

CHiLD POVERTY ACTION GROUP



Commentary

Improving the child poverty reduction framework¹

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high level 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 the poverty they live in.

CPAG recognises the foundational significance of te Tiriti o Waitangi in Aotearoa and works to realise its true intent.

May 2022

Child Poverty Action Group
PO Box 5611
Wellesley St
Auckland 1141

¹ Authored by Susan St John, CPAG spokesperson on economics for CPAG with research assistance from Donna Wynd gratefully acknowledged

Executive summary

This commentary suggests the framework for the Reduction of Child Poverty could be improved. We suggest that:

1. Children under the lowest 40% AHC line are prioritised in child poverty reduction policy. The target should be zero children under this line.²
2. The 50% and 60% after-housing costs lines based on the contemporary median higher priority are given higher priority to emphasize the goal of child well-being and the prevention of poverty.
3. There is independent regular analysis of the amount families need to reach acceptable standards of living to validate the use of particular AHC lines.
4. The AHC measures are revisited to determine appropriate equivalisation, especially for sole parents.
5. The use of official statistics on child poverty is always tempered with caveats around their limitations.
6. Timely surveys are used to get a clearer picture of the worst-off families' debts and assets **in real time**, including private debt along with other up-to-date trend indicators such as demand for foodbank and charity use, housing stress, and supplementary MSD assistance.
7. The same kind of attention, determination, and investment are directed to finding out about the real time balance sheets of the poorest people in New Zealand as the IRD are now spending on finding out about the real wealth and incomes at the top end of the distribution, with an ongoing commitment to regular reporting

Introduction

The ground-breaking Child and Youth Wellbeing Strategy³ was published in 2019 as the first step in meeting legal requirements under the 2018 Child Poverty Reduction Act. The strategy stresses the need for improved wellbeing of all children, especially of children with greater needs. Yet in 2022, more than three years on, the official narrative of wellbeing and child poverty reduction seems at odds with the current reported lived experience of very low-income families in which different ethnicities and the disabled are over-represented.

The Child Poverty Reduction Act 2018 is a landmark piece legislation supported by all parties except ACT. We acknowledge that it has been a major element in achieving some critical improvements to family incomes. But in 2022, while the Prime Minister points to the achieving of 2 out of the 3 intermediate targets for the top 3 measures of child poverty under the Act, many social agencies report that they have never before witnessed such deprivation and demand for their services.

On the one hand, it appears that the government is satisfied it is making good progress:

Despite the challenges of COVID-19, we've delivered one of the most significant drops in child poverty in decades. Just released statistics show that we've lifted 66,500 children out of poverty and a further 21,900 out of material hardship. That's

² After adjusting for families claiming to have very low incomes who are self-employed and not in hardship

³ [Child and Youth Wellbeing Strategy - August 2019](#)

*thousands of tamariki who no longer have to sit through school hungry, go without warm clothing, or worry about having a safe place to sleep.*⁴

On the other hand, over two years into the Covid-19 pandemic, the social indicators such as housing stress, dramatically increased foodbank use, increasing debt, and excess demand for social services and charities indicate widespread low-income family and child distress. Unless immediate and significant measures are enacted, worse still can be expected with the spread of Covid-19 Omicron in 2022 amidst inflationary and recessionary pressures.

In Appendix 2, we provide a collation of evidence to reflect the June 2021-June 2022 actual experience from social agencies to support this claim. While this can be dismissed as anecdotal, it paints a consistent and worrying picture and reflects the views of many respected leaders in the social services sector.

In this commentary, we suggest that a reshaping of the current framework for child poverty reduction is required. We believe that the tool of the household economic survey (HES) cannot be relied upon to convey a meaningful, timely picture of the most deprived children in New Zealand. Moreover, the HES data is already out of date by the time it is reported in February, but it is all that there is until the following February.⁵

Minister David Parker in The Tax Justice / CPAG hosted seminar (April 26th2022)⁶ explained that the HES is a seriously inadequate measure of wealth accumulation and enhanced income at the top of the distribution. Similarly, it can be argued that the HES methodology is ill-suited to providing the full picture of deprivation of the bottom end that disproportionately includes children. These data gaps are a serious impediment to public understanding of both how wealthy and under-taxed the wealthy are and how much help the very poorest actually need to repair their balance sheets and begin to thrive.

This commentary suggests that one explanation for the disjuncture between political rhetoric and daily reality may lie in problems with the current Child Poverty Reduction Act framework.⁷

- The top three primary measures provide a very limited view of what is happening in the households they purport to measure.
- All measures fail to cover the families in the worst-off situations.
- Official statistics produced under the Act do not necessarily reflect current family poverty, especially in times of rapid change and social crisis such as caused by the recent pandemic.

⁴ https://www.labour.org.nz/news-the_year Ahead_2022

⁵For example, the statistics released Feb 2022 reflect HES data collected between June 2020 to June 2021 on the previous 12-month incomes. For a family surveyed say in August of 2020, their 12 months' previous income will be mainly for the 2019/20 year. Some incomes are up to 18 months out of date by the time the statistics are produced and up to more than two years behind by the end of 2022. For the purposes of this commentary, the figures reported in Feb 2022 do not reflect the impact of long covid lockdown of 2021, nor the acceleration of inflation in 2022.

⁵ see <https://www.youtube.com/watch?v=pmwqbiuAuJQ>

⁷.....

These considerations may not have been widely appreciated at the time of the enactment of the Act. It is also acknowledged that some positive incremental changes since the Families Package have stopped outcomes getting much worse. These include increases to benefits and wage indexation, and a per adult approach to core benefit increases that signals a step toward more individualisation. Other welcome changes include free lunches to 211,000 students in more than 900 schools, free period products in all schools and free doctor's visits for all children under 14 years old.⁸ Nevertheless, action to achieve a substantial decline in child poverty has been painfully slow:

- Core benefit increases have been phased in slowly and adult benefit levels even after 1 April 2022 remain inadequate and are not yet individualised.⁹
- Working for Families (WFF) remains inadequately indexed. Increased family tax credits for children in April 2022 are just a much overdue adjustment for inflation.¹⁰ The WFF tax credits were last increased in the Families Package in 2018.
- The WFF threshold abatement remains fixed at \$42,700 while abatement has increased from 25% to 27%, exacerbating work disincentives and with tax and the abatement of the accommodation supplement (25%) and repayment of student loans (23%) create a vicious poverty trap.
- The worst-off families remain deliberately excluded from the full WFF package, suggesting work incentives, not the needs of children, are still at the heart of policy.

