

Poverty and Disadvantage in New Zealand

Presentation to
School of Education Johns Hopkins University, the
Institute for Family Services, & Affinity Counseling
Baltimore, Maryland, 8/9 May 2008



Charles Waldegrave

**The Family Centre Social Policy Research Unit, Lower Hutt,
Wellington, New Zealand**

www.familycentre.org.nz



Property of The Family Centre Social Policy Research Unit

History of Poverty Measurement

- 1991 Benefit Cuts: no official monitoring, small community studies, food bank growth
- Impact of market rents, after housing cost poverty and move to rural areas
- Poverty Measurement Project
- Role of medics and teachers
- Labour/Alliance: pensions, state rents, Public Health Organisations, child assistance, employment growth



Some Focus Group Household Conditions

- **The children of the family are assumed to be between 7 and 11 years of age**
- **“Income” includes the value of all money, goods and services received by the household regardless of the source;**
- **The financial circumstances of the household are not expected to change significantly;**
- **The members of the household are drawing on a common pool of resources (this can include, to some degree, people not living in the same house and exclude some who are);**
- **There are no costs relating to generating income;**
- **Work done within the household has no financial value;**
- **The goods and services that are available, including public services, will continue to be available at the same cost;**



Food

- Three meals a day for all members, plus snacks after school.
- Does not allow for meals for visitors.
- Food of supermarket price and quality sufficient to maintain health and normal development
- The children of the family are assumed to be between 7-11 years of age

Housing

- Private sector rents at the lower end of the market in the area for 3 bedrooms.
- The children of the family are assumed to be between 7-11 years of age
- There are no significant costs associated with household disruption or change

Power/Heating

- Continuous hot water supply and normal use of all appliances.
- One room warm during the day in winter.
- There are no significant costs associated with household disruption or change



Minimum Adequate Weekly Expenditure Estimates by Low Income Panels, Lower Hutt, 1993

Table 1: Weekly Expenditure Estimates, Lower Hutt, 1993

Estimates of Minimum Adequate Weekly Expenditure for 2 Adults and 3 Children, by Low Income Panels

Expenditure Category	Focus Group Type					Average
	Maori	Samoan	Pakeha	Sole Parent	Wage Earning	
Food	\$100	\$ 150	\$ 100	\$ 130	\$ 90	\$ 114
Household operations	\$ 10	\$ 10	\$ 10	\$ 15	\$ 10	\$ 11
Housing	\$150	\$ 180	\$ 150	\$ 150	\$ 150	\$ 156
Power/Heating	\$ 30	\$ 20	\$ 20	\$ 25	\$ 20	\$ 23
Phone	\$ 11	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
Transport	\$ 40	\$ 30	\$ 40	\$ 55	\$ 60	\$ 45
Activities/Recreation	\$ 15	\$ 10	\$ 25	\$ 21	\$ 30	\$ 20
Insurances	\$ 11	\$ 11	\$ 15	\$ 20	\$ 15	\$ 14
Life insurance/Super	\$ 20	\$ 10	\$ 20	\$ 10	\$ 5	\$ 13
Exceptional Emergency	\$ 10	\$ 20	\$ 10	\$ 10	\$ 5	\$ 11
Appliances	\$ 10	\$ 6	\$ 10	\$ 5	\$ 4	\$ 7
Furnishings	\$ 10	\$ 6	\$ 5	\$ -	\$ 3	\$ 5
Medical	\$ 15	\$ 5	\$ 15	\$ 5	\$ 15	\$ 11
Clothing/Shoes	\$ 37	\$ 10	\$ 20	\$ 20	\$ 15	\$ 20
Education	\$ 6	\$ 5	\$ 8	\$ 15	\$ 10	\$ 9
TOTAL	\$475	\$ 483	\$ 458	\$ 491	\$ 442	\$ 470



Minimum Adequate Weekly Expenditure Estimates by Low Income Panels, 2003

Using focus group food estimates (2A+3C)

		2A+3C	Equivalent estimate for 2A+1C (2A+3C/1.314)	Equivalent annual	Median annual	Equivalent % of Median
Maori	Auckland	634.5	482.88	25109.59	37590	66.8
Maori	Wellington	567	431.51	22438.36	37590	59.7
Pakeha	Auckland	591	449.77	23388.13	37590	62.2
Pakeha	Wellington	649	493.91	25683.41	37590	68.3
Pakeha	Christchurch	366	278.54	14484.02	37590	38.5
Average		561.50	427.32	22220.70	37590	59.1
Median		591.00	449.77	23388.13	37590	62.22



