

Child Poverty in New Zealand:

The demographics of child poverty, survey-based descriptions of life ‘below the line’ including the use of child-specific indicators, trends in material hardship and income poverty rates for children, and international comparisons – with discussion of some of the challenges in measuring child poverty and interpreting child poverty statistics

Overview and Selected Findings

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August 2024

ISBN 978-1-99-110559-2 (Print)

ISBN 978-1-99-110560-8 (Online)

Changes since last report

- Updated with analysis from 2021-22 and 2022-23 HES data.

Next report

- The next report is scheduled for the first quarter of 2025. The timing is dependent on when Stats NZ publish their Child Poverty Statistics (likely to be February 2025), and on the timing of the availability of the HES 2024-25 data for MSD use.

Availability on MSD website

- This report is available on the MSD website:

<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/index.html>

Updates since publication on 28 August 2024

- Nil

Acknowledgements

My thanks to all those who provided comments on earlier drafts, including MSD colleagues, staff from the Treasury and Stats NZ, and others from NGOs. Their advice, questions, challenges and smoothing out of rough patches have added considerably to the report's robustness, readability and relevance. My thanks especially to Caroline Hodge whose expert SAS coding, preparation of publication-ready tables, ability to succinctly synthesise results from complex investigations of the data, careful review of the full text and unwavering commitment to excellence have been crucial in the production of this report. Responsibility for all the analysis and interpretation in the report (including any errors or omissions) remains mine alone.

About this report

MSD's Child Poverty Report is a wide-ranging resource designed to inform policy development, research and public discussion in relation to the financial and material wellbeing of children and the households in which they live. Most of what is reported is about material hardship, low incomes and financial stress as these are matters of ongoing public policy interest, but it also reports on how well the vast majority of children and their households are doing in terms of their material wellbeing. Children are those aged under 18 years (1.16m in 2022-23).

There is naturally some overlap with Stats NZ's Child Poverty Statistics reports – the same multi-measure approach is adopted recognising that no single measure can adequately capture the different dimensions of poverty as understood in the more economically developed nations, and the same Household Economic Survey datasets are used to produce the findings – but the reports are essentially complementary, each with its own focus, purpose and selection of material.

The Stats NZ reports are mainly focussed on fulfilling the requirements of the Child Poverty Reduction Act (2018), reporting on the nine available measures as specified in the Act and enabling an assessment of progress towards the officially gazetted targets. Their focus is on year-on-year changes and changes from the baseline year (2017-18) for all children, and where possible for selected sub-groups (regional council areas, ethnic groups, disability status), in line with the requirements of the Act.

MSD's reports:

- cover a longer time period than the Stats NZ reports do (from 2007 for material hardship (rather than 2013) and from the early 1980s for income (rather than 2007))
- generally focus on overall trends rather than year-on-year and shorter-term changes (except where there are clear real-world factors driving a short-term change), mainly using smoothed rolling two-year averages to more clearly show the overall trends
- provide international comparisons
- use a much wider range of breakdowns (including analysis by tenure, household type, main source of income (market or government))
- have a major focus on what day-to-day life is like for children identified as 'poor' compared with other children
- give an integrated account of the different aspects of 'poverty' that are reflected in each of the measures, and provide interpretations of the reported trends and numbers using the standard framework used in all MSD's income and material wellbeing reports
- have a strong research flavour with in-depth coverage of selected technical issues
- identify policy-relevant themes throughout.

COVID- and weather-related matters created significant collection challenges for Stats NZ for the 2021-22 HES which ended up with a much-reduced sample size and some evidence of sample bias. MSD did not publish a 2023 MSD Child Poverty Report as the more detailed MSD analysis requires a more secure base than the 2021-22 HES could provide.

This 2024 (shorter) Overview and Selected Findings version of the report updates the key information using the 2022-23 HES data which is of much better quality. The 2021-22 data is used selectively as appropriate. Compared with the full reports the Overview and Selected Findings reports include a more limited range of findings and have much more limited technical analysis and discussion – readers are directed to the previous full report for the latter, as required.

Stats NZ advise that the 2023-24 HES data collection went well so MSD is looking to publish a full Child Poverty Report as well as the updated Overview and Selected Findings in early 2025. Having two good quality consecutive years will allow MSD to report with confidence on the full range of analysis it has produced in the past.

The latest figures in both Stats NZ's and MSD's 2024 reports are based on the same 2022-23 Household Economic Survey (HES) data. **The headline CPRA figures in this report are the same as those in the 2024 Stats NZ report.** The next Stats NZ report is scheduled for February 2025, with updates using HES 2023-24.

MSD's 2024 Child Poverty Report: Summary of high-level findings

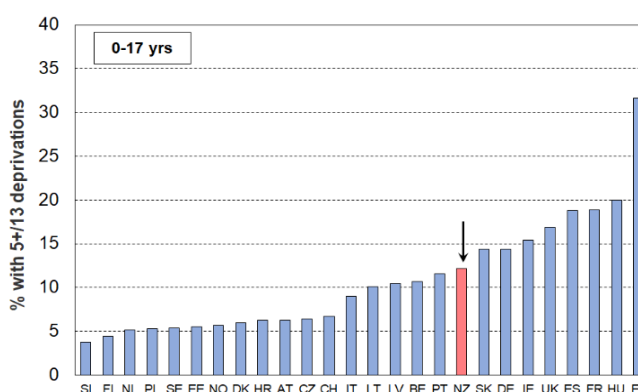
MSD's Child Poverty Report is a resource designed to inform policy development, research and public discussion in relation to the financial and material wellbeing of children and the households in which they live. Most of what is reported is about material hardship, low incomes and financial stress as these are matters of ongoing public policy interest, but it also reports on how well the vast majority of children and their households are doing in terms of their material wellbeing. Children are those aged under 18 years – around 1.16m for the 2022-23 survey.

There is naturally some overlap with Stats NZ's Child Poverty Statistics reports – the reports use the same or very similar high-level measures and both use the Household Economic Survey dataset to produce the findings – but the reports are essentially complementary, each with its own focus, purpose and selection of material.

- The Stats NZ reports are mainly focussed on fulfilling the requirements of the Child Poverty Reduction Act (2018). They report on year-on-year changes and changes from the baseline year (2017-18). See **Appendix 2** for the latest Stats NZ figures.
- MSD's reports generally focus on longer-run trends rather than year-on-year and shorter-term changes, using smoothed rolling two-year averages to more clearly show the overall trends. They report on a different set of demographic breakdowns including source of income, tenure and household type; provide international comparisons, and have a major focus on what day-to-day life is like for children identified as 'poor' compared with other children. MSD's reports also have a strong research flavour, examining assumptions and discussing the differences between the various measures used in New Zealand and internationally.

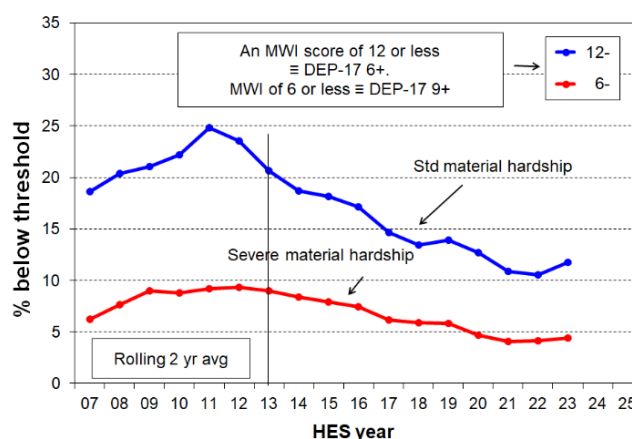
Material hardship rates (%): Comparison with European countries (EU 2022, HES 2022-23)

- Using the EU's measure of material hardship (EU-13), the New Zealand hardship rate for children in 2022-23 was around 12% (140,000).
- This is above the EU median of 9%, and ranks New Zealand close to countries such as Lithuania, Latvia, Belgium and Portugal.
- For two parent households with one or two children the NZ rate is 6%, close to the EU median for these HH types. For 3+ children the NZ rate is 12%, above the EU median of 9%.
- For sole parent households the NZ rate is 31%, above the European median of 20%.
- Using the EU's severe hardship threshold, New Zealand ranks at the EU median of 5% (60,000).



Material hardship rates (%): Trends for New Zealand, 2007 to 2023, using our DEP-17 index

- Material hardship rates for children increased during the GFC and associated downturn, then steadily improved through to 2022.
- The reported rise through to 2023 is likely to reflect in part the impact of the cost-of-living crisis, though the 2021 and 2022 figures were impacted by COVID-related matters on both household spending patterns and data collection for Stats NZ. The results from the next survey (2023-24) are needed to better understand what is behind the 'uptick'.
- The 2023 Stats NZ standard child material hardship rate is 12.5% (144,000), and the severe hardship rate is 5.5% (64,000).



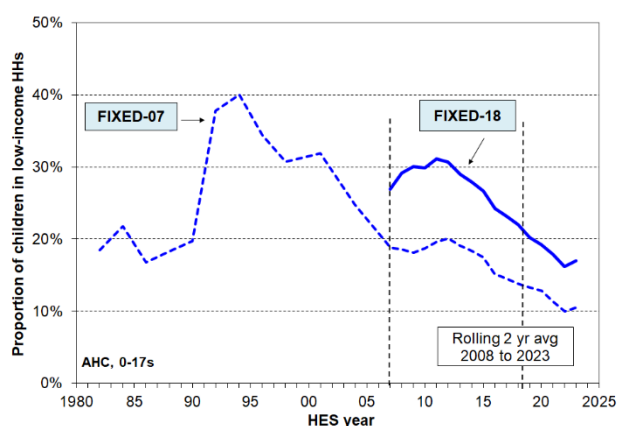
How are low-income (poverty) rates tracking for children?

The low-income threshold (poverty line) has to be updated from one survey to the next. There are two common approaches, each with its own conceptualisation of what an improvement means:

- One uses median household income in each survey as the reference and an improvement is considered to have occurred when a poor household moves closer to the median, irrespective of what is happening to median incomes – the ‘moving line’ or ‘relative (REL)’ approach.
- The other approach considers that a low-income household has improved its situation when its income rises in real terms, irrespective of what is happening to the incomes of other households – the ‘fixed line’ approach. For this approach a reference year has to be set. The MSD report uses both 2007 and 2018 as reference years (‘FIXED-07’ and ‘FIXED-18’).

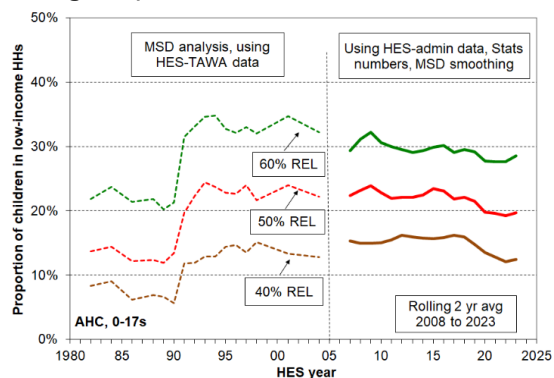
Low-income rates for children in their households using AHC 50 FIXED thresholds (reference years of 2007 and 2018)

- The AHC 50 FIXED-07 low-income rate doubled from 20% to 40% in a very short period in the late 1980s to early 1990s, reflecting rising unemployment, a falling average wage, demographic changes (more sole parent families), the 1991 benefit cuts and the introduction of market rents in public housing.
- The rate then steadily fell through to 2008 with improving employment, a rising average wage, rising female employment, the re-introduction of income-related rents and the roll-out of Working-for-Families.
- The AHC FIXED-07 trend line reports a low-income rate of around 18-20% in 2007 to 2012, close to the rates in the 1980s. This means that it took two to three decades for the real (inflation-adjusted) AHC incomes of low-income households to return to what they were in the 1980s.
- The post-GFC slow-down led to a slight rise on both the FIXED-07 and FIXED-18 measures through to 2013, followed by a steady decline through to 2022, reflecting good economic conditions, a rising minimum wage and, more recently, higher housing support through changes to the AS and increases in government support for low-to-middle income HHs with children.
- The up-tick to 2023 is likely to reflect in the main the impact of the recent high-inflation period and the ‘cost-of-living crisis’, though other factors may be involved too as discussed in the report.



Low-income rates for children in their HHs using (moving line) AHC thresholds, 1982 to 2023

- The low-income AHC rates for children were fairly flat for all three of the reported REL measures over the 25 years from the mid-1990s to 2018 (both before and after the discontinuity arising from the different datasets used – see the main report for more on this).
- This indicates that low incomes were roughly keeping pace with median incomes, with no noticeable change in income inequality in the lower half of the AHC incomes distribution. In contrast, the large change in income inequality from the late 1980s to the early 1990s saw AHC low-income rates double.
- AHC 40, AHC 50 and AHC 60 rates were all lower in 2022 than in the CPRA reference year of 2018, mainly reflecting the impact of the Families Package and the Budget 2021 benefit increases. Taking into account the uptick to 2023, only the AHC 40 measure shows a statistically significant decrease from 2018 to 2023 (down to 13% (150,000 children)). On the AHC 50 measure the 2023 rate was 21% (240,000 children). [Note that the smoothing applied in the chart above slightly reduces the 2023 rates compared to the raw unsmoothed rates just noted.]



What does poverty look like in practice for children in households identified as in material hardship (MH) using the DEP-17 index?

The table below uses selected individual items to give an idea of what it means in practice for children living in households experiencing MH or severe MH, as defined by the two thresholds using the DEP-17 index. The child-specific items are not in the index itself, but are used here as 'calibration items'. They are items for which there would be a strong consensus that 'all children should have these and none go without'. The same is true for most of the child-relevant general household items.

- The left-hand panel of numbers in the table ('rates') shows the proportion of children (6-17 yrs) who face restrictions on the basics identified in the list – for all 6-17 year olds and for those in each hardship depth.
- The right-hand panel ('composition') shows the proportion of all of those deprived of the item whose household has a DEP-17 score of 6+ or 9+. For example, 62% of all children whose household relied on help from a community agency or foodbank for food or cash in the 12 months prior to interview ... are in households in the 6+/17 hardship zone.
- The information in the table illustrates how 'life is different' for children in the hardship zone, not just in a 'less than' sense, but in a much more serious sense of 'missing out on things that all children should have and none should go without'.

Deprivations/restrictions for children (6-17 yrs) in households in hardship (6+/17, 9+/17), HES 2022-23

See Appendix 3 for the full-text version of each item		Rates (%)			Composition (%)	
		Deprivation rate for item for all aged 6-17 yrs, and for those in HHs in hardship and severe hardship			Proportion of all deprived of the item whose household is in the specified hardship zone	
		All	6+/17	9+/17	6+/17	9+/17
Child-relevant general HH items						
Income adequacy for basics	not enough	12	50	63	53	31
Foodbank / other community help	more than once	8	40	54	62	39
Borrowed for basics from family/friends	more than once	11	52	66	59	35
Can pay unexpected \$500 essential bill	no	22	75	81	42	21
Delayed replace/repair appliances	a lot	12	61	79	60	36
Car	don't have	4	12	16	38	23
Holiday away each year	don't have - cost	28	72	80	32	16
Holiday away each year	don't have - other	11	8	6	9	3
Dampness or mould	major problem	6	19	23	41	23
Can afford to keep home warm?	no	8	41	59	60	40
Life satisfaction	dissatis / very dissatis	5	18	26	44	29
Child-specific items						
Two pair of shoes	don't have	5	21	26	53	30
Two sets winter clothes	don't have	2	11	15	68	44
Waterproof coat	don't have - cost	4	21	31	66	45
Waterproof coat	don't have - other	3	6	6	25	12
Separate bed	don't have	4	15	22	50	32
Fruit and veg daily	don't have	6	29	39	56	35
Protein meal daily	don't have	4	18	28	51	37
Computer / internet	don't have	4	17	24	63	40
Friends around to play / eat	don't have - cost	3	16	22	75	48
Friends around to play / eat	don't have - other	8	18	17	28	12
Birthday and other celebrations	don't have - cost	4	21	29	71	45
Birthday and other celebrations	don't have - other	8	12	9	20	7
Unable to fund school trips	a lot	3	14	21	68	47
Had to limit participation in sport	a lot	4	21	30	62	42
Had to go without special interests	a lot	5	25	34	63	39
Continued to wear worn out / wrong size shoes/clothes	a lot	2	17	27	87	65

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- 1 Further information on the Data Sources for the analysis in this report: Stats NZ's Household Economic Survey (HES) and some associated administrative data.
- 2 Stats NZ CPRA table from 2017-18 to 2022-23
- 3 Index items for the three material hardship indices used in this report (EU-13, DEP-17 and the MWI)
- 4 Material hardship trends for EU-13, DEP-17 and MWI compared.
- 5 Improving Material Wellbeing for most children
- 6 BHC and AHC low-income thresholds for selected household types (\$2024).

Glossary, Acronyms and Abbreviations

CPRA	Child Poverty Reduction Act (2018).
MH	'Material hardship'. Note that the EU term is 'material and social deprivation'.
AHC income	Income after (deducting) housing costs.
BHC income	Income before (deducting) housing costs.
Equivalentised income	Household income adjusted for household size and composition to enable more reasonable comparisons between households when household income is used as a measure of material wellbeing.
BHC 60 etc	Low-income threshold or income poverty line = 60% of the BHC median.
REL or 'moving'	Relative-to-contemporary-median (referring to low-income thresholds or 'poverty lines' that are calculated as a proportion of the median for the survey year in question).
'FIXED'	Low-income thresholds kept 'fixed' in real (inflation-adjusted) terms, starting with a reference year. They are also referred to as 'anchored' lines (OECD).
WFF	Working for Families
AS	Accommodation Supplement.
FT	Full-time (30 hours or more per week). Can also be short for Family Trust.
PT	Part-time (from 5 to less than 30 hours per week in paid employment).
WL	Workless adult (less than 5 hours per week in paid employment).
SE	Self-employed (HH) – a household for which more than half the gross income comes from self-employment.
Decile	One tenth or 10% of a ranked group of individuals or households.
Ventile	One twentieth or 5% of a ranked group of individuals or households.
p10	The boundary at the top of the lowest income decile (so, P50 is the median).
NZDep13	A socio-economic deprivation index that combines census data relating to income, home ownership, employment, qualifications, family structure, housing, access to transport and communications. NZDep13 provides a deprivation score for each meshblock in New Zealand (typically 60-110 people in each). It is not a household-based measure.
EU-SILC	Eurostat's annual Survey of Incomes and Living Conditions (EU-SILC).
OTI ratio	The ratio of housing costs outgoings to disposable household income, often expressed as a percentage (eg 'an OTI > 40%').

