

***PARTICIPATION IN POVERTY RESEARCH; DRAWING ON THE
KNOWLEDGE OF LOW-INCOME HOUSEHOLDERS TO
ESTABLISH AN APPROPRIATE MEASURE FOR MONITORING SOCIAL
POLICY IMPACTS¹***

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Poverty, its measurement and policies to alleviate it, have increasingly become a focus of public debate. A variety of recent research papers have attempted to define poverty, establish a poverty level and measure its incidence and severity (Krishnan 1995, Easton 1995, Stephens, Waldegrave and Frater 1995). The focus on poverty is welcome, because New Zealand has yet to develop an agreed poverty threshold that has the capacity to monitor the growth or reduction in poverty, as is common in most other industrialised nations. The writing, to date, has noted differences in "absolute" and "relative" measures of poverty in the question to identify a preferred measure.

Measuring poverty, in a publicly accountable manner, is fundamental to social policy monitoring (Boston et al. 1996). Households on low incomes are particularly susceptible to changes in social and economic policies and performance. The extent to which such households are pushed above or below an acceptable threshold is essential information in a democratic society that espouses notions of equity and citizenship.

The debate so far, has not substantially addressed the fundamental policy issue of who should determine what is an appropriate definition of poverty and, as a consequence, what is an appropriate setting for a poverty threshold. Should government agencies, academic researchers, people living on low incomes, or a combination of some or all of

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these set the framework? Once a definition is agreed to, how should it be operationalised and updated through time? How should levels of poverty be monitored and by whom?

In this paper, researchers on the New Zealand Poverty Measurement Project set out a framework for developing a poverty measure, based upon a consensual methodology (Hagenaars 1986, Walker 1987), where democracy and the judgment of those who live on low incomes is paramount, rather than expert judgment. A poverty line has been developed, in association with members of low-income households, whose daily experience is to stretch minimal budgets. Through the deployment of a focus group methodology, the Project has been able to draw on knowledge and practical experience of low-income householders in developing a poverty threshold. This innovative methodology has enabled a comprehensive combination of absolute and relative measures, qualitative and quantitative research, and the analysis of macro-level and micro-level data.

AN ABSOLUTE THRESHOLD DETERMINED BY LOW-INCOME HOUSEHOLDERS

The study consists of two inter-related parts. The micro-level analysis establishes the poverty threshold, while also providing a check on the adequacy of social security benefit payments. The macro-level analysis relates this poverty threshold to Statistics New Zealand's annual Household Economic Survey to give information on the incidence and severity of poverty by household type.

Earlier Work on Poverty Lines

Directly accessing the budgeting expertise of low-income householders is a marked development in poverty research in New Zealand. Setting a poverty line is always difficult, and earlier work has simply relied upon the "conventional" or "official" poverty line approach. Easton (1980, 1986, 1995), for example, adopted the benefit level (Benefit Datum Line) as recommended by the 1972 Royal Commission on Social Security. The Commission received largely qualitative submissions and then made a judgment, based on research on income adequacy and expert deliberations, as to the benefit level required for beneficiaries to be able to belong and participate in the wider community (RCSS 1972). As Easton admitted, "that judgment could be wrong – certainly it was not precise" (1995:188).

Easton's poverty line work in the 1970s constituted a major development, in that it provided the first coherent national estimate of those in poverty. It was an historical contribution at an early stage of poverty research in New Zealand. However, the benefit levels in the 1970s, updated by employing the Consumer Price Index (Rochford and Pudney 1984, Easton 1986, 1995, Krishnan 1995), are quite inadequate for a credible, contemporary measurement of poverty in the mid-1990s. Since the early 1970s, benefit levels and definitions have changed, the tax structure has also changed significantly, there

is considerably greater female participation in the workforce, the Employment Contracts Act has altered labour market conditions, living standards have changed and user-pay charges for many social services have been either introduced or increased. A poverty threshold (BDL) set in the 1970s can only fail to take account of these 25 years of historical change. The instrument is too blunt.

