Left Further Behind 2011
A Child Poverty Action Group Monograph
Edited by M.Claire Dale, Mike O’Brien and Susan St John

PART ONE

Chapter 1. Introduction

Overview

This report comes out in 2011, three years after Child Poverty Action Group’s (CPAG) report, Left Behind, 2008; and four years after the New Zealand government completed the rollout of its flagship family assistance policy, ‘Working for Families’ (WFF). That policy, introduced with a raft of other policies such as increased subsidies for housing, childcare and health, recognised child poverty as a serious problem. There was a large increase in spending so that concerns about child poverty should have been well on the way to relegation to the annals of history.

Unfortunately, CPAG’s 2008 report provided ample evidence that despite WFF and other family-related policies, the poorest children were left behind relative to their peers. The full benefits of the WFF package are available only to those families who meet a work-test, thus widening the gap between families ‘in work’ and others; between those seen as ‘deserving’ and the ‘undeserving’. Nothing has changed to correct this situation but, in the meantime, New Zealand has suffered from a protracted recession and some serious natural disasters. Reports from frontline social services suggest child poverty has worsened in the economic downturn making the need for action even more pressing. For all the reasons outlined in this report, it is of grave concern that child poverty is now even more entrenched and difficult to address.

As employment opportunities for sole parents and young people evaporated in the economic downturn, the rhetoric around ‘welfare dependency’ intensified. The Minister of Social Development’s Future Focus literature (Bennett, 2010), and the Welfare Working Group’s final report (Welfare Working Group, 2011) for example, give almost exclusive priority to paid work as the route out of poverty. While it is agreed that paid work is an important factor in family well-being, the focus is too narrow and will not solve the problem of child poverty.

What tends to operate now in a wide range of policy areas is not child-centred, nor are children socially included. Children appear in the policy discussion in complex ways: as burdens on their parents; as adults-to-be; as victims of adult choices about relationships; and as threats to social order and stability. Children do not often appear simply as children, with their own voices, their own
agency, and their right to a happy, safe childhood.

When work, not children, is at the centre, the needs of the poorest children become more and more relegated to the charitable sector. In 2011 we are exhorted to sponsor poor children in New Zealand much like poor children are sponsored overseas. We are told: “For less than 50 cents a day you can help unlock the potential of a child living in poverty and provide the basics they’re missing out on”.¹ That 50 cents a day helps alleviate poverty, and we applaud the efforts of committed people who are responding compassionately to the need that is so clearly not met by current policy settings. The positive reception by poor communities and the pleasure expressed by the children themselves to KidsCan’s distribution of food, shoes and raincoats does show that material help to families, no matter how small, makes a real difference.

Unfortunately, reliance on charity is a sticking plaster, and an insecure means of support. It will not address the underlying structural and systemic issues.

When paid work is at the centre, we get not only the charitable model, but a raft of other policies and outcomes that reflect this focus. Figure 1.1 simplifies the story, and illustrates the kinds of policies that flow from a work-centred approach. While acknowledging there are trade-offs, this report discusses the consequences for children of the failure to put their needs at the centre.

Listening to children

The United Nations Convention on the Rights of the Child (UNCROC) was adopted in 1989, and New Zealand, with provisos, became a signatory in 1993.²

UNCROC marked a milestone in the development of children’s rights as the first internationally binding instrument that recognised the need to assign special rights to children having regard to both their implicit vulnerability and their potential to contribute to society. (Hancock & Walters, 2009)

Under the Convention, governments are required to undertake a thorough review of legislation, policy, and practice when making their mandatory progress reports to the UN

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² The New Zealand Government ratified UNCROC in 1993 with three reservations. These reservations, which still stand, were made in respect of the following Articles of the Convention: Article 22.1 – Requires States Parties to take appropriate measures to ensure that children seeking refugee status are provided with the same rights under the UNCROC as other children, as well as appropriate protection and humanitarian assistance. Article 32.2 – Requires, inter alia, States Parties to provide for a minimum age of entry into employment. Article 37(c) – Requires, inter alia, that States Parties ensure that children deprived of their liberty are separated from adults unless it is in the child’s best interests not do so Hancock, J., & Walters, V. (2009). Seen but not yet heard. NZLawyer Online(125).
Committee. As an outcome of UNCROC, many countries have attempted to incorporate children’s voices and participation into policy-making.

Enthusiasm and commitment to UNCROC principles has not been very evident in New Zealand. However, in 2009, the Office of the Children’s Commissioner (OCC) and UNICEF commissioned research in 2009 to review New Zealand experiences and international evidence on the use of child-impact assessments in local and national governments’ decision-making. While noting that child assessments can have drawbacks as well as benefits, the authors of this report conclude that UNCROC’s requirement for children’s meaningful involvement in local and national government business:

> sends a signal to decision makers about the rights of children, and the process increases awareness of children’s interests with the aim that, over time, children’s interests and needs will be mainstreamed in policy and practice. (Mason & Hanna, 2009, p. 32)

In the child-impact assessment process illustrated in Figure 1.2, the core question is whether the best interests of the child have been considered:

> What are the likely positive and negative impacts of a policy or activity on local children – including particular populations of children – and what are the alternatives that might mitigate these impacts? (Mason & Hanna, 2009, pp. 32 - 33)

Figure 1.2 suggests that in the first instance, policies should be screened as to their likely effects on children, especially poor children. As Mason and Hanna (2009) suggest, importantly, child-impact assessments should not be limited to policies which are directly child-related. For example, policies on the distribution of licences for alcohol and gambling outlets are indirectly, but critically, related to the well-being of children (see chapter 15 on social hazards).

