

CHiLD POVERTY ACTION GROUP



Insights from the MSD Child Poverty Report 2022¹

December 2022

Child Poverty Action Group (CPAG) is a non-profit group formed in 1994, made up of academics, activists, practitioners and supporters. CPAG has a strong education and research skills base which enables it to contribute to better informed social policy to support children in Aotearoa New Zealand, specifically children who live in poverty. CPAG believes that the country's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of poverty. If you would like to make a donation to assist with ongoing work, please contact us through our website: www.cpag.org.nz

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Introduction

Official data on poverty derived from the Household Economic Survey (HES) are released in February each year by Statistics New Zealand. MSD analyst Bryan Perry delves deeply into the HES data to produce a comprehensive annual Child Poverty Report each year. In this background, CPAG compiles some key extracts from the latest Child Poverty in New Zealand Overview (Perry, 2022)² to highlight that despite improvements and even within the data limitations of official statistics, there are clearly pockets of deep and seemingly intractable child poverty.

The Child Poverty Report mainly uses material hardship (MH - the lack of key items reported by the households in which the children live) as a key measure for assessing what is happening to child poverty in Aotearoa.³ We briefly discuss limitations of the data and then summarise the Perry report's findings in a range of different areas - household structures, different ethnic communities, households with paid work, the effects of housing costs. We conclude by focusing on the Auckland area and comparisons with other countries.

Background to the statistics on which the report is based

The CPAG commentary '[Improving the child poverty reduction framework](#)' (May 2022) discussed the worrying disjuncture between official statements on child poverty reduction, and the evidence of the growing hardship among many low income New Zealand families as reported daily in 2022 by NGOs such as foodbanks.

The official data is based on the June 2020-July 21 Household Economic Survey (HES), so that by the end of 2022, the data is up to two years old. Thus, it does not reflect the full impact of COVID, the extensive 2021 lockdown in Auckland, nor the cost-of-living crisis emerging in 2022. Perry (2022) also notes:

The HES gathers information on the usually resident population living in private dwellings. The survey there includes those living in retirement villages, not those in non-private dwellings such as rest homes, hotels, motels, boarding houses and hostels. Other sorts of surveys are needed to obtain a picture of what life is like for those in more transient accommodation or those 'living rough'. (p 7)

In late 2022, the government continues to claim credit for a reduction in child poverty without any acknowledgement of the complexities and limitations of the figures:

Our Government was elected to turn around New Zealand's record on child poverty. It's a complex issue that will take time to fix, but we're making good

² Perry, B. (2022). Child Poverty in New Zealand. The Full report can be found here: [2022-child-poverty-report.pdf \(msd.govt.nz\)](#). All references in this background are to the [Overview and selected findings](#) unless noted.

³ Income measures before and after housing costs are also analysed, but not covered in depth in this background.

progress. Already, initiatives like our Families Package have lifted 66,500 children out of poverty and all nine measures of child poverty in this country are in decline.

We're helping more families get ahead by lifting incomes, extending paid parental leave, and putting in place a significant cost of living package. We also recently announced that we're significantly expanding childcare assistance, cutting costs for working parents and supporting more children into early education. (Labour Party website November 20, 2022)

Worryingly, Statistics NZ has already signaled that the 2021/22 HES which is to be reported in February 2023 may not be fit for purpose:

