

Lockdown AND Hardship

**The impact on vulnerable
families in Aotearoa**

christians
against
poverty

CAP

Summary

Since the August 2021 lockdown announcement, Christians Against Poverty (CAP) has remained active in communities, providing food packages as needed, and debt counselling for people in financial hardship – especially prevalent in Auckland where the lockdown has been over three months long.

This brief report examines the impact of lockdown on the social and economic well-being of vulnerable persons in Aotearoa, based on anecdotal data obtained from the CAP frontline team – consisting of Debt Coaches in local communities, as well as the Head Office Client Services Team – and qualitative data from CAP clients. The report is guided by three questions:

- i. what impact is lockdown having on the social and economic well-being of disadvantaged families?
- ii. how is lockdown affecting those already in financial hardship?
- iii. what options can best attenuate the effect of lockdowns on vulnerable families?

From CAP's experience of dealing with people in unmanageable debt, lockdown accentuates social and economic inequalities, unless adequate financial support is in place. The impact on the well-being of families in financial hardship and unmanageable debt is dire. With school children staying at home and unable to access 'food in school' programmes, many low-income households and vulnerable families experience higher costs of living, food poverty, and income shortages. The wage subsidy does not cover all the income for most low-income households, meaning these families are more likely to experience hardship, especially with the increased cost of food and other utilities during the lockdown. The discontinuation of the emergency benefit for migrants and the ineligibility of casual contract workers to benefit from the wage subsidy means they cannot access financial support from the government. This means that without any safety net in place, many vulnerable families will experience more hardship during the lockdown.

In light of the above, CAP makes the following recommendations to ensure adequate financial support is provided to those experiencing financial hardship in the event of future lockdowns.

- Provide more financial support for vulnerable families who may not be eligible for the wage subsidy.
- Continue the 'food in school' programme to support children from disadvantaged households.
- Provide more support for community groups and debt counselling services to support families in lockdown.
- Make the internet affordable and accessible for disadvantaged families to ensure home learning can take place.
- Provide special lockdown packages for power, internet, and food for the vulnerable. Pull forward the implementation of planned benefit increases.
- Require banks to ensure they have a basic bank account facility at low/no cost which can be accessed by people in insolvency.

Introduction

On 17th August 2021, the New Zealand government announced a swift and sharp lockdown to limit the spread of the Delta variant. Like previous lockdowns in Aotearoa, it highlighted the prevailing social and economic inequalities faced by vulnerable families in financial difficulty, poverty, and unmanageable debt. For many of these families, going into a lockdown without sufficient financial support engenders feelings of anxiety, stress and uncertainty – with no assurance of where the next meal would come from or if what is available will be enough to last if lockdown prolongs. One of CAP's clients reported feeling overwhelmed by the pressure of being at home without money to buy groceries for her children.

CAP continues to hear first-hand accounts of food deprivation, loss of income, and the severe hardship experienced by many disadvantaged families during lockdown. For families with low incomes or on a benefit, lockdown piles additional pressure on their finances. A report by Te Ara Ahunga Ora on the first Level 4 lockdown in March 2020 revealed that 28% of households had experienced a reduction in income, and a quarter of households had fallen into arrears on at least one payment.¹ Also, 13% of households lost more than a third of their income due to job loss, reduction in wages or salary, or generally from economic loss.² This implies that during lockdown, low-income households are more likely to experience job loss and less likely to be able to work from home.

While the sudden alert level changes are justifiable to avert long-term public health crisis, many of CAP's clients have experienced a spike in living costs due to movement restrictions and workplace disruptions. This has directly led to difficulty affording and even obtaining food, significant stress in dealing with the challenges of being confined to the home, and reduced income. CAP clients have also expressed nervousness around wages not being paid on time and the stress of having to cover higher costs due to all household members being stuck at home.

Clients have also indicated there is a lack of respite, from not having the usual break provided by school and kindergarten, adding pressure on already vulnerable households. As a result of educational and workplace closures and tight restrictions on social interactions, whānau are finding themselves in the home seven days a week. For vulnerable families lockdowns means more consumption of power, water, gas and internet usage, which puts more strain on their finances. Most children who attend low decile schools come from vulnerable households and usually receive breakfast, lunch, and snacks at school through the Ka Ora, Ka Ako programme. Some whānau say their children are eating more than they usually would, which could result from stress, anxiety, or boredom, while others may have additional family members at home because of an expanded bubble – resulting in higher expenditure on food, electricity, and internet.

