

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 contact with the justice system. 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

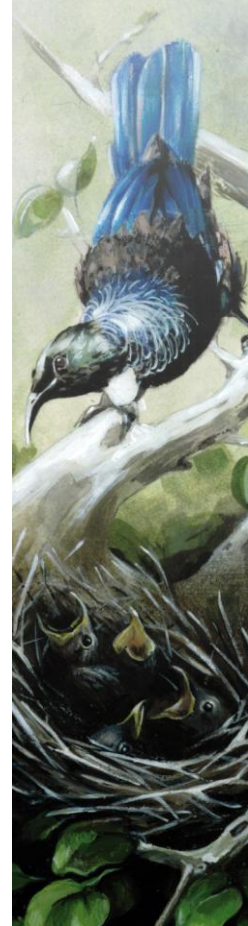
1. Proportion of children with equivalised disposable household income < 50% or <60% current median
2. Proportion of children with equivalised disposable household income < 50% or <60% 1998 or 2007 median (adjusted for movements in consumer prices)

Data Source

Statistics New Zealand Household Economic Survey (NZHES n=2,800–3,500 households per survey) via Perry 2011 [6]. Note: Child Poverty measures are reported on by the Ministry of Social Development using NZHES data [6], 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 2011 [6].

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 the same year). Constant-value (CV) poverty measures select a median at a set point in time (e.g. 1998 or 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). In his 2011 update, Perry [6] notes that in real terms, the median income in 1998 was similar to 1982 and thus there is a good case for using 1998 as the reference year for CV poverty calculations back to 1982, as well as forward from 1998. By 2007 however, the median was 16% higher than in 1998 and by 2009, 26%. Thus the reference year was changed to 2007. While reporting CV poverty figures back to 1982 using 2007 as the reference tells us what proportion were 'poor' back then, relative to 2007, this approach is not useful for assessing the extent of hardship 'back then' relative to the standards of the day. Thus in the analyses which follow, 2007 CV figures are provided from 2007 onwards, with earlier years using 1998 as the reference year. The first two figures however, report 1998 and 2007 CV figures for the entire period, in order to demonstrate the impact the change of reference year has on the poverty rates produced.



Note: 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 2011 [6].

Child Poverty Trends Using Different Poverty Measures

Before Housing Costs

Relative Poverty (Compared to Contemporary Median): In New Zealand, relative child poverty rose rapidly during 1990–1992, a rise which Perry [7] 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 2010 were similar to what they were in the 1980s [6] (**Figure 1**).

Fixed Line Poverty (Compared to 1998 and 2007 Median): In New Zealand during the 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 (CV 2007 median only). Rates fell more rapidly (both CV 1998 and 2007 median) during 2004–2007, a change which Perry attributes to the Working for Families package [7] (**Figure 1**).