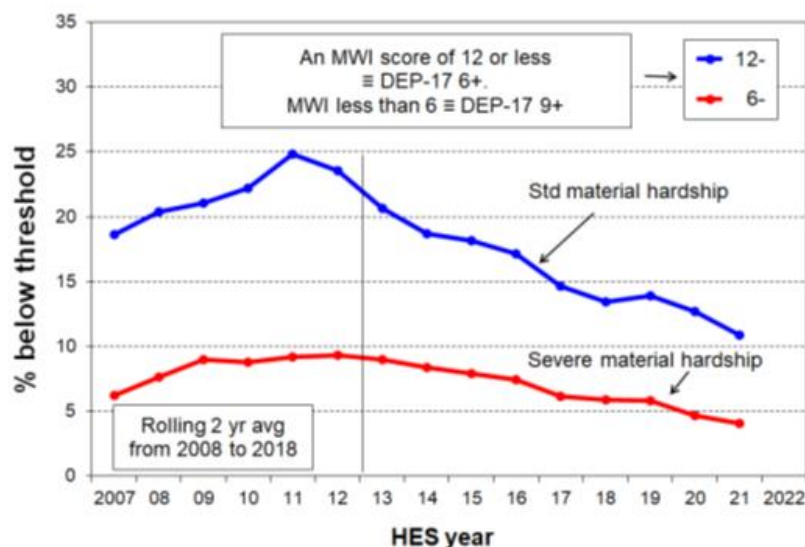
At the end of data collection period in June 2022, the 2021/22 HES had achieved a sample size of just over 8,900 households, compared to the designed target of 20,000 households. Currently, Stats NZ is reviewing the quality of the data collected, with the Government Statistician to determine if official statistics, including the suite of child poverty measures, derived from this data are deemed fit-for-purpose. We are aiming to communicate the outcome of this work on 12 December 2022.⁴

By the end of 2023 the economy is expected to have endured four quarters of negative growth in an engineered recession to bring down inflation. The official data on child poverty will continue to be seriously out-of-date. Nevertheless, as the extracts below show, the existing statistics on hardship already point to a severe problem of deep family and child poverty for at least 60,000 New Zealand children.

What do the material hardship figures show?

Overall trends from 2007-2021

Figure 1 Material hardship trends for children (0-17 yrs), 2007 to 2021, (Perry 2022, figure 2 p9)



⁴ Email from Rachael Milicich, deputy government statistician/deputy chief executive – Insights and Statistics, 14 November 2022

Perry uses MSD DEP-17 general purpose material hardship index, also used by Stats NZ for reporting on material hardship under the Child Poverty Reduction Act. Standard material hardship is defined as households lacking six or more of the 17 items on the DEP17 index. Severe material hardship is defined as households lacking nine or more items.

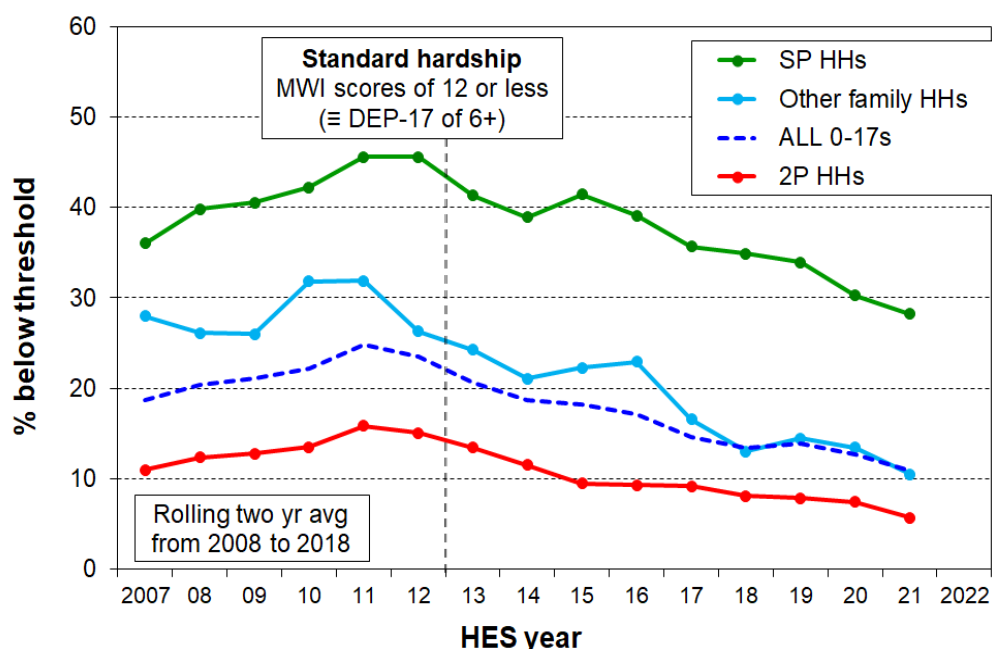
Examples of the items households may lack include the respondent not having two pairs of good shoes, going without or cutting back on fresh fruit and vegetables, putting up with cold to save on heating costs, postponing visits to the doctor or dentist, arrears in electricity, rates, water and borrowing from family or friends more than once in 12 months to cover everyday living costs. (See discussion in the main report p30).

