

A Fair Go for all Children

Actions to address child poverty in New Zealand

Michael Fletcher and Máire Dwyer



A report for the Children's Commissioner and Barnardos



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Michael Fletcher and Máire Dwyer
August 2008

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Foreword

This report was commissioned by my office and Barnardos because of the importance of child poverty in shaping the life experiences and opportunities of children in New Zealand. The work for this report began in 2007, long before the release of Child Poverty Action's Report, "Left Behind", earlier this year, and before the report of the Christian Council of Social Services. There are mutually reinforcing themes in all of these, but this report includes the latest possible data.

The common conclusion of all of these reports was the urgency and importance of addressing child poverty as a social and economic priority. Whatever views the New Zealand public may have of the impoverished, it is true that in our country the poorest are most often children. They are the ones who will bear the brunt of economic and social policies that do not take account of their effect on children.

We must learn the lessons of the past. During the late 1980s and 1990s, New Zealand experienced a doubling in the rate of child poverty. This should never be repeated. Furthermore, we must redouble our efforts to ensure that children really do get the best possible start in life, irrespective of the social status of their parents. We live in a society committed to values of fairness and equality for our citizens, and nowhere should this be clearer than in the way we care for our children.

There have been substantial improvements in the rates of child poverty, especially for some particular groups of children. There have been almost no improvements, or minimal improvements, for others. Extension to the Working for Families scheme made in April 2007 will continue to improve the situation for our poor and most vulnerable children and their families, but we must also look at how improvements can continue to be made for them.

This report has included extensive involvement by the Reference Group, composed of people with knowledge in the areas of child health, housing, social policy, education and child welfare. I want to record my personal thanks for the contribution made by these very busy people, and also to a number of others who have contributed to the quality of the report.

In tandem with the writing of this report, selected groups of children and young people from around New Zealand worked on defining poverty from their perspective. Then they put their thoughts into words and pictures. Some of their perspectives are reflected in quotes within this report. More of their comments and some of their photos and artworks will be released over time in other documents.

In particular, my thanks of course to the authors Michael Fletcher and Máire Dwyer, who have gone beyond the call of duty in their work for this report. Also, thanks to the other funders of the report, Barnardos who are its co-sponsors and the JR McKenzie Trust.

Finally, thanks to the two external peer reviewers Dr Simon Chapple, who is based with the OECD, and Rex Hewitt, working for Manukau City Council.

The report includes a series of proposals that constitute an action list for reducing child poverty. Some of these are 'big ticket' items and some are small. All of them will contribute to a positive trajectory for children's development leading away from poverty and social exclusion, on to a more positive future not just for them, but for all of us.



Dr Cindy Kiro
Children's Commissioner
August 2008

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The cover art, by Devin from Te Puru, has been selected from the Photovoice project.

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Executive summary and summary of proposals for action

“Variation in government policy appears to account for most of the variation in child poverty levels between OECD countries.” (UNICEF)

Children have the right to a decent standard of living; a standard of living that allows them to live healthy lives free of hardship, to achieve their full potential and to participate fully in society. Poverty limits children’s daily lives and their opportunities and exposes them to the risks of illness, social and emotional damage, and poor educational attainment. Poverty experienced in the early years or for long periods casts a shadow over the future and can lead to long-term health problems, decreased potential for gainful employment and lower adult earnings. Children who grow up poor also have a higher chance that their own children will grow up poor.

Child poverty affects us all. In money terms, there are extra health, welfare, education and other costs. In social terms, it drives a wedge between those growing up with plenty and those who regularly experience hardship and social exclusion. In the future, the ongoing costs are high for society, with greater social costs, lower productivity growth and poorer economic performance.

New Zealand is not alone in facing these issues. Across much of the developed world child poverty has become a policy priority in recent years as countries respond to the consequences for children, their families and society as a whole in the short and long terms.

Child poverty rates rose sharply in the late 1980s and the early 1990s. During this period, inequality rose more in New Zealand than in any of the 20 Organisation for Economic Cooperation and Development (OECD) countries for which comparable data is available. The key drivers were low wage growth for many working families, high unemployment and reductions in welfare payments.

Since then, a strong economy, higher rates of employment and wage growth, and the Working for Families package have reduced the numbers of children in poverty in New Zealand on both relative and absolute measures. Working for Families has been significant. Before its introduction, New Zealand was among the least generous countries in the OECD in its financial support for children. Now approximately three-quarters of all families with dependent children receive some assistance. However, according to the most up-to-date data available, in 2006/07, 230,000 or 22 percent of all children were living in households with incomes below the 60-percent-of-median income poverty line, after taking account of housing costs. This figure included 170,000 children (16 percent) below the more restrictive 50-percent-of-median income threshold. These figures do not reflect the full impact of the last parts of the Working for Families package, so there may have been some improvement since then. However, recent rises in many basic living costs will have offset some of these gains.

Of particular concern is the fact that child poverty is unevenly distributed across society. For children living in sole-parent families, the rate of poverty is five times as high as that for children in couple households. Poverty rates are also significantly higher among Maori and Pacifica children than Pakeha children.

The poverty rate for children in households where there is no full-time worker is six times higher than for those where at least one adult is in full-time work. The most recent figures show that almost two-thirds of children in poverty are in households without paid employment or with only part-time work; many of them will be in families receiving a work and income benefit. There is clear evidence that the value of the main benefits and supplementary assistance is currently too low to provide an adequate safety net for many children.

As more parents who are in a position to work have found jobs, families on benefits are more likely to be those with greater caring responsibilities, for young children or for ill or disabled family members. Two out of every five children whose disability is sufficiently severe for their carers to receive the child disability allowance are living in families dependent on a core benefit or New Zealand Superannuation.

The well-documented short- and long-term consequences of child poverty make it imperative that children do not continue to miss out on the basics. Ending child poverty means ensuring children have access to enough food, clothing, adequate shelter, and health care and the learning experiences and opportunities to develop to their full potential. While parents and caregivers have a primary responsibility, they need financial and other support to equip them to provide these essentials for their children. We all benefit from the healthy development of New Zealand children. Similarly, we will all pay the price for getting it wrong.

Lasting solutions to child poverty require action on many fronts, including economic management, taxation, labour market, education, health, welfare and housing policies, as well as support to help families facing particular difficulties. A great deal has already been done, or is under way; but to make further and substantial progress, more is needed.

Giving children a good start

Developmental science substantiates the wisdom of tilting public expenditure towards the early years of life. Government services need to ensure adequate income support and access to health care to safeguard the health of babies and children. Ensuring children are enrolled with Wellchild and a general medical practitioner (GP) from birth, and that they have free access to after-hours medical attention and GP services away from home, are vital to improving health outcomes for poorer children. The proposals for action also suggest tilting increases in expenditure through tax credits towards young children.

Damp, cold housing and overcrowding are a common experience of children living in poverty, and contribute to ill-health, poorer learning environments and family stress. Around half of Pacifica children and over a quarter of Maori children live in overcrowded housing. Expanding social housing sufficiently to house all families with children meeting the Housing New Zealand 'severe' and 'significant' housing-need criteria, increasing the maximum value of the accommodation supplement, and providing incentives for insulating houses, will improve housing for children in low-income families. The government's initiative to insulate all state houses within five years is also welcome, as it will improve the quality of their environment, and their warmth and health.

When children are very young they benefit from one-on-one care. Paid parental leave has benefited babies, employees and employers greatly since it was introduced in 2002. However, the maximum payments are too low, and the 14-week period of paid leave needs to be increased to 12 months.

Access to good quality free or low-cost early childhood care and education is vital for supporting parents who are in paid employment. It also promotes children's cognitive and social development, with lasting effects on subsequent educational attainment. Even after the welcome introduction of the '20-hours free early childhood education' policy for three- and four-year-olds and the increase in the childcare subsidy, there are still not enough affordable, high-quality early childhood care and education services to accommodate the needs of children and enable many parents to work, or to work the hours they want. This problem appears to be most acute in low-income communities. Therefore, increasing the supply of quality early childhood care and education services in low-income areas, and ensuring they meet the needs of Maori and Pacifica children, must be high priorities.

Supporting parents to work

Supporting parents in work, and ensuring they gain financially from their employment, is critical to reducing child poverty.

The paid parental leave and early childhood care and education proposals above are important ways of making it easier for families to combine work and parenting. Better access to out-of-school care services is also needed.

In the long term, the best way to increase parents' earnings is to improve their qualifications and skills to enhance their opportunities in the labour market. For the next generation, this means ensuring all children have quality early childhood care and education and they are supported so that they achieve good results at school. As many poor parents today did not have these advantages, learning and skills development at work is all the more important to increase their productivity, so that they and their children can thrive in an economy that rewards knowledge-based skills.

Better part-time jobs are another part of the story. More than 40 percent of children of sole parents who have part-time work live in poverty, so increasing the range and skill level of jobs that can be part-time is likely to reduce child poverty. Many others who are not working could improve their family's income with part-time work.

Such improvements help to create a 'virtuous circle', where young people feel more hopeful and positive about gaining qualifications and choosing a career, knowing that in the future they will be better able to balance their working lives with their family aspirations.

Supporting families with children financially

Working for Families significantly increased the value of family tax credits and the number of families receiving them.

Before Working for Families, New Zealand's expenditure on financial support for children was among the lowest in the OECD. These changes tilted support in favour of families with employment relative to those receiving a benefit. This change and strong employment growth have enabled some parents to move into employment and out of poverty. However, child poverty remains high among families living on benefits. Core benefit rates are too low for many families, and their buying power remains less than it was before the 1991 benefit cuts. Most children in families dependent on benefits are poor and, once housing costs are taken into account, some of these children are living in severe hardship. This has an immediate, and often lasting, effect on such children.

Regarding benefit rates, the example of New Zealand Superannuation is instructive. New Zealand has achieved an internationally low level of poverty among the elderly by providing old age pensions at an adequate level and adjusting them annually using a combination of price and wage changes. A similar approach to adjusting working-age benefits would better maintain benefit levels over time and could help reduce child poverty.

Currently, family tax credits pay more for older children. This is at odds with the reality that younger children need more parental care, and family incomes are likely to be lower when children are younger. Increasing the overall level of support to young children would help reduce child poverty, and target a time in children's lives when empirical evidence shows that poverty has a foundational effect on their development.

Similarly, further improving access to low-cost or free early childcare and education services and out-of-school services would probably be more effective in helping parents to take up work and in reducing child poverty than the in-work tax credit, most of which is paid to better-off families. Making the child support system work better for children and parents would reduce poverty among many children in sole-parent or separated families. At present child support payments paid to custodial parents on benefits are retained by the government to offset the cost of the benefit. Passing on these payments to the custodial parent, and treating the income the same as beneficiaries' other earnings, could reduce poverty for many children whose parents do not live together. In Australia, a similar policy reduced the poverty rate in sole-parent families by six percent.

Targets and action plans

Targets focus our efforts. As well as setting targets for the alleviation of income poverty, it is important to track children's access to services and life opportunities, to set targets for Maori and Pacifica children, and to track the outcomes of other vulnerable children. High-level commitment and a strong cross-agency agenda for the progressive elimination of child poverty are more likely to be achieved with broad-based buy-in, and work with relevant community organisations. Ultimate oversight should rest with a minister and department that does not also have responsibility for one of the specific areas concerned. Making Statistics New Zealand responsible for reporting against the targets would provide the means for independent monitoring across government.

This report canvasses a number of wide-ranging options that will contribute to a fairer distribution of resources among all New Zealand children. Achieving good outcomes for New Zealand children will depend upon the investment we are willing to make as a society in their interests. We cannot afford them to fail in significant numbers just because they happen to be born to parents who are themselves poor, or who encounter adverse events such as death, separation or illness, leaving them impoverished.

These proposals for action are offered as advice to the Children's Commissioner and Barnardos, as a means of reducing child poverty in New Zealand. Some of them are broad, long-term preventative measures, while others are specific and short term, but each can contribute to reducing child poverty in New Zealand. To be successful a package of actions is needed across many fronts.

Two things are clear: firstly, the government can impact directly on child poverty and has done so; the choices governments make do make a difference. Secondly, we all have a stake in making sure that children have the best possible start by ensuring that those who care for them, and children themselves, have the essentials expected for living in modern New Zealand, and the chance to develop as healthy citizens. We have a choice to make. Let us ensure it is a fair and dignified choice.

Proposals for action

The proposals for action discussed in this report are set out in the table below. They are grouped under the four key themes discussed above. The page number indicates where they are discussed in the report.

Some proposals are given a higher priority than others. Choosing priorities for expenditure is rightly a matter for public and political debate. That said, in our opinion, the most urgent next step to reducing child poverty is to address core benefit rates, because they are plainly inadequate. The children living in benefit-dependent families are those living in the most significant hardship. The second priority would be to tilt tax credits towards an earlier stage in the life cycle while extending remuneration and the duration of paid parental leave, increasing the availability of free or low-cost child care and education in low-income communities, and allowing child support payments to be passed on to custodial parents on benefits.

Summary table of proposals for action

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Ensure children can get after-hours and weekend medical attention and prescriptions at all times, without cost.	56
Improve immunisation rates to match the best-performing OECD countries.	56
Progressively extend free medical visits to children of all ages in all areas.	56
Expand the stock of public, local authority and non-profit rental housing to ensure timely allocation to all families with children who meet the “severe” and “significant” housing-need criteria.	58
Further develop long term, collaborative commitments between central government, local government, communities and business, to programmes of infrastructure development and community renewal in low-income communities.	62
Substantially increase funding via the Discretionary Grants Scheme for establishment grants and running costs, to equalise access to and participation in early childhood care and education services across deciles.	51
Provide free early childhood care and education for at-risk children aged 18 months to three years from low-income households, taking account of the lessons from the forthcoming evaluation of the Family Start early childhood hubs pilot.	51
In the medium term, extend the age range and number of hours of free early childhood care and education entitlement.	35
Provide extra support and funding (in addition to decile funding) to lower-decile schools, linked to specific programmes and initiatives such as reading recovery and professional development, with the objective of achieving equitable education outcomes.	53
Set targets for raising teenage parents’ school participation, qualifications and achievements to match average qualifications and achievements.	53

<i>Supporting parents to work</i>	<i>Page</i>
Raise the maximum payment rate for paid parental leave from its current level of under half of average adult full-time earnings to at least two-thirds of average full-time earnings, and extend the period of paid parental leave to six months (plus four weeks paternity leave) as a matter of priority, and subsequently to 12 months plus four weeks paternity leave.	33
Review the design and operation of the childcare subsidy with a view to making it easier and fairer to use, increasing take-up and ensuring adequacy.	35
Substantially increase funding to support the rapid development of affordable out-of-school services and extended school services, giving priority to lower-income communities.	36
Fund out-of-school services through direct support to providers on the basis of hours of use, rather than through the Out of School Care and Recreation subsidy.	36
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<i>Ensuring an adequate income for all families with children</i>	
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Review the mechanism for annual adjustments to benefit rates, and consider a mechanism, such as that used for New Zealand Superannuation, to ensure benefit rates maintain relativity with wages over time, as well as being adjusted for cost-of-living increases.	38
Restructure the family tax credit so as to reduce the number of rates and to provide relatively more assistance for young children.	41

Over time, phase out the in-work tax credit and raise the family tax credit, once the availability and affordability of childcare and out-of-school services in low-income areas and for low-income families have been expanded, making it easier for working parents to meet these work-related costs.	41
Progressively raise the threshold for family tax credit abatement to increase assistance to and reduce effective marginal tax rates for low- to middle-income working families.	42
Increase the maximum accommodation supplement payments so they reflect actual rental levels and establish a periodic review of maximum payments.	58
Develop better whole-of-government approaches to ensuring the repayment of government debt does not result in child poverty.	43
Pass on child support to custodial parents who are on benefits, and treat payments like any other earned income for the purposes of benefit abatement.	47
Remove the penalty on domestic purposes benefit beneficiaries who do not name liable parents.	47
Undertake a full review of the child support system, similar to the review in Australia, to ensure that it is fair, contributes appropriately to reducing child poverty and is responsive to the growth of shared parenting and blended families.	47
<i>Setting goals and targets</i>	
<p>Establish goals regarding child poverty including:</p> <ul style="list-style-type: none"> - an overall target for the elimination of child poverty, with two or three intermediate milestones - clear measurable targets for key indicators in the areas of education, housing, and health, linked to child poverty outcomes - decreasing net income inequality between the poorest and wealthiest households and between households with children and those without - measurable targets for specific population groups, including Maori and Pacifica children, children in migrant and refugee families, children with disabilities and children in foster care. 	64
Secure high-level commitment from all government agencies, giving ultimate oversight for achieving the goals to a senior minister and department that does not have responsibility for any one of the specific areas involved.	64
Make Statistics New Zealand responsible for an annual report on progress towards the established targets.	64

Chapter 1:

The case for action

Poverty

by Sa'o, Otahuhu

Poverty is just a word...
but a word that means a lot
not when said
but when seen.
Poverty is just a cycle
but an on-going cycle
not being altered
but left aside.
Poverty is on our conscience
but at the back of our minds
not acted on...
but why not?

While the living standards of most New Zealand children have improved over the past few years, the daily lives of many are still blighted by poverty and hardship. Children bear the direct impacts of growing up in poverty and the limits that it places on their lives and future opportunities. However, child poverty affects us all; it is economically costly now, it threatens our future economic prosperity and social well-being and it runs counter to New Zealanders' desire to give all children a fair go. This report proposes actions that New Zealand can take to address child poverty and become among those countries in the world that have the lowest child poverty rates and do the best in giving all children a good start in life.

Any plan to reduce child poverty needs to take account of the wider context in which children and families live. The problems cannot be solved by focusing solely on children's parents. That runs the risk of losing sight of the child, their particular needs and their right to an adequate standard of living.

Chapter 2 documents the many short- and long-term consequences of child poverty. From the start, poverty undermines children's entitlement to a good quality of life. It increases the likelihood they will have poor health and do less well at school. In the longer term, childhood poverty is associated with poor adult health, less employment and lower earnings, and a high risk of anti-social or criminal behaviour. There are large costs for the taxpayer too, in additional health, education and social expenditure now, and in a continuing tax burden as the children grow older and become disadvantaged adults.

One economic argument goes right to the heart of social and economic sustainability: global economic success will in future depend increasingly on highly skilled workers. If New Zealand is to continue to prosper into the future and compete effectively on the world stage, we cannot afford to sacrifice the healthy development of our productive human capital. Promoting healthy early childhood development, in particular, is a key to the social and economic development of New Zealand. This is made all the more critical by the ageing of the population. A child born today and starting work in about 20 years time will be entering the workforce when the proportion of the population that is aged older than 65 will be much higher than it is today. Enlightened self-interest may encourage some readers to consider the implications for care in our old age; there will be fewer workers to care for us practically and support us economically.

Poverty is ... not getting proper opportunities, choices you can't make, choices taken away.”

(From young people's group definition of poverty, Dunedin)

Some have expressed disquiet that this investment approach over-emphasises children as future workers, at the expense of valuing them as citizens in the present, or that some children, such as those with disabilities, may be undervalued by it. While the risk is real if a social investment calculus is applied too strictly and narrowly, for the most part there is no conflict, as investing in children's futures means ensuring their current rights and wellbeing.

In short, the case for action is threefold:

- social equity and children's rights to an adequate standard of living
- the unnecessarily high short-term and long-term health, education and welfare costs associated with the consequences of child poverty
- the need to develop highly skilled, highly productive workers to ensure our continued prosperity.

