

Child Poverty in New Zealand: Building on the progress to date

Expert Advisory Group on
Solutions to Child Poverty

29 October 2013

EXECUTIVE SUMMARY

Child poverty is preventing many New Zealand children from living healthy, productive lives. As many as 25 percent – up to about 265,000 New Zealand children – currently live in poverty. These children deserve the opportunity to live healthy lives, learn in school and take part in normal childhood activities. Investing to support these children to achieve their potential will pay dividends for all New Zealanders through future economic and social gains.

In December 2012 we released *Solutions to Child Poverty in New Zealand: Evidence for Action*. We recognised that child poverty is complex and has many elements so, to be effective, any anti-poverty strategy must incorporate a range of responses. It will also take sustained effort over many years. Reducing child poverty is an investment that will return real benefits for individual children and for society, by saving on the need to address the harmful consequences in the health, education, social services and justice sectors.

The purpose of this paper is to reflect on the progress since the release of our Report, and identify key areas where further effort is required. The progress we have seen in a short period of time is pleasing and we should celebrate these achievements. We also cannot lose sight of the task still ahead. What we are seeing, from the progress within the Government and the range of activities in local communities, is that an organic strategy is emerging. Now is the time to help shape this work and provide a framework so that efforts are mutually reinforcing, gaps are identified and addressed, and the collective impact is greater than the sum of the individual initiatives.

We need a cohesive and comprehensive anti-poverty strategy to avoid spending valuable time and resources that mitigate some of the impacts of poverty, but do nothing to address the underlying issues causing the harm.


There is strong evidence that the merits of taking an investment approach to supporting better outcomes for young children will pay great dividends for society. This investment approach could provide the framework to shape and direct the aspects of our collective activities.

With this in mind, the EAG believe the most pressing areas for further action are:




**Strategy
for
investing
in children**

- New Zealand has never had a national strategy to combat child poverty, and the Government has a key role in driving change and improving accountability for addressing child poverty.
- A strategy for investing in children would include establishing specific poverty reduction targets and a monitoring and reporting framework. In the interests of credibility and durability, these arrangements should be embedded in legislation.
- Setting up a Better Public Service target on child poverty could go some way to achieve this focus.



**Steps to
address
income
poverty**

- Insufficient income to pay bills and purchase essentials forces many families to make hard choices – we want families to have enough money to meet their children’s needs. The Government currently supports families through Working for Families for just this reason, but this is not working optimally.
- If we applied the investment approach to the Family Tax Credit (FTC), we could target more support where it matters most and where child poverty is higher – for younger children and larger families.
- Currently, FTC payments vary by the age of the child, so that the highest payment is for older children (i.e. current maximum weekly rate for 16-17 year olds is \$102 but only \$64 for a child under 12 years). We recommend eliminating the different rates and having one single per-child rate (preferably based on the rate for 16 years or older). This would provide more money for younger children and reduce child poverty rates for those who benefit most.



**Continued
momentum
on housing
and health**

- A promising start has been made to address our housing crisis. However we need much more – failure to improve the quantity, quality and affordability of housing for our poorest families will lock us in a cycle of spending to address remedial health and social issues. We recommend moving ahead on the development and implementation of the housing warrant of fitness, and investing in more social housing.
- Child health outcomes for our poorest children are shocking. While health care interventions cannot solve the root causes of child poverty, they can mitigate some of its worse effects. Investing in maternity and child health services, with universal free access to healthcare services and medications for children 24 hours a day, and further targeting for those identified at higher need, will result in immediate improvements the children most in need, and also reduce the likelihood of intergenerational transfer of poverty.

Children deserve the best possible start in life. There is no better investment we can make together.