Useful links

The latest Stats NZ Child Poverty Statistics release (February 2024):

<https://www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2023>

Budget 2024 Child Poverty Report

<https://budget.govt.nz/budget/pdfs/child-poverty-report/b24-child-poverty-report.pdf>

2023 BIM (prepared by the Child Wellbeing and Poverty Reduction Group while part of DPMC - the CWPRG is now in MSD)

<https://www.msd.govt.nz/documents/about-msd-and-our-work/child-youth-wellbeing/advice-to-ministers/bim-2023-child-poverty-reduction.pdf>

Budget 2023 Child Poverty Report – see pp45ff in:

[B2 Wellbeing Budget 2023 - Support for Today, Building for Tomorrow - 18 May 2023 \(treasury.govt.nz\)](#)

Child Wellbeing and Poverty Reduction Group (MSD) Child Poverty web page

<https://www.msd.govt.nz/about-msd-and-our-work/child-youth-wellbeing/child-poverty-measures-targets-and-indicators.html>

2022 MSD Child Poverty Report:

<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/index.html>

'Insights from New Zealand child poverty data, 2022', Treasury Analytical Note (Meghan Stephens):

<https://www.treasury.govt.nz/sites/default/files/2022-09/an22-04.pdf>

Part One

Concepts, definitions, measures and data sources

Part One describes and discusses the conceptual, methodological and technical infrastructure used in this report and other similar ones internationally. The choices made in the process of going from raw survey and administrative data to the tables and charts in the report have an impact on the picture that is painted. Not every aspect of the journey is covered – see Stats NZ’s Technical Appendix for more¹.

The section starts with the high-level definition of ‘poverty’ used in this report then discusses the three main metrics used to implement the definition in practice:

- household incomes before and after deducting housing costs (BHC and AHC)
- non-income measures / non-monetary indicators and the associated indices created from using a range of these items together
- using both income and non-income measures together in a hybrid.

Whatever measure is used, judgment calls are needed to set poverty thresholds. This matter is discussed next.

A decision has to also be made as to how to update the thresholds over time. What is the threshold to be anchored to? Past standards held fixed in real terms or to the middle household?

To give the resulting numbers meaning, reference points are needed. The report uses international comparisons, trends over time and comparisons among sub-groups to assist with that.

Part One finishes with a brief introduction to the Household Economic Survey (HES) and the admin data used by Stats NZ especially for income information.

¹ See <https://www.stats.govt.nz/methods/child-poverty-statistics-year-ended-june-2023-technical-appendix/>

Concepts, definitions and measures

Poverty in this report and in the measures specified in the Child Poverty Reduction Act (CPRA) is essentially about household resources being insufficient to enable households to meet basic household needs in a more economically developed country (as in the OECD or EU). Poverty is understood as *'exclusion from the minimum acceptable way of life (standard of living) in one's own society because of inadequate resources'*. It is in line with the EU definition which was first agreed at the 1975 EU Council of Ministers, and which was inspired by the work of Peter Townsend in the UK in the 1970s.²

It is important keep in mind the distinction between this conceptualisation of poverty and some others that are used. For example:

- it differs from a subsistence definition which focuses on the bare minimum needed for survival and which is used in discussing and measuring poverty in poorer countries
- it is more narrowly focussed than are the multi-dimensional poverty and disadvantage analyses that are becoming more common³
- it is more narrowly focussed too than the colloquial use of the term as a catch-all that refers to any serious disadvantage or cluster of disadvantages experienced by individuals, households or geographical areas
- it is quite different from the more general notion of wellbeing, though it is related to it
- it can and ought to be clearly distinguished from the causes, correlates and consequences of the core issue (poverty as inadequate command over resources).

Using low household income to measure poverty

Household income, adjusted for household size and composition ('equivalised'), has traditionally been used in the richer countries as a proxy measure of household resources. While this approach produces valuable information on income inequality and on the number of households with incomes below selected low-income lines, it has several limitations as a poverty measure.

- Different households with very similar current income can have different levels of non-income resources, sometimes reflecting different income trajectories in previous years, sometimes the degree of assistance from outside the household (family/friends, communities, Government) or the level of assistance given to other households. The differing non-income resources include the levels of cash savings, and the quantity and quality of the stock of basic household items, especially durables.
- Different households with very similar current income can also have quite different basic needs. Some of these differences can be addressed: household income can be adjusted for household size and composition ('equivalised'); the differing demands on the budget for differing housing costs can be addressed to a degree by using income after deducting housing costs (AHC income) to make comparisons more realistic. However, there are some differing demands on the household budget (ie differing needs) that cannot easily be adjusted for (eg special health- or disability-related costs, high debt servicing, child-care costs, and so on). There is also variability in the ability of households to convert a given income into valuable consumption.

As a result, when using a given low-income threshold ('income poverty line'), it is found that some of the low-income households do not experience financial and material hardship, and others with incomes 'above the line' do. (See pp37ff for more on this in relation to the 'overlap' measure.) Low income on its own, even when accurately measured, does not distinguish well between those with adequate resources to sustain a minimum acceptable standard of living and those without these. The limitations of household income as a reliable proxy measure of a household's 'command over resources' and the resulting limitations of low-income measures for assessing levels and trends in poverty do not mean that income has little impact on the material wellbeing of individual households. For lower-income households especially, any increase in income will almost always make a positive difference. It is just that when it comes to measuring poverty (as defined above, 'resources not enough to meet basic needs'), income on its own (especially BHC income) has some significant

² See Council of the European Communities (1975), and European Commission (2004) for a more recent version of the same.

³ See, for example, Oxford University's Multidimensional Poverty Index (MPI) which is designed for 'developing countries' (Alkire *et al* (2019)). For New Zealand examples of multiple disadvantage analysis in a richer country, see Superu (2017), Smith *et al* (2019) and Riggs (2023).

limitations as an identifier of those who are actually struggling to achieve a minimum acceptable material standard of living. The very clear impact of income changes on a given household's material wellbeing is a quite different matter to the challenges of using household income as a measure of the level of and trends in poverty as defined above.

While recognising the limitations of household income as an indicator of a household's 'command over resources', the monitoring of the trends in household income for the population as a whole and for those in lower-income groups is nevertheless of considerable value for informing public discussion, policy advice and political decision-making. For most lower-income households, household income is the major resource available for meeting basic needs and, for governments in the richer OECD-type nations, policies impacting on household incomes are the main levers available for poverty reduction. The role and value of monitoring low-income trends and the interpretation of the trends within a multi-measure monitoring regime are discussed further in the sections below on 'Setting thresholds' and 'Updating the low-income thresholds (poverty lines) over time'.

Using non-income measures to measure poverty – material hardship or deprivation indices

Over the last three decades growing use has been made of non-income measures / non-monetary indicators to more directly measure material standard of living and material hardship. These measures use survey information about what basics and near-basics households can and cannot in practice afford. By using carefully selected items from the survey information, indices can be created to rank households across a spectrum from no hardship through to severe hardship. They enable a more direct measurement of 'minimum acceptable standard of living' than household income does.

In the early 2000s, MSD developed the Economic Living Standards Index (ELSI) which was further developed in 2009 into the 24-item Material Wellbeing Index (MWI). These indices rank households across the full material wellbeing spectrum from high to low, with greater sensitivity at the low end. In response to stakeholders asking for a simpler, more intuitive version which focused mainly on the material hardship end, MSD developed a 17-item material deprivation index (DEP-17). This index is now widely used, including in the CPRA suite of measures. DEP-17 can be used only from the 2013 HES and later, whereas the MWI and its ELSI predecessor can go back to the 2007 HES.⁴ Their use in MSD's reports enables longer material hardship time series to be produced, from 2007 to 2024. For material hardship measurement, the MWI and DEP-17 give close to identical numbers from 2013 on for both the whole population and for children.^{5 6}

The EU has formally adopted a 13-item material and social deprivation index ('EU-13' in this report) as one of its suite of social inclusion indicators. Both EU-13 and DEP-17 are designed as instruments to rank households by their differing degrees of material hardship, using a balanced set of indicators that cover a range of domains and degrees of depth of deprivation, reflect the same underlying concept (or 'latent variable'), and which apply reasonably well to people in different age groups and household types.⁷ The two indices use different sets of items, but give the same trends from 2013 on, and close to identical numbers especially in recent years (eg 12.2% and 12.5% for 2023).

While the development and increasing use of material hardship indices is a valuable advance for poverty measurement, they too have their own challenges. One is that the information for the indices comes from surveys and some of the items have a subjective element in their requirement for respondents to report the seriousness of the material or financial constraints they are experiencing. There is evidence that some disadvantaged respondents compare themselves with others in similar precarious circumstances or even with those worse off than themselves (rather than to an independently determined standard) and adapt their expectations accordingly. This can lead to an under-estimate of material hardship rates. Poorer respondents may also (consciously or unconsciously) adopt a strategy that to a degree preserves their dignity by replying "don't have because don't want" rather than "don't have because of cost" – and only the latter responses get counted towards their deprivation or hardship score. There is also a decision to be made on how to aggregate the number of reported deprivations into an index – is it just a simple count, or should it be

⁴ See Section J in MSD's 2022 Child Poverty Report for analysis and discussion in support of this ability to go back to 2007.

⁵ See **Appendix 3** for lists of items for the DEP-17, EU-13 and MWI indices.

⁶ See the chart in **Appendix 4**. Where small differences do occur (eg MH rates in 2022-23 are 12.5% for Stats NZ (DEP-17), and 13.1% for MSD's report using the MWI, there is no impact on the overall trend message from a research perspective, but for the purposes of the CPRA the Stats NZ numbers are the official ones.

⁷ See Guio et al (2017).

a weighted count with the greatest weight going to items deemed (by survey) to be the most commonly possessed? The rationale for the latter weighting is that it ‘hurts’ more to be deprived of those items that are more commonly possessed items than those less so.

Combining household income and material hardship indices to measure poverty

There is a good case for using a combination of both low income and material hardship as a poverty measure. Ireland uses the combination method to measure what they call ‘consistent poverty’, as in their view this (overlap) group best fits the high-level definition which has both an input (resources) and outcome dimension (minimum acceptable material standard of living). It also goes some way to addressing the mismatch issues identified above in the discussion of the use of household income alone. MSD uses the combination method as one of the measures in its multi-measure multi-level approach. It is one of the specified measures in the CPRA suite.

Setting thresholds

Whichever measurement approach is used – one of the household income measures or a material hardship index using non-income measures – value judgments are needed to decide on how to give practical effect to the ‘minimum acceptable’ and ‘inadequate’ descriptors in the definition (ie what minimum standard of living is acceptable? ... at what level does income become too low to support this minimum acceptable standard of living? ie where to draw the poverty line? ... what rules to use for updating thresholds over time?). These decisions are very influential on the resulting numbers and therefore on the overall perception of the size of the ‘poverty issue’. Making these value judgments is an inescapable aspect of poverty measurement and debate. This however does not mean that any measure will do nor that all measures are equally imperfect. Some are clearly more reasonable and defensible than others.

For low-income thresholds one way of reaching a view on a plausible threshold range is to develop what are often called ‘reference budgets’ for selected household types. In developing the estimates some key assumptions are specified. For example, the households are usually assumed to have no savings to draw on, but they do have basic furnishings, furniture and household appliances; there are no special health- or disability-related extra demands on the household budget; the household has stable financial circumstances and very good financial management abilities; the purchasing power of the budget is ‘strictly minimal’ covering core costs only but being enough to allow the household to live independently without resorting to a foodbank or other outside assistance. To simplify the process even further, the tenure of the specified households is usually limited to rentals only.

The judgment call can also be informed by survey-based evidence of levels of material hardship for households at varying levels of low income and by citizens’ reflection on the reasonableness of the dollar value of the proposed low-income thresholds.⁸

A defensible BHC low-income threshold is particularly difficult to pin down, mainly because of the wide range of accommodation costs for similar housing in different geographical regions or areas within cities. Recognising this and other regional differences in transport, clothing, and food costs, Statistics Canada produce 53 different low-income thresholds in their Market Basket Measure approach which Canada uses as their official poverty measure as specified in their Poverty Reduction Act.⁹ We do not have such a detailed and sophisticated measurement infrastructure in New Zealand. In fact, households that are eligible for the Accommodation Supplement receive higher AS assistance if they live in more expensive areas, thus (perversely) reducing their chances of being counted as ‘in poverty’ using BHC measures, all else equal. In addition, BHC measures cannot be used to validly compare the financial circumstances of owners without mortgages with those of renters, unless imputed rent is included for owners. We do not have official estimates of imputed rent in New Zealand. For all these reasons and those noted earlier, this report does not use BHC incomes for poverty measurement.¹⁰

⁸ See Penne *et al* (2016) for reference budgets in Europe. See Notten & Kaplan (2022) and Nájera & Gordon (2023) for empirical alternatives.

⁹ See, for example: <https://www150.statcan.gc.ca/n1/en/pub/75f0002m/75f0002m2023007-eng.pdf?st=rS8MUl6>

¹⁰ MSD’s full Child Poverty Report and the Household Incomes Report use BHC incomes for selected purposes, including for monitoring BHC low-income trends and income inequality both within New Zealand and internationally. These larger publications have the space to fully discuss the pros and cons of the BHC approach, whereas this Overview does not have that space.

It is less difficult to reach a view on a reasonable and defensible AHC income band for use in poverty measurement. For this judgment call, the question is: if this 'poverty line' income is the household's only financial resource after paying for accommodation costs (no savings to draw on), and assuming no special extra demands on the budget from health- or disability-related costs or from ongoing debt repayments, and assuming a reasonable stock of furniture, bedding and household appliances, could this household reasonably be expected to maintain a minimum acceptable standard of living without needing to seek help from outside sources such as foodbanks, family or friends or from the state via Special Needs Grants or the like?

Recent 'reference budget' analysis carried out by MSD estimated that for households renting privately and receiving core income-tested benefits a reasonably narrow range of AHC 40 to AHC 50 is plausible. For working households, the extra child-care and transport costs mean a threshold of more like AHC 55 is justified.¹¹ A similar range was found in the data reported by focus group research carried out in the 1990s by the New Zealand Poverty Measurement Project.¹²

Examination of material and financial hardship by AHC income band supports this conclusion. For example, in both the under AHC 40 and in the AHC 40 to 50 bands, households with children are much more likely to access help from foodbanks and the like than are those in the AHC 50 to 60 band and so on.^{13 14}

For a household comprising a sole parent plus two children (both under 14), the AHC 40 threshold in June 2024 is \$490 per week once the accommodation is paid for, and the AHC 50 threshold is \$620 pw. For a household comprising two parents with two children the range is \$650 to \$810 pw.¹⁵ (See **Appendix 6** for low-income thresholds for other household types). The reader is invited to make their own assessment as to whether incomes in this range or just above it are sufficient for these households with children to 'make ends meet for the basics' and to what degree they could be expected to participate in the ordinary living patterns and activities of their community (assuming no savings to draw on, no outside assistance from family or friends or community sources, and no special demands on the budget as described above).

As for a low-income AHC threshold, a material hardship threshold that reflects 'minimum acceptable living standards' can be shown to be in a relatively narrow range.¹⁶ For this report a threshold of 6+/17 on the DEP-17 index is used, the same as is used by the Government Statistician for the CPRA reports. Eurostat's material and social deprivation index (EU-13) uses different items than those in the DEP-17 and the threshold is set at 5+/13. Each measure produces material hardship rates for New Zealand that are very close for the whole population, children and other sub-populations.¹⁷ This does not prove that the 6+/17 DEP-17 threshold is 'correct' but it certainly supports its credibility. This report also uses a 'more severe hardship' threshold of 9+/17 to track the trends of those children in deeper hardship and to understand who they are.

¹¹ See Graham and Garlick (2022). Table 2 sets out the range of items deemed to make up the basic basket of goods for core costs that allow a household to 'just get by' without borrowing. It also has a slightly less restrictive list which allows for some minimal 'participation' costs such as presents for immediate family and a few friends, sports/fitness costs and so on.

¹² See Appendix 6 in Perry (2019).

¹³ See Section M in MSD's 2022 Child Poverty Report for more on this and for further discussion on the setting of low-income thresholds.

¹⁴ The reported material hardship rates for low-income households with almost no savings or other liquid assets gives further support. Preliminary analysis of the 2020-21 HES shows material hardship rates of around 40% for such households (with children) where their incomes are in the under AHC 40 or in the AHC 40 to 50 bands, dropping to 25% in the AHC 50-60 band and 15% in the AHC 60-75 band. Fuller analysis on joint income-liquid assets poverty measurement is planned for the 2025 Child Poverty Report.

¹⁵ These figures are based on the 2022-23 HES AHC median, with 5% added for AHC inflation through to June 2024.

¹⁶ See Section L in MSD's 2022 Child Poverty Report for further discussion on the setting of hardship thresholds.

¹⁷ Despite the different items used in DEP-17 and EU-13, the correlation between the scores produced by the two indices is high (0.86), and the overlap in children identified as being in hardship is 80% (85% for bottom quintile). See also the chart in **Appendix 4**.

Updating the low-income thresholds (poverty lines) over time: 'fixed' & 'moving' lines

Once a low-income poverty line is established for a given survey, the question arises as to what approach to use to adjust that threshold for the next survey. There are two commonly-used ways in which this adjustment is made and they differ in how they assess whether an improvement has occurred in a household's income circumstances:

- One approach considers that a low-income household has improved its situation when its income rises in real terms, irrespective of what is happening to the incomes of other households – the FIXED line approach (sometimes called the 'anchored' line approach (eg OECD)).
- The other uses the median household as the reference and an improvement is considered to have occurred when a poor household moves closer to the median, irrespective of what is happening to median incomes – the 'moving line' or 'relative (REL)' approach.

In both cases, the reported income poverty rate decreases if the 'improvement' leads to the household moving from below to above the particular line.

Both approaches reflect the 'relative disadvantage' concept of poverty and hardship. The REL approach is self-evidently a relative approach. The FIXED-line approach has to be benchmarked against community standards in some way to start with, then after some years of being kept at the same level in real terms it has to be re-based – again relative to some estimate of community standards.¹⁸ Both approaches are used in income poverty analysis in OECD-type nations. The OECD itself reports changes over time using both approaches. They each have an important and valid story to tell about the situation of people in lower-income households.

In the short to medium term at least, the FIXED-line measure can be seen as the more fundamental measure for assessing trends over time in the sense that it reveals whether the incomes of low-income households are rising or falling in real terms. Whatever is happening to the incomes of the 'non-poor', if more and more people end up falling below a FIXED threshold (and therefore experiencing greater difficulty 'making ends meet' for basics), then in the population at large there is likely to be growing concern about increasing poverty.¹⁹ A FIXED-line measure can provide an unambiguous warning of a serious issue to be addressed.

The fully relative (REL) measures have value too, especially in the medium to longer term. If low incomes and middle incomes move further apart, even if the lower incomes maintain their purchasing power in real inflation-adjusted terms, then those in low-income households become less able to participate in the ordinary living patterns and activities of their community. This is an issue not just for 'social cohesion' and inequality in the lower half of the income distribution, but also for poverty measurement itself given the core conceptualisation used in the richer countries and discussed above. The REL trends therefore need to be carefully monitored.

Giving the numbers meaning: the need for a reference point

Headline child poverty numbers have no practical meaning in their own right. They need at the very least to be connected to the measure used to create them. Simple assertions such as 'there are 80,000 ... 150,000 ... 250,000 poor children in New Zealand' or that 'there are now 50,000 more or fewer poor children than five years ago' may be useful for advocacy purposes (with the number and direction chosen depending on what one is advocating), but on their own they have no value for properly assessing the size of any 'child poverty' problem, nor for guiding policy or political responses. Reference points are essential.

MSD's reports, including this one, provide several means for giving meaning to the poverty numbers. Being clear about which measure is being used for a particular claim is a good start and is fundamental for clear communication, but more is needed. Key reference points that can give practical meaning to the numbers include:

¹⁸ The threshold for the AHC 50 FIXED-18 line was equivalent to AHC 47 in 2023, and AHC 63 in 2007. The AHC 50 FIXED - 07 line was equivalent to AHC 37 in 2023.

