



# Measuring child poverty in New Zealand:

## Issues and practicalities



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# 1 Executive summary

This paper discusses issues and practical considerations associated with measuring and reporting child poverty in New Zealand. Its purpose is to inform the work of the Expert Advisory Group on Solutions to Child Poverty.

The well-being of children is a government priority. The government recently announced 10 priority areas to focus government activity over the next 3–5 years, three of which relate to vulnerable children. It has also announced the annual publication of a new report on the status and well-being of New Zealand families and the release of a White Paper on Vulnerable Children in October 2012.

Child poverty is of concern because it has an adverse impact on the life chances of children. Because child poverty is concentrated among particular sub-groups of the population, it also raises issues of social justice and equity.

International experience shows that the measurement of child poverty is complex. In addition to conceptual and practical difficulties, it entails making arbitrary judgements and choices that require a process of public consultation and political consensus.

Statistics New Zealand currently publishes a range of statistics on the economic well-being of New Zealanders. These include statistics on the distribution of income, consumption, deprivation, and net worth. These statistics are currently used by the Ministry of Social Development to report on trends in indicators of inequality and hardship in the New Zealand population, including children.

As leader of the Official Statistics System, Statistics NZ will continue to work with other agencies to develop a more coordinated and coherent measurement system on the well-being of children. We are also open to adding a child dimension to the current range of outputs where possible.

The Expert Advisory Group on Solutions to Child Poverty has recommended that their proposed core set of child poverty measures be reported annually. Some of the measures are already reported in the Ministry of Social Development's report on Household Incomes. Given the ministry's expertise in reporting on inequality and hardship, it would seem prudent for it to continue this role and to extend its measures to include the EAG's full set of child poverty measures.

Summary measures of child poverty are useful in monitoring the numbers and characteristics of children experiencing material hardship. To inform policy development, the measures need to be accompanied by in-depth analyses of the causes and consequences of child poverty, and the potential impacts of different policy options. Internationally, these analyses are often undertaken by research organisations.



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## 2 Purpose

This paper discusses issues and practical considerations associated with the production of statistical information on child poverty. Its purpose is to inform the work of the Expert Advisory Group (EAG) on Solutions to Child Poverty, which was established by the Children's Commissioner in March 2012 to identify solutions to child poverty in New Zealand. The recommendations of the EAG will be used to provide advice to the Ministerial Committee on Poverty. Statistics NZ was invited by the EAG to prepare this discussion paper.

The paper begins with contextual information on why child poverty and its measurement are of concern in New Zealand.

This is followed by a broad overview of country experiences in the measurement of poverty. The next two chapters discuss key elements of a measurement system on child poverty and issues in the development of statistical measures.

This leads to an analysis of what agency is best placed to report on child poverty in New Zealand.

Following this is a discussion of some specific issues associated with the measurement of child poverty in New Zealand.

The paper concludes by highlighting the importance for public policy purposes of complementing summary measures of child poverty with in-depth analyses to understand the causes and consequences of child poverty.



### 3 The concern about child poverty and how to measure it

Child poverty and its measurement are attracting increasing interest in New Zealand and internationally. Children are at higher risk of poverty than adults and are highly dependent on their immediate environment for the provision of their basic needs. There is a growing body of evidence showing that children who grow up in poverty are more likely to experience poorer outcomes in areas such as education and health. This disadvantage has been shown to continue into adulthood and has also been linked to the accumulation of inter-generational disadvantage (Roelen & Gassmann, 2008; Gornick & Jantii, 2009).

In New Zealand, the higher risk of child poverty in Māori and Pacific communities is of concern, raising questions of social justice and equity (Henare, Puckey & Nicholson, 2011). Children from these communities will comprise a growing proportion of all children in the coming decades. In 2006, Māori children aged less than 15 years made up around 24 percent of New Zealand children and Pacific children made up 12 percent. By 2026, these figures are projected to increase to around 29 percent and 18 percent respectively (Statistics NZ, 2012).

The costs of child poverty are not borne solely by those immediately affected by it. Society bears a proportion of the costs such as in the form of increased expenditure on health, and hence higher taxes and lower rates of economic growth. Addressing child poverty is of interest to governments as it can lead to economic and social development, as well as meeting social justice concerns.

In March 2012, the Children's Commissioner established an experts group to identify solutions to child poverty in New Zealand.

I've asked them to find realistic, pragmatic and effective ways to combat child poverty – both short-term answers and longer term solutions. The group will examine the best available local and international evidence and experience, and make recommendations that will make a tangible difference in New Zealand. (Commissioner for Children, 2012).