**Changing the conversation**

Placing children in the foreground with legislation to ensure all government policies are compatible with their needs and rights would begin to shift the conversation to a child-centred approach.

Some countries such as the UK have adopted specific child-centred legislation. The UK Child Poverty Act 2010 sets out targets and obligations on government to meet specific reductions in child poverty. But laws and policies alone do not guarantee children’s rights: the resources required to deliver the laws and policies must be available to those with the responsibility for implementation (Moloney, 2011, p. 13).

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Another approach is to give children a specific representation in the decision-making process. Among their numerous recommendations for improvement in New Zealand, the Public Health Advisory Committee (PHAC 2010, p. ix) suggests creating an identified senior Cabinet position with responsibility for children, such as a Minister for Children.

In addition to considering principles of social inclusion and rights for children, we should acknowledge that children do not live in isolation. Their well-being is closely bound up with the well-being of the family or whānau. Rather than fragmented interventions from different agencies focused on individuals who present with complex needs, the Whānau Ora programme offers the possibility of an holistic approach. Perhaps Whānau Ora will succeed in bringing the different agencies together where past initiatives have failed? This approach resonates with Māori and with Pacific peoples (Ministry of Health, 2008), although, as argued in Chapter 4, its impact on poverty rates is much more uncertain.

This report, *Left (further) Behind*, analyses the nature of the range of policies that affect children and shows if children’s needs were put at the centre, policies would be very different. Figure 1.3, with the child at the centre, contrasts with Figure 1.1, with work at the centre, and illustrates how the focus might shift in a selection of policy areas. For example with children at the centre, it is unlikely that the Welfare Working Group (WWG) appointed by the National-led Government in 2010 to investigate welfare reform would recommend the imposition of significant sanctions for welfare recipients who do not meet their “jobseeker” obligations (see chapter 3 for an overview of welfare reforms).

The path away from child poverty toward a better future requires access to adequate resources and opportunities for all children. Achieving this requires valuing children in their own right, combined with a commitment to provide for all children, irrespective of parental work status, where families live, or their cultural backgrounds. This publication is part of CPAG’s ongoing contribution toward achieving that objective for all children of Aotearoa.

**Chapter summary**

Chapter 2 examines the measurement and nature of child poverty in New Zealand in the context of the growth in inequality. There is a growing body of evidence that social and income inequality is harmful to individuals and society as a whole. The group most affected by increasing inequality and poverty is families with children who rely on income-tested benefits. Chapter 3 outlines the nature of the recent social security reforms and their effects. It focuses particularly on the negative effects the proposed welfare reforms are likely to have on the thousands of children in beneficiary families as a result of the narrow emphasis on paid work. The reform of social security proposed by the government-appointed WWG has occurred with almost no public discussion or community input and

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5 It has sometimes been suggested that children be given a vote exercised by their parents, but this is unlikely to see the promotion of the interests of disadvantaged children and is not further considered in this report.
with selective attention to the available evidence. Chapter 4 then provides an analysis of Whānau Ora in the context of history, and of continuing high rates of poverty among Māori children. Chapter 5 focuses on the position of Pasifika children, also significantly over-represented in the poverty statistics.

Part Two begins with Chapter 6, reviewing and updating CPAG’s analysis of the Working for Families package. Chapters 7 and 8 take up two specific income support issues of significance for children, namely the support for new-borns from paid parental leave provisions and Child Support. Both of these issues warrant much more extensive exploration than is possible here. Benefits are one side of the income-distribution story, and tax is the other. Chapter 9 describes how New Zealand’s recent tax reforms, with little or no public debate, have again favoured the better-off.

Part Three (chapters 10–14) takes up the relationship between poverty and violence, and poverty and child abuse, issues which have received little attention in New Zealand. Chapter 11 draws on the framework provided by the United Nations Convention on the Rights of Children to review the legislation specific to children, and some of the outcomes of that legislation. Chapter 12 traverses a range of issues arising from the effects of poverty on children’s health, an area in which there is now extensive national and international evidence about the vital links between poverty and children’s immediate and long-term well-being. Despite being a developed country, New Zealand exhibits statistics for child health more usually found in impoverished countries in the third world. Housing is the focus of Chapter 13. Issues of housing accessibility and affordability continue to be critical to children’s development and well-being. Housing costs represent one of the most serious influences on children’s living standards, and on transience which in turn impacts on children’s education. Chapter 14, the final chapter in this section, covers other important issues for children around ‘social hazards’, specifically alcohol, smoking, gambling and loan sharks. As elsewhere, children are frequently the unrecognised victims in all these areas.

Part Four turns to the questions of education and youth unemployment. The first of the chapters in this Part (chapter 15) examines issues around early childhood education. It begins with an overview of recent developments in this area, going on to argue that these have had very little impact on access for low-income communities, and for Māori and Pasifika households. Chapter 16 focuses on primary and secondary school education, with particular attention to two key areas: the introduction of national standards; and the plans for the introduction of Teach First. In both these areas, it is clear that the interests of children in low-income communities are not well served. Chapter 17 tackles a major question facing New Zealand: youth unemployment, an area requiring urgent attention for young people, their communities and future New Zealand society.