¹⁹ As happened in New Zealand from the late 1980s through to the mid-1990s, then possibly again during the recent period of high inflation and low real-terms growth, though we need the 2023-24 HES results to show this with more certainty.

- comparing with rates in earlier years:
 - are the rates increasing, decreasing or staying much the same on a given measure?
 - what do the reported trends mean on the different measures?
 - do the rates for those in deeper poverty change in much the same way as for those in less severe poverty?
- comparing rates with those for other population groups using the same measure(s)
- comparing with rates in other countries when using measures that are valid for international comparisons
- describing what poverty looks like in practical day-to-day terms for the different measures, using material deprivation items for which there is a broad consensus that they are 'essentials'
- examining and reporting on the relationship between those identified as poor on the different measures (eg material hardship v AHC 50).

Summing up: the logic used in this report for setting and using defensible thresholds (poverty lines)

- Narrow the plausible range – this is doable for MH and for AHC low-income measures.
- For each approach, use more than one threshold to monitor trends and levels at different degrees of stringency. This recognises that different value judgements draw the line in different places and that poverty exists on a continuum from more to less severe. Poverty is not a simple binary notion.
- Use reference points to further assist in giving meaning to the numbers: international, over time, and sub-group comparisons.
- Examine, describe and explain differences in levels and trends for the different measures.
- Tell a coherent story about levels and trends for MH and low incomes using a multi-measure framework.

Poverty experienced

The understanding of poverty and the associated measurement approach used in this report (and in the full MSD reports) is narrowly focussed. It is about 'unacceptable financial or material hardship' and the insights about this that can be gleaned from a large-scale national survey.

This is a legitimate focus but, in pursuing it, it is important to be aware that there is much more to 'poverty' than what can be measured (albeit imperfectly) through analysis of data from income or deprivation surveys. These can tell us about the material core ('unacceptable material or financial hardship'), but a different type of research is needed to give insight into how this unacceptable hardship is experienced and understood and felt.²⁰

What is at issue here is the non-material as well as the material manifestations of poverty. Poverty has to be understood not just as a disadvantaged and insecure economic *condition* but also as a shameful and corrosive social *relation* ... [The non-material aspects include] ... lack of voice; disrespect, humiliation and assault on dignity and self-esteem; shame and stigma; powerlessness; denial of rights and diminished citizenship ... They stem from people in poverty's everyday interactions with the wider society and from the way they are talked about and treated by politicians, officials, the media and other influential bodies. Lister (2004, p7)

What people on low incomes report is a situation of great complexity in which the pressures they face are cumulative. Basics become luxuries that have to be prioritised and saved for. Solutions to one problem create problems of their own, as when saving on heating exacerbates illness and borrowing from the rent money generates arrears and threats of eviction. Poverty feels like entrapment when options are always lacking, the future is looming and unpredictable, and guilt seems ever present, arising from an inability to meet one's children's needs, one's own expectations and society's demands. Tomlinson and Walker (2009, p16)

[Poverty] is to live under the dictatorship of material necessity without choice and control in one's daily life. That's what poverty *is*, it's about freedom and power and the lack thereof. Ringen (2009, p7)

Sen and shame

It has become popular in discussions of human wellbeing to use Amartya Sen's dictum that the basic concern of human development or of 'the good life' is 'our capability to lead the kind of lives we have reason to value'. The same language is sometimes used in relation to discussions around strategies to address poverty, with the goal of poverty alleviation intervention being characterised as helping people 'lead the kind of lives they have reason to value'.

In using only this aspect of Sen's thinking, that sort of narrative misses two key elements that Sen himself identifies in his writing on the conceptualisation of poverty. The first is the matter of the 'irreducible absolutist core'— poverty alleviation is about having households attain a minimum acceptable standard, which may nevertheless be (well) below 'leading the kind of lives they have reason to value'. The second is how for Sen and for 'the poor', shame is at the core of poverty experienced. There is a case that the bumper-sticker type of use of the notion of 'leading the kind of lives we have reason to value' in the context of poverty discourse both misrepresents Sen on poverty and understates the stress of life at the hard end.²¹

Whatever else poverty is understood to be it is in essence an unacceptable state-of-affairs. Properly understood, "use of the term 'poverty' carries with it an implication and moral imperative that something should be done about it" (Piachaud (1987) p161).

²⁰ A good example is the Auckland City Mission's 'Family 100' project reported in Auckland City Mission (2014a, 2014b).

²¹ In his efforts to reconcile the relative and absolute notions of poverty, Sen distinguished between 'capabilities' and 'functionings'. Capabilities are the potential that people have to lead fulfilled and engaging lives and are absolute and everywhere the same. Functionings, on the other hand, are the facilities and resources required to enable people to achieve their capabilities and are determined by cultural expectations and resource constraints. Sen's view is that 'the ability to go about without shame', like a capability, is at the 'irreducible absolutist core in the idea of poverty'.

Data sources: Stats NZ's Household Economic Survey (HES) and associated administrative data for income information

The analysis and findings in MSD's Child Poverty Reports are based mainly on data from Stats NZ's Household Economic Survey (HES).

Up to and including the 2017-18 HES, the data available to MSD for its reports was the 'HES-TAWA' data. This analytical dataset is made up of the original survey data with some of the more problematic survey-based income information that respondents may misreport (for example, benefit and Working for Families income and the Accommodation Supplement) replaced by the Treasury using their Tax and Welfare Analysis (TAWA) model or its predecessors.

Starting with the 2018-19 HES, Stats NZ moved to using administrative data for most of the income information. Tax data from Inland Revenue and data from MSD on benefits paid has been used to provide salary and wages and benefit income. Working for Families tax credit information comes from IR or MSD depending on which agency made the payment. Other sources of income such as self-employment income, investment income, income earned overseas, and irregular income is provided by the respondent at interview time. The sample sizes are much larger, more effort was made to get a better sample / response at the bottom end, and a more comprehensive set of benchmarks was used to weight up to population estimates. These datasets ('HES-Admin') are available to MSD for use for this and other reports.²²

The increased sample size starting with the 2018-19 survey allows more detailed breakdowns for children in different contexts to be reported with greater confidence (for example, poverty rates by their household type, the tenure of their household, the labour market status of their households, their ethnicity, and so on).

Sample size and data collection challenges

- The achieved sample for the 2018-19 HES was 21,000 households compared with previous HES samples of 3500 to 5500. Importantly for reporting on child poverty, the 2018-19 HES sample has around 7500 households with children, compared with the previous 1100 to 1800 in the years prior to 2018-19.
- The 2019-20 and 2020-21 HES samples are a little smaller than the 2018-19 HES as in each case the surveying was unable to be carried out over the full 12 months because of COVID-related restrictions (~16,000 households, 5600 with children).
- The data collection for the 2021-22 HES was severely hampered by both COVID- and weather-related events: only 9000 households were interviewed (3000 with children) and the data quality was not as good as in the other surveys.
- The 2022-23 HES sample was 14,000 households (4500 with children). Stats NZ set a lower target of 15,000 (ie less than the 20,000 desired) to ensure that a good quality representative sample could be achieved in the still-restricted collection environment.
- Stats NZ advise that the 2023-24 HES data collection went well so MSD is looking to publish a full Child Poverty Report as well as the updated Overview and Selected Findings in early 2025. Having two good quality consecutive years will allow MSD to report with confidence on the full range of analysis it has produced in the past.

²² Stats NZ created special combined HES-HLFS datasets for producing a 2007 to 2018 BHC low-income back series to assist with estimating the 2017-18 BHC baseline low-income rates for the CPRA. These datasets were larger than the HES datasets themselves and thus the sample error was reduced. The back series for AHC incomes and material hardship measures use the HES-TAWA data, but with upgraded weights. See Sections J and Section N in the 2022 Child Poverty Report for more detail.

Labelling of Household Economic Survey (HES) years

When reporting findings from the HES, '2017' is short-hand for '2016-17', and so on. The '2017' survey ran from July 2016 to June 2017. Some of the items refer to how households were faring in the 12 months prior to the interview.

- This means that the '2017' material wellbeing scores / hardship rates reflect on average how households were faring towards the end of 2016.
- The HES income information is about income in the twelve months prior to the interview. For those interviewed early in the survey (eg July 2016) the income information is for July 2015 to June 2016, for those interviewed in August 2016 the income information is for August 2015 to July 2016, and so on. This means that '2017' income-based figures include information from July 2015 through to June 2017.
- Both the '2017' and 2016-17' formats are used in the report, depending on the context.

All this matters for the interpretation of trends in relation to assessing the impact of policy changes or major economic events and for assessing the performance of governments in the child poverty space. For example, the impact of a policy change which increased the Family Tax Credit in July 2030 would be only partially reflected in the 2030-31 survey results as only those households interviewed in June 2031 would have (close to) a full year's impact of the change showing in their reported income. The impact of the change would be fully reflected in the 2031-32 survey, with the findings reported in late 2032 or early 2033.

Appendix 1 has further information and discussion on the data sources, covering the following themes:

- The surveys gather information on the usually resident population living in private dwellings.
- Findings based on sample surveys have statistical uncertainties: sample errors, statistical significance and non-sampling errors.
- Addressing issues raised by the presence of households reporting very low incomes.
- The provisional nature of the latest (2022-23) numbers.

* * * * *

For a more detailed discussion of the HES data, see **Sections N and O** in MSD's 2022 Child Poverty Report available at:

<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/index.html>

Part Two

Selected Findings

When interpreting or using the information in the tables and charts that follow, note that:

The latest available HES data is from the 2022-23 survey:

- This is the same survey that Stats NZ used for its Child Poverty Statistics release in February this year.
- Respondents in the surveys are asked about their income in 'the previous 12 months' and about material hardship items in the same period or at the time of the interview. The latest figures reported below are therefore not a snapshot of 'today'.
- In addition, there has been a further period of high inflation and low growth which will have impacted on the level and recent trends for several key statistics reported below. This too means that the latest figures are not a snapshot of 'today'. The 2023-24 HES will help us better understand the impact of the cost-of-living crisis.

There are a few differences from Stats NZ's reporting:

- When reporting on trends over time the focus in this report is usually on longer-run trends rather than on the year-on-year or other short-run changes that Stats NZ use in compliance with their responsibilities under the Child Poverty Reduction Act (2018).
- The trend-lines in this report are usually shown using a rolling two-year average to smooth the short-run fluctuations and better show the 'big picture'. This means that the numbers for a given year in the trend charts will usually not be the exactly the same as those reported by Stats NZ.
- To enable the longer-run trend information to be shown:
 - The MSD report cannot adjust for inflation using the HLPI (which Stats NZ uses) as this index goes back only to 2009. MSD reports use the CPI instead which gives slightly different numbers in given years, though the trends are the same. This impacts especially on Figures 16 and 17 below.
 - For reporting on material hardship trends, the MSD report uses the Material Wellbeing Index (MWI) and its predecessor as these can give the trend from 2007 whereas the DEP-17 index can start only at 2013. The two indices report the same trends and give very similar but not identical hardship rates in a given year (see **Appendix 4**).

The 'uptick' to 2022-23 for material hardship rates is no doubt at least in part a reflection of the impact of the cost-of-living crisis, but ...

- The reported material hardship rate for children increased from 10.5% in 2021-22 to 12.5% in 2022-23. It is tempting to attribute all of this 2.0 ppt rise to the impact of the 'cost-of-living-crisis' but there are other factors to take into account too:
 - The lock-downs and other COVID-related factors changed the spending and living patterns of households and it is not clear what impact this had on reported material hardship in the COVID years.
 - The data collection challenges that Stats NZ faced for the 2021-22 survey meant that the sampling errors were larger that year. The reported 2.0 ppt increase to 2022-23 was only just statistically significant.
 - There is also the possibility of some greater-than-usual non-sampling error in 2021-22 and this adds to the uncertainty.
- The 2023-24 results are needed before a more certain conclusion can be reached about what is behind the uptick to 2022-23.

Material hardship comparisons with European countries

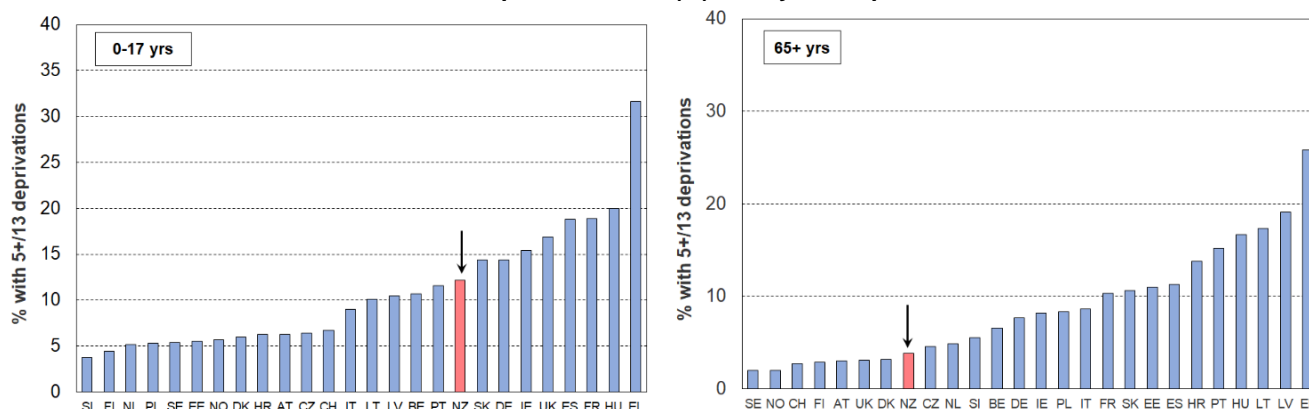
Using the EU's measure of material hardship (EU-13), the New Zealand hardship rate for children is around 12%. This is above the EU median of 9%, and ranks us close to countries such as Lithuania, Latvia, Belgium and Portugal and a little lower than Slovakia and Germany. On the severe hardship measure, New Zealand ranks at the EU median of 5%. The latest EU survey for which analysis is available was carried out in 2022, roughly coinciding with our 2022-23 HES.²³

Table 1
Material and social deprivation rates (%), 0-17 yrs
29 European countries + New Zealand, EU-SILC 2022 and NZ HES 2022/23

		Standard 5+	Severe 7+			Standard 5+	Severe 7+
Iceland	IS	3	1	Malta	MT	9	7
Slovenia	SI	4	2	Lithuania	LT	10	5
Finland	FI	4	2	Latvia	LV	11	6
Luxembourg	LU	5	3	Belgium	BE	11	8
Netherlands	NL	5	2	Portugal	PT	12	5
Poland	PL	5	2	New Zealand	NZ	12	5
Sweden	SE	5	3	Slovakia	SK	14	11
Estonia	EE	6	3	Germany	DE	14	8
Norway	NO	6	2	Cyprus	CY	15	4
Denmark	DK	6	3	Ireland	IE	15	7
Croatia	HR	6	4	United Kingdom	UK	17	-
Austria	AT	6	2	Spain	ES	19	10
Czech Republic	CZ	6	3	France	FR	19	11
Switzerland	CH	7	4	Hungary	HU	20	12
Italy	IT	9	5	Greece	EL	32	16

Comparing the severe hardship rate with the standard hardship rate can be used as an indicator of the depth of hardship for children: compared with those countries with hardship rates reasonably similar to New Zealand's (in the range of 9% to 15%) New Zealand has a depth indicator of 42% (ie 42% of all in hardship are in the severe hardship group), the same as Portugal and lower than the rest in this group who are mainly in the 50% to 70% range.

Figure 1
Material and social deprivation rates (%), 0-17 yrs compared with over-65s



The MH rate for older New Zealanders (aged 65+) is 4%, among the best in the EU and well below the EU median of 9% (see the chart on the right above). The low MH rate is a reflection of the very high mortgage-free home ownership rate for older New Zealanders (~70%)²⁴, together with a universal pension that has over the last two decades been in the 50-55% of median BHC household income zone.

²³ The latest UK MH information sent to Eurostat was for 2018. The 2022 figure in Table 1 above (17%) is an estimate based on that 2018 figure and analysis for later years from the Institute for Fiscal Studies (Fig 3.3 in Cribb *et al*, 2024).

²⁴ Albeit, down from 83% in the mid-1990s.

Child-specific material and social deprivation items and selected child-related household items: comparisons with European countries

Table 2 shows where New Zealand children rank for 7 child-specific essentials and 4 child-related household items. Most of the items are of the ‘enforced lack’ variety (that is, “don’t have or do” because of shortage of money / cost, not some other reason). The full text for the child-specific items is available in **Appendix 2** (Table A2.4). For this table, children are aged under 16 yrs.

The ‘high performance’ for New Zealand children for access to a private vehicle could possibly reflect both the relatively high ‘vehicles per capita’ rate for New Zealand, and the relative qualities across countries of accessible public transport.

Table 2
Enforced lacks of 7 child-specific items and 3 child-related general household items (%):
NZ compared with 25 EU countries (EU-SILC 2021, avg of three HES years 2020-21, 2021-22, and 2022-23)

Child-specific items														Child-related HH items							
Shoes		Fruit & veg		Proteins		Celebration		Friends		Schl trips		Holidays		Arrears		Internet		Hm warm		Car	
PT	0	AT	0	PT	0	FI	0	FI	0	MT	0	SI	3	NL	3	SI	0	SI	1	CY	1
FI	0	FI	0	CY	0	EE	0	SE	0	SI	0	CZ	4	CZ	4	FI	0	FI	1	SI	1
SE	0	NL	0	SE	0	SI	0	SI	0	EE	1	DK	5	SE	6	NL	0	EE	1	LU	1
HR	0	SE	0	FI	0	SE	1	DK	0	SE	1	EE	5	BE	6	EE	0	SE	2	MT	1
CY	0	CY	0	DK	0	DK	1	EE	1	NL	1	FI	5	DK	7	SE	0	NL	2	NZ	2
CZ	1	DK	0	SI	1	FR	1	NL	1	LT	1	SE	6	AT	7	CY	0	CZ	2	IT	2
EE	1	LU	0	EE	1	AT	1	AT	1	FI	1	LT	6	EE	7	LU	0	AT	2	HR	3
AT	1	PT	0	LU	1	NL	1	CZ	1	DK	1	NL	7	DE	8	AT	0	LU	3	EE	3
SI	1	EE	1	NL	1	DE	1	PT	1	DE	1	LU	8	PT	9	DK	0	LV	3	NL	3
LU	1	SI	1	AT	1	CZ	1	HR	2	HR	1	LV	8	LV	9	HR	1	IE	3	SE	3
NL	1	HR	1	IE	1	HR	2	IE	2	BE	2	FR	11	LU	10	LV	1	DK	3	PT	3
LT	2	MT	1	LV	2	PT	2	DE	2	AT	2	HR	11	SI	10	FR	1	HR	3	FR	4
DK	2	DE	1	FR	2	IE	2	FR	2	CZ	3	DE	11	IT	10	CZ	1	DE	4	FI	5
ES	2	CZ	1	HR	2	LT	2	LV	2	FR	3	AT	11	LT	10	PT	1	BE	4	AT	5
EL	2	IT	1	LT	2	LV	2	NZ	3	CY	3	MT	15	MT	10	LT	1	FR	6	DK	5
IT	2	LV	1	NZ	2	BE	3	LT	3	IE	4	PT	16	NZ	11	EL	2	HU	7	ES	6
FR	3	BE	1	CZ	2	IT	3	MT	4	NZ	4	IT	17	FI	13	IE	2	MT	7	CZ	6
DE	3	IE	1	IT	3	MT	4	BE	4	LV	4	BE	17	FR	15	BE	2	IT	8	BE	6
LV	3	FR	2	ES	3	LU	4	LU	4	LU	4	IE	21	IE	18	ES	2	NZ	8	IE	6
NZ	3	ES	2	BE	3	NZ	4	IT	5	IT	5	CY	24	HU	18	DE	2	PT	10	LT	6
BE	4	EL	3	MT	3	ES	6	EL	6	PT	7	NZ	25	HR	20	MT	3	ES	13	EL	6
MT	4	NZ	3	DE	3	HU	6	ES	6	ES	7	ES	26	ES	20	NZ	3	EL	17	DE	7
HU	4	LT	4	EL	6	CY	6	CY	6	HU	10	EL	26	CY	25	IT	5	LT	19	LV	9
IE	4	HU	10	HU	11	EL	13	HU	12	EL	11	HU	29	EL	41	HU	6	CY	25	HU	18

Source: bespoke analysis of EU-SILC data for this report by Anne-Catherine Guio from the Luxembourg Institute for Social and Economic Research.