The Expert Advisory Group (EAG) is required to provide a final report to the Children's Commissioner by the end of 2012. The Commissioner will use recommendations from the report to provide advice to the Government in time to inform the Ministerial Committee on Poverty. The Ministerial Committee has the same goals as the EAG – to find tangible gains in both the short-term and longer-term, with a focus on obtaining value for money in the tight economic environment.

The EAG identified early in its discussions the importance of robust measurement to provide reliable data for policy purposes and tracking changes in child poverty over time. As a result, an important element of its work is on addressing the complex issues surrounding the measurement of poverty in New Zealand.



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## 4 International experience in the measurement of poverty

There is an extensive literature dealing with the definition and measurement of poverty. In rich countries, poverty means an experienced level of material well-being that is unacceptably low relative to current social norms and caused by circumstance rather than choice. Its measurement involves three issues: defining and measuring material well-being in a statistically representative way; identifying the poor by setting a minimum acceptable standard of living; and then counting the number of poor in some way.

What is meant by material standard of living depends in part on the theoretical perspective. A perspective based on basic needs will not necessarily give the same meaning, as one based on capabilities, or as one based on rights.

The availability of appropriate data is a practical constraint on analyses of child poverty. Many empirical analyses restrict the definition of material standard of living to income for that reason.

Three main approaches for identifying the minimum threshold of material standard of living to distinguish the poor from the non-poor can be identified in the literature:

- a) **The absolute approach** – having fewer resources than an objectively defined minimum needed to satisfy basic human needs (for food, clothing, housing etc). The aggregate cost of these goods constitutes the low income line.
- b) **The relative approach** – having fewer resources than others. This approach commonly uses household income as a measure of household resources, then ranks the population by their household's income (adjusted for household size and composition). A cut-off income is then chosen as the poverty threshold and the population is divided into two groups, the poor and non-poor.
- c) **The subjective approach** – feeling you don't have enough to get along. This approach is generally based on public opinion on income levels considered to be 'just sufficient' derived from household surveys.

Two further methodological choices that are important in the analysis of child poverty are the definition of the unit of analysis and the appropriate equivalence scale. The unit of analysis could refer to the household, the family or the individual. If the individual is chosen as the unit of analysis, then a decision needs to be made as to how to divide household resources among household members. The choice of equivalence scale is important as it embodies different assumptions about the relative needs of household members and the importance attached to children.

The way in which poverty, including child poverty, is measured and defined varies from country to country. A broad overview of the experience of other countries is given below.

### United States

The United States is one of the few developed countries to have an official definition of poverty and a long history of regularly publishing statistics on poverty, including child poverty. The statistics are published each year by the U.S. Census Bureau based on Current Population Survey data from the Annual Social and Economic Supplement.

The United States official measure of poverty is based on a monetary concept reflecting the cost of purchasing a nutritional diet. It dates back to work done by the Department of Agriculture in 1961 using survey information from 1955 on the so called 'Thrifty Food Budget'. The poverty threshold was set at three times the cost of this diet (using before

tax income) to allow for the purchase of all other goods, with adjustments for family size. In 1969, the threshold was officially adopted and since then has been updated only for price changes.

The extent to which the official poverty measure continues to represent the reality of contemporary US society has been the subject of a good deal of discussion, particularly in light of the fact that it is based on concepts and judgements made in the early 1960s. The debate not only concerns the need to define and cost a new set of goods and other special needs (eg child care) representative of contemporary US families. It also concerns where the threshold between the poor and non-poor should be set.

The US poverty measure has been criticised for excluding in-kind benefits such as food stamps and housing assistance, when counting family resources. It also ignores direct taxes, such as payroll and income taxes, when measuring family expenditures, and the cost of earning wage income, including childcare costs, when calculating the net income available to families (Blank, 2007).

The US official poverty line can be changed by the government without a vote of the Congress. A number of proposals have been put forward over the years to produce an improved measure of poverty (Blank, 2007). But change invites controversy because it tends to produce some groups whose share of poverty increases and other groups whose share decreases. Because change in a number of social programmes is a function of the poverty rate, any change to the poverty measure has financial implications.

Despite there being an official poverty line in the US there is no official target to reduce poverty.

## Canada

Unlike the US, Canada has no official definition of poverty and no official method of measuring poverty.

The Canadian statistical agency has a long history of publishing 'low income cut-off lines' (LICOs) but emphasises that these are not poverty measures. A LICO is an income threshold below which a family will devote a larger share of its income on the necessities of food, shelter, and clothing than the average family. The approach is simply to estimate an income threshold at which families are expected to spend 20 percentage points more than the average family on food, shelter, and clothing. The first set of published LICOs used the 1959 Family Expenditure Survey to estimate five different cut-offs varying between families of size one to five. These thresholds were then compared with family income from Statistics Canada's major income survey to produce low income rates (Statistics Canada, 2010).

