

**CHILD
POVERTY
ACTION
GROUP
INC.**

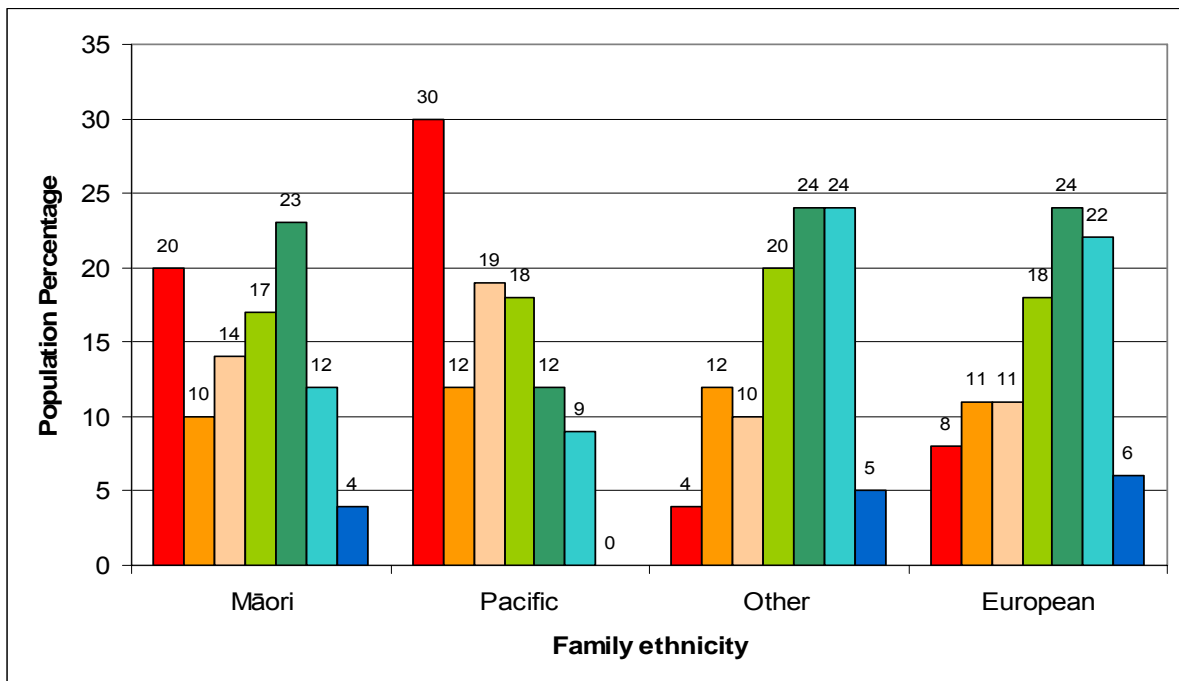
***WHY WE NEED TO DO MORE THAN WORKING FOR FAMILIES DOES
FOR OUR POOREST KIDS:***

**Implications of the Ministry of Social Development's
Living Standards Report for New Zealand's poorest children.**

July 2006

The Living Standards Report shows more than ever why New Zealand needs to invest more in children, especially our poorest children. The proportion of children living in families in the “severe” and “significant” hardship categories increased from 18% in 2000 to 26% in 2004. In practical terms this meant that in 2004 they were less able to purchase basic items such as house heating in winter, or to fill prescriptions, and were more likely to go without items such as fresh fruit and vegetables and internet access than they were in 2000. During this same period the economy as a whole grew by 17%. This increase in the number of children in severe and significant hardship was almost entirely driven by falling living standards for beneficiaries with dependent children. Just as importantly, this group’s standard of living not only fell in absolute terms, it also fell in relative terms. While the standard of living for those in the lowest categories fell, everyone else’s improved or stayed constant, widening the gap between the poorest and the rest even further.

Figure 1: Living standards distribution of families with dependent children by ethnicity (2004).



