

Reducing Child Poverty in Aotearoa: Are we there yet?

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CHiLD
POVERTY
ACTION
GROUP



THE UNIVERSITY OF
AUCKLAND
Te Whare Wānanga o Tamaki Makaurau
NEW ZEALAND

Today I will talk about

Background/history

Labour-led government initiatives from 2017

Latest child poverty statistics

What is needed now

**Reducing Child Poverty in
Aotearoa:
Are we there yet?**

yeah nah

yeah

**Child Poverty
Reduction Act**

**Minister for Child
Poverty
Reduction**

**Small increases
in incomes and
decreases in
hardship**

**Some poverty
mitigation
measures**

**Increases in
minimum wage**



nah

**The \$2-3 billion
per year needed
for benefit
incomes has not
been delivered**

**There is no plan
to do so**

**Government's
vision for income
adequacy, dignity
and standard of
living for those in
the welfare
system has not
been delivered**

**About 15% of
children remain in
severe poverty**

Why has child poverty increased?



Factors which impact on child poverty rates:

- **Policy changes**
- **Society's structural and cultural norms**
- **The economy and labour market**
- **Demographic shifts**

Some history

- **Labour 1984-1990**
 - **“Rogernomics”** (Roger Douglas Minister of Finance)
 - Free-market policies introduced
 - Up to 1990 income support benefits for working age adults (benefits) were near adequate
- **National 1990-3**
 - **“Ruthanasia”** (Ruth Richardson Minister of Finance)
 - 1991 Budget: benefits were slashed by up to 27%, family benefit abolished
 - **“Mother of all budgets”**

BACK PAIN RELIEF
The Back of Tomorrow
EXERCISE MEDICINE FITNESS WORKS
THE EQUIPMENT SPECIALISTS

The New Zealand Herald

Telephones Classified Advertising 795-777
Other Departments 795-850

AUCKLAND, THURSDAY, DECEMBER 20, 1990

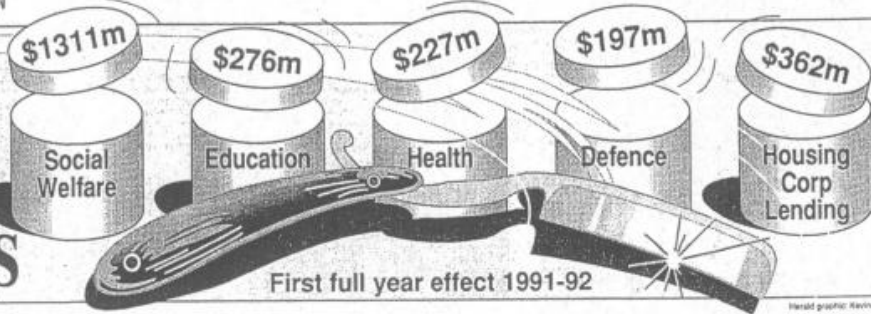
Price 50c — Air Freight 60c
Rural Delivery Fee May Apply

TALLIS HOUSE

Furniture of Quality
MAIRANGI BAY
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Cuts & cures



First full year effect 1991-92

Herald graphic: Kevin Hales

RUTH'S RECIPE

Well-off to pay for social services

From **TIM MURPHY** in Wellington

The Government had one shock for the well-off yesterday when it announced that the top third of income earners would soon be expected to pay most of the cost of their social services.

A committee of ministers is to investigate the proposal. Treasury officials were unclear last night whether the "top third" would be based on personal incomes or household incomes, or exactly what social services would be included.

The Minister of Education, Dr Smith, fumed out any user-pays for schools but the Minister of Social Welfare, Mr Shipley, said such people would be asked to pay for their own medical care.

Statistics Department figures show that roughly one third of full-time wage and salary earners earn more than \$25,000.

Treasury officials said the figures for household incomes showed that one third, or about 270,000 households, earned more than \$40,000. The Minister of Finance,

Slashing of benefits only the start

By **JOHN ARMSTRONG**
Wellington Political Editor

A wholesale slashing of benefits and promises to strip back the 50-year-old welfare state have revealed the Government's tough streak in a package designed to jolt the economy out of deep recession.

Cuts in welfare payments of up to \$35 a week were described by the Prime Minister, Mr Bolger, as necessary "short-term sacrifices". But the Minister of Finance, Ruth Richardson, signalled more long-term surgery by warning the top third of income earners that they would soon have to pay for health and other social services provided by the state.

Mr Bolger acknowledged the Government was dispensing "soft medicine" — but was swiftly reworded when one bank cut mortgage rates by nearly 1 per cent.

Tax surcharge

He also accepted that there would be critics of the new benefit rates which apply from April — and may not have been surprised to find that criticism coming not right from backbenchers in his own party.

He has taken another gamble by judging on the promise, repeated throughout the election campaign, to abolish the tax

Up, down

Among the measures announced by the Government are —

From February 1:

- A cut of \$4 in the subsidy for visits to a doctor; prescription charges to triple to a maximum \$15.

From March 1:

- No date for six months for those who will not take jobs or who quit their jobs voluntarily.

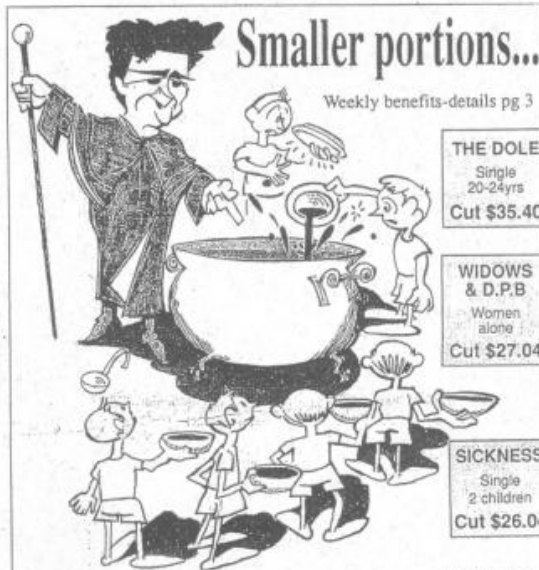
- The single rate for unemployed adults falls by \$16 and a sole parent with one child gets \$27 less a week.

- Abolition of the family benefit, compensated by a rise in Family Support for those on low incomes.

- Youth rates for beneficiaries to apply to those under 25 rather than under 24.

In addition:

- The top third of income-earners — those getting above about \$33,000 — are given a warning that they will have to pay for most of their health care and the social services they use when the Government works out how that should be done.



Weekly benefits-details pg 3

THE DOLE

Single
20-24yrs
Cut \$35.40

WIDOWS & D.P.B

Women
alone
Cut \$27.04

SICKNESS

Single
2 children
Cut \$26.04

SICKNESS

Married
Cut \$24.58

THE DOLE

Married / 2 children
Cut \$25.20

WIDOWS & D.P.B

2 children
Cut \$26.04

Herald graphic: Ronald Dunn

Industrial relations all shook up

From **ANDREW STONE** in Wellington

New Zealand's century-old industrial relations system faces a radical shake-up under a new labour law outlined by the Government last night.

The Employment Contracts Bill sweeps away the present powers of trade unions to represent workers and provides for contracts instead of awards to cover work arrangements.

It will apply to the state sector and covers about 600,000 union members.

Productivity limits, but does not end, the right to strike or force lock-outs and points the way to spread the traditional 40-hour, Monday-to-Friday working week over seven days.

Maximum pay rates, parental leave and holiday entitlements remain covered by law.

The Government argues that the bill will lead to greater productivity, high profits and better pay for workers.

It says workers' pay packets based on national or occupational awards are no longer appropriate for the market-led economy and claims its industrial reform gives firms and their employees the freedom to settle on wages and conditions that suit their circumstances.

Entitlements

The bill introduced last night does not include any minimum code of wages and health and safety standards, as National indicated during the election campaign.

But the Minister of Labour, Mr Birch, says the Government will publish a brochure setting out entitlements.

The Opposition condemned the bill last night, with its spokeswoman on labour, Helen Clark, saying the bill was an attack on working people in New Zealand and threatened to cause industrial upheaval.

• The bill — page 5.



Ruth Dyson

Margaret Wilson

Spending knife threatens jobs

NZPA Wellington The Government may have gutted the Labour Party president, Ruth Dyson, and a former party president, Margaret Wilson, out of work. In the spending cuts announced yesterday, the Government axed funding for Walkato Uni-

versity's planned new law school, which Margaret Wilson was to head.

The Government has also axed Regional Employment and Access Councils on which Ruth Dyson is employed in Wellington.

• Details — page 2.

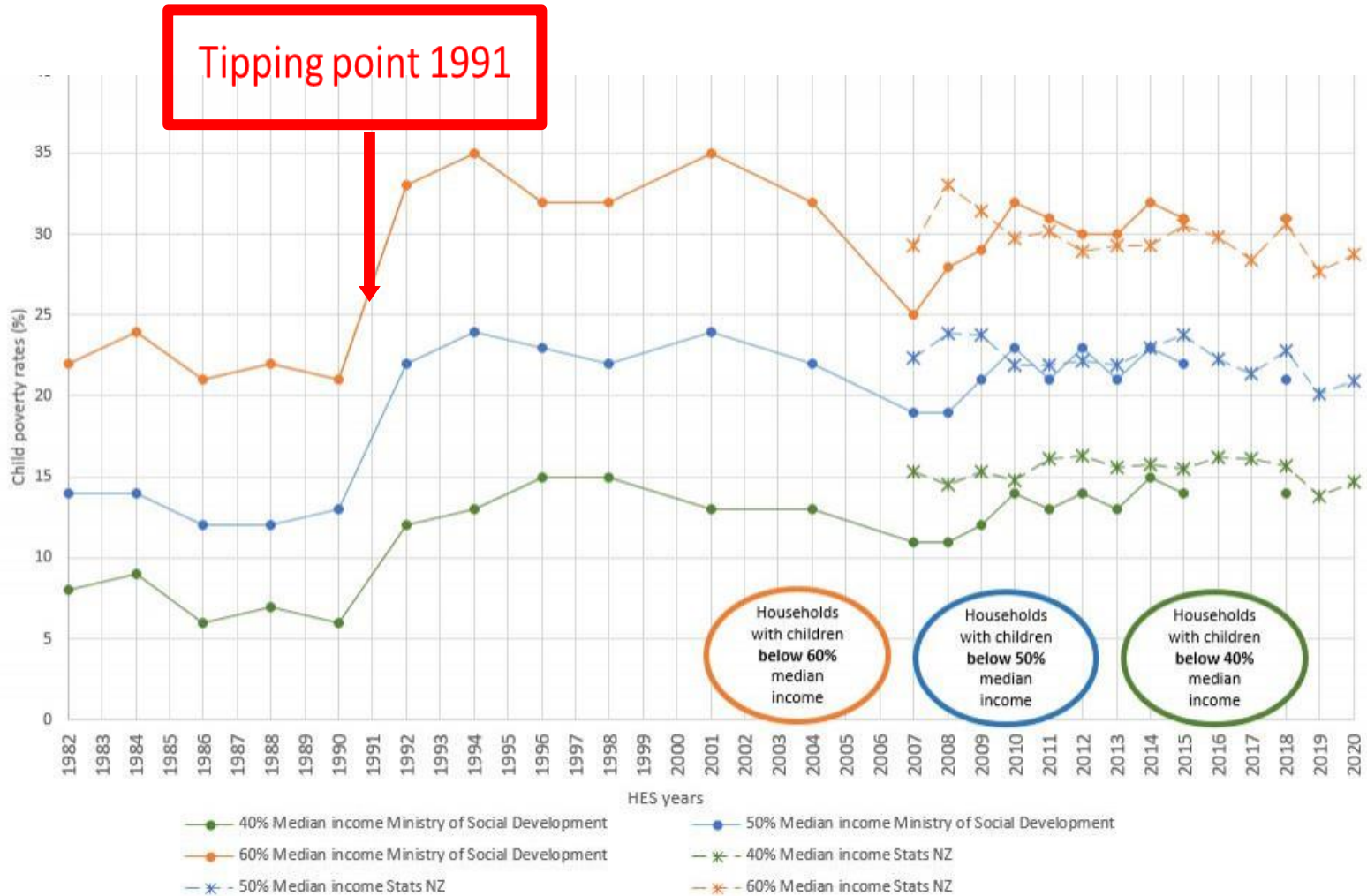
Child income poverty following income policy changes