Today, Statistics Canada continues to use precisely this approach to construct LICOs, with the exception that the LICOs now vary by seven family sizes and five different populations of the area of residence. This additional variability is intended to capture differences in the cost of living between rural and urban areas. Statistics Canada produces two sets of LICOs and their corresponding rates – those based on total income (ie income including government transfers, before the deduction of income taxes) and those based on after-tax income.

In addition to the LICOs, Statistics Canada provides a measure based on the distribution of income (the LIM). The LIM is based on 50 percent of median household income adjusted for family size. This is updated annually according to changes in median incomes.

Statistics Canada's low income measures are based on well-defined methodologies that identify those who are substantially worse off than the average based on their income level. Being substantially worse off from the average does not necessarily mean that one is poor.

Statistics Canada is strongly of the view that defining poverty involves value judgements and is not the role of a national statistics agency. Its position is that once governments establish a definition of poverty, it will endeavour to estimate the number of people who are poor according to that definition (Fellegi, 1997).

Despite Statistics Canada stating that its low income measures are not poverty measures, they are commonly used as de facto measures of poverty in the absence of officially designated measures.

In 2003, the then Department of Human Resources Development released a new measure of poverty called the Market Based Measure (MBM). It stated that the MBM is not an official measure and has been designed to complement the low income measures. Under the MBM approach, poverty is based on the costs of a specific basket of goods including: food, clothing and footwear, shelter, transportation, and other household needs. The specific choices of these goods are meant to represent 'community standards' of expenditure. Being in poverty is defined as not having an income level higher than the cost of this basket of goods (Statistics Canada, 2010).

## Australia

Australia, like Canada, has neither an official definition nor an official measure(s) of poverty. In the absence of these, the Henderson Poverty Line (HPL) is widely used to estimate the number of poor families and individuals in Australia.

The HPL is a monetary-based measure developed by a group of researchers at the Institute for Applied Economic and Social Research at Melbourne University in the 1960s. The HPL set the minimum income needed for a household of two adults and two children at a level equal to the value of the basic wage supplemented by family benefits. This was considered to be a close approximation of a low income standard for a one earner family in Australia. Equivalence scales were used to adjust for different household sizes and composition.

Updated estimates of the HPL are published regularly by the Melbourne Institute of Applied Economic and Social Research, Melbourne University, using an index of per capita household disposable income derived from Australian Bureau of Statistics data (Saunders, 2004).

The HPL estimates have been heavily criticised. One important criticism of the HPL is that it has become biased upwards because of the way it has been adjusted over time. It has also been criticised on the grounds that the relevance of the basic wage to a poverty income benchmark has long disappeared, along with the male breadwinner model of the labour market on which it was implicitly based.

The Australian Bureau of Statistics (ABS) does not produce statistics on poverty because of the subjectivity involved in its measurement. It focuses instead on measuring the characteristics of households with low economic resources, such as people with low incomes, low expenditure, and low wealth. But even this is problematic. Studies have shown that some households in the bottom income decile and with negative gross incomes, have expenditure levels that are comparable to those of households with much higher incomes levels.

This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary (Australian Bureau of Statistics, 2010).

The ABS is developing a Low Consumption Possibilities Framework for assessing the economic well-being of Australian households, particularly those households at risk of experiencing economic hardship. It is the first comprehensive attempt by the ABS to describe and examine the multidimensional factors influencing household economic well-being (Australian Bureau of Statistics, 2010).

This approach is consistent with the recommendations of the Stiglitz, Sen and Fitoussi Commission on the Measurement of Economic Performance and Social Growth<sup>1</sup> around the measurement the material well-being of households:

Ideally, such information should not come in isolation but be linked, i.e. one would like information about how well-off households are with regard to all three dimensions of material living standards: income, consumption and wealth. After all, a low-income household with above-average wealth is not necessarily worse-off than a medium-income household with no wealth.

(Stiglitz, Sen, & Fitoussi, 2009)

## The European Union

In the European Union, reducing poverty has recently been made a target for the first time. The Europe 2020 strategy promotes social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of poverty and exclusion by 2020 (Nolan & Whelan, 2011).

Progress in achieving this target is to be measured by the number of people who are income poor or materially deprived or live in households with very low work intensity (Nolan & Whelan, 2011). This indicator is defined as the union of the following three sub-indicators:

- people at risk of poverty (ie with an equivalent disposable income after taxes below 60 percent of the median)
- severely materially deprived people (ie deprived in 4 out of 9 items)
- people in households with very low work intensity (ie where household members work less than 20 percent of their capacity).

Data from the European Union Statistics of Income and Living Conditions (EU-SILC) will be used to monitor progress towards the poverty and social exclusion reduction standard. This instrument is administered across EU countries using standard concepts and classifications, allowing comparisons to be made between countries.