- Romania and Bulgaria are omitted as their standard of living is quite different from that of New Zealand, having very high poverty and hardship numbers.
- The bulk of the EU items above are in the ‘enforced lack’ modality – that is, “don’t have or do” because of shortage of money / cost, not some other reason. The New Zealand survey data aligns with that.
- The ‘school trips’ item is an enforced lack for the EU, and an ‘economised-a-lot-because-of-shortage-of-money’ item for NZ. The NZ equivalent figure could be anything between 2.1% and 5.3%, so it was recorded as 4%. The overall ranking picture is not changed by this uncertainty.
- The ‘proteins’ item is about an enforced lack of a meal with meat, fish or chicken (or vegetarian equivalent) each day.
- The ‘arrears’ item is about arrears in utility, rent or mortgage payments.
- Where the items do not apply to very young children (eg internet and school trips), the denominator is adjusted accordingly.

Material hardship trends from 2007 to 2023

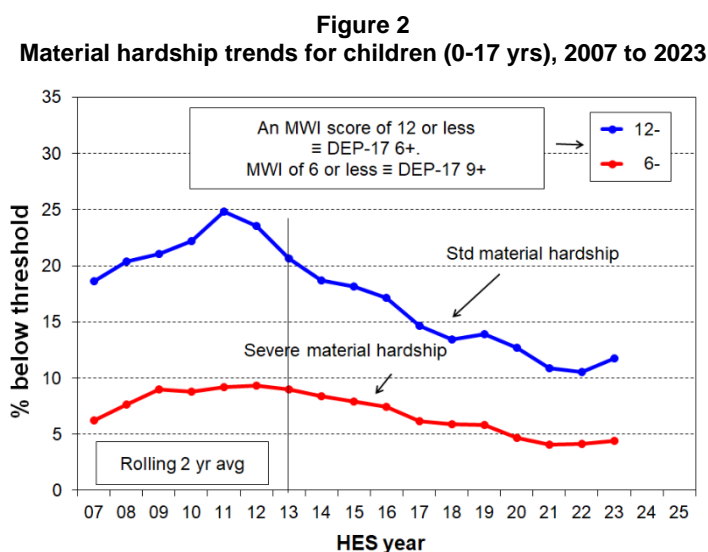
All children (1.15m in 2022-23)

Material hardship rates for children increased during the GFC and associated downturn, then steadily improved from 2013 to 2022 (**Figure 2**). The downward trend can be attributed to a combination of rising employment rates, rising wages, increased labour market hours for two-parent families, increases to income support for families with children, increased support for housing and child-care costs, and other measures that reduce demand on the family budget (eg free doctors' visits and the food-in-schools programme).

In the 2023 survey, the standard material hardship rate rose by 2.0 ppt to 13% (145,000 children).²⁵ While the cost-of-living crisis is likely to explain much of the change, there are other factors that need to be taken into account to give a more certain account of the increase. These are discussed in the introduction to Part Two (p19).

From 2018 to 2022 around 30% of children (~330,000) lived in households that reported having 'only just enough' income for the basics of accommodation, food, clothing, etc. Some of these households were likely to have been experiencing material and financial hardship before the cost-of-living crisis and many others will have been living precariously. For this latter group it only takes a small undermining of the purchasing power of their resources to put them into material hardship (as we measure it).

The size of the increase in material hardship rate from 2022 to 2023 may also in part reflect changed expenditure patterns / demands on household budgets in the COVID years, and a possible greater-than-usual non-sampling errors in the 2021-22 survey data that resulted from the considerable collection difficulties Stats NZ faced at the time of this survey. Further analysis is planned for the 2025 report for which the finalised 2022-23 HES data will be available as well as good quality data for 2023-24.



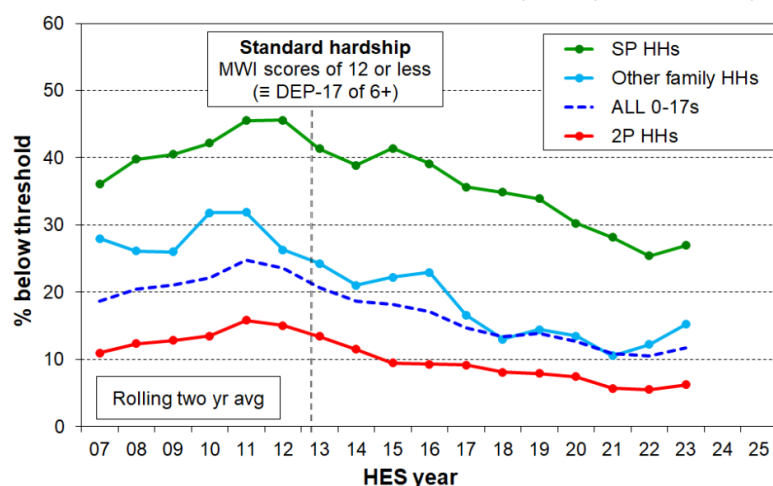
Many European countries also reported rises in material hardship for children between their 2022 and 2023 surveys (eg Denmark, Austria, Italy, the UK, Lithuania, Slovakia and Spain reported rises of around 2ppt).

²⁵ 144,000 using DEP-17, and 145,000 using the MWI. The sampling error is around $\pm 14,000$ for 2022-23. Note that the smoothing in Figure 2 gives the 2022-23 figure as 11.8%.

Household type

Figure 3 shows the material hardship trends for sole-parent, two-parent and other multi-adult households with children. The hardship rate for children in sole-parent households is typically three to four times higher than for two-parent households. A major factor in the difference is the more limited potential for the total number of paid employment hours in a one-adult household, which is limited even further by there being no ability to share child-care responsibilities within the household.

Figure 3
Trends in material hardship for children (0-17 yrs), by household type



Most children live in two-parent households (~70%), with 15% in sole-parent households and 15% in other multi-adult households.²⁶ This means that even though sole-parent hardship rates are much higher than for two-parent households, around the same number of children in hardship come from each of sole-parent and two-parent households.

Comparisons with European countries

- The 2022 EU-13 material hardship rate for New Zealand two parent households with one or two children is 6%, close to the EU median for this household type (~5%). For two parent households with three or more children the New Zealand rate (12%) is above the median EU rate for this group (9%).
- New Zealand's MH rate for sole parent households (31%, unsmoothed) is above the European median of 20%, similar to Germany, Spain and France but lower than the UK (36% in 2018) and Ireland (40%). New Zealand also has a relatively high proportion of sole parent households compared with European countries.²⁷

Tenure

In 2023 just under half of all children lived in owned-with-mortgage homes (47%) and another 11% in owned-without-mortgage homes. Around a third live in private rentals with half of these receiving the Accommodation Supplement (AS) and half not, and 7% in 'social' rentals. The numbers for 2018-19 were much the same.

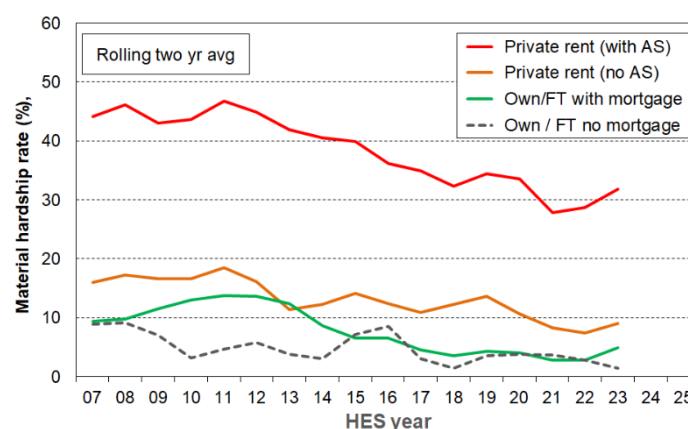
Figure 4 shows the trends in MH rates for children from 2007 to 2023 by the tenure of their households. In the post-GFC period there was a general downward trend through to 2022 for private renters and for the owners-with-mortgages group, followed by a rise in rates to 2023, likely to in the main reflect the impact of the cost-of-living crisis. (See p19 for further discussion on this).

²⁶ Sole-parent (SP) families are found in both SP households and multi-adult households. Around two thirds of SP families are found in SP households and one third in multi-adult households.

²⁷ Krassoi Peach. and Cording, (2018).

Unsurprisingly, the MH rates are highest for those in private rentals and receiving the AS, in 2023 running at 33% compared with 11% for those in private rentals but no AS, and 5% for owners-with-mortgages.

Figure 4
Material hardship trends for children (0-17 yrs), by tenure of their household



For children living in social housing the reported MH rates are high, as would be expected given the eligibility criteria, on average running at 45-50% in recent years. The trend is not reported as the sample numbers for those in social housing are relatively small and the observed fluctuations are likely to give a misleading impression.

Ethnicity

For most of the HES surveys prior to 2018-19 the sample size is too small to provide robust estimates for smaller sub-groups. Even in the larger 2018-19 survey, the sample error is 2.3 ppt for the material hardship numbers for children in the Māori ethnic grouping, 4.2 ppt for Pacific and 1.7ppt for Asian.

To address this small sample issue **Table 3** groups three surveys together for the years prior to 2018-19 to enable a trend to be reported from 2007-09 through to 2023.

Each group saw an increase through the GFC then a fall through to 2021, though the peak lasted longer for the Pacific peoples group. Each group also reported a rise through to 2023.

Table 3
Material hardship rates for children by ethnic grouping (total ethnicity approach), 2007 to 2023, (three-year groupings to 2018)

	Material hardship rates (%)								Total Numbers
	2007-09	2010-12	2013-15	2016-18	2019	2020	2021	2023	
Māori	33	36	34	24	24	19	20	21	290,000
Pacific peoples	44	47	47	34	32	29	24	32	150,000
Asian	19	16	8	6	7	5	4	4	220,000
European	14	18	13	10	10	8	8	10	740,000
ALL	21	25	20	15	15	12	11	13	1,450,000

Note for Table F.1:

- There are 40,000 in the 'Other' category – this row is suppressed as the numbers are too small to reliably report on MH rates. For 2023, the sampling error for this group was of the order of 9 ppt on a point estimate of around 14% for material hardship.
- 2022 rates are not reported because of the smaller sample size and data collection challenges that year (see p14 in the Data section).

The MH trends for each group are strongly correlated with the trends in their real CPI-adjusted median household incomes reported below in Figure 9.

Material hardship by disability status

Starting with HES 2019-20, disability data was collected which allows reporting on disability status of individuals and their households. The following definitions are used:

- Children under 2 years old are not assessed for disability.
- People aged 2 to 4 are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, manual dexterity, communicating, learning, playing or controlling their own behaviour.
- People aged 5 to 17 are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, feeding or dressing themselves, communicating, learning, remembering, concentrating, accepting change, controlling their own behaviour, making friends, anxiety, or depression.
- People aged 18 or over are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, remembering or concentrating, washing or dressing, communicating, upper body strength, manual dexterity, anxiety, or depression.

Table 4 reports the material hardship rates for children by their disability status and that of their household. The numbers are drawn directly from Stats NZ's February 2024 Child Poverty release (Tables 3.04 and 8.04), with some rounding. Stats NZ notes that 'differences in the way disabled people are defined means that this data is not comparable with disability rates from the 2013 Disability Survey'.²⁸

Disabled children are over-represented in the material hardship figures. For example, in the disabled children column, the risk ratio is around 1.8 (22/12), whereas for non-disabled children it is around 0.13 (11/88).²⁸

The material hardship rates for disabled children and children in disabled households have been steady since 2019-20. There were no statistically significant changes.

Table 4
DEP-17 6+/17 material hardship rates (%) for children by disability status,
HES 2022-23

	Disabled children	Non-disabled children	Children in disabled household	Children in non-disabled household
Numbers in hardship	28,000	101,000	75,000	69,000
% in hardship	22	11	22	9
Numbers in severe hardship	14,000	43,000	38,000	25,000
% in severe hardship	11	5	11	3
Total numbers	124,000	907,000	345,000	807,000
Total %	12	88	30	70

Notes for table:

A disabled household is one with at least one disabled person.

Those with unknown disability status are included in the totals only

²⁸ For more detailed HES analysis for children living in a disabled household, see Wilson, M & McLeod, K. (2024 - forthcoming) and Wilson, M., McLeod, K. & Godfrey, J. (2024 – forthcoming).

Children in ‘working’ and ‘beneficiary’ households

In this section, ‘working’ means that most of the income for the household comes from the market, and ‘beneficiary’ means that most of the income comes from the government.²⁹ **Figure 5** shows the MH trends for the two groups of children, with beneficiary MH rates being around four to five times the rates for children in working households (40% and 9% respectively in 2023, unsmoothed).

Figure 5
Trends in material hardship rates for children (0-17 yrs), by main source of household income

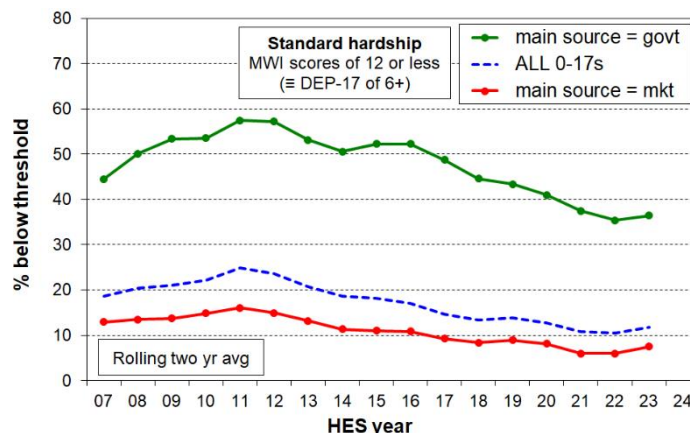
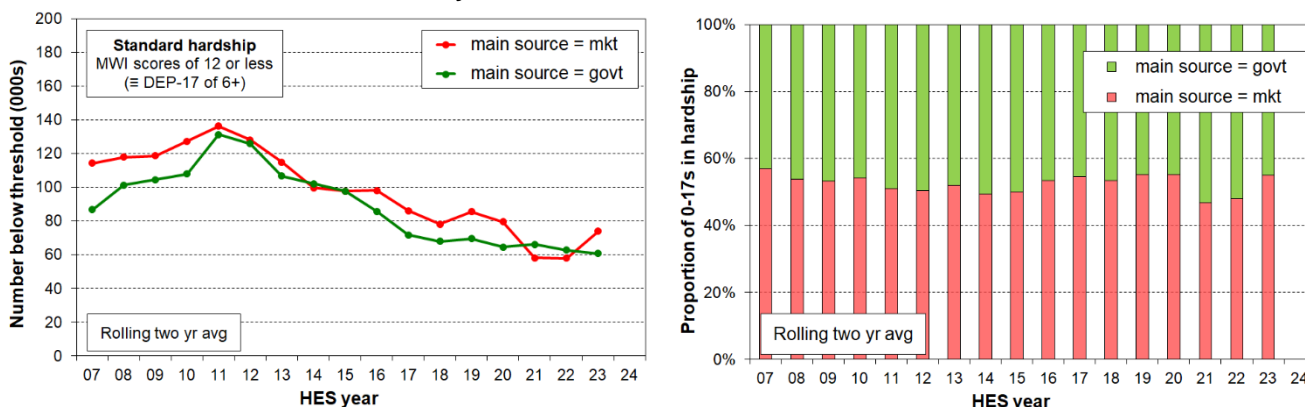


Figure 6 reports on the composition of those in hardship. From 2011 to 2015, the same proportion of children in households in hardship came from each group, then from 2016 to 2020 the market group was slightly larger. Although working households have lower hardship rates, there are many more such households than beneficiary households, so the numbers roughly even up.

The results from the 2024 HES are needed to understand how to interpret the break in the trend reported for 2021 and 2022 and the subsequent return to ‘normal’ in 2023. Are the 2021 and 2022 results somewhat anomalous, simply being reflections of the changed spending patterns and other living patterns in the COVID years, or the challenges Stats NZ faced with data collection issues in those surveys? Is there an ongoing impact of the Families Package and the Budget 2021 benefit increases? Is the noticeable rise in the number and proportion from the market group from 2022 to 2023 driven mainly by the cost-of-living crisis? It is possible that all these factors are at play (as discussed above (p19)). The 2023-24 results will provide some clarification.

Figure 6
Trends in the numbers of children (0-17 yrs) in households in material hardship, by main source of household income



²⁹ The focus in this report is on paid work. The value of unpaid work is immense, especially in relation to parenting and other caring responsibilities, but is not looked at in this report.

Children in workless households: international comparisons

Table 5 compares New Zealand with EU countries on the proportion of children in workless households. In 2012, at the height of the GFC impact, New Zealand was at the high end of the table with a rate of 18%, similar to Hungary, the United Kingdom and Ireland (16-20%). By 2022 the rate had fallen to 11%, similar to Belgium, Ireland and France (10-11%), but still well above the EU median of 6% (and the weighted average of 8%).

Table 5
International comparisons of the proportion of children living in workless households (%):
2008 to 2022 (calendar years)

	2008	2012	2017	2019	2022		2008	2012	2017	2019	2022
Romania	10	12	9	7	12	Malta	9	8	8	7	6
Belgium	11	12	12	12	11	Poland	8	9	8	8	6
New Zealand	17	18	11	10	11	Austria	6	5	7	6	6
Ireland	13	20	12	11	10	Cyprus	4	7	10	6	6
France	8	10	12	12	10	Czechia	7	9	6	6	6
Italy	7	9	10	9	10	Denmark	3	8	9	8	5
Bulgaria	11	18	11	9	9	Finland	4	4	5	5	5
Latvia	8	11	8	7	9	Greece	4	13	9	8	5
Germany	10	9	9	8	9	Croatia	7	11	8	6	4
Spain	6	13	9	8	8	Hungary	15	16	8	6	4
EU-27 wgted avg	8	10	9	9	8	Luxembourg	4	4	8	6	4
Lithuania	11	12	10	9	8	Netherlands	6	6	7	5	4
Estonia	7	9	6	8	7	Portugal	5	9	6	5	4
Slovakia	9	10	8	8	7	Slovenia	3	4	3	3	2

- EU Source: https://ec.europa.eu/eurostat/databrowser/view/LFSI_JHH_A/default/table?lang=en (9 Apr 2024).
- The reported EU proportions are for the calendar years specified. The HES cuts across adjacent calendar years. For EU 2022 comparisons, the NZ figure is the average of the HES 2021-22 and 2022-23 figures, and so on.
- For the EU figures, 'workless' means 'no paid work'. For the New Zealand figures 'workless' means 'no adult in paid work for 5 or more hours per week'.
- The figures for New Zealand to 2016-17 are derived using the sample weights developed by the New Zealand Treasury for use with the HES, as these are constructed using benefit numbers as one of the benchmarks. The 2018-19 and later figures use the (new) Stats NZ weights which use benefit numbers as one of the benchmarks.
- Australia reports the number and proportion of children aged under 15 in workless families, not workless households (ABS Labour Force Status of Families). They split multi-family households out into their component families then do the count. It is difficult to precisely assess what difference this makes to the jobless statistics, but given that 80-85% of children are in two parent or sole parent households, the size of the difference is not likely to be great. 12% of children were in workless families in Australia in 2023.

