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# Submission on the Child Poverty Reduction Bill and changes to the Vulnerable Children Act 2014

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**This submission is from:**  
**Child Poverty Action Group Inc.**  
**PO Box 5611,**  
**Wellesley St,**  
**Auckland 1141.**  
**<http://www.cpag.org.nz>**

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in Aotearoa/ New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity but is due to policy neglect and an ideological emphasis on flawed economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes policies that address the underlying causes of the poverty they endure.

**We would like the opportunity to present an oral submission.**

**Contact: [admin@cpag.org.nz](mailto:admin@cpag.org.nz)**

# Submission on the Child Poverty Reduction Bill

## Introduction

It is a shameful fact that many children in Aotearoa-New Zealand experience high levels of income poverty, material deprivation and food insecurity. In 2018, while there are many debates over just how many children are under various poverty lines and how those lines are chosen<sup>1</sup>, there is undeniable evidence of homelessness, hunger, preventable third world diseases, and increasingly overburdened food banks. Charities find they are increasingly asked to provide the basics of life for poor children and their families.

A Government focus on poverty reduction and wellbeing is a significant step forward for our children and CPAG welcomes the introduction of a Child Poverty Reduction Bill as well as amendments to the Vulnerable Children Act. CPAG also welcomes the amendments to the Public Finance Act which require a report on the effects of budget measures on child poverty.

### Clause 3 of the Child Poverty Reduction Bill states its purpose:

*To help achieve a significant and sustained reduction in child poverty in New Zealand by provisions that:*

- (a) encourage a focus by government and society on child poverty reduction:*
- (b) facilitate political accountability against published targets:*
- (c) require transparent reporting on levels of child poverty.*

The **four primary measures of poverty** in the Bill are:

- *Low income before housing costs (below 50 percent of median income, moving line)*
- *Low income after housing costs (50 percent median, fixed line)*
- *Material hardship (using the EU's standard threshold)*
- *A persistence measure (for low income, material hardship or both)*

The **six supplementary poverty measures** are:

- *Low income before housing costs (60 percent of median, moving line)*
- *Low income after housing costs (60 percent of median moving line)*
- *Low income after housing costs (50 percent of median moving line)*
- *Low income after housing costs (40 percent of median moving line)*
- *Severe material hardship*
- *Both low income and material hardship (using 60 percent after housing costs, moving line and the primary material hardship measure)*

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<sup>1</sup> See Perry, B.(2017). p. 21. *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2016.* <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2017/2017-incomes-report-wed-19-july-2017.pdf>

The Government has announced **three ten-year targets**<sup>2</sup> under the Bill. They are:

- *Reduce the proportion of children in low income households (using the before housing measure) from roughly 15 percent of all children to 5 percent. This reduces the number by more than half from 160,000 to 60,000.*
- *Reduce the proportion of children in low income households (using the after housing costs measure) from roughly 20 percent to 10 percent. This is a reduction of 90,000 children from 210,000 now to 120,000.*
- *Reduce the proportion of children in material hardship from between 13 and 15 percent now to 7 percent. This reduces the number of children in this group from 150,000 to 80,000.*

CPAG believes the focus of the Bill is rightly on the measures to be used and the requirement of Government to set targets and report on their progress. CPAG applauds the setting of the ten-year targets listed above but urges that the critical task of making sure that government's policies are suitably designed to achieve these targets, or better them, is not neglected or under-resourced. This is a particularly critical task in light of Treasury's error in modelling the effect of the Families Package<sup>3</sup>, which can now be seen as insufficient to achieve the 10 year goals.

## Measures, Targets and Reports

### Clauses 9-20 Primary and Supplementary Measures:

We support the comprehensive multi-tiered poverty lines in this Bill. They will provide a broader picture of the depth and extent of child poverty than any single measure.

We expect the use and understanding of the limitations of any individual measure, and of the suite of measures to evolve over time. This requires careful commentary to reduce the confusion among the public, politicians and commentators, especially if only some measures show an improvement.

- 1) One measure that needs careful interpretation is the fixed 50% after housing costs (AHC) line. This measure is one of the top four primary measures in the Bill. The fixed line takes the median<sup>4</sup> at a point in time (currently 2007) and uses that figure adjusted for the CPI<sup>5</sup> as an unchanging baseline.

