

CHiLD  
POVERTY  
ACTION  
GROUP



# Submission on The Treasury's Proposal for a Living Standards Dashboard / Indicators of Material Wellbeing

July 2018

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)

The vision of the New Zealand Treasury is to promote higher living standards for **all** New Zealanders. Treasury propose a framework based upon intergenerational wellbeing. CPAG supports this general approach. However, twenty per cent of the New Zealand population (almost 900,000 children) is aged under 15 years. **Children are Aotearoa/New Zealand's future. The future health and wellbeing of all citizens is therefore dependent upon the well-being of our children.** Yet children are not mentioned anywhere in the report on Monitoring Intergenerational Wellbeing.

## **Inequality**

The proposed indicators also fail to adequately take into account the impact that an unequal distribution of income and wealth can have on living standards. In 2017 the richest 10% of New Zealanders owned half of the nation's wealth, while the bottom 40% of the population owned just 3% of total wealth. Inequality has been shown to have numerous negative effects on the living standards of a society. These include increased crime, poorer physical and mental health outcomes, lower levels of happiness, lower long-term economic growth rates, political instability, personal insecurity and poorer educational outcomes.<sup>12</sup> **CPAG therefore submits that direct measures of inequality be included in the living standards indicators.**

Measuring inequality by simply assessing how disposable income is distributed across the population will not provide an adequate measure of wealth inequality in Aotearoa. Inequality should be an indicator in itself, and should include a measurement of wealth, and levels of debt accumulated due to insufficient income to pay for basic necessities.

## **Child Poverty**

CPAG's interest is in the living standards of children. CPAG welcomes the establishment of a Child Wellbeing Unit within the Department of the Prime Minister and Cabinet. However many of the proposed indicators of child wellbeing outcomes in relation to the five domains of safety, security, connectedness, wellness and development will be unachievable for children living in poverty.

In 2017, the Child Poverty Monitor reported that 27% of New Zealand children live in income poverty (i.e. less than 60% of the median income after housing costs) while about 12% are experiencing material hardship. One of the stated aims of the current government (via The Child Poverty Reduction Bill) is to: "*encourage a focus by government and society on child poverty reduction*". Therefore **CPAG submits that measures of poverty amongst children must be included in the Living Standards Dashboard.**

The level of income-related child poverty is measured on an annual basis by the Ministry of Social Development. While the data are up to two years old and are not ideal for use as a current indicator, such measures, supplemented by more timely data, could be included in the Living Standards Framework

CPAG argues that an adequate standard of living is one in which income should be sufficient to allow all children to thrive and develop their full potential, i.e. experience **wellbeing** not just subsistence living. While the validation exercise is yet to be undertaken, we submit that **a level of income equal to 60% of the median income after housing costs (AHC) is likely to be the minimum required to provide families with a chance of wellbeing.**

CPAG has argued that there may be a large proportion of children living in households where income is obtained through core benefits only who may be living in levels of poverty far below the 60% measure. We submitted to the Child Poverty Reduction Bill<sup>3</sup> that the 40% (After Housing Costs) disposable income measure should be brought forward as a primary measure rather than a supplementary one as it currently appears. As an indicator of wellbeing among children this measure could also be reported on as part of the Living Standards Framework.

## **The importance of early childhood**

Focus should be given to the material and physical wellbeing of children during their first three years of life, and indicators should be developed in consultation with early childhood healthcare experts and Early Childhood Care and Education (ECCE) professionals as well as parents to establish the framework. It should not exclude the entry age of children into care and protection services or the entry age of children into teacher-led centre-based childcare. Evidence shows that poverty and material hardship experienced by children in their first three years of age may have a profound impact on their development that may have lasting effects, throughout later life.

## **Child health**

Health indicators, such as hospitalisations for preventable illness that are related to poverty and poor housing conditions, should be reported on as a measure of child wellbeing. Currently more than 40,000 children are admitted to hospital each year with preventable illnesses. These include respiratory conditions, gastroenteritis, skin infections, road traffic crashes, drownings, falls, neglect and violence. Reducing preventable hospitalisations for illnesses such as these not only improves child health: it also reduces costs to the taxpayer and improves the health of the environment in which all citizens work and live.

## **Treasury interaction with other agencies**

Other government agencies are engaged in reporting of data on child poverty and wellbeing, including the Government Statistician and the newly established Child Wellbeing Unit. It will therefore be important for Treasury to maintain interaction with these other agencies over time as measures of intergenerational wellbeing are developed and updated. In particular, interaction should be maintained between the reporting on Child Poverty to the Government Statistician as required by the Child Poverty Reduction Bill and the Living Standards Dashboard, specifically to include:

- 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.

It will also be important for Treasury to maintain interaction with the Child Wellbeing Unit during the process of development and updating of indicators of child wellbeing.

## CPAGs recommendations for monitoring intergenerational wellbeing:

- That a direct measure of wealth inequality be included in the Living Standards Dashboard.
- That the proportion of the population in receipt of a level of income equal to 60% of the median income after housing costs (AHC) be included in the Living Standards Dashboard.
- That the proportion of children living in households receiving less than 60% of the median income (AHC) be included as included in the Living Standards Dashboard as a primary indicator of child wellbeing.
- That the proportion of children living in households receiving less than 40% of the median income (AHC) be included as an indicator of severe child poverty.
- That research be conducted, including focus groups, to establish levels of family income needed for children to have both an adequate minimum standard of living, and to thrive.
- That the annual number of children hospitalised with preventable illnesses be included as a measure of the wellbeing of children on a population level.
- That, during the process of developing and updating the Living Standards Dashboard, Treasury work closely with other government agencies that are engaged in measuring child poverty and wellbeing.

---

<sup>1</sup> Buttrick, NR, Heintzelman SJ, Oishi S. (2017) Inequality and well-being. *Current Opinion in Psychology* (18): 15-20.

<sup>2</sup> Wilkinson RG, Pickett K. (2009) *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Allen Lane, United Kingdom.

<sup>3</sup> Child Poverty Action Group. Submission on the Child Poverty Reduction Bill and changes to the Vulnerable Children Act 2014. March 2018.  
<https://www.cpag.org.nz/assets/180322%20CPAG%20Submission%20on%20the%20Child%20Poverty%20Reduction%20Bill%20v14%20FINAL.pdf>