Main source of parent's income	Before 1991 benefit cuts	After 1991 benefit cuts (1994)*
Parent in paid work		
Income poverty	18-20%	18-20%
Parent on benefit		
Income poverty	25%	75%

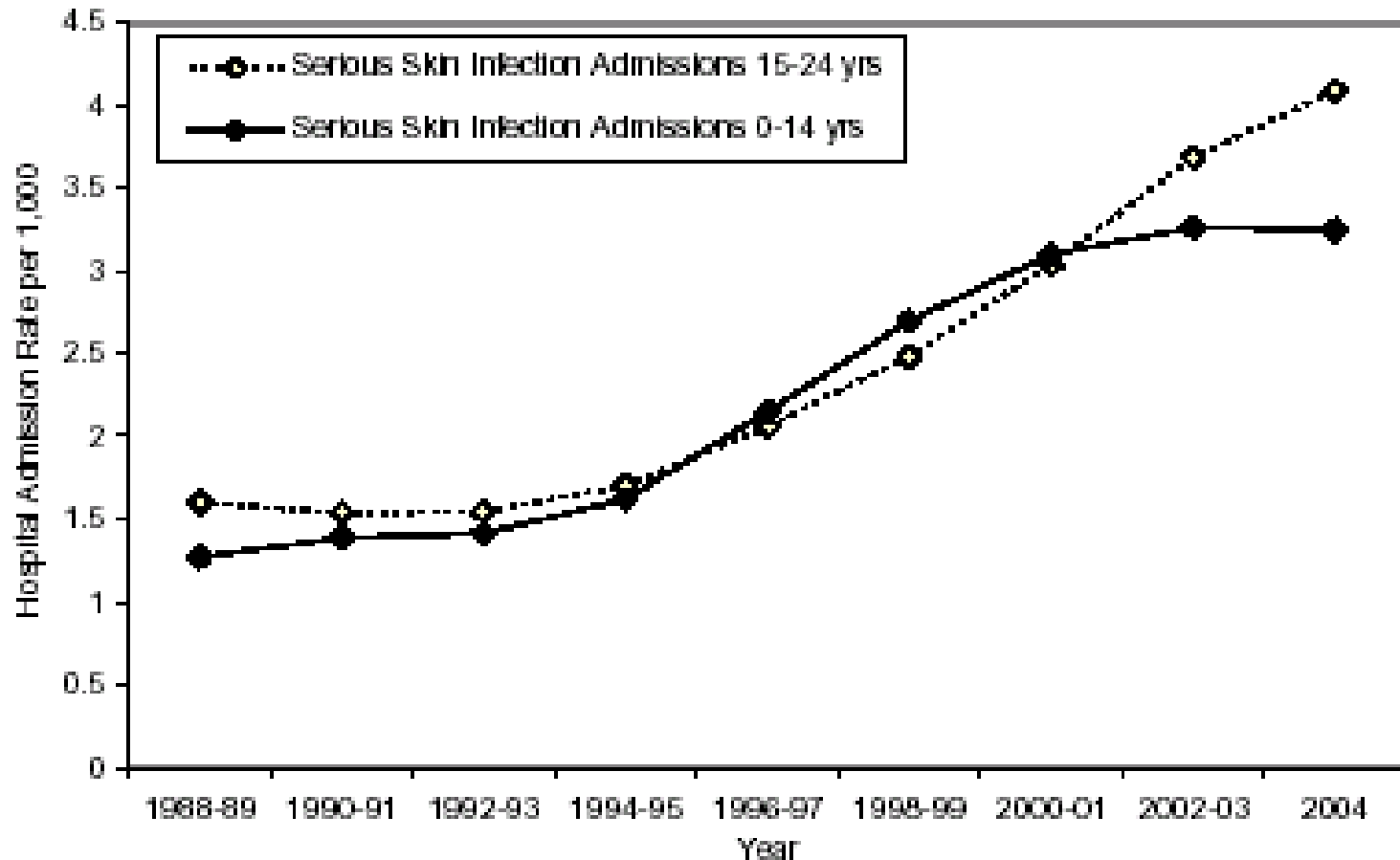
Perry B. Ministry of Social Development, 2010 p105, Table H.3

*Perry B. Ministry of Social Development, 2014 p 26

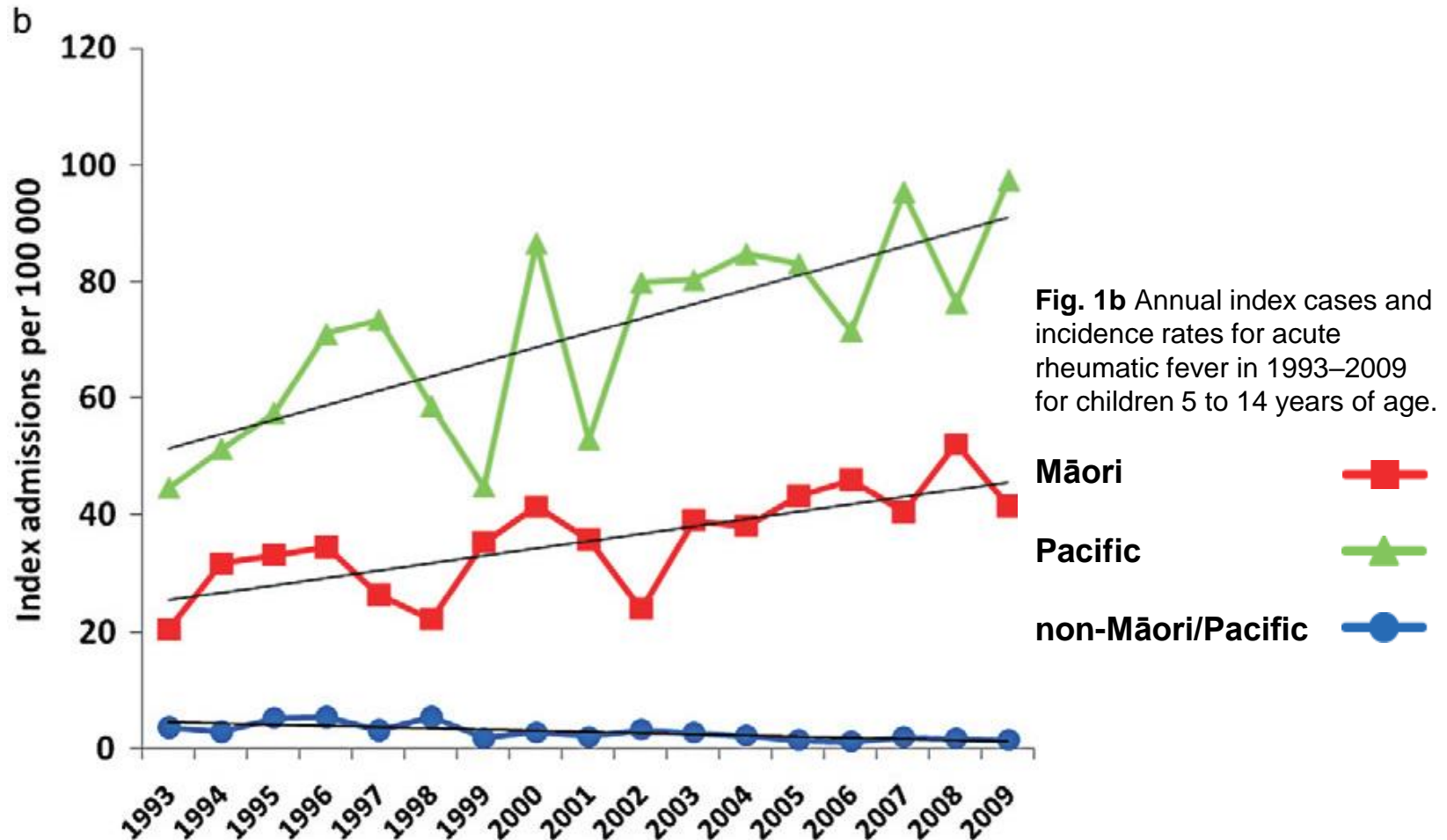
Child poverty estimates (1982-2020) using median disposable household income after housing costs (AHC)



Serious skin infections Hospital admissions 1988-2004



Annual Index Cases and Incidence Rates for Rheumatic Fever 1993-2009



My opinion

Under successive governments 1991-2017 there has been state child neglect which has resulted in many more children being in poverty and the depth of that poverty worsening.

Innumerable children have experienced short and/or long term harm and/or loss of potential as a consequence of this neglect – all of this preventable

Little known facts

FACT 1

From 1991 the state has saved many billions of dollars by cutting welfare benefits and not restoring them to 1990 relative levels. This is the key reason why so many more children are in poverty since 1991

FACT 2

The state needs to spend around 2-3 billion dollars each year to make up the shortfall now and long-term to lift children and whānau out of poverty

1994 Child Poverty Action Group formed



Assoc Prof Susan St John CNZM



Janfrie Wakim

1996 introduced discrimination against parents on benefits which persists

1996 National: Parents who were “independent from the state” given the “Child Tax Credit (CTC)”

2004 Labour founded Working for Families package started on 1 April 2005, with 3 primary aims:

- to make work pay
- to ensure income adequacy
- and to support people "into work" (paid work)

The CTC was rebranded “In Work Tax Credit” (\$72.50/wk), from which families on a benefit are excluded, worsening their inadequate income