The final section, Part Five, contains Chapter 18 which presents pioneering work in New Zealand, namely the quantifying of the cost of child poverty. It is clear from this analysis that child poverty constitutes a significant cost for New Zealand, both directly and indirectly. This is followed by a summary of the chapter recommendations toward ultimately ending child poverty in New Zealand.
Chapter 2. Child poverty and inequality

Mike O’Brien, M. Claire Dale and Susan St John

Introduction

Inequality and poverty in relation to children underpin and shape much of the discussion throughout this report. In New Zealand, as elsewhere, these are complex issues. The Ministry of Social Development regularly reports data and analysis relating to household incomes, poverty rates and hardship. Without these reliable figures it would not be possible to monitor child poverty and inequality over time and the on-going collection of this data is of critical importance. This chapter summarises the key data on inequality and child poverty.

Why inequality is an issue

Whatever the mediating factors, it would appear that socio-economic inequalities have an adverse impact on population health and social outcomes. It is also clear that, by definition, these inequalities are at least in part socially produced. (Carroll, Casswell, Huakau, Howden-Chapman, & Perry, 2011, p. 3)

Figure 2.1. Rising income inequality (Source: OECD, 2011)

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7 Dr M. Claire Dale is Research Fellow with the Retirement Policy and Research Centre at the University of Auckland, and a researcher and policy analyst for Child Poverty Action Group.

8 Dr Susan St John, QSO, Associate Professor of Economics, University of Auckland, co-director of the Retirement Policy and Research Centre and a member of the Management Committee of Child Poverty Action Group.
‘Inequality’ refers to the spread and distribution of income and wealth. Measures of inequality provide a picture of the position of different groups in society and the relationships between those who have the most and those with the least.

Gini coefficients are one method of showing the extent of inequality in a country.\(^9\) As the Gini coefficients for income show in Figure 2.1 above, growth in inequality has been a feature of most OECD countries. Figure 2.2, below, shows that in New Zealand, inequality increased markedly between the mid-1980s and late 1990s. The increase was among the most substantial in the OECD and was significantly above the OECD average. From 2000 the level of inequality as expressed by this measure has been static or tending to fall. In international terms, however, it remains comparatively high.

**Figure 2.2. Inequality in New Zealand, the Gini coefficient** (Source: Perry, 2011 Figure D.16)

Wealth inequality is more marked than income inequality and is very pronounced in New Zealand. As shown in Table 2.1, in 2007, the top 10% of wealthy individuals owned 51.8% of total net worth; the top 1% of wealthy individuals owned 16.4% of total net worth (a likely under-estimate); and the bottom half of the population collectively owned only 5.2% of total net worth (Cheung, 2007, pp. 7-8).\(^{10}\)

<table>
<thead>
<tr>
<th>Percent of total net worth</th>
<th>Cumulative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1%</td>
<td>16.4</td>
</tr>
<tr>
<td>Next 4%</td>
<td>21.3</td>
</tr>
<tr>
<td>Next 5%</td>
<td>14.1</td>
</tr>
<tr>
<td>Next 40%</td>
<td>43.0</td>
</tr>
<tr>
<td>Bottom 50%</td>
<td>5.2</td>
</tr>
<tr>
<td>Bottom 50%</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Top 1%</strong></td>
<td><strong>16.4</strong></td>
</tr>
<tr>
<td><strong>Top 5%</strong></td>
<td><strong>37.7</strong></td>
</tr>
<tr>
<td><strong>Top 10%</strong></td>
<td><strong>51.8</strong></td>
</tr>
<tr>
<td><strong>Top 50%</strong></td>
<td><strong>94.8</strong></td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2.1. Percentile distribution of net worth ownership (Source: Cheung, 2007, p. 8)

\(^9\) The Gini coefficient summarises the income differences between each person in the population and every other person in the population. A difference of, say, $1000 between two high-income people contributes as much to the index as a difference of $1000 between two low-income people. The Gini scores (x100) range from 0 to 100 with scores closer to 100 indicating higher inequality and those nearer zero indicating lower inequality (i.e., greater equality) (Perry, 2010, p. 123).

\(^{10}\) This compares with the US, where almost 50% of private net worth is held by 5% of the population, and more than 25% is held by the wealthiest 1% Isaac, A. G. (2007). Inheriting inequality: institutional influences on the distribution of wealth. *Journal of Post Keynesian Economics*, 30(2), 187 - 203..
Inequality in New Zealand has a significant ethnic dimension. Māori and Pacific peoples have younger population age structures than European, and are markedly poorer and less asset rich. Table 2.2 shows the net worth distribution between major ethnic groups, and highlights the differences between ethnic groups.

<table>
<thead>
<tr>
<th>Percentage share in population</th>
<th>Total net worth</th>
<th>Mean S</th>
<th>Median S</th>
<th>Mean/Median ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>European</td>
<td>83.0</td>
<td>92.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Māori</td>
<td>10.4</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Peoples</td>
<td>4.9</td>
<td>1.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td>6.4</td>
<td>3.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.9</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The classification of ethnic group is based on total responses to the question on ethnicity and hence adds up to more than 100 percent*

Inequality can affect life chances, health, education and employment opportunities. It is a critical consideration in understanding and explaining social and economic difference and outcomes for children in New Zealand.