INTRODUCTION

1. Child poverty is preventing many New Zealand children from living healthy, productive lives. As many as 25 percent of children – up to about 265,000 – currently live in poverty.¹ These children deserve the opportunity to live healthy lives, learn in school and take part in normal childhood activities. Investing to support these children to achieve their potential will pay dividends for all New Zealanders through future economic and social gains.
2. The Expert Advisory Group (EAG) spent much of 2012 working on the task given to us by the Children’s Commissioner, Dr Russell Wills, to provide him with advice on realistic, pragmatic and cost-effective ways of reducing child poverty and mitigating its negative consequences.
3. In December 2012 we released *Solutions to Child Poverty in New Zealand: Evidence for Action*. The report acknowledged that there is no simple solution to addressing the causes and consequences of child poverty and that a multi-pronged approach is needed. The EAG made 78 separate recommendations – each important for addressing some aspect of child poverty. We stand behind these recommendations.
4. The purpose of this paper is to reflect on the progress since the release of our Report, and identify key areas where further effort is required.

We set out to achieve tangible improvements for New Zealand children

5. Our Report specifically considered how child poverty can be reduced, and its effects mitigated, in the most efficient, effective, fair and fiscally responsible manner. We unapologetically put children – their interests and welfare – at the centre of our approach. We recognised that child poverty is complex and has many elements so, to be effective, any anti-poverty strategy must incorporate a range of responses. It will also take sustained effort over many years.
6. We also stressed that efforts to reduce child poverty must be seen as an investment that will reap benefits for individual children and for society. Investing in reducing child poverty will save on the significant costs addressing the harmful consequences in the health, education, social services and justice sectors. There is considerable evidence that investing in the early years is most critical.
7. If implemented, our recommendations will bring about positive change for New Zealand children, particularly Māori and Pasifika children who account for a disproportionate number of children living in poverty.

¹ Regardless of the measure, hundreds of thousands of children are living in poverty, as shown by this comparative table from the most recent Ministry of Social Development report *Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982-2012*. (<http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/>)

Table F.5 Numbers of poor children in New Zealand using different thresholds
(ie the number of children in households with incomes below the selected thresholds using either the total disposable income before housing costs (BHC) deducted or the disposable income after housing costs (AHC) are deducted)

HES year	BHC 'moving line' 60%	AHC 'moving line' 50%	AHC 'moving line' 60%	AHC 'fixed line' 60% (2007 ref)
2001	250,000	215,000	310,000	380,000
2004	270,000	200,000	290,000	320,000
2007	210,000	170,000	240,000	240,000
2009	210,000	190,000	270,000	230,000
2010	215,000	170,000	270,000	230,000
2011	200,000	170,000	270,000	230,000
2012	195,000	175,000	265,000	215,000

Looking at progress

8. In this paper we describe the progress to address child poverty by the Government, as well as other initiatives that we are aware of being led by a range of organizations including business, local government, and philanthropic, advocacy and community groups. We also note that some political parties have been incorporating aspects of the EAG's recommendations into their policy platforms. We have summarised and reported on progress to the best of our ability. We recognize, however, that there are many initiatives, particularly at the community level, that we simply cannot catalogue nor attribute to the EAG report.
9. Since the release of our Report we have been encouraged by the on-going rigorous public debate about child poverty and by the many new community-based initiatives to help families facing financial hardship. We have also been heartened by the Government's positive response to a number of our recommendations.
10. Yet significant problems remain that need continued and sustained effort. In releasing *The 2013 Household Incomes Report*, Minister Paula Bennett noted "Child poverty remains a serious issue ... all standard measures show rates have been flat since 2009..."² While child poverty rates have not been getting worse, they are still high relative to other age groups and to 1980s levels.

GOVERNMENT'S RESPONSE AND PROGRESS ON CHILD POVERTY

11. The Government has taken a number of steps to consider and implement aspects of the EAG Report. In this section we look at government processes for considering child poverty, the formal response of Ministers to the EAG Report, and various announcements in the 2013 Budget. We also provide our own assessment of where progress has occurred.

