



## Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of (Rt Hon Jacinda Ardern), Minister for Child Poverty Reduction:

### **Proactive Release of Child Poverty Targets**

The following documents have been included in this release:

***Title of paper: Second Three Year Targets for Child Poverty Reduction  
(SWC-21-SUB-0095 refers)***

***Appendix One: Ten Year Targets average reduction required and current progress***

***Appendix Two: Progress on Stats NZ rates***

***Appendix Three: Draft Gazette Notice***

***Title of minute: Second Three Year Targets for Child Poverty Reduction  
(SWC-21-MIN-0095 refers)***

***Title of minute: Report of the Cabinet Social Wellbeing Committee Minute  
(CAB-21-MIN-0241 refers)***

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

### **Key to redaction code:**

- section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials.

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Office of the Minister for Child Poverty Reduction

Chair, Cabinet Social Wellbeing Committee

### CONTINUING TO REDUCE CHILD POVERTY: SETTING THE SECOND THREE-YEAR TARGETS FOR CHILD POVERTY REDUCTION

#### Proposal

- 1 This paper seeks agreement to the Government's second round of three-year child poverty targets under the Child Poverty Reduction Act 2018 (the Act) for the period 2021/22 to 2023/24. It also provides an update on progress towards the current three- and ten-year child poverty targets, and outlines next steps for achieving the targets over the next three years.

#### Relation to Government priorities

- 2 Reducing child poverty is critical to the Government's priority of improving child wellbeing and laying the foundations for the future. Child poverty is a long-term enduring issue that is affecting New Zealand children now and continues to impact them into the future. We are committed to continuing our bold ambitions to more than halve child poverty within ten years, and contribute to our goal of making New Zealand the best place in the world for children and young people.
- 3 Improving child wellbeing is also an area of cooperation under the Cooperation Agreement between The NZ Labour Party and The Green Party of Aotearoa NZ.

#### Executive summary

- 4 As a Government, we are committed to taking substantial action to reduce child poverty and hardship in New Zealand. We passed the Child Poverty Reduction Act 2018, a comprehensive framework that ensures progress is being made on multiple fronts in reducing poverty for children. We set ten-year targets that aim to more than halve rates of measured child poverty and place New Zealand alongside those countries with the lowest rates of poverty and hardship in the world.
- 5 For our first three-year period, we set ourselves challenging targets that aimed to reduce child poverty rates on the before-housing-cost measure by 6 percentage points, the after-housing-cost measure by 4 percentage points, and the material hardship measure by 3 percentage points. These first targets we set were ambitious, with reductions that went beyond the average rate of progress required to reach the ten-year targets.

#### *Progress so far towards our child poverty targets*

- 6 In our first three years, we implemented a comprehensive set of policies that have been instrumental in improving support to families and reducing child poverty. We directly lifted incomes through the Families Package and increases to benefit rates, while also making progress on the drivers of child poverty by lifting wages, increasing employment, and boosting the supply of affordable housing. There have been measures to directly support children, such as our Free and Healthy School Lunches programme, and changes focused on families struggling the most, such as legislation targeted at loan sharks and other predatory lenders.
- 7 We have reporting on the first two years of the targets (2018/19 and 2019/20), and we have already made substantial progress on the official rates. Reductions have been achieved across all nine reported measures in the Act, with tens of thousands of children lifted out of poverty on the primary measures, and we have already exceeded the three-year target for the after-

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housing-cost measure. Since the baseline year, there are 25,000 fewer children in poverty on the before-housing-cost measure, 43,000 fewer children on the after-housing-costs measure, and 18,000 fewer children experiencing material hardship. These reductions are primarily due to the Families Package, and do not yet include the impact of many of our other more recent changes, such as the 2020 benefit increases. We will know the impact of these other changes, and whether we have met our first three-year targets, when Stats NZ releases its report on the 2020/21 year in February 2022.

- 8 COVID-19 presented a significant threat to our child poverty reduction goals, but this was significantly reduced by the effectiveness of the New Zealand Government's response to the pandemic – both through our efforts to eliminate the virus and the policies we introduced to cushion its impact on jobs and livelihoods. Nevertheless, we know that COVID-19 has had a disproportionate impact on already disadvantaged groups, and the long-term economic impact of COVID-19 will make reducing child poverty in the coming years more challenging.

### *Our proposed next three-year targets*

- 9 We now need to set our next round of three-year targets, which cover the 2021/22, 2022/23 and 2023/24 financial years. Some key figures that are useful for setting our target rates are included in the table below. I propose the next three-year targets are broadly consistent with the average rate of progress required to reach the ten-year targets. By 2023/24, I propose that we aim to reduce the proportion of children in:

- low-income households on the before-housing-costs measure to 10 percent
- low income households on the after-housing costs measure to 15 percent
- material hardship to 9 percent.

- 10 The precise level of reduction over the period will be confirmed when we receive the baseline rates next year, but we currently estimate achieving these targets would mean reductions of around 2-3 percentage points (ppt) or 25-35,000 children on each measure over the three-year period. Based on current projections, officials estimate that reaching the targets would require further policies that achieve reductions of around 2 ppt or 20-25,000 children on each measure, on top of the estimated reductions achieved through the benefit increases announced in Budget 2021.

*Table 1: Key figures relevant to setting child poverty targets*

Measure	Baseline rate for targets (2017/18)	Current rate for Stats NZ (2019/20)	First three-year target (2020/21)	Current projected rate (2023/24)	Rate to maintain average (2023/24)	Ten-year target rate (2027/28)
Before-housing-costs (BHC50)	16.5%	13.8%	10.5%	12%	10%	5%
After-housing-costs (AHC50)	22.8%	18.4%	18.8%	17%	15%	10%
Material hardship (6+)	13.3%	11.3%	10.3%	N/A	9%	6%

### *Our plan for achieving the targets*

- 11 Our plan for achieving our targets is based around making progress in three key areas: increasing incomes for families, reducing housing costs and other pressures on low-income

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households, and changes to supporting the wider wellbeing of families. The plan includes both actions that have a more immediate impact on family incomes, which will help ensure we achieve the three-year targets, and actions focused on the deeper drivers of poverty, which have a more gradual longer-term effect. Both kinds of initiatives are critical to us reaching the ten-year targets.