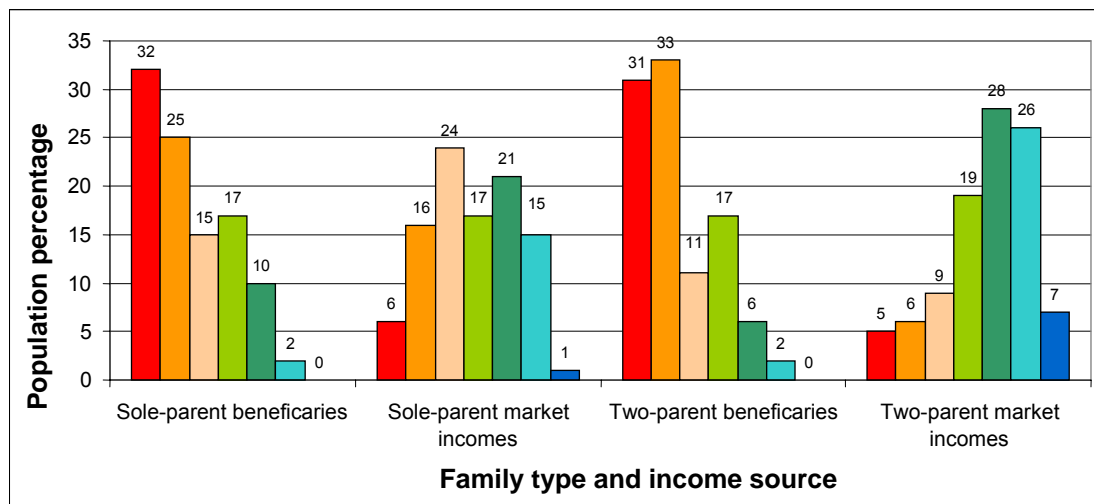
2000 percentage	11	13	26	22	19	8	1	16	19	23	20	12	9	1	7	9	19	26	18	18	3	6	8	13	18	23	25	8
Means	2000 mean = 31.7 SD = 12.5							2000 mean = 28.8 SD = 13.0							2000 mean = 35.8 SD = 12.4							2000 mean = 39.3 SD = 13.2						
	2004 mean = 31.6 SD = 15.7							2004 mean = 25.3 SD = 15.6							2004 mean = 38.4 SD = 13.2							2004 mean = 37.6 SD = 13.8						
	difference -0.1							difference -3.5							difference 2.6							difference -1.6 *						



Source: Ministry of Social Development (2004) “Living standards report 2004”, Figure 4.6, p.99.

This decline in the standard of living for the bottom three categories did not occur evenly across race, class and gender. The proportions of Maori and Pacific families living in severe hardship got much worse 2001-2004: from 11 to 20% for Maori, and 16 to 30% for Pacific families (Figure 1).

Figure 2: Living standards distribution of families with dependent children by family type and income source (2004)



2000 percentage	21	17	26	20	11	4	0	7	9	21	23	21	15	3	18	30	23	17	8	3	0	3	6	12	19	25	27	8
Means	2000 mean=265 SD= 121 2004 mean=223 SD= 130 difference=42 *							2000 mean=365 SD= 12 2004 mean=336 SD= 127 difference=19							2000 mean=25 SD= 126 2004 mean=215 SD= 117 difference=35							2000 mean=408 SD= 12 2004 mean=405 SD= 127 difference=04						



Source: Ministry of Social Development (2004) “Living standards report 2004”, Figure 4.4, p.96.

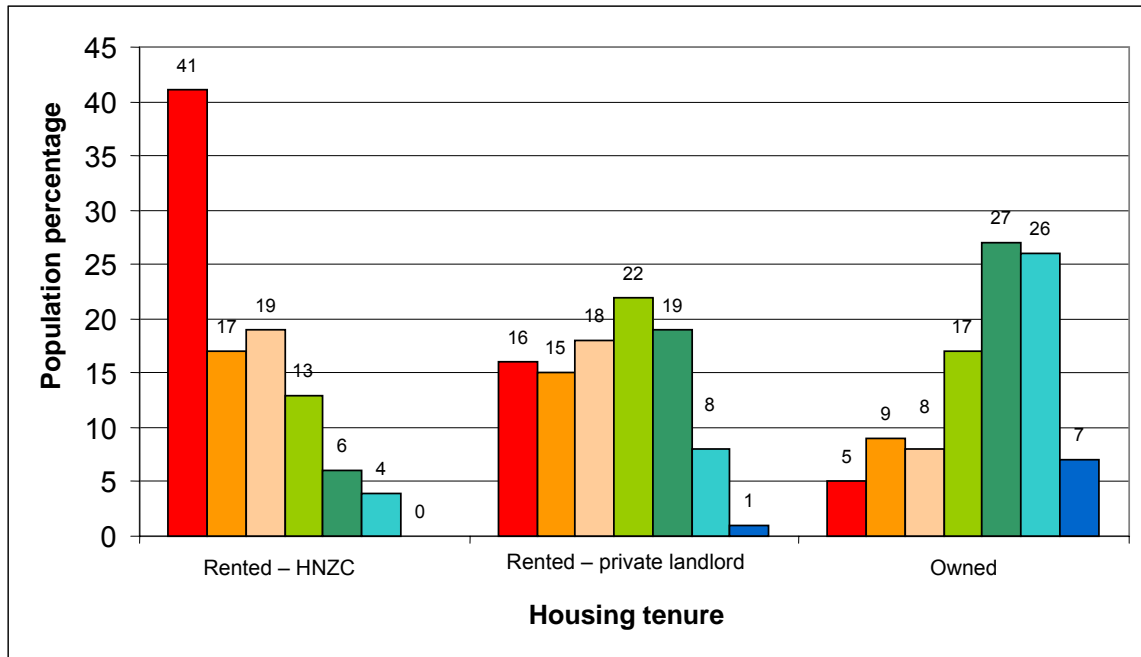
So, any questions about who is poor in New Zealand?

