Poverty in New Zealand

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Abstract

Poverty is an important socio-political issue in Aotearoa New Zealand. The Children’s Commissioner’s Child Poverty Monitor has established the following measures of poverty: material hardship (households that go without things they need), and income poverty (where household income is less than 60% of the current median income). It was also identified that households in extreme poverty (including 80,000 children) are experiencing both material hardship and income poverty. Various policy proposals are made to government to relieve poverty in both the short and long term. Short-term measures will not involve high cost and include greater child-support payments to sole parents who are receiving a benefit. Long-term measures involve increased child-related benefits and greater commitment by government to social housing and continuing free healthcare. This paper also recognises the importance of a cultural shift in the Department of Work and Income in relation to staff treatment of benefit applicants.

Introduction

Poverty has become a socio-political problem in Aotearoa New Zealand. Over recent years, governments have neglected the rapid growth in poverty. This has been based on a political belief that getting a job will relieve poverty. This belief has been countered by others who show that getting a low-paid job is no panacea for living on a low-paid benefit. Some politicians actually deny that poverty exists in this country. Leader of the ACT party, Jamie Whyte in 2016 stated that there was no poverty in New Zealand because there were no slums. In an attempt to define poverty, he seemed to move towards the Third World indicator of abject poverty rather than considering the face of poverty in this country. However, his argument does raise the important question about an agreed approach to measuring and understanding poverty. In New Zealand, poverty is seen as relative, whereby those suffering deprivation are often struggling to feed their children, living in insecure circumstances and unable to
enjoy a satisfying social life. As a result, family members’ health suffers and children fail to achieve a sound level of education.

This research is an attempt to look at ways of measuring poverty and the best ways of reducing and eliminating poverty in this country. It considers three key questions:

– What are the key indicators of poverty in Aotearoa New Zealand?
– What are the evidence-based actions, policies and programmes that could reduce or eliminate poverty in Aotearoa New Zealand?
– What other innovative ideas could be worth exploring?

The New Zealand Children’s Commissioner’s Expert Advisory Group on Solutions to Child Poverty (EAG) (2012) explained the reality of poverty in Aotearoa New Zealand in this way:

Child poverty involves material deprivation and hardship. It means, for instance, a much higher chance of having insufficient nutritious food, going to school hungry, wearing worn-out shoes or going barefoot, having inadequate clothing, living in a cold, damp house and sleeping in a shared bed. It often means missing out on activities that most New Zealanders take for granted, like playing sport and having a birthday party. It can also mean much narrower horizons – such as rarely travelling far from home.

For instance, many children in low-income families in the Hutt Valley and in Porirua have never been the short distance to Wellington city (The Dominion Post, 27-28 October, 2012). A major reason is because their families cannot afford the very modest transport costs. This is the harsh reality for many of our children (p. 1).

The advisory group goes on to point to the fact that child poverty carries economic costs. The costs start with the children themselves and then move on to the wider society. Initially, these include children going hungry and living in cold, damp housing. Being socially excluded results in poor school achievements. In the longer-term, child poverty correlates with unemployment, poor physical and mental health, and higher rates of criminality. The report states that these economic cost are $6-8 billion per year and it “…damages the nation’s long term prosperity” (EAG, 2012, p. vi).

A recent article in the New Zealand Herald (Leahy, 2018) said that the ‘working poor’ are frequently living in motels as a response to homelessness and that four out of ten families living in poverty are working poor. In the same article, the Salvation Army is quoted as saying that there was an increasing number of families seeking food parcel assistance in 2017 and that 60% of those had never sought help before.

As well as the Salvation Army, a number of other community coordinating and advocacy organisations have been consistent in their claims, backed by data, that Aotearoa New Zealand faces a major socio-economic issue of poverty that is accelerating. The Child Poverty Action Group has, over a number of years, spoken out, researched and disseminated information on child poverty and its impacts. It argues that “290,000 Kiwi kids live below the poverty line” (2018, para. 1), and that “Nutritious food for children is beyond the reach of many low-income families.” (CPAG, 2011, para. 6)
Using various definitions, Boston and Chapple (2015) have calculated the number of children living in poverty and material hardship:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
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<tbody>
<tr>
<td>Income-poor children (60% of constant value 2012 median after-housing-costs income)</td>
<td>240,000</td>
</tr>
<tr>
<td>Children in families experiencing hardship</td>
<td>220,000</td>
</tr>
<tr>
<td>Children both income-poor and families experiencing hardship</td>
<td>110,000</td>
</tr>
<tr>
<td>Children not in hardship but income-poor</td>
<td>130,000</td>
</tr>
</tbody>
</table>

(Boston & Chapple, 2015, p. 40)

Auckland City Mission research (2014) into the lives of 100 families in poverty highlighted the following:

- Food is scarce for impoverished people and may involve a great deal of effort to obtain (p. 5).
- Housing may not provide a place of sanctuary and may compound the struggles of being poor (p. 5).
- Participants had to tell and re-tell their stories of despair to many different agents to ‘prove’ they were poor, truly desperate and deserving of help (p. 18).

