

CHILD POVERTY AND LIVING STANDARDS

Introduction

High rates of child poverty are a cause for concern, as low family income has been associated with a range of negative outcomes including low birth weight, infant mortality, poorer mental health and cognitive development, and hospital admissions from a variety of causes [1]. Further, the Christchurch Health and Development Study suggests that exposure to low family income during childhood and early adolescence may increase the risk of leaving school without qualifications, economic inactivity, early parenthood and criminal activity. While adjusting for potentially mediating factors (e.g. parental education, maternal age, and sole parent status) reduces the magnitude of these associations somewhat, they do not disappear completely, suggesting that the pathways linking low family income to long term outcomes are complex, and in part may be mediated by other socioeconomic variables [2]. Yet while there is much debate about the precise pathways involved, there is a general consensus that the relationship between poverty and adverse outcomes is non-linear, with the effects increasing most rapidly across the range from partial to severe deprivation [3].

In New Zealand, the Ministry of Social Development has periodically reviewed the socioeconomic wellbeing of families with children using information from two data sources:

1. The New Zealand Household Economic Survey, which can be used to assess the proportion of families with children who live below the income poverty line [4].
2. The New Zealand Living Standards Survey, which uses the Economic Living Standards Index (NZELSI) to assess the proportion of families with children who live in severe or significant hardship [5]

The following section uses information from these two data sources to assess the proportion of New Zealand children living in poverty, or exposed to severe or significant hardship in recent years.

Children Living in Households Below the Poverty Line

Data Source and Methods

Definition

1. Proportion of children with equivalised disposable household income < 50% or <60% current median
2. Proportion of children with equivalised disposable household income < 50% or <60% 2007 median (adjusted for movements in consumer prices)

Data Source

Statistics New Zealand Household Economic Survey (NZHES n=2,800-3,500 households per survey) via Perry 2010 [4]. Note: Child Poverty measures are reported on by the Ministry of Social Development using NZHES data [4], which was available 2-yearly from 1982-1998, and 3-yearly thereafter. Since 2007, income data has become available annually through the new HES Incomes Survey. The full NZHES (including expenditure data) however remains 3-yearly. For more detail on methodology used see Perry 2010 [4].

Interpretation

Relative poverty measures set a poverty benchmark that rises and falls with changes in national median incomes (i.e. poverty is defined in relation to the incomes of others in society). Constant-value poverty measures select a median at a set point in time (e.g. 2007) and then adjust forward and back in time for changes in consumer prices (i.e. they seek to maintain a constant buying power for the poverty benchmark over time). Most income poverty measures use equivalised disposable household income (i.e. after tax household income adjusted for family size and composition). Both measures can be calculated before or after taking housing costs into account. For more detail on the methodology used see Perry 2010 [4].



Child Poverty Trends Using Different Poverty Measures

Relative Poverty (Compared to Contemporary Median)

Before Housing Costs: In New Zealand, relative child poverty rose rapidly during 1990-1992, a rise which Perry [4] attributes to rising unemployment and the 1991 Benefit Cuts (which reduced incomes for beneficiaries to a greater extent than the median fell during this period). During 1992-1998, relative child poverty rates then declined, a trend which Perry attributes to falling unemployment, occurring in a context where incomes for those around the poverty line rose more quickly than the median. After 1998 however, as economic conditions improved, median incomes again rose, while incomes for many low-income households with children did not, resulting in a rise in relative child poverty up until 2004. From 2004 to 2007 relative poverty rates again declined, a decline which Perry attributes to the roll out of the Working for Families Package. Before housing cost, relative child poverty rates in 2009 were similar to what they were in the 1980s [4] (**Figure 1**).

After Housing Costs: In New Zealand during 1982-2009, while trends in relative child poverty after adjustment for housing costs (AHC), were broadly similar to before housing cost (BHC) measures, one key difference was evident: that AHC child poverty rates in 2009 remained higher than in the 1980s, while BHC measures (for those <60% threshold) were closer to 1980s levels. In addition, during 2007-2009 using the after housing costs measure, child poverty increased from 22% to 25%. Perry [4] attributes these differences to the fact that housing costs in 2009 accounted for a higher proportion of household expenditure for low-income households, than they did in the 1980s (in 1988 16% of households in the bottom income quintile spent >30% of their income on housing; in 2008 this figure was 33%).

Perry notes however, that the income-related rental policies introduced in 2000, along with later changes to Accommodation Supplements, helped reduce housing expenditure for some low income households, and that these changes contributed to reductions in AHC child poverty during 2001-2007. There were no further policy changes during 2007-2009 however, with maximum rates of assistance remaining fixed, as housing costs continued to increase. As a result, net housing expenditure rose, especially for low income households and this resulted in increases in AHC child poverty rates during 2007-2009 [4] (**Figure 2**).