The starting point for the action plan outlined in chapters 4 to 10 is ensuring that every child gets a good start in life, regardless of their parents' income and capabilities. Ending child poverty means making sure children are sustained in the basics and stimulated by care, education and opportunities. Adults around them need the resources and the time to provide for and nurture their children.

Children live in many different family arrangements. Most children will experience more than one family form during their childhood. This may mean living with two parents together, one parent, or both parents separately. Some children live with grandparents and other family members, or in blended families. Some will have extended family actively involved in their care. Some parents will want to work full-time and so will need good care and education for their children from a relatively young age. Others will prefer to stay home while the children are little, or to work part-time. While choices vary and are influenced by culture and beliefs, two persistent trends are apparent; more mothers want to work when they have children; and more fathers, particularly separated fathers, want to spend time with their children. One of the challenges to be addressed is that too often such choices do not exist for poor families.

Chapter 4 discusses the support and community services that are crucial if children are to thrive and parents are to stay connected to the paid workforce through adequate wages and paid parental leave. Good early childhood and after-school care services to support paid work are central to reducing child poverty.

Chapter 5 considers the need for the system to ensure that all children have access to adequate income. There will always be some children whose families depend on benefits for some of their lives. This may be due to illness, disability, unemployment or caring responsibilities – circumstances that can strike any of us. In some cases, benefits will be long-term arrangements. The countries that are most successful in keeping benefit dependency to a minimum and in maintaining low child-poverty rates, are those that provide generous support for both parents in work, and all families with children.

Chapter 6 discusses child support and the desirability of passing on the child support paid on behalf of children living in benefit-dependent families to help lift some of those children out of poverty.

Chapters 7 and 8 outline ways of ensuring good opportunities and adequate living standards for children. They cover education and skill development from the early years through schooling; ensuring that children live in healthy housing and get appropriate health care; and galvanising of resources and support in deprived neighbourhoods. Such actions are critical for the long-term prevention of child poverty and for breaking the intergenerational cycle of disadvantage.

Chapter 9 discusses the importance of setting goals and targets and monitoring progress towards ending child poverty. Chapter 10 draws some brief conclusions.

There is a crucial long-term dynamic to these proposals for action. In preparing this report, we heard some marginalised children's views on poverty and the perspectives of some adults working with low-income children and families. Most of them emphasised the sense of hopelessness and loss of belief in the future that goes with poverty. Knowledge that the support is there to make it easier to combine parenting with decently paid employment, makes it more likely that young people will be optimistic enough to make sound decisions about schooling, tertiary training and work, which will flow through to better living standards for their children.

The case for making the eradication of child poverty an economic and social policy priority is compelling. It is not only about social justice, but about the present and future prosperity of our society. As noted New Zealand historian, anthropologist and author Dame Anne Salmond put it: "A society that does not take care of its young is a society with a death wish."

Chapter 2:

The consequences of child poverty

This chapter briefly summarises key evidence from the literature on the consequences of child poverty. The biggest direct effects are on children's – especially young children's – development, resulting in susceptibility to illness, poor health outcomes and educational achievement. These effects flow through to increase their risk of various poorer outcomes as adults.

Not every child exposed to poverty will suffer lasting effects. Children's life chances and long-term outcomes result from a complex mix of factors. For some, poverty will be temporary; others will avoid long-term effects because other aspects of their environment and family circumstances increase their resilience. Many will grow up to be healthy, successful adults despite the experience. That said, poverty, especially if it is of long duration, is a significant risk factor, raising the likelihood of adverse outcomes.

The health effects of poverty

Children in poor families are significantly more likely to be sick and injured, than children from higher-income families. The negative impact of low income on children's health is well established. In the United Kingdom, for example, it is estimated that eradicating child poverty would save the lives of 1400 children aged under 15 each year (HM Treasury, 2008). In New Zealand, a child growing up in a low-income household has on average a 1.4 times higher risk of dying during childhood than a child from a high-income household (Shaw, Blakely, Crampton and Atkinson, 2005). Children born into poverty are more likely to be born prematurely, to have a low birthweight and to die before the age of one (Child Poverty Review, cited in HM Treasury, 2004).

Developmental delay and illnesses such as gastroenteritis, ear infections and rheumatic fever are more prevalent among poor children. New Zealand had a rapid rise in the incidence of and hospitalisation for preventable diseases during the 1990s, which correlated with a rise in child poverty. While this trend has levelled out in recent years, rates of ill health remain high by OECD standards, and are higher than they were in the 1980s. (Turner and Asher, 2008).

Poverty during childhood has lasting effects on adult health. In New Zealand, the Dunedin Multidisciplinary Health and Development Longitudinal Study found that growing up poor is associated with higher rates of heart disease, alcohol and drug dependence, and worse oral health at age 26 (Poulton et al., 2002).

The effect of poverty on child health is often mediated through poor nutrition, cold or overcrowded housing, and barriers to accessing health services. One of the direct links between child poverty and poorer outcomes later in life is through the impact of poverty on diet and, thus on immediate wellbeing, as well as physical and mental development, health (including obesity) and social participation. New Zealand studies of the impact of poverty on families consistently show that spending on food is often the most dispensable item in a weekly budget (Wood, 2001; Waldegrave et al., 1999; Jamieson, 1999).

In the 2002 National Nutrition Survey about four-fifths of households said they could always afford to eat properly; one in five said they could "sometimes afford to eat properly". Forty percent of households in the lowest socio-economic areas said they could not always afford to eat properly, compared with six percent in the highest socio-economic areas.¹ Families with European children were the most likely to always be able to afford to eat properly (86 percent) compared with 64 percent of Maori families and 47 percent of Pacifica

¹ This is a survey of school students that used the New Zealand Index of Deprivation (NZDep) to classify schools.

**“Poverty is...moving houses,
always moving – stressful. Having to
move in the middle of the night – unable
to pay rent, scary. Don’t make a
lot of friends if moving a lot.”**

(From young people’s group definition of poverty, Paeroa)

families. Households with more than five children were also less likely to always be able to afford to eat properly (Ministry of Health, 2003). Foodbank services expanded considerably in the 1990s, their use falling somewhat between 2001 and 2004 with improved employment (Wynd, 2005). Anecdotal reports from foodbanks suggest that demand has not diminished significantly since then, as increases in the costs of power, housing and items such as milk products, bread and petrol have outstripped income growth for beneficiaries and low earners.

Damp, cold housing has been directly linked to a wide range of illnesses and diseases including respiratory infections, asthma, rheumatic fever, tuberculosis, skin diseases, depression and other mental illness. (Howden Chapman et al., 2007; Housing, Heating and Health Study, 2007). As well as contributing to the spread of infection, and being correlated in New Zealand with the prevalence of infectious diseases including tuberculosis and meningococcal disease, overcrowded housing can exacerbate stress and raise the risk of violence within households (Auckland Regional Public Health Service, 2006). It also interferes with educational achievement; more than one in 10 New Zealand students report there is not enough space in their home for them to do their homework (Adolescent Health Research Group, 2003). Insecure or unsatisfactory housing can lead to families moving often, which in turn affects children’s ability to maintain friendships and social connections, and to attend early childhood education and school, and reduces the likelihood that they will be registered with a doctor.

Disparities in poverty exacerbate disparities in health status between ethnic groups. Maori, across all income groups, have poorer health status than non-Maori (Ministry of Health, 2002). Data from the longitudinal Pacific Islands Family Study showed that more than a third of Pacifica mothers reported that their homes were damp (Butler, Williams, Tukuitonga and Paterson, 2003).

Poverty is also correlated with higher risks of the physical abuse and neglect of children (Gelles, 1992; Drake and Pandey, 1996). While most of the research on reported and substantiated cases of abuse and neglect is done in the United States, the higher risks of child physical abuse and neglect associated with poverty cannot plausibly be explained away by the greater visibility of child abuse in low-income communities (Dubowitz, Zuckerman, Bithoney and Newberger, 1989; Van der Kolk, 2001). Comparing children in families with an annual income of US\$15,000 or less with children in families with an annual income of US\$30,000 or more, Van der Kolk (2001) estimated the poorer children to be 44 times more likely to suffer neglect and 14 times more likely to be harmed by some form of abuse. While these are US figures, it is likely that the correlation between poverty and the physical abuse and neglect of children also applies in New Zealand.

Violence and chronic neglect tend to escalate in the presence of other social problems, and are sometimes linked with poverty, overcrowded housing and alcohol and drug abuse (Cadzow, Armstrong and Fraser, 1999; Dubowitz et al., 1989; Wilson and Horner, 2005). The highest rates of partner abuse tend to be found among young cohabiting adults of low socio-economic status, particularly when they have children. Witnessing and being a victim of family violence during childhood is correlated with later victimisation and perpetration of violence (Lievore and Mayhew, 2007).

The impacts of poverty on cognitive development, education and adult earnings

Brooks-Gunn and Duncan (1997) examined the relationships between an array of factors associated with poverty and, using US longitudinal studies, distinguished the impact of low income itself from those of other factors associated with poverty. They concluded that family income was strongly related to children's ability and achievement-related outcomes, and that these effects were particularly pronounced among children who lived in extreme poverty or in poverty for a long time, and when low income had occurred during pre-school or early school years. Poor quality schooling, which is correlated with high neighbourhood poverty, was found to possibly exacerbate the detrimental effects of family poverty on ability and achievement.

The impact of poverty on children's cognitive development and subsequent educational outcomes starts even before birth. Because children born into poor households are more likely to be born with low birthweights, they have a higher risk of low IQ and consequently poorer educational outcomes (HM Treasury, 2008).

Poverty during the first few years of life is also associated with an increased risk that a child will have access to fewer resources and sources of stimulation, which are vital for early cognitive development. Children living in low-income communities in New Zealand are also less likely to have access to and to attend early childhood care and education (ECCE) services. There is strong evidence, here and overseas, that attendance at high-quality ECCE services is beneficial for later educational achievement.

The *Competent Children* longitudinal study of Wellington children found that family income and mothers' qualifications were the factors most strongly associated with differences in children's competencies at age five. The length of participation in ECCE and the quality of that education were also strongly associated with competency, and the added value derived from ECCE was more marked for children from low-income families. The study also showed greater social and attitudinal competencies in children who participated in ECCE. By age 16, the benefits from participation in the most highly-rated ECCE services, in terms of higher scores on average for literacy, numeracy, logical problem solving and social skills, were still evident (Wylie et al., 1996; Wylie and Hodgen, 2007). Poverty knock-ons, such as the absence of Internet connections at home and space to do homework, can reinforce educational disadvantage.

Children who grow up poor also have worse employment and earnings outcomes in adulthood than children from non-poor households. This is partly due to the consequences of the effect of poverty on educational attainment; but there is evidence that childhood poverty affects adult employment and income even after taking account of education effects and non-financial aspects of household background (Gregg, Harkness and Machin, 1999). New Zealand research also suggests that childhood poverty is correlated with lower adult incomes (Ballentyne et al., 2003).

These effects on educational attainment and labour market outcomes have substantial, wide-ranging costs for society. The lower productivity, the higher welfare, remedial adult education and other costs are a drag on economic growth and living standards across the board.

The way the costs of child poverty flows through to personal and societal costs now and in later years is summarised in the diagram opposite.

The cost of not ending child poverty: A simplified map

	<i>Costs to the child</i>	<i>Consequences for society and for social spending</i>
Impact of poverty in childhood	<ul style="list-style-type: none"> - material and social hardship - higher incidence of mental and physical illnesses - higher incidence of accidental injury, physical abuse and neglect - knock-on effect on development during childhood - social exclusion – reduced aspirations, loss of confidence. 	<ul style="list-style-type: none"> - extra spending on preventable child problems – eg. health, remedial education - extra services, problems in school, spending on protective care, anti-social behaviour, childbearing when young and unsupported.
Future consequences	<ul style="list-style-type: none"> - greater chance of material hardship in adulthood, linked to continuing disadvantage - poorer health in adulthood, psychological wellbeing, ability to achieve life goals - consequences for own children. 	<ul style="list-style-type: none"> - extra spending on long-term consequences such as poor health, crime - reduced economic capacity resulting from failure of individuals to reach potential - further spending on poverty caused by intergenerational cycle of disadvantage.

Adapted from Hirsch, 2006

Chapter 3:

Child poverty in New Zealand

This chapter sets out some of the key data on child poverty in New Zealand. It reports the number of children living in poverty, using the most recently available data, describes the trend in child poverty rates over time, and how New Zealand compares with other developed countries. It provides data on which children are in poverty and poverty rates among particular groups of children. In addition to income-based measures of poverty, it reports information from the Ministry of Social Development Living Standards Survey. The chapter also provides information on poverty among children living in benefit-dependent households.

How many New Zealand children are living in poverty?²

The number of children counted as living 'in poverty' depends on the poverty measure used. The main measures used in the literature and in this report are explained in the box on page 21, *Measuring child poverty*.

Using the measures most commonly used by OECD countries and in Europe – the *relative poverty* benchmarks of 60 percent and 50 percent of contemporary median income – the most recent data yields the following approximate results for 2006/07:

Before taking account of housing costs:

- 210,000 children, or 20 percent of all children, were below the 60 percent threshold before housing costs are taken into account
- 140,000 (13 percent) were below the stricter 50 percent threshold before housing costs.

After taking housing costs into account:

- 230,000 children, or 22 percent of all children, were below the 60 percent of contemporary median income after housing costs threshold
- 170,000 (16 percent) were below the stricter 50 percent of contemporary median income after housing costs threshold.

These figures are all based on relative poverty measures, which means that when the median or middle income for the population as a whole rises (as it has in New Zealand recently), so too does the poverty threshold. Using the alternative *1998 constant value* threshold (as used in *The Social Report*) gives different figures. The 1998 median has now fallen significantly below the 2007 median, so these measures show lower poverty rates (by 2007 the 60 percent threshold on this measure represented only 51 percent of the contemporary median (Perry, 2008)).

The 1998 constant value poverty lines show that approximately:

- 140,000 children (13 percent) were below the 60 percent of median income threshold before housing costs are taken into account
- 70,000 (7 percent) were below the 50 percent threshold before housing costs
- 170,000 children (16 percent) were below the 60 percent of 1998 constant value median income after housing costs threshold
- 130,000 (12 percent) were below the stricter 50 percent after housing costs threshold.

² Unless otherwise stated, the data in this section and the next two sections comes from Perry (2008), which contains the most up-to-date estimates available.

In isolation it is not easy to determine how much money these poverty lines represent. The table below provides some context by showing the dollar values for two different household types. These figures represent the amount of money (after taxes and benefits) a family that is exactly on the poverty line would receive each week, before paying for housing costs.

Table 1: How much is not much?

Examples of 2007 dollar values of poverty thresholds for one-child households, before housing costs (dollars per week)

<i>Poverty line</i>	<i>One adult, one child</i>	<i>Couple, one child</i>
60% contemporary median (2007)	\$430	\$570
50% contemporary median (2007)	\$355	\$475
60% 1998-based constant value median	\$370	\$490
50% 1998-based constant value median	\$305	\$405

Trends in child poverty

Figures 1 and 2 below show large increases in child poverty between 1989/90 and 1993/94. After 1993/94 there was a period when constant value measures of poverty were falling, but relative poverty was not. Since 2000/01, most measures show some improvement, and all have improved between 2003/04 and 2006/07.

As the two graphs show, by 2006/07 child poverty rates before taking account of housing costs had generally returned to, or slightly below, their 1980s levels. However, once housing costs are taken into account the numbers still remain significantly higher than they were during the 1980s.³

³ We do not have comparable data earlier than 1981/82.

Figure 1: Child poverty rates, using selected thresholds, before housing costs

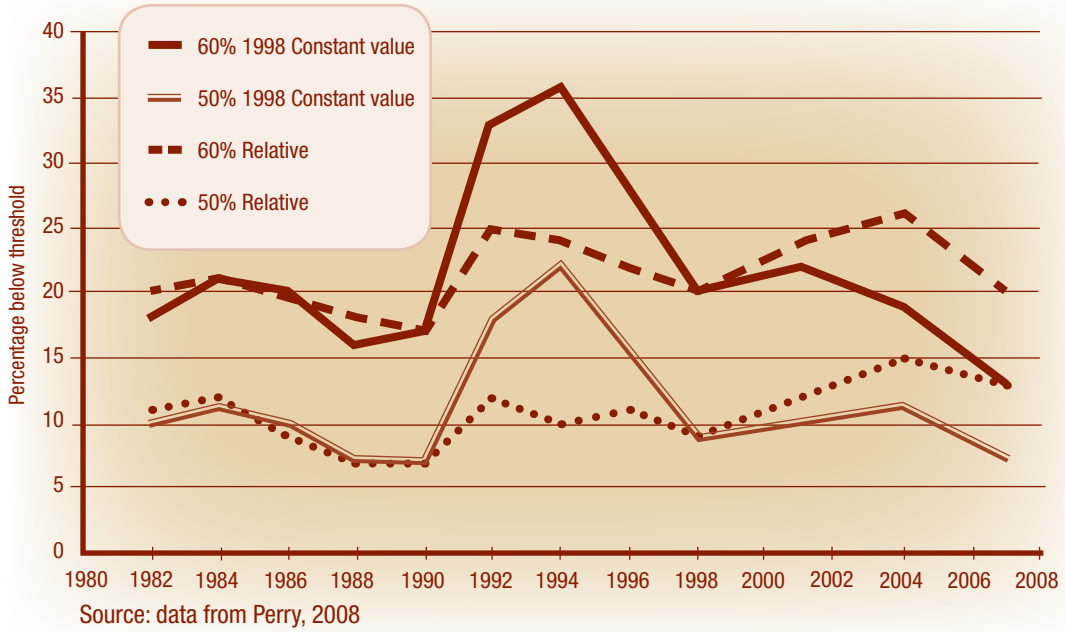
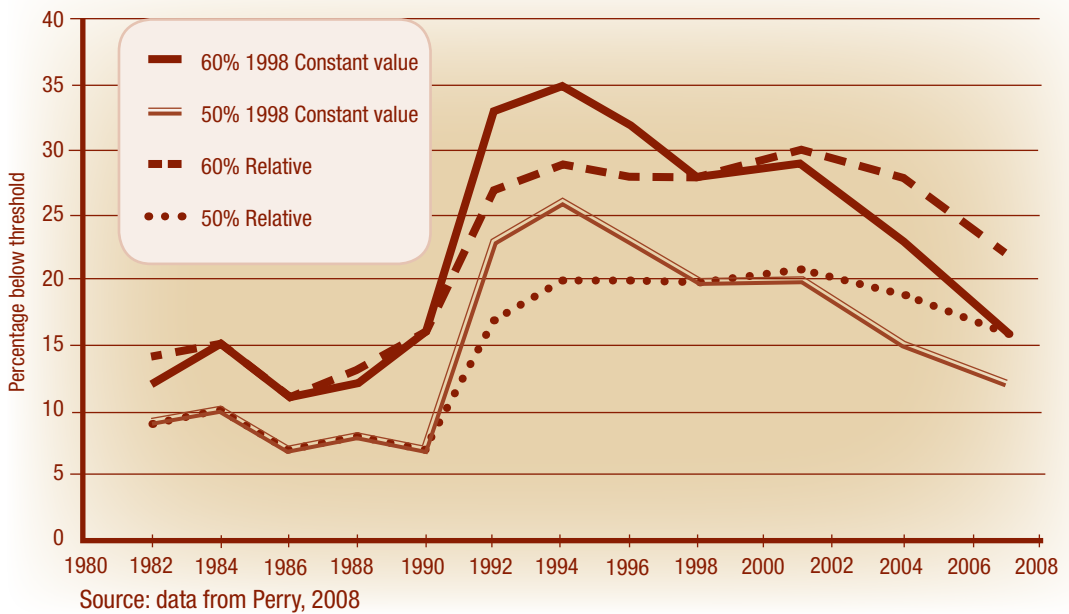


Figure 2: Child poverty rates, using selected thresholds, after housing costs



Measuring child poverty

Income poverty measures

Income poverty measures are used frequently in this report. They have the advantages that they are more readily quantifiable than other measures, and make it possible to compare groups and register changes over time. Although only an indirect measure, they have proven over many years to be a reasonable proxy for underlying poverty. Income poverty measures *equivalise* disposable household income – that is, the household's income is adjusted to take account of the number of adults and children living there. For example, using the 1988 Revised Jensen Scale, extensively used in New Zealand, a family of one adult and two children would need a disposable income of \$35,000 to have an equivalised income equal to that of a one-adult household with \$20,000⁴.