The New Zealand Council of Christian Social Services (NZCCSS) (2017, para. 3) claims “…that there are around 682,500 people in poverty in this country or one in seven households.” The NZCCSS goes on to explain what this means in reality. “Being in poverty means experiencing hunger and food insecurity, poor health outcomes, reduced life expectancy, debt, and unaffordable or bad housing.” (para. 13)

In 2008, Catholic Bishops issued a statement of concern about levels of poverty in Aotearoa New Zealand. They said, in Poverty in an affluent society:

When a section of our society is allowed to fall into poverty and hardship, everyone is at risk from symptoms of that economic violence. The diseases that thrive in conditions of poverty threaten the health of everyone; the violence that accompanies economic stress does not confine itself to the poorest suburbs; and the uncertainty of those living with insecure work is exposed in mental illness and suicide rates. (NZCBC, 2008, para. 14)

The poverty issue is acknowledged by government officials – a briefing to the Minister of Social Development in 2017 stated:

In light of the short and long-term costs of child poverty to individuals and communities and relatively flat trend lines in levels of child poverty and hardship, it is important to continue to make progress in this area. Alleviating hardship for children in the ‘here-and-now’ is an investment to improve life chances and child wellbeing in other domains, and reduces the potential harm and costs (including economic costs) to society. Within
this multi-pronged approach, options could be explored to review the adequacy of the existing transfer payments, notably in the case of families with children. (New Zealand Government, 2017, p. 28)

The measurement of child poverty is used as a means of measuring poverty in the general population. Research and analysis of child poverty has been carried out through organisations like Child Poverty Action and the work of the Children’s Commission.

Measuring levels of poverty

Recently, government introduced the Child Poverty Reduction Bill, which establishes criteria for measuring poverty including low income (less than 50% of median household income), through to those who experience material hardship and persistent poverty. The Minister for Social Development has responsibility to produce a strategy that would improve the wellbeing of children and reduce poverty. In addition, the minister is required to set long-term (ten-year) and intermediate (three-year) targets for reducing poverty.

In determining appropriate measures, the minister should consider the New Zealand Children’s Commission’s EAG work in this area, which proposes this definition of child poverty:

> 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 equal members of New Zealand society. (EAG, 2012, p. 2)

This definition links poverty to both inadequate material resources and low income. It also relates to the rights of children. In addition, the report reflected on the relevant 1972 objective proposed by the Royal Commission on Social Security. This objective for social wellbeing is “to ensure that everyone is able to enjoy a standard of living much like the rest of the community, and thus be able to feel a sense of participation in and belonging to the community (p. 65)” (EAG, 2012, p. 4). This objective suggests an egalitarian society where there was little difference between groups in society in terms of income and wealth. The intervening decades have, however, resulted in grave disparities of income and wealth. The following graph shows these changes from the 1990s to 2011. The sudden change in the 1990s is a result of benefit reductions coupled with limitations on trade unions to negotiate on behalf of members under the Employment Contracts Act, and reduced working conditions. Rashbrooke (2014) says, “Weaker bargaining power for many low-paid workers is the flipside of greater power for company managers” (p. 7).

Statistics New Zealand explained disparities in wealth: “Household wealth in New Zealand was concentrated in the top 20% of New Zealand households, which held about 70% of total household net worth” (Statistics NZ, 2016, para. 3). The following graphs demonstrate the income and wealth disparities.
According to research carried out by Oxfam New Zealand, “…two New Zealand men own more wealth than the poorest 30% of the adult population” (Oxfam NZ, 2017, para. 1). In addition, Rashbrooke (2014) states that “…the wealthiest 1 per cent of the adult population alone [in New Zealand] own 18 per cent of the total wealth” (p. 46).