We ask here, what would work better to protect our worst-off tamariki and allow all New Zealand children and youth to flourish? A key insight is an understanding of how persistent inadequate income has led to a serious and cumulative deterioration in low-income families' balance sheets, reflected in growth in debt of all kinds, and few or no accumulated emergency savings or housing assets. The servicing and repayment of debt undermines the impact of incremental improvements to income adequacy creating a vicious cycle of further borrowing, a trap that seems to many families impossible to escape.¹¹

Progress on primary targets

The government has set 3- and 10-year targets for reduction in child poverty for the three 'primary' measures as set out in the CPRA.¹² Figures 1-3 show the historical picture of these three measures for which government has set targets, the outcomes for 2020/2021, and the targets for 2021 (shown in red).¹³

It is noted that the outcomes for all three measures are statistics produced with a margin of error, not as a black and white point on a graph. In assessing whether the targets have been met for 2021, Statistics NZ uses the lower bound of the margin of error to claim that on the third of the top three measures (Figure 3) the target has been met. The result of 11% has a

⁸ [More than 60,000 kids lifted out of poverty - NZ Labour Party](#)

⁹ See Fairer Future analysis, [What are Liveable Incomes in 2022? Discussion Paper and Methodology](#) 31st March 2022 and <https://www.cpag.org.nz/assets/Children-cant-live-on-promises-CPAG-report-Dec21.pdf>.

¹⁰ [Children Shouldn't Pay for our Broken System | Newsroom](#)

¹¹ See for example [Being in debt to the government • The Detail \(spotify.com\)](#)

¹² See CPAG's backgrounder [Progress-towards-child-poverty-targets](#) .

¹³ All data from Statistics New Zealand. <https://stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2021>

confidence range of a lower bound of 10% and an upper bound of 12%.¹⁴ Had the upper bound been used instead, the target would not be met.

Figure 1: Percentage of children living in households with less than **50% median equivalised disposable household income** (moving line) before deducting housing costs (BHC).

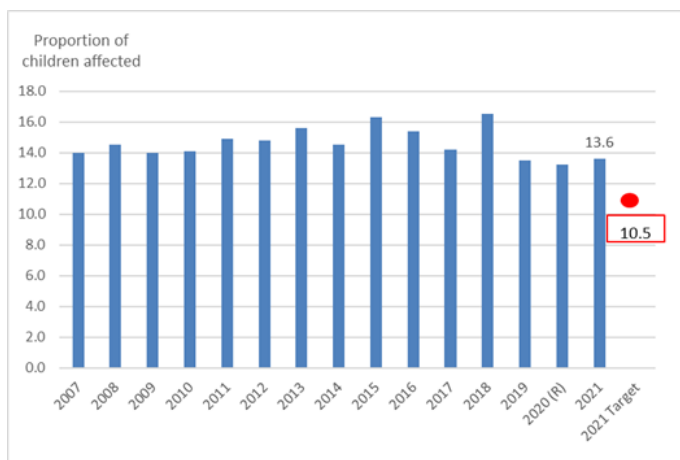


Figure 2: Percentage of children living in households with less than **50% median equivalised disposable household income** (fixed line 2017/18) after deducting housing costs (AHC).

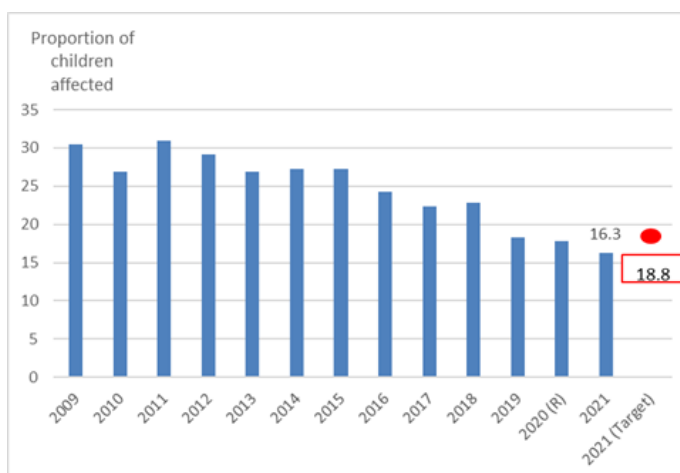
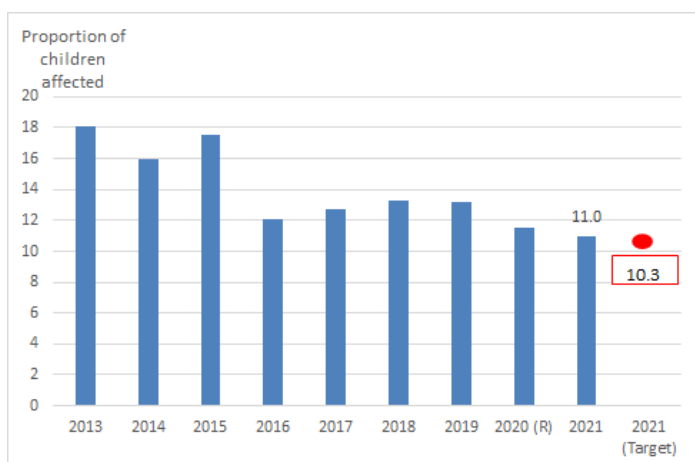


Figure 3: Percentage of children living in households in material hardship.



¹⁴ <https://www.stats.govt.nz/news/child-poverty-statistics-show-all-measures-trending-downwards-over-the-last-three-years#interpreting-targets>

Shortcomings of primary measures

Box 1: Measurement terms

Apart from the observation that the progress so far reported in the primary official targets (Figures 1-3) is far from impressive, CPAG considers these measures are themselves quite inadequate and argued this case in submissions of the Child Poverty reduction Bill.¹⁵ It is vital that the reporting of all child poverty data comes with appropriate caveats and commentary.

BHC	Equivalised disposable income before housing costs are deducted
AHC	Equivalised disposable income after housing costs are deducted
Housing costs	Includes mortgage payments, rent payments, property rates payments, and payments associated with building-related insurance.
Fixed line	This approach sets an income threshold for a particular base year and keeps this threshold constant in real terms i.e. adjusts annually for inflation
Relative	A moving-line approach examines a household's current income relative to the current median for all households.
<p>Source: Statistics NZ, https://www.stats.govt.nz/methods/measuring-child-poverty-concepts-and-definitions</p>	

Before housing costs (below 50 percent of median income, moving line)

The top primary measure was chosen to align with the OECD preference. But before housing costs (BHC) measures do not capture effects of the huge increases in housing costs for low-income families.

In Auckland, rents have increased 18% since October 2018¹⁶ with the median rent now \$600, while 56% of the bottom quintile of the income distribution spends more than 40% of disposable income on mortgage and rent, the highest in the OECD.¹⁷

Where housing costs are high, there is little disposable income left for other necessities. The BHC household income includes the Accommodation Supplement (AS) but the AS is raised only intermittently even when rents are rising as has been the case recently.¹⁸ If a policy increases AS to simply offset higher rents, a family may look better off when they are not. On other hand, the income-related rent subsidy is not included as income. The use of this measure is particularly problematic for older people whose accommodation costs may be relatively low and whose relative poverty rates may therefore be overstated on a BHC measure.

After housing costs (50 percent median, fixed line)

The second primary measure deducts housing costs and adjusts the base year median AHC income each year for a Household Living Costs Price Index (HLCPI).¹⁹ If poverty rates should rise on this fixed line measure it is a useful red flag as it may indicate absolute living

¹⁵ See CPAG submission on the Child Poverty Reduction Act bill in 2018.