Minimum Adequate Weekly Expenditure Estimates by Low Income Panels Adapted Using Equivalised Nutrition Survey Food Figures, 2003

Using equivalised Nutrition Survey figures (2A+3C)

			Equivalent estimate for 2A+1C (2A+3C/1.314)	Equivalent annual	Median annual	Equivalent % of Median
Maori	Auckland	692.5	527.02	27404.87	37590	72.9
Maori	Wellington	575	437.60	22754.95	37590	60.5
Pakeha	Auckland	629	478.69	24891.93	37590	66.2
Pakeha	Wellington	637	484.78	25208.52	37590	67.1
Pakeha	Christchurch	444	337.90	17570.78	37590	46.7
Average		701.94	453.20	23566.21	37590	62.7
Median		664.75	478.69	24891.93	37590	66.22



Focus Group Budget Items 2005 - 2006

Māori 2005		Wellington 1	Wellington 2	Wellington 3	Average
	Food	\$123.00	\$130.00	\$120.00	\$124.33
	Housing	\$180.00	\$200.00	\$160.00	\$180.00
	Power	\$50.00	\$25.00	\$20.00	\$31.67
	Transport	\$30.00	\$25.00	\$20.00	\$25.00
	Clothing	\$30.00	\$30.00	\$5.00	\$21.67
Pacific Island 2005		Wellington 1	Wellington 2	Wellington 3	Average
	Food	\$110.00	\$120.00	\$200.00	\$143.33
	Housing	\$180.00	\$150.00	\$250.00	\$193.33
	Power	\$50.00	\$30.00	\$25.00	\$35.00
	Transport	\$30.00	\$30.00	\$25.00	\$28.33
	Clothing	\$15.00	\$15.00	\$15.00	\$15.00
Pakeha 2006		Tauranga	Palmerston North	Blenheim	Average
	Food	\$110.00	\$110.00	\$125.00	\$115.00
	Housing	\$260.00	\$200.00	\$250.00	\$236.67
	Power	\$25.00	\$45.00	\$30.00	\$33.33
	Transport	\$25.00	\$25.00	\$35.00	\$28.33
	Clothing	\$20.00	\$10.00	\$20.00	\$16.67



Incidence and Severity of Poverty, After Housing Costs

	People		Adults 18-64		Adults 65+		Children 0-18	
	1998	2001	1998	2001	1998	2001	1998	2001
Incidence								
Market	29.7	30.2	19.5	21.2	75.3	70.6	33.5	33.9
Disposable	20.3	21.9	16.7	18.8	12.3	10.8	33.5	35.0
Efficiency	31.6%	27.5%	14.4%	11.3%	83.7%	84.7%	0.0%	3.2%
Poverty Gap \$m								
Market	6059	7283	1059	1654	3222	3438	1778	2191
Disposable	1211	1589	422	626	146	115	643	848
Efficiency	80.0%	78.2%	60.2%	62.2%	95.5%	96.7%	63.8%	61.3%



INCIDENCE, STRUCTURE AND SEVERITY OF POVERTY, BY ETHNIC STATUS, 2000

60 per cent of Median Equivalent Household Disposable Income Threshold

Ethnicity	Incidence (pre-housing)			Structure			Incidence (post-housing)		
	Adult	Child	Total	Adult	Child	Total	Adult	Child	Total
European	11.6	20.3	13.5	64.7	57.4	62.4	14.5	31.3	18.2
Maori	22.1	32.9	25.6	18.6	24.1	20.6	27.5	39.3	31.4
Pacific	26.1	34.2	29.0	8.3	10.7	9.1	36.8	54.0	43.0
Other	17.6	25.3	19.6	8.3	7.8	8.1	23.9	39.4	28.0
Total	13.8	23.9	16.3	100.0	100.0	100.0	17.6	35.0	21.9