In recessions, a fixed line is useful to ascertain the extent of the drop in absolute living standards. However, in normal times, the median income can be expected to grow in real terms. This means that over a long period of time if unadjusted, the fixed line may become unrealistically low. The CPI adjustment is an inadequate measure of prices faced by very low-income families, and families below the fixed 50% line are increasingly living at the margins of society, unable to participate in their community and afford the necessities for well-being.

**The constant value, 60% median set in 2007, has become about 50% of the current 2017 median ten years later and rebasing is imminent.** CPAG suggests that a shorter time between rebasing is needed (five years), and that reporting comes with suitable caveats and commentary.

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<sup>2</sup> See <https://www.beehive.govt.nz/release/historic-commitment-reduce-child-poverty>.

<sup>3</sup> Treasury. (2018). <http://www.treasury.govt.nz/releases/2018-03-15a>

<sup>4</sup> Equivalised disposable household income

<sup>5</sup> The Consumer Price Index

CPAG is of the view that a moving line reflecting changes in incomes is a priority measure in order to provide a contemporary view of poverty levels at any time.

- 2) Of great concern is the persistence of, and the increase in, the numbers of children under the very low- income, 40 percent of the after housing costs line median moving line (140,000 children) . There is a strong case for making this one of the primary measures and for allocating resources to explaining how families might fall below this line. This measure signifies the very hard end of child poverty and urgent policies are needed to ensure no child falls below this line.

**It is important that the living standards represented by the various moving poverty lines for families of different compositions are researched independently to validate their suitability.**

CPAG argues that income should be sufficient to allow all children to thrive and develop their full potential, i.e. experience *well-being* not just subsistence living. In the early 1990s, focus groups were asked to determine the weekly income needed for a minimum adequate standard of living in different regions. This exercise validated the use of the 60% moving line to meet that objective at that time<sup>6</sup>. Now, more than twenty years on, a new, independent validation process is required. This exercise is likely to suggest that more emphasis on the 60% AHC threshold is needed than is the case in this Bill.

**Recommendation 1:** The Government should update the reference year for the fixed-line after housing costs (AHC) measure at least every five years and adequately explain how this measure should be interpreted.

**Recommendation 2.** Include the low-income after housing costs (40 percent of median moving line) measure as a primary measure, rather than a supplementary one, and devise policies to reduce the child poverty numbers, according to this measure, to zero within 12 months.

**Recommendation 3.** Choice of poverty lines should be validated through the use of focus groups that establish levels of family income needed for children to have both an adequate minimum standard of living, and to thrive.

### **Clause 12, Material Hardship**

In addition to the quantitative measures in **Clauses 13-20** of the Bill, more timely indicators of current experiences of poverty and hardship are required, as well as timely current statistics on child well-being. One neglected indicator is household debt. As Perry (2017) notes:

*Income however is not the only economic resource available to a household to generate its consumption possibilities. A household's wealth (or lack of it) is another crucial factor. A household's wealth is its total financial and non-financial assets less liabilities – this is sometimes called net worth. Income and net worth together largely determine the economic resources available to*

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<sup>6</sup> See Waldegrave and Stuart. (1996) Participation in Poverty Research: Drawing on the Knowledge of Low-Income Householders to Establish an Appropriate Measure for Monitoring Social Policy Impacts <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/journals-and-magazines/social-policy-journal/spj07/participation-in-poverty-research.html>

*households to support their consumption of goods and services and therefore their material standard of living.*<sup>7</sup>

The Bill will draw on indicators of hardship measured in the survey, but the same problem of lack of timeliness (discussed below) applies. The report on progress provides the opportunity to include some more timely indicators. A New Zealand Nutrition Survey should be undertaken in 2018/2019 and carried out as two separate surveys for adults and children to determine current levels of food insecurity as a baseline for food hardship measurements. Other indicators such as data on hospital admissions for preventable childhood diseases, foodbank data, and data for charities that relieve immediate need such as Variety and KidsCan, should be reported on to contextualise the current situation.

**Recommendation 4:** The report on progress on child poverty every year includes:

- Current figures on household borrowings, including from Work and Income.
- Hospital admissions for preventable childhood diseases.
- Food bank data and data from charities that relieve immediate need such as Variety and KidsCan.
- Children affected by homelessness
- Food insecurity.

### **Targets**

We applaud the fact that Government is setting targets aimed at reducing poverty; these targets require solid social and economic policies if they are to be achieved and need to be supported by all parties. The breadth and depth of child poverty in New Zealand reveals that improvement will take time and will not be easy. A broad, strategic approach is needed to ensure the targets are met and that a reduction in child poverty is sustained long-term.