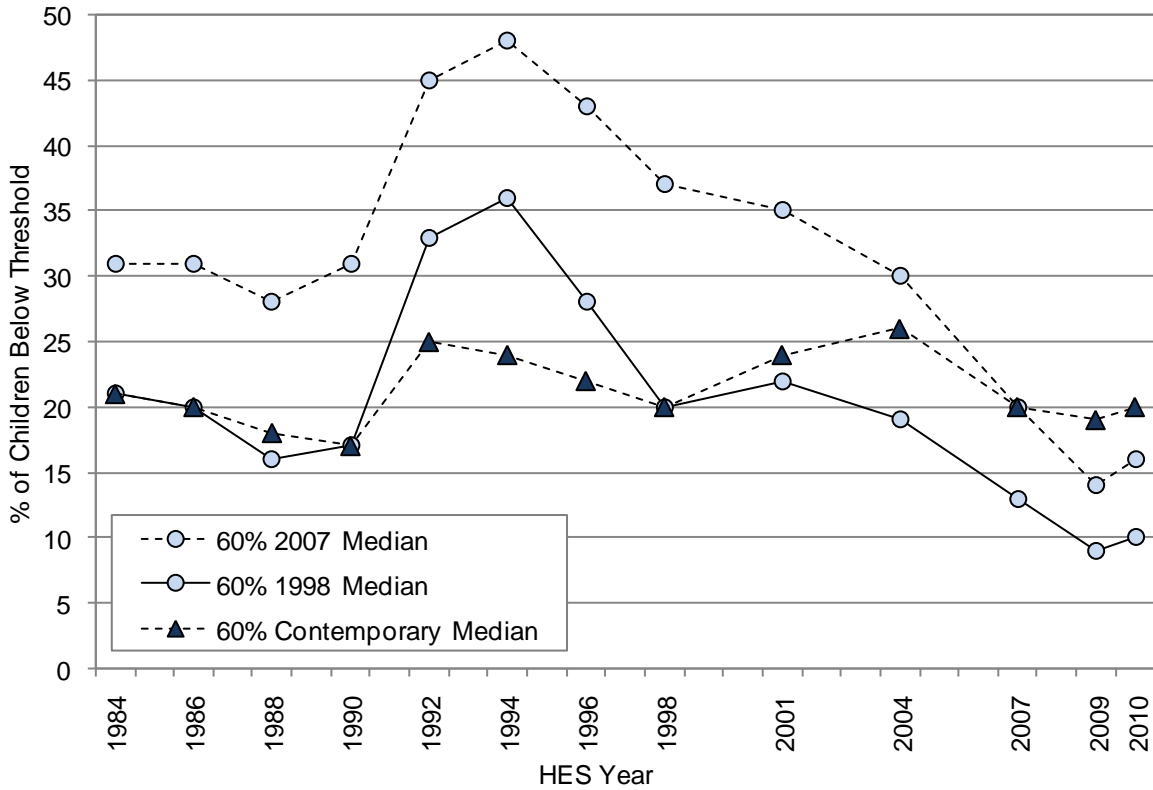
After Housing Costs

Relative Poverty (Compared to Contemporary Median): In New Zealand during 1982–2010, 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 2010 remained higher than in the 1980s, while BHC measures were closer to 1980s levels. In addition, during 2007–2010 using the after housing costs measure, child poverty increased from 22% to 26%. Perry [6] attributes these differences to the fact that housing costs in 2010 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 2007 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 2007–2010 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 2007–2010 [6] (**Figure 2**).

Fixed Line Poverty (Compared to 1998 and 2007 Median): In New Zealand during 1984–2008, trends in fixed line child poverty after adjustment for housing costs (AHC), were broadly similar to before housing cost (BHC) measures, with the fixed line (AHC) poverty rate in 2007 being around the same as it was in the 1980s (in contrast to the relative AHC poverty rate, which was much higher than in the 1980s) (**Figure 2**).