Formal consideration of child poverty

The Ministerial Committee on Poverty

12. The Ministerial Committee on Poverty (MCoP) arose out of the Relationship Accord and Confidence and Supply Agreement between the National Party and the Māori Party.³ The MCoP coordinates government workstreams that relate to the prevention and alleviation of poverty, focusing on the circumstances that trap people in poverty and providing them with opportunities to make changes and choices.
13. In the MCoP six-monthly update released in April 2013,⁴ the EAG Report was considered and the MCoP were provided with some options to extend the insulation subsidy programme, support food in schools, and support micro credit partnerships.
14. The MCoP received a report from the Treasury on poverty drivers, effects and responses in New Zealand (attached to the MCoP April update as Appendix 1). In that paper, the Treasury concluded that:

"While there is a relatively large group of households experiencing low and medium levels of low income, there is a strong policy case for targeting assistance at the most disadvantaged in New Zealand." (p.4)

² See: <http://www.beehive.govt.nz/release/household-incomes-rise>

³ See <http://www.dpms.govt.nz/dpms/publications/mcop> for further details and links to all press releases and publications.

⁴ <http://www.dpms.govt.nz/sites/all/files/publications/555108-cab-paper-six-monthly-report-mcop-april2013.pdf>

15. Many of the suggestions in the Treasury paper are consistent with the EAG report, such as:
- “There appears to be a strong rationale for employment support to be prioritised to parents in the welfare system as part of welfare reform. (p.23)*
- “Over time consideration could be given to further changes in settings (such as services funding, childcare, tax-benefit interface, work expectations) to enable an effective investment approach to support sole parents into work” (p.2), and*
- “The evidence is strong enough to suggest that the mix of expenditure on child payments over time should move from households with older children to those with younger children” (p.2)*
16. Other suggestions in the Treasury paper include:
- Reviewing and refocusing decile-based resourcing for schools so that this funding is effective in providing additional support to children from disadvantaged backgrounds (this work is now underway in the Ministry of Education).
 - Developing a framework for the measurement of child material living standards as part of broader measures of child wellbeing.
 - Undertaking research to better understand the magnitude of the impact of income on educational, social and emotional wellbeing of children.
 - Clarifying the degree to which limited resources should be targeted to those with the greatest need versus distributed more widely.
17. The Government also issued a formal response to the EAG Report.⁵ The response acknowledges that the EAG’s recommended actions are critical dimensions to child wellbeing. The response illustrates the Government’s commitment to preventing child poverty by discussing its investments made over the past four years to: build a stronger economy; support people off welfare and into work; and, protect vulnerable children. The response concludes by saying the MCoP will continue to consider the EAG’s recommendations and whether further measures are required – and are affordable – over the medium to long-term.

Budget 2013

18. More important than what the Government signals in its papers and discussion documents is what it commits funding to as part of the Budget process. In May, the Government Budget 2013 contained a number of items directly linked to the recommendations of the EAG Solutions to Child Poverty report. Minister Paula Bennett noted this year’s Budget initiatives designed to better support low-income families included:
- \$100 million for the Warm-Up New Zealand: Healthy Homes programme, targeting low income households.
 - \$188.6 million extra for the next stage of welfare reforms, with more intensive, work focused support for beneficiaries.
 - \$21 million over the next four years for rheumatic fever treatment and prevention.
 - \$9.5 million over five years, matched by Fonterra and Sanitarium, for the KickStart Breakfast programme beginning with low decile schools.⁶
19. This package of \$319.1 million over five years is in addition to the \$2.9 billion spending on State housing.

⁵ See: http://www.beehive.govt.nz/sites/all/files/Government's_response_to_the_Childrens'_Commissioner's_EAG_report.pdf

⁶ See: Paula Bennett, *Household incomes on the rise*, Press Release, 16 July 2013.

Other Government priorities and initiatives that help child poverty

20. We also acknowledge there are other areas of Government priority, many pre-dating the EAG report, that will help children in poverty. These include:
- Better Public Services (BPS) targets for vulnerable children such as reducing rheumatic fever, increasing Early Childhood Education (ECE) participation, and increasing immunisations rates.
 - The efforts to better support vulnerable children through the Children's Action Plan (including Children's Teams already operating in two demonstration sites and the introduction of the Vulnerable Children's Bill).
 - Implementing the Prime Minister's Youth Mental Health Strategy.
 - Evaluation of the Social Sector Trials and expansion of the initiative from 6 to 16 communities.

Our assessment of Government progress on the EAG Recommendations

21. Our own assessment of the Government's 2013 Budget and other announcements is that at least 23 of the EAG's 78 recommendations are being either partially or wholly addressed. The Government itself has not directly linked all the initiatives described below to the work of the EAG and indeed many are not specifically presented as support for children living in poverty.