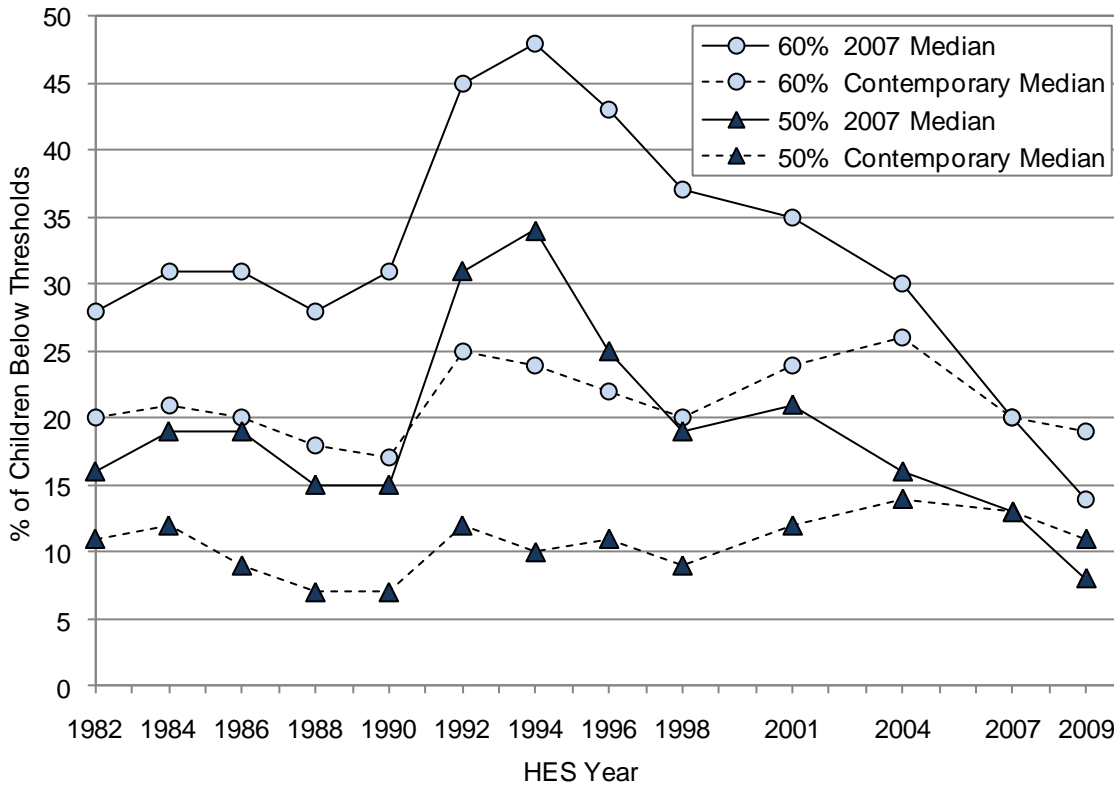
Fixed Line Poverty (Compared to 2007 Median)

Before Housing Costs: In New Zealand during the late 1980s and early 1990s, fixed line child poverty measures increased markedly, for similar reasons to those outlined above. During 1994-1998 however, child poverty rates declined, a trend which Perry attributes to improving economic conditions and falling unemployment. During 1998-2004, child poverty rates continued to fall, although falls were less rapid for those below the 50% threshold than the 60% threshold. Rates also fell during 2004-2007, although again the rate of decline was less marked for those below the 50% threshold, a difference Perry attributes to greater support from Working For Families for the working poor, than the beneficiary poor [4] (**Figure 1**).

After Housing Costs: In New Zealand during 1982-2008, while trends in fixed line child poverty after adjustment for housing costs (AHC), were broadly similar to before housing cost (BHC) measures, the same key difference seen with relative poverty measures was evident: that AHC child poverty rates in 2009 remained higher than in the 1980s, while BHC measures generally returned to 1980s levels [4] (**Figure 2**).