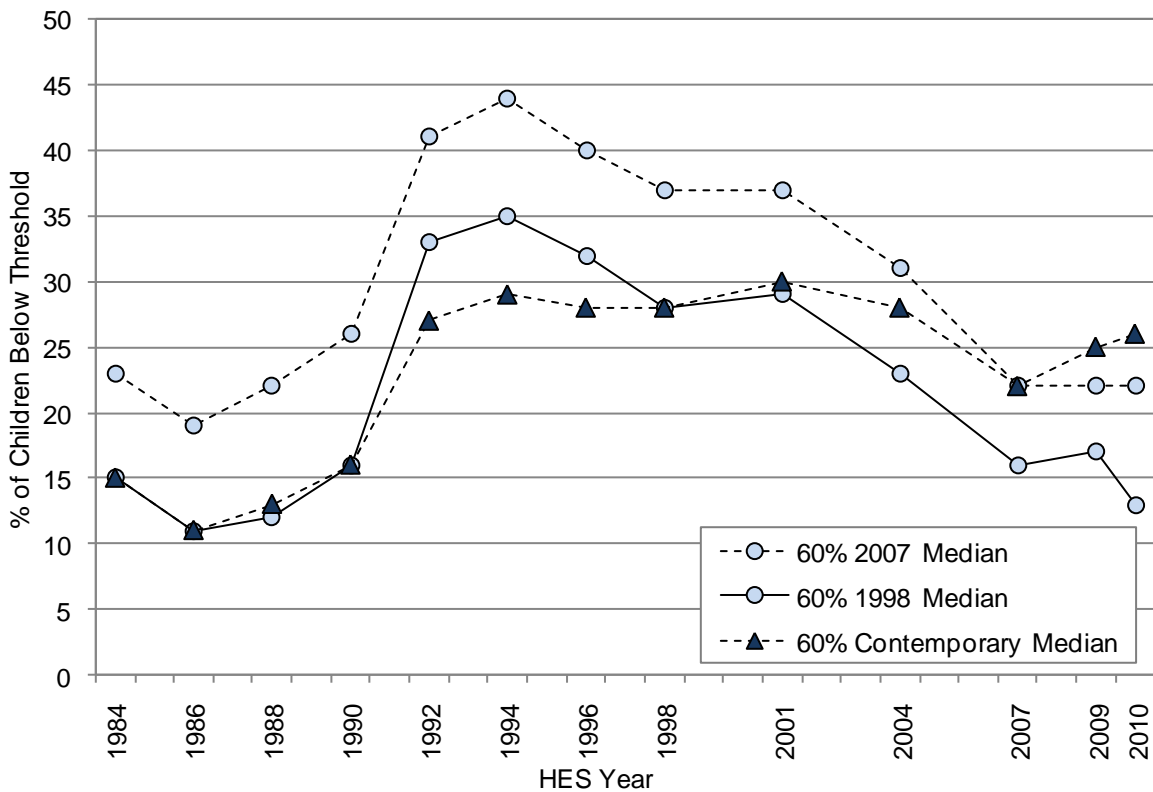


Figure 1. Proportion of Dependent Children Aged 0–17 Years Living Below the Income Poverty Threshold Before Housing Costs, New Zealand 1984–2010 HES Years



Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010.

Figure 2. Proportion of Dependent Children Aged 0–17 Years Living Below the Income Poverty Threshold After Housing Costs, New Zealand 1984–2010 HES Years



Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010.



Child Poverty Trends: <60% of 1998 / 2007 Median, After Housing Costs

Child Poverty by Children's Age

In New Zealand during 1984–2010, poverty rates for younger children (0–6 years and 7–11 years) were generally higher than for older children (12–17 years) (Figure 3).

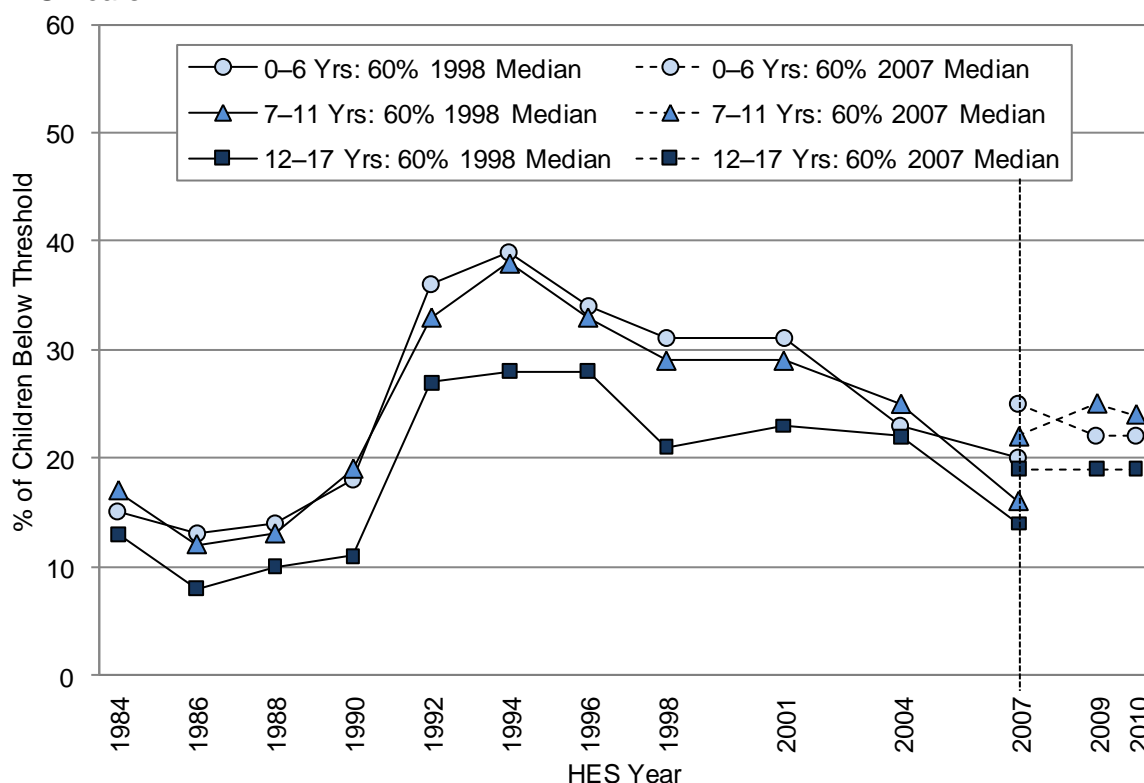
Child Poverty by Number of Children in Household