INCIDENCE, STRUCTURE AND SEVERITY OF POVERTY, BY ETHNIC STATUS, 2000

60 per cent of Median Equivalent Household Disposable Income Threshold

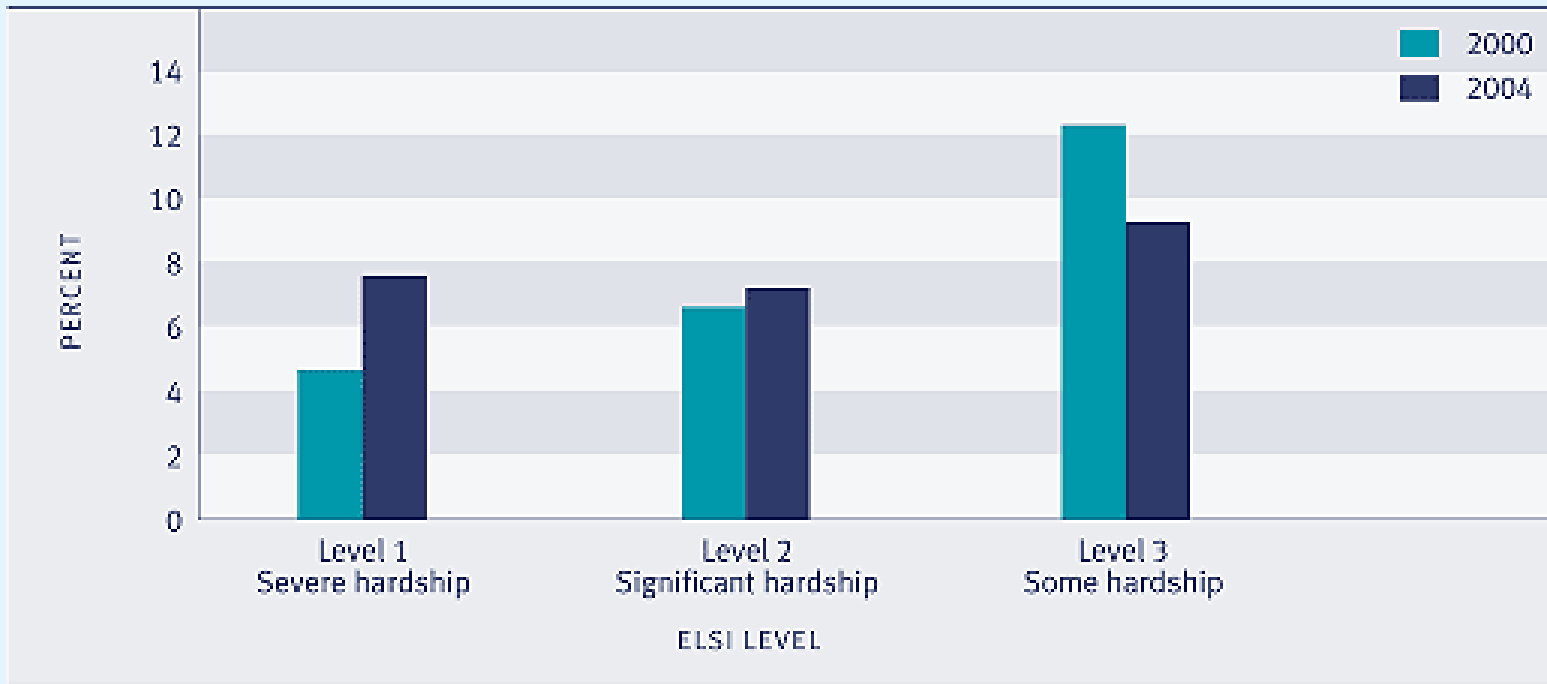
Ethnicity	Incidence (pre-housing)			Structure			Incidence (post-housing)		
	Adult	Child	Total	Adult	Child	Total	Adult	Child	Total
European	11.6	20.3	13.5	64.7	57.4	62.4	14.5	31.3	18.2
Maori	22.1	32.9	25.6	18.6	24.1	20.6	27.5	39.3	31.4
Pacific	26.1	34.2	29.0	8.3	10.7	9.1	36.8	54.0	43.0
Other	17.6	25.3	19.6	8.3	7.8	8.1	23.9	39.4	28.0
Total	13.8	23.9	16.3	100.0	100.0	100.0	17.6	35.0	21.9



LOW LIVING STANDARDS		
ELSI Levels 1 - 3	2000	2004
Total economic families	20	21
<i>By number of children and family type</i>		
With one dependent child	31	32
With two dependent children	31	30
With three or more dependent children	42	43
Sole-parent families	55	60
Two-parent families	25	23
<i>By ethnic group</i>		
With any Māori members	34	33
With any Pacific members	49	54
With any European members	16	17
With any Other ethnic group members	25	22



Proportion of the population with low living standards, 2000 and 2004



Sources: Ministry of Social Development (2003b); Ministry of Social Development (2006)



2004 HES data

- **The proportion of New Zealanders living in families with incomes less than 60% of the median income, adjusted for family size, housing costs and inflation since 1998, has fallen from 22% in 2001 to 19% in 2004**
- **The proportion of dependent children below this threshold has fallen more substantially from 27% in 2001 to 21% in 2004.**
- **Between 2001 and 2004 the proportion of dependent children in sole-parent families below the 60% line fell from 61% to 43%.**
- **The proportion of low-income New Zealand households spending more than 30% of income on housing costs has also fallen, from 42% in 2001 to 35% in 2004.**