**Inequality and poverty**

There is a strong relationship between inequality and child poverty, and countries with lower levels of inequality demonstrate higher levels of child well-being and lower levels of child poverty. Differences in child well-being are more extreme in societies with greater income inequality (Hertzman et al., 2010, p. 468), and, as noted above, New Zealand has an above average level of income inequality in the OECD. Ridge and Wright (2008) capture the relationship between poverty, inequality and wealth in their argument:

*Poverty is inextricably linked to inequality and wealth. It is not just about material, social and economic resource, it is also about social relationships, social process and the control and exercise of power. Therefore the study of poverty, inequality and wealth raises fundamental questions about the organisation of society, social structures, relationships and social justice.* (Ridge & Wright, 2008, p. 1)

Inequality is about the spread of income and wealth between individuals and groups, while “poverty adds a further dimension of disadvantage” (Ridge & Wright, 2008, p.4). If there is a severe lack of resources, essential social, material and economic needs cannot be met. In rich countries, however, the concern is not about absolute deprivation but about a lack of resources that prevents full participation in society, and a sense of being socially included. In New Zealand, the Ministry of Social Development reflects the relative poverty approach:

*Poverty in the richer nations is about relative disadvantage – it is about households and individuals who have a day-to-day standard of living or access to resources that fall below a minimum acceptable community standard.* (Perry, 2009a, p. 5)

As the former CPAG UK director, Professor Ruth Lister, said in her 2010 Sambelll oration:
A society that condones poverty in its midst is not a fair or inclusive society. So long as a significant minority is unable to participate fully in the life of the community and enjoy the kind of living standards taken for granted by the majority because of inadequate material resources, poverty eradication has to be a primary goal. Poverty excludes. It undermines the life chances of children and young people. Trying to get by on an inadequate income is stressful – particularly for women who tend to manage poverty and act as its shock-absorbers as they shield other family members from its full impact. (Lister, 2010)

Non-material aspects of poverty emerge from everyday interactions with wider society, and from the way people in poverty are talked about and treated by politicians, officials, the media, and other influential bodies. Non-material aspects of poverty include lack of voice; disrespect, humiliation and assault on dignity and self-esteem; shame and stigma; powerlessness; denial of rights and diminished citizenship. All these aspects of poverty are compounded for children.

... the impact of poverty is not only material. Indeed, as a group of low income parents in the UK told a parliamentary group, 'the worst thing about living in poverty is the way it gives others permission to treat you – as if you don’t matter'. People in poverty are all too often treated as if they don’t matter and as ‘other’ to the rest of society – different and inferior. (Lister, 2010)

While there is no universally agreed international standard to allow between-country comparisons of poverty rates, 60% of median disposable income (equivalised, ie. adjusted to reflect the composition of the household) is becoming more widely used as a basis for both measurement and comparison. However, for international comparisons, poverty rates have more frequently been reported using a 50% median figure. New Zealand’s poverty rates on this measure in relation to a range of other countries for the young, the old and the total population is set out in Figure 2.3. On these figures it is clear that New Zealand’s problem is with child poverty rather than poverty in old age. As Perry (2011, p. 13) notes, the success story regarding old age poverty reflects the mix of private provision (mainly mortgage-free homes), and public provision of New Zealand Superannuation (NZS). This simple, inclusive, adequate, universal, basic income is given to all citizens from 65 years of age who meet modest residency requirements.

Poverty in New Zealand

There are a number of important considerations in measuring poverty levels and changes over time. The first of these is the choice of level, with incomes under the 50% poverty line representing a very low standard for New Zealand’s conditions (B Perry, 2011, p. 160). In particular, social assistance levels are generally in the 50-65% (BHC) range; but the use of any particular percentage should be verified by independent estimates of what is needed for a minimum standard of living (Perry, 2011, p. 160). In this regard there is some New Zealand analysis that suggests that 60% (but perhaps higher in Auckland) is a suitable level for New Zealand.
The second important consideration is how to allow for housing costs, one of the most significant influences on poverty levels. Commonly, poverty figures are reported before housing costs (BHC) and after housing costs (AHC). The AHC line is calculated by deducting 25% from the corresponding BHC threshold as an allowance for housing costs. Each household’s AHC income is then assessed against the chosen threshold (Perry, 2011, p. 162). The problem is that housing costs, especially in the main centres, tend to be closer to 33%.

Thirdly, there is a choice between relative and fixed or constant-value poverty measures. Thus, when the median income increases with economic growth, a relative measure looks at the proportion of the population that falls under the moving median poverty line. This approach measures any change in poverty relative to what is happening in overall changes in incomes. The alternative approach is: define a poverty line at a point in time, for example, 60% of the median in the reference year; hold this constant in real terms; and see if there is any change in the proportion that fall under this fixed level of income. This is called the ‘constant’ or ‘fixed-value’ poverty rate. The change in the reference year also explains the discontinuity in the fixed line graph in Fig 2.4. The effects of different measurement lines and of relative and constant income values are demonstrated in Figures 2.4 and 2.5 which set out the data for children below poverty lines set at 60%, and before and after housing costs.\(^\text{11}\) The 50% relative line is also included, but as discussed above is not really suitable for New Zealand conditions.

