

# LEGISLATING TO REDUCE CHILD POVERTY



## RESEARCH BRIEF

MAY 2014

Around 285,000 New Zealand children (27%) live in households where family income falls below the poverty line<sup>i</sup>, a figure that has remained relatively flat since 2009. By contrast, in the early-to-mid 1980s the level of child poverty was below 15%, before escalating to over 30% between 1990 and 1992.

High levels of child poverty have stark social implications. It is now well documented that children who grow up in poor households are also more likely to experience adverse outcomes in other facets of their life. This includes low educational attainment, poor physical and mental health, and exposure or susceptibility to harmful phenomena such as substance abuse and crime. Accordingly, there are currently several government policies designed to address the social impacts of child poverty, such as the Children's Action Plan which aims to improve outcomes for vulnerable children and the Better Public Service Targets aimed at reducing rheumatic fever rates amongst children and increasing participation in early childhood education.

However, there is growing recognition that a systematic policy approach is required if child poverty in New Zealand and its broad social impact are to be sustainably reduced. Using legislation to embed a child poverty reduction strategy is one approach to consider. This Research Brief is based on a research paper by John Hancock<sup>ii</sup> and explores the impacts child poverty legislation has had in the UK, and what lessons New Zealand can take from that approach.

### ***Does New Zealand need child poverty legislation?***

Tackling child poverty is one of the most complex social problems facing New Zealand society today. The reduction and eventual eradication of child poverty requires the various layers of government to be working in concert - from the fiscal policies emanating out of the Treasury through to the services being delivered in the community.

In December 2012, the Expert Advisory Group on Solutions to Child Poverty (EAG) found that the scale of this task requires New Zealand to develop a policy framework for measuring, targeting and reducing child poverty. In order for this framework to be both credible and durable, the EAG recommended that it be embedded in specific child poverty legislation.

Such legislation would be without precedent in New Zealand. In fact, the only country to have taken this step is the United Kingdom, through the enactment of the Child Poverty Act in 2010. While it is too early to judge whether the Child Poverty Act has been successful, it provides a useful point of reference when considering the benefits and risks of such an approach in New Zealand.

### ***Child poverty legislation may result in a greater political consensus***

One of the fundamental strengths of the UK Child Poverty Act is the rare political consensus which led to its enactment. The Act was passed with support from both sides of the House of Commons. This reflected a broad political recognition that child poverty is a critical social problem that necessitates a long-term, systematic commitment.

In New Zealand, such a political consensus is not yet apparent, although there are signs that one may be beginning to emerge<sup>iii</sup>. The introduction of child poverty legislation would be likely to trigger a national debate that could result in a social and political consensus being reached. Such a consensus would certainly strengthen the capacity of current and future New Zealand governments to address child poverty, position us well to effectively invest in our children, and mitigate the impacts of population ageing.

### ***Child poverty legislation ensures an enduring policy commitment***

The principal benefit of a legislative approach is that it sets into law a policy commitment to reducing child poverty. In the UK, the Child Poverty Act has resulted in the implementation of a systematic approach to child poverty policy development across the layers of government in the UK. This includes requiring that both central government and local government authorities establish national and local child poverty strategies. It has also established a mechanism to independently assess and report on progress.

Statutory status also means that government performance in reducing child poverty is subject to enduring public scrutiny and transparency. In turn, barriers and limitations to progress are more readily identified and addressed.

### ***Child Poverty legislation should link to the fiscal and budgetary processes of government***

Even in difficult economic environments, governments still have choices about where they focus their investment.

Reducing child poverty should be a “top-line mission” of government, alongside reducing child abuse and neglect and improving educational outcomes, all of which are strongly correlated social objectives.

The UK’s Child Poverty Act lacks a mechanism that tracks or assesses whether the fiscal choices made by the UK government are being made in a manner consistent with its objectives. This may limit its effectiveness. Notably, the first statutory review of the Act in the UK has recommended that the Office of Budgetary Responsibility undertake independent assessments of the likely impact of budgetary allocations on child poverty.

In New Zealand, the EAG also highlighted the importance of connecting budgetary processes to child poverty legislation. The EAG has proposed that such legislation should require the Minister of Finance’s annual budgetary statement to account for how government allocations affect child poverty and related outcomes.

### **Child poverty legislation can address household income levels and broader social outcomes**

Income targets are an integral component of any child poverty reduction strategy. Prior to the enactment of the Child Poverty Act in the UK, a policy focus on improving the household income of children living in poverty drove the decline in child poverty rates that occurred in the early 2000s. Similar results occurred in New Zealand following the implementation of Working for Families in 2004.

In the UK, the enactment of the Child Poverty Act took this approach a step further by requiring that the government meet a set of specified household income targets by 2020. In New Zealand, the EAG has also recommended the inclusion of income measurements and targets in child poverty legislation. This would drive progressive improvements in the economic well-being of poor children.

The effects of child poverty are felt across the sectors, with poor children experiencing adverse health, education and welfare outcomes. It follows that child poverty legislation should contain provisions that identify and measure the impact of poverty on broader social outcomes for children.

In the UK, there is recognition that the Child Poverty Act’s primary focus on income targets should be expanded. Similarly, in New Zealand, the EAG has recommended that child poverty legislation should require the government to establish Child Poverty Related Indicators from the health, education and social welfare sectors. This would help

provide the necessary data to support policies in those sectors that mitigate the impact that poverty has on the general well-being of children.

### **References**

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### **Read John Hancock’s full paper “Legislating to Reduce Child Poverty” at**

<http://www.communitymatters.govt.nz/Funding-and-grants---Trust-and-fellowship-grants---New-Zealand-Winston-Churchill-Memorial-Trust---Research-reports#2013>

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<sup>i</sup> Using the moving line 60% of median household income after housing costs measurement – see Ministry of Social Development (2014), Revisions to the 2013 Household Incomes Report – Key Points, Ministry of Social Development, Wellington, 27 February 2014, <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/household-incomes/>

<sup>ii</sup> John Hancock is a Principal Advisor to the Children’s Commissioner. Following work on the Secretariat to the Expert Advisory Group on Child Poverty in 2012, John undertook in-depth research on the impact that the Child Poverty Act 2010 has had to date in reducing child poverty in the United Kingdom. His research was supported by a Fellowship from the New Zealand Winston Churchill Memorial Trust.

<sup>iii</sup> The November 2013 Health Select Committee Inquiry on improving child health outcomes and reducing child abuse includes a key recommendation that the Government establish an overall action plan for reducing child poverty - [http://www.parliament.nz/resource/en-nz/50DBSCH\\_SCR6007\\_1/3fe7522067fdab6c601fb31fe0fd24eb6befae4a](http://www.parliament.nz/resource/en-nz/50DBSCH_SCR6007_1/3fe7522067fdab6c601fb31fe0fd24eb6befae4a)