Children in workless households, in households with no full-time paid worker and in families in receipt of a main benefit

Leading up to the GFC and in the downturn associated with it (2008 to 2012), around one in four New Zealand children lived in households where there was no adult in full-time employment. This dropped to around one in six in the 2016-17 HES and has been steady since then (**Table 6**). This figure, like 2022-23 jobless figure (11%), is nevertheless high by OECD and EU standards.

Table 6
Proportion of children in workless households (% of all children)

HES survey year	2007-08	2011-12	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
In workless HHs	17	19	11	11	10	10	12	11	11	-
In HHs with no FT worker	24	25	16	17	16	16	17	17	16	-
In beneficiary families	19	21	16	15	15	16	18	18	18	19

- 'Workless' means 'no adult in paid work for 5 or more hours per week'.
- Beneficiary proportions are as at 31 March, 3 months before the relevant HES collection started (eg for HES 22-23, the beneficiary figure is for 31 March 2023).
- A beneficiary family may or may not also receive market income. A jobless households receives no market income.

Material hardship rates and composition for selected sub-groups

Table 7 provides a succinct summary of MH rates and MH composition for selected groups of children.

- The MH rates are the MH numbers in the second column as a percentage of the total number of children in households of that type (eg for children in two parent households, the 53,000 is 7% of all children in these households).
- The MH composition column reports the numbers in the second column as a percentage of all in MH (144,000). The right-hand composition column is about all children, not just those in MH.

Table 7
Material hardship for children in selected sub-groups:
rates, numbers and composition, HES 2022-23

	0-17s in HHs in material hardship			All 0-17s
	Rate (%)	Numbers	Composn (%)	Composn (%)
ALL 0-17s	12	144,000	100	100
Household type				
Two-parent with any dep ch	7	53,000	37	69
Sole-parent with any dep ch	32	60,000	42	16
Other family HHs with any dep ch	18	28,000	20	14
Other HHs (some 0-17s, no dep ch)	Suppressed - numbers too small			1
Number of children in HH				
1	10	28,000	19	23
2	9	46,000	32	43
3	13	31,000	22	20
4+	25	38,000	26	13
Main source of HH income				
Main source market	8	78,000	54	85
Main source government	39	66,000	46	15
HH work intensity				
2+ earner HH – 1+ FT	6	36,000	25	50
Sole-earner HH – FT	14	37,000	26	23
Part-time only	24	14,000	10	5
No earner (workless)	42	53,000	37	11
Self-employed	3	4,000	2	12
Tenure of household				
Owned with mortgage (incl FT)	5	28,000	20	47
Owned no mortgage (incl FT)	2	2,000	1	11
Private rental (no AS)	9	18,000	12	16
Private rental (with AS)	32	57,000	40	15
Social rental (HNZ & LA)	47	35,000	24	6
Ethnicity				
Māori	22	62,000	33	20
Pacific	29	45,000	23	11
Asian	4	8,000	4	15
European	9	70,000	37	51
Other	14	6,000	3	3

Notes for Table 7:

- Index used is Dep-17 (6+/17).
- FT in the tenure panel is short for 'Family Trust'.
- Ethnicity analysis uses total ethnicity approach. The numbers column total > 144,000 as it counts all ethnicities, not all individuals. The composition columns add to 100% as the denominator is all child-ethnicities

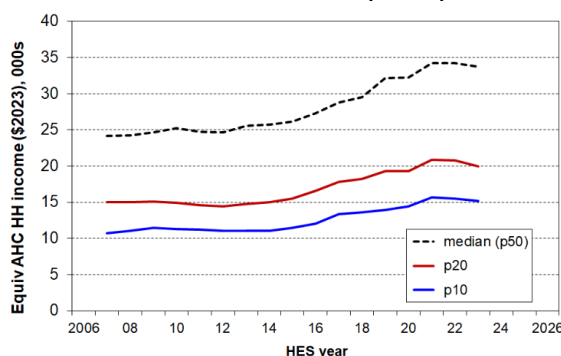
Trends in the AHC incomes of households with children

While household income has its limitations as a reliable indicator of a household’s ‘command over resources’ (as discussed in the Concepts and Definitions section above), income levels nevertheless have a major impact on the material wellbeing of households and their members, and on their ability to access the basics and have at least some minimal ability to participate in the normal patterns of living. Before getting to the reporting on trends in low-income rates for children, this section provides some background analysis in relation to income trends for the households in which children live, describes trends in some key drivers of household income and describes how core benefit income has tracked in real terms over decades, and how the total income beneficiaries receive has tracked in more recent years.

Figure 8 shows the trends in low incomes in real CPI-adjusted terms for children in lower income households and for those at the median. The p10 line is the upper boundary of the lowest decile of children, ranked by the income of their households. The p20 line is the upper boundary of the second decile.

- From around 2014 to 2021, incomes rose in real terms for children at p10, p20 and the median. The trend then plateaued through to 2023.
- In the full period from 2007 to 2023, p10 remained steady at around 45% of the median and p20 at around 60%.

Figure 8
Trends in lower (p10 and p20) and median AHC equivalised HH incomes for children in their households (\$2023)



Income trends by household type (1982 to 2023)

Figure 9 shows the rising trend in ‘real’ CPI-adjusted median incomes after deducting housing costs (AHC) for households with children and for couple-only (<65) households for comparison.

- Incomes for two-parent households generally track much the same as the overall population median, other multi-adult family households with children a little lower, and sole-parent households much lower, albeit on the rise in real terms.
- AHC incomes for sole-parent households have tracked at around 50% of the median since the 1991 benefit cuts.

Figure 9
Median incomes (equivalised AHC) of selected household types in \$2023, 1982 to 2023

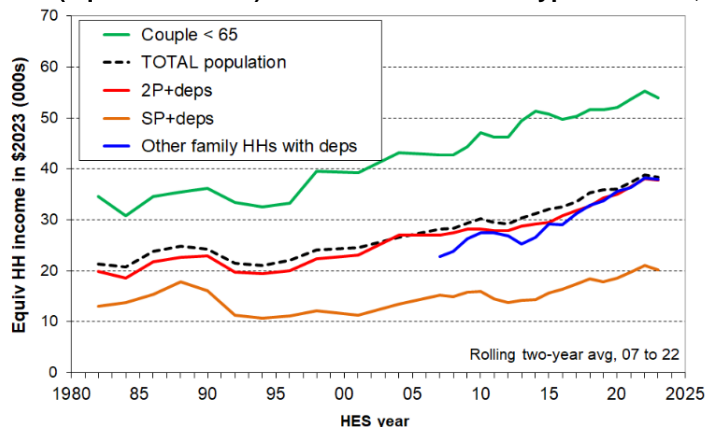
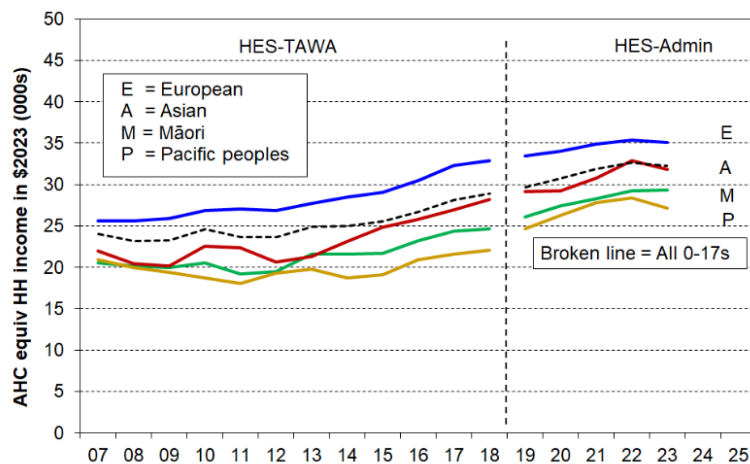


Figure 10 reports median AHC household income for children by ethnicity in real (CPI-adjusted) terms. There have been solid net gains in real terms since 2007 for children in each of the main ethnic groups, albeit with different trajectories through and immediately after the GFC (around a 35% real (CPI-adjusted) gain for all four groups since 2007).

Figure 10
Median AHC household incomes for children, by (total) ethnicity (\$2023), HES 2007 to 2023



The rising trends shown in the three charts above (Figures 7 to 9) are part of the explanation as to why the vast majority of New Zealand households with children report steadily rising material living standards since the mid-1990s.³⁰

There are, in turn, many factors that impact on the trends shown in the three charts above. The charts that follow report on several:

- the increasing proportion of two-earner households with children
- the number and proportion of children in households mainly dependent on government support ('beneficiary families')
- trends in the adult minimum wage
- Income support levels for beneficiary families.

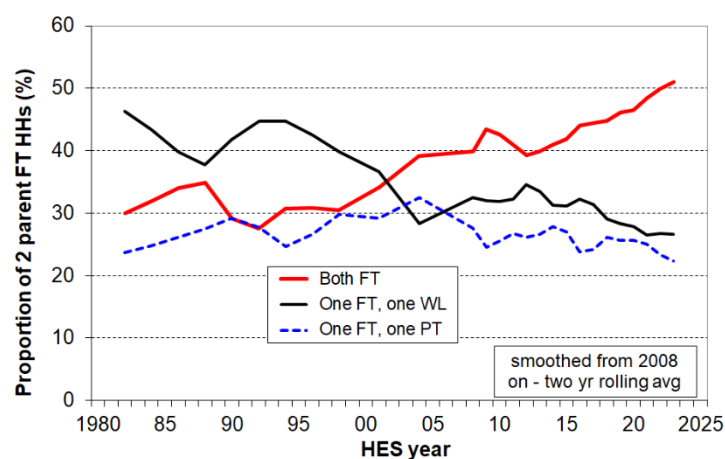
³⁰ See Figure A5.1 in Appendix 5.

Increasing proportion of dual-earner two-parent households

Around 70% of all children live in two-parent households. Median household income is strongly impacted by the incomes of these households. **Figure 11** shows the trend to increasing work intensity among two-parent households with dependent children.

- The option of one partner in full-time paid employment and one not in paid employment ('workless') was the dominant pattern in the early 1980s. By the early 2000's, the most common arrangement was for both parents to be employed full-time (~40%), and in 2023 the figure had reached just over one in two (51%).
- The one-FT-one-PT arrangement has declined a little since the early 2000s, down from 30% to 22% in 2023.
- Where at least one parent is employed full-time, around three of every four two-parent families were dual-earner families in 2023, up from one in two in the early 1980s.³¹
- This increasing proportion of dual-earner two-parent households is a major factor behind the longer-run consistent rise in material wellbeing for the vast majority of children, as indicated for example in **Figure 7** above. It also points to / is consistent with the view that in general, single-earner households are now much less likely to be a viable option for providing economic security than they were 25-40 years ago.

Figure 11
Increasing proportion of two-earner two-parent households (with dependent children), 1982 to 2023



Comparisons with Australia³²

- Australia have seen a similar long-term rise in the proportion of two-parent families with both in paid employment: in 2022, both parents were employed in 71% of couple families with children under 15 years, up from 56% in 2000 and 40% in 1979.
- However, Australia have a lower proportion with both parents working full-time hours (31% in 2021 compared with just under 50% for New Zealand). It is more common for one parent to be full-time and the other part-time (steady at 36% in 2021, compared with 25% in New Zealand and trending down.)

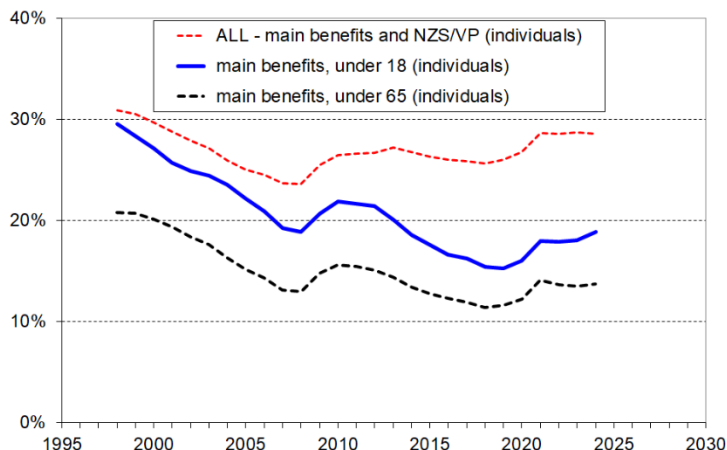
³¹ In 2023, around 4% of all two-parent families had only part-time workers and around 4% were workless.

³² See Baxter (2023).

Trends in the proportion of children in families receiving a main benefit

Around half of the children in households reporting material hardship come from households for whom the main source of income is government transfers (see Figure 6 above). **Figure 12** shows the trend in the proportion of children living in families receiving a main benefit. In March 2024 the figure was around 19% (220,000), up from the low point in 2018 and 2019 of 15% (170,000) and below the post-GFC high in 2010 to 2012 of 22% (230,000).

Figure 12
Trends in the proportion of children in households receiving a main benefit, 1998 to 2024

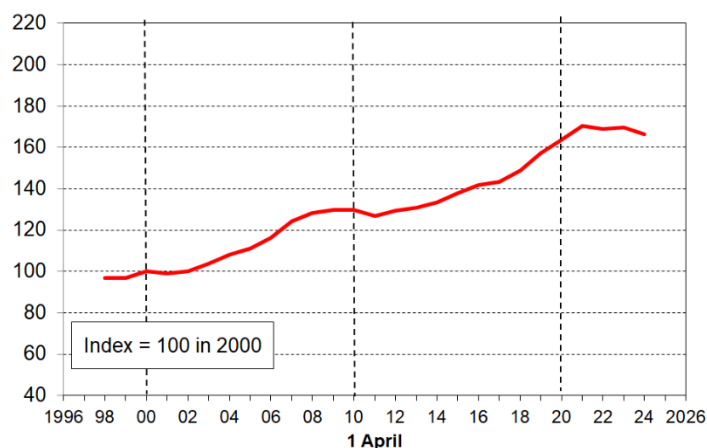


Trend in the minimum wage (adjusted for inflation)

Figure 13 shows the long-run rise in the real inflation-adjusted level of the adult minimum wage, with a plateauing after the last real increase in 2021.

New Zealand's adult minimum wage is one of the most generous in the OECD in terms of relativity with the median wage. As a proportion of the median wage, the minimum wage has increased from 62% in June 2017 to 72% in June 2023.

Figure 13
Adult minimum wage in real inflation-adjusted terms (using CPI), 1998 to 2024



Trends in the inflation-adjusted value of core benefits plus WFF and its predecessors

Figure 14a shows the long-run trends (1947 to 2023) in inflation-adjusted ('real') base support for the most common beneficiary households / families:

- The incomes include benefit income and income from the Family Tax Credit and its predecessors, but exclude the Winter Energy Payment, Best Start and the Accommodation Supplement (AS).
- For beneficiary families with children, real incomes from the two sources noted returned in 2019 to the rates prior to the 1991 benefit cuts – for the first time since then.

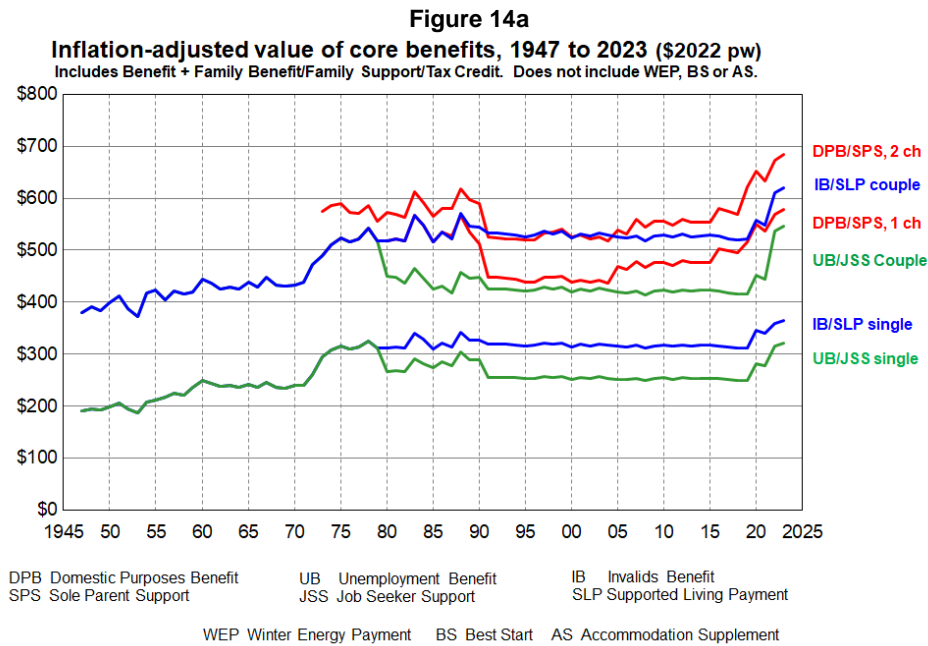
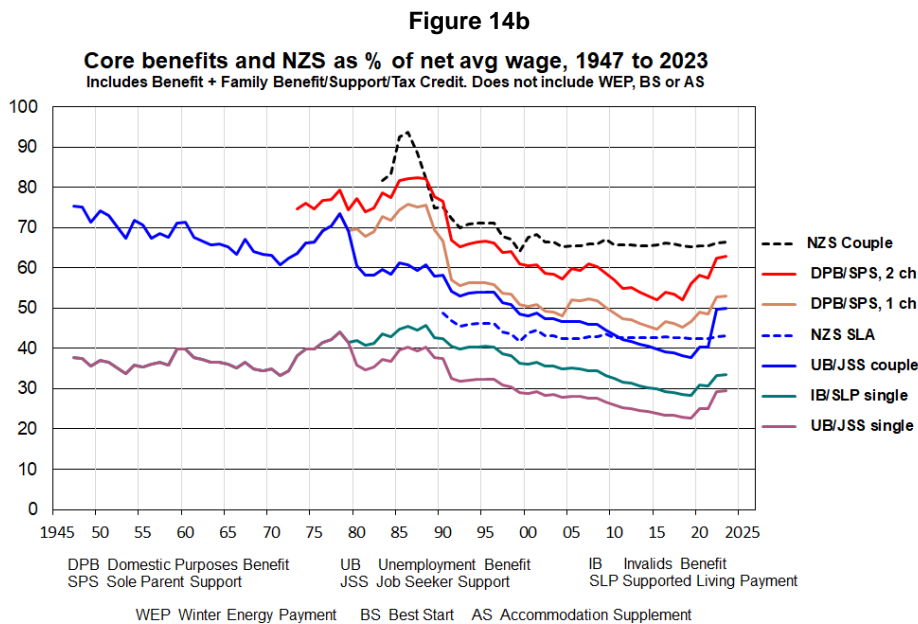


Figure 14b shows the trends for the same groups (plus NZS couples and singles living alone) relative to the net average wage. On that comparison, the incomes of beneficiary families with children were still lower in 2023 than prior to the 1991 benefit cuts, even with the impact of the Families Package and Budget 21 benefit increases.