Tom Scott 2005

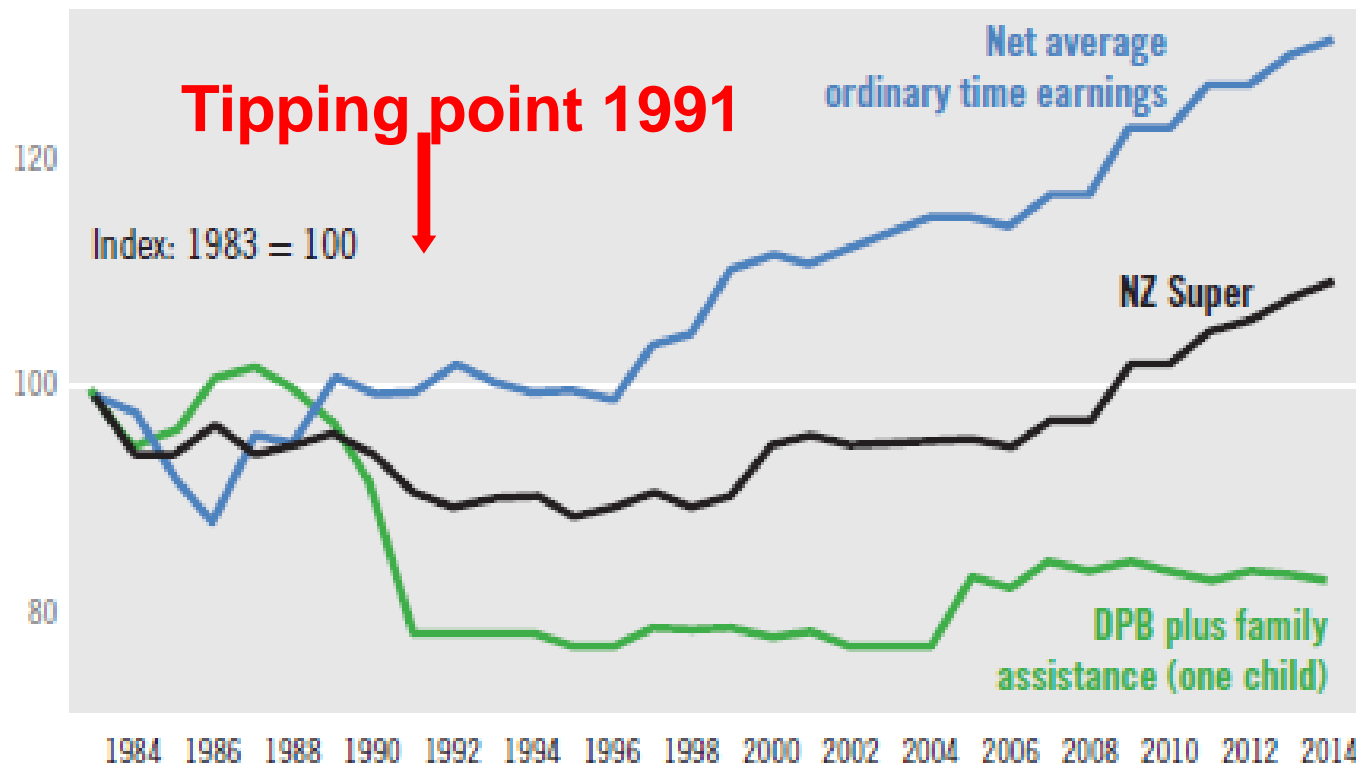


Mike Moreu 2005



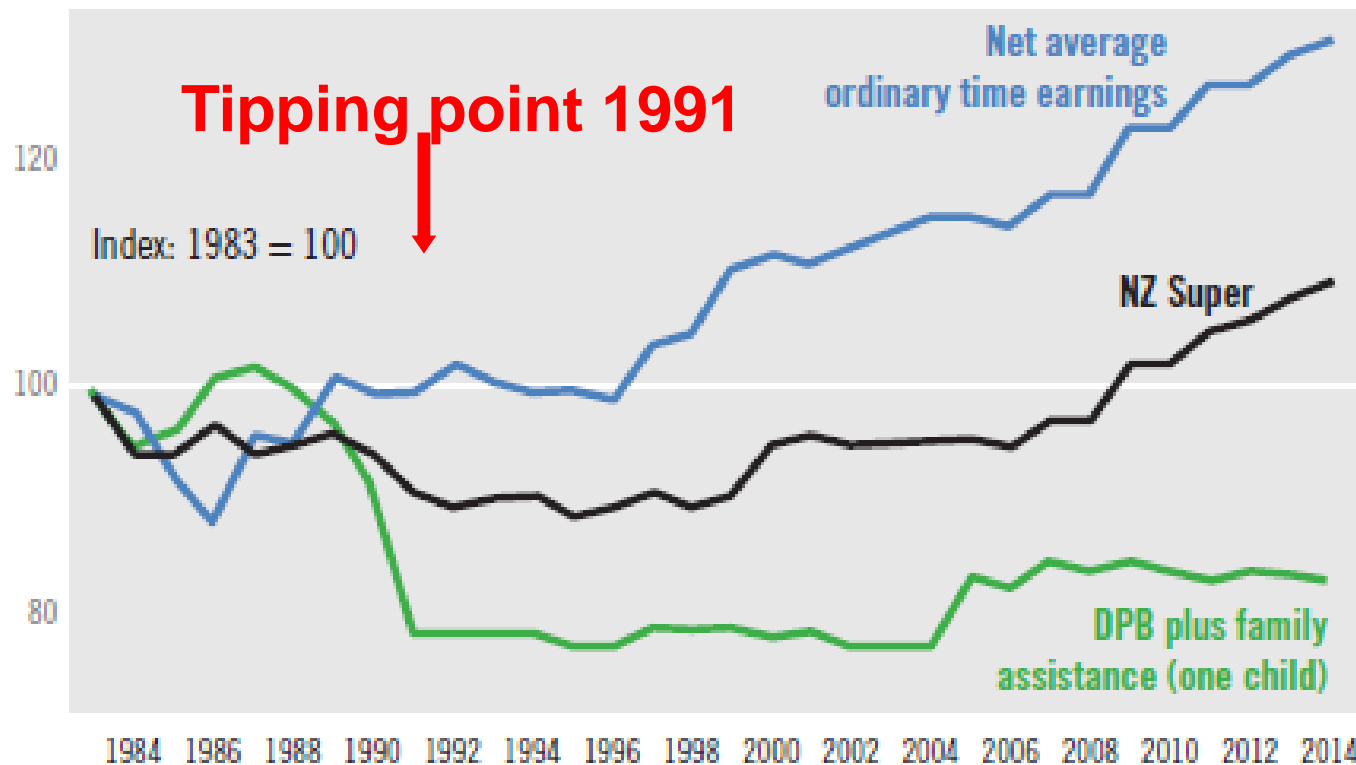
Safety net for children is inadequate: relativities 1983-2014

Comparisons between average wages, NZ super & benefit levels



Safety net for children is inadequate: relativities 1983-2014

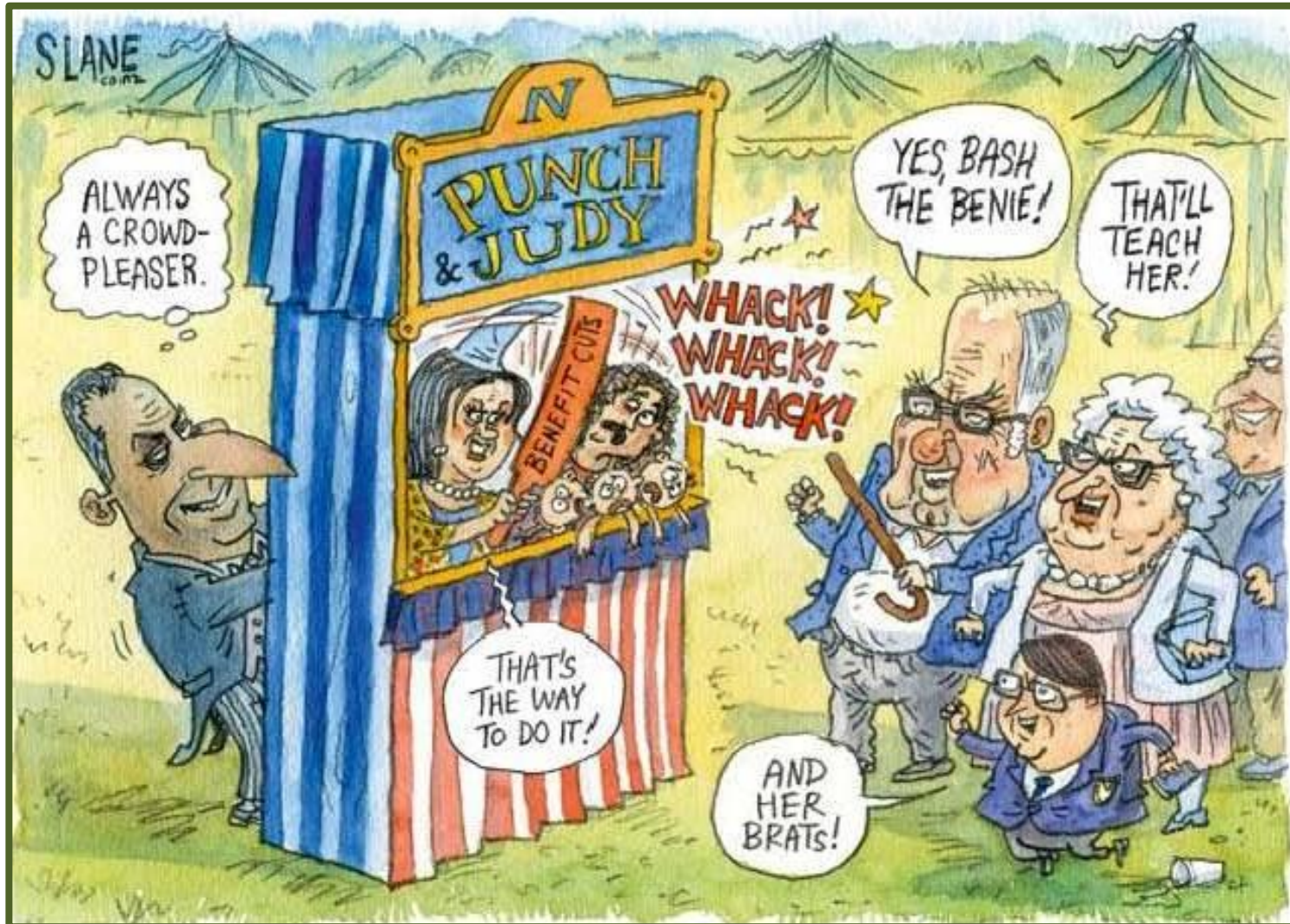
Comparisons between average wages, NZ super & benefit levels



The gulf of state child neglect 1991-2017

2008-2017 specific meanness eg severe sanctions

Chris Slane



NZ Child and Youth Epidemiology Service 2004

Monitoring the Health of
New Zealand Children
and Young People

Indicator Handbook

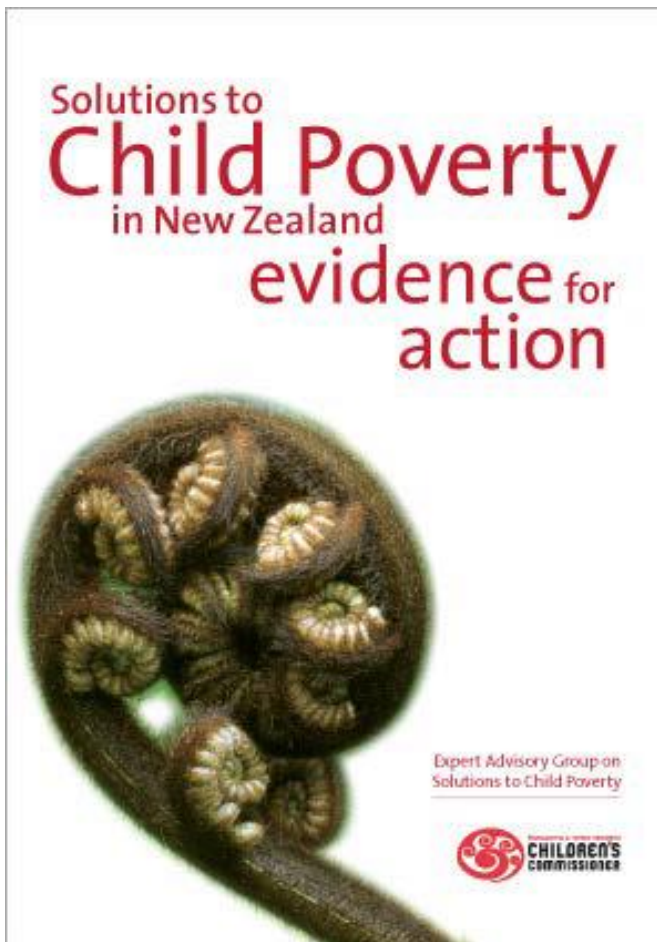


Established by Dr Liz Craig
Public Health Physician
2004-2014

Labour MP since 2016

Chairs Health Select Committee

Children's Commissioner's Report 2012



Progress: 2016

35/78 solutions fully or partially implemented, to mitigate the effects of poverty.