Housing

22. Housing is critically related to child poverty. The EAG recommends having a mix of goals, including improving some housing conditions immediately so the short and long-term health of children is protected, and improving housing affordability over the long-term.
23. We are pleased that the Government has taken a number of steps that are directly linked to or aligned with the EAG recommendations, including:
- Developing a rental warrant of fitness, and trialling this initially in Housing New Zealand (HNZ) properties with potential to expand to other rentals.
 - Funding \$2.9 billion to expand social housing by: adding 2000 extra bedrooms to existing HNZ 3 bedroom homes for larger families (mostly Auckland); adding an extra 500 smaller units; adding 700 more units in Christchurch, and repairing all other Christchurch HNZ units by the end of the year.
 - Funding \$100 million for an insulation subsidy programme targeted to benefit low-income renters.
 - Funding \$27 million annually to extend Income Related Rents to community housing providers.
 - Establishing a common housing needs assessment for families seeking housing support from HNZ, other community housing or the Accommodation Supplement.
24. Other initiatives announced have potential to benefit children in poverty over time, including legislation for housing accords intended to increase land supply for development, and funding \$64 million over 4 years to expand the Kiwisaver Welcome Home Loans initiative to support entry into home ownership. We are also pleased to see funding \$4 million over 4 years to support the Auckland-wide healthy homes initiative that will provide holistic support for families whose children are experiencing serious health issues (e.g. elevated risk of rheumatic fever).

Health and disability

25. Children growing up in low-income households face multiple health risks. The Government has not responded directly to any of the EAG's health recommendations. We are aware, however, that

Statistics New Zealand is addressing information issues on children with disabilities (including linking disability status to household incomes) in the 2013 Disability Survey and associated reporting, as recommended.

26. We also note that some Government initiatives will indirectly work to mitigate the impacts of child poverty, including:
- Funding \$7 million to support completing more Before School Health Checks (B4SC) in communities settings, such as on marae.
 - The \$21 million investment over 4 years for rheumatic fever treatment and prevention (as part of the BPS targets).

Education

27. The education system can have a powerful impact on the lives of children living in poverty – by mitigating the impacts in the short term, and increasing social mobility and by breaking intergenerational cycles of poverty in the long term.
28. We are pleased that the Government has signalled the importance of feeding hungry children so they can learn, by funding \$9.5 million over 5 years to support food in schools (via the Fonterra and Sanitarium KickStart programme).
29. We are also pleased that the Government has taken a number of steps that are aligned with the EAG recommendations, including:
- \$172.5 million new ECE investment over 4 years (including significant targeted funding for Māori, Pasifika and low SES children), supporting the BPS targets.
 - \$64 million extra over 4 years for more positive behavioural support for schools, parents and teachers.
 - Funding for more trades training for Māori and Pasifika youth (increasing places from 600 to 3000).
 - \$12 million over 4 years to support and retain new teachers in Māori immersion education, plus 30 new scholarships, and over \$10 million on other projects to build evidence about effective language policies and to support community projects to grow te reo.
30. Steps underway to Implement the Prime Minister’s Youth Mental Health Strategy include piloting ‘check and connect’ for year 9 students with mental health issues, expanding health and mental health services in low decile schools, and the Education Review Office evaluating the existing guidance and counselling arrangements in schools. These are all welcome additions to the education system support for children living in poverty.
31. The Māori education strategy: *Ka Hikitia - Accelerating Success 2013-2017*, and the *Pasifika Education Plan 2013-17*, were both refreshed this year. These strategies build on past successes in ways we expect to pay dividends for Māori and Pasifika children and young people.