MH rates for children increased following the GFC (Global Financial Crisis) and associated downturn, then steadily improved from 2013-2021. The downward trend can be attributed to a combination of rising employment, wages, income support, increased housing and child-care support and other measures (e.g., free doctors' visits and the food-in-schools programme.) (p9)

What is happening for different household structures?

The hardship rate for children in sole parent households is typically three to four times higher than two-parent households. A major factor in the difference is the more limited potential for paid employment hours in a one-adult household, with or without children. (p9)

Figure 2 Trends in material hardship for children (0-17 yrs), by household type, (Perry figure 3, p9)



The numbers of children in hardship are similar in two parent and sole parent (SP) families.

Most children live in two-parent households (~70%), with 15% in sole-parent households and 15% in other multi-adult households.⁵ This means that even though sole-parent hardship rates are much higher than for two-parent households, on average ... around the same number of children in hardship come from each of sole-parent and two-parent households.(p9)

They are also similar for numbers of children in working and beneficiary households

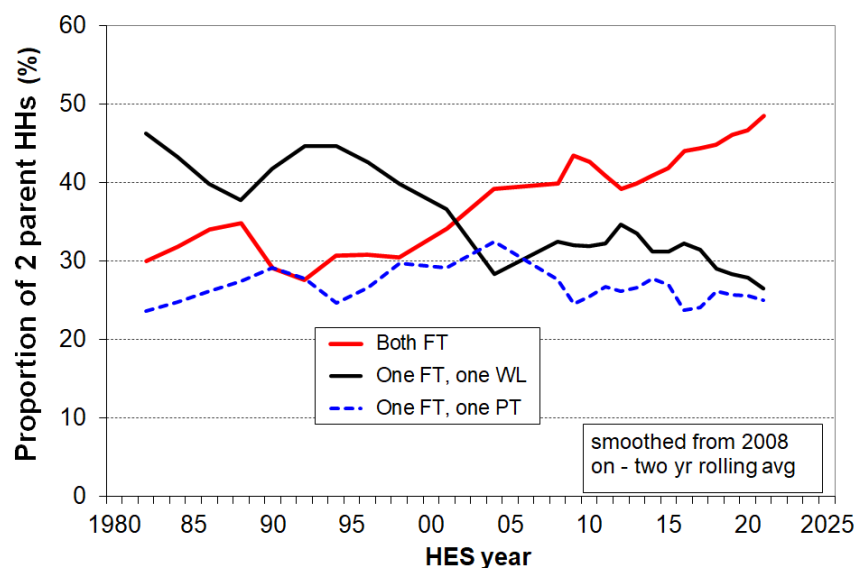
....beneficiary hardship rates being around four to five times higher than rates for children in working households ... Although working households have lower hardship rates, there are many more such households than beneficiary households, so the numbers even up. (p10)

The Perry report uses the term 'work' in terms of paid work only. Perry also cautions that the notion of 'working' is more nuanced than these divisions suggest

The focus in this report is on paid work. The value of unpaid work is immense, especially in relation to parenting and other caring responsibilities, but is not looked at in this report. (footnote p10)

Shifts in household structure and paid employment arrangements

Figure 3 Increasing proportion of two-earner two-parent households (with dependent children), 1982 to 2021 (Fig 6 Perry, 2022 p11)



“Around three of every four two-parent families were dual-earner families in 2021, from one in two in the early 1980s.

⁵ Sole-parent families are found in both sole parent households and multi-adult households: a sole parent HH is a sole parent family not living in a household with others. Two thirds of SP families are found in SP HHs and one third in multi-adult HHs.