**Figure 2.4. Proportion of children below selected thresholds (BHC): fixed line (CV) and moving line (REL) approaches compared** (Source: Perry, 2011, Figure F.3)

Comparing Figures 2.4 and 2.5, the constant-value BHC and AHC measures show poverty rates falling sharply after their peak in the mid-1990s, but declining less sharply on the AHC basis. The explanation is that, on average, housing costs in the 2000s made up a higher proportion of household expenditure for low-income households than they did in the 1980s. Despite improvements in housing policies, such as income-related rents

\(^{11}\) The figures show a discontinuity in the fixed line measure at 2007 when the reference year was updated from 1998 to 2007. Backdating these figures gives higher numbers in poverty on the fixed line in previous years as shown in Table 2.3.
introduced in 2000, and the later accommodation supplement increases, by 2009 there were still twice as many poor households who spent more than 33% of their incomes on housing as in the 1980s (Perry, 2010, p. 85).

**Figure 2.5. Proportion of children below selected thresholds (AHC): fixed line (CV) and moving line (REL) approaches compared** (Source: Perry, 2011, Figure F.4)

On the three measures of poverty in Figures 2.4 and 2.5, many New Zealand children are in poverty. Numerically for 2010 as Table 2.3 shows, 270,000 children fall below the 60% AHC moving line and are in relative poverty. Of this group there is a worrying 170,000 who fall well below the 60% line, as shown by the very stringent 50% line measure.

<table>
<thead>
<tr>
<th>Year</th>
<th>BHC</th>
<th>AHC 'moving line' 60%</th>
<th>AHC 'moving line' 50%</th>
<th>AHC 'moving line' 60%</th>
<th>AHC 'fixed line' 60% (07 ref)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>250,000</td>
<td>215,000</td>
<td>310,000</td>
<td>380,000</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>270,000</td>
<td>200,000</td>
<td>290,000</td>
<td>320,000</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>210,000</td>
<td>170,000</td>
<td>240,000</td>
<td>240,000</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>210,000</td>
<td>190,000</td>
<td>270,000</td>
<td>230,000</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>215,000</td>
<td>170,000</td>
<td>270,000</td>
<td>230,000</td>
<td></td>
</tr>
</tbody>
</table>

**Has child poverty improved?**

Between 2004 and 2007 the numbers declined on all measures and that can be attributed to the effect of Working for Families. Since then, relative poverty has increased while the numbers under the fixed line have fallen slightly. The latest figures for 2010 are based on incomes in 2009 and do not reflect the effects of the tax changes in 2010, nor the full impact of the recession, or the Canterbury earthquakes.

Using these relative and fixed-value 60% poverty lines, younger children are more likely to experience poverty than their older counterparts, as is reflected in Figure 2.6.
What is the best poverty line to use?

To give some idea of actual dollars represented by incomes at the three poverty lines, as shown in table 2.4 below, at 50% of median income (moving line), a sole parent with 1 child would have just $446 per week BHC, and $336 per week AHC in 2011. The dollar income for a sole parent with 1 child is $536 BHC, and $404 AHC on the 60% moving line; and on the 60% fixed line, $488 BHC and $367 AHC in 2011 dollars. Many beneficiaries would find that their actual housing costs would push them well below the 60% AHC line (Perry 2011 p. 84).

<table>
<thead>
<tr>
<th>2011 income (2011 dollars)</th>
<th>Sole parent, one child</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% median income (moving line) BHC</td>
<td>$446</td>
</tr>
<tr>
<td>50% median income (moving line) AHC</td>
<td>$336</td>
</tr>
<tr>
<td>60% median income (moving line) BHC</td>
<td>$536</td>
</tr>
<tr>
<td>60% median income (moving line) AHC</td>
<td>$404</td>
</tr>
<tr>
<td>60% median income (fixed line) BHC</td>
<td>$488</td>
</tr>
<tr>
<td>60% median income (fixed line) AHC</td>
<td>$367</td>
</tr>
</tbody>
</table>

Internationally there is increased recognition that the role of housing must be taken into account in determining who is in poverty. The Human Rights Commission has also recently affirmed that it will track certain measures to assess progress toward the desired outcomes or improvements in welfare and well-being. The extent of child poverty will be monitored by using the two (60% of median after housing costs) income poverty lines, one relative and one absolute as described in Figure 2.5. This reinforces the use of the 60% median income AHC poverty line as the semi-official poverty line in New Zealand.

CPAG believes the relative, 60% AHC poverty measurement, provides the best basis for examining the position of the poorest in relation to the rest of the community, a critical consideration in looking at poverty levels. However, it is necessary also to monitor fixed-value line 60% AHC poverty as any worsening on this measure means that there are more families who are not only relatively worse off but are also worse off in absolute terms.
Furthermore however, counting children below a particular level of income as ‘in poverty’ needs to be supported with independent data on current living standards.

**Why did child poverty change 1980s–2000s?**

The benefit cuts in 1991 significantly increased poverty rates generally, but particularly for children. Child poverty rates rose steeply to unprecedented levels in the mid-1990s on both the constant value (35%) and the relative measure (29%) after housing costs as shown in Figure 2.5. From the late 1990s to 2007, better economic conditions helped improve the constant value poverty rates, and the relative rate also fell.

When the Government finally acted on child poverty by improving family assistance with its Working for Families (WFF) package (see chapter 6), child poverty rates fell from 28% in 2004 to 22% in 2007 (using the 60% of median relative income threshold). WFF transferred considerable financial support to low- to middle-income ‘working’ families with children, who also gained from improvements in employment in this period.