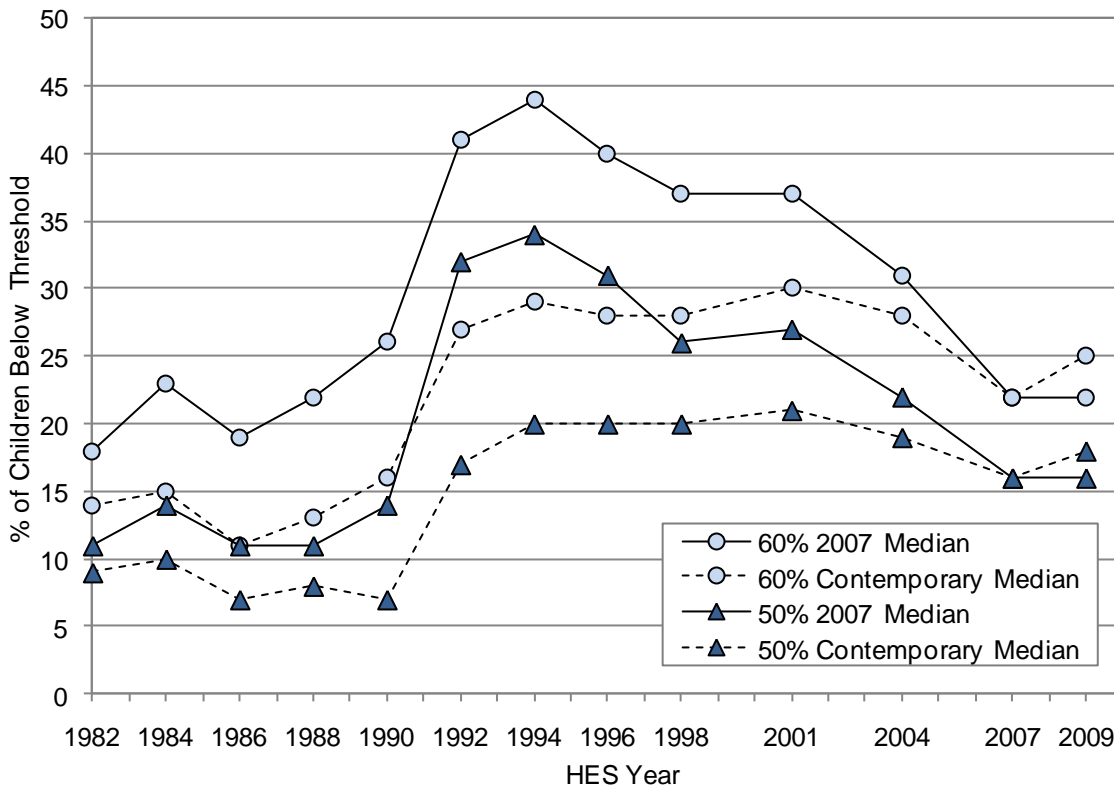


Figure 1. Proportion of Dependent Children Aged 0-17 Years Living Below the Income Poverty Threshold (Before Housing Costs), New Zealand 1982-2009 HES Years



Source: Perry 2010 [4], derived from Statistics New Zealand, Household Economic Survey (HES) 1982-2009

Figure 2. Proportion of Dependent Children Aged 0-17 Years Living Below the Income Poverty Threshold (After Housing Costs), New Zealand 1982-2009 HES Years



Source: Perry 2010 [4], derived from Statistics New Zealand, Household Economic Survey (HES) 1982-2009



Child Poverty Trends: <60% of 2007 Median, After Housing Costs

Child Poverty by Number of Children in Household and Child's Age

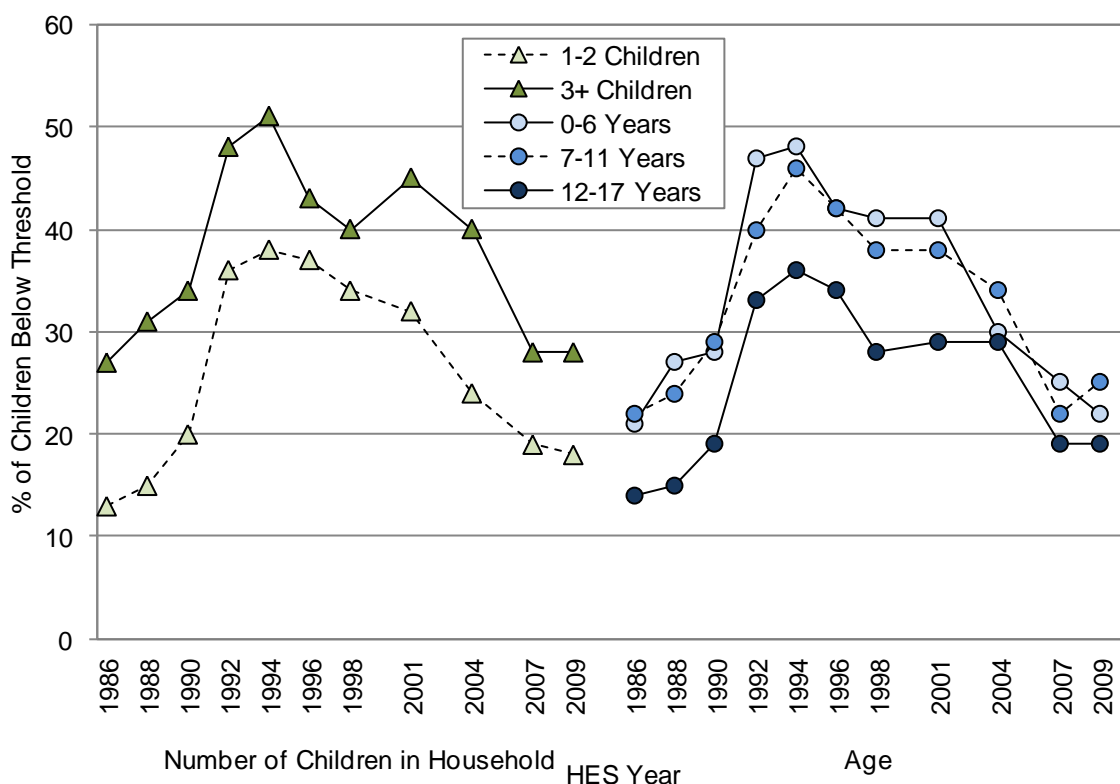
Number of Children: In New Zealand during 1986-2009, child poverty rates for households with 3+ children were consistently higher than for households with 1-2 children (**Figure 3**). (Comment: Perry notes that in 2009, children from these larger households made up 48% of all poor children [4])