The following issues relate to the impact of lockdown on those in financial hardship and on social and economic well-being.

Impact on those already in financial hardship

People experiencing financial hardship face many barriers to providing necessities for their whānau. Unfortunately, the impact of lockdown has exacerbated these challenges, making it harder than ever before to meet the needs of their families.

CAP clients were already facing material hardship pre-lockdown: Before CAP, 67% of CAP clients skipped meals, often regularly, to make loan repayments. In Auckland alone, CAP has distributed home-delivered food boxes to more than 135 households and provided petrol vouchers and mobile top-ups to more than 47 families during this lockdown.

Type	Total Distributed
A Home-delivered food box	135
Petrol voucher – \$50	35
Mobile phone top up – \$40	12
Overall total	182

Total food and other aid packages distributed by CAP during the lockdown

CAP estimates the demand for food parcels is likely to continue with each lockdown. August 2021 saw an increase in Work and Income Special Needs Grants for food rising by an average of 37.5% nationally.³ In Auckland alone, grants rose from approximately 32,000 in July to 44,000 in August.⁴ For the many families already struggling to survive on tight budgets pre-COVID-19, the additional financial pressure engendered by lockdowns pushes them to the brink, and to the point where they have no choice but to rely on food parcels for weekly sustenance. This is a clear indication of the food deprivation and material hardship in households. Salvation Army also reported a surge in food parcel inquiries, rising from 108 per week in the days before the 18 August lockdown to 1178 on the week of 23rd to 29th August 2021.⁵

Putting food on the table

Whether through fear of running out or wanting to limit possible exposure to COVID-19, we have all heard stories of panic buying; people rush to the supermarket to ‘stock up’ to avoid disappointment or save on further trips. Sadly, the items on special and the cheaper brands are often the first to be out of stock—people in financial hardship then have to decide between purchasing fewer items or spending much more. Getting to the supermarket is often a challenge for those who rely on public transport. It is not possible to carry lots at one time on the bus so shopping less frequently by purchasing more is not an option either. CAP is concerned for those who cannot access food easily and quickly, like older clients with limited mobility or single-parent households – where there is no option but to take the children with them to get food. At alert Level 4 in Auckland, some local

supermarkets were closed once they became 'locations of interest,' resulting in families finding alternative supermarkets – which is very challenging for those who cannot travel easily.

Food prices go up

With the restrictions on greengrocers, farmers' markets, butcheries, bakeries, restaurants, and takeaways, supermarkets, petrol stations and dairies became the only sources for purchasing food at Level 4. This resulted in increased food prices, fewer specials, and a limited supply of lower-priced grocery staples, as panic buyers snatch up the most affordable and desirable essentials. The recent Commerce Commission report on supermarkets shows that New Zealand shoppers already face high food prices compared to international standards; the result of COVID-19 restrictions only serves to exacerbate this further.⁶ The elimination of alternative food outlets also results in unreasonably long supermarket queues, meaning those with mobility and health issues, single parents with young children and those required to self-isolate are forced to pay for the cost of delivery – if delivery spots are even available.

“One client called us in a state of real emotional and mental distress. She has no family or support and trying to get to the supermarket is very distressing for her.”

– CAP Debt Coach

Dairies and convenience stores have been food supply lifelines for families too far from or unable to travel to a supermarket, but the cost of purchasing there is much more expensive - yet another reason that CAP has received a much higher volume of calls from clients asking for food parcels. Clients have a genuine sense of anxiety and panic at the real threat of not being able to feed their kids. Many of CAP's current clients would be receiving extra support from their local food bank or church when their situation is particularly dire. But when not all food banks are open quickly with an alternative system during a lockdown, and some do not have delivery options, there is further potential for food scarcity for people in need.

Higher food costs during lockdown further exacerbate financial hardship for families.

Paying the bills

Food supplies run out faster for households with children at home during a lockdown. Families that would typically benefit from kids being fed at school now have to cover lunches in their food budget. Children at home also mean families are facing higher utility bills during lockdown – such as power and water expenses. These higher costs during lockdown are further exacerbating financial hardship for families.