Poverty lines

Poverty rates are measured as the percentage of people whose equivalised disposable household income falls below a given level or poverty line. *Relative* poverty line measures set a poverty benchmark that changes as incomes rise or fall across the community. Commonly this is either 50 percent or 60 percent of current median income. In this way relative measures have built into them the notion that poverty must be defined as relative to the incomes of everyone else in society. *Constant-value* poverty lines choose a level of equivalised disposable income (often defined as a percentage of median incomes for some given year) and then adjust that line for overall movements in consumer prices. These measures seek to maintain a constant buying power at the poverty benchmark over time. Both relative and constant-value poverty lines can be calculated before or after taking account of housing costs (and housing subsidies). The advantage of the latter is that variations in housing costs can make a large difference to the way a given level of income translates into living standards.

Direct measures of living standards and deprivation

Measures of actual consumption of goods and services assess actual living standards directly, and define deprivation in relation to such things as household goods, food, housing, healthcare and education. Such measures can be constructed in several ways. In New Zealand, Ministry of Social Development's *Economic Living Standards Index* (ELSI) is a composite living standards index constructed from sample surveys conducted in 2000 and 2004. The ELSI living standard assigns a score ranging from 0 to 60, derived from a set of 40 self-rated, economic living-standard items, including certain items that specifically affect children.⁵ The population is classified into seven bands of living standards, ranging from 'severe hardship' (scores under 15) to 'very good' (scores over 45).

The overlap between income poverty and deprivation

Studies have shown that at any given time only about half of all households that are income poor are also deprived (the figure depends on the precise measure used for each indicator). However, looked at over a longer period, the two populations are much more aligned (Perry, 2002). This is because during a short period of low income, (or the beginning of a long period) a family may still have the assets and reserves needed to avoid deprivation. Equally, because of debts, accommodation set-up costs, the cost of catch-up purchases and other factors associated with poverty, such as ill health, it can take some time after household income rises for a family to move out of hardship.

⁴ Various scales are used in different countries, leading to important differences in measured poverty; so it is important that international comparisons are based on the same scale.

⁵ Questions cover ownership of household goods, warm clothing, going without food, inability of children or adults to attend doctors because of lack of money, access to cash for emergencies, and so on.

How does New Zealand compare with other countries?

Child poverty rates in New Zealand in 2004 were above the average of other developed countries. By 2007, the New Zealand rate was still above the average using the OECD 50 percent of median approach, but had moved to, or close to, the average using a 60 percent of median line. Table 2 compares OECD countries using data for around 2004, the most recent cross-country data available. It shows that New Zealand was 20th out of 30 OECD countries, and above the OECD median of 12 percent. At 15 percent, our child poverty rate was similar to those of Ireland, Germany, Canada and Japan, considerably less than those of Italy and the USA, but higher than those of Australia and the UK – and three times the average rate of the Nordic countries, Sweden, Finland, Norway and Denmark. In 2007, our child poverty rate using this measure was just under 15 percent (Perry, 2008), so it is unlikely our ranking relative to other OECD countries will have improved much over that period.

Table 2: Child poverty rates in the OECD (%) c 2004
50 percent of contemporary median threshold, before housing costs

Italy	26	Belgium	12
Turkey	25	Netherlands	12
Mexico	22	Korea	11
Poland	22	Slovakia	11
United States	21	United Kingdom	10
Portugal	17	Czech Republic	10
Spain	17	Hungary	9
Ireland	16	Austria	9
Germany	16	Iceland	8
Canada	15	France	8
New Zealand 2004	15	Switzerland 2001	7
Japan 2000	14	Denmark	5
Greece	13	Norway	5
Luxembourg	12	Finland	4
Australia	12	Sweden	4

Source: Förster and Mira d'Ercole, 2007, Annex Table A.5.3, cited in Perry, 2008

Another source shows that, at 26 percent in 2004, New Zealand's child poverty rate using the higher 60 percent measure was six percentage points higher than the European Union (EU) average of 20 percent. The more recent 2007 figure of 20 percent brings us equal to the EU average, although it too may have fallen since 2004 (Eurostat data cited in Perry, 2008).

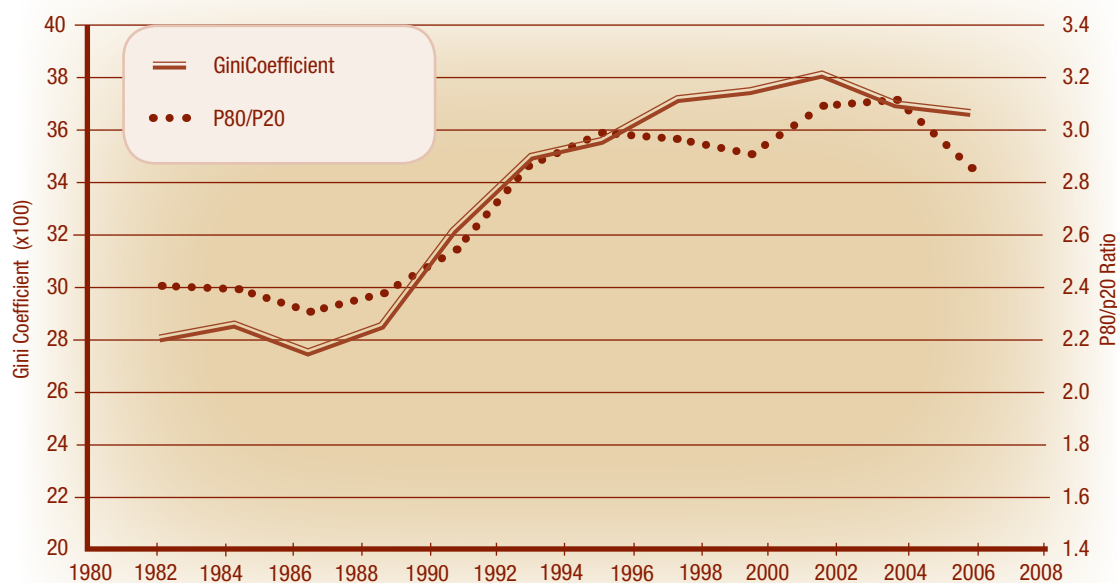
Income inequality

One of the key drivers of rising child poverty in the 1990s was a substantial increase in income inequality in New Zealand since the mid-1980s. The main factors increasing income inequality over the period were a rise in unemployment during the 1980s, low wage growth for low- to middle-income workers and reductions in the value of welfare payments, particularly at the end of the 1980s and in 1991.

Figure 3 below shows two common measures of income inequality – the Gini coefficient and the '80/20 ratio'.⁶ The graph shows income inequality rising sharply between the mid-1980s and mid-1990s – broadly the period when child poverty rose most rapidly. The gap has closed somewhat since 2001, although inequality is still much greater than it was in 1986. Wage growth, higher employment and redistribution through Working for Families will have contributed to the improvement since 2001.

International comparisons of changes in income inequality indicate that between the mid-1980s and mid-2000s inequality rose more in New Zealand than in any of the 24 OECD countries for which comparable data exists (Perry, 2008). Almost all of this increase occurred between the mid 1980s and mid-1990s. It is too soon to know whether the most recent reductions in inequality in New Zealand have improved our standing relative to other OECD countries.

Figure 3: Changes in income inequality in New Zealand, Gini coefficient and "80/20" measures
(disposable incomes after housing costs)



Source: Perry, 2008

⁶ The 80/20 ratio is the ratio of the income of a household 80 percent of the way up the (equivalised) income distribution to a household 20 percent from the bottom. The Gini coefficient takes into account differences in income between every household (and so is more affected by changes in the densely populated lower-middle part of the distribution (Perry, 2007)).

Which children are poor and which groups are most at risk of poverty?

Child poverty is very unevenly distributed, and some situations or circumstances expose children to a much higher risk of poverty. Key characteristics of the children typically in poverty are set out in Table 3 below.

Several points stand out:

- Being in a household where no adult has full-time paid work greatly increases a child’s risk of poverty. One of the most significant trends between 2003/04 and 2006/07 is that of all children in poverty, the proportion in households with no full-time worker has risen from about one-half to almost two-thirds (Perry, 2008).
- Living in a sole-parent household means a much higher risk of poverty. Using the 60 percent constant value poverty line and after taking account of housing costs, 49 percent of children in sole-parent households were in poverty. While this is considerably less than the peak of 77 percent in 1996, it is still over five times as high as the rate for children in two-parent households.
- Children in bigger families have higher poverty rates. The poverty rate for children in households with three or more children is approximately one and a half times the rate for households with only one or two children. While the survey sample is too small for a more detailed breakdown, it is likely that the poverty rate is higher still for very large families with five or more children.

Table 3: Which children are in poverty?

Estimates of numbers of children below poverty threshold and poverty rates by household characteristics 60 percent of constant value median income after housing costs

	<i>Number of children in poverty</i>	<i>Poverty rate for the group</i>
All children	170,000	16%
Household type		
Couple household	82,000	9%
Sole-parent household	65,000	49%
Other household types (multi-adult, etc.)	24,000	18%
Number of children in household		
One or two children	n/a	14%
Three or more children	n/a	20%

“What is poverty?...For the past 4 years we have had the lack of power, no fridge and no washing machine. Am I in poverty? Many would say I am although I’ve seen many worse off.” (Bessie, Paeroa)

Table 3: Continued

<i>Work status of adults in household</i>	<i>Number of children in poverty</i>	<i>Poverty rate for the group</i>
Self-employed	7000	6%
One or more in full-time work	55,000	8%
None full-time Of which:	111,000	49%
- part-time only	22,000	31%
- out of work	89,000	58%

Source: Perry, 2008 (and Bryan Perry, pers comm., for ‘part-time only’ rate)

The ethnicity of children living in poverty

Child poverty rates by ethnicity are not reported for the most up-to-date survey because of doubts over the quality of the data. However, earlier analysis for the 2003/04 year shows that Maori children are considerably more likely than Pakeha children to be living in households in poverty. Pacifica children, grouped in this data with children of ‘other’ ethnicities because of small sample sizes, also have higher poverty rates. These findings are consistent with other evidence about the ethnic distribution of poverty and deprivation, such as from the Census and from the New Zealand Index of Deprivation (NZDep)⁷.

Table 4: Child poverty rates by ethnicity

60 percent of constant value median income after housing costs 2003/04

<i>Ethnicity of child</i>	
Pakeha/European	16%
Maori	27%
Other (including Pacifica children)	40%
All children	23%

⁷ NZDep is a geographically-based measure of relative deprivation across communities throughout New Zealand (Salmond, Crampton and Atkinson, 2007).

Poverty duration

The longer the duration of poverty, (continuous, or in repeated spells) the greater the likely damage to children's current wellbeing and future outcomes (Brooks-Gunn and Duncan, 1997).

There is limited information available in New Zealand on the duration of poverty. However, one study uses linked annual income data to determine how many children in poverty in one year were still in poverty the following year. For the years 1997/98 and 1998/99, 16.5 percent of all children were below the 60 percent of median poverty threshold in both years, and 6.6 percent were below the lower 50 percent threshold (Ballentyne et al., 2003).

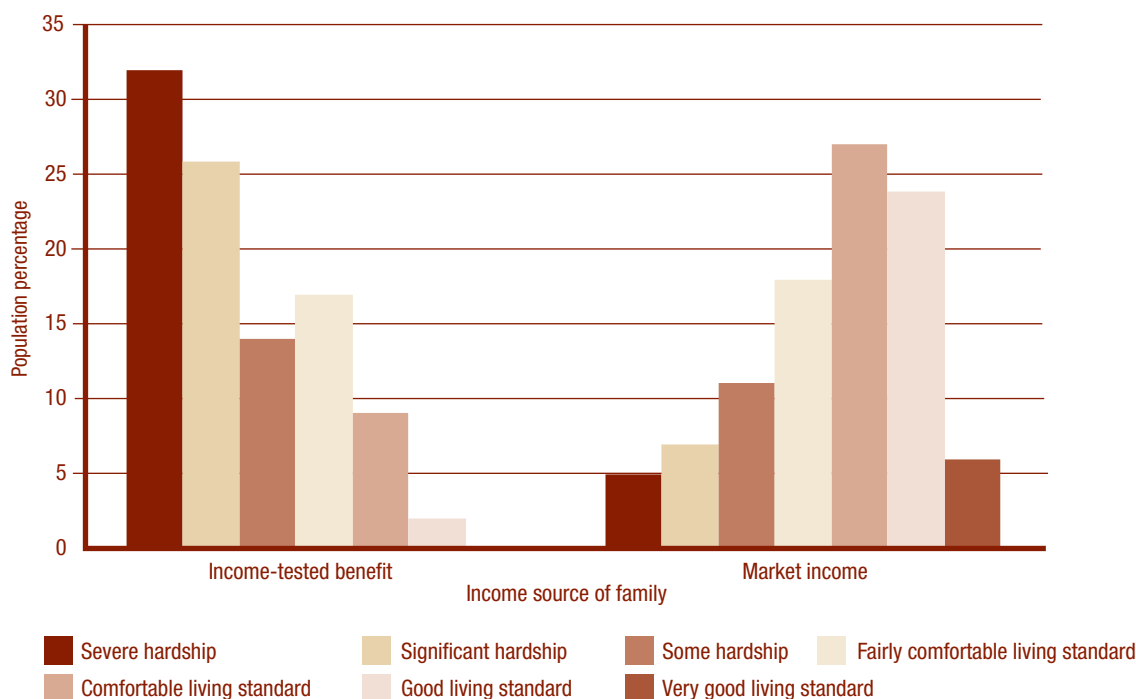
A different source of indicative information on poverty duration comes from an analysis of Ministry of Social Development (MSD) benefit receipt data which showed that one in five of all children born in 1993 were supported by a main benefit for at least five of their first seven years of life (Ball and Wilson, 2002). There is evidence to suggest some reduction in recent years, with a fall in the proportion of children supported by main benefits from just under one in four in 2002 to one in five in 2006 (Ministry of Social Development, 2007a).

However, the figure is still substantial; and, given the very high likelihood of families in receipt of a main benefit being below the 60 percent poverty line, these figures still indicate that a large number of New Zealand children experience long periods of poverty.

Direct measures of hardship - data from the Living Standards Survey

At the time of the MSD 2004 Living Standards Survey (that is, before the introduction of Working for Families), children had the lowest average living standard of all the age groups, with 38 percent in some degree of hardship, compared with 24 percent of the population as a whole (Jensen et al., 2006). Figure 4 below, which is taken from the 2004 Living Standards Survey report, shows the distribution of living standards for families with dependent children by income source. Consistent with the income poverty measures reported above, a high proportion (58 percent) of beneficiary families with children are in either 'severe' or 'significant' hardship. Families in the 'severe' category were found to be "highly constrained not only in consumption of items for the family as a whole (heating, holidays, etc), but also in child-specific items (children's shoes, school outings, etc)" (Jensen et al., 2006). To illustrate: the severest hardship group reported they lacked 39 percent of basics such as having to put up with feeling cold, having worn-out shoes, not buying children's books, children having limited space to study or play and not having friends over for meals. Also consistently with the income poverty estimates reported above, larger families (with three or more children) had lower average living standards than those with one or two children.

Figure 4: Living standards for families with dependent children, by income source (2004)



Source: Jensen et al., 2006

Ill-health, disability and child poverty

Data on rates of child poverty among families where a parent has poor health are sparse. However, poor parents are more likely to report ill-health; and single mothers, who tend to be poorer, have worse physical health than partnered mothers on average (this is largely attributed to socio-economic factors), and significantly poorer mental health.

A small New Zealand survey of domestic purposes benefit recipients found that more than 30 percent of the group classified their health as fair or poor, that their health status was lower than that of other women according to a number of indicators, and that this was the case in both relatively wealthy and relatively poor neighbourhoods, and for all ethnicities (Worth and McMillan, 2004). While there is no New Zealand data on the extent of ill-health in poor families, the UK, for example, has established that one in three children in poverty has a parent with a self-reported disability or long-standing health condition (Harker, 2006: 26).

Children with disabilities appear to be significantly over-represented in beneficiary families. The reasons for this are not known, but it may reflect both the strain of having a disabled child on parental relationships, and the common expectation that parents will care full-time for their disabled children, rather than be employed. At the end of June 2006, more than 10,000 people receiving a carer’s benefit – that is one in 10 of those receiving a carer’s benefit – also received a child disability allowance, which is paid where a child with a physical or mental disability requires constant care and attention. Overall, 40 percent of the 36,207 children for whom a child disability allowance⁸ was paid, lived in benefit-dependent or superannuitant families (Ministry of Social Development, 2007).

⁸ The child disability allowance is not income-tested and is available to families with disabled children.

Other children vulnerable to poverty

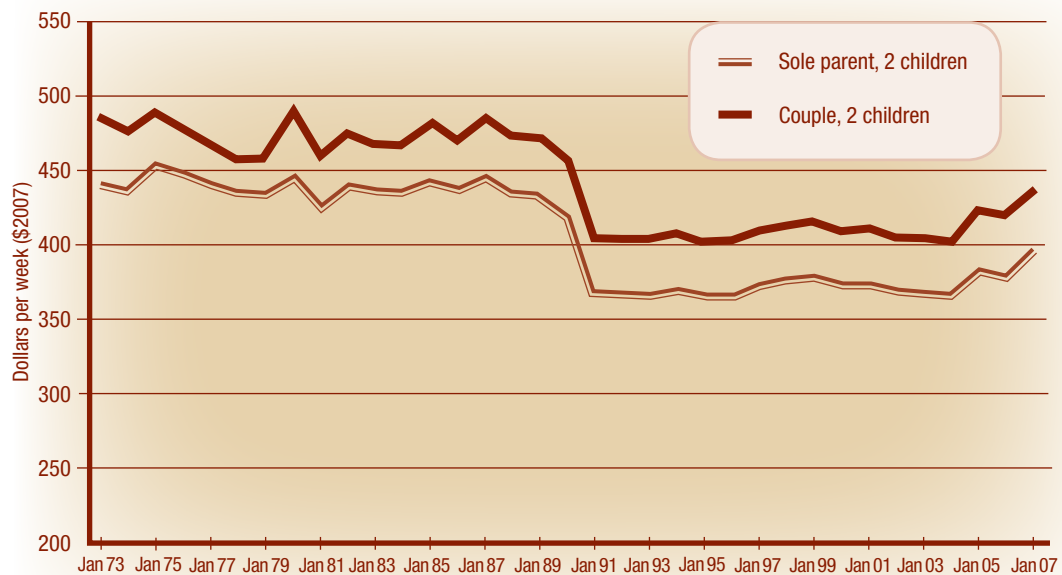
Children who come to the attention of Child, Youth and Family (CYF) are arguably among the most vulnerable of all, and are disproportionately from families receiving benefits (Rochford and Walker, 1996). A child does not necessarily escape poverty when moved into an informal or formal foster-care arrangement. Nearly half of the children for whom a non-means-tested, unsupported child benefit or orphan's benefit is paid, live in benefit-dependent families (3396 of 7502 children in June 2006). Many of these children are known to CYF. Maori and Pacifica children are more likely to have family members who are sick or disabled, and to be in informal foster care than Pakeha children.