Age of Children: In New Zealand during 1986-2001, poverty rates for younger children (0-6 years and 7-11 years) were higher than for older children (12-17 years). Differences after 2001 were less consistent [4] (**Figure 3**).

Child Poverty Trends by Household Type and Work Status of Adults in Household

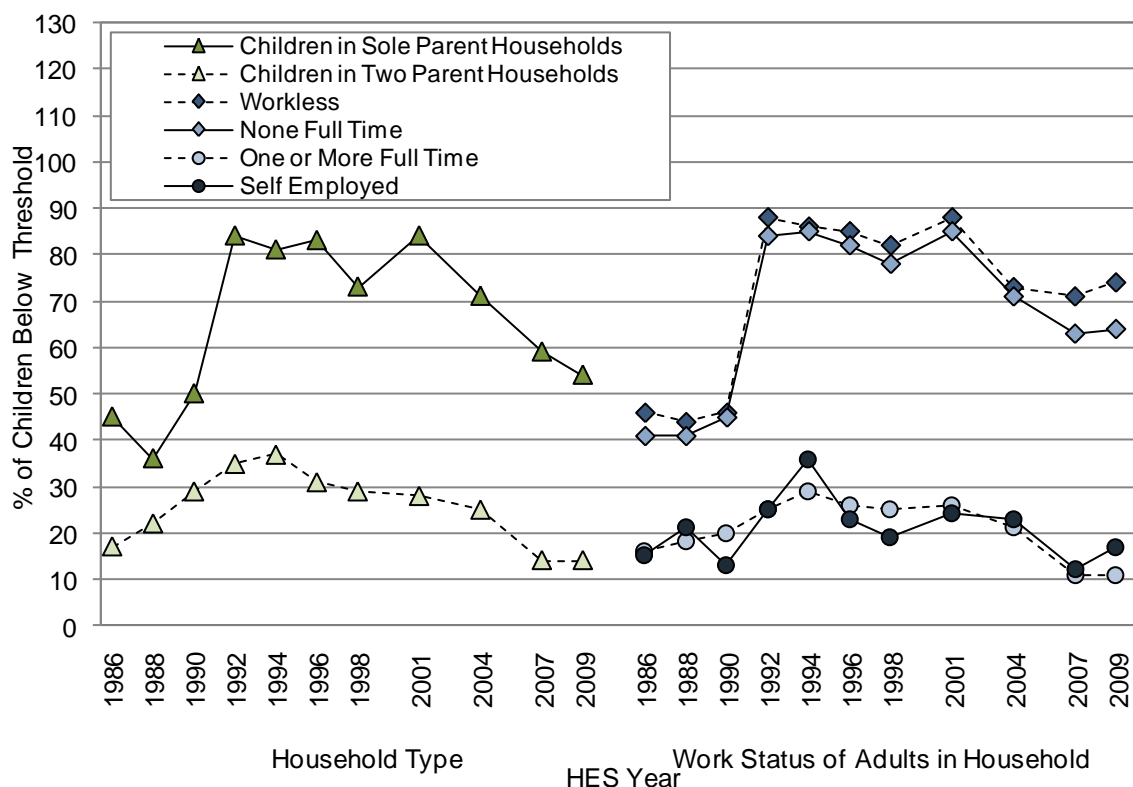
Household Type: In New Zealand, child poverty rates for children in both sole-parent and two-parent households increased rapidly between 1988 and 1992. In absolute terms however, poverty rose most rapidly for children in sole-parent households, with rates reaching a peak of 84% in 1992 (two-parent: rates peaked at 37% in 1994). While rates for both household types declined between 2001 and 2007, during 2007-2009 child poverty rates for those in sole-parent households remained higher than their 1980s levels, while rates for two-parent households were similar (**Figure 4**). (Comment: Perry notes that $\approx 1/3$ sole parent *families* live in wider *households* with other adults, and that children living in these "other" households have significantly lower poverty rates than those living in sole parent households, because of the greater household resources available to them [4]).