But by 2009, after the early impacts of the global financial crisis, the relative AHC child poverty rate had risen to 26%. Using the fixed line, the 2010 child poverty rate was around 22%, the same as in 2009 and in the 1980s (B. Perry, 2010, p. 84). The fixed line child poverty rates reflect the stagnation in real terms of low incomes over this period. In the meantime, real incomes have risen and the median income (and the poverty line) is higher in real terms. As Figure 2.5 shows, in 2010, the AHC 60% moving line child poverty rate of 26% was double the 13% of the mid-1980s. Figure 2.5 also shows, consistent with the WFF focus on families in work, using the more stringent poverty line of 50%, by 2010, 16% of children remained in poverty, only a marginal improvement from 2004 when 19% were below this line.

**Measuring living standards**

Figures 2.4 and 2.5 above use poverty lines based on income. But a lack of income is only one aspect of poverty, albeit a critical one. A living standards approach developed in the last decade measures a number of other important components of living standards. While it is difficult to find a precise and agreed measure for an ‘adequate standard of living’, the Living Standards reports from the Ministry of Social Development provide a very good basis for establishing such a measure in New Zealand (Jensen, Sathiyandra, & Matangi-Want, 2007; B Perry, 2009b).

The Economic Living Standards Index (ELSI) covers the full spectrum of material well-being from low to high living standards and is based around four components: ownership of goods; extent of economising; participation in social life; and a self-rating.

The position of different age groups on the living standards measures are shown in Figure 2.7. The lowest living standards (severe, significant and some hardship) are reflected on the left hand of each age band, with improved living standards reading across to the right. In New Zealand in 2004, 26% of children were living in serious or significant hardship, compared to 4% of those aged 65 and over (Ministry of Social Development, 2006). By 2008, reflecting the WFF spending, the numbers had dropped to 19% of children in these categories of hardship (B Perry, 2009a).
These poorest children in New Zealand are found disproportionately in sole parent households, with the hardship rate for sole parent families around four times that for those in two-parent families (39% and 11% respectively). But sole parents who are working have a hardship rate of only 20%, well below that for sole parent beneficiary families (54%). Overall beneficiary families with dependent children have a hardship rate of around five times that for working families with children (51% and 11% respectively). Their living standards profile is worse than for other beneficiaries as Figure 2.8 shows. However, importantly, as Perry (2009a, p. 53) notes:

*as there are many times more working families than beneficiary families, there are around the same number from each group in hardship – around half the children in hardship are from working families.*

The next living standards survey is not until 2012, but some data in the Household Economic Survey that may be used to update the living standards measure annually.

**Child Poverty Internationally**

Child poverty in comparative studies is often measured by the proportion of children with an equivalised family income below 50% of the median family income of the total population (OECD, 2009a, p. 34). On this indicator, all the Nordic countries are outstanding performers. Denmark, for example, has around one in 40 children being poor,
Figure 2.9. OECD percentage of children living in poor households (below 50% of median equivalised income) circa 2005 (OECD, 2009a, p. 34)

while as many as one in four children in the US live in poor families, despite it being one of the richest countries (Figure 2.9).

On a broader basis, the OECD report uses three indicators to measure the material well-being of children: the average disposable income in families with children under age 18; a relative poverty rate for children under 18 and the proportion of 15 year olds deprived of basic necessities for education relevant to school performance (OECD 2009a, p.33). On that OECD measure, New Zealand ranked 21st of the 30 countries included (OECD, 2009a, p. 23, Table 2.1).

It is now recognized that the first years of a child’s life are the most critical for their development (Gluckman & Hayne, 2011). It is therefore of great concern that OECD (2009b) figures appear to show New Zealand to be one of the lowest investors in early childhood, and to have one of the worse outcomes for children (Grimmond, 2011).

The OECD collect 20 indicators of child well-being such as suicide rates, infant mortality, low birth weight, proportion of children in overcrowded homes, literacy, low income, and teenage births for member countries. These allow comparisons on each indicator but the OECD does not itself calculate an overall index of child well-being, pointing to the limitations in the data and lack of an agreed way to do it (OECD, 2009b). For youth suicide for example, New Zealand’s rate is 15.9 per 100,000 15-19 year olds, compared to Greece’s rate of 1.3. New Zealand does 12.2 times worse, and has the worst ranking in the OECD. obviously it is important that each country has measured each indicator the same way. These allow comparisons on each indicator but the OECD does not itself calculate an overall index of child well-being, pointing to the limitations in the data and lack of an agreed way to do it (OECD, 2009b).

Grimmond (2011) does attempt a rough and ready calculation of an overall relative ranking by averaging each country’s relative performance for each indicator. The lowest overall scores, he suggests, indicate the best overall child outcomes. While international comparisons are always fraught with difficulties, New Zealand’s 28th position out of 30 OECD countries is indicative of poor well-being outcomes for children. Comparisons of spending on children internationally are equally fraught, but as to be expected, low spending is often associated with poorer outcomes. However, Grimmond (2011) calculates that the Netherlands, with very good well-being scores, spends less than other high scoring countries. This suggests that policy design is of great importance.

The figures for New Zealand show spending is well under the OECD average, but they predate the Working for Families package. If more recent well-being figures do not show improvement, it may be that the extra spending has been less effective than it could be.
Why does child poverty matter?