The New Zealand Children’s Commissioner’s Child Poverty Monitor (2017) considers two key measures of poverty:

a) Material Hardship – within this category are two measures:

- Lesser Hardship: 135,000 NZ children (12%) live in households that go without seven or more things they need (see appendix).
- Greater Hardship: 70,000 NZ children (6%) live in households that go without nine or more things they need.

b) Poverty – within this category are two measures:

- Income Poverty: 290,000 NZ children (27%) with household income less than 60% of the median contemporary income.
- Severe Poverty: 80,000 NZ children (7%) are in low-income households and are also experiencing material hardship.

Boston (2013) explained that the gap between the rich and poor in New Zealand increased markedly in the early 1990s when benefit payments to individuals were markedly reduced together with pressures on wage income (p. 5). Since that period, poverty rates have stayed much the same for ten years and then reduced, only to rise again in 2008. Figure 1 shows these changes.

Different poverty measures are used internationally. For example, the European Union uses 60% of the median household equivalent disposal income and the OECD uses the 50% measure (Stephens, 2013). The term equivalent is used to adjust income for families of different size. However, Stephens, while recognising these two measures (60% and 50%), also notes that more data is needed to identify the geographic distribution of poverty, “…showing which areas have high incidence of unemployment, sole parenting, low household income etc” (p. 21). Stephens also notes that national averages may not pick up on the family types most affected. He states:

Family groups with a high incidence of poverty tend to be sole parents, those with low or no labour force participation, Māori and Pasifika families with children, especially larger families, those renting or paying mortgages and younger households. (p. 21)

In spite of their limitations, it is suggested that both the 50% and 60% measures of income are used to monitor poverty together with the measures of hardship as used in the New Zealand Children’s Commission’s Child Poverty Monitor.
Ways of reducing and eliminating poverty in Aotearoa New Zealand

This section looks at ways government and the community can work together to reduce and eventually eliminate poverty. The key responsibility lies with the state because of its access to resources (funds, organisations and facilities) and its responsibilities to service the whole of society. It is recognised that government has recently increased incomes of many people through various measures. These include:

- Expanding Working for Families financial support
- Introducing Best Start payments for newborn babies
- Extending parental leave to 22 weeks
- Providing Winter Energy Payments for people on benefits and superannuation
- Increasing the Accommodation Supplement

The EAG is the most comprehensive and evidenced-based analysis of child poverty and suggests four areas for policy change to reduce poverty:

1. Short-term measures to deal with hardship
2. More long-term measures that require greater coordination of government agencies together with local government and the community sector
3. Recognition of the complexity of the problem and that merely increasing benefit rates and wages will not be sufficient
4. The need for a government strategy to focus on the special needs of children

According to the EAG, the following priorities are recommended for immediate attention at relatively low cost. They are a series of practical, cost-effective and relatively inexpensive measures that will mitigate some of the worst consequences of child poverty. Most of these measures can be implemented quickly and will make a difference to the lives of many children. Their impact on child poverty rates, however, is likely to be only modest:

1. Pass on child support payments to sole parents who are on a state-provided benefit
2. (Recommendation 13)
3. Establish a Warrant of Fitness for all rental housing (both social and private sector)
4. (Recommendation 20)
5. Support a public-private partnership micro-financing model with the banking sector and community groups with the aim of providing modest low-interest and zero-interest loans as a mechanism to help low-
income families access affordable credit and effectively manage debt (Recommendation 48)

6. Implement a collaborative food-in-schools programme (Recommendation 60)

7. Support young people who are pregnant and/or parenting to remain engaged in education (Recommendation 63)

8. Support effective delivery of local services through community hubs. (p. vii)

The following are also recommended by EAG:

1. “Commission an independent and comprehensive review of all child-related benefit rates and relativities with a prime goal to reduce child poverty” (p. 36)

2. Create a new universal income-support payment for families with dependent children (called the Child Payment) to replace a number of existing benefits and tax credits

3. Increase the number of social houses by a minimum of 2000 units per year until 2020

4. Continue to implement free primary healthcare visits for all children

5. Local government to ensure their parks and other facilities are child-friendly and available and accessible to all children

Boston (2013, p. 7) suggests that overseas strategies to reduce child poverty incorporate a mix of policies:

1. Ambitious medium- to long-term reduction targets

2. Increased cash transfers to families who are working and non-working

3. Incentives to encourage sole parents back to work while improving working hours flexibility

4. Increased investment to child support, e.g. childcare, education, longer maternity leave, support for schools in poor areas and increased support for young mothers

The preference for unconditional cash assistance also comes from the quality analysis by Berentson-Shaw and Morgan (2017) who propose two options for relieving poverty:

1. One-year universal basic income of $200 per week for every child that enters a family

2. Three-year basic income of $200 per week for every child under three years

Berentsen-Shaw and Morgan argue that all the international evidence (pp. 143-148) indicates that the best way to ensure that children thrive is to provide
their families with sufficient income so that they can make their own choices.