Poverty among children dependent on benefits

In recent years, growth in employment and rises in wages (included increases in the statutory minimum wage), coupled with the extra support given to working families through Working for Families, have meant that the situation of children in low- to middle-income families with at least one full-time worker has improved. Nonetheless, even at the point where unemployment is the lowest in 25 years, in March 2008 there were still 199,000 children living in families dependent on benefits. Seven out of eight of these children – 176,000 children – were in sole-parent families on benefits. If, as is forecast, unemployment rises over the next two years, there is a risk that the number of children reliant on benefits will increase.

Figure 5 below shows the real value of core benefits plus family assistance (family benefit, family care, family support/family tax credit) payable to beneficiary families with no other income over the period 1973-2007. The reductions in core benefits rates in 1991, along with the non-indexation of benefits in the preceding three years, resulted in an evident decrease in the value of core assistance of about 17 percent. It was only partially offset by the introduction of the Working for Families reforms.

Figure 5: Real value of core benefits plus family benefits/family tax credits 1973-2007



Sources: Authors' estimates based on MSD Benefits data and Consumer Price Index

Figure 5, however, only tells part of the story, as it does not include changes in other assistance payable to beneficiaries. In particular, increases in the accommodation supplement will have increased the assistance paid to a significant number of beneficiaries since 1992/93, when the accommodation supplement replaced the accommodation benefit. On the other hand, reductions in third-tier assistance when the temporary assistance supplement replaced the special benefit in 2005 will have reduced payments to beneficiaries where they have an assessed deficiency of income in relation to their costs. Time series data on the average actual total payments to beneficiaries with (and without) children are not available, so it is impossible to trace overall trends in the amount of assistance paid to families on benefits.

A recent report from the Ministry of Social Development (MSD) does however provide some insight into how high housing costs interact with the full benefit package, including accommodation supplement, to deliver very low after-housing-costs incomes for many beneficiaries with children. That report showed that in 2006 the after-housing-costs incomes of unemployment or domestic purposes beneficiary families with children who lived in accommodation supplement 'Area 2' or 'Area 3' (that is, most towns and cities, excluding central Auckland, the North Shore and most rural areas), was between about 30 percent and 35 percent of median disposable incomes (MSD, 2007c).

Chapter 4:

Supporting families to combine employment and parenting

Introduction

Parents, with very few exceptions, want to be able to provide for their children and to have the financial resources, the time and the access to services to ensure their wellbeing. There is well-documented evidence that children benefit from growing up in a household where at least one adult is in paid work – as long as the hours and conditions of work do not adversely affect the child's support and care.

Policies that support parents so they can stay attached to the labour force, have been shown to be effective in reducing child poverty, particularly but not only in the Nordic countries. Strong support for working parents also makes it easier to maintain an adequate safety net for beneficiaries without undermining the overall balance of incentives to work. New Zealand has made considerable progress towards better support for parents in the workforce, but there are still many parents, especially sole parents, for whom combining work and caring for their children is difficult.

This chapter discusses three areas of labour market policy that are central to better supporting parents to work. There are strong connections between them and together they have a central role in making it possible to balance work and nurturing children. Importantly, they have the potential to create a 'virtuous circle', encouraging young people to obtain better qualifications and plan a career, knowing that they will be able to combine the career with fulfilling their family aspirations.

The three areas are:

- job factors: continuing adult skill development, job quality, flexible work, and wages
- paid parental leave
- quality care for children: access to affordable early childhood care and education and out-of-school services.

Job factors: wages, adult skill development, job quality and flexible work

Since 1999 the government has put substantial additional funding into adult education, especially adult literacy, industry training and modern apprenticeships. These are all important poverty prevention policies, in addition to their core purpose of raising productivity, and they will confer valuable long-run benefits by supporting wage growth.

However, the distribution of industry training and apprenticeships is very uneven and in many industries employers provide few opportunities for staff to advance to more skilled, better-paid positions.

In some areas, New Zealand is at risk of entrenching low wages and limited skill recognition in the institutional structure of certain industries. Often, these are occupations and industries dominated by prime-age female workers, many of them mothers. A good example is the care-givers employed in nursing homes and hospitals. Of these workers 92 percent are female, and 86 percent aged 30 and over. Average earnings for nursing home care-givers in 2006 was \$17,600pa, which (averaged between full- and part-time employees) works out at a little over \$12 per hour for often demanding and skilled work⁹. These low wage rates, and the virtual absence of scales for skill, stem from assumptions about the low value of caring, and they flow directly on to the living standards of the employees' families. Looking to the future, when New Zealand will have a larger population of frail elderly needing care, we will need a committed, skilled and stable elder-care workforce. It is not reasonable to expect to have both low-paid elder-care workers and low child poverty.

⁹ Data from Department of Labour website, www.dol.govt.nz

Lifting skills

“...I started doing a course to help my son and myself to have a better chance at a normal life...I’m now getting some qualifications so I can one day find a job to be able to give my son the life that he should have.” (Fleur, teen parent, Wanganui)

Flexibility, part-time work and gender equity

As well as providing opportunities for continuing skill development and higher earnings, employers will need to pay more attention to job flexibility to make it easier for mothers, fathers and other carers to combine working with caring for children. A more equal balance between the paid work of mothers and fathers, who work some of the longest hours in the OECD (Callister, 2005), is also something that most New Zealand parents want (Ministry of Social Development, 2006b).

These issues are not trivial. Women’s labour force participation has nearly doubled over the past 30 years and is higher now than at any time in that period (Department of Labour, 2008). As women’s educational achievement and labour force participation continue to increase, the rationale for ensuring that women maximise their use of skills, and are fairly paid for doing so, grows stronger. This is important for preventing child poverty as well as for New Zealand’s economic prosperity. Women’s attachment to the labour force shores up their future earnings and, in a society where many parents separate, provides a vital protection against the risk of child poverty. In the longer term, the knowledge that adequate paid parental leave is available is a strong incentive for women, in particular, to obtain higher skills, and to maintain their connection to the labour market.

New Zealand has a relatively large part-time workforce by OECD standards. Many mothers, in particular, work part-time, and part-time work plays an important role in helping families balance work and parenting. However, a growing body of evidence points to poorer skill utilisation (and wages) in the part-time workforce compared with that among full-time workers (Francesconi and Gosling, 2005). McPherson argues that better recognition of those who want to work part-time is the key to improving productivity, as the availability of part-time work attracts mothers who do not want to work full-time (McPherson, 2005).

There are two crucial kinds of flexibility: flexibility in working hours, both day to day and during school holidays; and flexibility in leave arrangements, so that parents can take time off when a child is sick or to attend school events and so forth. At present, flexible work provisions are more common in better-paid skilled jobs than they are in lower-paid jobs, where they are even more important for ensuring children’s wellbeing and maintaining families’ incomes. Too frequently, low-income families, especially sole parents, are forced to make unsatisfactory informal care arrangements or leave a child at home alone when she or he is sick.

The Employment Relations (Flexible Working Arrangements) Amendment Act 2007 will provide employees with a right to request flexible work from July 2008. This is a useful step, although it remains to be seen how employers and employees respond. More adaptive, responsive and flexible workplace cultures are also being promoted through the government’s Better Work, Working Better programme.

Part-time work combined with a part-benefit is encouraged as an option for sole parents by the disregarding of \$80 a week in earnings, and abatement of benefits at a lower rate for a further \$100 of earnings per week. These thresholds have not, however, been raised since they were introduced in 1996.

Initiatives to encourage employers to allow flexible work, and the design of employment benefits such as paid parental leave and KiwiSaver to include part-time workers, are significant steps towards legitimising part-time work as a viable option to lift income above the benefit level.

Proposal

Restore the 30 percent part-time work abatement threshold for sole-parent beneficiaries to the real value it had when it was set in 1996.

Wages

An important element of the child poverty problem facing New Zealand is that wages for the less well-paid have risen very little over the past 20 years, and the resulting gap has been only partly redressed by stronger wage growth in the past three years. Chapter 3 highlighted the growth in income inequality in New Zealand since the mid-1980s, a significant factor in which was the low growth in wages at the lower end of wage distribution. This low growth has flow-on effects for government. The more parents whose market incomes are low, the more redistribution through the tax-benefit system is needed to ensure their children do not live in poverty. Aside from being bad for child poverty, low pay rates can also damage productivity by discouraging businesses to invest in capital (Hall and Scobie, 2005).

The minimum wage plays an important role in protecting against very low incomes and in exerting upward pressure on all wages close to the minimum. The government has progressively increased the statutory minimum wage from \$7 per hour in 1999 to \$12 per hour in April 2008. In the past three years or so, wages have also been rising with stronger labour demand. These are important long-term poverty prevention measures, which sit alongside policies designed to improve the skill level of the workforce.

Proposal

Increase the minimum wage incrementally as economic conditions allow.

Paid parental leave

Paid parental leave (PPL) has a number of objectives, including promoting gender equity in the labour market. From the point of view of the child, it can play a crucial role in child wellbeing and in preventing child poverty through several mechanisms:

- It promotes bonding, child health and development, and maternal health, by making it possible for mothers to breastfeed.
- It allows both parents to have time off work around the time a baby is born and families to spend more time together during the early months of a baby's life without a severe loss of income or drop in living standards.
- It has a dynamic longer-term benefit on the income available to children by providing parents (and especially mothers) with more security of employment and confidence that they will be able to combine a career with raising a family.

**“Poverty is...Children left home alone
as parents need to work. Children having to stay
at home to look after brothers and sisters.”**

(From young people’s group definition of poverty, Dunedin)

Enhanced PPL provisions are a critical element of a strategy based on helping families to earn a decent income while promoting good child development and wellbeing. It is consistent with the approach taken here that policies and support need to fit with the life-stages of children and their families, and accommodate different family structures and circumstances.

Twelve weeks PPL was introduced in New Zealand in 2002 and extended to 14 weeks in 2004. Entitlement to the paid component of leave is dependent on six-month’s continuous employment with the same employer, for a minimum of 10 hours per week. Employees who have worked for the same employer for 12 months are entitled to 12 months job protection. Self-employed people are now also entitled to paid leave.

Payment is 100 percent of the recipient’s average weekly earnings, up to a maximum of \$391.28 per week before tax. This is less than the current minimum wage of \$480 per week for a 40 hour week. A maximum that is about 20 percent less than the legal minimum wage works only for families with a second earner on a good income or those who have been able to save to cover the lost earnings. It is insufficient for sole parents, low-income couples or one-income couples where the mother is the earner.

New Zealand PPL provisions are broad, in that they include parents who work short hours and the self-employed, but ungenerous by comparison with other developed countries. At 14 weeks, the duration of leave available in New Zealand is shorter than in all other OECD countries except Australia and the US, which have no provision for paid leave (Families Commission, 2007); and it is not long enough to provide for six months breastfeeding as recommended by the World Health Organisation (WHO), or to meet parents’ aspirations regarding the care of their infants. Equally importantly, the maximum rate of payment represents a lower percentage of women’s average weekly earnings than that in the great majority of OECD countries. At a maximum of about 12 percent of women’s annual average earnings, New Zealand’s PPL is the least generous in the OECD countries with paid parental leave, where the average is about 40 percent (Families Commission, 2007). On average, for each baby born, OECD countries spend an amount equivalent to about 30 percent of gross domestic product (GDP) per capita on maternity and family leave, whereas New Zealand spends approximately five percent (OECD, 2007).

In line with the Families Commission, we support an increase in the maximum rate of payment, and an extension of the period of entitlement to 12 months. An additional four weeks’ ‘use it or lose it’ paternity/partner leave is recommended to support fathers’ bonding with their babies. The Families Commission estimated these proposals would cost approximately \$356 million, in addition to current PPL expenditure of approximately \$96.4 million (Families Commission, 2007).

Proposal

Raise the maximum payment rate for PPL from its current level of under half of average adult full-time earnings to at least two-thirds of average full-time earnings, and extend the period of PPL to six months (plus four weeks paternity leave) as a matter of priority, and subsequently to 12 months plus four weeks paternity leave.

Access to affordable early childhood care and education and out-of-school services

What are Early Childhood Care and Education Services?

Early childhood care and education (ECCE) services include all the formal services for pre-school-age children that are subject to Ministry of Education regulations. There is a considerable variety, including nanny services, home-based care, casual crèches, kohanga reo, language- and culture-focused playgroups, playcentres, kindergartens, and full-day services for infants and pre-schoolers. Funding for services varies and tends to be proportionate to the ratio of qualified teachers to children.

Attending quality early childhood care and education (ECCE) services confers important developmental benefits for children. New Zealand evidence from the Competent Children study confirms research from other countries that children who attend good quality ECCE services perform on average better in later educational attainment (this is discussed further in chapter 7).

Access to affordable, reliable, good quality ECCE services has a second benefit: it is critical in allowing parents, especially sole parents and second earners, to take up paid employment.

New Zealand has made significant advances in recent years in funding ECCE. In particular the introduction of the '20-hours-free' ECCE initiative for three- and four-year-old children and an increase in childcare subsidy funding through Working for Families have substantially reduced the cost of ECCE services for many families. These initiatives will have lifted New Zealand's performance since the OECD estimated in 2003 that our expenditure on childcare was the fifth-lowest in the OECD, and less than half the OECD average (OECD, 2007: 135). However, New Zealand still does not invest in ECCE services to the extent that many of the Northern European and Nordic countries do.

The absence of affordable ECCE of the quality, type and hours that parents want is a barrier to employment for many people. Often it is the difference between children having a decent income coming into the home and living in poverty and stress on a benefit.

There are two key issues that need to be addressed.

The first issue is affordability. The 20-hours-free policy has made ECCE more affordable for some parents, but a full-time employee needs 40 to 50 hours' childcare (allowing for travel to and from the workplace); and there is anecdotal evidence that the cost of additional non-free hours has risen as some centres seek to ensure their viability. Some services, such as some kohanga reo centres, also do not qualify for the 20-hours-free assistance because they do not have enough qualified staff.

According to the Ministry of Social Development Working for Families evaluation update, in August 2007 the childcare subsidy was being paid in respect of only 34,300 children of pre-school age (MSD, 2008b). While the report does not estimate a take-up rate, it is clear that this is a relatively low proportion of the total eligible population.¹⁰ There are likely to be several reasons why this take-up is low. The subsidy is poorly designed, with three rates depending on annual income. Families need therefore, to be able to estimate their total annual

¹⁰ It should be noted that the average payment per recipient has increased from \$28pw to \$78pw after the Working for Families changes.

income in advance, and risk ending up in debt as a result of accidental over-payments if their income is higher than they foresaw. Administration of the subsidy is also relatively complex for both parents and centres, although Work and Income has made efforts in recent years to facilitate people's access to their entitlement. Over time, the development of widespread access to affordable ECCE is likely to be enhanced more effectively by extending the age range and hours for which no-cost services are provided, rather than greater reliance on the childcare subsidy. Such an approach would build on the moves towards universal provision that began with free 20 hours ECCE provision for three- and four-year-olds. Free or almost free ECCE is an important work incentive for mothers in particular (Jaumotte, 2003); and we consider that expansion of ECCE and out-of-school services can be at least partly funded by simultaneously phasing out the in-work tax credit, which is a much less effective way of reducing or preventing child poverty in the short and longer term (see chapter 5).

The second issue is the availability of ECCE places. Despite recent growth in participation, there are still only enough full-time-equivalent ECCE places for about half of all children under five. More importantly there are very large regional disparities in provision, with low-income communities having fewer services. Manukau City, for example, which has high rates of child poverty and of sole-parent families, has full-time equivalent ECCE places for only about one-third of children under five (Salvation Army, 2008). This situation is inequitable, and suggests that more needs to be done to increase supply and lift ECCE participation by under-represented groups. This is discussed further in chapter 7.

Proposals

Review the design and operation of the childcare subsidy with a view to making it easier and fairer to use, increasing take-up and ensuring adequacy.

In the medium term, extend the age range and number of hours of free ECCE entitlement.

(See chapter 7 for proposals on making ECCE services more available).

Access to out-of-school services

In its report on reconciling work and family life, *Babies and Bosses*, the OECD describes the provision of out-of-school services (OSS) as 'an emerging priority' (OECD, 2007). School hours seldom match people's work hours. If parents or other carers need to take children to school and home, and take care of them outside these hours, their availability for paid work is restricted to between 9.30am and 2.30pm. This severely limits their job choices and pay. From a child's perspective, supervised activities at the end of the school day provide opportunities to participate in sport and access to computers to assist with homework, which are not common in the home environments of children in poverty. The benefits to children of increasing investment in school-based, after-school services, especially in lower-income areas, is discussed further in chapter 7. In this chapter we focus on parents' need for affordable, reliable OSS programmes to improve their ability to combine paid work with caring for children.

Out-of-school services in New Zealand provide after-school, school holiday and before-school programmes for children aged five to 13. Services are underdeveloped at present compared with what is available in many OECD countries (OECD, 2007). Data on the availability of OSS and their use in New Zealand is limited. While participation appears to have been growing over the past decade, still only about 50,000 children participate in any formal OSS programme over the year (Bellett and Dickson, 2007). In many cases 'participation' will represent only a brief school-holiday programme.

In 2006 there were 600 OSS providers, running about 1000 separate programmes that were CYF-approved and government funded (Bellett and Dickson, 2007). Just under half of them operated on school premises; the rest were a mixture of community and private-sector providers operating out of community halls or sometimes dedicated facilities. Some ECCE providers are beginning to offer OSS alongside their pre-school services, largely in response to the needs of the families with children attending the ECCE services. In 2004/05 only about 0.7 percent (approximately 4500) five- to 14-year-olds received any out of school care and recreation subsidy (OSCAR) (Adema, 2006). Eligibility for the subsidy is limited to parents in employment or approved study.

One likely factor in the low take-up of the subsidy is the administrative complexity of the application process; another is the risk of ending up in debt as a result of incorrectly estimating family income¹¹. A Families Commission consultation on OSS heard from parents and carers that the system was 'too complex, difficult to navigate and unfair' (Bellett and Dickson, 2007). Also, the subsidy is available only for attendance at an approved programme. Anecdotal evidence indicates that a significant number of OSS programmes are not CYF-approved, again largely because those running them judge the requirements and red tape to outweigh the benefits.

A 2005 evaluation of OSS assistance determined that one reason for the limited development of OSS in New Zealand is that it is hard to run OSS programmes so that they break even, let alone make a profit, which discourages the private provision (Murrow et al., 2005). It is difficult to employ staff for the limited daily hours in which OSS services operate, and suitable premises can be difficult to find.