The main solutions to lessen income poverty and increase healthy housing have NOT been implemented

2013 the first annual Child Poverty Monitor



**CHILD
POVERTY
MONITOR
2013
TECHNICAL
REPORT**

Labour led government 2017

Minister for Child Poverty Reduction



Child Poverty Reduction Unit within Department of Prime Minister and Cabinet

Stopped state neglect of children in poverty



SUSTAINABLE DEVELOPMENT GOALS

**to be achieved by
2030**

SDG1 – NO POVERTY

👉 We want to at least halve child poverty within ten years – the first step is the passing of the Child Poverty Reduction Act. 👈

2018 Child Poverty Reduction Act

(20 Dec 2018)

The Child Poverty Reduction Act 2018 requires the government of the day to:

- set long-term (10-year, 2028) and intermediate (3-year, 2021) targets on a defined set of child poverty measures
- report annually on the set of child poverty measures*
- report each Budget day on how the Budget will reduce child poverty and how the government is progressing towards its targets
- report on child poverty related indicators

Baseline year StatsNZ 2018

*from annual household economic surveys

Labour's Families Package 1 April 2018

gave targeted assistance to improve incomes for low- and middle-income families with children

- Increased the Family Tax Credit and raised the Working for Families abatement threshold
- Introduced Best Start tax credit and increased paid parental leave to 26 weeks
- Introduce Winter Energy Payment for those on a benefit and NZ Super
- Increased financial assistance for specific carers
- Increased some of the Accommodation Supplement and Accommodation Benefit
- **Cost \$5.53 billion over 4 years**

Labour's other income poverty measures for those on a benefit 2020

- Main benefits increased by \$25 per week
- Winter Energy Payment doubled to \$65 per week because of COVID
- Indexed main benefits (the first time since 1991) which stops them falling further behind
- Enabling people to keep more of what they earn without their benefit payments being reduced, from 1 Apr 2021

Labour's poverty-mitigation measures announced in 2020

- Help sole parents with costs of retraining and upskilling and expanding the Training Incentive Allowance.
- Expansion of free and healthy school lunch programme
- Support for food rescue, foodbanks, and community providers, redistribution for surplus food from growers and producers
- Free sanitary products in high schools

Increase in minimum wage/hour

- 1 April 2020 \$18.90
- 1 April 2021 \$20.00

“Living wage”: \$22.10

<https://www.livingwage.org.nz/about>

Child and Youth Wellbeing Strategy



Vision:

New Zealand,
Aotearoa is the best
place in the world
for children and
young people



Child and Youth
Wellbeing Strategy

2019

Terminology for income poverty

Median equivalised disposable household income **BHC** and **AHC**

Equivalised = income adjusted for household size

Disposable = total income plus tax credits less tax and ACC levy

Before-housing-costs **BHC**

= Everything including housing/rental costs

After-housing-costs **AHC**

= Everything excluding housing/rental costs

AHC has become even more important as housing costs have mushroomed but low wages and benefits have not, leaving even less for essentials such as food, clothing, power, school expenses, health and disability costs.

10 Child Poverty Measures in Child Poverty Reduction Bill

Primary measures

- BHC 50* (moving)
- AHC 50* (fixed)
- Material hardship
- Persistent poverty (to be reported in 2024)

Supplementary measures

- BHC 60* (moving)
- AHC 60* (moving)
- AHC 50 (moving)
- AHC 40* (moving)
- Severe material hardship
- Both under AHC 60 and in material hardship

*%

<https://www.cpag.org.nz/the-latest/current-statistics/>

Child Poverty Measures in Child Poverty Reduction Bill (StatsNZ)

Primary measures

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What is material hardship?

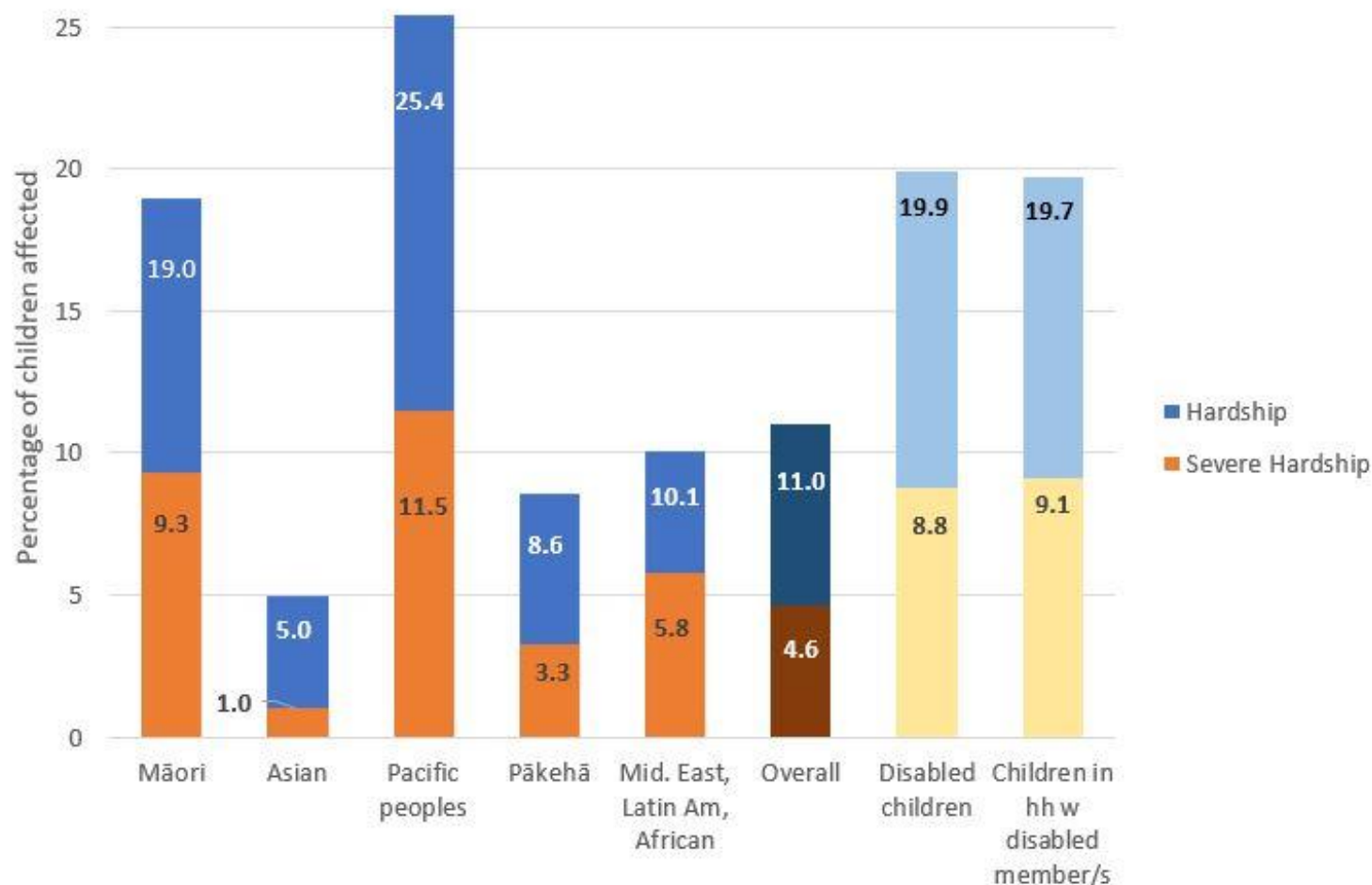
Lacking up to 17 items for material wellbeing

- Enforced lack of essentials (because of cost)
- Economising behaviours
- Restrictions
- Financial stress and vulnerability

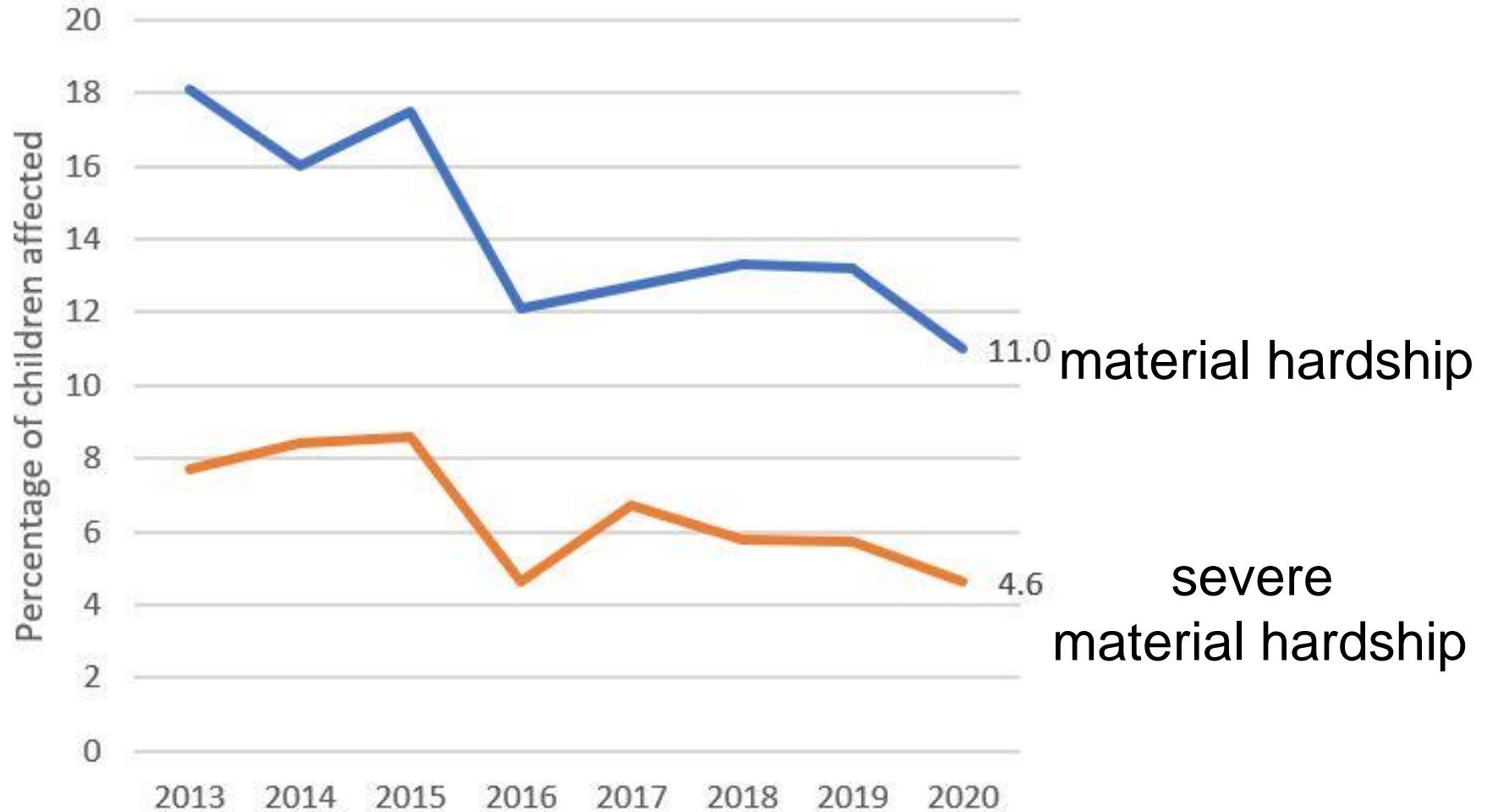
MATERIAL HARDSHIP = Lacking $\geq 6/17$

SEVERE MATERIAL HARDSHIP = Lacking $\geq 9/17$

Material hardship/severe material hardship June 2019-March 2020



Material hardship 2013-March 2020



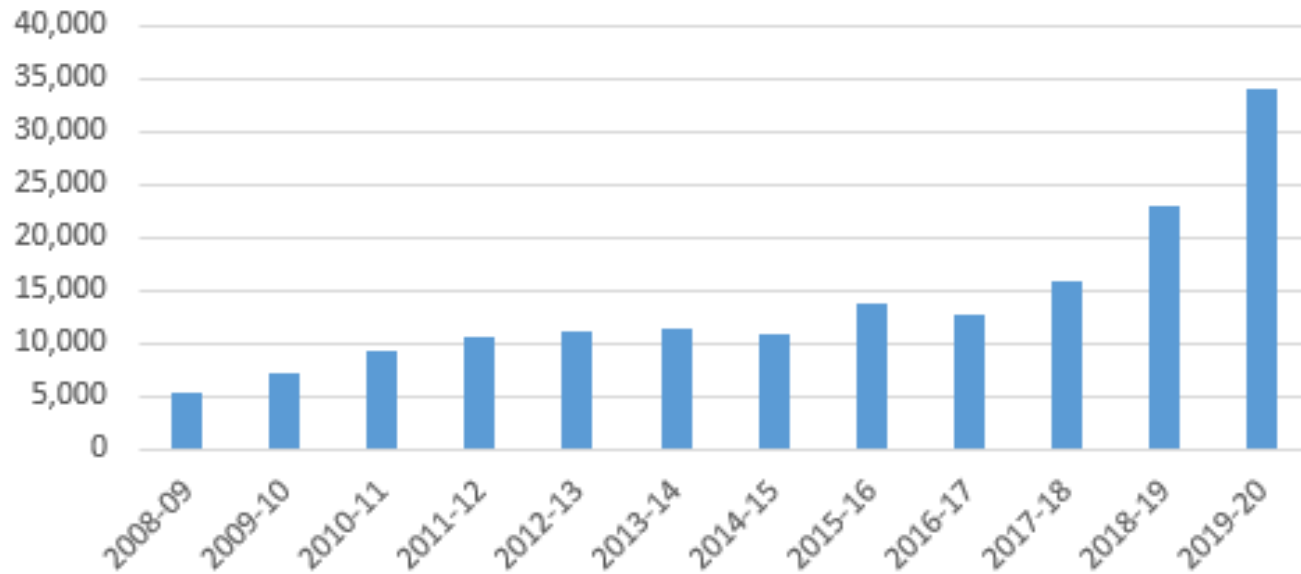
Why did material hardship decrease?