The New Zealand Treasury captures one important reason for the focus on poverty:

*Typically those with better health status tend to have greater productivity, higher incomes and longer working lives, all of which provide an opportunity to accumulate greater net wealth.* (Anastasiadis, 2010, p. 33)

There is, however, an even more fundamental consideration, namely that children only have one chance to grow and develop and the resources and opportunities which they receive as children are critical to them as children and also affect their adult lives. Children cannot alter these resources and opportunities for themselves; adults, both parents and the wider society, determine the outcomes for children. Children have the right to a stable and happy, safe, secure and fulfilling life as children regardless of whether that makes them more productive in the economy later.

A potentially important influence on the health status of an individual as a child is the socio-economic status of their parents, as reflected in, and measured by, the parent/s’ levels of education, income, and occupation. A related question is the extent to which childhood health status influences their subsequent education and labour market outcomes as adults.\(^{\text{12}}\) For example, Kaitaia in Northland is one of the poorest regions in New Zealand: 49% of children were identified as being born in the bottom two most-deprived deciles (Dinsdale, 2011). A research project in 2010 found that the number of rheumatic fever cases in Northland is increasing, and one in 100 children had heart damage caused by previous undiagnosed rheumatic fever, which starts with an untreated sore throat. The New Zealand Medical Association Journal says rheumatic fever and the heart disease it causes reflect “gross and intolerable health inequalities” (New Zealand Medical Association, 2011, p. 19). All these indicators point to the likelihood of significant economic and social hardship and poverty for these children’s adult lives.

Another reason to be concerned about child poverty is that generational cycles of high income are common in the rich countries, but so are cycles of low income: in the US almost 50% of children born to low-income parents become low-income adults. The rate is also high in the UK at 40%, and in Canada at about 30%. Even in the Nordic countries, where overall child poverty rates are low, a disproportionate fraction of low-income children become low-income adults (Corak, 2006). As societies, we need to protect children from poverty, both for their own well-being and development as children and with a view to longer-term economic and social outcomes; refusing to make this investment and commitment is a recipe for economic and social failure, a failure which is both predictable and preventable (Gluckman & Hayne, 2011).

The discussion in this report demonstrates that child poverty is not inevitable but is the avoidable consequence of badly designed or inadequately considered policy. Figure 2.3 above shows that, while a higher proportion of the populations in the US and Australia experience poverty, a greater percentage of children in New Zealand than in Australia experience poverty. Overall, New Zealand’s policies have resulted in very few of our elderly experiencing poverty, and we have succeeded in this more so than the US, the UK,

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Australia or even Norway. If we can achieve this outcome for our aged population, we can develop, implement and resource better policies to achieve it for our children.

In the year ended June 2011, with GDP of around $200 billion, nearly $9 billion was spent on New Zealand Superannuation (NZS), a universal pension provided to approximately 500,000 eligible superannuitants, while only $1.7 billion was spent on the Domestic Purposes Benefit which is used to support most of the 235,000 children living in beneficiary households (see Table 2.3). There seems to be little intergenerational equity in the government’s treatment: support for superannuitants has been very effective in preventing poverty among older New Zealanders which is a good thing, but equivalent levels of support have not been provided for children.

Children, poverty and social security

While, as indicated above, child poverty is not limited to sole parent beneficiary families, such families are significantly over-represented among those living below the poverty line. Table 2.5 shows the numbers and age distribution of children currently living in households receiving a benefit; most of these are children living in sole parent households in receipt of the Domestic Purposes Benefit (DPB).

Table 2.5. Ages of children dependent on recipients of a main benefit (Ministry of Social Development, 2011)

<table>
<thead>
<tr>
<th>Age of child at the end of June</th>
<th>2006 Number</th>
<th>2007 Number</th>
<th>2008 Number</th>
<th>2009 Number</th>
<th>2010 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Children dependent on working-age recipients of a main benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0–4 years</td>
<td>66,478</td>
<td>63,122</td>
<td>63,947</td>
<td>72,953</td>
<td>78,264</td>
</tr>
<tr>
<td>5–9 years</td>
<td>66,579</td>
<td>59,808</td>
<td>57,585</td>
<td>62,512</td>
<td>65,079</td>
</tr>
<tr>
<td>10–13 years</td>
<td>48,018</td>
<td>43,777</td>
<td>42,343</td>
<td>45,514</td>
<td>47,578</td>
</tr>
<tr>
<td>14–17 years</td>
<td>39,522</td>
<td>36,914</td>
<td>35,238</td>
<td>38,908</td>
<td>41,286</td>
</tr>
<tr>
<td>18–19 years</td>
<td>1,747</td>
<td>1,703</td>
<td>1,570</td>
<td>1,478</td>
<td>2,146</td>
</tr>
<tr>
<td>Total children dependent on working-age clients</td>
<td>221,344</td>
<td>205,324</td>
<td>200,076</td>
<td>221,305</td>
<td>234,355</td>
</tr>
<tr>
<td>Children dependent on other recipients of a main benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total children dependent on other clients</td>
<td>1,171</td>
<td>1,079</td>
<td>1,041</td>
<td>1,161</td>
<td>1,054</td>
</tr>
<tr>
<td>All children dependent on recipients of a main benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>222,515</td>
<td>206,304</td>
<td>201,759</td>
<td>222,466</td>
<td>235,407</td>
</tr>
</tbody>
</table>

