reached unprecedented levels, driving more people to seek assistance from the Mission’s Social Supermarket. This crisis has a human face, one that the Mission encounters daily as more individuals and families struggle to meet basic needs. The surge in self-referrals underscores the urgent need for support and the Mission’s critical role in providing relief. To address these growing challenges, there is an urgent need for policy change and increased funding to ensure that the essential services, such as those that the Mission provides, can meet the rising demand and support those most affected by the cost of living crisis.

Appendix A Detailed cost of living and assumptions

Single person households

We used the Household Economic Survey (HES) data from 2019 (the latest survey that has income groups). For each single person household, an appropriate income group was chosen based on household income levels to ensure each reflected the cost of living for each household (Table 7). Therefore, for the JSS household, income group one was selected, while for single in-work poverty household income group three was selected, and for single minimum wage household income group four was selected. These groupings are based on StatsNZ income groups.

Since it was for 2019, we had to adjust the expenditure prices to the current prices. For this adjustment we used the Consumer Price Index (CPI) for each category to adjust the costs from 2019 dollars to 2023 dollars.

- Rent was taken as the average rent of one room in the Wellington region for the latest time period.
- Food cost is the average of the cost of a basic diet for a man and a woman for the 2023 year.
- The rest of the values were also from HES 2019.

Table 7 Core living cost of an individual living in Wellington, 2023

Category (\$)	JSS (\$)	Single in-work poverty (\$)	Single minimum wage (\$)
Rent	286.95	286.95	286.95
Food	83.50	83.50	83.50
Clothes/shoes	15.23	16.75	32.96
Health	20.96	51.47	36.22
Transport costs	32.97	37.68	58.13
Household contents and services	42.62	48.00	46.29
Household energy	38.36	43.06	43.61
Telecommunication services	20.96	26.58	27.08
Personal care	14.21	13.51	21.19
Total excluding rent and food	185.31	237.06	265.48
Total	555.76	607.51	635.93

Sole-parent households

- Rent was taken as the average rent of a two-bedroom property in the Wellington region for the latest time period (Table 8).
- Food cost is the average cost between the basic diet of a man, a woman, a 10-year-old, and a 5-year-old.
- The cost of transportation for a sole parent would include the average weekly cost of purchasing a vehicle, private transport services, and passenger transport services, sourced from HES 2019 and adjusted to 2023 dollars. We have made the assumption that public transportation may not suffice for a sole parent with two children.
- The rest of the values were calculated the same way as in the single-person household deficit scenarios. For a sole-parent household we used the expenditure data for a one parent household with dependent children from HES 2019.

Table 8 Core living cost of a sole parent living in Wellington, 2023

Category (\$)	Sole parent (\$)
Rent	597.07
Food	206.50
Clothes/shoes	28.83
Health	23.41
Transport costs	110.07
Household contents and services	28.07
Household energy	43.50
Telecommunication services	26.38
Personal care	18.52
Total excluding rent and food	278.77
Total	1,082.34

Superannuitant households

- Rent was taken as the average rent of a two-bedroom property in the Wellington region for the latest time period (Table 9).
- Food cost is the average of the cost of a basic diet for a man and a woman for the 2023 year.
- The rest of the values were calculated the same way as in the single-person household deficit scenarios. For superannuitant households we used the expenditure data for a household whose primary source of income was New Zealand superannuation from HES 2019.

Table 9 Core living cost of an individual on NZ Super living in Wellington, 2023

Category (\$)	NZ Super - Mortgage-free (\$)	NZ Super - Renting (\$)
Rent	0.00	286.95
Food	83.50	83.50
Clothes/shoes	16.97	16.97
Health	47.16	47.16
Transport costs	46.23	46.23
Household contents and services	51.44	51.44
Household ownership	31.00	0
Household energy	35.70	35.70
Property maintenance	24.50	0
Property rates and related services	43.50	0
Telecommunication services	26.28	26.28
Personal care	15.95	15.95
Total excluding rent and food	338.74	239.74
Total	422.24	610.19