Under the Ka Ora, Ka Ako programme, 25% of school-aged children receive free lunch.⁷ A review in March 2021 showed that 200,000 children received free lunches in over 800 low- decile schools throughout the country.⁸ These schools also offer a free morning tea option, such as the Fruit in Schools programme. A further 40,000 children receive free school breakfast; this is available at many schools regardless of decile and is offered before school to children who so desire it.

CAP estimates that for a whānau with two school-aged children, it would cost an additional \$73.50 to provide the same quality of food on weekdays where the children would generally be receiving a complimentary breakfast, morning tea, and lunch. For that same whānau, CAP estimates that a 13% increase in residential power usage, as per data from Vector, would lead to an additional \$9 being spent on power each week. This number is based on CAP's minimum sustainable power estimates;

many whānau would spend more than this. Finally, CAP estimates that whānau would be spending an additional \$1.75 a week on water due to increased water usage at home. This is in line with estimated increases in water usage reported between 10-15%. All in all, a whānau of four in Tāmaki Makaurau could expect to pay \$84.25 more per week to maintain the same standard of living pre-lockdown. Many of CAP's clients have larger whānau, so these significant increases in expenditure without additional financial support, and in many cases with reduced income, further exacerbates hardship.

Digital exclusion

People experiencing financial hardship may have limited internet and data access due to not having broadband at home or having a limited data plan; or through having insufficient internet-capable devices.

For families where children are required to connect to online learning during a lockdown, this causes major disruption to their education. Families in material hardship also struggle to connect their kids to online learning when there are more children than internet-and-study-capable devices in the home. One CAP client shared their daughter's frustration at missing out on study because she did not have access to the school's Chromebook. For people already in a tough spot this causes increased stress.

Without good internet or internet accessing devices, whānau are unable to shop or obtain other forms of support online. For instance, Work and Income often require digital correspondence for accessing case managers, as phone lines regularly become too queued. For households who only have access to mobile internet, this inevitably increases mobile plan bills. Low-income whānau who have limited technological devices and internet access are therefore disadvantaged when accessing schooling for children. This places an additional burden of stress on parents, who are most often the ones tasked with looking after their children, and often while working from home.

Financial exclusion

Managing cash and participating in today's digital society is very difficult for people who do not have access to basic banking facilities. For example, people who have gone through insolvency often have their bank accounts frozen and/or closed, thereby withdrawing their ability to participate digitally; opening a bank account is also difficult for those who do not have identification, such as those who have left prison. Lockdown has accentuated the hardship experienced by this group of people, who are currently excluded from operating an everyday banking account. A commonly overlooked group of people who fall into this category are those going through a form of insolvency, where banks may bar them from obtaining such financial products, effectively preventing them from accessing essential services.

No online purchases

While many New Zealanders have switched easily to making purchases online during a lockdown, those without access to a debit card facility struggle. This places them in increased vulnerability as they cannot freely access essential services or purchase essential goods such as food and toiletries.

More so, those who do not have a debit or credit card are unable to access food from retail food outlets, where cash is not acceptable.

No cash purchases

While essential services remain open for trade, many businesses have now stopped taking cash payments as a precaution against viral spread. Businesses prefer card payments, often preferring payWave technologies. It is impossible for those without a bank account and debit card facility to pay for things at these businesses, leaving them financially excluded from some essential purchases. Even supermarkets are limiting the checkouts which can accept payment in cash. This can add significant delays to a supermarket shop, increasing the exposure time in a public space for those who can only use cash.

Relying on workarounds

People who cannot access basic banking facilities have generally only been able to manage their finances by developing trusted relationships with someone with a bank account. This is not limited only to outgoing payments – the arrangement can be the primary means for a person without a bank account to receive their wages or benefit. At times, this relationship can be with someone close, like a partner, a parent, or close friend, but in each situation, the un-banked person is in a position of significant financial risk and exposure to having money stolen or misused. Lockdown has made it much more difficult for those who rely on another person for banking help, especially in cases where the supporting person is not in the same bubble. The situation is also similar for people who would normally provide financial support to other family members. The inability to provide cash support to those without a bank account means those who rely on this are at further risk of financial hardship.