Furthermore, the 1972 Royal Commission on Social Security recommended that benefit levels should be established in relation to earnings, not inflation as measured by the Consumer Price Index. The Commission in Recommendation 4 stated that *for the purpose of establishing the level of adequacy of benefits at this time, the ruling rate of wages paid to building and engineering labourers and the lower quartile level of adult male earnings be regarded as the major reference points* (RCSS 1972). Easton and those who have followed have, in fact, begun with a relative measure of poverty and updated it by using an absolute method based on the Consumer Price Index. It is interesting to note that The Royal commission itself recognised "the relationship between the benefit level and selected wage level will not be fixed" (RCSS 1972:129), and that the Statistics New Zealand new household expenditure survey should be used to explore whether a standard-of-living scale could be established to measure the adequacy of income maintenance payments.

A later approach, commissioned by the Treasury (Brashares and Aynsley 1990, Brashares 1993), appeared even more arbitrary. The authors suggested three relative poverty thresholds: 50% of median household income, the award rate for a builder's labourer and 65% of the average wage. They also suggested three absolute poverty thresholds using a minimum food plan and multiplying it by three, four and five times, respectively. While all these measures have been used internationally in poverty research, the various thresholds appear to bear no particular relationship to the behaviour of low-income households in New Zealand.

The Use of Focus Groups

The micro-level study component of this research anchors the analysis in the experience of those who live on low and/or inadequate incomes. It has employed a focus group methodology (described in greater detail below, in the section "Focus Group Micro Budgets") involving a series of meetings with low-income families, during which they estimated *minimum adequate household expenditure* for different family types. It is their experience and knowledge of living on low incomes which is recognised by the Project as providing a more grounded basis for the establishment of a poverty threshold than that of academics or government bureaucrats, which allows us to know what people really need to live on. This type of approach has also been adopted in other countries (Walker 1987, Middleton et al. 1994, cf. Saunders et al. 1996). The initial focus group work in the Poverty Measurement Project was carried out by Cody and Robinson (1993). From early 1993, this work has been carried out and developed by the Family Centre Social Policy Research Unit (Waldegrave 1994, Stephens, Waldegrave and Frater 1995, Waldegrave and Frater 1996, Waldegrave, Stephens and Frater 1996).

The focus groups were designed to encourage low-income householders to share their experience and knowledge with their peers. A consensus is not required, but a common mind is sought. Those whose financial circumstances require them to budget on low incomes have expert knowledge of practical and necessary day-to-day expenditures. The facilitator conveys to the focus groups an impression of the standard of living required to avoid poverty. The group participants then develop an estimate of both the total amount of expenditure, and itemised components of a full household budget required to meet that standard. In this way the micro-level work anchors the standard in the experience of those who have to live on low incomes.

Focus groups have been used in a wide range of social science settings (Stewart and Shamdasani 1990, Goldsmith 1993). Unlike the constructions of survey methodology, focus groups meet in a more realistic social setting (Kurger 1988, Morgan 1988) where the diversity of opinion and questioning of (and by) participants encourages a greater sense of reflection and thinking-through of responses (Hedges 1985). The group context provides opportunities to clarify responses, to probe opinions and to ask follow-up questions (McLennan 1992). Whereas answers to survey questions provide immediate individual responses, often without detailed thought or information, focus groups allow deeper consideration of issues as differing viewpoints are weighed and considered during a process of evolving collective response.

The micro-level budgets developed in the various focus groups of the Poverty Measurement Project differ from the previous poverty-line work in that they emerge directly from the contemporary experience of the householders involved. They draw upon their knowledge to estimate necessary expenditure in the current wage, tax, benefit and labour market environment. This provides an "absolute measure" of poverty, in that it represents a standard of living below which households should not fall. The results from the various focus groups have been remarkably consistent, despite the fact that they were carried out quite separately, within different communities, with different cultural and household types and without contact between the groups. The same regions in the same years provide very similar minimum adequate budget totals, suggesting a breadth of agreement as to the bottom line for household budgets.