Although the EU has established targets for the reduction of poverty, child poverty has not been identified as a political priority.

## United Kingdom

In the United Kingdom, the reduction and elimination of child poverty is a political priority. Clear goals and targets have been announced by government.

The Child Poverty Act 2010 specifies a succinct set of indicators of child poverty relating to:

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<sup>1</sup> The commission was established in February 2008 by the President of the French Republic. Its aim was to identify the limits of GDP as an indicator of economic performance and progress; to consider what additional information might be required for the production of more relevant indicators of social progress; to assess the feasibility of alternative measurement tools, and to discuss how to present statistical information in an appropriate way.

- relative low income
- combined low income and material deprivation
- absolute low income
- persistent low income.

A Social Mobility and Child Poverty Commission has been established to monitor progress towards the end goal of eradicating child poverty by 2020.

The child poverty measures and targets have been the subject of recent controversy. In June 2012, the work and pensions secretary announced that he intended to publish a green paper looking at a range of new non-income indicators of poverty, arguing that 'it is increasingly clear that poverty is not about income alone' (Wintour, 2012).

The UK Department of Work and Income publishes regular statistics on households below average income, and these are used to measure the government targets to reduce poverty.

## Republic of Ireland

There are parallels between the UK experience and the Republic of Ireland, particularly in terms of the extent of the political commitment to reducing poverty, though the UK has built upon and extended the Irish approach (Corak, 2005).

With the launch of its National Anti-Poverty Strategy Statement (NAPS) in 1997, Ireland became the first European Union member country to adopt a global poverty target. The Irish experience demonstrates that setting out an overall standard against which success or failure of the national effort to combat poverty is extremely important. By doing so, the Government both acknowledged its responsibility for reducing the overall extent of poverty and gave policy commitments content and meaning.

The adoption of a national policy target fundamentally altered the nature of the national discourse on poverty and the way anti-poverty policies were assessed. Obtaining wide spread agreement on the broad definition, the general meaning to be attributed to the term poverty, did not prove to be an obstacle in the Irish case. The definition emerged from a lengthy consultation process and has been accepted by successive governments (Department of Social Protection, 2012).

In Ireland, the official government-approved child poverty measure is consistent poverty. Consistent poverty relies on a combination of relative income and deprivation. Children are considered poor in Ireland if they live in households with incomes below 60 percent of the median and lacking two or more items from a list of 11 items considered as indicating deprivation. The indicators do not necessarily relate to the specific situation of children.<sup>2</sup>

## Summary of international experience

The above broad overview of country experiences in measuring poverty has shown that it is a complex phenomenon and its measurement is not straightforward. There are many conceptual and practical problems. The overview has highlighted that the definition and measurement of poverty is not just a matter for the theoretician or statistician, but inherently involves value judgements requiring public consultation and choices.

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<sup>2</sup> The 11 item index includes: two pairs of strong shoes; a warm waterproof coat; buy new not second-hand clothes; eat meals with meat, fish or chicken every second day; have a roast or its equivalent once a week; had to go without heating during the year through lack of money; keep the home adequately warm; buy presents for family or friends at least once a year; replace worn out furniture; have family or friends for a drink at least once a month; have a morning, afternoon or evening out in the last fortnight for entertainment.

There is no internationally agreed standard for measuring poverty in the same way as there is for unemployment and GDP. As a result, the way that poverty is measured varies from country to country, and even within countries. In general, all measures rely on a metric to assess the well-being of people and on a threshold to separate the poor from the non-poor. But this is where the commonalities end, with the different approaches making different choices in terms of each of these two criteria.

One distinction between poverty measures is whether the metric used to assess people's conditions is monetary or non-monetary, and whether it refers to inputs (ie the resources required to achieve well-being) or to outcomes (ie the final conditions people achieve). Most of the measures in the countries reviewed are monetary and input based, with income measures being the most obvious example.

The income-based measures differ, however, in terms of the income concept used (eg income before tax in the US and income after tax in the EU). There are also differences between countries in how they account for differences in needs across households of varying sizes and characteristics.

The income-based measures of poverty also differ in terms of whether they rely on absolute or relative thresholds. Absolute thresholds are typically expressed in the form of the cost of a basket of goods and services deemed to be required to assure a minimum standard of living (eg the US poverty threshold and the Canadian market-based measure).

Relative thresholds are set as a proportion of the income level in a country. In the EU, a community regulation has set this threshold at 60 percent of median household disposable income, with each person being attributed the adjusted income of the household to which he/she belongs using the so-called 'modified OECD scale'.

An important limitation of income-based measures of poverty is that they capture some people who have lifestyles inconsistent with their incomes. This suggests that these people have access to economic resources in the form of wealth or have other means of support, and are unlikely to be suffering extremely low levels of economic well-being.