- 12 We have already taken a critical step toward increasing incomes through the substantial main benefit package in Budget 2021. We are lifting main benefit rates by between \$32 and \$55 per adult, which will help our poorest families meet their basic material needs, and make a major contribution to our child poverty reduction objectives. Our next step is to prioritise the review of Working for Families – this will focus on how our system of tax credits can better support families on the lowest incomes, particularly working families, and will also provide options for reform of the Accommodation Supplement and for supporting disabled people in work.
- 13 We are also progressing actions that have a longer-term impact on child poverty. This includes:
  - our work to boost earnings and employment – we are ensuring our economic recovery is jobs-rich and inclusive, and has a strong focus on supporting those groups that have been left behind in the past. Families with children will continue to be a priority for our employment, education, and training initiatives, and we will also address other barriers to employment like access to affordable childcare.
  - reducing housing costs and other pressures – by continuing the public housing build programme at pace and scale, with over 18,000 places due by 2024, and undertaking a range of initiatives to speed up the supply of home-building more generally. We will also continue to focus on addressing the other costs that low-income families face, including the work I am leading to address debt to Government agencies, and initiatives focused on pressures in other areas, such as support to families experiencing energy hardship.
  - supporting the wider wellbeing of families – here we must look beyond income and address some of the other pressures and challenges that families face, including family violence, mental or physical health needs, limited parenting support and so on. Our Ministerial Group on the Child and Youth Wellbeing Strategy will drive delivery in key areas and ensure that progress is accelerated where necessary.
- 14 Our child poverty targets are one of the ways we can demonstrate our commitment to ensuring children get the very best start in life, free of poverty and hardship. Our shared vision is to make New Zealand the best place in the world to be a child, and this can only be achieved when we achieve a significant and sustained reduction in rates of child poverty, and substantially lift outcomes for our most disadvantaged children. The targets I propose in this paper are our next step on the journey to reaching this goal.

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### Background

- 15 In February 2018, we introduced legislation to help ensure governments are transparent and held to account in their efforts to reduce child poverty. The Child Poverty Reduction Act 2018 (the Act) and Children’s Act 2014 require governments to:
- set and publish longer-term targets (ten years), as well as intermediate targets (three years), for a defined set of four ‘primary’ measures of child poverty
  - report each year on progress towards the targets, as well as on trends using several ‘supplementary’ measures to give a more comprehensive assessment of progress
  - publish a strategy to improve children’s wellbeing, including by reducing child poverty and working towards the targets.
- 16 Three of the four primary measures of child poverty in the Act are currently reported on each year by Stats NZ and require targets to be set by the Government. They include measures of low income, before and after housing costs, which track both how low-income families are doing relative to others, and whether they are better off than they were in the past. Measures of material hardship directly monitor whether families are going without the ‘basics’ in life.
- 17 The fourth measure is persistent poverty, which tracks whether children have been in poverty for multiple years. The target for this can only be set once the necessary dataset becomes available and an agreed measure has been developed. This must be in place to enable a target to be set by 31 December 2024.
- 18 We have set ambitious ten-year targets under the Act, which aim to reduce rates of measured child poverty by more than half, meet the UN’s Sustainable Development Goals, and place New Zealand alongside those countries with the lowest rates of poverty and hardship in the world. By 2027/28, the Government aims to reduce the proportion of children in poverty on the:
- before-housing-costs primary measure from 16.5 percent to 5 percent – a reduction of around 120,000 children
  - after-housing-costs primary measure from 22.8 percent to 10 percent – a reduction of around 130,000 children
  - material hardship primary measure from 13.3 percent of children to 6 percent – a reduction of around 80,000 children.
- 19 We are now coming to the end of the period covered by the first round of three-year targets – the 2018/19, 2019/20, and 2020/21 financial years. By 2020/21, we aimed to reduce the proportion of children in poverty on the:
- before-housing-costs measure from 16.5 percent to 10.5 percent – 70,000 fewer children
  - after-housing-costs measure from 22.8 percent to 18.8 percent – 40,000 fewer children
  - material hardship measure from 13.3 percent to 10.3 percent – 30,000 fewer children.

	Baseline rate (2017/18)	3-year target rate (2020/21)	10-year target rate (2027/28)
Before-housing-costs (BHC50)	16.5%	10.5%	5%
After-housing-costs (AHC50)	22.8%	18.8%	10%
Material hardship (6+)	13.3%	10.3%	6%

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20 The Act specifies that three-year targets must be set before the start of the period to which they apply. The second target period covers the 2021/22, 2022/23, and 2023/24 financial years, which means that the targets must be set by 30 June 2021. The Act requires the targets to be gazetted and presented to the House of Representatives. The targets must also be reviewed at least once within the period that they cover.

### **In our first three years, we took action on multiple fronts to reduce child poverty....**

21 In our first three years, we implemented a comprehensive set of policies that have been instrumental in reducing child poverty. We have implemented measures to directly support disadvantaged children and ensure they have the basics, along with broader support to families struggling the most.

22 We significantly increased the level of income support for families in our previous term, with a series of changes that put more money in the pockets of those who most needed it:

- Implemented from April 2018, our Families Package increased both the Family Tax Credit and Accommodation Supplement, introduced the Best Start and Winter Energy Payments, and extended Paid Parental Leave to 26 weeks. The Best Start payment has supported the parents of over 100,000 babies, and over a million New Zealanders every year benefit from the Winter Energy Payment.
- In Budget 2019, we indexed main benefits to average wage growth, increased the amount that beneficiaries could earn before their benefit reduces, and removed the Section 192 sanction of the Social Security Act 2018.
- In April 2020, we permanently increased main benefits by \$25 (on top of the increases from wage indexation), expanded eligibility for the In Work Tax Credit, and doubled the Winter Energy Payment for the 2020/21 year.

23 These changes resulted in significant gains for those on the very lowest incomes. As a result of those changes, 111,000 beneficiaries with children were on average \$109 per week better off, which increased to \$172 per week during the 2020 winter period.