The further advantage of the micro-level budget approach is its transparency. Unlike earlier research, weekly calculations for food, transport, housing and other necessary expenses are set out clearly and can be verified. Food and transport costs can be checked, as can low-cost housing in a particular region. Each budget item can be compared between groups enabling the underlying logic of the weekly estimate to be followed. They can also be checked with the national data from the Household Expenditure Survey.

FOCUS GROUP MICRO BUDGETS

Tables 1, 2 and 3 set out a sample of focus group results in differing regions in different years. Each group is made up of eight to 12 householders from the same culture, family

type or labour market category. Each group has varying proportions of one-parent and two-parent families, income sources, age of oldest householder, number of children and housing tenure arrangements. The groups typically begin with introductions and a cup of tea, although this can vary, especially in the different cultural groups. The project, the process to be used by the facilitator and the information to be sought are all explained.

The facilitator makes it clear that s/he is not committed to a particular position and encourages divergence of opinion, particularly in the early stages. It is made clear that, while agreement is sought, participants do not have to reach a consensus.⁴ The facilitator uses open-ended questions, actively ensures there is equal opportunity to participate, uses probes and pauses to enable participants to elaborate on their initial comments, summarises the discussion and moves to the next question or issue.

Two types of financial estimates are sought, the first being characterised as *minimum expenditure that is fair for households to participate adequately in their community* and the second being characterised as *minimum adequate household expenditure*. It is the second estimate that has been used to develop a poverty threshold. The level of estimated expenditure emerges after considerable discussion, debate and familiarisation with the knowledge and experience of the other group members. The estimate is intended to be strictly minimal, but it should provide sufficient income to enable a household to live independently, without resorting to a foodbank for example. (For greater detail see Stephens, Waldegrave and Frater 1995:94).

The groups are asked to estimate *minimum adequate household expenditure* within the following parameters:

- "income" includes the value of all money, goods and services received by the household regardless of the source;
- the children of the families for the notional budgets are assumed to be between 7-11 years of age (i.e. teenagers were viewed by participants as equivalent to adults in terms of household expenditure);
- there are no significant costs allowed for recurring sickness or disability;
- there are no significant costs allowed for household disruption or change;
- there is a basic set of appliances, furniture and furnishings, but no other significant assets;
- 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);

⁴ It has proved to be quite exceptional for a group not to reach a consensus. To date this has never happened in a low-income focus group's estimate of minimum adequate income. On the two occasions this has occurred for other types of groups one person in the group has estimated a budget item differently from the rest. In such cases the exception is noted.

- there are no costs associated with the generation of income;
- work carried out within the household has no financial value;
- the goods and services that are available, including public services, will continue to be provided at the same cost to households;
- the householder has access to good information on options that affect income and expenditure decisions and has a very good ability to manage a household budget.

The expenditure estimates are itemised in a list of categories derived from Statistics New Zealand Household Economic Survey categorisations. Table 1 sets out the estimates, by five different low-income focus groups, of minimum adequate weekly expenditure for a household of two adults and three children. The five groups were drawn from areas within Lower Hutt, including Wainuiomata.

Table 1 Weekly Expenditure Estimates, Lower Hutt, 1993: Estimates of Minimum Adequate Weekly Expenditure for Two Adults and Three Children, by Low-Income Panels

Expenditure Category	Focus Group Type					
	Māori	Samoan	Pākehā	Sole Parent	Wage Earning	Average
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

Although there are differences in various categories, it is interesting how similar the estimates are, overall. Each group was quite unaware of the estimates made by the other panels. The totalled weekly estimates fall within a fairly narrow range of \$442 to \$491. Housing was the largest expenditure category with a considerable measure of agreement between groups. The next largest item was food costs, which showed the greatest variation. Samoan households and single parent families estimated higher food costs,

clothing estimates were higher for Māori households and transport cost estimates were higher for wage earners. Furniture costs were considered beyond the budget of single parents. Differences in the composition of total budgets seem to be a reflection of different lifestyles and cultural attitudes between community groups.