A mix of several things including

- effects of the Winter Energy Payment
- extension of free doctors visits to all those aged 13 and under
- mushrooming of private charity - food bank numbers have increased massively over the last few years
- increase in debt, including to MSD (increased by 70% in the 3 years to March 2020)
- increase in hardship grants for food

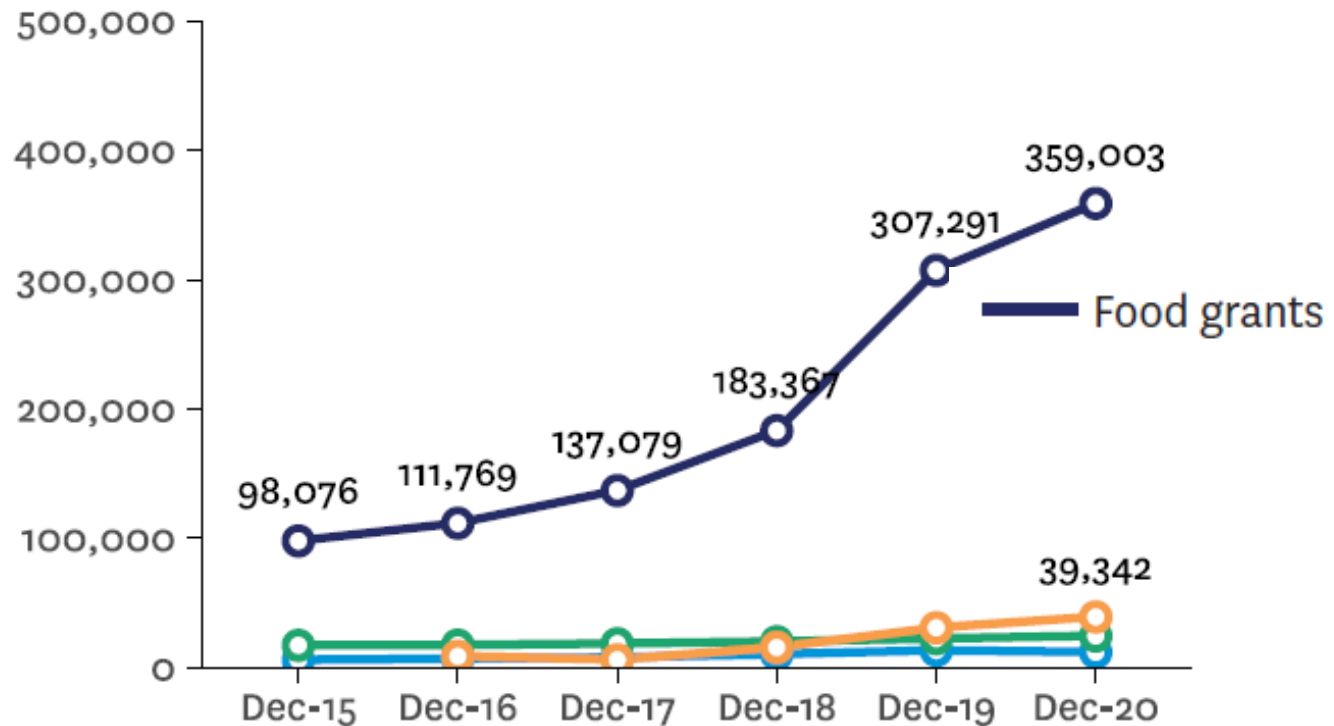
Increase in food parcels 2008-2020

Auckland City Mission food parcels distributed
2008-09 to 2019-20



<https://www.cpag.org.nz/the-latest/current-statistics/food-parcels/>

Increase in MSD hardship grants for food 2015-2020



<https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2020/benefit-fact-sheets/benefit-fact-sheets-snapshot-december-2020.pdf>

Child poverty figures June 2019 – March 2020

(survey stopped early due to COVID)

- BHC 50 (moving) = 167,100 children (14.6%) FAIL
- AHC 50 (fixed) = 208,400 children (18.2%) PASS
- Material hardship = 125,200 children (11.0%) PASS

- BHC 60 (moving) = 261,500 children (22.9%) PASS
- AHC 60 (moving) = 329,500 children (28.8%)
- AHC 50 (moving) = 238,800 children (20.9%)
- AHC 40 (moving) = 168,100 children (14.7%)
- Severe material hardship = 53,000 children (4.6%)
- Both < AHC 60 and in MH = 75,200 children (6.6%) PASS

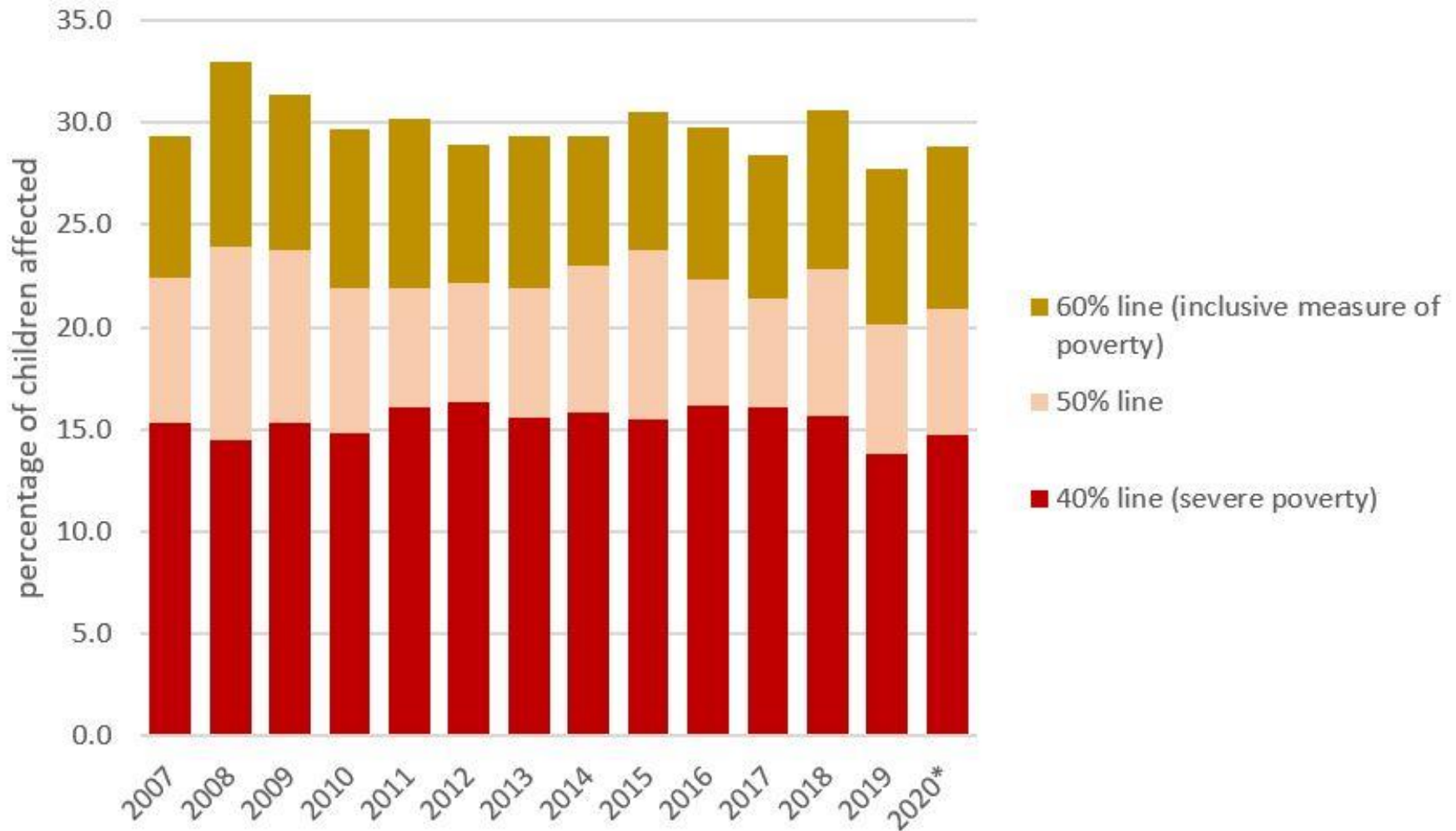
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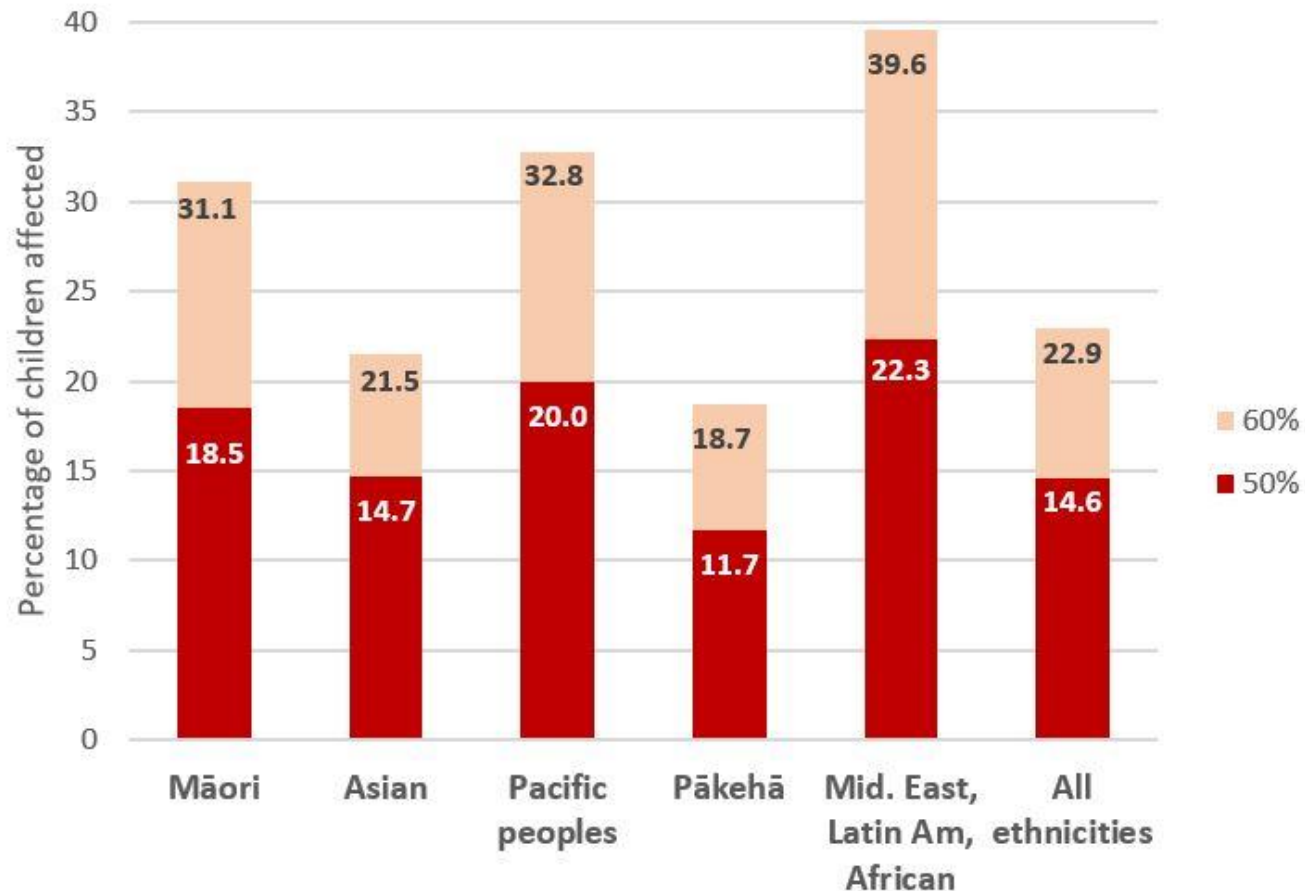
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- **AHC 40 (moving) = 168,100 children (14.7%)**
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- Both < AHC 60 and in MH = 75,200 children (6.6%) PASS

% of all children living in households with less than median AHC 40%,50%, 60% 2007- March 2020.