24 Alongside this, we have also increased employment opportunities, boosted the supply of affordable housing and improved access to health and education services. We have:

- raised the minimum wage from \$15.75 in 2017 to \$20 an hour in 2021
- added more than 4,500 newly built state homes across New Zealand, as well as invested in transitional housing and other support through the Homelessness Action Plan
- improved the quality of housing and conditions for renters through the Healthy Homes Guarantee Act 2017 and changes to the Residential Tenancies Act 1986
- introduced measures to stop predatory lending, through changes to consumer credit legislation
- helped parents with education costs by increasing funding for deciles 1-7 schools that agree not to request donations, and by removing NCEA fees
- supported parents with health costs by expanding free and low-cost doctors' visits to children under 14, and expanding school-based health services into decile 5 schools

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- implemented *Ka Ora, Ka Ako*, which will deliver a free and healthy daily school lunch programme in schools with high levels of disadvantage to around 215,000 students by the end of the year
- rolled out free period products across New Zealand in schools that opted into the programme from term two 2021
- increased rates of the Orphan's Benefit, Unsupported Child's Benefit, and Foster Care Allowance – by \$20.31 in 2018, and by a further \$25 in 2020.

25 One of the largest contributions to our child poverty reduction efforts has been through our COVID-19 response – both through the elimination of the virus and the work to cushion the impact on livelihoods of working New Zealanders. The support we provided for businesses and workers, particularly our comprehensive Wage Subsidy Scheme which supported 1.6 million jobs, has helped keep people in the labour market and meant as many New Zealanders as possible could continue to provide for their families. We also boosted support for those out of work through the benefit increases in April 2020, and introduced the COVID Income Relief Payment for those who lost their jobs.

### ...which has lifted tens of thousands of children out of poverty.

- 26 Stats NZ have released rates for the 2018/19 and 2019/20 years, the first two years of the period covered by the current child poverty targets. Our progress on rates for the primary measures is shown in table 2 below, and in the graphs in Appendix One.
- 27 We have already achieved significant reductions across all nine reported measures in the Act, with tens of thousands of children lifted out of poverty on the primary measures and the after-housing-cost measure already achieved one year ahead of schedule. Since the baseline year, there are 25,000 fewer children in poverty on the before-housing-cost measure, 43,000 fewer children on the after-housing-costs measure, and 18,000 fewer children in material hardship. Progress on the full set of nine measures in the Act is attached as Appendix Two, which also shows the latest rates by ethnicity and disability.

Table 2: Progress on Stats NZ rates

Measures		Baseline year (2017/18)	First target year (2018/19)	Second target year (2019/20)	Change since baseline (17/18 to 19/20)
<b>Before-housing-costs (BHC50)</b>	Rate	16.5%	13.5%	13.8%	-2.7%
	Children	183,400	153,200	157,800	-25,600
<b>After-housing-costs (AHC50)</b>	Rate	22.8%	18.3%	18.4%	-4.4%
	Children	253,800	207,700	210,500	-43,300
<b>Material Hardship (6+ on DEP-17)</b>	Rate	13.3%	13.2%	11.3%	-2.0%
	Children	147,600	149,400	129,600	-18,000

- 28 These figures do not show the full impact of everything we have put in place so far. The 2019/20 figures show most of the impact of the Families Package, but do not capture other changes that we implemented in the first three year target period, including the first two years of main benefit indexation, the 2020 benefit increases and the *Ka Ora, Ka Ako* lunch programme. The figures also do not yet show any of the economic impact from COVID-19, as Stats NZ suspended its survey collection in March 2020. We will know the impact of COVID-19, the more recent policy changes we have made, and whether we have met our first three-year targets when Stats NZ releases its report for 2020/21 in February 2022.

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### I propose three-year targets that maintain our progress towards the ten-year targets.

- 29 We now need to set our next three-year targets, covering the 2021/22, 2022/23 and 2023/24 financial years. These targets need to be set at a level that is achievable and that also ensures we make sufficient progress over the next three years to put us in a position to reach the ten-year targets. After the next three-year period ends, there will be one more three-year target period (2024/25, 2025/26 and 2026/27), before the long-term targets are due to be achieved in 2027/28.
- 30 The graphs in Appendix One show the average rate of reduction required by the ten-year targets, and how this compares with our progress so far in Stats NZ rates, and also with modelled projections based on currently agreed and funded policies, including Budget 2021. For all three primary measures, the progress we have achieved so far is broadly in line with this required average, but the projections suggest we have more to do if we want to maintain this rate of progress over the next three years.
- 31 I am proposing three-year targets that maintain bold ambition for the Government and continue our progress towards the ten-year targets, and that by 2023/24 we aim to reduce the proportion of children in:
- low-income households on the before-housing-costs measure to 10 percent
  - low-income households on the after-housing costs measure to 15 percent
  - material hardship to 9 percent.
- 32 We do not yet know the rate for the current 2020/21 year, which is the baseline for the next targets, and will be reported next year. This means that we do not yet know the precise levels of reduction required by these targets over the period. Our current estimates are shown in the table below. These are based on modelled projections for the low-income measures and officials' best estimate for the material hardship measure. We currently estimate achieving these targets would mean reductions of around 2-3 ppt or 20-30,000 children on each measure.

*Table 3: Proposed child poverty targets for the next three-year period, with estimated reductions*

		Current Stats NZ rate for 2019/20	Projection for 2020/21 baseline	Proposed target for 2023/24	Estimated reduction over the period
<b>Before-housing-costs (BHC50)</b>	Rate	13.8%	12.6%	10%	2.6%
	Children	158,000	144,000	116,000	28,000
<b>After-housing-costs (AHC50)</b>	Rate	18.4%	18.2%	15%	3.2%
	Children	211,000	208,000	174,000	34,000
<b>Material hardship (6+ on DEP-17)</b>	Rate	11.3%	n/a	9%	Est 2-3%
	Children	130,000	n/a	104,000	Est 20-30,000

- 33 While the second round of targets are not as substantial as the first round, particularly for the before-housing-cost measure, they remain in line with the average rate of progress required to reach the ten-year targets and are consistent with our overall goals. These proposed targets are ambitious, particularly given that COVID-19 is likely to have a continued impact on the economy over the period. I believe they are achievable, if we continue to prioritise child poverty reduction and keep a strong focus on children and low-income families as we tackle the big challenges we face in areas like employment and housing.
- 34 Once agreed, I will set the targets by notice in the New Zealand Gazette and present a copy to the House of Representatives, as required by the Act. The notice will clarify that assessing whether the targets have been met should take into account the sampling errors that apply to child poverty estimates, as reported by Stats NZ. A draft notice is attached as Appendix 3.



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### We have already taken another significant step towards reducing child poverty...