<https://www.cpag.org.nz/assets/180322%20CPAG%20Submission%20on%20the%20Child%20Poverty%20Reduction%20Bill%20v14%20FINAL.pdf>

¹⁶ TradeMe data. See <https://www.newshub.co.nz/home/money/2021/11/auckland-median-rent-cracks-600-for-the-first-time-wellington-rent-reaches-all-time-high.html>.

¹⁷ OECD data. See <https://www.stuff.co.nz/life-style/home-property/300339165/the-housing-affordability-crisis-is-likely-worse-than-you-think>.

¹⁸ The AS is also linked to benefit and WFF increases for the first child, and may reduce even if rents are static.

¹⁹ See <https://www.stats.govt.nz/methods/household-living-costs-price-indexes-review-2020>.

standards are falling. The base year (currently 2017/2018) is fixed for ten years.²⁰ The actual median income will usually rise faster than inflation so that the fixed poverty line gives greater falls in poverty rates over time than one based on the contemporary (moving) median.

Over a 10-year period, falling child poverty rates on this measure may become misleading.²¹ A shorter time between rebasing may be needed (five years) to smooth out economic volatility such as recessions and times of higher-than-normal inflation. In 2022, should a recession follow the pandemic, the inflation-adjusted median income may fall so that it may appear there are fewer below a fixed poverty line even though no improvements in actual wellbeing have occurred.

The fixed line measure is not an indicator of relative poverty, a concept that can be argued is more relevant measure for children's wellbeing. Nevertheless, all income poverty lines, including relative ones and the official Child Poverty stats based on them, may fail to reflect the current realities, especially in times of rapid change or crisis.

The AHC fixed line measure used by the government²² shows 66,500 children 'lifted out of poverty' in the last three years. While this appears encouraging, the more relevant 50% AHC moving line shows just 16,900 have been lifted over the line in the same period, in other words, about 50,000 children less than the primary measure.

Material hardship

Material hardship²³ counts the number of children who miss out on at least 7 clearly defined items that are essential for a good life in New Zealand. While there has been some decrease in this measure (see Figure 3), it is possible that where household incomes have become more constrained, private charity has stepped in. Finding fewer children are in material hardship because they have been helped by access to private charity should not be seen as an indication of progress.

While the state-run lunch in schools is widely applauded as an example of a successful anti-poverty measure that genuinely reduces material hardship, other provision such as through hardship grants and food banks is often patchy, inequitable and unsustainable at current levels. This inefficient method of food distribution has little security of on-going funding although the unmet need is likely to remain great. Those in more remote areas, with transport difficulties or disability, find foodbanks harder to access, and those with specific dietary requirements are less likely to have their needs met.

The recent expansion of the foodbank industry and charity sector has been underpinned by state subsidies of "over \$50m since Delta began"²⁴ Likewise, the increased use of one-off grants and repayable loans from WINZ and social agencies, also call into question the use of the material hardship indicator as a measure of the success of government policies. It is

²⁰ See [Measuring child poverty: Fixed-line measure | Stats NZ](#)

²¹ See [Measuring child poverty: Fixed-line measure | Stats NZ](#)

²² <https://www.beehive.govt.nz/release/government-lifts-66500-children-out-poverty>

²³ Material hardship is defined using MSD's DEP-17 index. [Measuring child poverty: Concepts and definitions \(second edition\) | Stats NZ](#)

²⁴ [4. Question No. 4—Social Development and Employment - New Zealand Parliament \(www.parliament.nz\)](#)

however a useful indicator if used with caveats: that over one in ten children experiencing hardship despite the growth of private charity, should be a call to action.

Other measures are better indicators of poverty

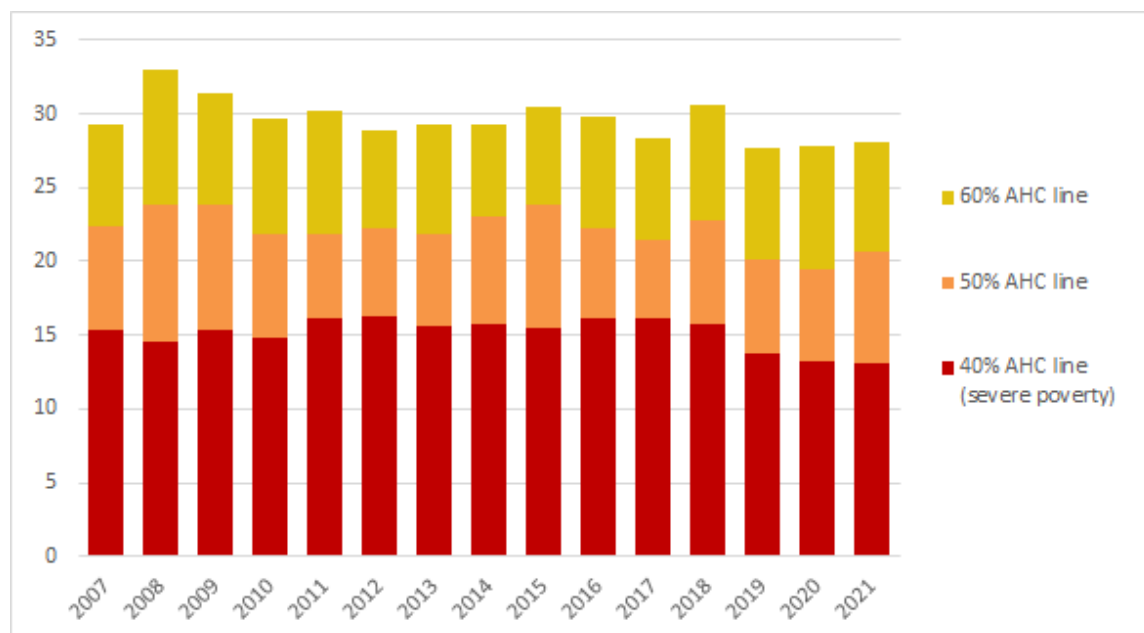
CPAG questioned the choice of the three primary measures in its [submission on the Child Poverty Reduction Bill in 2018](#). While there are no perfect measures, we argued for the 40% of median income AHC moving line to be used as a primary measure to capture the most vulnerable households who experience the greatest economic stress in both absolute and relative terms. In our submission we noted:

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 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.²⁵

The target for the poverty rate on the 40% AHC line should be zero.

The other two supplementary 50% and the 60% AHC contemporary lines in the Child Poverty Reduction Act ²⁶ are also important if NZ is concerned to monitor not just absolute poverty once it has occurred but the ability of families to thrive. Figure 4 shows little has changed since 2007, with the greatest fluctuations seen in the precarious 50% group that sits between those in severe poverty and the better off low-income group under the 60% line. The three AHC contemporary median poverty lines and the numbers of children below each are shown in Figure 4.

Figure 4: Percentage of children living in households in Aotearoa-New Zealand with less than 40%/50%/60% median equivalised disposable income after housing costs for the financial years June 2007 to June 2021.



²⁵ [180322 CPAG Submission on the Child Poverty Reduction Bill v14 FINAL.pdf](#)

²⁶ See [Child Poverty Monitor Technical Report](#) (2021), Table 2, p11.