Figure 3. Proportion of Dependent Children Living Below the 60% Income Poverty Threshold (2007 Median, After Housing Costs) by Number of Children in Household and Age, New Zealand 1986-2009 HES Years



Source: Perry 2010 [4], derived from Statistics New Zealand, Household Economic Survey (HES) 1986-2009

Figure 4. Proportion of Dependent Children Living Below the 60% Income Poverty Threshold (2007 Median, After Housing Costs) by Household Type and Work Status of Adults in the Household, New Zealand 1986-2009 HES Years



Source: Perry 2010 [4], derived from Statistics New Zealand, Household Economic Survey (HES) 1986-2009

Work Status of Adults in Household: In New Zealand, child poverty rates for children in workless households, or where no adults worked full time, increased rapidly during 1988-1992. Poverty rates for children in these households remained elevated during the 1990s (range 78%-88%), before declining during 2001-2007. Even at their nadir in 2007, poverty rates for children in these households remained much higher than 1980s levels. In contrast, increases in child poverty for households where an adult worked full time, or was self employed, were much less marked, with rates in 2007-2009 being similar to those in the 1980s (**Figure 4**). (Comment: Perry notes that during the 1980s, children in workless households were $\approx 2x$ as likely to be in poor households; during 1992-2004 this had risen to $\approx 3-4x$ higher, and by 2007-2009 it was $\approx 6-7x$ higher [4]).

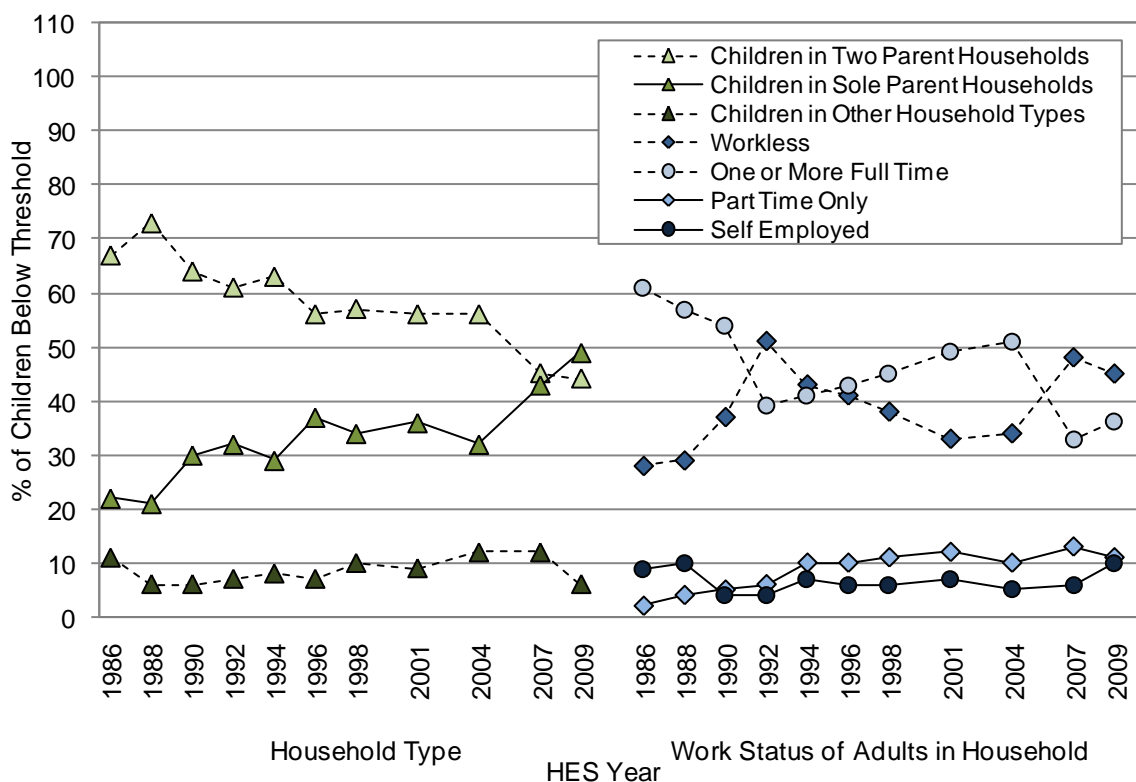
Composition of Children Living in Poverty by Household Type and Work Status of Adults in Household

Household Type: In New Zealand during 1988-2009, the proportion of children living in poverty who were from two-parent households declined, while the proportion who were in one-parent households increased. Thus by 2009, 49% of all children living in poverty were in one-parent households, as compared to 21% in 1988 (**Figure 5**).

Work Status of Adults in Household: In New Zealand during 1986, the highest proportion of children living in poverty came from families where at least one adult worked full time. During 1988-1992 however, the proportion of children living in poverty who were from households where at least one adult worked full time declined markedly, while the proportion of children from workless households increased, so that by 1992 children from workless families made the greatest contribution to those living in poverty. During the 1990s however, these trends reversed, so that by 2004 a greater proportion of children living in poverty again came from households where at least one adult worked. Following the introduction of the Working for Families package, these trends reversed yet again. Thus during 2008-2009, the highest proportion of children living in poverty came from workless households (**Figure 5**).