- 35 As part of the welfare overhaul we have already taken a critical step toward increasing incomes through the substantial main benefit package in Budget 2021. We are lifting main benefit rates by between \$32 and \$55 per adult, with increases implemented in two stages on 1 July 2021 and 1 April 2022. The changes are in line with the recommendations from the Welfare Expert Advisory Group (WEAG), and provide an additional \$15 per week for families with children. These increases will help our poorest families meet their basic material needs, and make a major contribution to our child poverty reduction objectives.
- 36 The increases to main benefits will take effect early in the second target period and make a major contribution to achieving our second three year targets. The increases are projected to reduce the number of children in poverty on the income measures in 2022/23 by a further:
- between 12,000 and 28,000 children (1.1 ppt to 2.5 ppt) on the BHC50 measure
  - between 19,000 and 33,000 children (1.6 ppt to 2.8 ppt) on the AHC50 measure.
- 37 This estimate of impact is relative to what would have occurred without the changes, where forecast changes in the economy mean child poverty rates on the income measures were estimated to rise over the three-year period. With the changes, child poverty rates are now projected to decrease over the period, showing the important role the changes play counteracting the negative impact of COVID-19.

### ... but more work and investment will be needed to achieve our targets.

- 38 Based on recent projections, officials estimate that policies that achieve further reductions are likely to be required to achieve these targets – over and above the reductions we expect to achieve through the benefit increases in Budget 2021. This is shown in table four below. Officials currently estimate that reaching the targets would require further policies that achieve reductions of around 2 ppt or 20-25,000 on each measure.

Table 4: Estimated further reductions required, over and above current policies

		Proposed target for 2023/24	Currently projected rate for 2023/24 with	Estimated further reductions required
Before-housing-costs (BHC50)	Rate	10%	11.9%	1.9%
	Children	116,000	138,000	22,000
After-housing-costs (AHC50)	Rate	15%	17.2%	2.2%
	Children	174,000	200,000	26,000

- 39 In order for policies to make a full impact on our next set of three-year targets, implementation needs to occur prior to mid-2022, so that the impact will be fully captured by the Stats NZ reporting on the 2023/24 survey year. Policies implemented in 2023 would have only a partial impact and would need to be much larger to have the equivalent impact in the reporting on the targets.
- 40 The estimates above rely heavily on modelled projections. There is considerable uncertainty associated with these projections – both with the data and modelling itself, and the various assumptions and forecasts used. The uncertainty is even greater given the current situation with COVID-19 and the global economy, where expected trends in the economy are even harder than usual to forecast. Nevertheless, the modelled projections are the best information we have available to us, and an important guide to the level of progress we need to make.

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### I propose a plan for meeting our child poverty targets...

- 41 There are three key areas of focus in our plan to achieve our three- and ten-year targets: increasing incomes for families; reducing housing costs and other pressures on household budgets; and supporting the wider wellbeing of families. These are all essential to addressing the needs and aspirations of low income families, and will not only help us achieve our child poverty targets, but will contribute to our goal of making New Zealand the best place in the world to be a child.
- 42 The plan includes both actions that have a more immediate impact on family incomes, which will help ensure we achieve the three-year targets, and actions focused on the deeper drivers of poverty, which have a more gradual longer-term effect. Both kinds of initiatives are critical to us reaching the ten-year targets.

### ...that includes actions with a direct and immediate impact on family income

- 43 The welfare overhaul work will be critical to increasing incomes for families. As noted above, as part of the overhaul we have already taken a major step towards increasing incomes for some of our most vulnerable families by increasing main benefits in line with the WEAG recommendations and providing additional increases for families with children.
- 44 We know that income adequacy issues continue to exist for many families, and that roughly half of children in poverty currently live in working households - there may be opportunities to lift support and to improve the structure and design of in-work assistance. As part of the next steps for the overhaul, we are prioritising the review of Working for Families in light of the Government's commitment to reduce child poverty, the changing labour market, and our recent increases to income support for those on benefits. The review has a focus on how our system of tax credits can better support families on the lowest incomes, particularly working families, and will also provide options for reform of the Accommodation Supplement and for supporting disabled people in work. s9(2)(f)(iv)
- 45 The review will also s9(2)(f)(iv) and consider improvements to childcare assistance, which we have already started through the indexation of income thresholds to wages in Budget 2021.

- 46 s9(2)(f)(iv) Income Support Ministers have agreed some parameters for the review, which have been confirmed by SWC [SWC-21-MIN-0068 refers], s9(2)(f)(iv)

### ....together with actions that have a more gradual, longer-term impact

- 47 At the same time, we are also progressing actions with a longer-term impact that address the broader drivers of child poverty. These complement the changes we are making in income support above and are in three key areas: lifting wages and supporting sustainable employment; reducing housing costs and other pressures on household budgets; and supporting the wider wellbeing of families.

#### *Lifting wages and supporting sustainable employment*

- 48 A critical plank of our work to raise incomes is the action we are taking to boost employment and earnings, as we work to ensure our economic recovery is jobs-rich and inclusive. We are investing in major projects that create employment, while also modernising our infrastructure

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and restoring our environment. Our employment initiatives focus on supporting those groups that have been left behind in the past: recent expansions to FlexiWage are helping businesses to take on workers struggling to re-enter the workforce; the Training Incentive Allowance will provide additional support to sole parents, carers and disabled people; and seven employment action plans will focus on helping groups that consistently experience poorer employment outcomes.

- 49 Adequately paid, sustainable employment is a key route out of poverty for many parents and also supports the longer-term stability and wellbeing of families. It is important that we ensure families with children continue to be a priority for our employment, education, and training initiatives, and that we also address other barriers to employment like access to affordable childcare.

### *Reducing housing costs and other pressures on household budgets*

- 50 The second area of focus is on reducing pressures on household budgets, with the cost of housing particularly critical. If growth in housing costs outpaces growth in incomes, this could affect the after-housing-cost measure in particular.

- 51 In order to improve supply and enable those families most in need to have warm, dry, affordable homes, we will continue the public house build programme at pace and scale, and are currently on track to deliver over 18,000 public housing places by 2024. We are also delivering a range of additional support to families under the Homelessness Action Plan, including increased transitional housing provision, MSD Intensive Case Managers for people in emergency housing, and programmes such as Sustaining Tenancies for those who require additional support.