In New Zealand during 1984–2010, child poverty rates for households with 3 or more children were consistently higher than for households with 1–2 children (Figure 4). (Comment: Perry notes that in 2010, children from these larger households made up 48% of all poor children [6]).

Child Poverty Trends by Household Type

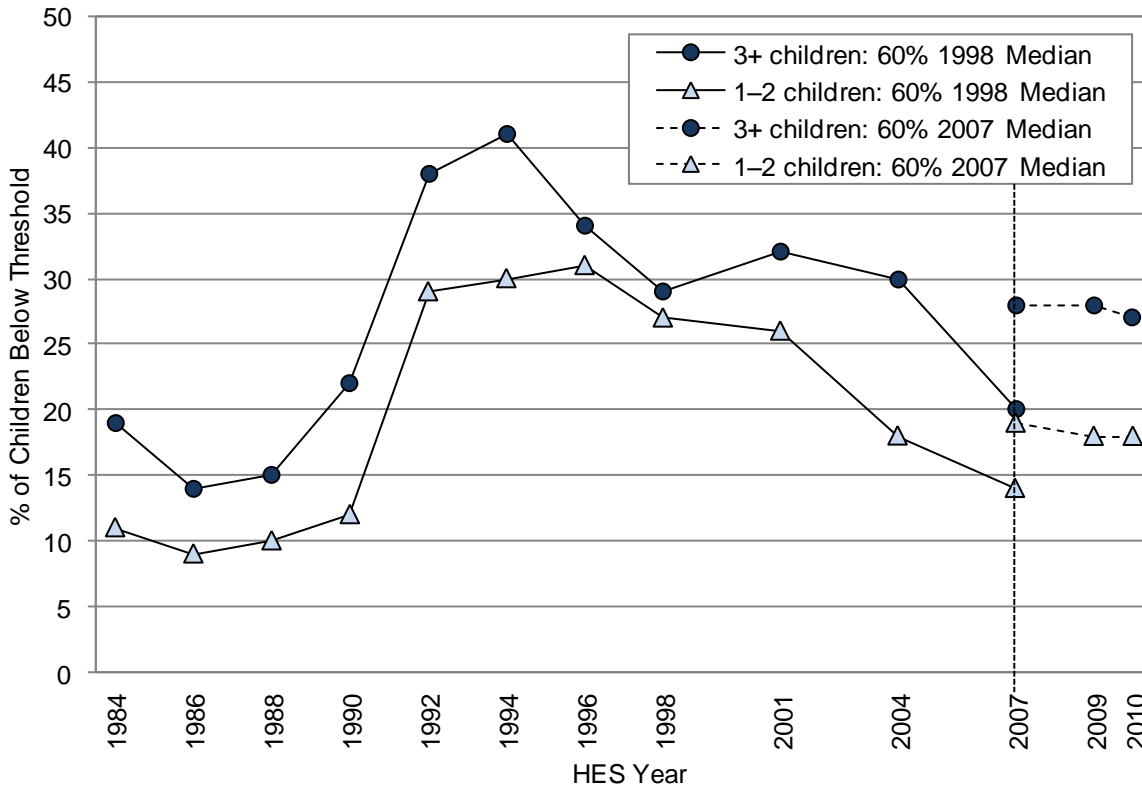
In New Zealand, child poverty rates for children in both sole-parent and two-parent households increased rapidly between 1988 and 1992. In absolute terms however, poverty rose most rapidly for children in sole-parent households, with rates reaching a peak of 77% in 1996 (two-parent: rates peaked at 29% in 1994). While rates for both household types declined between 2001 and 2007, during 2007 child poverty rates for those in sole-parent households remained higher than their 1980s levels, while rates for two-parent households were similar (Figure 5). (Comment: Perry notes that one in three 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 [6]).