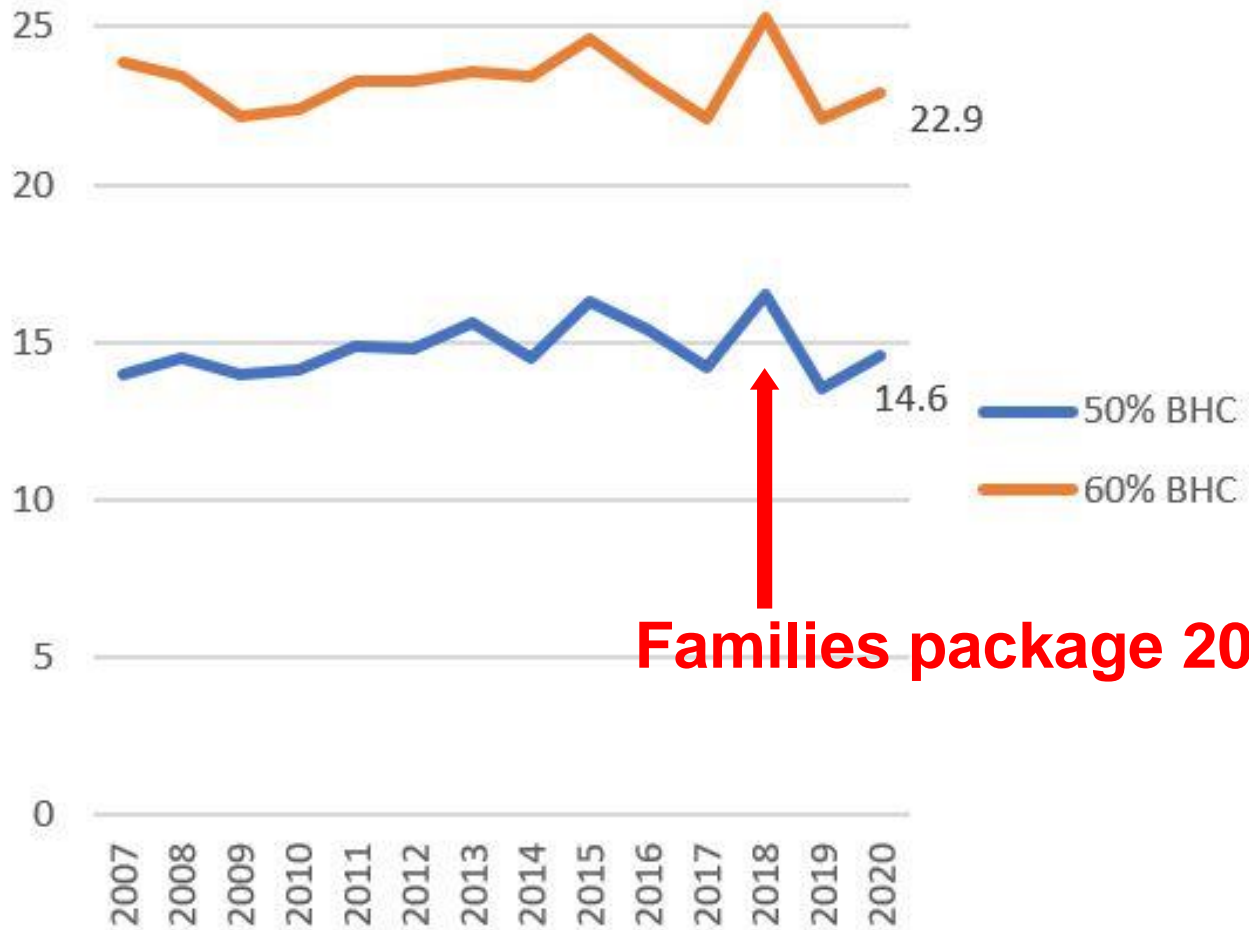
<https://www.cpag.org.nz/the-latest/current-statistics/>

Income poverty BHC 50 and 60 by ethnicity



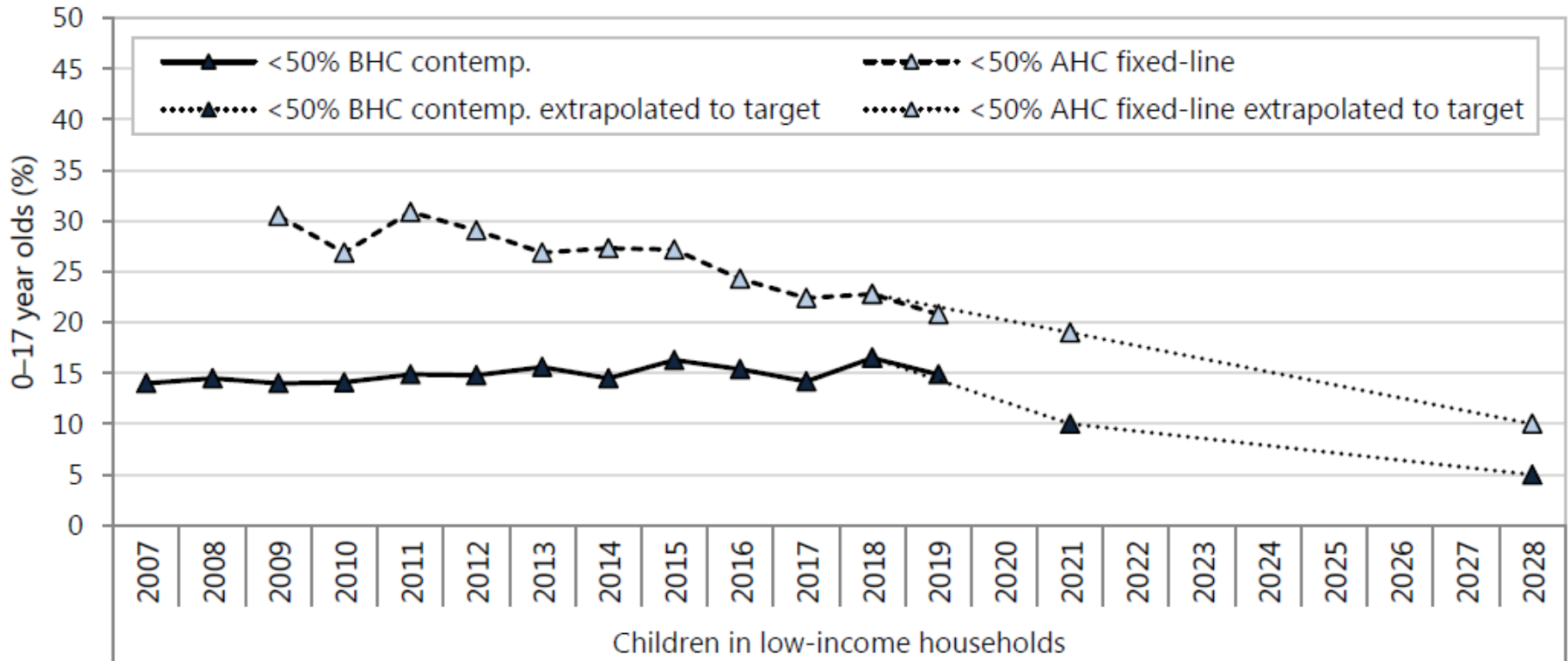
<https://www.cpag.org.nz/the-latest/current-statistics/>

Income poverty BHC 50 and 60 2007-2020

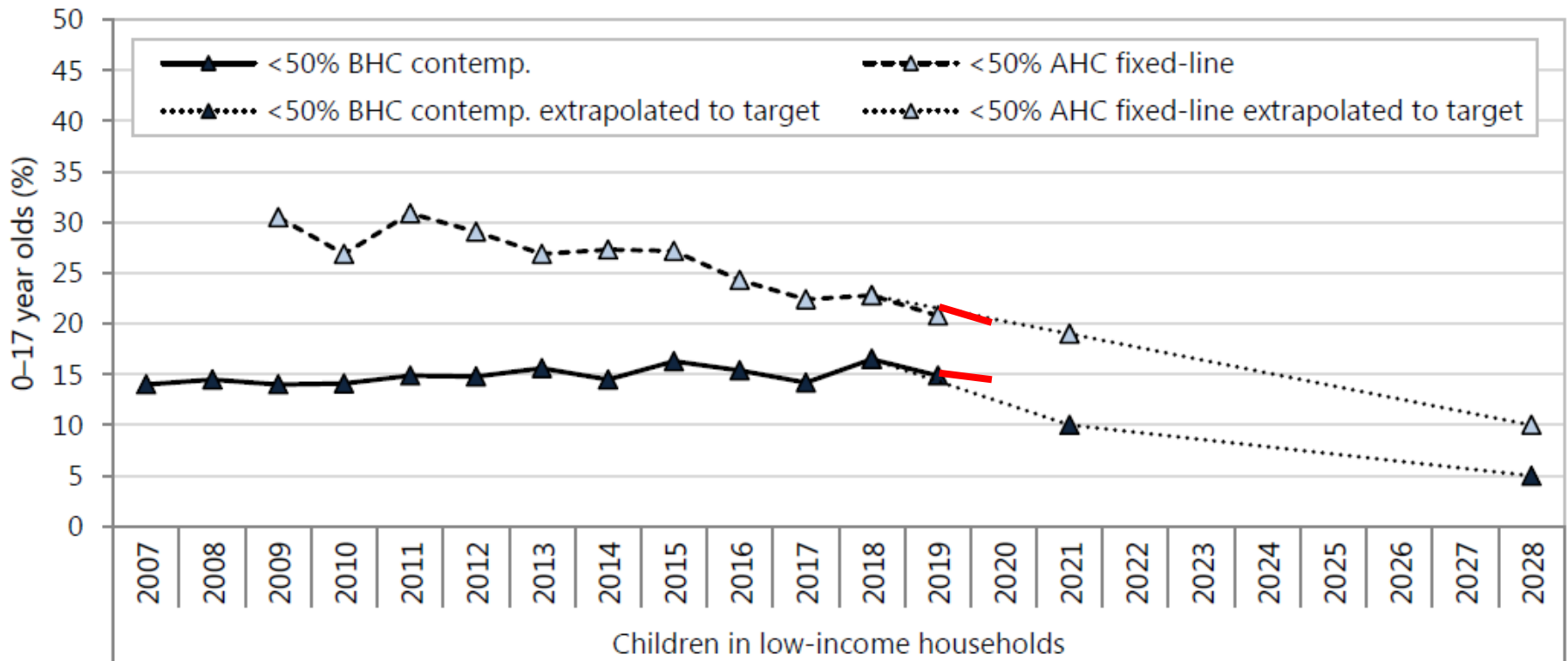


Families package 2018

Children in low income households <50% median BHC and AHC (fixed line)