- **The proportion of children living in households with these high housing costs has also fallen, from 35% in 2001 to 29% in 2004**
- **The indicator has also fallen sharply for households with at least one Maori adult (31% to 21%) and households with at least one Pacific adult (41% to 23%)**
- **The income inequality indicator increased slightly between 2001 and 2004, in line with a longer-term trend which began in the 1980s**
- **Based on a different set of indicators as used by the OECD for international comparisons, New Zealand figures for relative income poverty and inequality showed no significant change for the period 2001 to 2004.**



Food:

Respondents rated the following food items as the six most essential:

Basic carbohydrates (potato, kumara, pumpkin, taro, rice, pasta); fresh fruit and vegetables; dairy products (milk, cheese, butter); packaged bread (white, brown and mixed grain); tea, coffee, cordial; and beef minced dishes (eg rissoles, meatloaf).

Over 60% of respondents who had rated these foods as essential had been unable to buy each of these six items at least once in the previous three months because of a shortage of money.

24% of all respondents said they could not afford to buy essential food items most times when they bought food.



49% of all respondents had been unable to provide a meal for their family at least once in the previous three months because they could not afford it.

28% had been unable to provide four or more meals in the previous three months for the same reasons.

72% of Pacific people, 48% of Maori and 38% of Pakeha households had been unable to provide a meal for their family.

80% of households said that the variety of foods they were able to provide for their family was limited because a shortage of money.

31% of households said that the variety of foods they were able to provide for their family was always limited because a shortage of money.



Health:

56% of all households had members who did not visit a doctor when they needed to in the previous year because of a shortage of money.

40% had not been able to afford to visit the doctor when they needed to three times or more during the previous year.

59% of all households had members who did not visit a dentist when they needed to in the previous year because of a shortage of money.

22% had not been able to afford to visit the dentist when they needed to either three times or more, or when they had ongoing tooth ache during the previous year.



56% of households had members who had not been able to afford to pay for medicine or a prescription when they needed it at least once during the previous year.

34% of all households had been unable to purchase medicines three times or more times during the previous year.

47% of households had at least one member who suffered from a chronic illness.

26% said the costs of paying for their chronic illnesses prevented them paying other household bills.

The most common illnesses that households could not afford to have treated were colds and flu (44% of all respondents), headaches and migraines (32%), and more seriously asthma (17%) and internal conditions (17%).



When it comes to the doctor we are usually the last people to go. Mum doesn't go until she is just about crawling around on her hands and knees, and then you may go to the doctor.

10744-10748: Couples

I don't go.

Nope.

Avoid it as much as you can. You only go if you are pretty much dying.

1706: Couples

Women on their own put off going to the doctor themselves. There are a lot of things which are self-denial, but the thing is it takes it's toll. Anything that goes wrong is more serious, and if anything does go wrong it is very hard to get your child looked after if you actually need to go to hospital.



“Well your power gets cut off, your phone gets cut off and you don’t eat. But you’ve still got a roof over your heads.”

“Your kids health suffers. Prescriptions. They just come up out of the blue. Well there’s your meat money because it has just gone on prescriptions.”



“And then if it’s the food, and you feed the people who need it the most, like the ones who are sick are usually the kids. Then the adults are going to get sick because they haven’t eaten and there is going to be more medical bills.”

“And you find, I think, that with a lot of the beneficiaries, and especially the elderly, that is happening. They are cutting in places that they really need, their warmth and that, just to make ends meet.”

“Some kids are embarrassed to go to school with no lunch anyway because they have to sit there and watch everyone else eat.”



“I get my rent paid before I get my benefit with automatic payment so that’s all done. I then go down to the food market and get what I have to get and then after that, what’s left I divvy up between the bills.”

“I find if you try and keep up with the bills then they are not stacking up and you don’t have all that upheaval.”

“That’s a worry if you’ve got the repo man coming down the road.” G2

“F What sort of things do you pay first? Which Bills?”

“Rent is the first one and then I do the power, telephone and then my food and then any little ones.”



F “Is that the same for everybody? The same priorities?”

“Yes. Yes.”

“Phone and then food. The phone is my life-line.” G4

“The one I classify as essential is school. The school activities because if they don’t do it they can be penalised. If we don’t pay for these school activities, the children will be penalised.”

“Yeah”

F “Do yours?”