Source: MSD collation from information from the Royal Commission on Social Security, Dept of Social Welfare Annual Reports, Income Support Service / Work and Income Fact Sheets & Budget 2023.

While Figures 14a and 14b provide valuable information about key aspects of the trends in income of selected beneficiary recipients it does not tell the full story. In particular, it does not take account of either accommodation costs or the housing support provided through the Accommodation Supplement (AS) since 1993 or the Income-Related Rent subsidy (IRRS) for those in public housing (from 2000). The Temporary Additional Support (TAS) assistance can also have significant impact on the level of housing support for some.

- Net housing costs depend on both the level of housing costs and the entitlement to different housing subsidies. The subsidies are provided at different levels depending on geographical area, household income, and other factors. Given the wide variations in housing costs and subsidy amounts there are considerable challenges for producing a full 'after housing costs and housing support' time series using the example families approach as in Figure 14 above.
- Recent analysis by MSD using actual beneficiary income and housing costs data is now available in the 'Total Incomes' report. This information is used in **Figure 15** below.

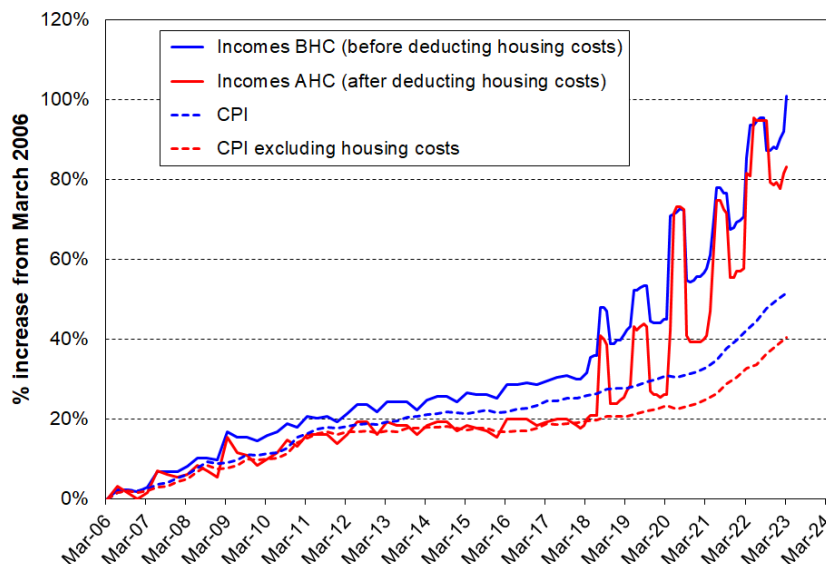
Changes in total incomes received by beneficiary families and single-person units compared with the growth in the CPI

Figure 15 shows the percentage change in total income for all MSD clients (for all family types, equivalised) compared to growth in the CPI between 2006 and 2023. Income in this chart includes income from all sources including the WEP, BS and AS (see previous page for acronym glossary under Figures 14a and 14b).

The blips in the trend lines reflect the WEP which applies for 22 weeks from May to September each year. In 2020 the WEP was doubled as part of the COVID-19 Recovery Package. Removing the blips / following the trend at the bottom of the blips gives an idea of the trend without the WEP.

- Total income before deducting housing costs (BHC) generally tracked a little above inflation up to around March 2018, then increased strongly to 2023. See blue lines in chart.
- Total income after deducting housing costs (AHC) generally tracked in-line with inflation (excluding housing) up to around March 2018. Since then, AHC incomes have increased strongly in real terms.

Figure 15
Change in total incomes (BHC and AHC) for beneficiary units, 2006 to 2023



Source: MSD Working Paper: Total incomes of MSD main benefit clients as at April 2022. [wp-total-incomes-of-msd-main-benefit-clients-as-at-april-2022.pdf](#) plus 2023 update

AHC low-income (poverty) rates for children

Figure 16 shows the AHC low-income (poverty) rates for children for the four decades from 1981-82 to 2020-21, using the FIXED line approach. The FIXED line approach sets the low-income threshold in a reference year and adjusts it forward and back using the CPI. In other words, the low-income threshold is fixed in real terms.³³ The reported poverty rate falls if the incomes of low-income households increase in real terms irrespective of what is happening to the incomes of the rest of the households ... and vice versa. Figure 16 uses the AHC 50 FIXED line measure, with two different reference years, 2007 and 2018.

- The AHC 50 FIXED-07 low-income rate doubled from 20% to 40% in a very short period in the late 1980s to early 1990s, reflecting rising unemployment, a falling average wage, demographic changes (more sole parent families), the 1991 benefit cuts and the introduction of market rents in public housing.
- The rate then steadily fell through to 2008 with improving employment, a rising average wage, rising female employment, the re-introduction of income-related rents and the roll-out of WFF.
- The FIXED-07 trend line reports an AHC 50 rate for children of around 18-20% in 2007 to 2012, much the same as in the 1980s. This is because it took two to three decades for the real (the inflation-adjusted) AHC incomes of low-income households to return to what they were in the 1980s.
- The post-GFC slow-down led to a slight rise on both the FIXED-07 and FIXED-18 measures. through to 2013, followed by a steady decline through to 2022, reflecting good economic conditions, a rising minimum wage and, more recently, higher housing support through changes to the AS and increases in government support for low-to-middle income households with children.
- The up-tick to 2023 is likely to in the main reflect the impact of the recent high-inflation period and the 'cost-of-living crisis', though other factors may be involved too as discussed on p19. Further analysis will be reported in the full 2025 report using the 2023-24 survey.

Figure 16
Long-run trends in rates of low AHC household income (AHC 50) for children (0-17 yrs), using FIXED line thresholds

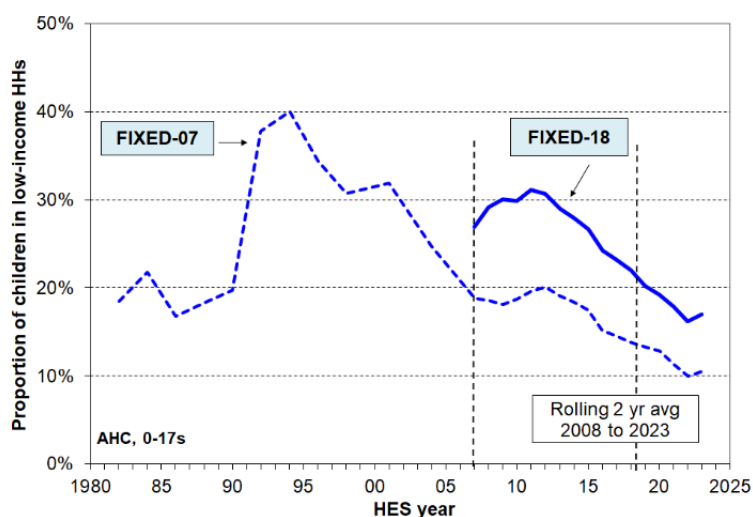


Figure 17 (next page) shows the similarity in the trends for material hardship (using the MWI measure) and AHC 50 FIXED-18 rates. The similarity is not surprising as:

- both measures are of the FIXED reference type
- household income levels have a major impact on levels of material hardship, all else equal.

³³ The threshold for the AHC 50 FIXED-18 line was equivalent to AHC 47 in 2023, and AHC 63 in 2007. The AHC 50 FIXED-07 line was equivalent to AHC 37 in 2023.

Figure 17
Trends in AHC 50 FIXED-18 rates and MH rates, 2007 to 2013

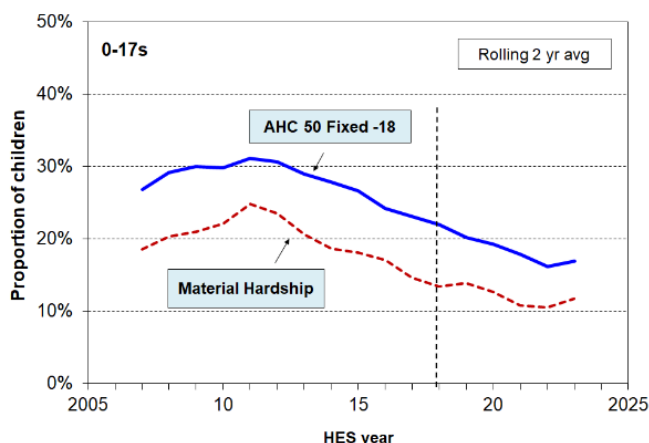


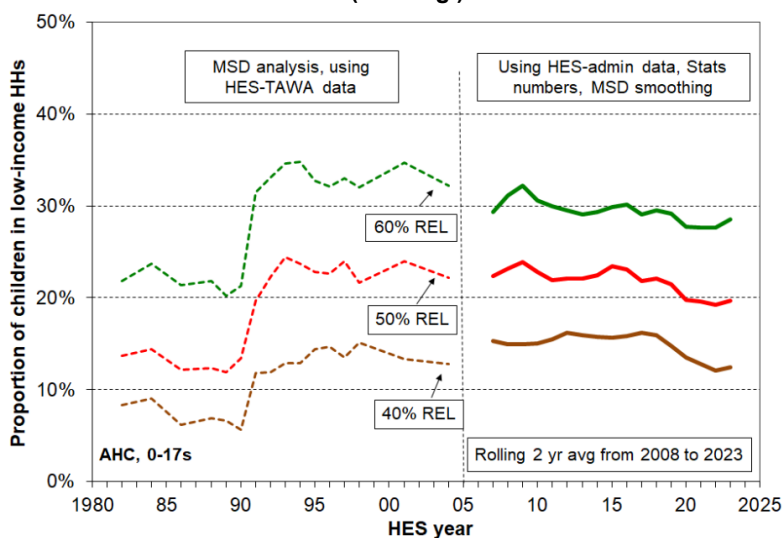
Figure 18 shows the trends for the three fully relative AHC measures that are specified in the CPRA. The figures for 2018 to 2023 are the same as those for Stats NZ, except that a two-year rolling average has been applied to more clearly show the trends.

The low-income AHC rates for children were fairly flat for the AHC 40 and AHC 50 measures over the 25 years from the mid-1990s to 2018 on these measures, with a small decrease for rates using the AHC 60 measure. This indicates that low incomes were roughly keeping pace with median incomes, with no noticeable change in income inequality in the lower half of the AHC incomes distribution. In contrast, the large change in income inequality from the late 1980s to the early 1990s saw AHC low-income rates double during this period.

AHC 40, AHC 50 and AHC 60 rates were all lower in 2022 than in the CPRA reference year of 2018, mainly reflecting the impact of the Families Package and the Budget 2021 benefit increases, especially for the more stringent AHC 40 measure.³⁴

Taking into account the uptick to 2023, only the AHC 40 measure shows a statistically significant decrease from 2018 to 2023 (down to 13% (150,000 children)). On the AHC 50 measure the 2023 rate was 21% (240,000 children).³⁵

Figure 18
Long-run trends in rates of low AHC household income for children (0-17 yrs), Relative REL ('moving') thresholds



³⁴ See MSD (2023) for a comprehensive evaluation report on the impact of the Families Package, etc.

³⁵ Note that the smoothing applied in Fig 18 slightly reduces the 2023 rates compared to the raw unsmoothed rates..

The overlap measure: trends for children in households reporting both low-income and material hardship

The overlap measure counts the number of children who are in low-income households which are also in material hardship. This measure relates to two themes in this report:

- The poverty definition includes both input (resources) and outcome (material living standards) aspects. Researchers at the Economic and Social Research Institute in Dublin in the mid-1990s coined the 'consistent poverty' descriptor for this measure, on the grounds that the overlap approach was more consistent with the poverty definition than either of the component measures alone.³⁶
- The mismatch between low-income and material hardship measures using non-income measures, as discussed in the introductory section on Concepts and Definitions – not all low-income households report material hardship, and some households with above-poverty-line incomes do report hardship (see p10).

The overlap between material hardship and income-based measures is limited, typically of the order of 45%, and as low as 30%, depending on the low-income measure used. Factoring this into our reading of the figures is critical for understanding and interpreting child poverty statistics.

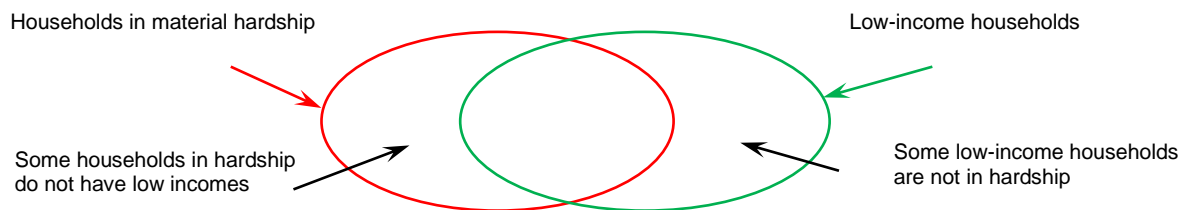
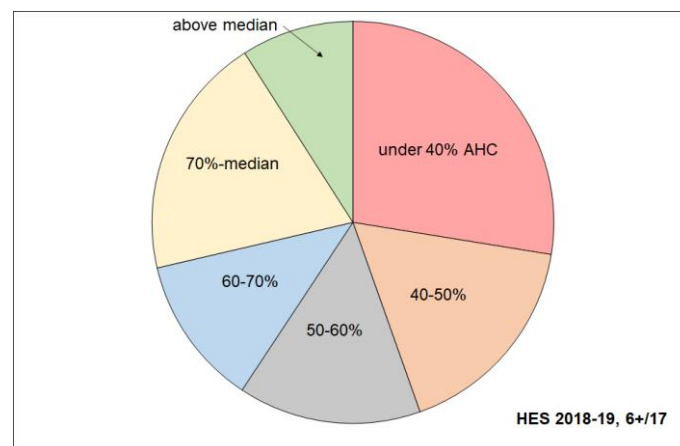


Figure 19 starts with the children living in households reporting material hardship (DEP-17 scores of 6+) and reports what AHC income bands their households come from.

- around one in four (26%) come from households with incomes below 40% AHC
- only 44% come from households with incomes below 50% AHC
- almost one in three (29%) come from households with incomes above 70% AHC (7% are from households with incomes above the median).

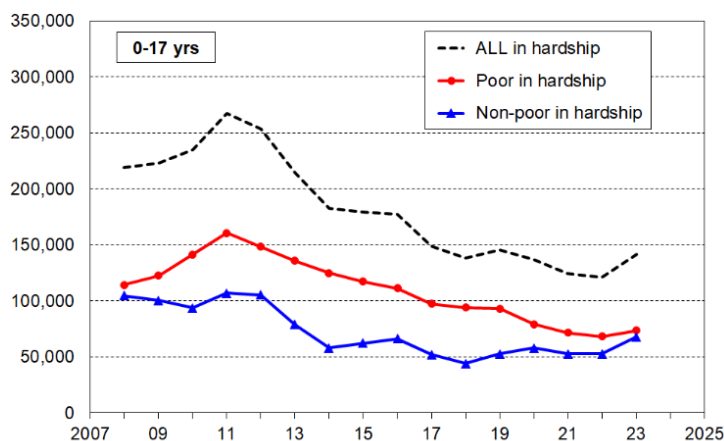
Figure 19
Distribution across AHC household income bands of children identified as in hardship



³⁶ See Nolan and Whelan (1996).

Figure 20 shows the trends in the numbers of children in households reporting material hardship for those in both income-poor and non-income-poor households. In this chart, low-income means households with AHC incomes below 60% of the AHC median. This is a relatively generous ‘poverty line’, albeit that households with income at around this level could not be said to be living the life of Riley. The higher threshold is needed to ensure that there are enough sample numbers in each sub-group to provide a robust time series including through the years when the HES was a smaller survey. The threshold used is also used in the corresponding CPRA measure.

Figure 20
Material hardship numbers for those in income-poor and non-income-poor households, 2007 to 2023, 0-17 years



In recent years, around 35-45% of those in hardship come from households with incomes above the AHC 60 low-income threshold (blue line numbers as a proportion of broken line numbers). Around half of these come from what could be called ‘near-poor’ households, those with incomes of 60 to 80% of the AHC median.

Table 8 shows the household income levels for 60% and 80% of the median in ordinary unequivalised dollars for selected household types to give an idea of what ‘poor’ and ‘near-poor’ mean for household budgets for this analysis.

Table 8
AHC 60% and 80% of median population thresholds in ordinary unequivalised 2024 dollars applied to selected household types, with children, \$ per week AHC

	(1,1)	(1,2)	(2,1)	(2,2)	(2,3)	(2,4)
AHC 60%	600	740	835	970	1110	1250
AHC 80%	805	990	1110	1295	1480	1665
AHC median	1005	1235	1390	1620	1850	2085

Notes:

- (2,1) means (2 adults, 1 child) and so on.
- The figures above are calculated before any treatment is applied to the dataset
- The \$2024 numbers are the actual HES 2022-23 numbers inflated by 4.7% (the CPI change from the 2022-23 average to June 2024).

What does poverty look like in practice for children in households reporting MH?

Table 9 uses selected individual items to give an idea of what it means in practice for children living in households experiencing MH or severe MH, as defined by the two standard thresholds using the DEP-17 index. The child-specific items are ‘calibration items’, not items in the index itself.

- The left-hand panel of numbers in the table (‘rates’) shows the proportion of children (6-17 yrs) who face restrictions on the basics identified in the list – for all 6-17 year olds and for those in each hardship depth.
- The right-hand panel (‘composition’) shows the proportion of all of those deprived of the item whose household has a DEP-17 score of 6+ or 9+. For example, 62% of all children whose household relied on help from a community agency or foodbank for food or cash in the 12 months prior to interview ... are in households in the 6+/17 hardship zone.
- The information in the table illustrates how ‘life is different’ for children in the hardship zone, not just in a ‘less than’ sense, but in a much more serious sense of ‘missing out on things that all children should have and none should go without’.