As a result of this anomaly, there is growing interest in developing a multidimensional approach to measuring individuals and households with low economic resources, incorporating income, consumption and wealth (eg the Australian Bureau of Statistics).

Another approach to the measurement of poverty relies on direct measures of peoples' access to goods and services deemed to be necessary to enjoy a 'decent' standard of living, rather than using income as an indirect measure of consumption.

This approach is sometimes used as an alternative to income-based measures or in combination with them (eg the Irish definition of consistent poverty which counts as consistent poor those people who have both relatively low income and who experience a given number of deprivations). The items that are included in deprivation approaches vary from country to country, based on the norms specific to each country. Typically, many of the deprivation items relate to adults and are less relevant to child poverty.

Few countries have official measures of poverty. The US is the only example of the countries reviewed with an official definition and measure of poverty. While an official definition provides focus and continuity of measurement, it can come at a price. In the US, it has proved difficult to adjust the definition, which relates back to the 1950s and whose value is today worth less than 40 percent of median income.

The experience of Ireland suggests that a strong political commitment to the reduction of child poverty, together with strong targets and extensive public consultation to obtain agreement on the definition of poverty, is important to the successful establishment of poverty measures.



## 5 Establishing a measurement system for understanding the well-being of children

The EAG on Solutions to Child Poverty has articulated a strong need for measurement of child poverty in New Zealand to support the development of policy interventions, including the setting of targets for reducing child poverty, and the evaluation of the effectiveness of policy measures (Children's Commissioner, 2012).

Key questions that a measurement system would be expected to answer include:

- Is child poverty getting better or worse?
- What groups in society are most at risk of child poverty?
- What factors affect child poverty?
- What are the potential impacts of policy levers available to government to mitigate the effects of child poverty?
- How effective are government interventions to reduce the incidence and impacts of child poverty?

To produce meaningful statistics relating to child poverty, it is first necessary to define the areas and concepts that need to be measured, and the relationships between them. The definition of child poverty recommended by the EAG is:

Children living in poverty are those who experience deprivation of the material resources and income that is required for them to develop and thrive, leaving such children unable to enjoy their rights, achieve their full potential and participate as full and equal members of New Zealand society.  
(Children's Commissioner, 2012)

This definition conceptualises poverty in relation to income level and access to goods and services. It has links to well-being in relation to children enjoying their rights, being able to fulfil their potential, and participating fully in society.

Because children are not independent economic actors, their access to resources is dependent on the level of family resources and how these are allocated between family members and other competing needs. The level of family resources is determined by the circumstances of the family, such as the parent's labour market participation, their life cycle stage, and their life style choices. These circumstances are in turn affected by: the human capital of parents, particularly their knowledge and skills; the parents' social capital, which can provide considerable economic and social support; and the local and national economic environment.

The level of family resources effects child outcomes, both directly in terms of expenditure on food and other necessities such as housing quality, and indirectly on the individual child in terms of their outcomes in areas such as health, education, and crime and justice.

The length of time that families spend in a low-income situation, together with their ability to access other economic resources such as accumulated savings, can have a significant impact on child outcomes.

A range of demographic factors – such as the age and ethnicity of parents, the type of family they live in, the number of children dependent on them, and the composition of their household – can also have a bearing on the level of economic resources that children have access to.

Unpacking the EAG's definition of child poverty in this way demonstrates that child poverty is complex and can only be understood in the context of the broader social and economic environment in which it exists. To be meaningful and useful, statistical measures and information on child poverty need to be organised around a coherent conceptual framework or model that reflects our understanding and assumptions of the antecedents and impacts of child poverty. This provides a basis to describe what is going on as well as identify possible policy interventions and evaluate their impacts. Data on child poverty must be able to be integrated with other social and economic statistics to provide a joined up picture of child poverty and related factors.

Critical elements of a measurement system on child poverty include:

- a clear understanding of what child poverty means
- the ability to relate children to their family and household circumstances and to the attitudes and values of their parents
- the ability to combine data on household income, net worth, and deprivation to identify children at greatest risk of economic hardship
- the ability to bring together data to identify the causes and consequences of child poverty
- the ability to make the distinction between transitory and persistent characteristics
- the ability to drill down to provide distributional information, for example the number of children below the poverty line disaggregated by age, ethnicity, family type, and geographic area.



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## 6 Current situation of official statistics about children

Statistical information on children in New Zealand is currently fragmented. A lot of the available data on child outcomes is sourced from administrative data, which contains no information about the family circumstances and socio-economic environment in which children live. It is currently not possible to link data on children across different administrative data collections, such as education, health, and crime and justice collections to identify those children experiencing multiple poor outcomes, who are most at risk of poor outcomes, and to track their outcomes over time.