The budgets provide a useful insight into the expenditure patterns of low-income households. Where significant variations in estimations occur, they can be viewed in the context of the range of estimates made by other groups. For example, the wage-earning group estimated around \$13 a day for food (\$90 per week) for a household of five people. The Samoan group, on the other hand, estimated \$21 a day (\$150 per week). The variation between groups was balanced out in the overall average, which was \$16 a day (\$114 per week). These estimates can be further investigated and independently assessed in terms of buying power for three meals a day. Likewise, low-cost rents in an area can be independently checked. A range of focus group data can begin to provide a transparent and verifiable contemporary picture of necessary expenditure.

Table 2 outlines a sample of more modest estimates from research a few years later in smaller centres and towns. The groups were run with low-income householders, in the southern North Island, during 1995 and 1996.

Table 2: Weekly Expenditure Estimates, Lower North Island Smaller Centres and Towns, 1995 and 1996: Estimates of Minimum Adequate Weekly Expenditure for Two Adults and Three Children, by Low-Income Panels

Expenditure Category	1995				1996		
	Masterton	Carterton	Otaki	Average	Ashhurst	Marion	Average
Food	\$120	\$120	\$70	\$103	\$100	\$120	\$110
Household operations	12	10	8	10	6	25	16
Housing	140	120	150	137	170	180	175
Power/Heating	28	46	35	36	25	30	28
Phone	18	10	10	13	10	11	11
Transport	25	30	30	28	15	40	28
Activities/Recreation	45	20	15	27	5	50	28
Insurances	10	3	10	8	10	20	15
Life Insurance/Super	-	8	-	3	-	20	10
Exceptional Emergency	-	-	-	-	-	10	5
Appliances	8	10	15	11	5	10	8
Furnishings	-	-	5	2	-	10	5
Medical	5	25	10	13	2	10	6
Clothing/Shoes	14	15	20	16	4	50	27
Education	6	4	14	8	6	10	8
TOTAL	\$430	\$421	\$392	\$414	\$358	\$596	\$477

It is interesting to note the narrow range of the 1995 estimated budget totals, \$392 to \$430. The expenditure categories where differences occur can be identified quickly. A \$50 lower estimate for food in the Otaki group probably reflects the horticultural capability of the region. That group also described an active barter economy in the area. Estimates in most other expenditure categories, apart from housing, differed little from their 1993 city counterparts. The \$20 lower housing costs, the more stringent approach to the exceptional/emergency category and the lower transport costs are the main factors that reduce these estimates to a lower range than the 1993 city groups, despite higher estimates in the power/heating category.

The 1996 Ashhurst and Marton groups demonstrate the extremes of variation in estimates that would be expected in this type of continuous sampling. It is the overall trend demonstrated over many focus groups and their expenditure categories that provide a balance of information for these budget estimates. Nevertheless, predictable and regularly billed items like food, housing, power and phone for the Ashhurst and Marton groups are roughly similar and within the range of the other groups. The Ashhurst group appeared very stringent on the irregular payment categories, however, like recreation, life insurance, exceptional and emergency expenditure, appliances, furnishings, medical costs, clothing and education. The Marton group on the other hand, were generous in their estimations of minimal expenditure on activities and clothing and tended to round most irregular expenditure categories up. To some extent, these reflect different perceptions of the concept "minimum adequate household expenditure".

Despite the differences in budget totals, the itemised expenditure categories can be readily compared with other groups. Where apparent underestimates occur (like \$2/week budgeted medical expenses for a family of five in the Ashhurst group), or apparent overestimations (like \$50 per week for clothing and shoes in the Marton group), they are quite identifiable at the extreme when compared with other groups. The build-up of data from continuing focus group work provides an increasingly coherent picture of estimated expenditure of households.