- 52 Our broader work programme on housing supply and affordability aims to boost residential construction and address the fundamentals of land supply, development capacity and infrastructure provision. As part of the housing package announced earlier this year, we are rolling out a \$3.8 billion Housing Acceleration Fund, alongside a range of other initiatives that will help speed the pace and scale of home building. We need to ensure that we are making fast progress in this area, the additional supply we generate translates to affordable housing for low-income families, and is provided in the areas where the greatest numbers of children in poverty live.

- 53 We are also focusing on other ways of reducing pressure on household budgets for those on the lowest incomes. The level of debt was identified by the WEAG as having a major impact on income adequacy of families due to the regular outgoings required to service debt. We know that the level of debt to Government is significant, with many families owing money to several agencies, and that this may exacerbate hardship. Initial work by the Social Wellbeing Agency estimates, for example, over 560,000 low income people currently owe more than \$3.5 billion in debt to Inland Revenue, the Ministry of Social Development, and the Ministry of Justice.<sup>1</sup>

- 54 I am therefore leading cross-agency work to address debt to government, which aims to prevent problem debt from occurring, and establish a fair, effective approach to debt recovery, particularly for individuals with debt to multiple agencies. s9(2)(f)(iv)

This will be progressed alongside initiatives to reduce the impact of private debt within communities, well as a range of work to address the other costs that families face, such as support to families experiencing energy hardship, and initiatives to address food security.

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<sup>1</sup> Low income is defined in the analysis as having an income of less than \$45,000 per year. This figure does not include legal aid debt.

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### *Supporting the wider wellbeing of families*

- 55 Material hardship is driven by a broader set of factors, which includes the costs that some households face in areas like health and disability, and also social factors such as the wider whānau and community support that can help parents make ends meet. While increasing incomes and reducing housing costs is necessary, this alone is not sufficient to address hardship. According to a recent report from MSD, 29% of children in material hardship come from households with incomes above 70% after-housing-cost median income.
- 56 Supporting the wider wellbeing of families is about ensuring families have not only the financial means they need, but also the non-financial support to thrive. There are considerable pressures on families which can affect how well they function and what their home environment is like. This can include family violence, mental or physical health needs, toxic stress, home displacement, limited parenting support and so on.
- 57 We have established an overarching framework for making progress in these areas through the Government's Child and Youth Wellbeing Strategy. Several work programmes will be critical for making progress in this area, including:
- 57.1 Family and sexual violence - Children and young people can feel the impacts of violence and trauma experienced in childhood for the rest of their lives. Violence can also affect the ability of families to remain in stable housing and to meet their children's basic material needs. A National Strategy and Action Plan for eliminating family violence and sexual violence will be agreed by Cabinet and launched this year; and the Oranga Tamariki Action Plan will also be developed, reflecting our new vision for the Oranga Tamariki system.
- 57.2 Disability support - families with a disabled parent or child remain over-represented in poverty statistics, with more than half of children in material hardship (54%) living in a household with at least one disabled person. s9(2)(f)(iv)
- 57.3 Well Child/Tamariki-Ora - The first 1,000 days of a child's life are critical for lifelong development, and it is a key time for parents, caregivers and whānau. This is why our Best Start payment is so important. However we also want to ensure wider support during this time, which is why a long-term programme of change is planned across the early years system with the transformation of Well Child Tamariki Ora to a whānau-centred system of integrated early years health and wellbeing services and support.
- 58 Addressing some of these issues will support the broader wellbeing of these families, and also help us make progress on reducing material hardship. s9(2)(f)(iv)
- 59 This wider work on children's wellbeing and development is critical over the long-term, particularly the work to mitigate the impacts of poverty and disadvantage on children and tackle the underlying causes of poverty across generations. We need to succeed in all these areas to achieve our objective of a significant and sustained reduction in rates of child poverty, and make New Zealand the best place in the world for children and young people.

### **Financial implications**

- 60 While there are no direct financial implications of the proposal in this paper, achieving the three-year targets proposed will likely require policy measures that will have fiscal impacts. As noted

## BUDGET SENSITIVE

above, s9(2)(f)(iv)

### Legislative implications

61 There are no legislative implications from the proposals in this paper.

### Impact analysis

62 A Regulatory Impact Statement is not required for the proposed targets. Regulatory Impact Assessment may, however, be required for some measures taken in pursuit of the targets.

### Population implications

63 General measures to achieve these targets are likely to benefit groups over-represented in child poverty statistics, and making significant progress for these groups and addressing this over-representation will likely require specific consideration of their needs.

Group	How the proposal may affect this group
Māori and Pacific children	<p>Māori and Pacific children are over-represented in child poverty statistics; they make up around half of all children in poverty on the low income measures, and almost three quarters of children in material hardship. Over-representation in material hardship is of particular concern: it is estimated at 20% for Māori children and 26% for Pacific children, compared with just 9% for European children.</p> <p>Achieving the targets in this paper will require significant reductions in measured child poverty for Māori and Pacific children. Addressing the over-representation of Māori children in poverty is also an important part of meeting our obligations under the Treaty of Waitangi. It is critical to ensure that Government actions in pursuit of the targets effectively reduce poverty for these groups, the needs of Māori and Pacific children are explicitly considered as part of the development of poverty reduction policies, and rates of poverty for these groups are monitored to ensure progress for this group is being made.</p> <p>The impact for Māori and Pacific children was explicitly considered for the Budget 2021 benefit increases. Treasury modelling included in the Child Poverty Budget Report indicated that the changes would have a larger impact on Māori and Pacific children than the population as a whole, which meant they would reduce the extent of their over-representation on the income measures. The impact on material hardship cannot be modelled, but the impact on Stats NZ rates for these groups will be closely monitored.</p>
Women	<p>Women are much more likely than men to be the primary caregivers for children and young people. Sole parent families have higher rates of child poverty and material hardship and make up around a third of families with children in poverty on the measures (34% of those in material hardship). In order to achieve the targets, policies for child poverty reduction will need to explicitly consider the needs of women and sole parents, particularly in the planned reviews of Working for Families and childcare assistance, and in work on employment within the context of the broader COVID recovery.</p>
Disabled people	<p>Recent improvements to Stats NZ reporting has enabled analysis of child poverty rates by disability status. Rates of child poverty are higher for disabled children, and for children living with a disabled household member. This is driven by two key factors in particular: families affected by disability are likely to face greater barriers to work, and</p>

## BUDGET SENSITIVE

	<p>also face considerable additional and ongoing costs associated with living with a disability.</p> <p>Given their high rates of poverty, many of the broader measures to reduce child poverty are likely to benefit disabled people, but making significant progress is also likely to require improvements in support specific to this group. Key opportunities include welfare overhaul work to improve assistance for disabled people, people with health conditions, and carers; and also on support to disabled people as part of current reforms of the health system.</p>
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### Human rights implications

- 64 The policy proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. The proposals further increase New Zealand's alignment with the United Nations Convention on the Rights of the Child, particularly Article 27 – the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development; and the Government's role in taking appropriate measures, such as the provision of material assistance, to support this right.
- 65 Making progress on rates of poverty for children in households impacted by disability increases alignment with the United Nations Convention on the Rights of Persons with Disabilities – specifically article 28, the right to an adequate standard of living and social protection.