However, even these measures fail to capture the challenges or depth of poverty faced by many families on low or uncertain incomes. The surveys that produce the child poverty statistics also fail to capture an unknown number of children whose families do not have a stable residential address.²⁷ The numbers of children in emergency housing alone exceed 4500.²⁸ Stats NZ, report that the survey excludes 88,520 people in non-private dwellings of which 5,510 are children under 18 years.²⁹

As it stands, the current framework risks locking the government into both an already outdated dataset, and an inadequate monitoring framework that focuses attention on only the three primary measures for which targets are set in numerical terms. The 50% BHC measure is contemporary but disguises the deteriorating AHC situation, the fixed AHC line and the material hardship measures reflect changes in absolute poverty rather than relative poverty. If the point of the CPRA is the greater wellbeing of children and a concern with poverty prevention, the 40% 50% and 60% AHC contemporary lines may be useful additions to the primary measures.

Independent verification of use of poverty lines

Outside the scope of this commentary, it is noted that the choice of poverty line at 40, 50 or 60% of median disposable equivalised AHC income begs several questions:

- Which if any of these lines represents enough money for an acceptable standard of living in contemporary society.
- What is the appropriate line(s) for society to aim for no child to fall below?
- Is the equivalence scale used setting these lines for different household types appropriate?

On the first question it is noted the work of the Welfare Expert Advisory group (WEAG) took an independent budget analysis approach. The WEAG 2018 analysis demonstrated the inadequacy at that time of the incomes for families receiving benefits and in low-wage work compared with both independently verified core and participation expenditure.³⁰

- To meet core expenditure levels for those receiving a benefit, single people and families with children in private housing need to be around 45% of the AHC median income
- To meet participation expenditure levels for those receiving a benefit, single people in private housing need to be around 50% of the AHC median income, and families with children in private housing need to be around 55% of the AHC median income.

This approach was recently updated by the Fairer Future collaboration whose research question was ‘What is the surplus/deficit between benefit recipient entitlements and their core and total costs likely to be in June 2022 for the Welfare Expert Advisory Group’s model

²⁷ The target population is all usually resident individuals living in private dwellings. It excludes residents of non-private dwellings such as hotels, motels, hostels, and boarding houses. Stats NZ 2022.

²⁸ [20211206-request-for-statistics-relating-to-children-in-emergency-housing-in-tairāwhiti..pdf \(msd.govt.nz\)](#)

²⁹ Stats NZ [Child poverty statistics: Year ended June 2021 – technical appendix | Stats NZ](#)

³⁰ [Example-families-010419.pdf \(weag.govt.nz\)](#)

households, if WEAG’s mid-2018 core and total costs estimates, and actual benefit recipient entitlements, are updated for inflation?”³¹

The Fairer Future analysis did not attempt to relate either the “core” or the “total costs” budget to AHC median incomes. It is likely that such analysis would result in a similar results to that of WEAG. This then would suggest 45% and 55% AHC lines independently validate the core and total costs budgets for families.

Equivalisation issues

Household income is adjusted (equivalised) for household size and composition so that we can compare living standards across households. This is done using the modified OECD scale, with a single-person household as the base. This scale assigns a value of 1.0 to the first adult in the household, 0.5 to each additional household member aged 14 or older, and 0.3 to those aged under 14 years. Both BHC and AHC incomes are equivalised³²

It is beyond the scope of this commentary³³ to critique the use of the OECD equivalence scales but is doubtful whether there are any significant economies of scale after housing costs, suggesting two adults should require twice as much as one adult alone to have the same poverty line standard of living. Two adults with one child over 14 might require three times as much. A sole parent with one child is likely to require much more than 30% more than one adult on their own.

Focus on the 40% AHC line

But what is the standard of living at the 40% line? After debt repayments, fines and sanctions, many more families may have disposable incomes well below the 40% AHC level of income.³⁴

Figure 4 shows, around 150,000 children are under the 40% line and in severe poverty. It is this group that needs the most help. However, because the primary measures do not include this line, these 150,000 children are effectively in a policy void, and have been for some years.³⁵ Moreover, the official measures for year ended June 2021 are not current income figures³⁶ and thus only partially reflect the impact of the Covid pandemic. It must

³¹ [Liveable Incomes in 2022 | Fairer Future](#)

³² [Child poverty statistics: Year ended June 2021 – technical appendix | Stats NZ](#)

³³ A CPAG technical paper (2022 forthcoming) will explore the implications of these limitations. In brief, the setting of poverty lines is derived from the measure of median household income which is then expressed in per-adult terms. The scale used to adjust reflects assumptions about economies of scale that are largely related to housing costs, and while some economies of scale assumptions may be justified for BHC measures, the same scale applied to after housing costs measures may understate measured poverty. See Appendix 6 Perry 2019, [Household Incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2018 - Ministry of Social Development \(msd.govt.nz\)](#) for a discussion of equivalence scales.

³⁴ See

https://www.cpag.org.nz/assets/Backgrounders/13052020_The%20effects%20of%202020_21%20income%20support%20changes%20on%20AHC%20income%20for%20representative%20households%20receiving%20benefits-final.pdf.

³⁵ It is acknowledged that some families with very low income maybe doing well on hardship measures because they are living on capital or have understated self-employment income. However, the numbers may also be understated because they do not include children living in motels and other emergency housing.

³⁶ Surveys are conducted from June 2020- to June 2021 and ask for the previous 12 months income. Those surveyed early report incomes largely from 2019/2020

also not be forgotten that this and other AHC measures do not include a significant number of poor children in non-standard accommodation, a figure that appears to have increased in 2022 as the housing crisis and homelessness continues.

The problem of those on very low incomes has been known for some time. In 2007 MSD published a report³⁷ using data from the 2004 Living Standards Survey that identified “a group of people living in severe hardship”. The report specifically considered those on AHC incomes of less than 40% of the median:³⁸

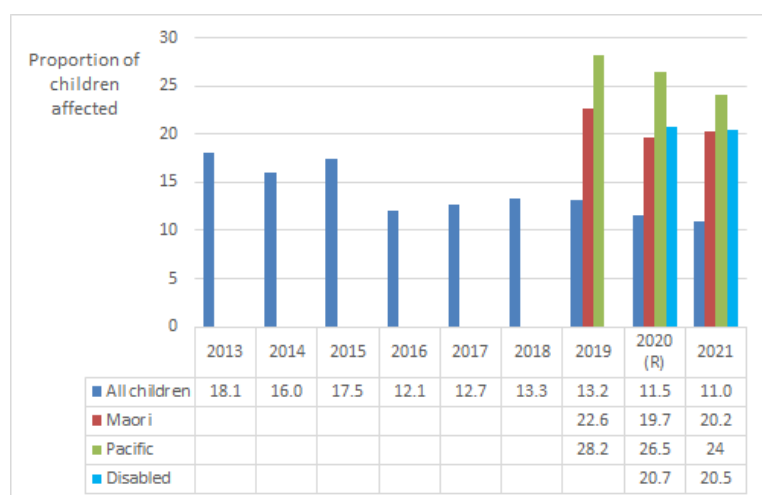
for beneficiary families with no earned income [disposable income] falls to below the very stringent 40% after housing costs poverty line, where there is nothing in reserve.