“Yeah but only with the help of birthright for example. So we just rely on charity basically. It’s absurd.”G 1



Assessing the Progress on Poverty Reduction Post 1999

Anti-Poverty Policies

- NZ Superannuation:
 - lift rate to 67.3% average weekly earnings
 - Super fund
- Income-related State Housing, 25% household income
- Employment Strategy
- Primary Health Care
- Improving Child Assistance WFF



Income Related Rents Uptake

- **90.4% of 63,368 households paid income related rents** *Source: Ministry of Housing May 2005*
- **81.1% of these included at least one beneficiary** *Source: Ministry of Housing Annual Report 2004*
- **The average income related rent paid for state houses was less than half the market value** *Source: HNZA 2003*



The Following Bullet Points Set Out a Range of Employment Statistics

- **Unemployment is down to 3.2%, the lowest figure in OECD**
- **Unemployment rates in other comparable countries are: UK (4.6%), USA (4.9%), Australia (5.0%), and OECD Total (6.5%)**
- **Maori unemployment is down from 17.8% in 1998 to 9.1%**
- **Pacific unemployment is down from 15.4% in 1998 to 5.0%**
- **In the last year there has been a net increase of 56,300 jobs**
- **Total job numbers have increased 245,400 since 2000**

Source: OECD and Statistics New Zealand Quarterly Household Labour Force Survey and Statistics New Zealand Quarterly Employment Survey



NZ's GDP Growth Compared to OECD Average

New Zealand's economic growth has outperformed the OECD average over the past five years, with annual growth averaging 3.7% per annum compared to the OECD's 2.4% per annum.

Source: New Zealand Treasury, Fiscal Update



PRIMARY HEALTH CARE STRATEGY

- **a greater emphasis on population health, health promotion and preventative care**
- **community involvement**
- **improving accessibility, affordability and appropriateness of services**
- **providing and funding services according to the population's need as opposed to fee for services when people are unwell.**



ADDRESSING CHILD POVERTY

The WFF package is targeted primarily at low-to-middle-income families with dependent children and will build to \$1.6 billion of new money by 2007. Its key goals are:

- to improve income adequacy for families with dependent children and ‘make work pay’**
- increased Accommodation Supplement rates**
- Increased Childcare assistance.**



2008 Predictions. Comparison with Recent International Estimates of Child Poverty: 50% household-based threshold, contemporary median

	UNICEF (2000)		Mainly from LIS		
	Year	Rate	Year	Rate	
United States	1997	22%	2000	22%	<div style="display: flex; align-items: center; justify-content: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 2em; margin-right: 10px;">↓</div> <div style="text-align: center;"> <p><i>Pre-reform</i></p> <p><i>Post-reform</i></p> </div> </div>
Italy	1995	21%	2000	17%	
United Kingdom	1995	20%	1999	15%	
Ireland	1997	17%	2001	14%	
Canada	1994	16%	2000	15%	
<i>New Zealand</i>	<i>1994–98</i>	<i>11–14%</i>	<i>2001</i>	<i>14%</i>	
Australia	1996–97	13%	1997–98	12%	
Spain	1990	12%	not available		
Germany	1994	11%	2000	9%	
Hungary	1994	10%	1999	9%	
France	1994	8%	not available		
Netherlands	1994	8%	1999	10%	
Denmark	1992	5%	1997	9%	
<i>New Zealand (estimated)</i>	<i>2008</i>	<i>4–5%</i>	<i>2008</i>	<i>4–5%</i>	
Belgium	1992	4%	1997	8%	
Finland	1995	4%	2000	3%	
Norway	1995	4%	2000	3%	
Sweden	1995	3%	2000	4%	



2008 Predictions. Comparison with Recent (2000/01) International Estimates of Child Poverty: 60% threshold, contemporary median

United States^a	30%	
Portugal	27%	
Spain	26%	
Ireland	26%	
Italy	25%	
United Kingdom	24%	
Canada^a	23%	
<i>New Zealand 2001</i>	22%	<i>Pre-reform</i>
European Union average	19%	↓
Greece	18%	
France	18%	
<i>New Zealand 2008 (estimated)</i>	16%	<i>Post-reform</i>
Netherlands	16%	
Germany	14%	
Belgium	13%	
Sweden	10%	
Finland	6%	
Denmark^b	5%	





Significance of the Research

- **Significant change in living standards experienced by lower income households in the late 80s and 1990s**
- **Research at arms length from government**
- **At time when government's research priorities did not include significant work on living standards of poverty**
- **Significantly advanced our understanding of the concept of poverty and the incidence of economic hardship in New Zealand**



Impact on Policy

- **Influenced political parties: eg. Labour's 1999 "Pledge card" included an undertaking to introduce income related rents, New Zealand Superannuation rate**
- **Contributed to more recent government initiated research on living standards**
- **Contributed to analysis that saw 2004 Budget investment in family incomes**