### Consultation

- 66 The following agencies have been consulted on the proposals in this paper: the Ministries of Business, Innovation and Employment; Education; Health; Housing and Urban Development; Justice; and Social Development; the Ministries for Pacific Peoples and for Women; Inland Revenue, Offices for Disability Issues and of Ethnic Communities ; Oranga Tamariki, Stats NZ, Te Puni Kōkiri, and the Treasury. The Department of Prime Minister and Cabinet's Policy Advisory Group have been informed.
- 67 The Green Party was consulted on this paper as it relates to the Cooperation Agreement. While the Green Party would like to see an end to all child poverty, they welcome actions taken to date to reduce child poverty by half and the Government's commitment to review Working for Families. The Green Party's view is that stronger targets and more ambitious policy interventions, including those delivering outcomes for Māori, Pacific people, women, and disabled people, are necessary, to help ensure an urgent reduction in child poverty that meets the final 10-year target and will mean that less investment is needed in later years.

### Proactive release

- 68 I intend to proactively release this Cabinet paper, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982.

### Recommendations

I recommend that Cabinet:

- 1 **note** that the Child Poverty Reduction Act 2018 requires Governments to set out how they will address child poverty, including the setting of ten-year and three-year child poverty reduction targets;

## BUDGET SENSITIVE

- 2 **note** that the Government has committed to the objective of achieving a significant and sustained reduction in rates of child poverty [CBC-17-MIN-0048 refers];
- 3 **note** that the Government's ten-year child poverty reduction targets are as follows:
- 3.1 reduce the proportion of children in low-income households (using the before-housing-costs measure) from 16.5 percent of all children in 2017/18 to 5 percent in 2027/28
  - 3.2 reduce the proportion of children in low income households (using the after-housing-costs measure) from 22.8 percent of all children in 2017/18 to 10 percent in 2027/28
  - 3.3 reduce the proportion of children in material hardship from 13 percent of all children in 2017/18 to 6 percent in 2027/28 [CBC-17-MIN-0048 and SWC-19-MIN-0037 refer];
- 4 **note** that the Government's first three-year child poverty reduction targets were to reduce the number of children in poverty on the:
- 4.1 before-housing-costs 50% moving line measure to 10.5 percent of children in 2020/21
  - 4.2 after-housing costs 50% fixed line measure to 18.8 percent of children in 2020/21
  - 4.3 material hardship measure to 10.3 percent of children in 2020/21 [SWC-19-MIN-0037 refers];
- 5 **agree** that the Government's second three-year child poverty reduction targets be to reduce the number of children in poverty on the:
- 5.1 before-housing-costs 50% moving line measure to 10 percent of children in 2023/24
  - 5.2 after-housing costs 50% fixed line measure to 15 percent of children in 2023/24
  - 5.3 material hardship measure to 9 percent of children in 2023/24;
- 6 **note** that, subject to Cabinet's agreement to recommendation 5, the Minister for Child Poverty Reduction will set the targets by notice in the New Zealand Gazette and present a copy to the House of Representatives, as required by the Child Poverty Reduction Act 2018;
- 7 **note** that, subject to Cabinet's agreement to recommendation 5, the Gazette notice will clarify that the assessment of whether the targets have been achieved should take into account the sampling errors that apply to child poverty estimates as reported by Stats NZ;
- 8 **note** that a central part of the Government's plan to achieve the child poverty targets is the main benefit increases announced in Budget 2021;
- 9 **note** that our next step is to prioritise the review of Working for Families, s9(2)(f)(iv)
- 10 **note** that we are also progressing actions that have a longer-term impact and that focus on the key drivers of child poverty, including:
- 10.1 our ongoing work to boost employment and earnings, and support adequately paid sustainable employment

## BUDGET SENSITIVE

10.2 addressing housing costs and other pressures for low income families, through public housing and our wider work to boost housing supply, as well as by making progress on debt and other costs for low income families.

10.3 supporting the wider wellbeing of families and children, through the work on the Child and Youth Wellbeing Strategy

- 11 **note** that child wellbeing is an area of cooperation under the Cooperation Agreement between the Labour and Green Parties, and the Green Party welcomes actions taken to date to reduce child poverty and believes strong targets and more ambitious policy interventions are necessary to ensure an urgent reduction in child poverty is achieved.