In 2022 – a generation later – income poverty among the very lowest-income families has become more deeply entrenched, despite policies that have been implemented to improve family incomes, such as the Families Package.³⁹ Moreover, this group on ‘very stringent’ incomes is further away than ever from being able to gain some stability for whānau through stable affordable rental housing or home ownership.

Māori and Pacific and disabled children

The 2007 report found Māori and Pacific families over-represented in the under 40% AHC group. Similarly, the latest data for child poverty show that Māori and Pacific families continue to be over-represented in the poverty statistics.⁴⁰ Figure 5 shows the proportion of children in material hardship, and the proportion of Māori, Pacific and disabled children in material hardship.

Figure 5: Proportion of all children in material hardship, and proportion of Māori, Pacific and disabled children in material hardship.



³⁷ See <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/pockets-significant-hardship/pockets-of-hardship.pdf>.

³⁸ Ibid, p1.

³⁹ CPAG has highlighted the poor design of Working for Families: The Families Package was an overdue catch-up reflecting poor indexation; the poorest families are denied significant part. See [More than an inflation adjusted catch-up to Working for Families needed to shift dial on child poverty](#)

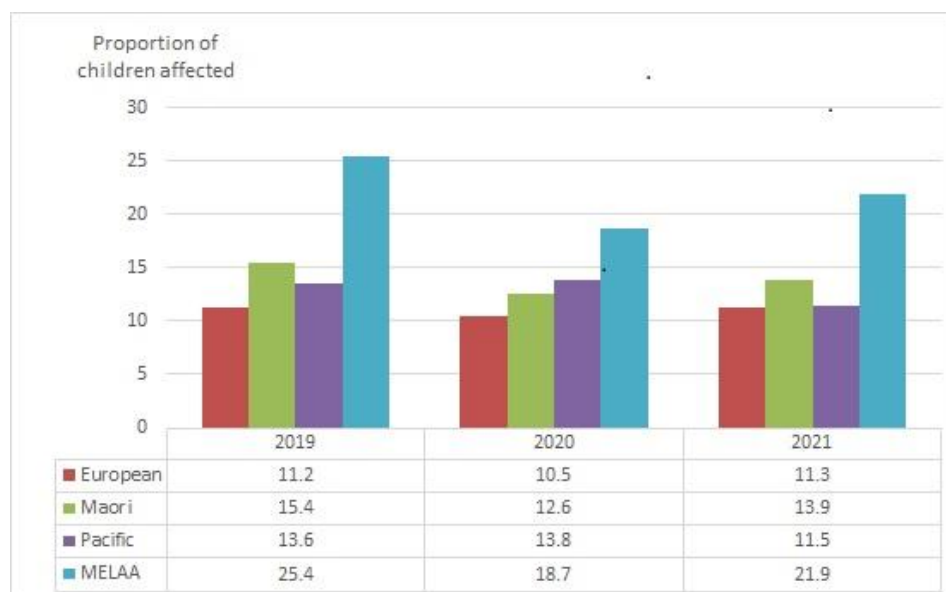
⁴⁰ Statistics New Zealand, 2022.

Data by ethnicity has only been collected since 2019 while data for disabled children has been collected only since 2020. The graph shows Māori, Pacific and disabled children are over-represented in material hardship: for Pacific children the figure is more than double that of all children.

For Pacific children the figures show some improvement; for Māori data shows an improvement since 2019 but has moved little since then; and for disabled children there is no difference for the 2 years the data shows. Overall, there has been an improvement but the large equity gap between Māori and Pacific, and others has barely moved.

CPAG welcomes analysis of the composition of those under the 40% AHC moving line. This is the group with the least income after housing costs have been paid. Figure 6 shows that Middle Eastern, Latin American and African (MELAA) children are particularly affected. While numerically this group is small, one in 5 MELAA children live in households with incomes under this line; roughly double the European rate. For Pacific and Māori children, there is some improvement since 2019 but as with material hardship, significant equity gaps remain and we note the sample size limitations of this data. Further ethnic analysis is provided of children under poverty lines 40-70% AHC in Perry (2021).

Figure 6: Households on less than 40% median equivalised disposable household income after deducting housing costs (AHC) for the financial year.



Indicators of income and balance sheet distress

It is clear there is a growing and damaging wealth divide in New Zealand that has been exacerbated by the last two years of Covid. Bernard Hickey, in an analysis of Statistics NZ national accounts for the September 2021 quarter, observed:

Official figures show the stark explosion in inequality since the onset of covid as the Government's interventions to print \$58b and give \$20b in cash to business owners helped make owners of homes and businesses \$952b richer since December 2019...Meanwhile, renters have missed out on that asset growth and have been hammered with real wage deflation and rents rising faster than

incomes. The poorest are now \$400m more in debt and need twice as many food parcels as before Covid.⁴¹

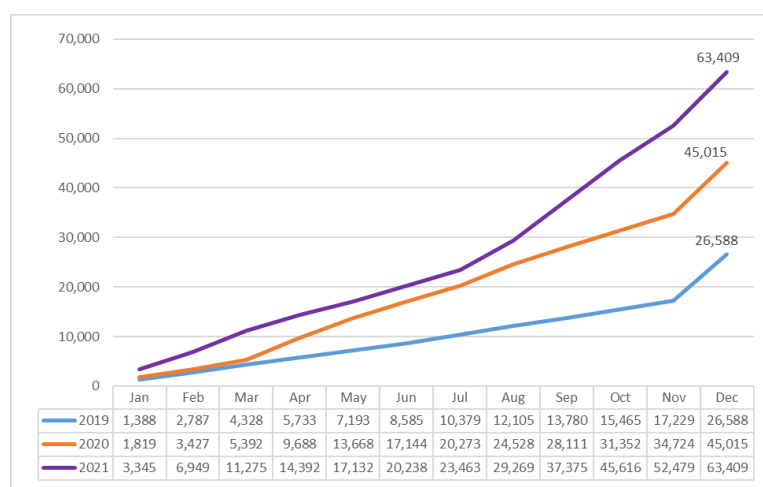
During the response to Covid-19 homeowners and businesses have been the preferred recipients of government support at the expense of beneficiaries and the low-paid.⁴² In the 2021 budget, concern about fiscal costs and debt constrained the per week increase in benefits to a \$20 per week increase rather than the \$50 initially suggested even though this would have doubled the number of children lifted above the BHC poverty line.⁴³ While outgoings have increased, on the assets side, low-income families are unlikely to have increased savings, either for a house, retirement nest egg or any provision for emergencies such as car repairs or tangi. Improvements in long-term wellbeing are becoming less achievable as households accumulate debt but fewer assets they can draw on in the future.

Foodbank use

The government's reluctance to directly improve the incomes of low-income households can be seen in the continuing trend of high and increasing use of foodbanks. The demand for support from foodbanks has continued to grow, as reported by the media⁴⁴ and the proliferation of local foodbanks and meal providers in places such as South Auckland.⁴⁵

Figure 7 illustrates the increased demand for food banks during 2020-21 using Auckland City Mission data.⁴⁶ The yearly totals for the three years shown clearly indicate increased demand: food parcel use was 140% higher in 2021 than 2019.