In its 10-year plan of action, *Choices for Living, Caring and Working*, the government has established a five-year action plan for OSS, starting in the 2007/08 year. There was a modest increase in the funding pool for approved providers, sufficient to raise the average grant (assuming no additional providers) from \$11,500 to \$13,000pa.¹² However, the plan lacks ambition, and offers little in the way of commitments to additional investment or other measures to improve the affordability and accessibility of OSS. Such services continue to run on shoestring budgets, and there are no targets for meeting demand.

The OSS plan proposes to establish 12 'extended services' programmes in low-decile schools; their potential benefits is further discussed in chapter 8. While this initiative is laudable, it falls a long way short of what is needed in the way of options for working parents and their children around New Zealand. By contrast, the UK government has made a commitment to the goal of ensuring that all primary and secondary schools offer some OSS between the hours of 8am and 6pm, as part of a campaign against child poverty. Obviously not all children will need these services, and few will use them for the whole period covered, but their universal availability is an important child poverty prevention measure.

Proposals

Substantially increase funding to support the rapid development of affordable out-of-school services and extended school services, giving priority to lower-income communities (also see chapter 8).

Fund out-of-school services through direct support to providers on the basis of hours of use, rather than through the OSCAR subsidy.

¹¹ The subsidy is paid at three different rates depending on annual income. Mis-estimating annual income would result in assistance being paid at a higher rate than it should have been, and having to be repaid.

¹² www.msd.govt.nz

Chapter 5:

Ensuring adequate financial support for all families with children

Redistribution through the tax-welfare system plays a critical role in mitigating child poverty generated by the market distribution of incomes. The contribution of such systems, however, varies greatly from country to country. Sweden and the UK for example have similar market rates of child poverty, yet Sweden's final child poverty rate after redistribution through taxes and benefits is at present about half that of the UK (Sutherland, 2007; Corak et al., 2005).

Chapter 3 showed that New Zealand has made strong progress in recent years in reducing child poverty among certain groups of children. In particular, strong employment growth, coupled with increases in wages and the Working for Families package, has reduced the prevalence of poverty among children in non-beneficiary households (especially those with at least one full-time earner). Working for Families represented a substantial additional investment in children, in the order of \$1.6 billion per annum.

And yet, despite these gains, a large number of children still live in poverty, sometimes severe poverty. Increasingly, these are children in families dependent on benefit income, who received relatively less from Working for Families. For example a low-income couple with one child gained an extra \$142 per week in tax credits if working (earning just below \$35,000pa) and not receiving a benefit; whereas the same family would gain only \$17.46 per week if it was on a benefit¹³. Improving the adequacy of support for children in households dependent on benefits is a matter of urgent priority.

This chapter focuses on what needs to be done to ensure adequate financial support for all families with children, whether or not they have paid employment. The benefits of an adequate welfare safety net are shared by us all – either directly in the form of benefits received by ourselves or our relatives, or indirectly, through greater social cohesion, less crime, and lower social spending in other areas.

Core benefit rates

Benefit rates, even including family tax credits, remain well below their 1991 level – see Figure 5, chapter 3. While changes in supplementary assistance such as the accommodation supplement and special benefit/temporary assistance supplement make precise numerical comparisons difficult, it is clear that the overall level of financial support provided to beneficiaries – with or without dependent children – has fallen in real terms. Chapter 3 also reported Ministry of Social Development estimates that in June 2006 a family on the domestic purposes benefit or unemployment benefit with no other income and living in accommodation supplement Areas 2 or 3 (such as South and West Auckland, most of Wellington and most smaller South Island towns) have an after-housing-cost income as low as 30 to 35 percent of the median equivalised household income. Even those with part-time work were below 50 percent of the median.

Adequate core benefit rates are important in reducing child poverty for several reasons. Firstly, as Sutherland (2007) points out, it is not just the generosity of the child assistance package that matters for child poverty, but the total income received by families with children. International comparisons demonstrate that the level of support available to all adults, and therefore to those caring for dependent children, is a significant factor in child poverty outcomes (Sutherland, 2007). Children and the adults caring for them share resources. It is not possible to ensure a low level of poverty among children dependent on benefits if core adult rates are too low, unless the payment to children is disproportionately high.

¹³ These figures do not take into account changes in accommodation supplement that will have affected some beneficiaries and working families depending on their rent and where they live. Nor do they include the annual cost-of-living adjustments to benefits or that to family tax credit, due to take effect on 1 October 2008.

Secondly, now that the poorest families are primarily those on benefits, lifting the core benefit rate is a more cost-effective way to reduce child poverty in the short term than lifting the value of child tax credits. There is, of course, a need to combine strategies so that work incentives remain and the costs of working while caring for young children are also recognised. This report argues that support for ECCE and OSS is an effective way to 'make work pay'. Finally, and this is often overlooked, a considerable number of sole beneficiaries are non-custodial parents – mostly men – many of whom provide some financial assistance or care for their children.

Reliance on highly-targeted 'third-tier' assistance for beneficiaries with extra costs is unlikely to be effective in addressing what is a more widespread problem. Third-tier assistance measures such as the temporary assistance supplement and special needs grant are designed for occasional use only to meet particular circumstances assumed to be unusual. They are more difficult to access, so that some people who should qualify miss out, and are administratively costly.

Regarding core benefit rates, the example of New Zealand Superannuation is instructive. New Zealand has achieved an internationally low level of poverty among the elderly by providing old age pensions set at adequate levels, and adjusting them annually using a combination of price and wage changes. A similar approach to setting and adjusting working-age benefits would better maintain levels over time and could help reduce child poverty¹⁴.

It is beyond the scope of this report to estimate appropriate levels for core benefit rates, but it is clear that inadequate benefit incomes are contributing to child poverty and that a review of rates is urgently needed. The case for review is made stronger by the Budget 2008 tax-cut announcements. Benefits are set in net dollars, so benefit rates will not increase as a result of the tax cuts. As an immediate first step there should be an upward adjustment of benefits to maintain relativity after the tax cuts.

Proposals

Review the adequacy of core benefit rates, to ensure benefit assistance is sufficient to meet the needs of beneficiaries, especially those with dependent children.

As an immediate first step, increase benefit rates to match the effect of the Budget 2008 income tax reductions on earned income.

Review the mechanism for annual adjustments to benefit rates, and consider a mechanism, such as that used for New Zealand Superannuation, to ensure benefit rates maintain relativity with wages over time, as well as being adjusted for cost-of-living increases.

Family tax credits (FTCs)

Tax credits for families with dependent children feature in many countries' social assistance regimes. The design of such schemes varies between countries, but they all serve to recognise the additional costs of raising children, and the social benefits or public-good element of doing so. They can be thought of as a transfer from those who do not have children to those who do; or, given the high percentage of adults who are parents at some stage in their lives, from that stage of life when a person does not have dependent children to the time when they do.

¹⁴ Using the 60 percent of median poverty measure however, New Zealand has a relatively higher poverty rate among over 65 year olds (Perry, 2008).

Working for Families changed New Zealand's FTCs in three key ways:

- It increased the total assistance provided through tax credits, going a long way towards making up for the erosion of the value of family support and child tax credit by inflation over many years.
- It increased the number of families entitled to FTCs, so that now approximately three-quarters of all families with children have some entitlement.
- Through the in-work tax credit (IWTC) (and the removal of the child component of some benefit rates) it tilted support in favour of non-beneficiary families in paid employment relative to those receiving a benefit.

The significance of these changes should not be under-estimated. New Zealand has moved from a tightly-targeted system to one where the majority of families with dependent children receive some – and in many cases significant – financial support towards the costs of raising children. Before Working for Families, New Zealand's expenditure on financial support for children was among the lowest in the OECD (Stephens, 2003).

Also the child poverty data set out in this report does not include the effects of the last-introduced parts of the Working for Families package. In particular, not all of the effects of the IWTC will have been captured in the most recent data. The most recent increases will have reduced the numbers of children living in poverty in these families to some degree, although it is too soon to quantify the effect. Recent increases in some prices, such as bread, dairy products and petrol, will also have had an offsetting impact.

The challenge ahead is to determine how FTCs should evolve to support all families more effectively. Two key issues need to be addressed: firstly, the structure of FTC support and specifically the IWTC; and secondly, the balance between targeted and universal assistance, and the impact of high effective marginal tax rates on many families, particularly second earners.¹⁵

Rate structure of the family tax credit and in-work tax credit

There are currently five rates of FTC depending on the age of the child and whether or not s/he is the oldest dependent child (see Table 5). Rates are higher for older children, on the grounds that teenagers have higher costs than young children. While there is evidence to support this argument, it is also true that poverty during a child's early years is more detrimental in terms of long-term developmental, health and educational outcomes. Moreover, it is typically when children are young (especially if parents are young and have limited labour-market experience) that family incomes are lowest and the family is most in need of assistance. For example, about 60 percent of domestic purposes beneficiaries (with children) have a child aged six or under. In couple households, it is during the pre-school years that one partner is more likely to be employed part-time. For these reasons there is a case for raising the level of assistance for younger children relative to those who are older. One way of doing this would be to raise all rates but raise the younger-child rate most. This would simplify the rates structure down to only two rates, one (higher) for the first child, and one for each subsequent child.

¹⁵ 'Effective marginal tax rate' (EMTR) refers to the amount a taxpayer or family loses in income tax and reduction in other assistance such as tax credits or benefits, out of an extra dollar earned. Where EMTRs are very high there is little financial benefit from earning more.

Table 5: Family Tax Credit rates structure

	<i>As at 1 April 2008</i>	<i>From 1 Oct 2008</i>
First child, 0 – 15	\$82pw	\$86.29
First child, 16 – 18	\$95pw	\$99.96
Subsequent children, 0 – 12	\$57pw	\$59.98
Subsequent children, 13 – 15	\$67pw	\$68.40
Subsequent children, 16 – 18	\$85pw	\$89.44

The IWTC¹⁶ is intended to provide a financial incentive to work by paying extra to families with dependent children who are working the required number of hours and are not in receipt of a main benefit.

Although Working for Families has not yet been completely evaluated, it is likely that the IWTC has encouraged some beneficiaries to move off benefits and into paid employment. Nonetheless, it is our view that the IWTC should not be a long-term feature of the structure of tax credits. The policy is too blunt to take account of the difficulties faced by parents who cannot work because of sickness, redundancy or disability (their own or that of other family members). It also does nothing to prevent child poverty in a group that is at risk of being poor for a relatively long time – sole-parent families with very young children.

Moreover, to the extent that the IWTC is intended as a measure to ‘make work pay’, it is also poorly targeted; most of its expenditure goes to families with incomes further up the scale, for whom the gap between income on benefits and income in work is less salient. It is also poorly targeted in terms of work-related costs for parents – the same payment is made whether there are one, two or three children in the family, and irrespective of childcare or after-school care costs, even though they can be crucial factors in determining whether moving from benefit to work is financially worthwhile.

A more sustainable way of reducing child poverty, and the number of families dependent on benefit, is to increase funding for assistance and services, such as ECCE and OSS that are beneficial to children and also support parents who are in paid work. Access to reliable, affordable ECCE and OSS is likely to be more effective at enabling sole parents to work than a cash payment. Furthermore, it does so by ensuring children access high-quality ECCE and OSS, which supports their development and improves their access to opportunities. Once this support is available at low cost, it is reasonable to have stronger work expectations of sole parents with older children (assuming there are no factors such as illness or disability involved).

Our view, therefore, is that the IWTC should be phased out – not immediately, but once investment has been made in expanding access to ECCE services and OSS at low cost to parents. There are various ways this could be done. In their recent report *Left Behind* (St John and Wynd, 2008), the Child Poverty Action Group proposed that the IWTC be abolished and an equivalent \$60 per week be paid in respect of the first child in a family through the FTC. This could be expected to have a substantial impact on child poverty rates, although it would create a very large differential between the FTC rates for the first child and subsequent children.

¹⁶ The IWTC pays families with dependent children up to \$60pw for one to three children and an extra \$15pw for each subsequent child, as long as the family is not in receipt of a benefit and work 30 hours if a couple, or 20 hours if a sole parent.

Another possible approach is to abolish the IWTC while increasing FTC rates, and simplifying the rate structure as discussed earlier. This would lessen the potential for losses among current IWTC recipients (whose entitlement would need to be “grandparented”) while providing an opportunity to focus additional expenditure on the early years of life, rather than just on the first child.

The precise design of any such changes would require detailed consideration beyond the scope of this report; however, for illustrative purposes, the impacts and cost of one possible change have been estimated using the Treasury’s Taxwell microsimulation model. These preliminary, approximate (and static) estimates are reported here simply to give an indication of the likely impacts.¹⁷ They do, however, show the substantial impact the proposal might have on child poverty rates.

Illustrative example: approximate effect of changes to family tax credit and in-work tax credit

Using 2007 data and policies, we estimated the effect of increasing the two youngest-child FTC rates by \$30 per week and bringing the older-child rates up to match the youngest-child rates, at the same time abolishing the IWTC. This would mean just two FTC rates:

First child:	\$102pw (or \$112pw using April 2008 rates)
Subsequent child:	\$87pw (or \$97pw using April 2008 rates)
No IWTC	

The size of the effect of this hypothetical change on child poverty rates depends on the poverty threshold used. The (highest) ‘60 percent of contemporary median’ threshold is reduced by 22 percent to an 18 percent poverty rate. The (lowest) ‘50 percent of the 1998 constant value median’ is reduced by 50 percent to a child poverty rate of four percent.

The estimated net cost of this change is \$488 million, excluding the (temporary) cost of \$116 million for ‘grandparenting’ existing IWTC recipients who would otherwise lose out from the changes.

An estimated 261,000 families would gain from the changes.

If the IWTC is phased out, there would probably be a relatively small but not insignificant number of families working on the very lowest wages (often working near the minimum number of hours to qualify) who, without the IWTC, would earn less than they would on a benefit working part-time. For this group ‘grandparenting’ arrangements or amendments to the abatement of main benefits could be developed.

Proposals

Restructure the FTC so as to reduce the number of rates, and to provide relatively more assistance for younger children.

Over time, phase out the IWTC and raise the FTC, once the availability and affordability of childcare and OSS in low-income areas and for low-income families have been expanded, making it easier for working parents to meet these work-related costs.

¹⁷ These estimates are based on 2007 data and FTC rates.

Effective marginal tax rates: targeted and universal assistance

Working for Families significantly increased the proportion of families that receive some assistance towards the costs of raising their children. In this way, it represented an important move away from the very tightly targeted assistance that characterised New Zealand's tax/benefit support for children. Many commentators (Sutherland, 2007 and Frazer and Marlier, 2007) – and many countries – are recognising the benefits of universalism in family assistance policies. While universal assistance programmes involve bigger total tax transfers, they are less focused on immediate remedial assistance for the poor, and more on maintaining a sound preventative level of assistance for all families, however their circumstances may change. Universal assistance can also help reduce 'poverty traps', where families get stuck on low incomes because most of any increases in their earnings is lost through reductions in their entitlement to targeted assistance.

At the same time that Working for Families increased the number of families receiving assistance through FTCs, it also increased the number who are subject to relatively high effective marginal tax rates, because their incomes exceed the abatement threshold of \$35,000pa. On present tax rates a family on, say, \$45,000pa loses 54.4 cents in every extra dollar earned after tax, FTC abatement and ACC levies. If they are also receiving an accommodation supplement this rises to 79.4 cents (or 77.2 cents if they pay income related rent for a state house and are paying less than market rent). Some parents will also be repaying student loans.

Relatively high marginal tax rates are an issue for all targeted systems.¹⁸ However, there is scope for improving the current structure, reducing the impact on low-paid families of very high effective marginal tax rates and encouraging lower-paid working families to earn more by reducing their abatement rates.

While making a portion of the FTC non-means tested (as is the child tax credit in the UK) would re-introduce a universal component to family assistance in New Zealand, this is not suggested as a priority now. It would not directly reduce child poverty at all, and would do nothing to reduce the effective marginal tax rates paid by low- to middle-income families. A better approach, consistent with reducing child poverty and providing work incentives, would be to progressively raise the threshold for FTC abatement. This would reduce the effective marginal tax rates affecting low-income families earning over \$35,000pa, increasing their incentive to improve their earnings; and it would increase assistance for those on higher incomes. It would also make it easier to avoid the 'overlapping' of FTC abatement and withdrawal of other assistance such as the accommodation supplement and childcare subsidy.

Proposal

Progressively raise the threshold for FTC abatement to increase assistance to and reduce the effective marginal tax rates for low- to middle-income working families.

Addressing debt

For low-income families, debt repayments reduce disposable income and can often add to household stress. Key informants considered indebtedness, and fine and debt repayments, to be widespread factors leading to children being deprived. Without addressing debt, it is impossible to ensure that welfare benefits provide an effective safety net for families with children. Budget advice services are growing and, while they have a broad range of clients, beneficiaries and the low-paid are over-represented.

¹⁸ And a fully universal system of financial support would mean relatively high tax rates across the board.

Over-indebtedness has complex causes. Easy credit, consumerism, fines, gambling and addiction issues contribute to the problem, as do poverty-level incomes. Debt can incur high interest (private loans) and penalty payments (Inland Revenue), although repayments can be structured to take account of income (Work and Income, student loan repayments) in some instances.

Drawing on various sources, Valins (2004) concluded that up to 15 percent of New Zealand households may be over-indebted – in the sense of struggling to meet their financial commitments – at some point during any 12-month period, and a third of these may have serious debt issues that need external intervention. Valins' data suggested that at that time debt problems in New Zealand were comparable with those in the EU. In 2005/06 the total amount of outstanding benefit debt owed to the Crown was \$816.7 million (Ministry of Social Development, 2007a).

The 2004 Living Standards Survey looked at low-income families and found that, while 70 percent of superannuitants had no regular payments causing financial difficulties, the same was true of only 31 percent of families with low-market incomes and 26 percent of beneficiary families. It is not known whether the proportion of low-income families in difficulty was higher or lower than in 2000, nor the proportion of them that included children.

Of particular concern is the impact on poor families of the high administration costs, interest rates and penalties charged on loans by some second-tier financial institutions. Retail debt is also expensive and, in the case of mobile traders, locks people into regular repayments and revolving credit for what are often very highly priced goods. A review of the Credit Contracts and Consumer Finance Act 2003 is being undertaken by the Ministry of Consumer Affairs with a view to engaging in public discussion in 2009.

Public education on the costs of finance, prosecution of unlawful lending operations, and financial information for beneficiaries have all been stepped up recently to counteract the worst excesses of private lending. Amendments to the Insolvency Act 2006 that came into force in December 2007 allow people with debt of \$40,000 or less to repay the money they owe in instalments over three years (or under special circumstances up to five years). They also provide for a 'no asset procedure'; a one-off chance for a consumer debtor to make a fresh start as an alternative to bankruptcy.

It is too early to judge the effectiveness of these changes in reducing debt and the stresses of debt repayments among poor families with children. While the no asset procedure, in particular, is a potentially powerful tool, neither it nor the other steps being taken address the structural causes of debt for many low-income families, where there is simply too little income to meet basic living costs.

One area that warrants attention is the need for a whole-of-government approach to debt repayment. At present a family's debts get treated very differently depending on which agency the money is owed to. Although the type of debt or the reason for it quite properly affects the rules regarding repayment in some cases, this is not always the case. Why, for example, should an unintended overpayment of a benefit or childcare subsidy be treated differently from an unintended FTC overpayment? Developing an integrated, and possibly a single, consolidated approach to debt might ease the strain on a significant number of the least-well-off families with children.

Proposal

Develop better whole-of-government approaches to ensuring that the repayment of government debt does not result in child poverty.