Rt Hon Jacinda Ardern  
Minister for Child Poverty Reduction

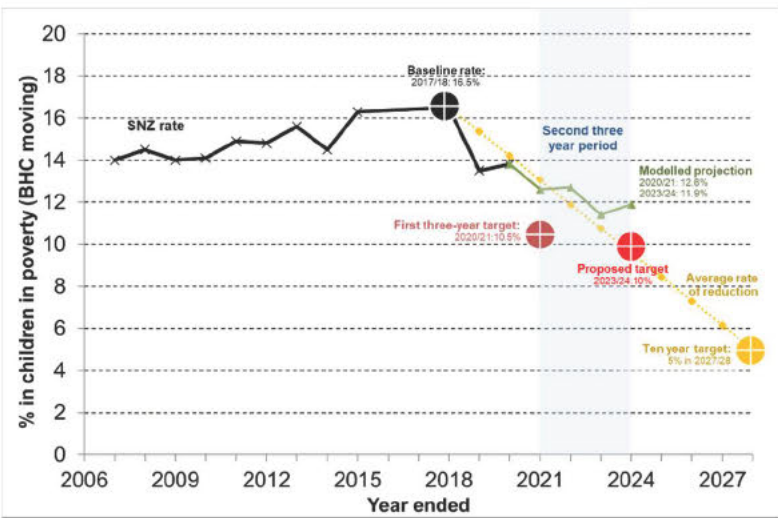
Proactively Released



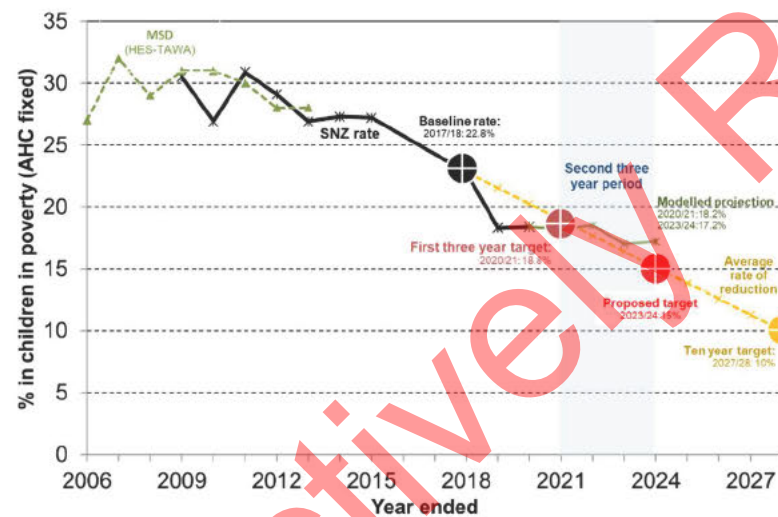
BUDGET SENSITIVE

Appendix One: Ten-year targets: average reduction required and current progress

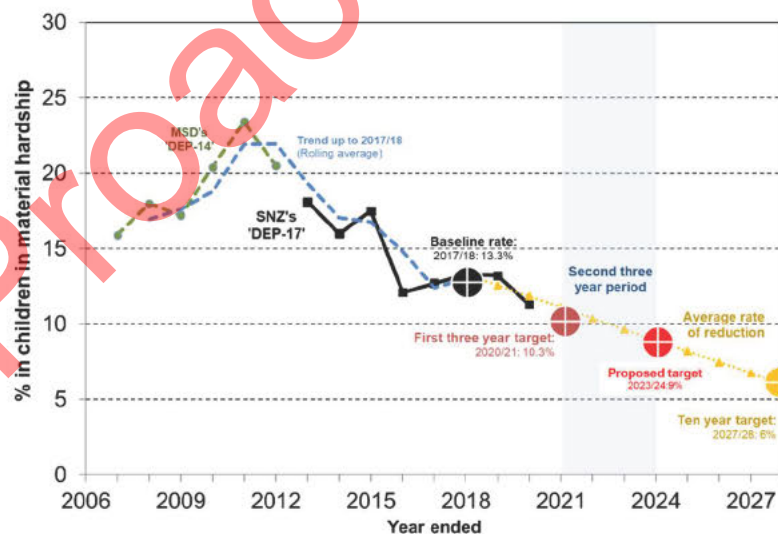
The graphs show the average rate of reduction required by the ten-year targets (yellow line), and how this compares with our progress so far in Stats NZ rates (black line) and modelled projections based on current policies (green line).



**Before-housing-costs primary measure**  
 Baseline 2017/18 rate: 16.5%  
 Current 2019/20 rate: 13.8%  
 Modelled 2020/21 rate: 12.6%  
 Modelled 2023/24 rate: 11.9%  
 First 3 year 2020/21 target: 10.5%  
 10 year 2027/28 target: 5%  
**Proposed target rate for 2023/24: 10%**  
*Estimated further reductions required: 1.9%*



**After-housing-costs primary measure**  
 Baseline 2017/18 rate: 22.8%  
 Current 2019/20 rate: 18.4%  
 Modelled 2020/21 rate: 18.2%  
 Modelled 2023/24 rate: 17.2%  
 First 3 year 2020/21 target: 18.8%  
 10 year 2027/28 target: 10%  
**Proposed target rate for 2023/24: 15%**  
*Estimated further reductions required: 2.2%*



**Material hardship primary measure**  
 Baseline 2017/18 rate: 13.3%  
 Current 2019/20 rate: 11.3%  
 Modelled 2020/21 rate: n/a  
 Modelled 2023/24 rate: n/a  
 First 3 year 2020/21 target: 10.3%  
 10 year 2027/28 target: 6%  
**Proposed target rate for 2023/24: 9%**

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### Appendix Two: Progress on Stats NZ rates

*Rates on primary and supplementary measures in the Child Poverty Reduction Act 2018*

Measures		Baseline year (2017/18)	First target year (2018/19)	Second target year (2019/20)	Change since baseline (17/18 to 19/20)
<b>Before-housing-costs primary measure (BHC50 moving)</b>	Rate	16.5	13.5	13.8	-2.7
	Children	183,400	153,200	157,800	-25,600
<b>After-housing-costs primary measure (AHC50 fixed)</b>	Rate	22.8	18.3	18.4	-4.4
	Children	253,800	207,700	210,500	-43,300
<b>Material Hardship primary measure (6+ on DEP-17)</b>	Rate	13.3	13.2	11.3	-2.0
	Children	147,600	149,400	129,600	-18,000
<b>Before-housing-costs 60% BHC moving line</b>	Rate	25.3	22.1	22.3	-3
	Children	281,200	250,300	254,800	-26,400
<b>After-housing-costs 60% AHC moving line</b>	Rate	30.6	27.7	27.9	-2.7
	Children	341,100	313,200	318,900	-22,200
<b>After-housing-costs 50% AHC moving line</b>	Rate	22.8	20.1	20.1	-2.7
	Children	253,800	227,900	229,600	-24,200
<b>After-housing-costs 40% AHC moving line</b>	Rate	15.7	13.8	14.0	-1.7
	Children	174,300	156,100	159,700	-14,600
<b>Severe Material Hardship (9+ on DEP-17)</b>	Rate	5.8	5.7	4.5	-1.3
	Children	64,800	64,600	51,600	-13,200
<b>Low Income and Material hardship (AHC60 and (6+ on DEP-17)</b>	Rate	8.8	7.7	6.6	-2.2
	Children	98,300	87,100	75,500	-22,800