The Census of Population and Dwelling and regular household surveys conducted by Statistics NZ (General Social Survey, Household Economic Survey (Income), and Household Labour Force Survey) collect data on the demographic characteristics of children that can be related to their family and household characteristics, but not to children's outcomes.

The Survey of Family, Income and Employment (SoFIE) is able to produce information on the characteristics of households and children experiencing low income and deprivation over a prolonged period (ie for at least 3 out of 4 years). However, it is not possible to link this information to child outcomes because the focus of the survey is on measuring the outcomes of people aged 15 years and over. Data collection for SoFIE was completed in 2010 and there are currently no plans to repeat the survey.

Growing up in New Zealand, a new birth cohort study which is following a cohort of around 7,000 children born in 2009, will provide some information on the outcomes of children who experience persistent low income. Because the survey is limited to a sample of children born in Auckland, Counties Manukau, and Waikato, the results will not be nationally representative. Nevertheless, the survey should be able to provide some important insights into child poverty and the factors that are associated with the movement of children into and out of poverty. The oversample of Māori and Pacific children in the survey should enable analysis of poverty among these ethnic groups.

New Zealand has a range of official statistics that provides insights into child poverty. However, because of the fragmented nature of statistical information on children it is difficult to develop a coherent picture of child poverty and its causes and consequences. There is scope for improving the value of the existing statistics by bringing together data on children in one place. There is also potential for linking data across administrative sources and by linking administrative data to survey data. This would lead to a more integrated statistical system on children and an improved understanding of the well-being of children, including key factors influencing their well-being.



## 7 Developing indicators of children experiencing hardship

This chapter discusses the development of summary measures and indicators of child poverty.

The EAG on Solutions to Child Poverty is recommending that government adopts their proposed core suite of measures of child poverty and reports on them on an annual basis (Children's Commissioner, 2012).

The experience of other countries has illustrated that developing measures and indicators of poverty is a complex task. Just defining an adequate level of economic resources is problematic. It is further complicated by the fact that what is considered an adequate level can vary over time and between countries.

If measures are to aid understanding of child poverty, they need to capture the multi-dimensional and dynamic aspects of poverty, including the causes and consequences.

They also need to cope with the often conflicting views of statistical measurability, scientific consistency and political relevance. There are no international guidelines to help the measurement process because institutional contexts are so different between countries.

It is important that the development of measures is driven by their purpose. The purpose and the process of deciding what to measure are as critical as defining the methodology for producing the measures (Statistics NZ, 2009). There are a range of possible purposes for the development of child poverty measures. These include: to measure progress towards a particular government goal, to measure the performance of a specific policy (eg Working for Families), to monitor the well-being of children, or to raise awareness of the incidence of child poverty by making it visible. Depending on the measurement purpose, the chosen indicators might be quite different.

In addition to having a clear purpose, it is important that measures of child poverty are underpinned by a conceptual framework. A conceptual framework provides a theory of the way the world works and maps the territory that one is trying to measure (Statistics NZ, 2009). It is typically informed by current policy interests and international evidence. A conceptual framework of child poverty is important to ensure the selection of a relevant and balanced set of measures that reflect the multi-dimensional and dynamic nature of child poverty. It also provides a rationale for the selected measures.

The statistical robustness of the chosen measures is also important. The statistical robustness depends on the methodology and scientific rigour used in the production of child poverty measures. At the very least, the measures should be fit for the purpose that they were designed. Key dimensions of fit-for-purpose include relevance, accuracy, consistency and interpretability. The methodology and data sources used in the production of the measures should be transparent. Where new measures are developed, and there is uncertainty about their statistical robustness, a useful approach is to release them initially as experimental measures.

In New Zealand, the official statistics system provides a range of statistical information on the experience of economic hardship. Analysts can construct a range of different measures of poverty using the existing statistics, depending on their specific purpose and conceptual framework.

The EAG's proposed measures of child poverty cover income poverty, deprivation, severe poverty, and persistent poverty. It is intended that they are produced using data from the official statistics system. The measures are similar to those produced by other countries and as such they have some of the same limitations, including the arbitrariness in the setting of the poverty thresholds and the choice of equivalence scale. The core measures do not cover the causes and consequences of child poverty, but supplementary indicators may be developed to cover these topics. It is not clear whether the proposed measures are underpinned by an explicit conceptual framework.

The experience of other countries has shown that political commitment is important in the establishment of institutionalised measures of poverty. The New Zealand Government recently announced 10 key priority areas to focus the activity of government agencies over the next 3–5 years. Several of these areas relate specifically to supporting vulnerable children. The government has also added a new monitoring, evaluation, and research function for the Families Commission, including the preparation of an annual report on the status and well-being of New Zealand families. In addition, it has announced the release of a White Paper on Vulnerable Children in October 2012. The feasibility of establishing an institutionalised set of child poverty measures in New Zealand is contingent on the outcomes of these government processes.