Chapter 6:

Making the child support system work better for children and parents

Compared with the previous court-based system, the New Zealand child support scheme has had some success in ensuring separated parents share the costs of raising their children. It established assessment and collection processes and gave the responsible agency (Inland Revenue Department (IRD)) appropriate enforcement powers.

However, the scheme is in need of review. Alongside its core purposes, reform of the scheme could make an important contribution to reducing child poverty, while promoting better contact between children and their separated parents. New Zealand is increasingly out of step with other countries in not allowing child support payments to be passed on to children whose custodial parents are on a carer's benefit. For these children, the money is instead transferred to the Ministry of Social Development to help defray benefit costs. The effect of this is to reduce the financial resources available to the child and make the scheme unpopular with the parent liable for paying child support. It also contributes to situations where beneficiary mothers are penalised for refusing to name their children's fathers. The policy is also unfair in that it treats child support payments differently from beneficiaries' wage earnings, which are only partially abated. Internationally, there is a growing recognition of the wider social effects of child support, and the potential of child support payments to help lift children out of poverty, and to shore up the commitments of parents to their children, whether they are primary custodial parents or not.

The child support system affects a great many children and parents. As at 1 April 2006, 219,300 children were the subject of child support arrangements. Approximately 11 percent of working-age adults were involved either as custodial or liable parents (Cronin and Chapple, 2007). An unknown additional number of children and parents would be involved in private voluntary child support arrangements outside the IRD system.

The impact of child support on the incomes of non-beneficiary custodial parents

Child support payments can make a significant difference to the resources available to children. Currently, child support payments are passed on as tax-exempt income to custodial parents if they are sole parents and are not receiving the sole-parent benefit. In effect, this usually means they have enough income from work or other sources to not qualify for the sole-parent benefit. If they have a partner who is not the parent of the child, child support is passed on to the custodial parent, even where the couple is receiving a married rate of benefit.

For the 2007 child-support year, 52,200 custodial parents were eligible for pass-on of child support entitlement for 75,750 children. While 23,300 (45 percent) of these custodial parents were entitled to no more than the minimum payment of \$730 a year or \$15 a week, 23 percent were entitled to \$5000 or more a year; and around 11 percent were entitled to more than \$8000 a year in child support (refer table below). For the 20,600 custodial parents in low- to middle-income families who received both child support and family tax credits, child support payments were an important contribution to their income at an average of \$2960pa, or about 45 percent of the average of \$6530pa received in family tax credits.

Table 6: Distribution of Child Support Entitlements

Annual amounts per custodian, 2007 year

<i>For the 2007 Child Support Year</i>	<i>Sole-Parent Benefit Custodian</i>		<i>Custodian Entitled to Receive Child Support</i>		<i>Total</i>	
	Number	Percentage	Number	Percentage	Number	Percentage
Up to \$730	47,800	53%	23,300	45%	71,100	50%
\$731 to \$2000	10,300	11%	5400	10%	15,700	11%
\$2001 to \$3000	7200	8%	4200	8%	11,400	8%
\$3001 to \$4000	6400	7%	3900	7%	10,300	7%
\$4001 to \$5000	4700	5%	3200	6%	7900	6%
\$5001 to \$6000	4000	4%	3000	6%	7000	5%
\$6001 to \$7000	2500	3%	1900	4%	4400	3%
\$7001 to \$8000	1900	2%	1600	3%	3500	2%
\$8001 to \$9000	1300	1%	1100	2%	2400	2%
\$9001 to \$10,000	800	1%	800	2%	1600	1%
\$10,001 to \$15,000	1800	2%	2200	4%	4000	3%
\$15,001 to \$20,000	900	1%	1100	2%	2000	1%
Over \$20,000	400	0%	500	1%	900	1%
	90,000	100%	52,200	100%	142,200	100%

Source: Inland Revenue Department

The impact of child support on the incomes of custodial parents who receive a sole-parent benefit

Where a custodial parent is receiving a sole-parent benefit (or unsupported child benefit is being paid), child support payments are not passed on to the parents but are retained by the state to offset benefit costs¹⁹.

At 1 April 2006, child support collected for 150,350 children (90,000 custodial parents) was not passed on because of the benefit status of the custodial parent. A further 6800 children were in shared care, with only one parent/caregiver on a benefit.

Passing on child support to beneficiary custodians, and treating it like any other private income, could reduce poverty for a substantial number of children whose parents do not live together. Child support is passed on in this way in Australia, and has been estimated to have lifted about 60,000 children out of poverty (Harding and Szukalska, 2000, cited in Senate Community Affairs Reference Committee, 2004).

¹⁹ Any child support that exceeds the benefit is passed on.

In a static analysis using Luxembourg Income Survey data,²⁰ child maintenance received by families around 1999-2000 was the equivalent of between eight percent (Sweden) to 18.3 percent (France) of national average earnings. It was calculated to reduce the poverty rate of non-widowed sole parents by between 1.9 percent (UK) and 14 percent (France). The small reduction in the poverty rates in the UK was attributed to the fact that very few sole parents without employment income received child maintenance payments at that time. In Australia, where payments were passed on to all sole parents as taxable income (and abated against any benefits), child maintenance payments were the equivalent of 10.5 percent of national average earnings and the system was estimated to reduce the poverty rate by six percent (Skinner et al., 2007: 20, 22). The UK has also recently introduced a partial pass-on of the child-support monies to beneficiary parents,²¹ and is planning to increase this.

Data from IRD at April 2006 suggests that about 36 percent of sole-parent beneficiaries would gain at least \$2000 extra income a year (before benefit abatement) if child support was passed on. The net gain to these families is hard to estimate precisely, as it would depend on benefit abatement which is also affected by beneficiaries' other earnings.

Pass-on of child support to domestic purposes beneficiary parents would improve the day to day living standards of the children for whom the child support payment has been made. It would reduce the depth of poverty of all the children affected, and move some children out of poverty. There are other advantages. It would:

- treat the child support payments made by liable parents, which are usually deductions from their earned income, on the same basis as the additional earnings of custodial parents
- promote parental support for the child support scheme
- provide an incentive for sole parents to file claim for child support, allowing the penalty for not naming a liable parent to be abolished, and thus further reducing child poverty. This penalty currently affects about 15,000 beneficiaries
- remove the anomaly whereby sole-parent beneficiaries do not receive the child support paid on behalf of their children, whereas custodial parents who re-partner do, even if on a benefit
- target child poverty efficiently as all the additional money would go to families who derive their income from benefits.

For the 2007 child support year, \$142.2 million was retained by the Crown to offset the cost of providing benefits at the sole-parent rate (IRD data). The immediate fiscal effect of passing on child support would be less than this, because of benefit abatement.

The impact of child support on non-custodial parents

Recent reforms in Australia²² explicitly take into account the impact of policies on the involvement of both parents in children's lives after separation, the costs to children and the costs to the non-resident (non-custodial) parent of maintaining contact and providing a proportion of care. The Australian changes reduced the child support paid to the main custodial parent where the second parent provides between 14 percent and 34 percent of the care, to take account of the additional costs. These changes are an important signal to fathers, in particular, that their involvement with their children is valued, and the costs it incurs are taken into account. They also recognise that shared parenting is becoming more common. While the changes in Australia mean that payments to some custodial parents will fall, the previous formula was shown to lead to child deprivation where non-custodial parents were on benefits or earning low incomes.

²⁰ New Zealand is not a participant in the Luxembourg Income Survey so comparable data is not available.

²¹ The 2000 Child Support, Pensions and Social Security Act (UK)

²² Child Support Legislation Amendment (Reform of the Child Support Scheme – Initial Measures) Bill, 2006 (Australia).

In New Zealand, some non-custodial parents and some children in 'blended' and 'second' families also experience deprivation (Smith, Robinson and Atkin Read, 2006). Some non-custodial parents resent the limited income left over for living expenses, and a lack of recognition of the costs of some shared-parenting arrangements (such as a room for the child to sleep in, transport, etc.), which can result in children having less contact with the non-resident parent.

The government has signalled that it is considering ways of improving the child support scheme to take better account of factors such as the complexities of shared care, the income levels of both parents and the costs of raising children. We recommend that this investigation be developed as a full review of all aspects of the scheme, along the lines of the recent Australian review.

Proposals

Pass on child support to custodial parents who are on benefits and treat payments like any other earned income for the purposes of benefit abatement.

Remove the penalty on domestic purposes benefit beneficiaries who do not name liable parents.

Undertake a full review of the child support system, similar to the review in Australia, to ensure that it is fair, contributes appropriately to reducing child poverty and is responsive to the growth in shared parenting and blended families.

Chapter 7:

Education and skill development

“Can’t afford school uniform...Lack of books, can’t afford...
Can’t go on school trips...No lunch...Not accepted by their
peers...Left out...Get picked on at school...Stress...
Shame...Low self-esteem...Unhappy...Lonely...Sad...
Depressed...Angry...Feelings of worthlessness.”

(From young people’s group definitions of poverty)

Education can make a major contribution to breaking intergenerational poverty (D’Addio, 2007). Good quality early childhood care and education (ECCE), the early establishment of competence in literacy and numeracy, and achievement at school are powerful antidotes to the risks associated with child poverty and deprivation. Moreover schools and ECCE centres can be effective bases for non-stigmatising provision of nourishing meals and health services, and for engaging parents in the care and education of their children. School premises can be used outside school hours for out-of-school programmes and school holiday programmes, which are beneficial for children and a critical support for working parents. More than this, such school-based programmes can counteract deprivation by enabling children and young people to participate in sport and cultural activities and use computers for homework, and by encouraging parents to learn alongside their children.

There is much in New Zealand’s early childhood and school systems to be proud of, and for which we are internationally recognised. For example, the commitment to quality in ECCE, the diversity of ECCE models, the involvement of parents and communities through school Boards of Trustees, and the average achievement record of schools. Nevertheless, compared with other countries New Zealand has relatively poor outcomes for under-performing students and has not done as well as many other countries in directing education resources towards meeting the needs of poor children. Minimising child poverty in the future requires addressing these deficiencies now.

Current government policies provide considerable scope for ECCE services and schools to take the initiative on things that matter to their communities, such as out-of-school care and engaging parents in education. Low-income communities, however, are often the least well positioned to bring together the resources, time, skills and optimism needed to take such initiatives, particularly if their education services are already under pressure from financial stress, lack of management skills or poor-quality teaching.

This chapter discusses the effectiveness of ECCE, schools and school-based activities out-of-school hours in meeting the needs of children in poverty and children in deprived neighbourhoods, and what more needs to be done to ensure access to quality services. Our proposals focus on government taking a more proactive approach, and increasing funding and other supports that will address, as a priority, the gaps in ECCE provision, catch up skills development at school, and out-of-school services.

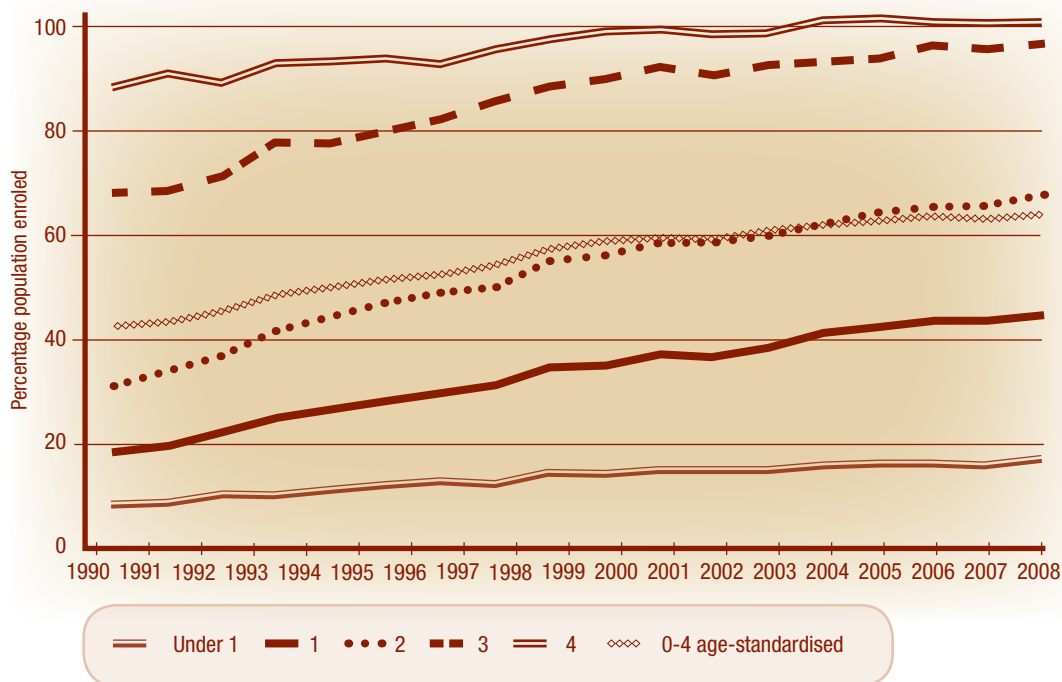
Early childhood care and education

Affordable, high-quality ECCE needs to be widely available at a low cost if children living in poverty are to enjoy its developmental benefits, as well as the income benefits it confers by making it easier for parents, and particularly sole parents, to work. The importance of access to affordable ECCE services for parents combining parenting with paid work was discussed in chapter 4. High-quality ECCE also benefits children

by promoting their cognitive, social and educational development. It is linked to better educational outcomes later in life, and is a powerful ‘equaliser’, helping to reduce educational disadvantage among children from low-income households. New Zealand and international research confirms that attendance at good-quality ECCE has lasting effects on educational attainment through the school years (Wylie and Hodgen, 2007; D’Addio, 2007). The countries that have maintained low child poverty rates tend to be those with a high rate of participation in state-supported ECCE.

There is debate about the age at which at least part-time formal ECCE begins to benefit children, but some studies suggest that, depending on the quality of the ECCE, the benefits begin as early as the second year of life. Almost all are unequivocal about the benefits for children aged two and over. Consistent with the goals of the government’s 10-year Early Childhood Education Strategy *Pathways to the Future*, enrolment²³ in some type of formal ECCE for at least some of the year has been increasing for children of all pre-school ages (see graph below). By the time children begin school, 95 percent have participated in some ECCE, however briefly.²⁴ Poor children, however, access ECCE less than wealthier children. Only 83.1 percent of new entrants attending schools in the least affluent areas (decile 1) had previously attended any ECCE service, compared with almost all new entrants in the most affluent (decile 10) schools.²⁵ Participation varies by ethnicity; in 2007, 98.2 percent of European new entrants, 96 percent of Asian new entrants, 90.8 percent of Maori new entrants and 84 percent of Pacifica new entrants had attended ECCE before starting school. There is also variation in ECCE participation by region, ranging from 87.4 percent in Counties-Manukau to 98.4 percent in Canterbury (Ministry of Education, 2006 data, cited in Craig et al., 2007).²⁶

Figure 6: Apparent enrolment rates in early childhood education, by age (1990-2007)



Source: Education Counts website http://www.educationcounts.govt.nz/statistics/data_cubes/student_participation/early_childhood_education/3704

²³ Some children are enrolled in more than one ECCE service so enrolment rates overstate the actual numbers of children participating, but the trends will be the same.

²⁴ This data measures any participation and does not double-count students.

²⁵ Ministry of Education data, www.educationcounts.govt.nz

²⁶ This data does not take into account differences in hours of ECCE participation.

“Poverty is...going to school but schools not understanding difficulties families are having – shame and embarrassment for kids. Kids playing up at school and get in trouble because of family issues. Schools reacting to kids’ behaviour and not why they are acting that way and maybe kicked out of school.” (From young people’s group definition of poverty, Palmerston North)

The New Zealand study, *Competent Children*, and international evidence indicate that these differences in ECCE participation rates, and differences in the amount and quality of ECCE children experience, will contribute to differences in their competencies when starting school. In 2001, results of school entry assessments indicated that 38 percent of children coming into decile 1 schools were seen as competent in emerging literacy, compared with 70 percent for students coming into decile 5 schools and 80 percent of students entering deciles 9 and 10 schools (Wylie and Baker, 2002). Despite questions about the reliability of school entry assessment, these numbers suggest it will be hard for low-decile schools to achieve the same outcomes as schools in wealthier areas.

In addition to the 20-hours free ECCE for three- and four-year-olds introduced in 2007, ECCE is fully subsidised for a small number of children who are especially at risk of poor outcomes for reasons including poverty. A child gets fully subsidised childcare if his or her teenage parent is attending school. Seventeen Family Start sites are piloting fully-subsidised ECCE for children aged 18 months to three years, at centres which each form a hub for parental support. The literature suggests that by addressing the real needs of parents and children, such integrated programmes can significantly improve children’s achievement (Biddulph, Biddulph and Biddulph, 2003).

Initiatives to lift ECCE participation in low socio-economic areas have met with some success. The Promoting Participation Project, which aims to lift participation among targeted communities, found that barriers to participation included costs, as well as lack of transport, a poor range or quality of services, and lack of cultural knowledge in the ECCE services (Dixon et al., 2007). Cost and availability also emerged as barriers to childcare uptake in other studies (Department of Labour, 2006; Ministry of Social Development, 2007d).

The introduction of free ECCE for three- and four-year-olds is being picked up by most community-based ECCE providers (kindergartens, home-based services, and education and care services) and the available data suggests that the largest proportion of the centres taking up the free ECCE are in low-decile areas (deciles 1 to 4) (Ministry of Education data). It is too early to determine whether this will bring about a proportional increase in participation. There is anecdotal evidence of supply constraints and waiting lists. While the Discretionary Grants Scheme gives priority to increasing ECCE in areas where participation is low, and has \$14.5 million per annum for building new services, this is unlikely to be enough. A much more ambitious approach is needed to expand provision to progress rapidly on equalising ECCE participation across deciles.

The highest priority should be given to a planned programme of supply-side assistance to increase the number of ECCE places available in low-income communities, particularly those with high percentages of sole parents, and to reduce the cost to these parents. Given the lower participation rates of Maori and Pacifica pre-schoolers, it is particularly important that the services fit the needs and preferences of Maori and Pacifica families.

A useful starting point would be to set targets for raising ECCE participation and quality in low-income communities to match the average for higher-income communities.

Proposals

Substantially increase funding via the Discretionary Grants Scheme for establishment grants and running costs, to equalise access to and participation in ECCE services across deciles.

Provide free ECCE for at-risk children aged 18 months to three years from low income households, taking account of the lessons from the forthcoming evaluation of the Family Start early childhood hubs pilot.

Tackling school failure and disparities in school outcomes

In the economy of the future there will be even fewer employment opportunities for people with limited education. Ensuring good education outcomes for the current generation of children will be critical to building a strong, internationally-competitive economy, especially as demographic ageing reduces the relative size of the working-age population.

While the New Zealand school system performs extremely well for many students, it is not as effective as it could be at improving outcomes for poor children. Overall New Zealand students perform above international averages (with the exception of primary school mathematics) and New Zealand has proportionately more students achieving at the highest level than other countries on average. However, compared with similar countries, we also have a relatively large group of students performing at the lowest levels. Fifteen percent of 15-year-old students did not progress beyond the lowest level of reading achievement in the Programme for International Student Assessment (PISA) study in 2006. Maori and Pacifica students are over-represented in the lower-performing group (Ministry of Education, 2007: 28-29).