Table 9
Deprivations/restrictions for children (6-17 yrs) in households in hardship (6+/17, 9+/17), HES 2022-23

		Rates (%)			Composition (%)	
		Deprivation rate for item for all aged 6-17 yrs, and for those in HHs in hardship and severe hardship			Proportion of all deprived of the item whose household is in the specified hardship zone	
		All	6+/17	9+/17	6+/17	9+/17
Child-relevant general HH items						
Foodbank / other community help	more than once	8	40	54	62	39
Delayed replace/repair appliances	a lot	12	61	79	60	36
Car	don't have	4	12	16	38	23
Dampness or mould	major problem	6	19	23	41	23
Can afford to keep home warm	no	8	41	59	60	40
Crowding	2+ needed - severe	3	11	17	44	33
Crowding	1+ more rooms needed	14	33	39	29	16
Borrowed for basics from family/friends	more than once	11	52	66	59	35
Can pay unexpected \$500 essential bill	no	22	75	81	42	21
Income adequacy for basics	not enough	12	50	63	53	31
Holiday away each year	don't have - cost	28	72	80	32	16
Holiday away each year	don't have - other	11	8	6	9	3
Life satisfaction	dissatis / very dissatis	5	18	26	44	29
Child-specific items						
Two pair of shoes	don't have	5	21	26	53	30
Two sets winter clothes	don't have	2	11	15	68	44
Waterproof coat	don't have - cost	4	21	31	66	45
Waterproof coat	don't have - other	3	6	6	25	12
Separate bed	don't have	4	15	22	50	32
Fruit and veg daily	don't have	6	29	39	56	35
Protein meal daily	don't have	4	18	28	51	37
Computer / internet	don't have	4	17	24	63	40
Friends around to play / eat	don't have - cost	3	16	22	75	48
Friends around to play / eat	don't have - other	8	18	17	28	12
Unable to fund school trips	a lot	3	14	21	68	47
Had to limit participation in sport	a lot	4	21	30	62	42
Had to go without special interests	a lot	5	25	34	63	39
Continued to wear worn out / wrong size shoes/clothes	a lot	2	17	27	87	65

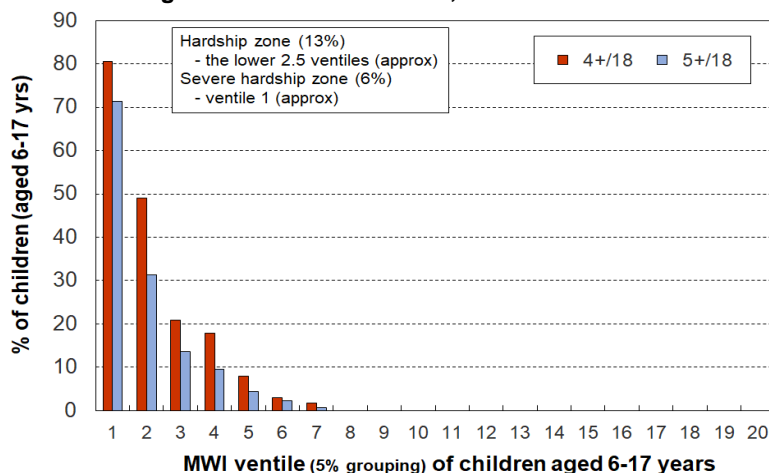
Cumulative / multiple material and financial deprivation clusters strongly at the hardship end of the spectrum

Table 9 above reports on individual deprivation items and shows that life is very different for children in households reporting material hardship compared with other children. **Figure 21** below uses 18 items from Table 9 above – all 12 child-specific items and the first 6 of the child-relevant household items – and shows how multiple material and financial deprivation clusters strongly at the hardship end of the spectrum.

In Figure 21, children are ranked by their households' material wellbeing from high to low using the Material Wellbeing Index (MWI), then are grouped into ventiles (twenty equal groups of 5% each). The number of missing essentials is counted from the 18 essentials noted above and plotted for each MWI ventile. The hardship zone is in the lower 2.5 ventiles, and the severe hardship zone is the lower ventile. For the most materially deprived 5% of children, 81% experience 4 or more of the 18 deprivations, all of which are about very basic needs. Of the next 5% close to a half experience 4 or more (47%). Overall for the bottom 10%, 64% experience 4 or more of these deprivations.

While there is evidence here and elsewhere of some hardship in the next 10% (MWI decile 2, 18% with 4+), there is no gradient across all the deciles reflecting what is sometimes referred to as 'acceptable inequality' (as there is for many other aspects of social and material wellbeing). The analysis shows that for those children in the hardship zone, life is undeniably very different from that experienced by the vast majority of New Zealand children. This finding is in line with what was found using similar indicators from the 2008 Living Standards Survey. It illustrates what it means in practice to be '*excluded from the minimum acceptable way of life in one's own society because of inadequate resources*', the high-level definition of poverty commonly used for richer countries and adopted in MSD reports.³⁷

Figure 21
Multiple deprivation for children, using 18 essential child-specific and child-relevant general household items, HES 2018-19



³⁷ Figure 21 uses data from the 2018-19 HES. The analysis will be repeated for the 2025 Child Poverty Report using the 2023-24 HES data.

Housing costs and housing affordability for renters and owners (households with children)

Table 10 shows where children live in terms of the tenure of their households. The majority (close to 60%) live in owner-occupied dwellings and a third are in private rental accommodation. The bulk of the renters are in private rentals, evenly split between households receiving assistance from the Accommodation Supplement and those who don't.

Table 10
Numbers and proportions (%) of children and households with children by tenure:
HES 2022-23

	Owned incl Family Trust	Rent (private) no AS	Rent (private) with AS	Rent (social)	Other	ALL
Households with children (numbers)	373,000	109,000	92,000	34,000	21,000	628,000
Children (numbers)	679,000	186,000	175,000	77,000	38,000	1,156,000
Households with children (% across)	59	17	15	5	3	100
Children (% across)	59	16	15	7	3	100

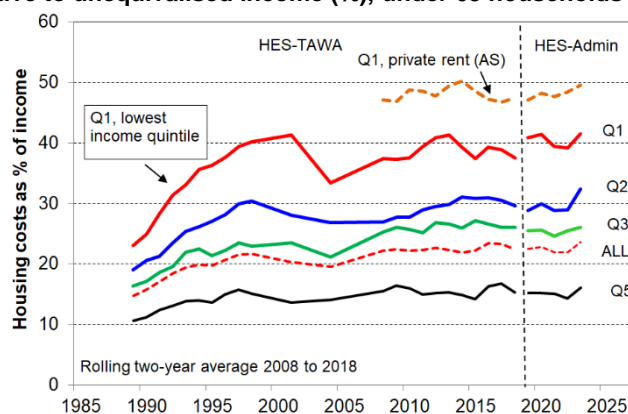
Of the 144,000 children in households reporting MH: 2000 are from owned no mortgage; 28,000 are from owned with mortgage; 18,000 are from private rentals with no AS; 57,000 are from private rentals with AS; and 35,000 are from social rentals. (See Table 7). The risk ratios for Private Rent with AS (2.7) and Social Rent (4.0) indicate over-representation of these groups.³⁸

Figure 22 shows the trends in average housing costs as a proportion of average unequivalised BHC income for selected income groupings (quintiles) of households with dependent children (with all adults under 65). Housing costs are:

- up from 15% in 1988 to 22% in HES 2019 and 24% in HES 2023, for all households with children
- up from 23% to 41% for the lowest income quintile (Q1); and for Q2, up from 19% to 30% for 2019 to 2021 and even higher at 33% for 2023.

Figure 22

Avg housing costs relative to unequivalised income (%), under 65 households with children, 1988 to 2023



Note for chart.

The longer-term trend lines give robust indications of current and past levels of spending on accommodation relative to income, and of the relativities between groups (as reported in the associated text). The year-on-year fluctuations are not robust enough to support conclusions about rises or falls in these and similar short periods.

The reported Q1 proportion in Figure 22 (~40% in recent years) is dampened by the presence of households that reside in public / social housing for which the rent is capped at 25% of income. Most of these households are in Q1. For many in low-income households, rent makes up more than 40% of income. One such group are those that rent privately and receive the Accommodation Supplement (AS), with almost half of household income spent on accommodation on average by those in Q1 (top

³⁸ The risk ratio is a statistic that can be used to succinctly summarise the over- or under-representation of a population subgroup (in this case) in a hardship category, with ratios greater than 1 indicating over-representation.

broken line in chart). This leaves very little for the other necessities and it is not surprising that this group has high material hardship rates.

Figure 23 looks at housing costs relative to income in a different way. It uses OTIs (housing outgoings-to-income ratios) with thresholds set at 30%, 40% and 50%. It shows that for all households with children, around 10% spend more than half their BHC income on housing costs and just under 20% spend more than 40% of their income on housing. At each threshold, there is an uptick for the 2023 survey.

Figure 23
Spending on accommodation as a proportion of BHC income (%)
for all households with children, using OTIs, 1988 to 2023

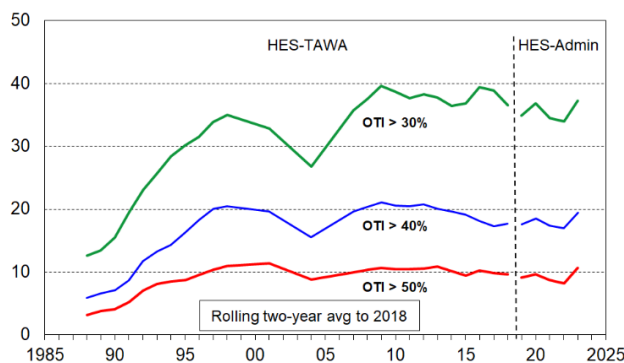
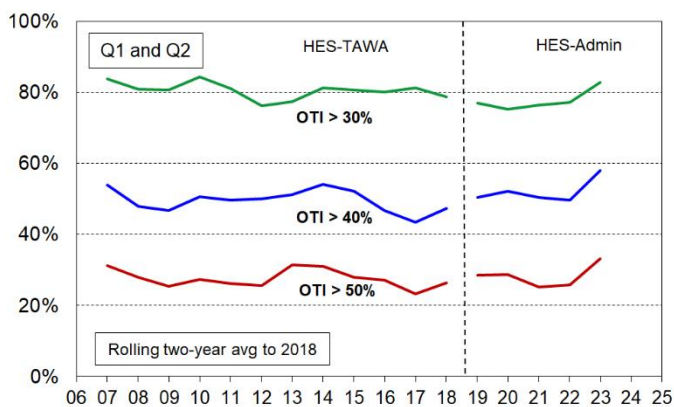


Figure 24 repeats the analysis that produced Figure 23 but for low-income households with children (the lower two quintiles). The uptick to 2023 is strongly evident for this lower income group, almost 60% spending more than 40% of their income on housing costs and around one in three more than half their income. Households with such high relative accommodation costs have very low residual or after-housing-costs (AHC) income.

Figure 24
Spending on accommodation as a proportion of BHC income (%) for low-income (Q1+Q2) households with children, renting privately and receiving the Accommodation Supplement, 2007 to 2023, using OTIs



Note for chart: OTI = (housing) outgoing-to-income ratio

For Q1 households with children that are renting and receiving the AS, 85% are spending more than 30% of their income on accommodation, 65% are spending more than 40%, and around 40-45% spend more than half their income on accommodation.

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Appendix 1:

Data sources: Stats NZ's Household Economic Survey (HES) and associated administrative data for income information

The analysis and findings in MSD's Child Poverty Reports are based mainly on data from Stats NZ's Household Economic Survey (HES).

Up to and including the 2017-18 HES, the data available to MSD for its reports was the 'HES-TAWA' data. This analytical dataset is made up of the original survey data with some of the more problematic survey-based income information that respondents may misreport (for example, benefit and Working for Families income and the Accommodation Supplement) replaced by the Treasury using their Tax and Welfare Analysis (TAWA) model or its predecessors.

Starting with the 2018-19 HES, Stats NZ moved to using administrative data for most of the income information. Tax data from Inland Revenue and data from MSD on benefits paid has been used to provide salary and wages and benefit income. Working for Families tax credit information comes from IR or MSD depending on which agency made the payment. Other sources of income such as self-employment income, investment income, income earned overseas and irregular income is provided by the respondent at interview time. The sample sizes are much larger, more effort was made to get a better sample / response at the bottom end, and a more comprehensive set of benchmarks was used to weight up to population estimates. These datasets ('HES-Admin') are available to MSD for use for this and other reports.³⁹

The increased sample size starting with the 2018-19 survey allows more detailed breakdowns for children in different contexts to be reported with greater confidence (for example, poverty rates by their household type, the tenure of their household, the labour market status of their households, their ethnicity, and so on).

The surveys gather information on the usually resident population living in private dwellings

The survey therefore includes those living in retirement villages, but not those in non-private dwellings such as rest homes, hotels, motels, boarding houses and hostels.⁴⁰ Other sorts of surveys are needed to obtain a picture of what life is like for those in more transient accommodation or those 'living rough'.⁴¹

This does not mean that the survey does not reach households with very limited financial resources or those in more severe hardship. For example, in the 2018-19 HES: 724 of the households interviewed reported receiving help from a food bank or other community organisation more than once in the previous 12 months, 1698 households reported putting up with feeling cold 'a lot' in the previous 12 months because of needing to spend on other basics, and 25% came from the two most deprived NZDep13 deciles (ie the most deprived 20%).⁴² The achieved response rates for the most deprived NZDep13 deciles are similar to the overall response rate – for example, 75% for 2020-21 for deciles 8, 9 and 10.

³⁹ Stats NZ created special combined HES-HLFS datasets for producing a 2007 to 2018 BHC low-income back series to assist with estimating the 2017-18 BHC baseline low-income rates for the CPRA. These datasets were larger than the HES datasets themselves and thus the sample error was reduced. The back series for AHC incomes and material hardship measures use the HES-TAWA data, but with upgraded weights. See Sections J and Section N in the 2022 Child Poverty Report for more detail.

⁴⁰ For example, the HES does not include the families in Emergency Housing which in February 2023 included around 3200 children (Source: MSD Monthly Housing Update for February 2023).

⁴¹ The Ministry of Housing and Urban Development (HUD) contracted the University of Otago to produce an estimate of New Zealand's homeless population, using 2018 Census data. This estimated there were around 3500 people living without shelter, and 7500 people in emergency housing, campgrounds, motels, and other temporary accommodation. [2018 Severe Housing Deprivation Estimate - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development \(hud.govt.nz\)](https://www.hud.govt.nz/2018-severe-housing-deprivation-estimate-te-tuapapa-kura-kainga)

⁴² Once the population weights were applied to gross up the sample numbers to population estimates the number of individuals in the lower two NZDep deciles was 19.4%.

Sample size and data collection challenges

- The achieved sample for the 2018-19 HES was 21,000 households compared with previous HES samples of 3500 to 5500. Importantly for reporting on child poverty, the 2018-19 HES sample has around 7500 households with children, compared with the previous 1100 to 1800 in the years prior to 2018-19.
- The 2019-20 and 2020-21 HES samples are a little smaller than the 2018-19 HES as in each case the surveying was unable to be carried out over the full 12 months because of COVID-related restrictions (~16,000 households, 5600 with children).
- The data collection for the 2021-22 HES was severely hampered by both COVID- and weather-related events: only 9000 households were interviewed (3000 with children) and the data quality was not as good as in the other surveys.
- The 2022-23 HES sample was 14,000 households (4500 with children). Stats NZ set a lower target of 15,000 (ie less than the 20,000 desired) to ensure that a good quality representative sample could be achieved in the still-restricted collection environment.
- Stats NZ advise that the 2023-24 HES data collection went well so MSD is looking to publish a full Child Poverty Report as well as the updated Overview and Selected Findings in early 2025. Having two good quality consecutive years will allow MSD to report with confidence on the full range of analysis it has produced in the past.

Processing the collected data ready for analysis

Once the interviews are completed and the collected data is stored, Stats NZ carries out a comprehensive process to prepare a final dataset that can be used for data analysis and the production of output tables and statistics. The processing stage includes:

- combining the survey data with admin-based income data from Inland Revenue and MSD
- checks on the internal consistency of responses from individuals and households
- imputation for missing data.

In addition, weights are developed to enable population estimates to be estimated based on the sample. A weight is attached to each unit in the sample that indicates the number of households and people it represents in the final population estimate. Weighting ensures that estimates reflect the sample design, adjust for non-response, and align with current population estimates.

The reporting on child poverty and other similar statistics for the whole population that Stats NZ and MSD do is based on analysis of the final dataset, together with the weights.⁴³

Findings based on sample surveys have statistical uncertainties

Some of the uncertainties arise by chance as the information is from a sample rather than the whole population. This is often referred to as 'sample error' or 'sampling error'. Sample/sampling error is not a mistake. It exists even if a survey is perfectly designed and implemented and a 100% response rate is achieved. It is an inevitable feature of using a sample rather than counting everyone in the population of interest.

The larger HES samples that are available starting with 2018-19 reduce sample error considerably compared with the sample errors in the HES-TAWA series. The sample errors for the CPRA child poverty rates are typically 1.0 to 1.2 percentage points (ppts) for HES 2018-19 (21,000 households), compared with 2 to 3 percentage points for the HES-TAWA series which have much smaller sample sizes (3000 to 5500 households). The sample sizes for 2019-20 and 2020-21 were smaller than planned due to the COVID lock-downs and related health protocols – each around 16,000 households. This led to sample errors for the income-based CPRA child poverty rates increasing to around 1.3 to 1.5 ppts for these years. For the 2021-22 survey, for which the data collection challenges were considerable and the sample size smaller still, the sample errors were around 1.7 to 2.1 ppts. (See **Figure A2.2** in Appendix 2 for the MH trend with error bars included.)

⁴³ Further information on the processing methodology is available in the 'HES' sub-link in: [Child poverty statistics: Year ended June 2023 – technical appendix | Stats NZ](#)

Knowing the sample error in given years for a statistic being reported on enables estimates of the sample error on the change from one survey to another. If the size of the change is smaller than the calculated sample error on the change then the change is reported as 'not statistically significant'. For example, for the AHC 40 child poverty measures the increase from 2021-22 to 2022-23 was 1.2 ppt but the sample error on the change was 2.2 ppt so we cannot be sure that the reported change is caused by 'real world' changes. For material hardship, both the increase and the sample error on the change were 2.0 ppt, which makes it a close call as to whether the reported change is 'real' or simply an artefact of the sampling process. This is relevant to interpreting the apparent change in 2022-23 of the generally downward previous trend starting with the recovery phase after the GFC (see Figures 2, 16, 18 and 20 for examples of the 'upward tick' in 2022-23).

Sample surveys can also have what are loosely referred to as 'non-sample errors' or 'non-sampling errors'. This is a catchall term that includes any errors that are not sample errors – ie not the inevitable uncertainties associated with interviewing a sample rather than the whole population. Non-sample error can occur in any survey, whether the estimates are derived from a sample or a census. Sources of non-sample error include non-response, errors in respondents' reporting or interviewers' recording of answers, poor questionnaire design, individuals in surveyed households not able to be (properly) matched to the administrative data, and errors in data processing.

Sample bias through non-response is one of the most common sources of non-sampling error. Non-response can affect the reliability of results and introduce bias if the people who do not respond systematically differ in some important characteristic from those who do respond. Careful design and application of weights can mitigate the impact of lower response rates from certain subgroups of the population (by adjusting the weights upwards). If the non-response for particular sub-groups is too great then the mitigation through weights will not eliminate the bias and its impact on population estimates.⁴⁴

Addressing issues raised by the presence of households reporting very low incomes

The use of administrative data has in many ways further improved the income information available for HES analysis (for example, by removing measurement error when income from a respondent is misreported through recall issues or deliberately, and by avoiding the need to make assumptions about 'take-up' as is required for the modelled estimates of income in HES-TAWA). However, the proportion of very-low-income (VLI) households has increased when compared with previously published income distribution information based on HES-TAWA. Some but not all of these are self-employed households ... which is a well-known source of 'noise' at the lower end of income distributions. What else is causing the relatively high number of VLI households is not at present fully understood – there are likely to be multiple drivers. Stats NZ is carrying out further investigations.