**Clause 21 sub-clause 3**, states that the target periods will commence from the 2019/2020 financial year. This means evidence of targets being met are unlikely to be reported until the 2022/23 and 2029/30 financial years. It is important to track interim progress to assess whether policies are on track to achieve targets.

### **Reports**

CPAG supports the Bill's requirement for the Government Statistician to report each year on child poverty using the measures set out in the Act. As described above in recommendation 5, the report should also report on a range of other timely indicators of hardship and food insecurity.

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<sup>7</sup> See Perry, B.(2017). p. 4. *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2016*. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2017/2017-incomes-report-wed-19-july-2017.pdf>

While the Bill indicates data will be collected on a yearly basis, early evidence of any improvements to qualitative indicators after the implementation of Labour's Families Package should be assessed and reported on within the first six months.

### 1) Lag in Data

CPAG remains concerned over the lag in data collected by the Household Economic Survey (HES), and the time frame in which it is analysed and then reported on. For example, the information for the 2018 Household incomes report was collected between July 2016 and June 2017, and was based on incomes reported for the 12 months prior. This means that by the time the next report is released in July 2018, data on incomes for some families may be two years out of date.

### 2) Insufficient sample parameters

The current information for the Household Incomes Report is drawn from an insufficient sample range and size. The survey is generally conducted on 3000-3500 private households, including only around 1000 with children. A bigger sample size is critical for providing an accurate representation of the population. As indicated in the latest Household Incomes Report the sample size for Maori and Pacific households<sup>8</sup> as well as sole parent beneficiaries<sup>9</sup> was too small to allow for accurate reporting. This is a major gap, given the high proportion of Māori and Pasifika families with children in poverty and the high rates of poverty among beneficiary households. As homelessness has increased, the fact that the survey is only for families with residential addresses suggests a bias in the results.

CPAG supports rigorous and regular reporting by Statistics New Zealand based on a larger sample than currently taken by the HES for the Household Incomes Report. This would ensure more accuracy for the most vulnerable groups. It is also important that the data be captured and analysed as promptly as possible and that poverty projections are modelled accurately.

**Recommendation 5:** To meet the proposed standards of reporting on child poverty and to ensure that reporting is more accurate, investment in and improvements to the statistical survey base are required.

## The connection between targets and policies.

CPAG strongly cautions against an overemphasis on measures and targets, to the detriment of the adequate scrutiny of policies that are supposed to meet these targets.

Over the years income poverty among the very lowest-income families (i.e. those earning under 40% of the national median income AHC) has become more deeply entrenched, despite policies that have been implemented to improve family incomes, such as Working for Families<sup>10</sup>.

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<sup>8</sup> Perry, B. (2017). p. 21. *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2016*. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/monitoring/household-income-report/2017/2017-incomes-report-wed-19-july-2017.pdf>

<sup>9</sup> Ibid. p. 25.

<sup>10</sup> Attributable to the poor design of Working for Families, which excludes families on the lowest incomes from a significant part.

As well as reporting under this Bill, adequate resources must be devoted to assessing the suitability of new policies to meet objectives. In light of Treasury's miscalculation of the impact on child poverty by the Families Package, the design and adequacy of the Families Package must be reassessed and new policies evaluated.

It is important that development of policy is undertaken in collaboration with a wide range of independent organisations, including NGOs and social service providers who are experts involved in the promotion and protection of children's rights and needs, and that the voices of children and their families are also heard in this process.

**Recommendation 6:** Policies should be accompanied by a full regulatory statement, fiscal and distributional analysis, and regularly evaluated especially for their impact on the worst child poverty.

**Recommendation 7:** The Government undertakes to provide interim reporting on impacts of Labour's Families Package<sup>11</sup> and the suitability of its design to meet these targets by the end of 2018.

**Recommendation 8:** Government should consult widely with independent bodies on policy evaluation, design and implementation, as well as expenditure. Government should be transparent about their long-term budgetary plans, emphasising a review of spending according to the needs of children revealed after interim reporting.

## **Submission on the changes to the Vulnerable Children Act 2014**

Sustaining reductions in poverty and improved child wellbeing will require the introduction of many new child-centred policies that are implemented Government-wide and interact across all sectors.