*2019/20 rates for ethnic groups, disabled children, and children with a disabled household member*

Ethnicity	50% BHC moving		50% AHC fixed		Material Hardship (6+)	
	Percentage	Number	Percentage	Number	Percentage	Number
European	10.6	81,500	14.8	114,300	8.9	68,600
Māori	17.1	49,500	21.1	61,000	19.5	56,300
Pacific	19.1	28,000	21.0	30,700	26.1	38,000
Asian	15.3	29,100	23.3	44,400	5.7	10,700
<b>Disability</b>						
Disability	Percentage	Number	Percentage	Number	Percentage	Number
Disabled children	15.6	17,900	22.5	25,900	20.4	23,200
Children in disabled household	17.0	58,300	21.4	73,400	20.4	69,400

## Appendix Three: Draft Gazette Notice

# Notification of Setting of Targets Under the Child Poverty Reduction Act 2018

In accordance with section 23 of the Child Poverty Reduction Act 2018, the Minister for Child Poverty Reduction hereby gives notice of the targets for reducing child poverty:

Primary measures (excluding persistent poverty) *	Second intermediate (3-year) target rate
Low-income: less than 50% of median equivalised DHI (without deducting housing costs) for financial year [BHC 50% moving line]	10% of children in the 2023/24 financial year
Low-income: less than 50% of median equivalised DHI (after deducting housing costs) for base financial year [AHC 50% fixed line]	15% of children in the 2023/24 financial year
Material hardship	9% of children in the 2023/24 financial year

\* Targets for persistent poverty are required only for and after the financial year commencing on 1 July 2025 (Schedule 1, clause 4).

“Target rate” refers to the percentage of children living in households that are deemed to be in poverty on that measure in the final financial year of the relevant target period.

When considering the achievement of each target rate, the sample error that applies to rates on the relevant measures (set out in Statistics New Zealand’s report for the relevant financial year under section 30 of the Act) should be taken into account.

Dated at Wellington this x day of June 2021.

RT HON JACINDA ARDERN, Minister for Child Poverty Reduction.

*Note:* The targets for reducing child poverty are available on the DPMC website ([www.dpmc.govt.nz](http://www.dpmc.govt.nz)).



# Cabinet Social Wellbeing Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Second Three Year Targets for Child Poverty Reduction

**Portfolio**                      **Child Poverty Reduction**

On 23 June 2021, the Cabinet Social Wellbeing Committee:

- 1        **noted** that the Child Poverty Reduction Act 2018 requires governments to set out how they will address child poverty, including the setting of ten-year and three-year child poverty reduction targets;
- 2        **noted** that the government has committed to the objective of achieving a significant and sustained reduction in rates of child poverty [CBC-17-MIN-0048];
- 3        **noted** that the government's ten-year child poverty reduction targets are as follows:
  - 3.1      reduce the proportion of children in low-income households (using the before-housing-costs measure) from 16.5 percent of all children in 2017/18 to 5 percent in 2027/28;
  - 3.2      reduce the proportion of children in low income households (using the after-housing-costs measure) from 22.8 percent of all children in 2017/18 to 10 percent in 2027/28;
  - 3.3      reduce the proportion of children in material hardship from 13 percent of all children in 2017/18 to 6 percent in 2027/28 [CBC-17-MIN-0048 and SWC-19-MIN-0037];
- 4        **noted** that the government's first three-year child poverty reduction targets were to reduce the number of children in poverty on the:
  - 4.1      before-housing-costs 50 percent moving line measure to 10.5 percent of children in 2020/21;
  - 4.2      after-housing costs 50 percent fixed line measure to 18.8 percent of children in 2020/21;
  - 4.3      material hardship measure to 10.3 percent of children in 2020/21 [SWC-19-MIN-0037];
- 5        **agreed** that the government's second three-year child poverty reduction targets be to reduce the number of children in poverty on the:
  - 5.1      before-housing-costs 50 percent moving line measure to 10 percent of children in 2023/24;
  - 5.2      after-housing costs 50 percent fixed line measure to 15 percent of children in 2023/24;
  - 5.3      material hardship measure to 9 percent of children in 2023/24;

- 6 **noted** that:
- 6.1 the Minister for Child Poverty Reduction will set the targets by notice in the New Zealand Gazette and present a copy to the House of Representatives, as required by the Child Poverty Reduction Act 2018;
- 6.2 the Gazette notice will clarify that the assessment of whether the targets have been achieved should take into account the sampling errors that apply to child poverty estimates as reported by Stats NZ;
- 7 **noted** that a central part of the government's plan to achieve the child poverty targets is the main benefit increases announced in Budget 2021;
- 8 **noted** that the next step is to prioritise the review of Working for Families, s9(2)(f)(iv) under SWC-21-SUB-0095;
- 9 **noted** that the government is also progressing actions that have a longer-term impact and that focus on the key drivers of child poverty, including:
- 9.1 ongoing work to boost employment and earnings, and support adequately paid sustainable employment;
- 9.2 addressing housing costs and other pressures for low income families, through public housing and wider work to boost housing supply, as well as by making progress on debt and other costs for low income families;
- 9.3 supporting the wider wellbeing of families and children, through the work on the Child and Youth Wellbeing Strategy;
- 10 **noted** that child wellbeing is an area of cooperation under the Cooperation Agreement between the Labour and Green Parties, and the Green Party welcomes actions taken to date to reduce child poverty and believes strong targets and more ambitious policy interventions are necessary to ensure an urgent reduction in child poverty is achieved.

Rachel Clarke  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern  
Hon Grant Robertson  
Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Carmel Sepuloni (Chair)  
Hon Andrew Little  
Hon Kris Faafoi  
Hon Peeni Henare  
Hon Aupito William Sio  
Hon Meka Whaitiri  
Hon Priyanca Radhakrishnan

**Officials present from:**

Office of the Prime Minister  
Office of the SWC Chair  
Officials Committee for SWC



# Cabinet

## Minute of Decision

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### Report of the Cabinet Social Wellbeing Committee: Period Ended 25 June 2021

On 28 June 2021, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 25 June 2021:

SWC-21-MIN-0095    **Second Three Year Targets for Child Poverty Reduction**    CONFIRMED  
Portfolio: Child Poverty Reduction

[Redacted]	[Redacted]	[Redacted]
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Michael Webster  
Secretary of the Cabinet