“This increasing proportion of dual-earner two-parent households is a major factor behind the longer-run consistent rise in material wellbeing for the vast majority of children.... It also points to/is consistent with the view that in general, single-earner households are now much less likely to be a viable option for providing economic security than they were 25-40 years ago.” (p11)

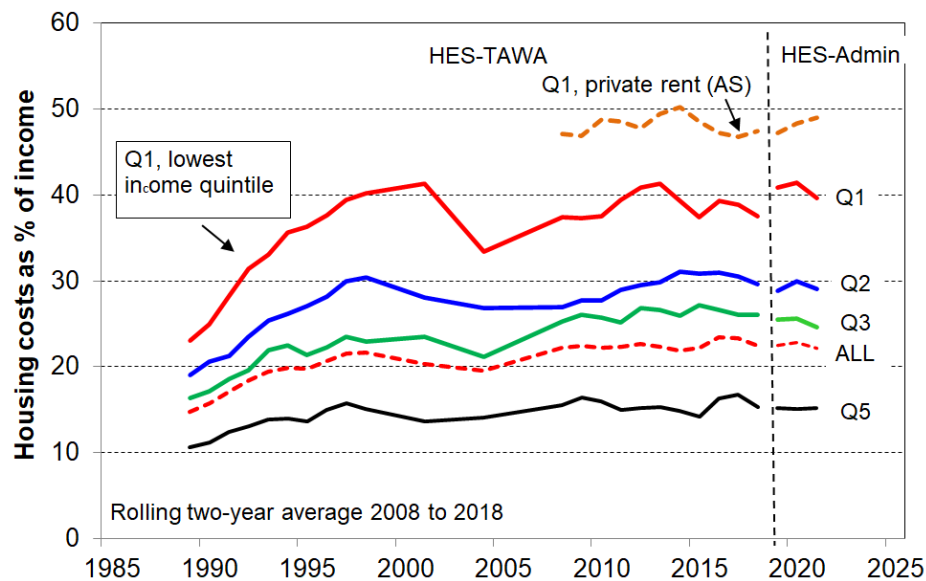
Income trends by household type.

After housing costs (AFC) incomes for sole-parent households have tracked at around 50% of the median since the 1991 benefit cuts. The actual dollar gap between sole-parent household and the median has increased and the median has increased in real terms in the period. (p16)

What effects do housing costs have on child poverty?

The longer-term trend lines give robust indications of current and past levels of spending on accommodation relative to income, and of the relativities between groups (as reported in the associated text). The year-on-year fluctuations are not robust enough to support conclusions about rises or falls in these and similar short periods. (p15)

Figure 4 Average housing costs relative to unequivalised income (%), under 65 households with children, 1988 to 2021 (fig 10 Perry, 2022, p15)



Housing costs relative to income are:

- Up from 15 % in 1988 in HES 2021 for all households with children
- Up from 23% to 40% for lowest quintile (Q1) and 19% to 30% for Q2)

This leaves very little for the other necessities and it is not surprising that this group has very high material hardship rates (46% for those in lowest one-fifth (quintile) of this group and 32% overall). (p 15)

For Q1 households with children that are renting and receiving the Accommodation Supplement (AS), 85% are spending more than 30% of their incomes on accommodation, 65% are spending more than 40% and around 40-45% spend more than half their income on accommodation. Households with such high relative accommodation costs have very low residual or after-housing (AHC) income. (p.15)

Data examining children living in households reporting MH and the AHC income bands of their households shows:

Around one in four (26%) come from households with incomes below 40% AHC. Only 44% come from households below 50% AHC. Almost one in three (29%) come from households with incomes above 70% AHC. (p19)

What is happening for different ethnic groups?

There have been solid net gains since 2007 in real terms for children in each of the main ethnic groups, albeit with different trajectories through and immediately after the GFC (35% for European, close to 50% for Maori and Pacific). (Fig 13, p16.)