While the VLI group makes up only a very small proportion of the whole population (typically around 2-4%), when the population of interest is a low-income group they can make up a non-trivial portion of this group in the new HES-Admin data series – as high as 25% in some cases. Most of those in the VLI group also have low material hardship rates, much lower than those in the 'ordinary' low-income zone. MSD has developed an interim treatment to mitigate the impact of the presence of the VLI households and applies this to selected statistics.⁴⁵

For the headline low-income child poverty rates and numbers, this report uses the Stats NZ published numbers. For some other statistics (such as the overlap measure using both low-incomes and material hardship and housing affordability trends) the MSD treatment is applied. No treatment is needed for reporting on material hardship.

⁴⁴ See Stats NZ's Technical Appendix for their Child Poverty Statistics release for an account of the strategies and procedures used to reduce non-sample error including the chances of sample bias.
<https://www.stats.govt.nz/methods/child-poverty-statistics-year-ended-june-2021-technical-appendix#sample>

⁴⁵ See Sections N and O of the 2022 Child Poverty Report for more detailed discussion of the VLI issue and MSD's interim treatment methodology and its rationale.

The latest (2022-23) numbers are provisional

The income-related figures reported from the latest available HES data are (always) provisional. The provisional nature of the latest figures occurs mainly because the 'final' Working for Families data is available from Inland Revenue only after all (or almost all) tax returns are filed ... which for some taxpayers is several months after publication of the Stats NZ reports. Revisions are also made reflecting updated population estimates. For the 2018-19 survey, the revised estimates of low-income rates for children were of the order of 1 to 2 ppt lower than the originally-published provisional figures. For the 19-20 to 21-22 surveys the revised figures were more like 0.5 to 1.0 ppt lower.

Labelling of Household Economic Survey (HES) years

When reporting findings from the HES, '2017' is short-hand for '2016-17', and so on. The '2017' survey ran from July 2016 to June 2017. Some of the items refer to how households were faring in the 12 months prior to the interview.

- This means that the '2017' material wellbeing scores / hardship rates reflect on average how households were faring towards the end of 2016.
- The HES income information is about income in the twelve months prior to the interview. For those interviewed early in the survey (eg July 2016) the income information is for July 2015 to June 2016, for those interviewed in August 2016 the income information is for August 2015 to July 2016, and so on. This means that '2017' income-based figures include information from July 2015 through to June 2017.
- Both the '2017' and '2016-17' formats are used in the report, depending on the context.

All this matters for the interpretation of trends in relation to assessing the impact of policy changes or major economic events and for assessing the performance of governments in the child poverty space. For example, the impact of a policy change which increased the Family Tax Credit in July 2030 would be only partially reflected in the 2030-31 survey results as only those households interviewed in June 2031 would have (close to) a full year's impact of the change showing in their reported income. The impact of the change would be fully reflected in the 2031-32 survey, with the findings reported in late 2032 or early 2033.

* * * * *

For a more detailed discussion of the HES data, see **Sections N and O** in the 2022 Child Poverty Report.

Appendix 2:

CPRA official child poverty figures from Stats NZ

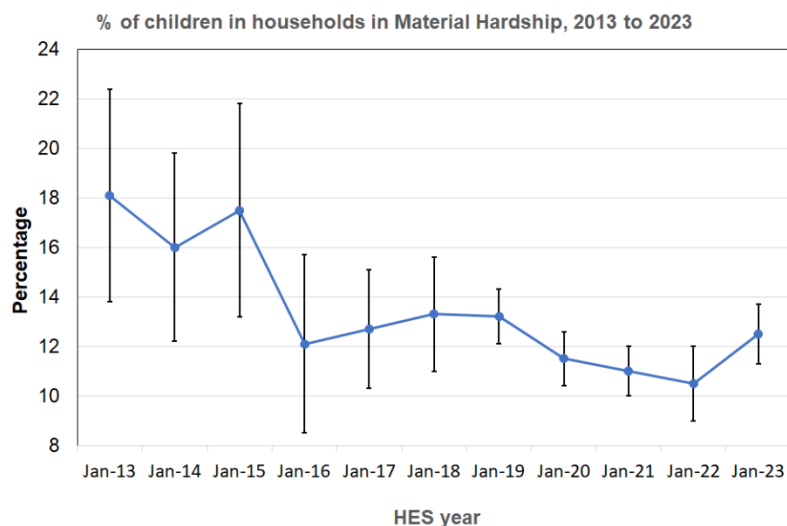
Table A2.1
Rates (%) and numbers for the nine available CPRA child poverty measures:
Stats NZ figures for 2017-18 to 2022-23

	Measure	% poor						# poor
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (provisional)	2022-23 (provisional)
P	BHC 50% relative	16.5	13.5	13.2	13.0	11.7	12.6	146,000
S	BHC 60% relative	25.3	22.1	21.8	20.7	20.3	21.7	250,000
S	AHC 40% relative	15.7	13.8	13.2	12.3	11.8	13.0	150,000
S	AHC 50% relative	22.8	20.1	19.5	19.6	18.9	20.5	237,000
S	AHC 60% relative	30.6	27.7	27.8	27.5	27.7	29.4	340,000
P	AHC 50% anchored line (2017/18 ref)	22.8	18.3	17.8	15.0	14.4	17.5	202,000
P	Material hardship (DEP-17, 6+/17)	13.3	13.2	11.5	11.0	10.5	12.5	144,000
S	Severe material hardship (9+/17)	5.8	5.7	4.6	4.9	4.0	5.5	64,000
S	Both material hardship and low-income (less than 60% AHC)	8.8	7.7	6.9	6.4	5.8	6.7	77,000

Notes for Table:

- BHC is short for 'household income before deducting housing costs' and AHC means 'household income after deducting housing costs'.
- 'AHC 40% relative' is short for '40% of the median AHC income', and so on..
- P = primary measure (required by the CPRA to have targets).
S = supplementary measure (no targets required).

Figure A2.2
% of children in households in Material Hardship (DEP-17, 6+):
Stats NZ figures for 2012-13 to 2022-23, with error bars



('Jan' should be Jun)

Source: Stats NZ, Table 3.01:

<https://www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2023/>

Appendix 3:

Composition of indices (DEP-17, EU-13, MWI) and list of child specific items

Table A3.1
Composition of DEP-17

Enforced lack of essentials (for respondent or household as a whole)
meal with meat, fish or chicken (or vegetarian equivalent) at least each 2nd day
two pairs of shoes in good repair and suitable for everyday use
suitable clothes for important or special occasions
presents for family and friends on special occasions
home contents insurance
Economised, cut back or delayed purchases 'a lot' because money was needed for other essentials (not just to be thrifty or to save for a trip or other non-essential)
went without or cut back on fresh fruit and vegetables
bought cheaper cuts of meat or bought less than wanted
put up with feeling cold to save on heating costs
postponed visits to the doctor
postponed visits to the dentist
did without or cut back on trips to the shops or other local places
delayed repairing or replacing broken or damaged appliances
In arrears more than once in last 12 months (because of shortage of cash at the time, not through forgetting)
rates, electricity, water
vehicle registration, insurance or warrant of fitness
Financial stress and vulnerability
borrowed money from family or friends more than once in the last 12 months to cover everyday living costs
feel 'very limited' by the money available when thinking about purchase of clothes or shoes for self (options were: not at all, a little, quite limited, and very limited)
could not pay an unexpected and unavoidable bill of \$500 within a month without borrowing

Note: an enforced lack is an item that is wanted but not possessed because of the cost.

Table A3.2
Composition of EU-13

Seven household deprivations (enforced lacks)
ability to face unexpected expenses of NZD1500 ⁴⁶
have one week's annual holiday away from home
avoid arrears in mortgage or rent, utility bills or HP instalments
have a meal with meat, fish or chicken every second day
keep the home adequately warm
have access to a car / van for personal use
replace worn-out furniture
Six personal deprivations (enforced lacks)
replace worn-out clothes by some new ones
have two pairs of properly fitting shoes
spend a small amount of money each week on oneself
have regular leisure activities
have a get together with friends/family for a drink/meal at least monthly
have both a computer and an internet connection

⁴⁶ For each country, the amount is set at a suitable value close to ($\pm 5\%$) the per month national income poverty line (60% of median) for the one person household. There is no adjustment for household size or composition.

Table A3.3
The 37 items in HES 2018-19 and 2019-20, and how the relevant items are scored for the three indices
(MWI, DEP-17 and EU-13)

	Item description	MWI	DEP-17	EU-13
Ownership or participation (have/do, don't have/do and enforced lack (EL)) <i>For DEP-17 and EU-13, score an EL as 1, otherwise 0</i> <i>For MWI, score an EL as a 0, otherwise 1</i>				
1	Two pairs of shoes in a good condition and suitable for daily activities	✓	✓	✓
2**	Replace worn-out clothes by some new (not second-hand) ones	✓	-	✓
3	Suitable clothes for important or special occasions	✓	✓	-
4	Contents insurance	✓	✓	-
5	A meal with meat, fish or chicken (or vegetarian equivalent) at least each 2nd day	✓	✓	✓
6	A good bed	✓	-	-
7**	Keep home adequately warm	-	-	✓
8	Presents for family/friends on special occasions	✓	✓	-
9	Holiday away from home at least once every year	✓	-	✓
10	Overseas holiday at least once every three years	✓	-	-
11*	Access to car or van for personal use	-	-	✓
12*	Access to both a computer and internet connection at home	-	-	✓
13*	Have a get together with friends or extended family for a drink or meal at least once a month	-	-	✓
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) <i>For DEP-17 and EU-13, score 'a lot' as 1, otherwise 0</i> <i>For MWI, score 'not at all as 2, 'a little' as 1, and 'a lot' as 0</i>				
14	Gone without or cut back on fresh fruit and vegetables	✓	✓	-
15	Buy cheaper cuts of meat or bought less meat than you would like	✓	✓	-
	Continued wearing worn out clothes (to 2018 only)	✓	-	-
16	Put up with feeling cold	✓	✓	-
17	Do without or cut back on trips to the shops or other local places	✓	✓	-
18	Delay replacing or repairing broken or damaged appliances	✓	✓	-
19*	Delay replacing or repairing broken or worn out furniture	-	-	✓
20	Spent less on hobbies or other special interests than you would like	✓	-	✓
21	Postponed visits to the doctor	✓	✓	-
22	Postponed visits to the dentist	✓	✓	-
Housing problems (no problem, minor problem, major problem ... in the last 12 months) <i>For MWI, score as 2, 1 and 0 respectively.</i>				
23	Dampness or mould	✓	-	-
24	Heating or keeping it warm in winter	✓	-	-
	Crowding (derived variable = Canadian Index)	-	-	-
Freedoms/Restrictions				
25	About how much money, on average, do you have each week for spending on things for yourself without consulting anyone else? (under \$10, 10-25, 26-50, >50) <i>For EU-13, score 'under\$10' as 1, and anything else as 0</i>	-	-	✓
26	When buying, or thinking about buying, clothes or shoes for yourself, how much do you usually feel limited by the money available? (4 point response options: 'not at all limited, a little limited, quite limited, very limited') <i>For DEP-17, score 'very limited' as 1, otherwise 0.</i> <i>For MWI, score as 3, 2, 1 and 0 respectively.</i>	✓	✓	-
27	\$300 spot purchase for an 'extra', not a necessity – how limited do you feel about buying it? (5 point response options: not at all limited, a little limited, quite limited, very limited, couldn't buy it) <i>For MWI, score as 4, 3, 2, 1 and 0 respectively.</i>	✓	-	-
28	\$500 unexpected unavoidable expense on an essential – can you pay in a month without borrowing? (yes/no) <i>For DEP-17, score 'no' as 1, and 'yes' as 0</i> <i>For MWI, score 'yes' as 2 and 'no' as 0</i>	✓	✓	-
29*	\$1500 unexpected unavoidable expense on an essential – can you pay in a month without borrowing? (yes/no) <i>For EU-13, score 'no' as 1, and 'yes' as 0</i>	-	-	✓

Item description		MWI	DEP-17	EU-13
Financial strain (in last 12 months) (not at all, once, more than once) <i>For DEP-17 and EU-13, score 'more than once' as 1, otherwise 0</i> <i>For MWI, score 'not at all' as 2, 'once' as 1, 'more than once' as 0</i>				
30	Behind on rates or utilities	✓	✓	✓
31**	Behind on HP and other loan payments			(any one, more than once)
32	Behind on rent or mortgage	-	-	-
33	Behind on car registration, wof or insurance	✓	✓	-
34	Borrowed from family or friends to meet everyday living costs	-	✓	-
35	Received help in the form of food, clothes or money from a welfare or community organisation such as a church or food bank	-	-	-
Global self-ratings				
36	Adequacy of income to cover basics of accommodation, food, clothing, etc (<i>not enough, only just enough, enough, more than enough</i>)	-	-	-
37	Satisfaction with life (<i>very satisfied, satisfied, neither, dissatisfied, very dissatisfied</i>)	-	-	-

* introduced in 2018 HES

** introduced in 2019 HES

No asterisk = available from 2013

The MWI scoring recipe above is for HES 2019 and later. It is slightly different for earlier years as the 'worn out clothes' item shifted from the 'economising' category to the 'ownership / participation' category.

Table A3.4
The 20 child-specific items in the 2018-19 HES and later surveys

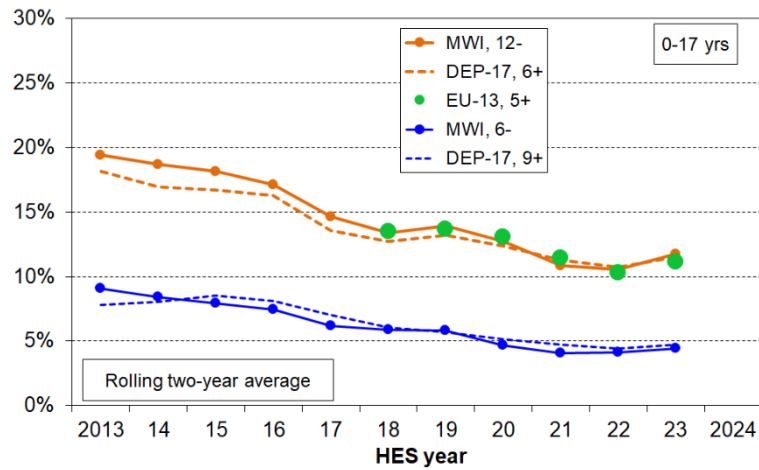
Have/do, don't have/do for each of your children (Respondents are asked whether any have/do lacks are because of cost or for some other reason.)
two pairs of shoes in a good condition that are suitable for daily activities
two sets of warm winter clothes
waterproof coat
all the uniform required by their schools
a separate bed
fresh fruit and vegetables daily
a meal with meat, fish or chicken (or vegetarian equivalent) each day
a range of books at home suitable for their ages
a suitable place at home to do school homework
their friends around to play and eat from time to time
their friends around for a birthday party
good access at home to a computer and the internet for homework
a mobile phone if aged 11 or older
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). In this report, economising 'a lot' is taken as equivalent to an enforced lack.
postponed a child's visit to the doctor
postponed a child's visit to the dentist
did not pick up a child's prescription
been unable to pay for a child to go on a school trip or other school event
had to limit children's involvement in sport
had your children go without music, dance, kapa haka, art, swimming or other special interest lessons
had your children continue wearing shoes or clothes that were worn out or the wrong size

Note: None of these items are included in DEP-17 or EU-13 which are general purpose indices that are designed to apply to all ages and household types and so on.

Appendix 4:

Trends showing the close similarity of material hardship assessments for children using three indices (DEP-17, EU-13 and MWI)

Figure A4.1
Comparison of trends in material hardship rates using MWI, DEP-17 and EU-13, HES 2013 to 2023:
Children (0-17 yrs)

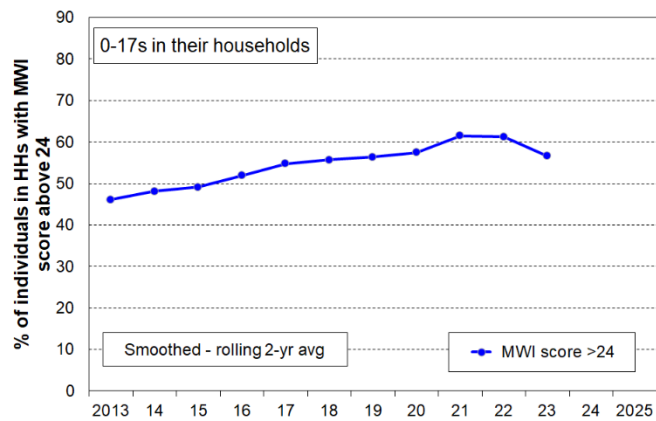


Appendix 5

Material wellbeing on the rise for most children

Figure A5.1 shows

Figure A5.1
Proportion of children in households with an MWI score of more than 24



Appendix 6: Low-income thresholds

Table A6.1
50% and 60% low-income thresholds or 'poverty lines' for various household types (BHC)
(\$2024, per week) (Using the modified OECD equivalence scale)

Household type	Equiv ratio	REL ('moving')		CV ('anchored' /'fixed')	
		50% of 2022-23 median in \$2024	60% of 2022-23 median in \$2024	50% of 2006-07 median in \$2024	60% of 2017-18 median in \$2024
One-person HH	1.0	526	632	391	576
SP, 1 child <14	1.3	684	821	508	749
SP, 2 children <14	1.6	842	1011	626	922
SP, 3 children <14	1.9	1000	1200	743	1095
Couple only	1.5	790	948	587	864
2P, 1 child <14	1.8	948	1137	704	1037
2P, 2 children <14	2.1	1106	1327	821	1210
2P, 3 children <14	2.4	1263	1516	938	1383
2P, 4 children <14	2.7	1421	1706	1056	1556
3 adults	2.0	1053	1263	782	1152

Notes:

- The figures above are calculated before any treatment is applied to the dataset.
- For the REL measures, the \$2024 thresholds are the actual HES 2022-23 numbers inflated by 8.7%
- For the CV numbers, the \$2024 thresholds include the full inflation adjustment from the reference year to June 2024.
- We recommend rounding to nearest \$5 to avoid spurious precision.

Table A6.2
40%, 50% and 60% low-income thresholds or 'poverty lines' for various household types (AHC)
(\$2024, per week) (Using the modified OECD equivalence scale)

Household type	Equiv ratio	REL ('moving')			CV ('anchored' /'fixed')	
		40% of 2022-23 median in \$2024	50% of 2022-23 median in \$2024	60% of 2022-23 median in \$2024	50% of 2006-07 median in \$2024	50% of 2017-18 median in \$2024
One-person HH	1	309	386	463	282	357
SP, 1 child <14	1.3	401	501	602	367	464
SP, 2 children <14	1.6	494	617	741	451	572
SP, 3 children <14	1.9	586	733	879	536	679
Couple only	1.5	463	579	694	423	536
2P, 1 child <14	1.8	555	694	833	508	643
2P, 2 children <14	2.1	648	810	972	592	750
2P, 3 children <14	2.4	741	926	1111	677	858
2P, 4 children <14	2.7	833	1041	1250	761	965
3 adults	2	617	771	926	564	715

Notes:

- The figures above are calculated before any treatment is applied to the dataset.
- For the REL measures, the \$2024 thresholds are the actual HES 2022-23 numbers inflated by 4.7%.
- For the CV numbers, the \$2024 thresholds include the full inflation adjustment from the reference year to June 2024.
- We recommend rounding to nearest \$5 to avoid spurious precision.