There are around 200,000 Maori kids in New Zealand. 93,000 live in families who don't get the In Work Payment. 83,000 European children live in families that are not eligible, as are a further 50,000 Pasifika and other children. These are the children most likely to have moved down the income ladder to the point where they are now in severe hardship.

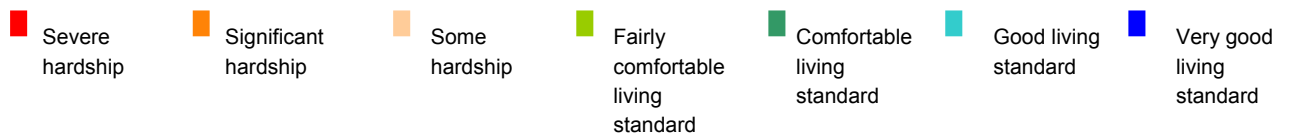
Child Poverty Action Group's question is: “When conditions for these children are clearly deteriorating, why does Working for Families do so little for them?”

Of course, there have been some improvements, and the government likes to point to the positive contribution the reintroduction of income-related rents has made. So how have those in state housing fared?

Figure 3: Living standards distribution of families with dependent children by housing tenure (2004)



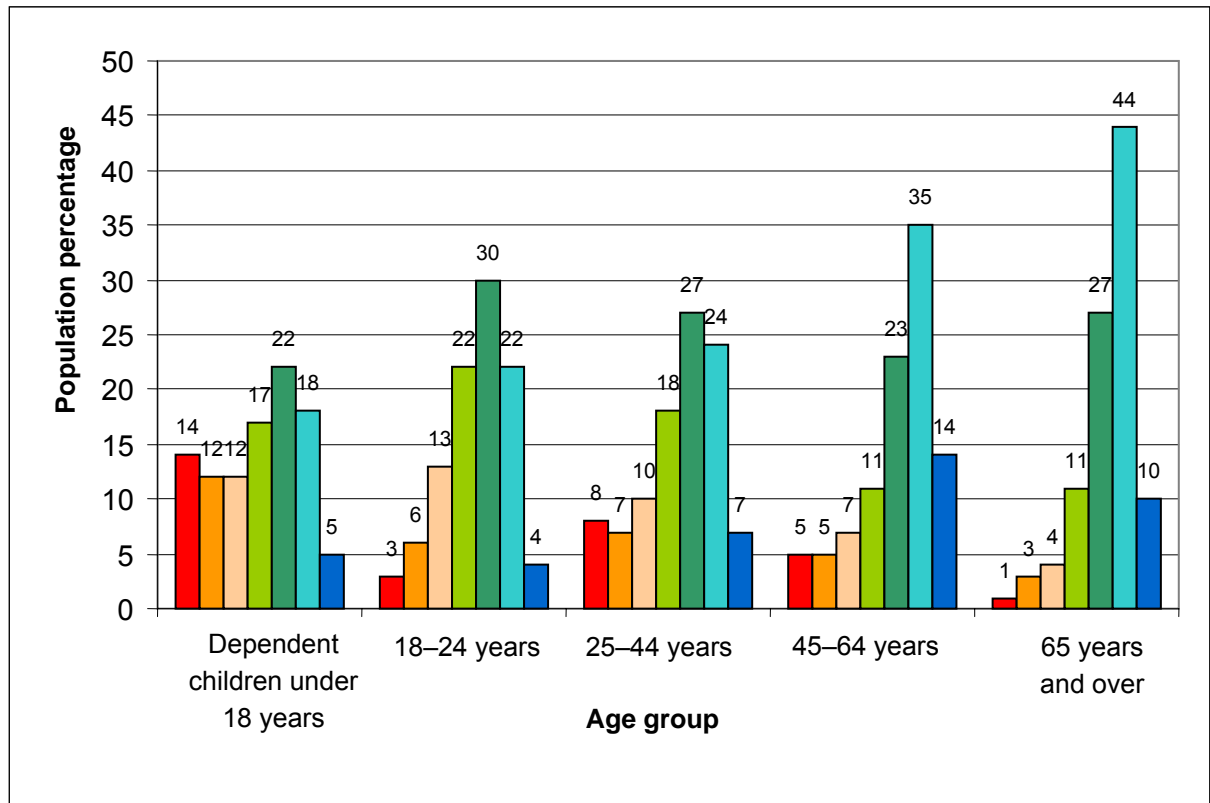
2000 percentage	19	32	23	11	10	6	0	15	14	22	25	15	8	2	4	5	13	19	25	27	8
Means	2000	mean = 25.0		SD = 12.2				2000	mean = 30.2		SD = 13.1				2000	mean = 40.8		SD = 11.9			
	2004	mean = 19.9		SD = 14.2				2004	mean = 30.5		SD = 13.7				2004	mean = 39.9		SD = 13.1			
		difference -5.0		*					difference 0.3							difference -1.0					