Material hardship rates for all ethnicities were lower in HES 20-21 than in 2018-19, though none of the reported decreases were statistically significant. (p26)

Hardship rates and composition analysis for ethnicity

Based on the larger survey size provided by HES 2018-19 that permits a more accurate ethnic breakdown and serves as a benchmark, Perry reports

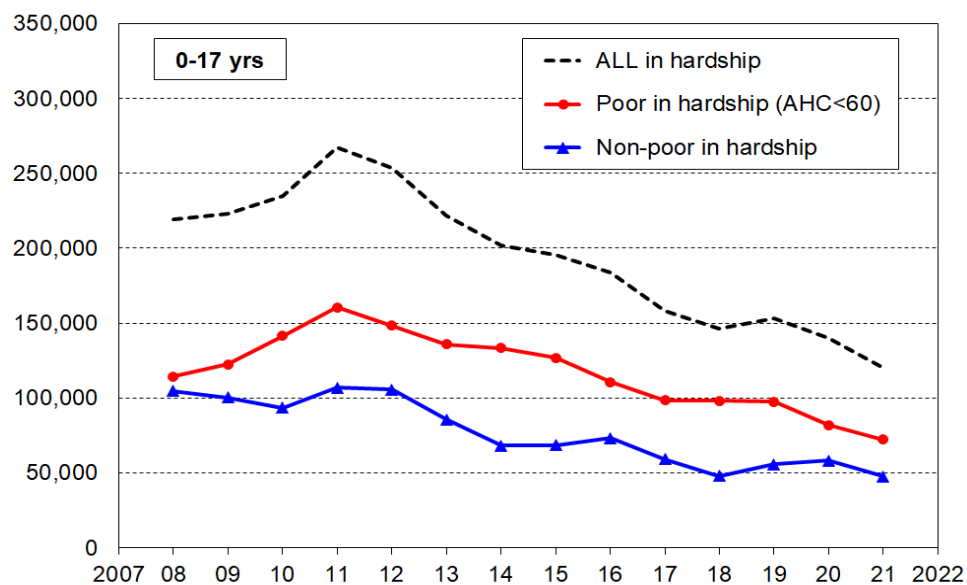
Material hardship rates are much higher for Māori (23%) and Pacific children/ethnicities (28%) compared with that for European (10%) or Asian children/ethnicities (6%). For those in households reporting severe material hardship ..., the rates are 11-14% compared with 2-4%. These differences are the same as in previous MSD reports which used multi-year averages to compensate for the smaller sample sizes.(p.26).

The composition of those in the 6+ and 9+ columns (Child Poverty Reduction Act-CPRA - material hardship and severe material hardship measures) are much the same, indicating that ethnic groupings are distributed fairly evenly in the hardship/severe hardship zone. Each of European and Māori groupings make up just over one in three of all children in material hardship, with similar proportions for severe material hardship. Around one in five children in households reporting material hardship are from the Pacific peoples group. (Full report p101).

This shows that poverty is not just a Māori or Pacific issue. Although their rates are higher, numerically just as many Pakeha are in material hardship.

How do levels of material hardship compare with income poverty?

Figure 5 Material hardship numbers for those in income-poor and non-income-poor households, 2007 to 2021, 0-17 years (Figure 21 Perry p 21)



In recent years, around 35-40% of those in hardship come from households with incomes above the AHC 60 low-income threshold. Around half of these come from 'near-poor' households, with incomes of 60 to 80% of the AHC median. (p 21)

What is happening in the different regions in Auckland?

Averages can disguise the true picture of poverty within a region. Auckland is broken into six sub-regions as shown in Table 1– Northern Averages, Western, Central 1, Central 2, Southern and Howick-Franklin. (p22)

Table 1 Low-income (AHC 50), material hardship and foodbank usage for Auckland and six groupings of wards: children (0-17 yrs), average over 2018-19 to 2020-21 (%). (table 3, Perry 2022, p22)

Geographic Area	AHC 50	MH 6+	MH 9+	Total # of children	Foodbank %
New Zealand	18	12	5	1,142,000	10
Auckland	19	12	6	391,000	9
Northern wards	16	5	2	99,000	4
Western wards	21	10	4	59,000	10
Central 1: Albert-Eden-Roskill & Ōrākei	14	4	2	53,000	3
Central 2: Maungakiekie-Tāmaki & Waitemata-Gulf	19	17	10	29,000	13
Southern wards	25	28	13	93,000	19
Howick-Franklin wards	18	7	3	57,000	5

The numbers that immediately grab one's attention are those for the Southern wards.

28% of children in material hardship compared with a country-wide figure of 12% on average over the three surveys.