Figure 7: Auckland City Mission monthly food parcels, cumulative totals, 2019-2021



Source: Auckland City Mission 2022

Household debt

Most households have some debt, primarily their mortgages and often loans for big-ticket items such as cars and some appliances. Families with few financial resources often borrow

⁴¹ https://thekaka.substack.com/p/covids-big-winners-and-losers-revealed?utm_source=url. Non-paywalled.

⁴² See also https://thekaka.substack.com/p/our-counterproductive-covid-recovery?utm_source=url.

⁴³ <https://www.nzherald.co.nz/nz/budget-2021-benefit-boost-of-50-would-have-doubled-children-out-of-poverty-government-opted-for-20/2ZBSKG5GLUIJK47AYKFQTNSPU/>.

⁴⁴ See Appendix 2

⁴⁵ These are primarily run through religious organisations including Muslim and Sikh groups.

⁴⁶ This data does not include all foodbanks in Auckland but is a good indicator of the scale of demand increase across the region.

for unexpected expenses such as a car repair or funeral, or for expected but unavoidable expenses such as school uniforms and travel costs. Debt for most families is not problematic if income is sufficient to cover repayments and living costs but is a particularly acute problem for low-income households as incomes are often insufficient to cover even the basics let alone service the debt.

Total debt to the government is \$3.5 billion.⁴⁷ Total debt to WINZ as at December 2021 was \$1.9 billion, owed by 557,000 clients, broken down into 193,000 non-current clients and 364,000 current clients.⁴⁸ The average amount owed is \$1,981, and 64% is owed by households with children.⁴⁹ Much of this debt is for advances for items such as school uniforms and day-to-day expenses such as car repairs. Repayments have a huge impact on children's household incomes.

For low-income families and beneficiaries, debt to Work and Income is pervasive and growing: Work and Income figures show that in the two years since December 2019, debt from benefit advances and recoverable assistance payments increased by \$650 million.^{50,51} This is the increase in debt owed to the state by the households on the lowest incomes.

Debt is recovered from benefit payments, fuelling a cycle of debt repayment, reduced income and the need for further borrowing. Other government debt includes \$2.6 billion owing to IRD for tax and Child Support, and \$0.47 billion for fines and reparations. Around 40,000 people owe about \$140 million in WFF overpayments,⁵² around 80% of whom are women caring for children. Other debt includes student loans and debt to second tier and fringe lenders (although it is not possible to quantify the amount owing to private lenders).

The Social Wellbeing Agency (SWA) report *Understanding debt and debtors to Government* shows the income distribution of government Ministry debtors (Ministry of Social Development (MSD), Ministry of Justice (MoJ) and Inland Revenue (IR). The report observes that "people with debt to MSD have the lowest income of all people with debt to MSD or IR..."⁵³ Moreover: "For people receiving a main benefit in 2018...we calculated that 75 percent have debt to MSD or IR, and 77 percent of those with debt had at least one debt that lasted more than three years."⁵⁴

⁴⁷ [Being in debt to the government • The Detail \(spotify.com\)](#)

⁴⁸ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/march/26032021-number-of-people-who-have-a-loan-with-the-ministry-are-in-debt-to-the-ministry-and-total-amount-of-money-owed-to-the-ministry.pdf>.

⁴⁹ The Social Wellbeing Agency has produced two detailed reports on the debt owed to government agencies: [Patterns across debt and debtors to government \[PDF, 772 KB\]](#) and [Understanding debt and debtors to government \[PDF, 722 KB\]](#). Neither of these disaggregates debt to show that owed by low-income households.

⁵⁰ Data from Benefit Fact Sheets, <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/>.

⁵¹ <https://dpmc.govt.nz/publications/proactive-release-reducing-impact-debt-government>. Figures here come from this paper unless otherwise noted.

⁵² [Patterns across debt and debtors to government](#), p.15.

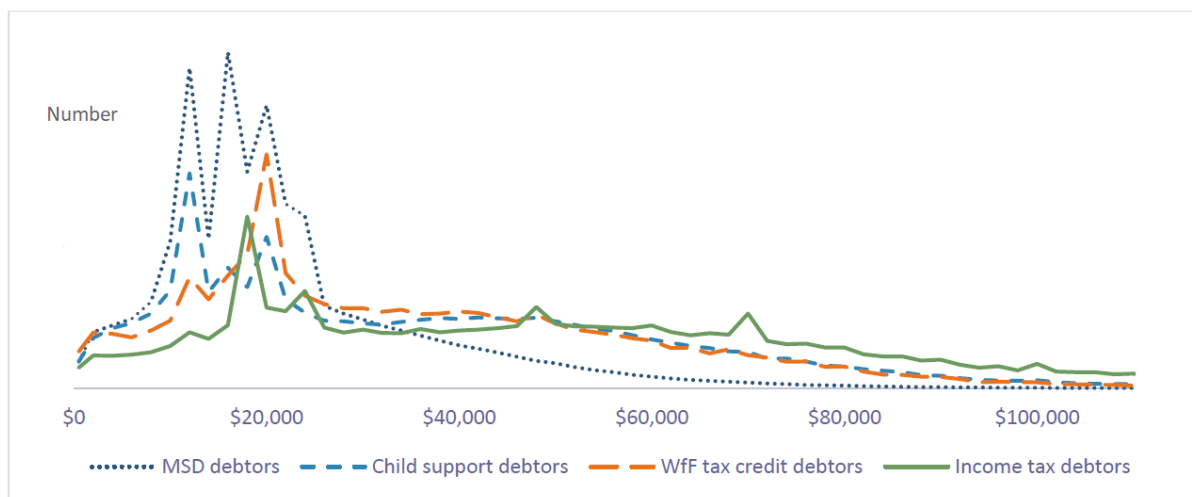
⁵³ [Understanding debt and debtors to government](#),

⁵⁴ *Ibid*, p22-23.

Figure 8 shows the income distribution of various debtor types for the 2018 tax year. The Social Well Being report notes:⁵⁵

The spikes in the income distribution around \$20,000 correspond to the payment rates for the main benefits. As the figure does not include other (non-taxable) income supports, such as WfF tax credits and the Accommodation Supplement, total income from all sources will be higher than shown. For reference, the living wage in 2018 was \$20.55 an hour, which corresponds to a full-time annual salary of \$42,700.

Figure 8: Distribution of annual taxable income by debt type (2018 tax year)



It should be noted that there are significant equity issues around debt generally, reflecting long-standing and persistent low incomes and home ownership rates for Māori and Pacific households, and those of disabled people:

- Among those with debt to government, Māori are disproportionately likely to be on a low income or in receipt of a benefit (22 per cent of all Māori working-age adults are on a main benefit). Māori individuals are overrepresented in almost all categories of debt to MSD, MoJ and IR, and are overrepresented in people with debt to multiple agencies. (Māori comprise 55% of those with debt to all three agencies). Māori are also overrepresented among clients with private debt engaged with Building Financial Capability (BFC) services (39% of clients are Māori);
- Pacific people are overrepresented in all categories of debt to MSD, MoJ, and IR, and are overrepresented in people with debt to multiple agencies (Pacific people comprise 16 per cent of those with debt to all three agencies);
- While government data for disabled people is poor, they are more likely to be in hardship than non-disabled people. Incomes for disabled people are on average lower than those for non-disabled people. Disabled people, including people with health conditions, and carers of disabled people make up approximately 53% of all people in receipt of a main benefit. Disaggregated child poverty statistics also identify that disabled children and children living in households where someone is disabled comprise more than half of all children in material hardship.