Source: Ministry of Social Development (2004) "Living standards report 2004", Figure 4.9, p.101.

Figure 3 shows that the proportion of families in Housing New Zealand accommodation in severe hardship has more than doubled, from 19% in 2000 to 41% in 2004. The proportion in severe hardship in privately rented accommodation has risen from 15 to 16% in the same period. Of the 57,400 families paying an income-related rent in 2004-5 approximately 80% included at least one beneficiary. While it can be argued that the increase in the number of families in severe hardship in Housing New Zealand accommodation shows HNZ is targeting assistance more effectively, it is likely this increase also reflects the deteriorating living standards of families dependent upon benefits.

Figure 4: Living standards distribution of total population by age groups (2004)



2000 percentage	8	10	18	19	20	19	6	2	6	11	20	27	27	7	5	7	13	18	24	25	8	4	4	9	12	22	36	11	1	1	5	9	22	50	13
Means	2000	mean = 36.4	SD = 13.7	2000	mean = 41.2	SD = 11	2000	mean = 39.9	SD = 12.6	2000	mean = 43.2	SD = 12.6	2000	mean = 47.4	SD = 8.7	2004	mean = 34.4	SD = 15.5	2004	mean = 39.4	SD = 11.3	2004	mean = 39.1	SD = 13.6	2004	mean = 43.3	SD = 13.4	2004	mean = 45.9	SD = 9.3	difference -1.9 *	difference -1.8 *	difference -0.8	difference 0.0	difference -1.5 *

- Severe hardship
- Significant hardship
- Some hardship
- Fairly comfortable living standard
- Comfortable living standard
- Good living standard
- Very good living standard

Source: Ministry of Social Development (2004) "Living standards report 2004", Figure 3.2, p.54.

Figure 4 shows 38% of younger New Zealanders are in some degree of hardship, compared to 8% of older New Zealanders.

14% of 1.12 million children living in severe hardship equals 158,000 kids. Most of these are children of sole parent beneficiaries. These families had an increase in Family Support in April 2005, but many also lost income in core benefit reductions and loss of Special Benefit. Most have less disposable income (in real terms) than they had in 1990. There was nothing for them this year and next April they will get an increase of just \$10 per child per week. With inflation now at 4% will this help them catch up? Not much. We think not nearly enough.

When are we going to start investing in our future, this country's children? We could start by adding \$60 family support to each family (not each child) and abandon the In Work Payment. This would cost \$400-500m. This would ensure *all* children received the benefit of economic

growth, including those who have fallen behind since 2000. This would be a start – but only a start – towards helping families who are bearing the brunt of years of neglect.