Table 3 provides a sample of 1996 budget estimates comparing cultural groups in Wellington and Auckland. The similarities between focus groups in the same region in the same year are quite marked.

**Table 3 Weekly Expenditure Estimates, Wellington and Auckland, 1996:
Estimates of Minimum Adequate Weekly Expenditure for Two Adults and
Three Children, by Low-Income Panels**

Expenditure Category	Wellington			Auckland			
	Māori	Samoan	Average	Māori	Samoan	Pākehā	Average
Food	\$150	\$120	\$135	\$180	\$150	\$150	\$160
Household operations	25	25	25	10	30	40	27
Housing	210	165	188	300	275	280	285
Power/Heating	30	35	33	25	30	23	26
Phone	10	15	13	10	10	10	10
Transport	40	25	33	40	15	40	32

Activities/Recreation	30	40	35	10	-	-	3
Insurances	-	-	-	-	-	-	-
Life Insurance/Super	-	-	-	-	-	-	-
Exceptional Emergency	10	30	20	20	50	-	23
Appliances	5	5	5	10	10	13	11
Furnishings	5	10	8	10	10	15	12
Medical	10	20	15	15	20	10	15
Clothing/Shoes	5	25	15	10	30	20	20
Education	7	15	11	10	15	20	15
TOTAL	\$537	\$530	\$534	\$650	\$645	\$620	\$638

The two Wellington budget totals were within \$7 of each other, and the three Auckland ones within \$30. The major distinctions between the two regions were housing costs, which were around a \$100 higher in Auckland. It is interesting to note that the averaged budget totals for the two regions were also around \$100 apart. Given the well-publicised property boom in Auckland during 1996, this result exemplifies the up to date sensitivity this mode of investigation has to contemporary economic changes. Another difference was that food costs were higher in Auckland, while the Wellington groups budgeted more for activities and recreation.

From the budgets displayed in this paper, it is obvious that the significant regional variant is housing costs. They vary between Auckland and Wellington, and they vary between Wellington and the small centres and towns. Other costs have a reasonable degree of similarity across the regions.

It is also noteworthy that the exceptional/emergency category has a cultural aspect to its setting. This category does not exist in the Household Economic Survey database. It was a required additional category in the first budget estimates that were made by Māori and Samoan groups. No matter how poor, Māori households considered a minimum adequate budget must allow regularly for expenditure on contributions to tangihanga and whānau, and Samoan householders considered that there must be allowance for expenditure on church and family both here and in the Pacific. In Tables 1 and 3, it can be seen that Samoan participants always rate this budget category highly. Māori are the next most generous, but Pākehā groups often do not consider that any allowance is required for expenditure on this category, as in all but the Marton group in Table 2, and as in the Pākehā group in Table 3.

A RELATIVE THRESHOLD BASED ON THE ABSOLUTE RESULTS OF THE FOCUS GROUPS

The macro-level and micro-level studies in the New Zealand Poverty Measurement Project have developed separately. The macro-level analysis was designed to provide estimates of the incidence and severity of poverty, by household-type categories

(Stephens, Waldegrave and Frater 1995). The micro-level analysis was required to ensure that the poverty benchmark set at the macro-level was not arbitrarily chosen but based on the experiences of New Zealand people. The micro-level focus group data were linked to the macro-level Household Economic Survey data in the following manner. The weekly budgets were multiplied into annual incomes. They were then compared with Statistics New Zealand Household Economic Survey data and plotted as a percentage of the New Zealand median equivalent disposable household income, using Jensen (1988) equivalence scales. This produced a "relative poverty" measure. The percentage which resulted from this process is a mechanism which allows the budget-based estimate of minimum required expenditure, developed in the focus groups, to be translated into a poverty benchmark in the wider household income distribution. The benchmark is thus a relative measure, based on the absolute results of the focus groups. The focus group expenditure estimates become the basis for setting an informed contemporary income standard.