Income adequacy and problem debt

32. Many families in New Zealand experience financial shocks, but for families on low incomes with limited financial literacy, such shocks can lead to problem debt which in turn can lead to material hardship. The Government has taken some positive steps related to the EAG’s recommendations, including:

- Directing officials to investigate options to partner with the private sector and NGOs to promote access to affordable credit for those who struggle to access it, with report back to Ministers in September.
 - Funding \$1.5 million extra for budgeting services (with 92 additional positions supported) and indicating the services and funding model will be reviewed.
33. The Government has not undertaken any of the EAG’s recommended steps to address the income adequacy for children living in poverty.
34. The immediate cause of child material deprivation is low family income. Family income, and therefore child poverty, can be directly influenced by government policy on tax and income support. Getting that system performing well is critical if child poverty is to be reduced. Relevant parts of the tax and benefit systems include parents’ employment earnings, Working for Families tax credits (Family Tax Credit, In-Work Tax Credit, Minimum Family Tax Credit and Parental Tax Credit) and benefit support (mainly sole-parent benefits and the unemployment benefit). Our Report took an investment approach to income adequacy issues, and recommended a number of short and longer-term solutions that will move children out of poverty in the most critical younger years.

OTHERS ARE WORKING TO ADDRESS CHILD POVERTY

35. The issue of child poverty has received significant attention in mainstream and social media, and community and sector-based fora. This has been shown through shows such as “The Vote” and Campbell Live.
36. The public’s understanding of the complexity and importance of child poverty issues has, we believe, deepened. Public debate has matured and is beginning to take a more explicit focus on what works for children, and how best families, communities, business and government can work together to achieve this.
37. We have witnessed a growth in community meetings dealing specifically with child poverty, and have been pleased at the growing commitment that businesses and philanthropic groups are making to addressing child poverty. While we cannot catalogue all these activities here, in the following sections we provide some examples.

Office of the Children’s Commissioner activities

38. The Children’s Commissioner has made addressing child poverty one of his priorities for his five-year term. The Office continues to support this priority as indicated in the Statement of Intent. Specific activities the Office is undertaking include:
- Forming a partnership with JR McKenzie Trust and Otago University to produce an annual measure and report on child poverty.
 - Developing a framework for providing advice to business and philanthropists on how to invest in better outcomes for children.
 - Developing voluntary guidelines (with an advisory group) for schools and communities on how to best implement food in schools programmes to achieve multiple outcomes.

Business, community and philanthropic activities

39. It is encouraging to see the range of work that is underway by business, local government, community and philanthropic leaders to address child poverty. While we cannot possibly document

all these, we celebrate some examples listed here:

- Every Child Counts' campaigns "for every child a healthy home" linking the housing, poverty, and family support needs for children, and "tick for kids" focused on local government and DHB election candidate awareness and commitment to children
- CPAG's report on child poverty and child abuse, and legal action on the in-work tax credit
- UNICEF's work to promote implementation of UNCROC and influence policy-making process
- Dunedin City Council's move to improve the standard of rental accommodation in the city
- Auckland Council's continued priority on children in their strategy, and making it real through steps such as free entry to the council pools
- Philanthropist Dr Jilly Evans supporting forums at Auckland University to advance the recommendations of the EAG
- Increased corporate giving, e.g. Meridian is a new sponsor of KidsCan, and Fonterra and Sanitarium are increasing their commitment to food in schools
- Groups like KidsCan working with wider networks to support needs of children
- Collaborative efforts underway, e.g. Inspiring Communities, the Telecom Foundation, the JR McKenzie Trust, Jilly Evans and Philanthropy New Zealand collaborated to bring a prominent speaker from Canada to discuss 'Collective Impact: working together to advance solutions to child poverty'

40. The EAG commends all these initiatives, as well as the many other activities not listed here. The energy, momentum, and indeed leadership, is heartening.
41. We have been encouraged by the continued public debate about child poverty, but the message has not reached all New Zealanders. We all need to continue our efforts bring our family, friends, colleagues and wider networks on the journey with us, to help those children that need our support.

MORE NEEDS TO BE DONE...