Employment statistics in the recession demonstrate that women and young people are the expendable workers. The number of people receiving the unemployment benefit rose during the December 2010 quarter to reach 67,084 people, the highest figure in more than six years, and 30% higher than December 2005. Younger people, aged 18–24 years, made up 34% (17,000) of the 44,000 increase in those unemployed, although they comprise only 17% of the working-age population (Johnson, 2011, p. 31). For sole parents, most of whom are women, employment opportunities gained during the boom years were lost during the recession.
Figure 2.10 shows the trends in the proportion of the working age population receiving the DPB during the last five years, trends which reflect changes in the employment prospects. In 2011, despite the recession, there is still a smaller percentage of the population in receipt of this benefit than there was in 2001 (4.1% compared with 4.6%). However, Figure 2.10 also demonstrates that the numbers on the DPB in 2011 are as high as they were in 2006 when the work incentive tax credit in WFF was introduced (see Chapter 6).


Presentations at the Welfare Forum at the University of Auckland in September 2010 highlighted the many difficulties experienced by sole parents, and hence their children, in a recession when the policy focus is on paid work. Interviewees in CPAG’s *What work counts?* also reported major difficulties in both accessing and maintaining employment (Dale, Wynd, St John, & O’Brien, 2010).

As well as entrenching poverty in these sectors of the population, the absence of employment opportunities for sole parents and young people and the strengthened discourse around ‘welfare dependency’ as exemplified in the Ministry of Social Development’s Future Focus literature and the WWG’s reports, cast them in the role of the undeserving poor. The noticeable change in the public policy rhetoric from welfare to workfare has significant consequences for children, as is reflected in this report.

**What is child poverty like in 2011?**

The statistical data on inequality and poverty provides a range of useful information about the position of children and families, but the nature of their collection via surveys means that the latest available figures do not necessarily reflect current conditions. It is therefore useful to monitor other indicators. Foodbank usage is one of those indicators.

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At the Auckland City Mission, a major centre co-ordinating 70 foodbanks in Auckland and Northland, demand for food parcels climbed through the economic boom years, decreased a little in 2006-8, but by 2008-9 it was climbing again approaching 10,000 parcels by the close of the June 2011 year. That pattern of demand, shown in Figure 2.11, is mirrored in other parts of the country. Mangere Budgeting Service also reports a large increase in demand in 2011. This foodbank tries to give no more than three food parcels in six months to any given family because they don’t want to be seen as a crutch, but chief executive Darryl Evans says: “when you know someone is genuinely not able to feed the kids, who am I to say no to them?” (Collins, 2011).

The New Zealand Council of Christian Social Services’ (NZCCSS) Vulnerability Report (2011, p. 1) notes that, between March 2009 and March 2011, prices overall increased by 6.6% (food prices by 6%, and petrol by 30%), but average hourly earnings only increased by 3.4%. Early childhood education charges increased by 11.7% in 2011 alone (2011, p. 2). It is not surprising, then, summary instalments (an alternative to bankruptcy) have increased dramatically (2011, p. 6), and more families in desperation are turning to loan sharks (see chapter 14, Social Hazards).

These indicators of social distress are paralleled by reports of third world diseases, homelessness, poor dental health, hunger and family dysfunction as discussed in the following chapters.

Despite the wealth of information on the levels and significance of poverty and inequality, and the importance of ensuring a minimum acceptable community standard, the editorial of the February 2011 issue of the New Zealand Medical Journal reports:

Childhood diseases related to poverty and crowded housing are still prevalent in New Zealand14 and are a national shame... Recent OECD data indicate that New Zealand spending on children is considerably less than the OECD average (OECD, 2009b). The biggest shortfall is for spending on young children on whom New Zealand spends less than half the OECD average. The OECD concludes that New Zealand needs to take a stronger policy focus on child poverty and child health. (Sharpe, 2011)

Child poverty in Aotearoa continues to reflect how little value is placed on the needs of children. Yet it would be more rational, if only for reasons of self-interest, to provide better conditions for all the children in New Zealand. Like the rest of the Western world, our population is ageing numerically and structurally. Although we have the highest birth rate in the developed world, maintaining a ‘replacement’ level at 2.1, almost all future

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growth will be at the older ages. We need to prepare, as Jackson (2011) argues, for dramatic changes in the ratio of young to old. In 2011 in New Zealand at least one in five children live in severe or significant hardship, and at least one in four under the semi-official poverty line. With the consequent limitations on their long-term health, education, and ability to participate in society, how will increasing numbers of elderly be supported?

**Recommendations**

- Adopt an official poverty line at 60% of the contemporary median, disposable, after housing costs, household income;
- Also monitor poverty on a fixed line basis;
- Supplement these measures by regular surveys of hardship;
- Set net income for those on benefits so that no-one is under the poverty line;
- Pledge to end child poverty in New Zealand by 2020;
- Acknowledge the vital social and economic contribution made by good parenting;
- Appoint a Minister for Children, move toward a child-centred approach to policy and legislation, and fund child-impact assessments of existing national and local policies;
- Monitor all major indicators of child poverty and report these on a regular basis with specific target reductions to be met on the way to ending child poverty by 2020.
References


OECD. (2011). Society at a glance 2011 - OECD social indicators Available from [http://www.oecd.org/document/24/0,3343,en_2649_34637_2671576_1_1_1_1,00.html](http://www.oecd.org/document/24/0,3343,en_2649_34637_2671576_1_1_1_1,00.html)