Establishing basic skills early in life is crucial. The Competent Children study found low-income children who score well on reading and comprehension tests at age six tend to still be high scorers at age 12. Children from poorer homes are more likely to start school with an educational disadvantage. This is because factors associated with poverty, such as receiving less early childhood education, transience, overcrowded housing, poor nutrition, and poor parental skills and behaviour, limit these children's chances of developing basic skills.

While there is considerable variation in school performance and outcomes within deciles, overall low-decile schools have substantially more under-achieving students than high-decile schools. A 1999 NZCER school survey found that, besides the lower literacy of their new entrants, low-decile schools faced other challenges for a number of reasons:

- high levels of transience – 42 percent of deciles 1 and 2 schools had roll turnover of 20 percent or more, compared with seven percent of deciles 9 and 10 schools
- boards of trustees with higher proportions of members who are unemployed and have no qualifications
- lower contributions from parents – school fees increase by decile, as does the proportion of parents who pay them
- higher costs and lower fund-raising potential per student (Wylie and Baker, 2002).

Another aspect of the problem is that low-decile schools, (rural schools, and those with a higher proportion of Maori students) find it more difficult to recruit teaching staff (Ministry of Education, 2008). Teachers in lower-decile schools also spend a lot more of their time on pastoral care than those in middle-class schools, leaving less time to focus on education (Thrupp, 2008). Teachers in schools in better-off communities are also likely to have better opportunities for professional development and training than those in low-decile schools. Over time, the risk is that the quality of teaching available to children in low-income areas falls relative to that available elsewhere.

'Decile funding' whereby schools receive additional funding depending on their decile ranking, is designed to compensate lower-decile schools for the greater challenges they face. Ministry of Education data shows that, when all funding sources, including school fees and salaries, are taken into account, low-decile schools receive more than others (Ministry of Education, data from Annual School Sector Reports).

Nevertheless, despite the additional funding and other initiatives, many schools are not succeeding in overcoming educational disadvantage. While some students from poor backgrounds attending low-decile schools do well at school, many do not. Overall the educational disadvantage that can be observed in the data at the start of the school years tends to still be apparent in school-leaver data. Students from deciles 1 and 2 schools are 4.5 times more likely to leave school with little or no formal attainment than students from deciles 9 and 10 schools, and 1.7 times more likely to leave school with little or no formal attainment than students from deciles 5 and 6 schools (www.educationcounts.govt.nz).

The Budget 2008 announcement of a reduction in the teacher/pupil ratio for new entrants to 1:15 is welcome, and will help primary schools across the board. A number of other initiatives and pilots are exploring ways to raise achievement. Many target poorer communities with a majority of Maori or Pacifica people, to provide for culturally appropriate means of improving school outcomes by encouraging and supporting parent engagement. The engagement of family and whanau with children's education is known to improve their achievement; and New Zealand evidence indicates that effective collaboration between home and school can lift children's achievement significantly (Biddulph, Biddulph and Biddulph, 2003). Other initiatives provide health and other support services at schools – not only a better way to deliver health services to young people, but also to improve children's outcomes by picking up health problems that impede learning.

Early literacy teaching in New Zealand's primary schools and the reading recovery programmes developed by Dame Marie Clay are renowned internationally for their effectiveness. Yet schools do not have to provide reading recovery. Moreover, if they choose to, they must find 50 percent of the funding from their operational budgets. This may explain why, despite the evidence of a greater need for reading recovery in lower-decile schools, they are less likely to offer the programme than are most other schools. In 2005, for example, reading recovery was offered in 61.3 percent of decile 1 schools, 69.1 percent of decile 5 schools and 64 percent of decile 10 schools (Ng, L, 2006). Establishing competent literacy at a young age is pivotal to future learning, and more resources and support appear to be needed to ensure it is achieved in low-decile schools.

Extra support and resources are needed for low-decile schools in addition to the decile-funding formula. Provision should be linked to specific objectives and programmes, including fully funding reading recovery and assistance with professional development.

Relative to the OECD average, New Zealand has a high proportion of school students leaving school early (at age 16), and about one-fifth of them do not move into other education, training or work. The recently announced Schools Plus initiative, along with the raising of the school-leaving age, may reduce this effect. The proportion of youth aged 15-24 who are not in employment, education or training sits at the OECD average of 11 percent, despite our much lower unemployment and youth unemployment rates. Maori and Pacifica youth are twice as likely as Pakeha to be included in this group. Moreover, there is evidence that a hard core of this group suffer cumulative difficulties; about a third of young people who were not working or studying in 2003 were still not working or studying in 2005. Within this cohort, Maori are significantly more likely to be teen parents and then sole parents on a benefit; 14 percent of 18- to 24-year-old Maori receive a domestic purposes benefit, compared with the overall average of four percent for this age group (OECD, 2008).

While much of the poorer performance and disengagement of Maori and Pacifica students is correlated with their socio-economic status, there is evidence that teachers and school culture contribute to their disengagement (Robson, 2004). There is also a clear correlation between the socio-economic mix of a school and exclusion of students from school. In 2007, students in deciles 1 and 2 schools were 4.5 times as likely to be excluded from school than students in deciles 9 and 10 schools (www.educationcounts.govt.nz).

Completing education is clearly the best protector against long-term poverty, and there is a demonstrated correlation between mothers' education levels and their children's outcomes. Children born to women who have their first child as teenagers are particularly vulnerable to poverty because of their mother's interrupted education, poor employment prospects and greater likelihood of sole parenthood. Young mothers are less likely than older mothers to be in stable relationships when they give birth, and relationships entered into at a young age are also more vulnerable to breaking down (Dharlingham et al., 2004).

Early childbearing is also associated with a greater likelihood of needing income support, and for long periods, because of poor employment prospects. About 400 teenage mothers are continuing their education in teen-parent units. These units have had substantial success in supporting mothers in completing their education. More than 4000 teenagers gave birth in 2006; while some of them would have completed their education, and some may have continued into post-school education, a large number are still out of the education system. It is also important to ensure that young first-time fathers complete their education, to acquire the skills and income to fulfil their parental role, whether or not they are living with their children.

Proposals

Provide extra support and funding (in addition to decile funding) to lower-decile schools, linked to specific programmes and initiatives, such as reading recovery and professional development, with the objective of achieving equitable educational outcomes.

Set targets for raising teenage parents' school participation, qualifications and achievements to match the average.

Using schools outside school hours: Out-of-school services, study support centres and extended schools

In poor communities especially, schools that are open beyond core school hours can be important community resources for reinforcing development, education and skills, and promoting social inclusion. As the physical bases for providing about half of all out-of-school services, they enable parents to access a larger range of jobs by allowing them to work longer and more flexible hours and through school holidays (also see chapter 4). They also benefit children. Maori and Pacifica children, and children in sole-parent families, are less likely to have access to computers and the Internet at home, and being able to do their homework at school can make up for this disadvantage. This was recognised in the 2000 Study Support Centre initiative, which resulted in 107 centres, located mainly within schools in deciles 1 to 3, to help students in years five to eight, and particularly to improve their access to information technology. The programme has not yet been evaluated.

Schools that are open outside school hours can also provide opportunities for parents to engage in school – in sports, adult education, or assisting their children’s learning. Using schools this way is also cost-effective; they are large, capital-intensive resources, and in poor areas often have better facilities such as tennis courts and gymnasiums, halls and playing fields, than the neighbourhoods beyond their gates. An evaluation of a UK extended school initiative found that, while there was considerable diversity in what schools offered, the programmes were improving students’ school attainment, particularly those facing significant difficulties. Other reported benefits for students included engagement with learning, more stable family life and better life chances. As well as improving students’ performance, schools enjoyed better relationships and a higher standing with local communities. The cost-benefit analysis concluded that extended schools were a good investment. (Cummings et al., 2007). Providing parents with access to local educational resources can have dramatic benefits for children’s achievement (Biddulph, Biddulph, and Biddulph, 2003).

The government’s five-year, out-of-school services plan involves establishing 12 ‘extended services’ programmes in low-decile schools. They will build on existing out-of-school services, providing a wider range of activities and also catering for older children. They are school-based, and available throughout the year. The intention is that children and families will have a say in the kinds of activities they offer, which may include sport, music tuition, arts and crafts, and cultural activities, as well as educational support such as tutoring and help with homework. To date, four extended services have been opened²⁷ and four more will commence by February 2009. These services have the potential to help children by providing stimulating opportunities to participate in various activities and a good environment for additional education support. They are currently being evaluated and results are to be reported shortly.

²⁷ These are at Henderson South Primary School in Auckland, Rhode Street School in Dinsdale, Hamilton, Rata Street School in Naenae, Wellington and Glenmoor School in Mairehau, Christchurch.

Chapter 8:

Making an impact on poor health, poor housing and deprived neighbourhoods

Illness and poor housing are both causes and consequences of child poverty. An adequate family income helps reduce the likelihood of children contracting preventable diseases by allowing access to healthier accommodation. This chapter discusses the potential of health and housing services to attenuate the effects of poverty and improve outcomes for children. It also discusses what more might be done in neighbourhoods where poverty is endemic, with associated problems including crime, low employment, struggling schools and inadequate infrastructure.

Health

Children in poor families are significantly more likely to get sick, and be injured, than children in higher-income families. The challenge of poorer health among children in poverty raises the fundamental importance of adequate income support (chapter 5) and healthy housing (see below) as protective factors. Without addressing these basic circumstances of children's lives it will not be possible to eliminate the gap in health outcomes. It is critical that before birth and from birth, all children should have access to primary health care and more intensive and specialist services whenever they need them. Attachment, security and stimulation are important for the healthy development of infants (Davies et al., 2002). Responding early to children's and parents' needs for support will pay dividends in later years.

By international standards, New Zealand's child health services and outcomes are relatively good. However, they are not so good for poor children, or for Maori and Pacifica children. Over the past decade a number of policy initiatives have been introduced with the aim of improving access to health care for all children regardless of their families' income. These measures – the development of Primary Health Organisations (PHOs), free doctor visits for children under six in standard surgery hours, and a substantial lowering of the costs of doctor visits for those aged six to 17 – represent significant advances. Nonetheless, some gaps remain.

Wellchild, which is predominantly provided by Plunket, provides important early care for babies. Since this is a voluntary service for parents, not all children use Wellchild services. Some of the most at-risk children are less likely to access this free service. Ensuring every child is enrolled at birth and followed up as necessary is suggested as an important means of improving health outcomes for babies in these families.

During ordinary surgery hours, doctor visits are free or low-cost for children under six at the general practice where they are enrolled. However, after-hours charges are highly variable and can be as high as \$120 an hour (Turner and Asher, 2008). As a result, some children do not get medical attention when they need it, or families' budgets are severely strained. Data from the 2006/07 New Zealand Health Survey shows that for 68 percent of children aged 0-4 years, their most recent visit to a GP had been free. However, for children aged 5-9 years, the comparable figure was only 32 percent and for those aged 10-14 it was only 19 percent (Ministry of Health, 2008).

While more than 97 percent of children have a regular primary health care provider (Ministry of Health, 2008), there can also be a cost barrier for children in low income families when children are away from their usual home and not close to the general practice where they are enrolled. This is an important issue for the growing number of children whose parents are separated and who spend time with both parents and/or other relatives. Further extending eligibility for fully-free medical visits for children under six and making free medical visits available to older children would improve their health care and outcomes.

While immunisation rates have increased, and coverage for children aged two is now 77.4 percent, this is still low compared with other developed countries. Moreover Maori children have substantially lower levels of immunisation at 69 percent (Turner and Asher, 2008). In 2003 the percentage of New Zealand children aged 12 to 23 months who were immunised against the major vaccine-preventable diseases was the third lowest out of 25 OECD countries (UNICEF, 2007), although it is likely to have improved since then.

Proposals

- Ensure that all children are enrolled in Wellchild and a general practice service at birth.
- Ensure children can get after-hours and weekend medical attention and prescriptions at all times, without cost.
- Improve immunisation rates to match the best-performing OECD countries.
- Progressively extend free medical visits to children of all ages in all areas.

Housing

Warm, dry, affordable housing that is not overcrowded is crucial for children's health (Maani, Vaithianathan and Wolfe, 2006). It improves their educational outcomes and wellbeing and the benefit flows on to their future opportunities and living standards. For most families with children, housing is the largest single budget item. High housing costs leave low-income families with less money to pay for other essential items for their children's wellbeing, including heating, food and clothing. Poverty can lead to overcrowding and transience because of unsuitable or insecure housing, and unhealthy living conditions for children.

Unhealthy housing and overcrowding

Chapter 2 highlighted the link between cold, damp, overcrowded housing, which is more prevalent among poor families, the risks of children contracting various preventable diseases, and of mental health issues, such as depression, in both children and adults. Overcrowding also increases the risk of child abuse (Dubowitz et al., 1989). Ill-health can delay children's cognitive development and cause them to miss out on school, and may become entrenched long term. Ill-health among parents can exacerbate poverty by causing them to take time off work, lose their jobs, or prevent them from getting employment, and it also impedes their parenting.

Insulating homes and keeping them warm has been shown to reduce the incidence of colds and 'flu, coughing and wheezing among asthmatic children, children's GP visits and days off school for sickness (Housing, Heating and Health Study, 2007). Recognising this, a Budget 2008 initiative will speed up the energy-efficiency retrofit programme so that all state houses are insulated within five years. Programmes at the national level, and local and regional council initiatives to help landlords and low-income homeowners to retrofit against cold and damp, are uneven in distribution and variable in impact (Taylor Baines et al., 2005).

While as a general trend, the proportion of the population in overcrowded accommodation²⁸ is falling, there was a small increase in the proportion of children in overcrowded housing between 2001 and 2006. Overcrowding is especially pronounced among some population sub-groups. About half of Pacifica children and young people (from birth to age 24), and more than a quarter of Maori children and young people, and

²⁸ This definition of overcrowding is derived from the Canadian Crowding Index that uses age and sex criteria regarding the sharing of bedrooms (Ministry of Social Development, 2006b: 156).

children and young people of other²⁹ ethnicities lived in overcrowded housing in 2006. In contrast only five percent of their European counterparts were in overcrowded housing. The proportion of children (aged up to 14) in overcrowded housing increases dramatically from 2.3 percent in the most affluent areas to 43.9 percent in the most deprived areas. Combining geographical and ethnicity data, more than 60 percent of Pacifica and more than 40 percent of Maori children and young people in the most deprived areas lived in overcrowded housing in 2006 (Craig et al., 2007).

Housing supply

Overcrowding and living in damp and cold houses are partly affordability issues, and might be addressed by improvements in the accommodation supplement. Overcrowding, poor quality and high cost in accommodation are all related to an under-supply of housing.

In the past, the expectation was that the vast majority of New Zealand families with children would own their own homes. However, as a result of rapid rises in prices, increasing income inequality and the demise of government programmes to promote home ownership, owner-occupied housing rates have been dropping for all age groups since 1991. Maori and Pacifica people in particular have substantially lower ownership rates than average. At the same time there has been a decline in publicly-owned housing (central and local government social housing and public employee housing) since the early 1990s. Notwithstanding the government's recent moves to increase the state rental stock, the proportion of rental housing that is publicly owned fell from 37.8 percent in 1986 to less than half this at 18.2 percent in 2006 (Statistics New Zealand, Census data). There is also less local government housing and employer-provided housing. Private rental accommodation is overwhelmingly owned by small-scale landlords, who typically have one or two rental properties each. Many of them invest little in property maintenance (Saville-Smith and Fraser, 2004).

The continued increase in government public housing stock by 1000 per year is welcome; but, even if it is accompanied by lower net migration and falling housing prices, it is unlikely to be enough to significantly reduce overcrowding of accommodation in areas such as South Auckland. The Department of Prime Minister and Cabinet's recent report on Housing Affordability (Department of Prime Minister and Cabinet, 2008), estimated a shortage of about 4500 houses in the Auckland region, half of them being in Manukau City.

A more ambitious approach is needed in areas where children are seriously disadvantaged as a result of shortages. It is important to look to other sectors besides the state for secure, affordable rental accommodation. Until the early 1990s, low-interest loans from central government propelled many urban local authorities into building substantial stocks of social housing. Local authorities, or local authority partnerships with not-for-profit organisations and businesses, could be encouraged to increase the stock of secure rental housing for poorer families.

Affordability

At the end of June 2006, nearly 250,000 families and single people received the accommodation supplement, which is targeted at low- to middle-income earners. The cost of the supplement in the year to June 2007 was \$877 million (Ministry of Social Development, 2008a). Income-related rent subsidies through Housing New Zealand Corporation (HNZC) were worth \$436 million in the year to June 2007 (HNZC, Annual Report 2006/07). There are a number of smaller programmes to assist home buyers. Welcome Home Loans help people on low and modest incomes to buy their first homes. About 3300 families have taken them up. Budget 2008 provides an additional \$35 million for a two-year, shared-equity pilot to help up to 700 households into starter homes.

²⁹ That is, not European, Maori, Pacifica or Asian/Indian.

The accommodation supplement provides a targeted 70 percent subsidy of housing costs. The entry threshold is about 25 percent of income for renters in private accommodation and 30 percent for homeowners; and the maximum varies according to the average housing costs in different areas. The tight targeting of the supplement means that it is not available when households have more than modest assets – for example, savings for a house. It only meets part of the costs of housing over and above 30 percent of the household income, and it begins to abate at a relatively modest income level. The maximum amounts payable are not adjusted regularly, and families pay any rent exceeding the designated maximum. The design of the scheme can leave families with children, on very low incomes, paying a considerable proportion of their income in rent, or having to seek cheaper housing. The high up-front cost of a bond and advance rent is a barrier to entering the private rental market. Beneficiaries can get assistance with these costs in the form of repayable advances on their benefits, but this can lead to further hardship and debt.

Housing is an especially critical issue for Pacifica children. Several key informants indicated that a factor in overcrowding and poverty for Pacifica families may be the presence of relatives newly arrived in New Zealand who do not qualify for social assistance (for example because they are not citizens or permanent residents, or have not been resident for the required period) or are present in New Zealand illegally.

Work incentives can be an issue for HNZC tenants. While HNZC tenancies are more stable and generally less costly for beneficiary and working families, the income-related rent formula can undermine incentives for some tenants to move into work. Rents increase by 50 percent of net income above the low-income threshold, which is set at the superannuation rate, thus introducing a high effective marginal tax rate on income over the threshold.

Proposals

Expand the stock of public, local authority and non-profit rental housing to ensure timely allocation to families with children who meet the ‘severe’ and ‘significant’ housing need criteria.

Increase the maximum accommodation supplement payments so they reflect actual rental levels, and establish a periodic review of maximum payments.

Change the HNZC rent formula to provide incentives for tenants to enter work or increase their hours of work.

Deprived neighbourhoods

The places where poor families can generally afford to live – typically suburbs on the peripheries of cities and smaller towns – tend to have fewer and less accessible services and amenities. The lower costs of housing are offset by other higher costs, such as that of transport to work, the necessity of running a vehicle, and the higher costs of living because of distance from supermarkets and services. Children are more likely than adult New Zealanders to live in poor areas. Thirty-nine percent of all births in 2006 were in the three lowest NZ Deprivation Index decile areas. In contrast, only 7.7 percent of children were born in areas in the most affluent decile. Pacifica and Maori children are more likely to be born into lower socio-economic communities, and children in sole-parent families are also over-represented in low decile areas (Craig et al., 2007).