Figure 3. Proportion of Dependent Children Living Below the 60% Income Poverty Threshold (1998 and 2007 Median, After Housing Costs) by Age, New Zealand 1984–2010 HES Years



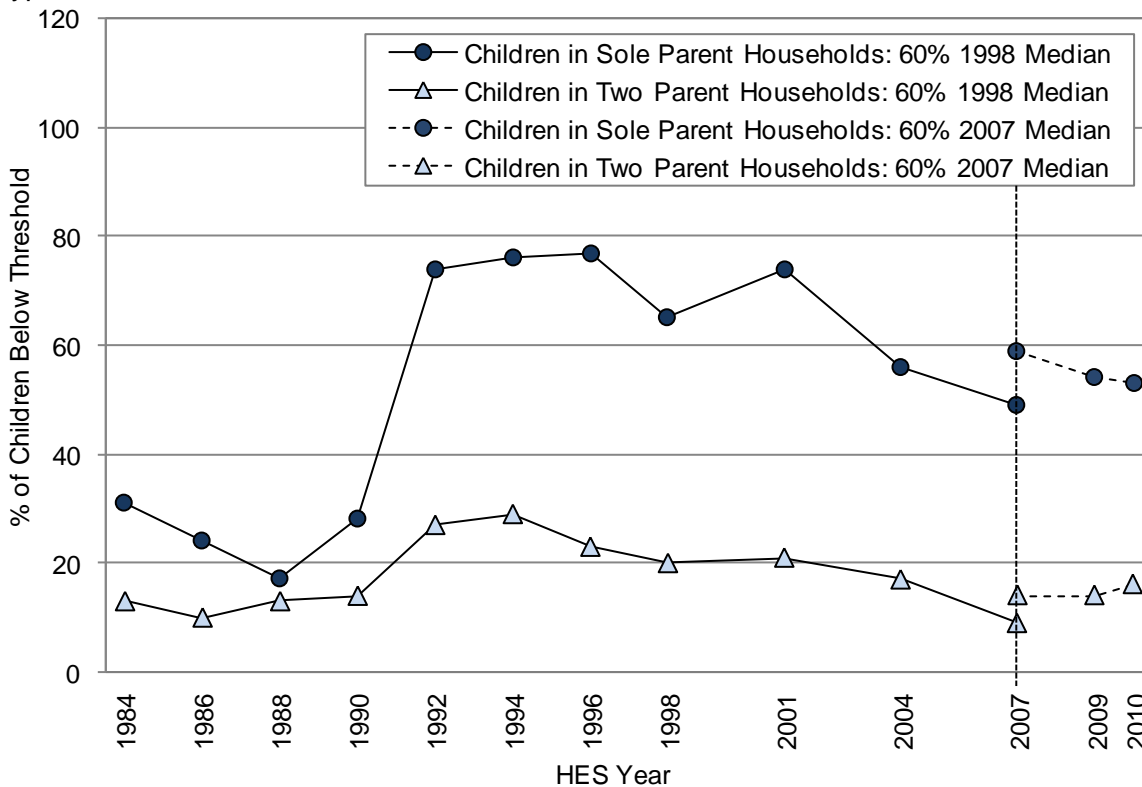
Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010.

Figure 4. Proportion of Dependent Children Aged 0–17 Years Living Below the 60% Income Poverty Threshold (1998 and 2007 Median, After Housing Costs) by Number of Children in Household, New Zealand 1984–2010 HES Years



Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010

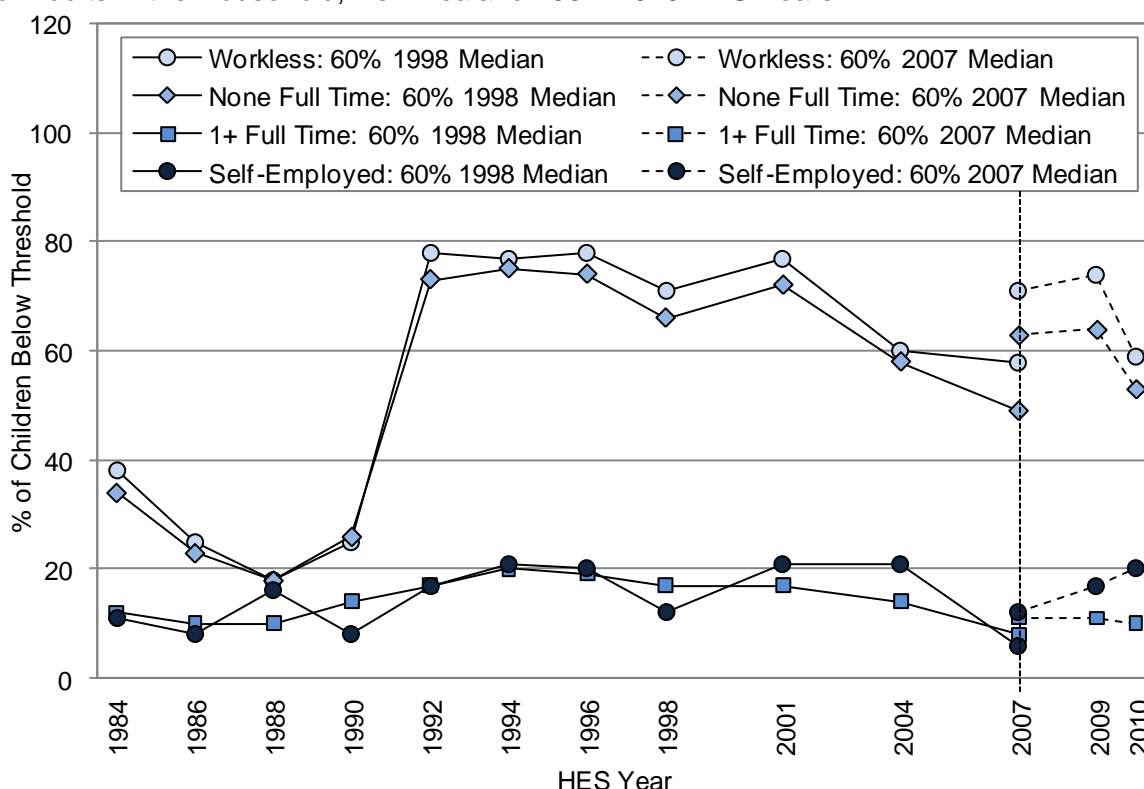
Figure 5. Proportion of Dependent Children Aged 0–17 Years Living Below the 60% Income Poverty Threshold (1998 and 2007 Median, After Housing Costs) by Household Type, New Zealand 1984–2010 HES Years



Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010.



Figure 6. Proportion of Dependent Children Aged 0–17 Years Living Below the 60% Income Poverty Threshold (1998 and 2007 Median, After Housing Costs) by Work Status of Adults in the Household, New Zealand 1984–2010 HES Years



Source: Perry 2011 [6], derived from Statistics New Zealand, Household Economic Survey (HES) 1984–2010.

Child Poverty Trends by 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 66%–78%), 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 6). (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 $\approx 3\text{--}4x$ higher, and by 2007–2009 it was $\approx 6\text{--}7x$ higher [7]).

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 or more 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 three national Living Standards Surveys, in 2000, 2004 and 2008. The 2008 Survey collected information from 5000 households on their material circumstances, including ownership and quality of household durables, their ability to keep the house warm, pay the bills, have broken down appliances repaired, and pursue hobbies and other interests [4]. The following section briefly reviews the living standards of children aged 0–17 years, using the 2008 Living Standards Survey's composite index of deprivation.

Data Source and Methods

Definition

Proportion of Children Aged 0–17 Years with Deprivation Scores of Four or More

Data Source

The Ministry of Social Development's 2008 Living Standards Survey [4].

In the 2008 Living Standards Survey, respondents provided information about themselves and others in their Economic Family Unit (EFU). A respondent's EFU comprised the respondent and partner (if any), together with their dependent children in the household (if any). This was a narrower concept than the census family unit which includes other family members such as adult children and parents of adult children.