The quantum of debt owed by low-income households should be part of any discussion around child poverty and child wellbeing. Debt repayment reduces household income and can fuel the high levels of stress that lead to domestic violence. Given New Zealand's high rates of domestic violence and child abuse, this is not an insignificant problem. Accordingly, *CPAG strongly recommends that a supplementary measure that shows low-income family debt to government Ministries is included in the child poverty statistics.* Highlighting a growth in this debt may prompt policy reforms that could include a debt write-off programme.

In the Cabinet paper cited above, the Department of Prime Minister and Cabinet has recognised problem debt and has implemented a work-stream to address this. However improving incomes of the poorest households is not offered as a possible solution; rather the paper assumes the status quo and is focused on avoiding debt (difficult on very low incomes), referrals to services to help people better manage the debt they have, and “ensuring staff have an enhanced awareness of the services clients can access.” The paper proposes further working groups, with no immediate remedies in sight for low-income families with children.

While reducing the creation of debt to government and the role that this debt has in exacerbating hardship will have a beneficial impact on children, much more is needed to be known about the whole balance sheet of low-income people. Assets have been eroded especially housing assets. As much dedication and investment in time and money to finding out about the state of low income families balance sheets as is being currently devoted to finding out about the very wealthy by IRD is required.

Improving the framework: Conclusion

In the submission on the 2018 Act, CPAG strongly cautioned against an overemphasis on measures and targets, to the detriment of the adequate scrutiny of policies that are supposed to meet these targets. A focus on the three primary measures risks overlooking significant current equity issues and obscures the need for any evaluation of the way policies are leaving the very worst off behind.

After-housing costs lines that are based on the contemporary median are brought into the primary measures, noting that the 40%, 50% and 60% lines are likely to be in the range that is supported by independent validation. This suggests that 40% is seriously insufficient, 50% barely sufficient and 60% adequate for participation standard of living.

Reporting of targets needs to be supported by supplementary commentary and caveats that better describe the circumstances of low-income families. It is important that policy development is undertaken in collaboration with a wide range of independent organisations, including non-government organisations 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.

We would like to see:

1. Children under the lowest 40% AHC line are prioritised in child poverty reduction policy. The target should be zero under this line.⁵⁶
 2. The 50% and 60% after-housing costs lines based on the contemporary median higher priority are given higher priority to emphasize the goal of child well-being and the prevention of poverty.
 3. There is independent regular analysis of the amount families need to reach acceptable standards of living to validate the use of particular AHC lines.
 4. The AHC measures are revisited to determine appropriate equivalisation, especially for sole parents.
 5. The use of official statistics on child poverty is always tempered with caveats around their limitations.
 6. Timely surveys are used to get a clearer picture of the worst-off families' debts and assets **in real time**, including private debt along with other up-to-date trend indicators such as demand for foodbank and charity use, housing stress, and supplementary MSD assistance.
 7. The same kind of attention, determination, and investment are directed to finding out about the real time balance sheets of the poorest people in New Zealand as the IRD are now spending on finding out about the real wealth and incomes at the top end of the distribution, with an ongoing commitment to regular reporting.
-

⁵⁶ After adjusting for families claiming to have very low incomes who are self-employed and not in hardship

Appendix 1: The current child poverty measurement framework

The 2018 [Child Poverty Reduction Act](#), amended in October 2021, was a flagship piece of legislation for the 2017-2020 Labour coalition government. It states:

The purpose of this Act is 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.

To help achieve its purpose, this Act—

- (a) specifies and requires child poverty measures:
- (b) requires the setting of child poverty reduction targets:
- (c) requires reports relating to child poverty:
- (d) requires the identification of child poverty related indicators:
- (e) requires monitoring reports related to identified indicators.

The Act identifies 10 child poverty measures, all measuring different aspects of child poverty. 7 of them are purely income-related, 2 are related to hardship and 1 is both income and hardship.

The **four primary measures of poverty** 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)*

Appendix 2 Evidence from the coal face, June 2021- June 2022 yea

Source/ Organisation	Date	Theme	Quote	Link
Ministry of Social Development		Foodbanks	Have 329 foodbanks throughout New Zealand listed in their online directory	https://www.familyservices.govt.nz/directory/
Mangere East Family Budgeting Services	1/11/2021	Foodbanks	Mangere Budgeting Centre established a foodbank about eight years ago, and until the pandemic, it was distributing up to 250 parcels a week...During last year's lockdown that went up to an average of 3000 a week. It's down to between 1400 and 1700 a week – only because there are now almost 60 foodbanks across Tāmaki Makaurau. An annual survey of 1500 whānau done by Mangere Budgeting Services found a whānau of four that last year would have had \$83 a week to spend on kai this year has \$39 a week left for food.	https://waateanews.com/2021/11/01/foodbanks-track-other-covid-crisis/
Manurewa Marae	24/8/2021	Foodbank and other services	"On top of the vaccination and the testing we're still providing the food boxes and the sanitisation boxes," he said. "If we're gonna stay in level 4, then definitely we'll be approaching government to say, 'hey we can't run things on an oily rag '." McLean said that support was slow to come in previous lockdowns, and he hoped it would be quicker this time around.	https://www.stuff.co.nz/national/300389862/covid19-auckland-marae-sees-huge-demand-for-tests-vaccines-and-food-parcels
Kōkiri Marae Lower Hutt	1/9/2021	Foodbank	When the country moved to alert level 4, demand for food parcels from the Lower Hutt foodbank skyrocketed... "People were caught unprepared. Before, we were delivering 120 to 150 parcels a week. In the first week [of lockdown] we did 700. Last week we did over 1000, " says Janis Awatere, co-ordinator at the Kōkiri Marae Pātaka Kai.	https://www.stuff.co.nz/national/126167660/lockdown-heroes-kkiri-maraes-foodbank-shifts-up-gear-to-feed-thousands
Canterbury food demand	28/8/2021	Foodbank	Dr John Milligan, chief executive of Foodbank Canterbury, said it was sending "five tons of food into the community each day". " Lockdown this time around definitely has a different feel, " Milligan said. " There's more despair. "	https://www.stuff.co.nz/national/126192180/covid19-ales-of-lockdown--theres-more-despair-this-time
Tauranga food demand	13/11/2021	Foodbank	More than 16,000 people have needed help from the organisation [Tauranga Community Foodbank] this year and a record amount of food has been given to those in need. This included 8897 children, which worked out to about 200,000 meals.	https://www.nzherald.co.nz/bay-of-plenty-times/news/christmas-appeal-launches-as-tauranga-community-