Figure 5. Composition of Dependent Children Living Below the 60% Income Poverty Threshold (2007 Median, After Housing Costs) by Household Type and Work Status of Adults in the Household, New Zealand 1986-2009 HES Years



Source: Perry 2010 [4], derived from Statistics New Zealand, Household Economic Survey (HES) 1986-2009: Note: Totals in each category sum to 100% of children living below poverty line.

Summary: Child Poverty

In New Zealand during 1988-1992, child poverty rates increased markedly, as a result of rising unemployment and the 1991 Benefit cuts. During 1994-1998 however, rates declined, as economic conditions improved and unemployment fell. During 1998-2004, child poverty trends varied, depending on the measure used, but between 2004 and 2007 they again declined, following the roll out of the Working for Families package. For the majority of this period, child poverty rates were higher for younger children (0-11 vs. 12-17 years), larger households (3+ children vs. 1-2 children), sole parent households and households where the adults were either workless, or where none worked full time.

Families with Reduced Living Standards

The Ministry of Social Development has undertaken 3 Living Standards Surveys, in 2000, 2004 and 2008. At the time of writing some preliminary findings from the 2008 Living Standards Survey are available [6], but the full results are yet to be published. In brief, the preliminary analyses from the 2008 Survey suggested that:

1. The proportion of children living in hardship (ELSI Levels 1-2) had fallen from 26% to 19% between 2004 and 2008
2. Most of these gains were for low to middle income working families, with hardship rates for sole parent beneficiary families remaining steady at around 55%
3. Hardship rates for sole parent families were around 4 times those for two parent families (39% vs. 11%)
4. Beneficiary families with dependent children had hardship rates around 5 times those of working families with children (50% vs. 11%), but as there were many times more working families than beneficiary families, half of children in hardship were from working families and half from beneficiary families

5. Sole parent families in work (20%) had hardship rates well below sole parent beneficiary families (54%)
6. Although hardship rates for children had fallen, children remained significantly over represented in the hardship group

It is anticipated that a full analysis of the 2008 Living Standards Survey will be released in the next few months. In the meantime, the key results of the 2004 Living standards survey, as they relate to families with children, are presented below. When interpreting the data in this section, the reader must bear in mind that these findings may not fully reflect the current situation, with any differences likely to be along the lines of the preliminary findings outlined above.

Data Source and Methods

Definition

Distribution of Families with Dependent Children by the NZ Economic Living Standards Index (NZELSI)

Data Source

The Ministry of Social Development's 2004 Living Standards Report [5]

Interpretation

The Economic Living Standard Index (ELSI) uses information on 40 items, which individually have a strong relationship with living standards (e.g. household amenities, personal possessions, access to services, and adequacy of income to meet everyday needs). The 2004 Living Standards Survey used the ELSI to survey a probabilistic sample of New Zealand residents aged 18+ years in March and June 2004. A total of 4,989 respondents answered on behalf of their family units, giving a response rate of 62.2%. The results in this section relate to the living standards of families with dependent children, with the level of analysis being the economic family unit, rather than the individual child. A more detailed discussion of the methodology used and the limitations of this survey can be found in the New Zealand Living Standards 2004 Report [5].

2004 Living Standards Survey

Living Standards by Family Type and Income Source

In the 2004 Living Standards Survey, 30% of all economic family units contained dependent children. While only 10% of family units without children were living in severe or significant hardship, this figure rose to 22% for families with dependent children.

The proportion living in severe or significant hardship also varied with family type and income source, with 42% of sole-parent families being classified as living in severe or significant hardship, as compared to only 14% of two-parent families. Similarly, 58% of families who relied on income tested benefits were classified as living in severe or significant hardship, as compared to 12% of families receiving their income from market sources. Further analysis however, suggested that the difference in living standards between sole and two-parent families was largely due to the former's greater reliance on benefits as their main source of family income [5] (**Figure 6**).