**Other innovative proposals**

The following are suggestions for policy change:

**A) CULTURAL SHIFT AT WORK AND INCOME**

St John (2012) attributes negative attitudes to people receiving benefits to “…ingrained prejudice and fear of the stereotype of people on welfare benefits, who are presented as ‘a group that breed for money’ and the solution to child poverty in New Zealand has been seen as simply to ‘get a job’” (p. 16). It is clear that, based on the experiences of advocacy organisations like Auckland Action Against Poverty (AAAP), there needs to be a shift in organisational culture at Work and Income. For example, people applying to receive national superannuation are treated better at a Work and Income office than people applying for benefits to relieve hardship. Superannuants (who receive a universal benefit) are treated with courtesy and assisted through the application process. The same cannot be said for other beneficiaries. Over the past five years, AAAP has assisted and advocated for 6000 individuals who have not been treated well by Work and Income officers. A new organisational culture is needed based on compassion, courtesy, and ensuring that clients are provided with full information on their entitlements and rights including appeal rights. A change-management process to improve the culture of Work and Income management and staff is overdue. Also, appointing staff as skilled caseworkers for individual clients might also assist in moderating negative attitudes to beneficiaries. Lunt, O’Brien and Simpson (2008) state that “Active welfare requires case managers to have a much more sustained relationship with applicants and with the wider labour market” (p. 148). It is pleasing to see that any decision to suspend a benefit will now be checked by a second officer. It is hoped that this review will include impact on children.

**B) ACCESS TO HEALTH SERVICES**

Many people find the costs of basic health services too great. Regular dental treatment, glasses and hearing aids are beyond the financial resources of many families. Government needs to widen access to these services for low-income families. While market competition has reduced the price of glasses, the same is not true for dental treatment and hearing aids. Government should:

1. Support community organisations and health agencies providing cheap/free regular dental treatment and prevention for low income families
2. Through the power of bulk purchasing, reduce the costs of hearing aids
3. Ensure access to affordable after-hours medical and dental services
C) ABATEMENT THRESHOLDS
In order to encourage people receiving benefits to move into regular employment, the abatement thresholds should be raised. At present a person receiving sole parent support can earn only $100 per week before having the benefit reduced by 30 cents in the dollar. This figure should be increased substantially and costs of travel and child care taken into account.

D) SOCIAL HOUSING
Affordable and healthy housing is fundamental to people’s well-being. A lack of access to secure healthy housing will result in major physical and psychological health problems. It will have major impacts on children’s education as families move around in search of accommodation. While priority will be for family homes, there is also need for housing for older people, papakaianga housing close to marae, housing for people with disabilities, emergency housing, as well as accommodation for the homeless (St John, 2012, p. 16).

A New Zealand Herald article has, as already stated, reported that the working poor are living in motels and that four out of ten families living in poverty are working poor, but in the same article, policy analyst Alan Johnson said, “There was an increase in government support, more jobs than ever before and wages have been rising – but rents have been rising faster.” He went on to say that, “The only way to address this poverty was to tackle underlying issues in the housing market” (Leahy, 2018, paras. 9, 10).

E) SCHOOL MEALS
The need for school meals (breakfast and/or lunch) is supported by the Children’s Commissioner (2014), which has produced guidelines on establishing such programmes. It points out the benefits of feeding children at school: children are healthier and able to learn, and they and the wider community have a better understanding of nutrition. Organisations like KidsCan are active in this area and feed 32,000 children every week at school. Government support for meals in schools programmes would assist communities to reach more children.

Inequality and poverty
While this paper focuses on the alleviation of poverty, it is important to acknowledge the context of inequality in Aotearoa New Zealand. Wilkinson and Pickett (2010) show that there are social and health impacts as inequality increases. Those worse off suffer both physical and psychological health problems. Rashbrooke (2014) comments that, “New Zealand’s long-running survey … shows that children from poor families are twice as likely to suffer heart disease as children from wealthy families” (p. 12). In addition, Rashbrooke picks up the Wilkinson and Pickett conclusion that, “…in less equal societies nearly everybody, not just the poor, is adversely affected” (p. 13).