Impact on social and economic life

The economic impact of lockdown is mainly felt at the household level due to its intersection with employment, income, and family life – with more children likely to be pushed into poverty due to the trickle-down effect of the lockdown. Research from the last lockdown reveals that at least one in eight households lost employment, with 39% losing part of their income.⁹ Households where the adults worked in the manufacturing, construction, retail, wholesale, and the hospitality sector were most hit, with two-thirds of these workers experiencing economic loss.¹⁰ CAP is concerned that the rate of job loss and hardship will increase in Auckland as a result of the long lockdown.

Financial capability

For those lacking financial capability, lockdown accentuates hardship and makes a challenging situation even worse. CAP clients may experience material hardship and worry about providing food on the table, while some turn to borrowing more funds out of desperation. Families in hardship need access to practical advice and support more than ever, to avoid further material hardship and prevent the spiral into debt and poverty. CAP is concerned that as lockdowns linger, many vulnerable families are forced to take out more debt due to the increased cost of living, which causes them to sink deeper into hardship.

Debt

Not paying essential bills and debts is a leading stressor for CAP clients during a lockdown. CAP notes that even before the current lockdown, 65% of clients owed money for utility bills. Factors such as increased supermarket prices and higher utility expenses experienced during the lockdown have only made it harder to meet essential living costs and repay debts, especially as income either remains the same or decreases. This means families spend more on essentials and are left with little to save or get by. The stress of creditors ringing to chase overdue payments also results in clients hiding away and isolating themselves from whānau and friends. While CAP acknowledges that creditors showed grace in the first lockdown of 2020 towards clients in financial hardship by their willingness to offer reduced debt settlements and relax hardship application, in the present lockdown, this has not necessarily been the case – CAP continues to hear cases of creditors engaging in harassing behaviour with clients to recover their debts.

Pushing people to the brink

Research shows that experiencing job and income loss is associated with feelings of anger, depression, stress, loneliness, and poorer well-being.¹¹ Many CAP clients back up this finding, saying their debt caused them stress, anxiety and depression. Prolonged lockdowns without adequate financial support can have a detrimental impact on financial capability and resilience, and heighten the stress for many vulnerable families. CAP is concerned that the effects of lockdown for people who are in unmanageable debt will affect their well-being.

Borrowing

While a condition of working with CAP is that clients do not take out further lending, during lockdown incidences of borrowing can happen. Clients borrow funds for expenses like kai, school costs, and tangi. While CAP encourages clients to save for the long-term, events like lockdown can quickly exhaust client's savings and expose their low financial resilience.

Needed actions

CAP acknowledges that lockdown is essential for safeguarding public health, particularly in a pandemic. However, appropriate measures can be put in place to ensure that vulnerable households are not without financial support during a lockdown. These measures include:

- Providing more financial support for vulnerable families who may not be eligible for a wage subsidy.
- Providing more support for community groups and debt counselling services, so they can support families in lockdown and help prevent them from experiencing further financial and material hardship.
- Making the internet affordable and accessible for disadvantaged families, to ensure children do not miss out on online learning during lockdowns.
- Providing special lockdown packages for power, internet, and food for the vulnerable so that they can cater for their households without going into more hardship.
- Pulling forward the implementation of planned benefit increases to increase the household budget and mitigate undue hardship.
- Requiring banks to ensure they have a basic bank account facility at low/no cost which can be accessed by people in insolvency, and a process that makes it easier to open an account for those who cannot get to a bank branch.

Notes

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About CAP

Christians Against Poverty (CAP) is a non-profit organisation, passionate about releasing New Zealanders from debt, poverty, and its causes.

CAP has been providing professional debt counselling in partnership with local churches since 2008. In that time, thousands of people have received the help and support needed to break free from unmanageable debt, and step into a life filled with freedom and hope. Also, in partnership with local churches, CAP runs community groups offering help with money management.

All CAP's services are FREE, and available to anyone who needs our help.

Data

The statistics and data contained within this report are analyses of CAP's past and current clients. Where appropriate, we indicate data that has not been sourced by CAP. The names of clients within the case studies have been changed to protect their identities. All client quotes within the report are genuine but anonymous as obtained from the CAP's 2020 Client Survey.

Acknowledgements

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