Such policies will be critical to upholding and maintaining the right of all children, without discrimination, to have good childhoods: to be cared for by their parents and whānau, with support where needed; to be free from violence, to have a reasonable standard of living, timely access to quality healthcare and a quality education, and to have recreational opportunities and to play and be with friends. Adequate food, shelter and safety and their families' access to an adequate income are the absolute minimum right of every child.

A robust and multi-sector approach to improve family incomes and increased access to services for all children is essential to reducing their poverty. Taking a 'whole family' approach would ensure children's wellbeing needs are met.

CPAG is heartened by and supportive of the Government's decision to change Oranga Tamariki's name in English to Ministry for Children.

**Part three, clause 45, requires Part 1 of the Vulnerable Children Act to be replaced with a Government strategy for improving children's well-being and Oranga Tamariki action plan.**

CPAG applauds the commitment of the Government to, as set out under the new clause 6:

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<sup>11</sup> <https://www.workandincome.govt.nz/about-work-and-income/news/2017/families-package.html>

- (a) improving the well-being of all children; and*
- (b) improving, as a particular focus, the well-being of children with greater needs; and*
- (c) reducing child poverty and mitigating impacts of child poverty and of socio-economic disadvantage experienced by children.*

Parameters for support provision, via the mechanism of the Ministry for Children must extend beyond and not be limited to current at-risk criteria. Poverty and disability have a direct impact on children's outcomes, and a goal of improving physical and mental health of the children will only be met if families are sufficiently resourced to meet all their basic needs, which include having healthy food, warm clothes and a safe, warm home with security of tenure.

A supportive whole-family approach to ensuring the welfare of children referred to the Ministry must be taken, within the Ministry, within other government agencies and with the involvement of relevant social services and assistance to ensure that all children are in safe and thriving home environments.

The use of data to determine targeted at-risk funding must be re-evaluated to ensure that ALL children have timely access to the services they need throughout their lives. A concern remains that many children who fall outside current risk criteria will fall through gaps. All public services that interact with the needs of children must be well-resourced to enable them to provide quality care to all children when they are sought.

A lack of value currently given to parenting politically compromises any value given to children. As a result of this we have a deepening crisis of poverty that impacts most severely on children in families that are in receipt of a welfare benefit, in particular sole-parent families where there is a full-time caregiver. The principle of value for the unpaid role of the caregiver, alongside paid employment should underpin the design for a successful Child Wellbeing Strategy.

Māori and Pasifika families are disproportionately represented among the numbers in poverty and in receipt of welfare benefits, and face barriers within the welfare system that are likely to worsen their hardship. Policies in place that undermine parenting as a valuable contribution to society (Child Poverty Action Group, 2010)<sup>12</sup>, by prioritising work, inadvertently create barriers for many who cannot obtain meaningful paid work, or a balance of meaningful paid work that supports their children's needs and alleviates hardship. It is CPAG's long held belief that in order to improve the outcomes for children, the economic impacts on families of a welfare system that has paid work as the paramount principle must be reviewed.

Any strategy to reduce child poverty and improve child wellbeing must involve policy solutions to address wider systemic issues. An urgent issue in the economic environment that contributes to child poverty and undermines family wellbeing, is the accumulation of high-interest debt to fringe lenders. A problem of uncapped total credit and compounded interest at extremely high rates traps families in a continuous cycle of needing to borrow to make ends meet, while larger amounts of their incomes are being spent on debt repayment.

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<sup>12</sup> Dale, M. et al. (2010). *What work counts? Work incentives and sole parent families*.  
<http://www.cpag.org.nz/assets/Publications/3-2%2024718%20CPAG%20Research%20Document.pdf>

**For a successful strategy for improving children’s well-being and the Oranga Tamariki action plan, CPAG recommendations are:**

- **That Government** implement a ‘whole family’, inclusive approach to improving child wellbeing that extends to all children and is not limited to those who meet ‘at-risk indicators’ as they are currently set out.
- **That Government** design and implement guidelines for putting ‘children at the centre’ of policies and processes for all Government departments.
- **That Government** design and implement a Child Wellbeing Strategy that is to be applied across all Government agencies and policy areas.
- **That Government** recognise and promote the value of unpaid caregiving as a key strategy for child wellbeing, by removal of any parental discrimination which compromises parents’ ability to adequately care for their children, such as couples-rate benefits, sanctions for non-compliance, and exclusion from tax credits.
- **That Government** introduce new policy solutions across sectors to address wider systemic issues that impact on families in poverty, as part of a Children’s Wellbeing Strategy.