There is a correlation between deprived neighbourhoods and higher risk of child physical abuse and neglect. Although most parents find ways to overcome structural disadvantage, deprived neighbourhoods exacerbate the conditions under which child physical abuse and neglect can flourish (Coulton, Korbin and Su, 1999; Drake and Pandey, 1996). It is not just difficult for families to support their children in poor areas, it can also be difficult for service providers to maximise the education, health and housing outcomes for these children. This report has pointed to significant disparities between impoverished and wealthy areas in child poverty indicators (such as overcrowded housing) and children's access to services (such as ECCE places). Even for universal services such as schools, the demand resulting from the extra needs of poor children, the lower contributions of parents, and the difficulty of attracting experienced staff, can lead to service of below average quality, and the loss of opportunities to break the cycle of poverty.

While some deprived neighbourhoods are stable communities with cohesive support networks and generally safe environments, a concentration of highly mobile families and poor households can reinforce disadvantage through social exclusion, physical isolation, higher crime rates and unsafe physical spaces. These, in turn, reduce children's opportunities for active social, recreational and cultural participation, and parents' opportunities for employment and social inclusion. Dale and Wynd (2008) and many of the key informants for this study also point out the prevalence of gambling outlets, loan sharks and mobile shops in deprived areas, which contribute to debt and poverty in households with children.

Services aimed at supporting vulnerable children and families in deprived neighbourhoods have expanded considerably, and forthcoming evaluations should clarify what more is needed. In very deprived areas it is likely to be beneficial to supplement individual- and family-focused initiatives with wider initiatives to address the specific needs of the whole community, particularly for infrastructure and safety measures. If universal services, those for vulnerable children and families, and local government-led community initiatives work towards the same goals, there is a greater chance of turning around deprived neighbourhoods.

Initiatives focused on children and families

Funding has been increased for child protection services. In deprived areas, initiatives have been expanded and funding increased considerably, to increase local services for children and families with multiple needs. These initiatives include a small number of Early Years Hubs, the appointment of teenage-parent co-ordinators, and an expansion of Family Start. Family Start is a high-intensity, home-based early intervention programme targeting approximately 15 percent of families in deprived areas. An initial evaluation indicated some positive effects on families, and considerable variability in practice between sites (Ministry of Social Development, 2005a). In approximately half of the sites, the government is trialling the provision of free ECCE for children aged 18 months to three years, who are engaged in Family Start (and the Early Start programme in Christchurch). Its effects have yet to be evaluated.

Home visiting programmes such as Family Start and Early Start have had mixed results in securing better outcomes for young children internationally (Gray, 2001). While the specifics are beyond the scope of this report, Early Start is worth a special mention because of the rigorous outcome evaluation that accompanied the tightly managed programme delivered by qualified staff (Fergusson, 2005). It was found that after two years, the programme resulted in more health visits and better health care, more exposure to early childhood education, more exposure to positive parenting, and lower rates of physical assaults and behavioural problems. Children were the primary beneficiaries of the programme. The evaluation suggested that it is possible to improve some outcomes for young children even while some adult problems remain in their households. This programme is locally managed in Christchurch; the results do not necessarily mean that similar results would be found if the programme were rolled out around New Zealand. Moreover, it is

unrealistic to expect early intervention programmes such as Family Start and Early Start to ameliorate all the issues related to poverty and marginalisation.

Social Workers in Schools currently contracts with 45 non-governmental organisations, who employ 146 social workers in 335 low-decile primary and intermediate schools, in order to improve children's chances of wellbeing, and good health and education. An initial evaluation of the service to 171 lower-decile schools showed benefits for children (Belgrave, Jakob-Hoff and Milne et al,2002). School-based initiatives include some "full-service schools" with onsite health and social work services, safety, nutrition, exercise and weight programmes; the aim is to free-up teachers to teach. Some of the most vulnerable children in poverty would benefit from expanded specialist programmes, for example, to pick up and attend to hearing and vision problems³⁰.

There are 61 Strengthening Families coordinators nationwide, with a brief to bridge local service and coordination gaps for families with children who are in contact with several agencies. Evaluations of the longest running and most comprehensive of the coordination programmes have found it to be useful, although performance varies considerably around New Zealand. National, regional and local coordination is being strengthened (Ministry of Social Development, 2005a, Ministry of Social Development, 2005b).

For families who are clients of Work and Income, the Ministry of Social Development, working with HNZA, the New Zealand Police and Women's Refuge, has established an Integrated Service Response in 53 service centres. Coordination is provided by existing staff of Work and Income, who aim to ensure that families with particularly complex needs receive quick responses and coordination between services concerned with healthy child development. The programme has not yet been evaluated, and the relationship between Strengthening Families and Integrated Service Response is unclear. Both programmes may strengthen the coordination between services over time and in some cases may get people more timely access to services but, in themselves, they are not able to address gaps in service provision where that is the greatest need.

The Pathways to Partnership funding package, announced in February 2008, is welcome and much-needed catch-up funding, which will substantially increase funding to essential services provided by non-government organisations working with children and families. This package will help by fully funding some essential services that have been only partially funded by government in the past. It will also adjust funding for increases in the cost and volume of provision.

An effective strategy to prevent the worst effects of child poverty needs to rectify the problems that affect children's lives. Good-quality health and social services are important partial solutions. However, as Waldegrave (2005) points out, it is important to respond adequately to external systemic sources of problems – such as inadequate income, bad housing, unemployment and racism – rather than focusing unduly on preventing individual and family-level 'dysfunction'. Child- and family-focused services cannot fix structural inequalities, a point also made in the evaluation of Social Workers in Schools (Belgrave et al., 2002).

It is to be hoped that forthcoming evaluations will clarify the extent to which the current mix of targeted and mainstream programmes can ensure that children and adults get timely access to the services they need. Many specialist and remedial services have very high entry thresholds. And sometimes the high needs themselves, for example where a child is in CYF custody or families have no permanent housing, prevent children from accessing services.

³⁰ More information can be found at www.seehere.org.nz

Local infrastructure and community renewal

Development and renewal initiatives in deprived communities can make a significant contribution to raising hope and opportunities, and mitigating the effects of child poverty; this is well established in the UK and Europe (Hoelscher, 2004; Beatty et al., 2008; HM Treasury, 2008). Children, families and businesses benefit from safe, pleasant neighbourhoods where it is easy for people to socialise and for community activity to flourish.

Local government shapes physical environments, and has direct responsibility for providing libraries, roads, walkways and cycleways, public transport, recreation facilities and other indoor and outdoor community spaces, which are important for children's opportunities and the safety and vibrancy of communities.

While many councils aspire to improve facilities, their commitment, resourcing and delivery is variable. Councils in poorer areas have smaller rating bases than those in richer areas, and sometimes face additional costs from factors that are correlated with deprived neighbourhoods, such as damage to facilities. Better resourced, energetic, cohesive, and well-governed communities are therefore, more likely to get the services, activities and facilities needed to grapple effectively with the issues that affect the lives of poor children.

The Local Government Act 2002 recognises the limited resources available to local authorities and requires them to collaborate with other organisations to influence delivery.

This report has stressed the need for a plan of action on child poverty to:

- improve work opportunities and incomes in the poorest families
- improve access to ECCE for children in poor areas to equal that in the wealthiest areas
- ensure Wellchild, GP visits, and schools effectively address the needs of all children
- provide secure rental housing to families with severe or serious housing needs.

These actions have the potential to set children in deprived areas on a more promising path. They rely, however, on people being able to get to work and back, businesses and community organisations setting up services such as early childhood centres, qualified people being attracted to work in health and education facilities in all areas, and parents and locals having effective input into the management of their own facilities.

There are, of course, many examples of effective collaboration and initiatives in poor neighbourhoods between, for example, district health boards, local authorities, and government agencies such as HNZC, the Police and the Ministry of Social Development. There are many miscellaneous funding sources such as lotteries, the Community Initiatives Fund and philanthropic organisations that can be looked to for support. Larger central and local government infrastructure initiatives, such as transport, can also be critically important to poor neighbourhoods and rural areas, where the routes taken by roads and public transport can greatly affect residents' opportunities. However, collaborative initiatives are often short term or crisis-focused.

While longer-term social development work is often done within single-agency silos, a wide-reaching approach is desirable to turn around deprived areas. Two examples of multi-agency initiatives in the Auckland area are the Tamaki Edge Area Strategy in education, and the Talbot Park Community Housing Renewal Project.

An evaluation of a New Deal for Communities, a UK programme of urban renewal supported by central government, found that effectiveness was enhanced where communities:

- adopted multi-outcome interventions and targets
- stabilised neighbourhoods quickly through physical refurbishment to stem the flight of the better-off
- local leadership was committed and skilled.

Typically, the physical environment received the most attention in the renewal programme. Nearly 80 percent of the investment funding came from central government, and much of it was spent on housing. The evaluation also found the greatest positive change in the areas of crime, fear of crime and attitudes towards the area (Beatty et al., 2008).

We recommend long-term commitments to integrated infrastructure development in deprived communities drawing on the lessons of the UK New Deal for Communities programme and successful local community development and community renewal initiatives.

Proposal

Further develop long-term, collaborative commitments by central government, local government, communities and business, to infrastructure development and community renewal in low income neighbourhoods.

Chapter 9: Setting targets and achieving them

It is vital to set measurable national targets for reducing and eventually eradicating child poverty. Such targets ensure commitment to the goal of ending child poverty and allow the monitoring of progress.

A number of countries have established specific targets for reducing child poverty or social exclusion. The most advanced example is provided by the UK where in 1999 the Prime Minister Tony Blair announced a '20-year mission' to become 'the first generation to end child poverty forever' (Bradshaw, 2007), an objective now also supported by the Conservative Party. The commitment has been translated into specific policy targets jointly 'owned' by the Treasury and the Prime Minister's Department – to reduce the number of children in low-income households by a quarter by 2004/05, by half by 2010, and to eradicate child poverty by 2020.

The Irish Government set a target of reducing the number of children in 'consistent or long-term poverty' to under two percent by 2007. Greece's National Action Plan includes explicit targets, and Germany has set targets in similar areas (Whiteford and Adema, 2007).

In addition, the EU as a whole agreed in the Lisbon Declaration to encourage all member states to set poverty targets in their National Action Plans (Eurochild, 2007). UNICEF also strongly promotes the setting of explicit child poverty targets, and has proposed as an absolute minimum that governments commit themselves to a 'backstop' target of not allowing child poverty rates to deteriorate while they are in power (UNICEF, 2005).

Framing New Zealand's goals, measures and targets

The United Nations Convention on the Rights of the Child (UNCROC), which New Zealand signed in 1993, provides a broad framework for child poverty targets and commits signatories to: recognise the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development. They are also required to:

Take appropriate measures to assist parents and others responsible for the child to implement this right and in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing. (UNCROC, Article 27)

While tracking income poverty is fundamental to fulfilling this commitment, it is also important to track children's access to services and opportunities in order to:

- ensure a focus on alleviating the impacts of income poverty on children
- prevent social exclusion now, and reduce the intergenerational transmission of poverty
- protect children from the worst flow-on effects of poverty, such as family violence and crime.

A comprehensive, multi-dimensional set of targets is necessary because of the interconnections between low family incomes, poor health status, poor nutrition, poor education outcomes, overcrowded housing, and stress and violence in households. Unless targets are set across all these domains, endeavours on one front can be undermined by a lack of progress on others.

In New Zealand, there is a strong case for specific goals to address the over-representation of Maori and Pacifica children among poor children. There is also a need for specific goals for groups of children who are particularly vulnerable – disabled children, children in non-English-speaking migrant and refugee families, and children in foster care.

Setting realistic dates for milestones and targets is crucial. They should be realistic and achievable, but reflect a determination to reduce child poverty to a minimum and to limit its impact by ensuring children have access to services and opportunities.

Ownership, management and responsibilities

The changes needed to eradicate child poverty and reduce its impact are far-reaching. To gain maximum leverage, they would need to be implemented concurrently, across multiple agencies. Like any long-term strategy, to succeed this would need broad agreement across the political spectrum as well as support from community and business sectors. The necessary ownership and commitment is unlikely to be forthcoming if the strategy is simply to coordinate existing departmental directions along with some new initiatives. The key goals need to be on every agency's agenda, and they need to refocus existing priorities where necessary.

In the UK, the child poverty targets are jointly 'owned' by the Treasury and the Prime Minister's Department. It is vital that responsibility for targets is clearly assigned at ministerial and departmental level, with processes to ensure that cross-agency action can be enforced. Ideally, ultimate oversight should rest with a minister and a department that does not also have responsibility for one of the specific areas concerned, such as education or social welfare.

Annual, publicly-reported monitoring of progress towards targets is also necessary. New Zealand already has an annual Social Report published by the Ministry of Social Development. It includes headline reporting of child poverty rates.

There are a number of ways of ensuring that monitoring is done. As a part of this, in our view, it is preferable to make Statistics New Zealand responsible for an annual report on progress towards the established targets. It has formal responsibility for all official government statistics, and its independence gives it credibility.

Proposals

Establish goals regarding child poverty including:

- an overall target for the elimination of child poverty, with two or three intermediate milestones
- clear measurable targets for key indicators in the areas of education, housing, and health, linked to child poverty outcomes
- decreasing net income inequality between the poorest and wealthiest households and between households with children and those without
- measurable targets for specific population groups, including Maori and Pacifica children, children in migrant and refugee families, children with disabilities and children in foster care.

Secure high-level commitment from all government agencies, giving ultimate oversight for achieving the goals to a senior minister and department that does not have responsibility for any one of the specific areas involved.

Make Statistics New Zealand responsible for an annual report on progress towards the targets.

Chapter 10:

Conclusions

“Poverty to me means the children missing out.”

(Majenta, teen parent, Wanganui)

A strong economy and Working for Families tax credits have reduced the number of New Zealand’s children in poverty on both relative and absolute measures. However, in 2006/07 230,000, or 22 percent, of children were still living in households with incomes below 60 percent of the contemporary median income after taking housing costs into account. This is more than the entire population of North Shore City (205,605) or the Manawatu-Wanganui region (222,423).³¹ Of these children, 170,000 lived in households with incomes below 50 percent of the median income. Once housing costs are included, many of the families with children who rely on benefits are living on incomes below 40 percent of the median.

This report focuses attention on the children who are under-nourished, living in cold and overcrowded dwellings, failing at school, and excluded from normal childhood opportunities like holidays and outings. Often they cannot participate in activities with their school mates, are dressed shabbily, and are forced to lower their own hopes and dreams. Their parents often have to make impossible choices between paying for school supplies and paying for food.

This situation is not inevitable. UNICEF’s 2005 report on child poverty in rich nations concluded: ‘Variation in government policy appears to account for most of the variation in child poverty levels between OECD countries’ (UNICEF, 2005).

Between the mid-1980s and 2000, inequality rose more in New Zealand than in any of the 20 OECD countries for which comparable data exists. This was driven principally by increased wage dispersion, low growth in wages at the bottom of the labour market, and reductions in welfare payments.

A strong economy and Working for Families tax credits have seen income inequality begin to narrow and have enabled a considerable number of working families to subsequently move out of poverty. The significance of Working for Families should not be underestimated. Before the introduction of Working for Families, New Zealand was one of the least generous countries in the OECD in its financial support for children. Now, the majority of families receive some, and often significant financial support towards the costs of raising children. That said, more is needed, especially for the least well-off children living in benefit-dependent families. One of the key challenges ahead is to determine how this tax credits regime should evolve to support all children more effectively. The well-documented short- and long-term consequences of child poverty make it imperative that significant numbers of children do not continue to miss out on the basics.

“The health and creativity of a community is renewed each generation through its children... The family, community or society that understands and values its children thrives - the society that does not is destined to fail.” - Bruce Perry, 2007

Developmental science substantiates the wisdom of tilting public expenditure towards the early years of life. All pregnant women and all children need access to primary health care and more intensive and specialist services whenever they are necessary. The proposals for action simplify the tax credit system and tilt expenditure toward young children (see chapter 5). Implementing the proposals in chapters 4 to 8 would

³¹ Statistics New Zealand, 2006.

“Poverty is your problem, it is everyone’s problem, not just those who are in poverty.”

(Rebecca, Te Puru)

make it easier for more parents to combine positive parenting with sustaining gainful employment, so that more children can thrive. Increasing funding for assistance and services, such as paid parental leave, high-quality early childhood and out-of-school-care services are critical.

The government has made a positive start with Working for Families, paid parental leave and better access to early childhood care and education. More has been invested in various education, health and social services. The particular needs of Maori and Pacifica children and their families need to be carefully considered in implementation of the proposals for action in this report. More still needs to be done.

The maximum current amount of paid parental leave before tax is \$391.28 per week; this is nearly \$100 less than the minimum wage. Getting it right from the start of life means increasing the duration of and remuneration for paid parental leave. The current rate is insufficient unless the family has another income; 14 weeks is too short, according to the International Labour Organisation and the World Health Organisation, to facilitate bonding and secure attachment.

High-quality early childhood care and education services can be a powerful equaliser, reducing disadvantages among children in low-income families. The design of the childcare subsidy can be improved, as can children’s access to good-quality, culturally competent services. Despite growth in participation in early childhood care and education, there are still only enough full-time-equivalent early childhood care and education places for roughly half of New Zealand’s children under five; in some low-income communities it is much less than this. The disparities between regions indicate that the children who would arguably benefit the most from these services are those least likely to access them. This also limits their parents’ opportunities to improve their families’ living standards through employment.

Holistic attention to deprived areas matters. About half of Pacifica children and more than a quarter of Maori children live in overcrowded housing. Harnessing a broad range of resources and support is likely to improve their access to services and lift some children out of poverty. Quality education contributes to breaking the cycle of intergenerational poverty. Early childcare centres and schools can be further developed as bases for the non-stigmatising provision of nourishing meals, health and leisure services outside school hours.

These health, education and social services are important partial solutions to child poverty. However, they cannot fix inadequate housing and income. Without addressing the basic circumstances of children’s lives, it will not be possible to reduce child poverty and the resulting preventable illnesses, and persistent disadvantage.

Low benefit levels are contributing to child poverty and the conditions that thwart healthy child development. There is clear evidence that the value of core benefits needs to be raised to provide an adequate safety net for children. Passing on child support to custodial parents who are on the domestic purposes benefit also has the potential to reduce poverty for many children whose parents live apart. Addressing debt at the same time would ensure increased income actually provides an effective safety net for all children.

“There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction.”

(John F. Kennedy)

New Zealand needs to plan and implement a comprehensive programme for the progressive elimination of child poverty. It is clear that lasting solutions require simultaneous coordinated action across several policy areas. Maori and Pacifica children and other disproportionately affected groups need to be visible, and their particular needs specifically addressed.

Targets focus the mind and the resources; effective implementation processes in partnership with various communities, make them achievable. Independent regular monitoring of concerted efforts to end child poverty is important. A plan led at the highest levels of government with significant engagement from a range of sectors with clear responsibilities is more likely to work than piecemeal lower-level initiatives.

Choosing priorities for expenditure is rightly a matter for public and political debate. That said, in our opinion, the first step to ending child poverty would be to raise core benefit rates, because they are, quite simply, inadequate. The children living in benefit-dependent families are those living in the most significant hardship. The second priority would be to tilt tax credits towards the earlier stages in the life-cycle while increasing the value and duration of paid parental leave, increasing the supply of free or low-cost childcare and education in low-income communities, and allowing child support payments to be passed on to custodial parents on benefits.

Financing more assistance to low-income families with children is relatively expensive; the costs of not doing so – both now and in the future – are also very high. The best question might not be whether we can afford to act on the proposals for action in this report, but whether we can afford not to.

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