## 8 Statistical issues with measuring child poverty

There is a range of statistical issues associated with the measurement of poverty in New Zealand, over and above issues relating to the choice of poverty thresholds and equivalence scales, already discussed.

An important issue in the New Zealand context is the accurate measurement of child poverty in Māori and Pacific communities. As noted in chapter 3, Māori and Pacific communities have a higher risk of child poverty and are therefore of particular policy interest. The Household Economic Survey (Income) is the major source of data for the EAG's recommended suite of child poverty measures (Children's Commissioner, 2012). There are limitations to the amount of ethnic analysis that is possible using data from this survey because of the relatively small sample sizes for Māori and Pacific Peoples. Ethnic poverty rates from HES (Income) have been volatile and inconsistent with other information, limiting the amount of trend reporting that is possible.

Obtaining reliable regional and small area estimates of child poverty is also problematic in New Zealand. The Household Economic Survey (Income) has a relatively small achieved sample of only 3,500–4,000 households and is designed to produce national statistics. It is not able to generate estimates for geographical areas beyond five large regions (Auckland, Wellington, Canterbury, rest of North Island, and rest of South Island).

The Census of Population and Dwellings is a better source of data on sub-populations and small geographical communities. But the census does not collect the information needed to produce the child poverty measures recommended by the EAG. It is possible to produce a range of other indicators relating to child poverty from the census, such as the proportion of children in workless families, the proportion living in crowded dwellings or the proportion living in deprived areas based on the New Zealand Deprivation Index (NZDep). However, the 2011 Census was deferred following the Christchurch earthquake, and as a result data from the 2006 Census is the latest data available. The value of using this data for analysis of child poverty is questionable in view of the significant changes that have taken place since 2006. In particular, the global financial crisis has had a major adverse impact on the economic and social outcomes of some sub-groups, such as Māori and Pacific peoples, and some regions such as Northland. The results of the 2013 Census should be available in 2014.

A particular issue associated with the proposed measurement of child poverty using data on household income and household deprivation items is the growing number of children supported by parents living in two households. The number and characteristics of children who are supported by parents living in different households is not captured in official statistics. Household surveys measure the family circumstances and economic well-being of children in the context of a single household (ie the household in which children usually reside or the household they were living in at the time of the survey in cases where they share their time equally between two households). As a result, the economic resources of the households in which children are surveyed may not necessarily be indicative of the resources they have access to.

It is also worth noting that most official surveys in New Zealand collect information from people aged 15 years and over. Typically, only basic demographic information about children is collected, including their age, sex, ethnicity, and relationship to other household members, which is used to derive family and household statistics. No information is collected directly from children to find out what things matter from their perspective, largely because of the ethical and logistical issues associated with surveying children. This means that much of the statistical information on children's outcomes is sourced from administrative sources. Although administrative data on children is fragmented, there is considerable scope for increasing its value through integration with data other sources.



## 9 Options for reporting child poverty in New Zealand

This chapter looks at options for the production and reporting of the EAG's recommended suite of 'official' child poverty measures. Two key options are considered; Statistics NZ or another government agency, such as the Ministry of Social Development, Office of the Children's Commission or Families Commission.

### Statistics NZ's possible role in producing and reporting on child poverty measures

As New Zealand's national statistics office, Statistics NZ has the legislated role, general capability, and demonstrated track record in producing New Zealand's most important official statistics.

The Government Statistician has statutory independence in the production and release of statistics and has an obligation to release objective statistics. This contributes to trust and confidence in the statistics released by the department and would be a major advantage of Statistics NZ publishing the child poverty measures. This would not necessarily be the case if the measures were published by another government department, where the sustainability of their production is more likely to be affected by changing policy priorities.

Statistics NZ has a lot of experience in the collection and reporting of statistical information on income, expenditure, wealth, and related factors. We recently completed an official review of these statistics with input from key stakeholders. The purpose of the review was to set the strategic framework and priorities for the development of statistics on the economic standard of living of the population over the next 5–10 years. The review concluded that priority information needs relating to "financial hardship, deprivation and poverty" were mostly met within the current portfolio of statistics (Statistics NZ, 2010).

Statistics NZ monitors and reports on the living conditions of the population, including those experiencing economic hardship, using a Sustainable Development Framework (Statistics NZ, 2009). This framework provides a context for understanding and interpreting the statistics and contributes to a more coherent and integrated picture of economic and social progress in New Zealand.

We intend to continue to develop our statistical reporting using this framework. There is potential for incorporating a wider range of statistics into this reporting framework to provide more insights into the experience of economic hardship in New Zealand. Because we have an obligation to present objective and impartial statistics, we would not publish statistical measures of 'poverty' as they involve arbitrary judgements in the setting of thresholds to distinguish the poor from the non-poor.