Living Standards by Ethnicity of Family Members

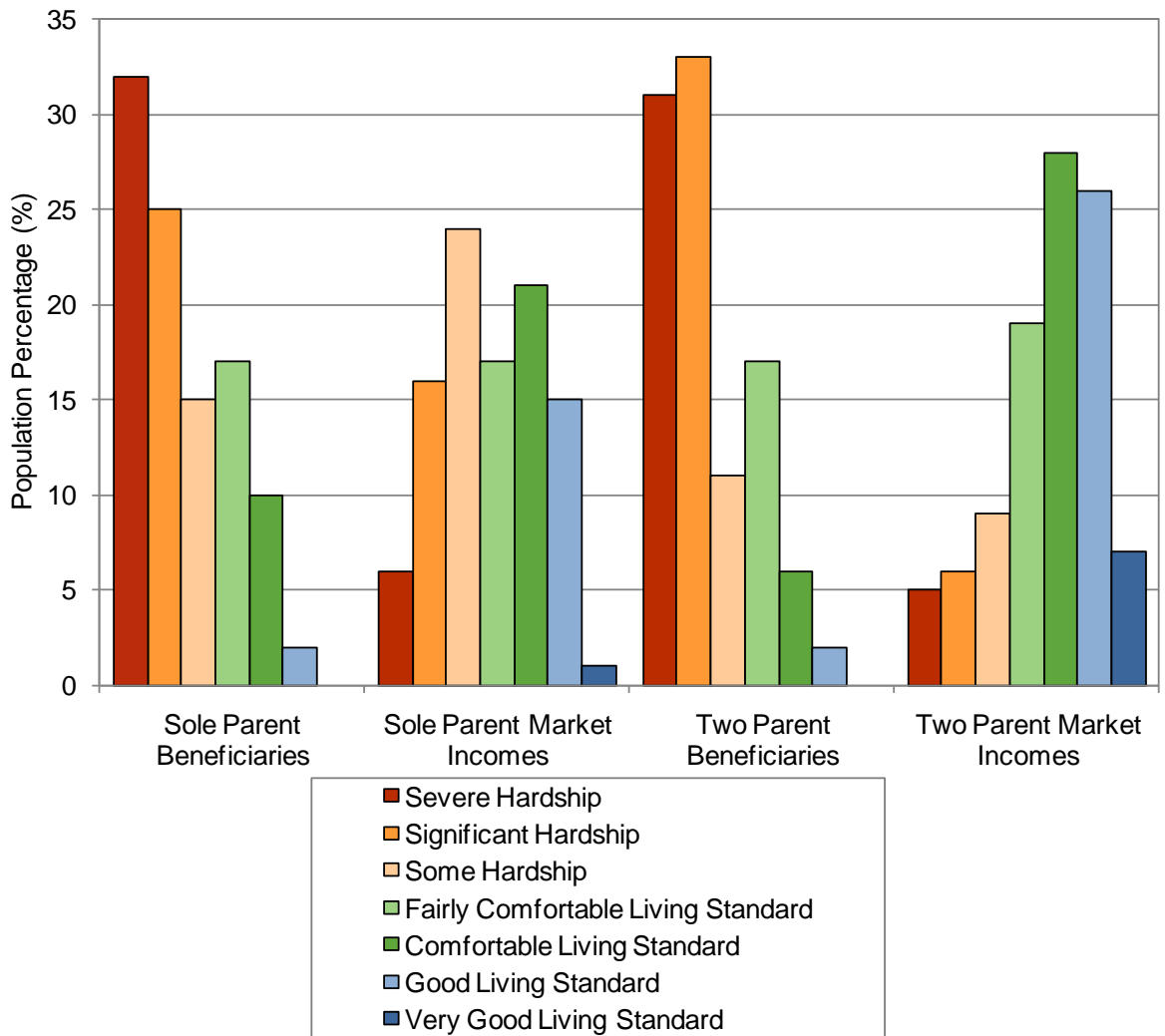
The 2004 Living Standards Survey also noted that European and Other families with dependent children had higher average living standards (37.6 and 38.4 respectively) than Pacific and Māori families with dependent children (25.3 and 31.6 respectively). Of note, 30% of all Pacific families with dependent children in the 2004 Survey reported living in severe hardship, as compared to 20% of Māori families, 8% of European families and 4% of Other families (**Figure 7**).

Constraints Placed on Children's Consumption by their Families Living Standards

The 2004 Living Standards Survey also explored the constraints placed on children's consumption arising from their families living standards and noted that of children living in severe hardship, 51% had to go without suitable wet weather gear, 38% were unable to have a friend over for a meal, and 34% were unable to have friends over for a birthday party because of the cost. In addition, 46% of parents had postponed a child's doctor's visit and 36% had postponed a child's dentist's visit because of cost, and in 40% of cases children had to share a bed [5] (**Table 1**).