Children in low income households <50% median BHC and AHC (fixed line) updated with latest stats



Welfare Expert Advisory Group (WEAG)

May 2018-Feb 2019



WEAG income requirements

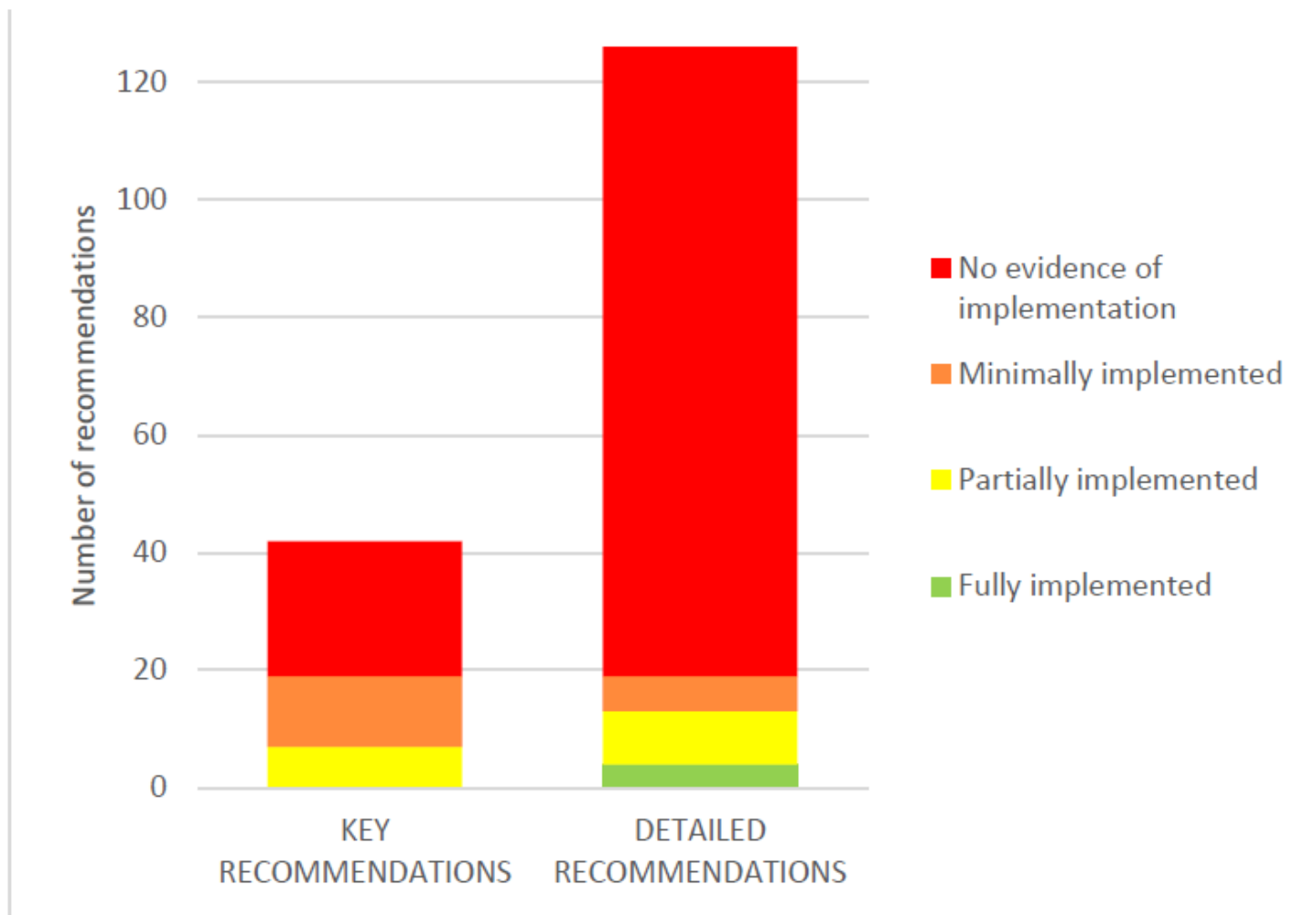
Full implementation would cost around \$5.2 billion per year (includes measures not intended for families with children)

Children in poverty:

- below the 50% BHC threshold is estimated to fall by around 45,000 (around a 40% decrease)
- Therefore WEAG'S costing is conservative for what is actually needed for child poverty reduction

What happened to Welfare overhaul?

A stocktake of WEAG's 2019 recommendations



Families on benefits are short of hundreds of dollars each week

Additional weekly income needed on top of 2018 benefits to get over the AHC 50 line

Household type	50% 2018 median
Sole parent, one child	\$185
Sole parent, two children	\$251
Couple, one child	\$309
Couple two children	\$334

St John S and So Y. 2018

<https://www.cpag.org.nz/assets/Backgrounders/180509%20CPAG%20Analysis%20Child%20poverty%20policies%20FINAL2.pdf>

WEAG 2019: families short of \$112-356 per week

Chris Slane



The children in the deepest poverty are our greatest concern



The title 'Children & COVID-19' is centered at the top of the slide. It is set against a background of abstract, painterly brushstrokes in shades of red, blue, and orange. The text is white and in a clean, sans-serif font.

Children & COVID-19

Office of Commissioner for Children

- The pandemic is broadening and deepening inequities for children

Treasury Budget May 2020 Child Poverty Report

- Rates on measures of low income with a fixed threshold are expected to increase
- On measures of material hardship, rates are expected to rise sharply

MSD Benefit statistics

- March to Dec 2020 children supported by benefit increased by 28,380 (15.5%)

Child Poverty Reduction Unit briefing to Ardern

- The most severe negative effects are likely to be felt by those who are already disadvantaged

Housing crisis must be adequately addressed with much greater urgency

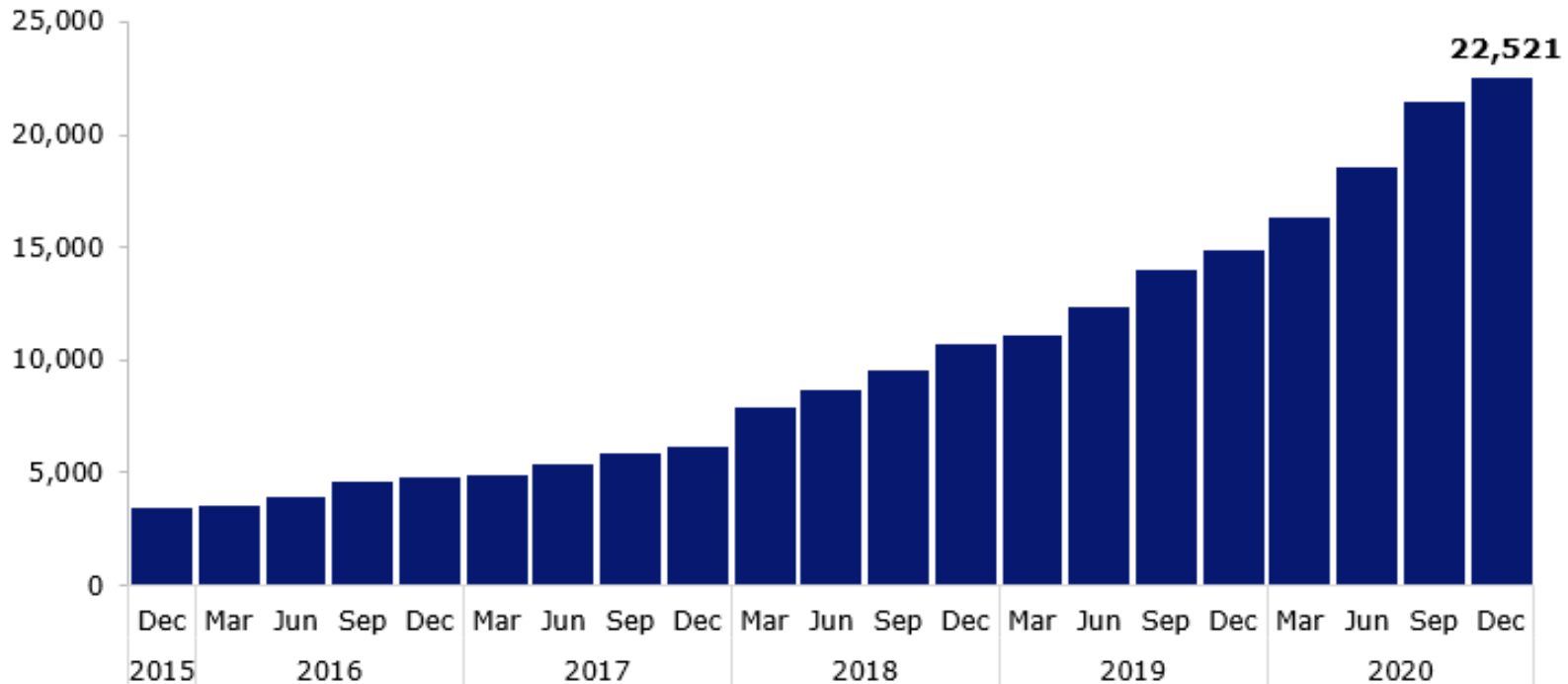


The Government agrees there is a housing crisis and wants to tackle it

Priority A: *“at risk...housing need that must be addressed immediately”*

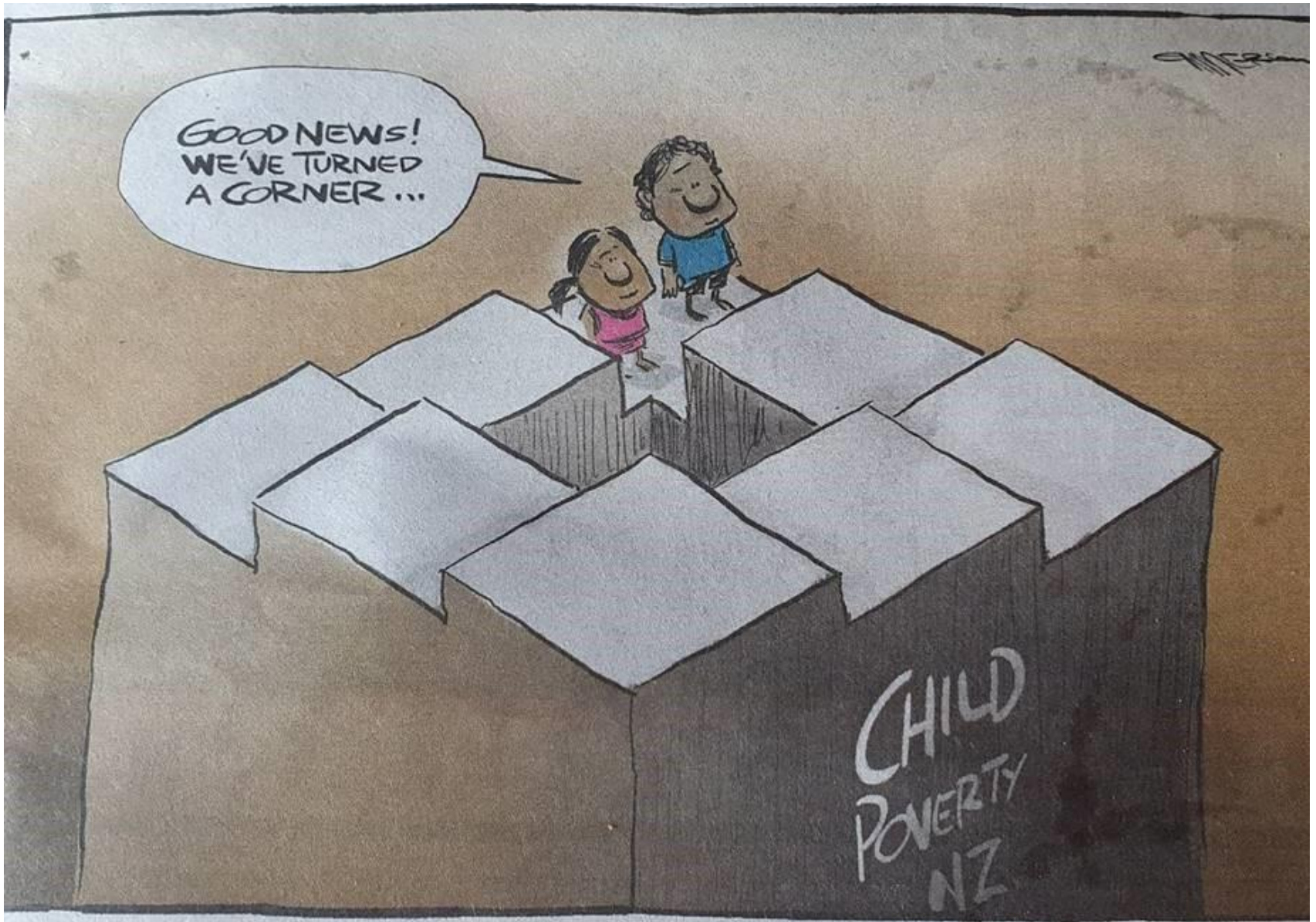
Dec 2018: 8,322 (78%) applicants

Dec 2020: 20,339 (90%) applicants



<https://www.msd.govt.nz/images/about-msd-and-our-work/publications-resources/statistics/housing/2020/housing-register-full-december-2020.png>