Table 4 sets out the processes of calculation, beginning from the focus group budget totals noted previously in Table 1. 1993 was the first year we had focus group results to use in conjunction with the Household Economic Survey database of the same year. Table 4 illustrates the method with a sample of groups from that year. The Jensen Equivalence Scales (1988)⁵ were applied to the budget totals. The equivalent weekly estimate was then converted into an annual estimate. Finally, the equivalent annual estimates were computed as a percentage of median equivalent disposable household income for that year⁶.

Table 4 Estimated Minimum Adequate Household Expenditure as a Percentage of Median Income: Lower Hutt Low-Income Panels Estimating for a Household of Two Adult and Three Children, 1993

Panel Type	Weekly Expenditure	Equivalence Scale*	Equivalent Estimate	Equivalent Annual	Equivalent% of Median
Pākehā	\$458	1.314	\$348	\$18,105	64.7
Sole Parent	\$491	1.314	\$374	\$19,431	69.4
Wage Earning	\$442	1.314	\$336	\$17,492	62.5
Māori	\$475	1.314	\$362	\$18,808	67.2
Samoaan	\$483	1.314	\$368	\$19,114	68.3
Average	\$470		\$357	\$18,605	66.4

* Jensen equivalence scale (see footnote 4)

⁵ Equivalence scales enable a calculation of the income required for households of different sizes and ages to achieve an "equivalent" standard of living. The Jensen (1988) equivalence scale was used to convert the result from a two adult and three child family to a base of two adults and one child.

⁶ The percentage is above that given in Stephens, Waldegrave and Frater (1995), which related the 1993 focus group estimates to the 1991 Household Expenditure and Income Survey (HEIS), making appropriate Consumer Price Index (CPI) adjustments. This is because the 1993 median equivalent disposable household income calculation had not been carried out at the time of writing.

The results for the 1993 Lower Hutt urban groups indicated that the average focus group-based estimate equated to 66.4% of median equivalent disposable household income. In 1993, the project had not yet been funded to run focus groups in smaller centres and towns. In 1995, that part of the project was begun. Table 5 sets out the results from the three 1995 groups referred to in Table 2. To gain an early indication of the impact these areas would have on a national measure of poverty, we adjusted the budget estimates downward to 1993 dollars, by using the Consumer Price Index.

Table 5 Estimated Minimum Adequate Household Expenditure for Two Adults and Three Children: Lower North Island Smaller Centres and Towns Low-Income Panels, 1995

Panel Type		Weekly Expenditure	Equivalence Scale	Equivalent Estimate	CPI Adjustment	Adjusted Estimate	Annual Estimate	% of Median
Masterton Parent	Sole	\$430	1.314	\$327	0.95	\$309	\$16,082	57.9
Carterton Rural		\$421	1.314	\$320	0.95	\$303	\$15,745	56.7
Otaki Rural		\$392	1.314	\$298	0.95	\$282	\$14,659	52.8
Average		\$414		\$315		\$306	\$15,495	55.8

The results for smaller centres and towns indicated a much lower average of 55.8% of median equivalent disposable household income. The findings reported in this paper are indicative of the range of results obtained over this period. They confirmed our earlier view that a national poverty line in 1993 should be set conservatively at 60% of median equivalent disposable household income, which in dollar terms was \$324 a week or \$16,891 a year for a couple with one child. This is a little below the larger urban benchmark and a little above that indicated by the smaller centres and towns.

In future, we will be able to have results from a range of focus groups throughout the country for the same year as the Household Economic Survey data. Given the various logistical constraints, particularly funding, it has taken some time to reach this point. The combined views of over 400 householders are now incorporated in this project, and the database is growing.