In the survey, total response ethnicity was used, meaning that categories were not mutually exclusive, as one person could be in two or more categories depending on their response. When the analysis was repeated using prioritised ethnicity however, the change in classification had minimal impact on the results.

Deprivation Index Used in 2008 Living Standards Survey

In the 2008 Living Standards Survey, a 14 item material deprivation index was used to compare the relative positions of different population groups. Each item in the index assessed an 'enforced lack', with items being divided into two categories: ownership / participation, where an item was wanted but not possessed because of cost; and economising items, which focused on cutting back or going without in order to pay for other basic needs. The deprivation score for each respondent was the sum of all enforced lacks, with a cut off of 4+ being used as a measure of material hardship, as it represented the 15% of the population experiencing the most hardship (and was thus seen as being equivalent to the MSD's income poverty measures).

14 Items (*Enforced Lacks*) Included in 2008 Living Standards Survey Deprivation Index

Ownership/Participation

- A Good Bed
- Ability to Keep Main Rooms Adequately Warm
- Suitable Clothes for Important or Special Occasions
- Home Contents Insurance
- Presents for Family and Friends on Special Occasions

Economising 'A Lot' (To Keep Down Costs to Help Pay for Other Basics)

- Continued Wearing Worn Out Clothing
- Continued Wearing Worn Out Shoes
- Went Without or Cut Back On Fresh Fruit and Vegetables
- Bought Cheaper or Less Meat than Wanted
- Postponed Visits to the Doctor
- Did Not Pick Up a Prescription
- Put Up With Feeling Cold to Save on Heating Costs
- Went Without or Cut Back On Visits to Family or Friends
- Did Not go to a Funeral (Tangi) You Wanted to

Proportion of Children with High Deprivation Scores

In the 2008 Living Standards Survey, 51% of Pacific children, 39% of Māori children, 23% of "Other" children and 15% of European children aged 0–17 years scored four or more on the composite deprivation index, which measured a range of "enforced lacks", as outlined in the Methods box above. In addition, 59% of children whose family's income source was a benefit had scores of four or more (**Figure 7**). When broken down by individual item, those children who scored four or more on the composite deprivation index had much higher exposures to household economising behaviours such as having to wear worn out shoes or clothing, sharing a bed or bedroom, cutting back on fresh fruit and vegetables and postponing doctors visits because of cost (**Table 1**).



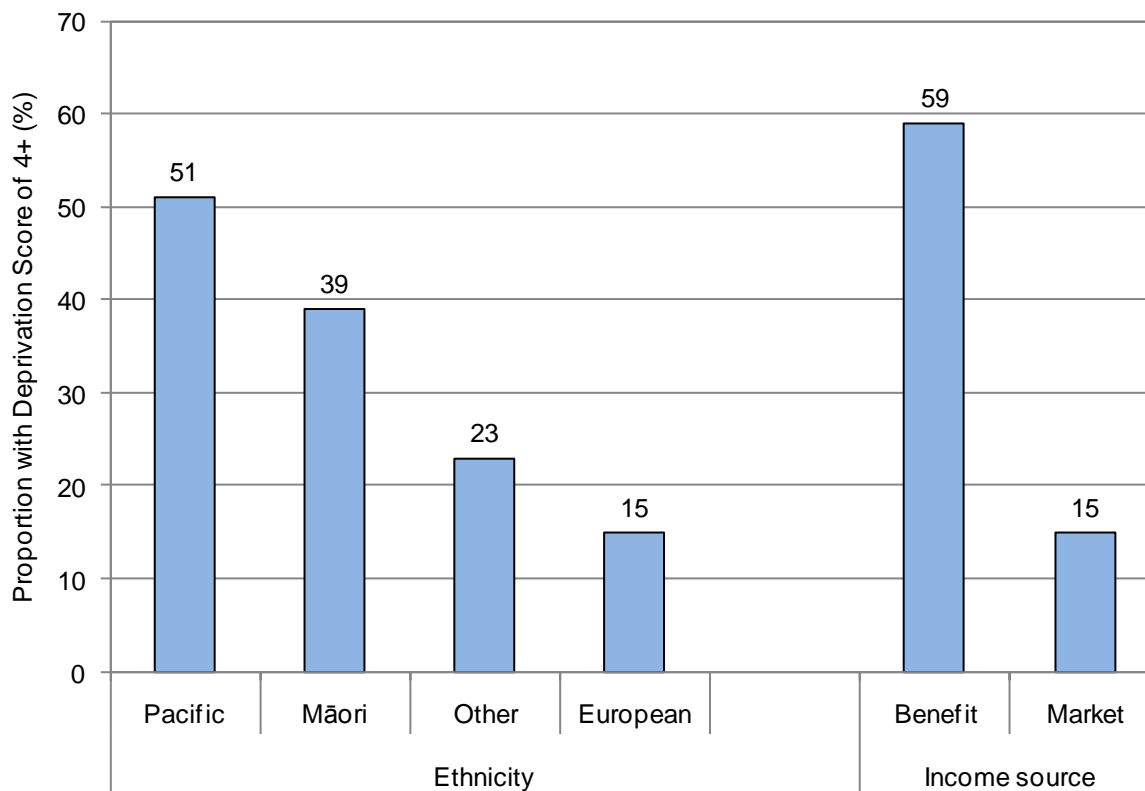
Table 1. Restrictions Experienced by Children, by the Deprivation Score of their Family, NZ Living Standards Survey 2008

