
THE HEART OF POVERTY

Uncovering pathways into and out of disadvantage in New Zealand • Kieran Madden

To cut away the destructive roots of persistent and intergenerational poverty in New Zealand, we first need to uncover them. This paper, the third in the Heart of Poverty series, is a comprehensive review of all we know about the pathways into and out of poverty for this generation and for those to come.

We start our journey towards recommendations in Sections 1, 2, and 3 by laying a foundational base of context, definitions, measurements, and causal theory.

We discuss here the key concept that **poverty is best understood as a dynamic relationship between resources and needs**—both rise and fall over time. If a family’s resources fall or their needs rise (or both) to a level that leaves them unable to participate in society, they are considered to be in poverty.

Sections 4, 5, and 6 deal broadly with poverty within lifetimes—persistent poverty. For us to trace causal pathways, we need to look at how families’ experiences of poverty change over time. We see the impact of trigger events and life shocks that push families into poverty and show how poverty is “simultaneously fluid and characterised by long-term traps.”[†]

Analysis into “trigger events” showed that work events like losing a job or benefit that tend to reduce resources often combine with family events like separation or birth of a child that tend to increase needs. **Work events are much more common than family events, but family events tend to hit with greater impact.** More broadly speaking, life shocks like a marriage break up or a serious illness/injury can accumulate, potentially reaching a tipping point where they become too numerous and intertwined for a family to overcome.

Some groups are particularly vulnerable. **Being a sole parent, having no educational qualifications, and being part of an ethnic group other than New Zealand European are the most potent risk factors associated with persistent poverty.** Living in a benefit-dependent household and in a Housing New Zealand house also put families at significant risk.

There is good evidence that **“the poor” are not a fixed group.** Even if the headline poverty figure remained the same from one year to the next, many of the people captured by that measurement would be different; some would have shifted out of poverty, while others have shifted in. Taking a long term perspective, research shows that most people who fall into poverty are there for a short spell with limited consequences.

The longer a family experiences poverty, the more likely it is that they will endure greater levels of hardship and more severe poverty, and less likely that they will escape. This cumulative impact that tends to scar deeply is why **our greatest concern should lie with families trapped in persistent poverty.** Around sixteen percent of New Zealanders experience persistent poverty at any one time.

Sections 7 and 8 deal with poverty across generations—intergenerational poverty. Just as persistent poverty is a focus for families now, intergenerational poverty is of serious concern for families of the future. Poverty in one generation increases the chance of poverty in the next, wasting human potential and undermining our shared sense of a “fair go.”

Looking across generations, **we found that poverty experienced during childhood matters for future economic and educational outcomes, but the evidence suggests that the independent effect is small to modest.** As one scholar put it, “the things that change when income increases have only a modest effect on outcomes, while the things that have a large effect on outcomes change only a little when income increases.”[†] A wider set of parental characteristics including the home environment, family aspirations and child behaviour are relatively more important.

In Section 9, we pull together evidence from the previous sections and our two headline pathways to poverty, alongside broad policy directions that amount to a renewed focus on improving the lives of struggling families now and in the future, through work and education.

Worklessness and low earnings are the primary drivers of poverty for families now. We identified that “low parental qualifications, drug and alcohol dependency, parental and child health problems, and family size and instability” all influence parents’ ability to attain and keep a well-paid, stable job to provide for their family, and participate in the economy and society.

To help improve families’ employment outcomes, we recommend:

- Investigating job retention strategies
- Developing skills for those with low skills and poor qualifications
- Expanding flexibility of working hours and accessibility of childcare
- Improving non-resident fathers’ potential to support their children
- Promoting apprenticeships, on-the-job training and partnerships

Children’s low educational attainment now is the primary driver of poverty for families in the future. We identified that “low parental qualifications, home environment (including parenting styles and aspirations), non-cognitive development, poor parental health and childhood poverty itself” all influence a child’s potential for educational attainment and subsequent employment success.

To help boost children’s educational achievement, we recommend:

- Shifting financial and in-kind support towards families with young children
- Investigating ways for schools to better push against socioeconomic barriers
- Developing childrens’ social and emotional character skills
- Improving accessibility and quality of parenting programmes
- Adopting a more holistic, “two-generation” model of development

We conclude that our social security system serves most New Zealanders well, but is deeply failing to help those suffering persistent and intergenerational poverty, who face a number of challenges and have complex needs. We need imagination to discern policies that go beyond “more money,” collaboration to work across sectors and ideological divides, and the political will and bravery to pursue long-lasting change. It is our responsibility, as researchers and policy-makers, to help forge and refine a policy environment where these families have the opportunities and skills they need to flourish and participate in society, alongside hope that their lives can change for the better. More effective employment and education policies are the key to making this a reality.