Rod Emmerson Feb 2021



What is needed now ?

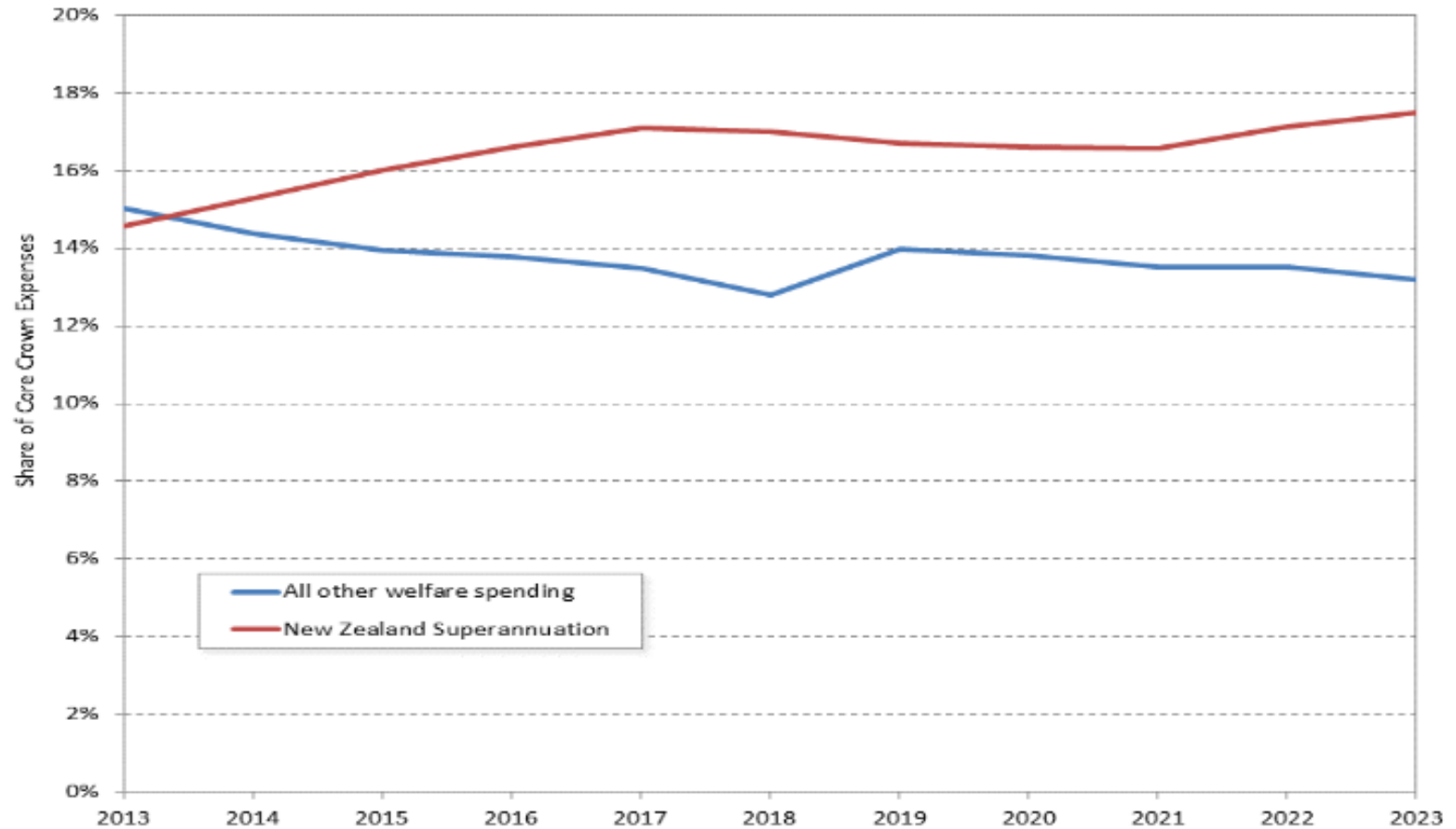
- A detailed plan to halve child poverty over the next 7 years to 2028
- What steps to reduce child poverty will be taken, and when?
- What funding to achieve this will be in each budget 2021-2028?

How much funding is needed?

Around \$2-3 billion per year - includes

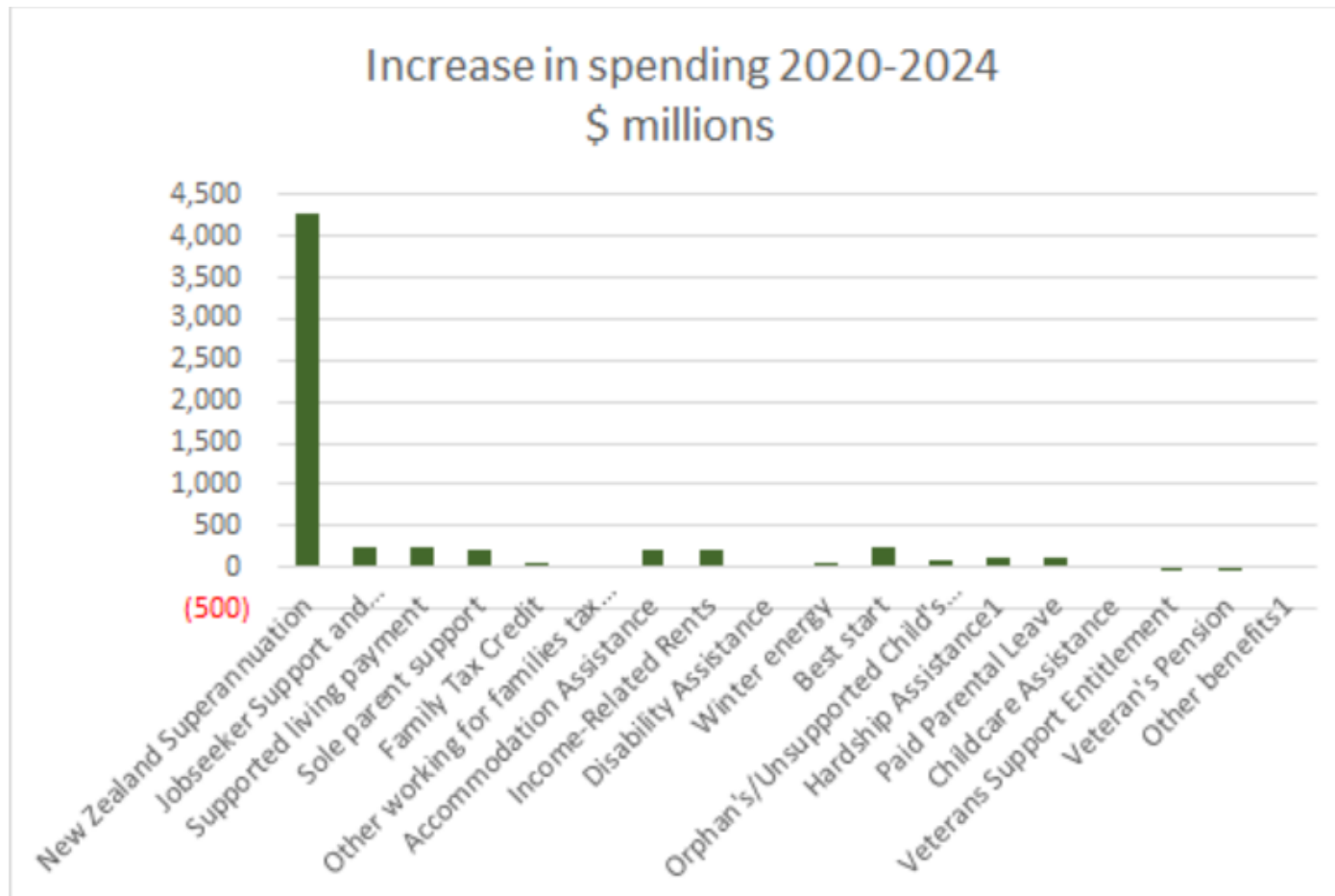
- Give families on benefits access to all family income assistance (\$0.6 billion per year)
- Increase benefits much more substantially
- All family income assistance to be indexed to wages
- Increase the Child Disability Allowance and set the Disability Allowance at an adequate fixed rate

Welfare as a share of Core Crown expenses 2013-2023



<https://www.cpag.org.nz/assets/190530%20CPAG%20Budget%202019%20Analysis%20Summary.pdf>

Every year Govt spends \$1 billion MORE on NZ Super



St John S and Dale C <https://www.auckland.ac.nz/en/news/2020/02/20/close-look-at-superannuation-problem.html>



**To reduce child poverty we have never been
better placed**

**We have great foundations and an inspiring
leader with a clear mandate**

Her mantra is kindness

We need her to act swiftly and boldly now

On 2 March 2021
I wrote to
Jacinda Ardern,
Grant Robertson,
Carmel Sepuloni



“I know you care about our children. None of us want any child to suffer when we can do something about it. New Zealanders from all walks of life and political affiliations want the Government to take much bigger steps to lift incomes for those in poverty (UMR poll Feb 2021).”

“The Families Package lifted only 16,300 children over the 50% BHC line, not Treasury’s projected 50,000 (range 42,000 to 73,000).”

“Children in poverty need you to be much much bolder, transformative, so that their desperation is alleviated. They cannot wait.”

“Especially those 168,100 children in the deepest poverty (<40% AHC) whose numbers haven’t budged. Most of these children are supported by benefits. There are about 24,000 (12%) more children on benefits now since COVID hit.”

“Children with disabilities or disabled household members, Māori and Pacific children are the very hardest hit by poverty. Things are already so much worse for them since COVID hit.

Hunger, homelessness, stress and despair are more common.”

“New Zealanders want to know your plan for lifting far more children out of poverty, prioritising those in the deepest poverty.

CPAG has sent you recommendations in our Briefings to Incoming Ministers on Income, Housing and Health.”

“Please take immediate action to:

1. Increase benefits substantially (\$25 is not nearly enough)
2. Give families on benefits access to all family income assistance
3. Increase the Child Disability Allowance and set the Disability Allowance at an adequate fixed rate
4. Treat children as paramount in all COVID relief strategies”

“Your legacy on child poverty reduction could be truly wonderful, and I hope it will be.

Ngā mihi nui

Innes”