### Possible role of other government agencies

The Ministry of Social Development has extensive experience in the analysis and reporting of poverty, including child poverty, even though it doesn't have the same level of statistical infrastructure as Statistics NZ.

Some of the measures in the EAG's proposed suite of child poverty measures are already reported regularly by the Ministry of Social Development in the annual report Household Incomes in New Zealand: trends and indicators of inequality and hardship (Ministry of Social Development, 2011). The measures are based mainly on data from Statistics NZ's Household Economic Survey (Income), and have the status of 'official statistics'.

Given that the Ministry of Social Development has considerable experience and expertise in the reporting of poverty, and already produces monitoring reports on this topic on a regular basis, it would seem prudent for it to continue this role and extend its reporting to include the full set of the EAG's proposed child poverty measures.

Alternatively, the Office of the Children's Commission or the Families Commission could take on the responsibility for reporting child poverty. This role would align closely with the Families Commission's new function to publish an annual Families Status Report that measures and monitors the well-being of New Zealand families.



## 10 Analysis of child poverty

This chapter discusses the importance for public policy purposes of complementing summary measures of child poverty with in-depth analyses.

Statistical measures and indicators are useful for monitoring change and assessing progress towards policy targets where they exist. They highlight social problems and inequities, stimulate public debate, and influence policy makers to take action. However, on their own, they are not nearly sufficient for developing a robust understanding of a topic. Statistical measures and indicators need to be supported by analysis that can capture the impact of factors that shape outcomes and provide a basis for determining the best points for policy makers to intervene to prevent adverse outcomes or to mitigate their effects.

It is important that the proposed measures of child poverty are complemented by analysis that can shed light on the causes of child poverty, and the potential policy levers available to government to reduce child poverty and its impacts. Internationally, there is growing use of micro-simulation analysis to explore the potential impacts of policies and programmes, not only in the area of poverty but more broadly. Investment in the development of this capability in New Zealand would increase the effectiveness and cost-efficiency of policy interventions and programmes.

Internationally, analysis of the drivers of child poverty and the connections between policies and outcomes is done either by research units within government or funded by government, or by independent research institutes.

In the US, the Institute for Research on Poverty was established by the Office of Economic Opportunity, the organisation tasked with reducing poverty in the US. The research institute, which is non-profit and non-partisan, conducts research into the causes and consequences of poverty and inequality.

In the UK, the government has established a dedicated child poverty unit (CPU) to take forward the government's strategy to eradicate child poverty by 2020. One of the functions of the unit is to undertake research and analysis to support the development of successful policies. The Joseph Rowntree Foundation, an endowed foundation, also has an extensive research programme into poverty and income inequality in the UK.

In Australia, analysis of child poverty is undertaken by the Australian Institute of Family Studies, which is a statutory agency within the portfolio of the Minister of Families, Community Services and Indigenous Affairs. Research into poverty, inequality, and social exclusion is also undertaken by the Social Policy Research Centre, University of New South Wales.

In New Zealand, it would be desirable to encourage a range of different perspectives and approaches to the analysis of child poverty to develop a defensible understanding of the causes and effects, and the possible impacts of policies. Research organisations would be best placed to undertake this research, possibly in collaboration with government agencies.



## 11 Conclusion

Child poverty is an issue of growing concern in New Zealand and internationally.

As leader of the Official Statistics System, Statistics NZ has a role to play in ensuring that there is a coherent measurement system on children to inform policy, research, and public understanding of trends and issues. The department will work with other agencies to develop conceptual and data frameworks to help build a more integrated and coherent set of statistics on children.

Statistics NZ produces a wide range of statistics on the material standard of living of New Zealanders, including those experiencing economic hardship. We are open to adding a child dimension to the scope of existing outputs where this is possible.

The measurement of child poverty is complex. It requires arbitrary judgements on who should be should be regarded as poor. In addition, there is a need for conceptual clarity and some practical measurement difficulties must be overcome.

The EAG on Solutions to Child Poverty has developed a proposed set of measures of child poverty. Some of the proposed measures are already reported in the Ministry of Social Development's annual publication on trends in indicators of inequality and hardship in New Zealand (Ministry of Social Development, 2011). In view of the fact that the government's strategy and policies relating to vulnerable children are still being formulated, it would be appropriate to maintain the current reporting arrangements. The Office of the Children's Commission, or the Families Commission are other potential candidates to report on child poverty.

Statistical measures of child poverty have a role in monitoring the number and characteristics of children experiencing economic hardship. To provide an understanding of the causes and consequences of child poverty, and the likely impacts of potential policies to reduce child poverty, the measures need to be accompanied by in-depth analyses. Internationally, research organisations often undertake these analyses.

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