- *13% in severe material hardship compared with 5% countrywide.*
- *19% of children in households using a foodbank at least once in the 12 months prior to interview, compared with 10% countrywide.(p22)*

Under-18s in Southern Wards

- *24% of Auckland's under-18 population but 53% of under-18 Aucklanders in material hardship*
- *8% of the country's under-18s, but 20% of all under-18s in material hardship. (p22)*

What about children in deepest material hardship – the lowest 5%?

The report identifies the severe hardship experienced by some 5% or so (~60,000 children) and says this should be taken as a conservative estimate given the limitations of the data specified earlier:

While these are robust findings, it is important to not lose sight of the fact that the HES data also identifies the very severe hardship being experienced in any given survey by some 5% or so (~60,000 children). This estimate of severe hardship should be taken as a lower bound as the HES covers only those children in households in private dwellings, but not those in non-private dwellings such as hotels, motels, boarding houses, hostels and camping grounds and so on. Other sorts of surveys are needed to obtain a picture of what life is like for those in more transient accommodation or those 'living rough'.(p23)

It is likely though that for a good proportion of these children, the severe hardship lasts more than just one year. This assessment is supported by analysis of data from Stats NZ's longitudinal Survey of Family, Income and Employment (SoFIE 2003 to 2009). This shows that of the 8% of all children in households reporting the greatest hardship in a given wave, around 45% were still in this hardship band two years later.

Even if all the 5% ...were experiencing this severe hardship for 'only'12 months, then experienced good improvement, this is still a state-of-affairs that the bulk of New Zealanders would find unacceptable. (p23)

Is paid work the best way out of poverty?

This is a naïve and misleading claim, even when the focus is on those in good health. Even the more nuanced 'work is usually the best way out of poverty' is misleading.

Around half the children in households in material hardship come from households whose main source of income is the market ('working households').

*There are very good reasons – economic, social and mental health – to encourage and expect most ‘working-age’ people to be in paid employment (with varying views on when caring responsibilities should take priority). The caution here is not about these rationales and goal, but simply about the misleading narrative that the income from paid employment alone is (usually) enough. For many households with children, the income from paid employment plus government assistance is enough – but in [many cases] paid employment **on its own** is not enough, which is the theme of this section.*

The current Social Security Act asserts that ‘work in paid employment offers the best opportunity for people to achieve social and economic wellbeing.’ There is much truth in this, but in its unqualified assertion that omits any reference to government assistance for households with children in addition to what the market provides (ie the real situation is that paid work alone is not enough) and in its contradiction of the evidence as given in this and many other reports, it too is misleading and simply reinforces the more bumper-sticker versions above. (p.28)

How does Working for Families affect child poverty rates?

Perry 2022 does not look at the impact of Working for Families on the trends in child poverty since its introduction, but previous reports⁶ have been very clear.

*From 1992 to 2004, children in workless households generally had poverty rates around **four** times higher than those in households where one adult worked full-time. From 2007-2015 the difference was even greater – around **six to seven** times higher for children in workless households. This change in relativities to a large degree reflects greater WFF assistance for working families than for beneficiary families.*

The fall in child poverty rates from 2004-2007 for children in one full-time, one workless, two-parent household was large (28% to 9% using the 50% CV-07 measure), reflecting the WFF impact, esp. through the IWTC. (MSD 2018, p154)

How does material hardship in Aotearoa compare with Europe?

On the EU-13 measure 11% of New Zealand children live in households that were classified as in material hardship in 2020 (latest available EU data). New Zealand’s rate was similar to that for Slovakia, Germany, Belgium and Portugal, around the middle of the European league table – lower than Ireland, France, the UK and Spain (15-18%) but higher than Finland, Norway, Poland, Sweden, the Netherlands, Switzerland, Croatia and the Czech Republic (4-7%). (p8)

For New Zealand sole parent households, the EU-13 material hardship rate is 29%, down from 34% in 2017, but still well above the European median for this household type (19%). New Zealand also has a relatively high proportion of sole parent households compared with European countries. (p8)

⁶ For example, Ministry of Social development (MSD) [2018 Household Incomes in New Zealand](#) report