42. The progress we have seen in a short period of time is pleasing. But while it is important to celebrate these achievements, we cannot lose sight of the huge task still ahead. We stand by our original 78 recommendations, and we need sustained effort over a longer period to be effective.
43. What we are seeing, from the progress within the Government and the range of activities in local communities, is that an organic strategy is emerging. Now is the time to help shape this work and provide some framework so that:
 - efforts are mutually reinforcing
 - there are no major gaps, and
 - the collective impact is greater than the sum of the individual initiatives.
44. We need a cohesive and comprehensive anti-poverty strategy so that we do not spend valuable time and resources putting plasters on wounds, by mitigating some of the impacts of poverty, but doing nothing to address the underlying issues causing the harm.
45. There is strong evidence that taking an investment approach to supporting better outcomes for young children will pay great dividends for society, and we are pleased the Treasury has endorsed

this view.⁷ This investment approach could provide the framework to articulate the aspects of our collective activities.

46. With this in mind, the EAG believe the most pressing areas for Government action are to:

- **Develop a strategy for investing in children:** In our view, the first step must be to establish an overall framework for investing in children and reducing child poverty. New Zealand does not have an official definition or measure of child poverty and we have never had a national strategy to combat child poverty. While we are pleased that the partnership has emerged to undertake the annual reporting on a suite of poverty measures, we still believe the Government has a key role in driving change and improving accountability for addressing child poverty.

Government responsibility includes establishing specific poverty reduction targets and a comprehensive monitoring and reporting framework. In the interests of credibility and durability, these arrangements should be embedded in legislation. This strategy should adopt specific targets and actions to ensure Māori and Pasifika children achieve parity with poverty rates for other children.

Setting up a BPS target on child poverty could go some way to achieve this focus.

- **Take steps to address income poverty:** Insufficient income to pay bills and purchase essentials forces many families to make hard choices i.e. either visiting the doctor or buying food. We need to ensure that families have enough money to meet their children's needs. The Government supports families through the Working for Families package for just this reason, but this package is not delivering support in an optimal way. If we applied an investment approach to the Family Tax Credit (FTC) component, this would drive a change in the policy so that more support is targeted where it matters most and where child poverty is higher – for younger children and larger families.

Currently, the FTC is a payment for each dependent child aged 18 or younger, with the level of payment depending on total annual family income, the number of children, and the age of those children (the current maximum weekly rate is \$64 for any child under 12 years, \$92 for children aged 12 – 15, and \$102 for children aged 16-17 years).⁸ We recommend eliminating the different rates based on the number of children in the family, and having one single per-child rate (based on the maximum rate for the 'first or only child 16 years or older'). This would reduce child poverty rates.

We recognise that these changes involve fiscal costs. While additional investment is preferred, there are options that could be implemented immediately to better target the existing expenditure to be more effective, e.g. keeping the same rate as children aged 15 to 16, and using the savings to raise the rate for younger children.

This change would pay dividends immediately and into the future because there is overwhelming evidence that the early years of a child's life matter most for their future life-course.

- **Continue the momentum on housing and health:** While a promising start has been made to address our housing crisis, we need to do more and to keep the investment lens in place,

⁷ See the Treasury report on poverty drivers, effects and responses in New Zealand (attached to the MCoP April update <http://www.dpmc.govt.nz/sites/all/files/publications/555108-cab-paper-six-monthly-report-mcop-april2013.pdf>)

⁸ See Working For Families payment tables for details: <http://www.workingforfamilies.govt.nz/tax-credits/payment-table.html>

so progress focuses on families with young children where positive changes will translate in to improved health and education outcomes. This means moving ahead on the development and implementation of the housing warrant of fitness, investing more in social housing, and rolling out the Auckland-wide healthy homes initiative in other cities. Failure to improve the quantity, quality and affordability of housing for our poorest families will lock us in a cycle of spending to address remedial health and social issues.

Child health outcomes for our poorest children are shocking. While health care interventions cannot solve the root causes of child poverty, they can mitigate some of its worse effects. Investing in maternity and child health services, with a level of universal access to primary care services and medications for all children and extra targeted services for those in higher need (starting with children from birth to aged five years, and extending to all children over time), will result in immediate improvements the children most in need, and also reduce the likelihood of intergenerational transfer of poverty.

47. Now is the time to act. Now is the time to harness the momentum and energy across the country to work together on the quest for much lower rates of child poverty. Children deserve the best possible start in life. There is no better investment a nation can make together.



Jonathan Boston



Tracey McIntosh

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