	All	0	1	2-3	4-5	6+
Distribution of children across the DEP scores	100	41	18	18	10	12
Average number of children per family		2.2	2.3	2.5	2.7	2.7
Enforced lacks of children's items						
Friends to birthday party	6	-	-	5	9	31
Waterproof coat	8	-	2	8	11	39
Separate bed	5	-	-	3	13	20
Separate bedrooms for children of opposite sex (10+ yr)	8	2	3	6	14	24
All school uniform items required by the school	5	-	-	2	9	19
Economising 'a lot' on children's items to keep down costs to afford other basics						
Children continued to wear worn out shoes/clothes	8	-	-	5	15	39
Postponed child's visit to doctor	2	-	-	-	5	13
Did not pick up prescription for children	1	-	-	-	3	7
Unable to pay for school trip	3	-	-	-	6	17
Went without music, dance, kapa haka, art etc	9	2	4	8	18	37
Involvement in sport had to be limited	8	-	4	6	17	32
Multiple deprivation						
4+ of the 11 children's items above	6	-	-	2	11	35
5+ of the 11 children's items above	4	-	-	-	7	29
6+ of the 11 children's items above	3	-	-	-	2	24
Children's serious health problems reported by respondent						
Serious health problems for child in the last year	28	22	25	31	35	43
Enforced lacks reported by respondent in child's family						
Keep main rooms warm	9	-	3	8	18	37
Meal with meat/chicken/fish at least each second day	3	-	-	-	6	18
Cut back/did without fresh fruit and vegetables	14	-	-	15	32	63
Postponed visit to doctor	14	-	4	18	38	65
One weeks holiday away from home in last year	33	14	28	42	52	73
Home computer	8	3	6	8	13	25
Internet access	9	-	7	9	18	28
Housing and local community conditions						
Physical condition of house (poor/very poor)	7	-	3	7	15	28
Major difficulty to keep house warm in winter	22	9	13	27	38	58
Dampness or mould (major problem)	17	5	13	18	37	49
Crime or vandalism in the area (major problem)	11	6	6	11	13	31

Source: NZ 2008 Living Standards Survey [4]



Figure 7. Proportion of Children Aged 0–17 Years with Deprivation Scores of Four or More by Ethnicity and Family Income Source, NZ Living Standards Survey 2008



Source: NZ 2008 Living Standards Survey [4]. Ethnicity is Total Response.

Summary

In the 2008 Living Standards Survey, 51% of Pacific children, 39% of Māori children, 23% of “Other” children and 15% of European children aged 0–17 years scored four or more on the composite deprivation index, which measured a range of “enforced lacks”. In addition, 59% of children whose family’s income source was a benefit had scores of four or more. When broken down by individual item, those children who scored four or more on the composite deprivation index had much higher exposures to household economising behaviours such as having to wear worn out shoes or clothing, sharing a bed or bedroom, cutting back on fresh fruit and vegetables and postponing doctors visits because of cost.

References

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