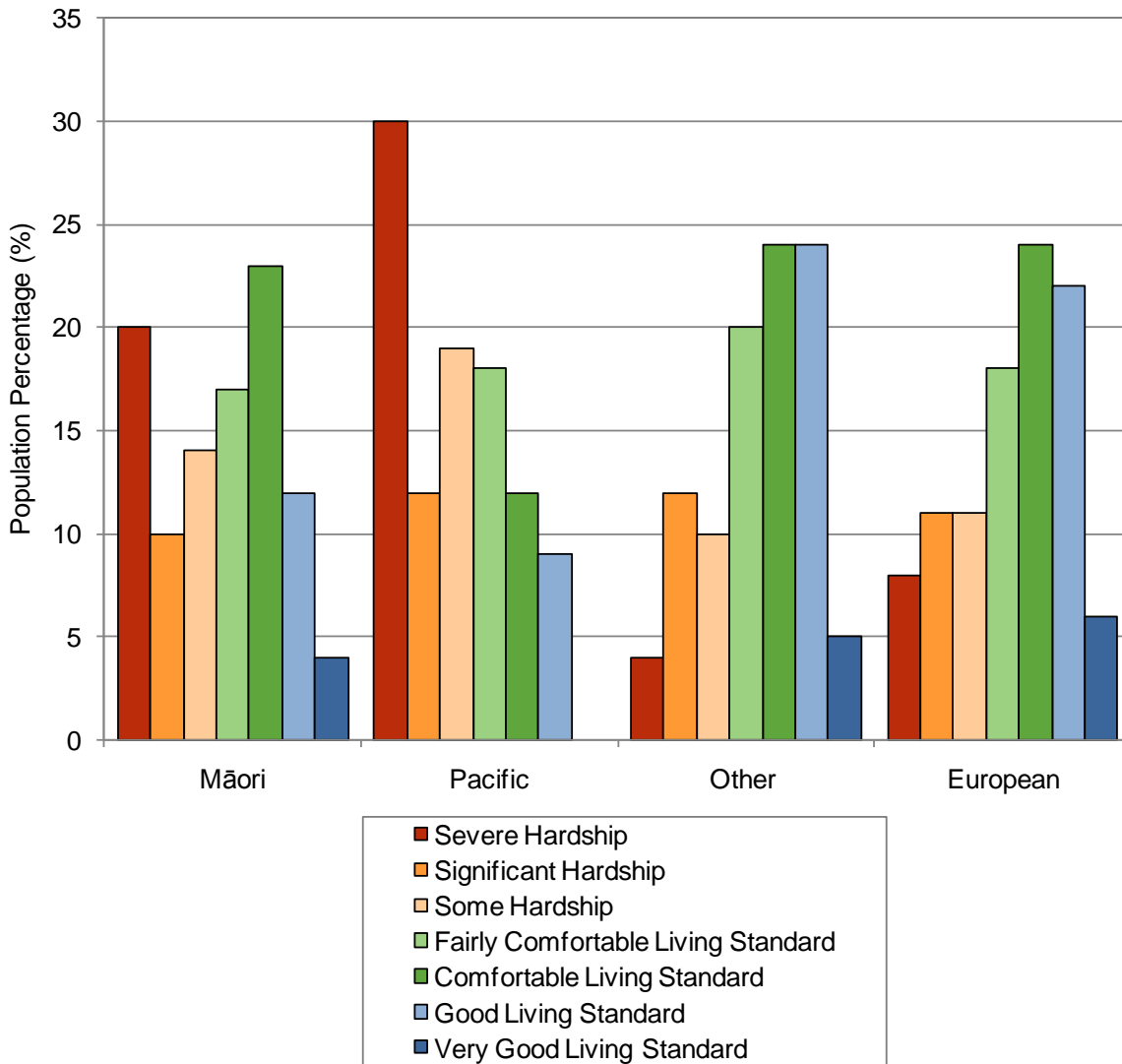
Figure 6. Living Standards Distribution of Families with Dependent Children by Family Type and Income Source, New Zealand Living Standards Survey 2004



Source: NZ Living Standards Survey [5].



Figure 7. Living Standards Distribution of Families with Dependent Children by Family Ethnicity, New Zealand Living Standards Survey 2004



Source: NZ Living Standards Survey [5]; Family Ethnicity is based on total responses to the ethnicity question e.g. if any adult or child specified Pacific as one of their ethnicities, the family is counted as Pacific – thus these ethnic groupings are not mutually exclusive.



Table 1. Constraints on Children's Consumption by their Family's Standard of Living, New Zealand Living Standards Survey 2004

Category	Severe Hardship (Level 1)	Some Hardship (Level 3)	Good / Very Good Living Standards (Level 6 & 7)
Items Not Obtained / Not Participated in Because of Cost (% of Respondents)			
Suitable Wet Weather Clothing for Each Child	51	13	2
A Pair of Shoes in Good Condition	35	5	0
Child's Bike	45	10	1
Play Station or Xbox	37	10	1
Personal Computer	55	23	1
Internet Access	51	23	0
Pay for Childcare	35	15	2
Have Child's Friends Over for a Meal	38	6	0
Enough Room for Child's Friends to Stay the Night	35	9	0
Have Child's Friends to a Birthday Party	34	11	1
Items of Consumption Cut Back on (a Little or a Lot) Because of Cost (% of Respondents)			
Not Gone on School Outings	66	26	0
Not Bought School Books / Supplies	49	19	0
Not Bought Books for Home	61	33	1
Postponed Child's Visit to Doctor Because of Cost	46	20	1
Postponed Child's Visit to Dentist Because of Cost	36	20	1
Child Went Without Glasses	15	10	0
Child Went Without Cultural Lessons	55	40	4
Child's Involvement in Sports Limited	66	40	1
Child Wore Poorly Fitting Clothes or Shoes	65	33	1
Children Share a Bed	40	7	0
Limited Space for Child to Study or Play	72	34	1

Source: NZ Living Standards Survey [5].

Summary: Living Standards

The Ministry of Social Development has undertaken 3 Living Standards Surveys, in 2000, 2004 and 2008. At the time of writing some preliminary findings from the 2008 Living Standards Survey are available [6], which suggest that:

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