An article in the British newspaper The Guardian (2018) points out that the basic premise of Wilkinson and Pickett “...is that inequality creates greater
social competition and divisions, which in turn foster increased social anxiety and higher stress, and thus greater incidence of mental illness, dissatisfaction and resentment. And that leads to coping strategies – drugs, alcohol, and […] gambling – which themselves generate further stress and anxiety” (Anthony, 2018, para. 8).

It is clear that New Zealand has become an unequal society with the wealthiest 1% owning 20% of the country’s net worth and the top 6% owning 60%. (Rashbrooke, 2014, p. 47) In terms of income, the richest 1% annual income has risen rapidly since the 1980s, whereas the poorest 10% has stayed constant over the decades (p. 56).

Piketty (2014) has convincingly argued that the economic and political reason that inequality has risen rapidly in recent decades is due to the adoption of neoliberal policies. These policies have favoured the wealthy in the following way: The return on capital (r) (interest, dividends, profits, property) exceeds the rate of economic growth (g) from which income is derived. In peacetime it does this continuously year by year. This concept is reduced to the formula r > g. If the rate of return is on average 5-10%, it far exceeds economic growth of say 2-3% and wage rises of around 1%. Piketty goes on to state that the wealthiest obtain the highest rate of return due to having fortunes that can be managed in a way to take advantage of a system that favours them. This wealth will also give them political power.

Conclusions

It is clear from evidence-based analyses of programmes and policies that the best way to reduce poverty in the most effective and efficient way is to increase unconditional weekly payments to those on low incomes, whether waged or receiving a benefit. In addition, greater emphasis needs to be given to the building of social housing, coupled with increased provisions of health services such as free dental treatment, hearing aids and glasses for all children and those on low incomes.

While the focus of this paper has been about poverty reduction, it is useful to make special mention about child poverty and support for those caring for children. Calling for a new focus, St John (2012) says:

…it would start with asking what a woman with young children would need to thrive; it would admit that she is working; it would wrap her around with support and would stop tying social provision to narrow concepts of paid work. Importantly, it would not victimise and exclude some poor children from poverty alleviation measures, but it would place the child at the centre of a paradigm to determine how best that child could flourish. (p. 17)

This paper attempts to clarify what should be done to relieve poverty in the population in Aotearoa New Zealand. How this will be achieved through the political system, however, is beyond the scope of this study.
References


Appendix

The complete list of things that children need (Duncanson et al., 2017, table 2):

CHILD-SPECIFIC ITEMS INCLUDED IN THE NEW ZEALAND HOUSEHOLD ECONOMIC SURVEY, 2016

<table>
<thead>
<tr>
<th>Ownership or participation (have/do, don’t have/do and enforced lack):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two pairs of good shoes for each child*</td>
</tr>
<tr>
<td>Two sets of warm winter clothes for each child*</td>
</tr>
<tr>
<td>Waterproof coat for each child*</td>
</tr>
<tr>
<td>All the uniform required by the school</td>
</tr>
<tr>
<td>A separate bed for each child*</td>
</tr>
<tr>
<td>Fresh fruit and vegetables daily*</td>
</tr>
<tr>
<td>Meal with meat, fish or chicken (or vegetarian equivalent) at least each second day*</td>
</tr>
<tr>
<td>A range of books at home suitable for their age</td>
</tr>
<tr>
<td>A suitable place at home to do school homework</td>
</tr>
<tr>
<td>Friends around to play and eat from time to time</td>
</tr>
<tr>
<td>Friends around for a birthday party</td>
</tr>
<tr>
<td>Good access at home to a computer and internet for homework*</td>
</tr>
<tr>
<td>Mobile phone if aged 11+</td>
</tr>
</tbody>
</table>

Economising (not at all, a little, a lot) – to keep down costs to help in paying for (other) basic items (not just to be thrifty or to save for a trip or other non-essential). Economising a lot is taken as a deprivation in this report

<table>
<thead>
<tr>
<th>Economising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postponed visits to doctor</td>
</tr>
<tr>
<td>Postponed visits to dentist</td>
</tr>
<tr>
<td>Unable to pay for school trips/events for each child*</td>
</tr>
<tr>
<td>Had to limit children’s involvement in sport*</td>
</tr>
<tr>
<td>Children had to go without music, dance, kapa haka, art, swimming or other special interest lessons*</td>
</tr>
<tr>
<td>Children continued wearing worn-out/wrong-size clothes and shoes*</td>
</tr>
<tr>
<td>Made do with very limited space to study or play*</td>
</tr>
</tbody>
</table>

*Included in composite measure of twelve selected child-specific and six child-relevant household items (Perry, 2017)
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