			"People don't have any resources left and that is due to Covid, and the housing crisis is a crisis on a crisis. "	foodbank-braces-for-record-demand/C2PSQLKE6ABZQKNGI5CKYT7PUA/
Auckland City Mission	12/11/2021	Food and cost of living	Over the past three months, the demand for Te Tāpui Atawhai Auckland City Mission's services has been the highest in the organisation's 100-year history... The Mission is currently distributing more than 1600 food parcels every week, more than double what was being given out pre-Covid-19.	https://www.rnz.co.nz/news/national/45595/as-food-prices-rise-auckland-city-mission-sees-higher-demand-for-services
Auckland City Mission	26/3/2022	Food and cost of living	Trapped at the bottom of the begging ladder The burden of taking the step to ask for help is one Auckland City Missioner Helen Robinson says is borne disproportionately by women, because society doesn't value the economic value of raising children. She speaks to the bravery and courage of mothers who come forward for help, in the knowledge that they are doing it for their whānau. Nine years ago when Robinson joined the City Mission 10,000 food parcels were distributed, but that has increased six-fold to 60,000 last year.	https://www.stuff.co.nz/national/health/128164394/cost-of-living-crisis-trapped-at-the-bottom-of-the-begging-ladder
Vision West	22/12/21	Demand for food	The Vision West charity delivered 16,000 food parcels in West Auckland over the four months of lock-down, up from 9000 the year before. The charity's report is mirrored by food banks in the rest of the region and around the country. Vision West Community Trust head of service development Brook Turner said the demand had been immense heading into Christmas. After setting up a call centre for their Christmas Poverty Relief Programme last week, the trust received calls from 2700 interested families. However, the programme could only place 1400 families due to the supply of food and gifts	Food parcel demand quadruples over lockdown: 'People don't have a safety net anymore' RNZ News
ERO	12/5/2022	Impact of lockdown on education	'Disproportionate challenges' for Pacific school students throughout Covid-19 pandemic, Covid-19 had exacerbated inequities for these [Pacific] students in the education system. Attendance, in particular, was a serious concern...average school attendance from Pacific students was at 47% in November 2021, compared with 68% of the general population. Many [Pacific] students had to take on jobs or family responsibilities as the virus hit, making it difficult to meet school timetables.	https://www.stuff.co.nz/national/education/128615646/disproportionate-challenges-for-pacific-school-students-throughout-covid19-pandemic-ero-finds
DHBs	13/12/2021	Mental health	'Terrible gaps' in mental health system for youth and children DHBs say Covid-19 has driven a surge in demand, and they are struggling to meet it. Wait times in Auckland have been exacerbated further by Covid-19 restrictions, with DHBs finding it difficult to arrange clinical appointments over the phone or Zoom. Counties Manukau says	https://www.rnz.co.nz/news/national/457773/terrible-gaps-in-mental-health-system-for-youth-and-children

			young people are increasingly presenting with "significant self-harm and suicide ideation", pushing out the wait time for "non-urgent" referrals even further.	
DHBs	22/3/2022	Mental health	Doctor fears new mental health crisis for children and young people looms, worsened by Covid. District health boards around the country said they were seeing more demand for child and adolescent mental health services than before the Covid-19 pandemic began. The unprecedented crisis in the public health system as a result of years-long underfunding means those who can afford treatment are able to fund private sessions, despite the pandemic having a disproportionate impact on children living in poverty.	https://www.stuff.co.nz/national/health/128115939/doctor-fears-new-mental-health-crisis-for-children-and-young-people-looms-worsened-by-covid
Mental health practitioners	19/2/2022	Mental health	Anxiety epidemic: Shocking stats show young people at 'crisis point'...rates of psychological difficulties among children and teenagers were rising before the emergence of Covid-19 and have got "significantly worse" since the pandemic started. They're braced for another surge after the Omicron outbreak.	https://www.newstalkzb.co.nz/news/rise-in-self-harm-hospitalisations-points-to-growing-mental-health-crisis-among-young-people/
St John's Ambulance	15/2/2022	Mental health	'startling' 30% spike in mental health calls to 111' Last year, over 600,000 people rang 111 for an ambulance. A significant proportion of those calls were for mental health, with St John recording a staggering 30 percent increase in 2021 compared with the year before.	St John Ambulance responding to more mental health call outs RNZ
Housing register	12/8/2021	Housing	'The poor pay more: How housing problems are costing our kids The booming house market is exacerbating the problem of housing unaffordability for the poor...Rising property values have prompted landlords to sell, squeezing the private rental market and driving up rents...Demand for social housing has grown every year - 23,688 applicants were on the Housing Register in March, up 45 per cent from the same time last year.	https://www.nzherald.co.nz/nz/the-poor-pay-more-how-housing-problems-are-costing-our-kids/NUXIH2PBQH4BXRTR764LMN7A7Q/
Housing Nelson	20/9/2021	Housing (Nelson)	Housing crisis: low-income left exposed "The low availability of housing has driven up the cost of rentals. For those that are able to get into a rental, there is often enormous financial pressure...The cost of housing is completely out of proportion with people's income. Many of our clients are spending up to 80 percent of their weekly income on rent, leaving very little for other essential living costs. "	https://www.moneytalks.co.nz/housing-crisis-low-income-left-exposed/
Salvation Army housing	17/2/2022	Housing	'It's a housing catastrophe' "A lot of families were already living on the edge when Covid-19 hit our country," said Lt Col Ian Hutson, the Salvation Army's director of social	https://thespinoff.co.nz/the-bulletin/17-02-2022/its-a-housing-catastrophe

			policy. “The pandemic not only pushed some of them over the edge, but also increased the vulnerability of others, pulling them closer to desperation.”	
Bernard Hickey	26/1/2022	Housing/ Inequality	Covid's big winners and losers revealed. Official figures show the stark explosion in inequality since the onset of covid as the Government's interventions to print \$58b and give \$20b in cash to business owners helped make owners of homes and businesses \$952b richer since December 2019. Meanwhile, renters have missed out on that asset growth and have been hammered with real wage deflation and rents rising faster than incomes. The poorest are now \$400m more in debt and need twice as many food parcels as before Covid.	https://thekaka.substack.com/p/covids-big-winners-and-losers-revealed?s=r
	14/3/2022	Cost of living	Children in poverty worry because they see the awful choices their parents are having to make/ At KidsCan, our donations are slowing for the first time in our 17-year history...It comes as we need support the most - we're helping a record number of children in nearly 1000 schools and early childhood centres with food, clothing, and shoes.	https://www.kidscan.org.nz/news/julie-chapman-kidscan-child-poverty/
Fairer Futures Coalition	30/3/2022	Impact of debt on low-income families	The Fairer Future Collaboration released new work showing some of our worst-off families could face shortfalls of \$300 a week or more after the government's promised increases in income support take effect on 1 April. And this shortfall is more extreme for low-income households that have debt.	Cited in https://www.ngatangatamicrofinance.org.nz/news-media/its-time-to-recognise-that-debt-is-a-reality-for-families-living-in-poverty/
Ngā Tāngata Microfinance	4/5/2022	Debt	More than half a million low income New Zealanders collectively owe the government \$3.5 billion. Why do they owe so much? What's it for? And can they pay it back? Natalie Vincent "It's just showing that people are going backwards by a staggering amount every week, they cannot live on what they're receiving, whether that be low income employment or whether that be a benefit, the levels are just not high enough. People are having to borrow to keep up with just basic living costs."	Being in debt to the government • The Detail (spotify.com) Being in debt to the government RNZ