Once a poverty threshold is established, the Household Economic Survey database can be used to carry out analyses which go beyond a mere headcount of those in poverty. Through analysis of the unit record data, it is possible to greatly increase understanding of who is poor, and what are their characteristics, including calculations of household type, household size, proportions of the elderly, number of children, ethnicity and tenure of dwelling of those most likely to be poor. Data are also able to be obtained on the dollar amounts by which households are below the poverty line and the efficiency of social security transfers to reduce the incidence of poverty. Sensitivity analysis gives policy

makers further information on the depth of poverty and the estimates can also incorporate the impact of differential housing expenditures (Stephens, Waldegrave and Frater 1995).

Furthermore, the relative poverty measure, developed from a contemporary absolute measure, gives the advantages of both methodologies. As an absolute benchmark, based on the experience of low-income householders, it is rooted in the current reality of those who are poor. As a relative measure, poverty in New Zealand can be compared relatively with poverty levels in other countries. These comparisons are becoming increasingly important in the global fight against poverty in developing and industrialised countries (Oyen et al. 1996).

It is important to note that the poverty line, in this project, is not fixed at 60% of median income year after year, as in some other poverty measurement projects. This was misunderstood by Easton (1994, 1995) and Krishnan (1995). The relative benchmark in a given year is based upon the focus group results relevant to that year. In that year, with different economic or social policy settings, the focus group results might be expected to produce a higher or lower poverty line as a percentage of the median. Thus the relative measure is not "fixed" at 60%. It would be expected, however, that the benchmark would remain reasonably constant during periods of little economic and social change.

CONCLUSION

New Zealand has undergone major social and economic policy changes, during the last decade that have particularly affected low-income households. As increasing levels of poverty have been identified as one of the impacts of these changes, the research interest in this area has grown as a result. New Zealand, unlike most other like democracies, does not yet have an agreed poverty line with at least some degree of official recognition, and yet measuring poverty in a publicly accountable manner is fundamental to social policy monitoring.

This paper reports on work carried out by the New Zealand Poverty Measurement Project with low-income householders to develop a modern, transparent and informed measure of poverty. From a social policy perspective, the significant participation of those who live on the lowest incomes is viewed as an essential development in poverty research. Directly accessing the budgeting expertise of low-income householders anchors the analysis of poverty in the experience and knowledge of those who have to live on low incomes on a daily basis. This innovative work marks a development over the more arbitrary poverty measures used previously in New Zealand.

The deployment of a focus group methodology to develop minimum adequate budget estimates has produced a considerable measure of agreement between low-income groups in similar areas in the same year. The major regional variant was housing costs. Other costs displayed a reasonable degree of similarity across the regions. This was particularly true of regularly billed items, and less so for irregular payments. The findings suggest a

measure of agreement about what can be considered as a minimum adequate budget. Where significant differences do occur, the details are readily identifiable in the itemised expenditure categories. Extreme estimates, both under and over the average figure, become transparent when budgets are compared. The expenditure category itemisation also allows independent analysis on each particular item, for example by comparing the budget estimate with actual housing costs in a particular area, with available data on average levels of usage of medical treatment, etc.

The budget estimates provide a transparent itemised logic to the development of minimum adequate household expenditure. Furthermore, the methodology is sensitive to major changes in economic and social policy settings, in a way that has not been evident in earlier poverty research projects. The focus groups displayed markedly different responses to current housing market conditions, for example depending on where they were located.

The methodology is innovative in its ability to draw together the micro-level budgets of low-income householders and macro-level economic data in a coherent manner. The knowledge and experience of poor people is respected, because their estimates establish the absolute measure of poverty. This absolute measure is then used to develop a relative measure of poverty. A focus group qualitative research method is used to develop a much more considered quantitative measure. In this manner the New Zealand Poverty Measurement Project has enabled a comprehensive combination of absolute and relative measures, qualitative and quantitative research and the analysis of macro and micro data.

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