

Department of the Prime Minister and Cabinet

Child Poverty Reduction Proactive Release March 2018

The document below is one of a suite of documents released by the Department of the Prime Minister and Cabinet (DPMC) that formed the basis of decisions on the Child Poverty Reduction Bill introduced on 31 January 2018.

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

Date: 6 December 2017

Title: Legislating to Drive Action to Reduce Child Poverty (to Cabinet Business Committee (CBC)).

Information withheld with relevant section(s) of the Act:

- Paragraph 75-77 and 87-89
s 9(2)(f)(iv), s 9(2)(g)(i) - under active consideration.
- Paragraphs 98-100
s 9(2)(h) - legal privilege.
- Recommendations 12 and 40-42
s 9(2)(f)(iv), s 9(2)(g)(i) - under active consideration.

Chair
Cabinet Business Committee

LEGISLATING TO DRIVE ACTION TO REDUCE CHILD POVERTY

Proposal

- 1 This paper seeks agreement to proposals for a new Child Poverty Bill which seeks to achieve a significant and sustainable reduction in child poverty and to enhance the overall wellbeing of children by requiring governments to:
 - set ten-year targets for a defined set of measures of child poverty (the 'primary measures'), and periodically set and publish three-year intermediate targets
 - report each year on progress towards the targets using the primary measures, and also to report on trends using several supplementary measures to give a more comprehensive assessment
 - regularly prepare and publish a strategy on how they will promote the wellbeing of children in New Zealand, which will include a particular focus on reducing child poverty.

Executive summary

- 2 No New Zealander wants to see children growing up in poverty. This Government is committed to genuine change for children, which is why in the Speech from the Throne we committed to putting child poverty at the heart of policy development and decision making.
- 3 Children depend on the resources of their family, whānau and wider community for having their basic material needs met. For individual children, poverty is about growing up in a household which experiences financial hardship and the stress that arises from having to make budgeting decisions between one basic and another. The experience of poverty can involve various forms of hardship, such as going hungry, living in cold, damp houses, and foregoing important childhood opportunities, like school outings and sports activities.
- 4 The experience of poverty is unacceptable in itself, but given the likely negative impact on other aspects of wellbeing, childhood poverty can leave lifetime scars.
- 5 There is robust evidence that growing up in poverty can harm children in multiple, predictable, substantial and often sustained ways. These effects are particularly evident when poverty is severe and persistent, and when it occurs during early childhood. The harmful effects of child poverty ripple across society, damaging our social fabric and impairing the country's economic performance.
- 6 It need not be this way. For a country with relative abundance, I believe that New Zealand has the opportunity and moral obligation to do better. I am committed to achieving a significant and sustainable reduction in child poverty, and I want to create a framework that is durable enough to require future Governments to do the same.

- 7 I propose to introduce legislation that will encourage:
- greater focus on the issue of child poverty across government and society
 - transparent and robust reporting on the levels of low income and material hardship for households with children
 - a greater commitment to action on the part of current and future governments, and
 - governments to be held accountable for the results they achieve.
- 8 The proposed legislation will require governments to set and publish targets to reduce child poverty using a defined set of child poverty measures (the 'primary measures'). The proposed requirements are:
- The Ministry of Social Development and Statistics NZ must jointly produce and publish reports on specified measures of child poverty. This includes the four 'primary' measures and six 'supplementary' measures.
 - For each of the primary measures, the Government will set both longer term targets (10-years) and intermediate targets (3 years).
 - On Budget day, the Government will be required to report its progress towards reducing child poverty and how the Budget contributes to that goal. This will include an assessment of the impact of relevant Budget measures on child poverty.
- 9 There will be a legislated requirement for the Government to develop and update a strategy to promote the wellbeing of children in New Zealand, which will include a particular focus on reducing child poverty.
- 10 I propose a robust and balanced set of 'primary' measures. These measures, together with a selection of supplementary measures that provide essential context, will inform policy development, enable international comparisons, and enable us to track progress towards the targets.
- 11 I am also seeking your agreement to the first ten year targets, which I have set at a level that is ambitious yet achievable. These will not be included in legislation, but will be announced at the same time as the bill is introduced. I propose that the ten year targets be as follows:¹
- On the before-housing-costs 50% of median moving line measure, to reduce the proportion of children living in poverty from 14-15% to 5% of all children (160,000 to 60,000).
 - On the after-housing-costs 50% of median fixed line measure, to reduce the proportion of children living in poverty from 19-20% to 10% of all children (210,000 to 120,000).
 - On a standard material hardship measure, to reduce the proportion of children living in poverty from 13-15% to 7% of all children (150,000 to 80,000).

¹ The current rates and numbers are 'best estimates' only, as the latest figures for 2016/17 are not yet available. If the new information changes current estimates, there could be a minor impact on the target rates we ultimately set. There are currently around 1.1 million children in New Zealand. The estimated numbers for the ten year target are based on Statistics NZ's median projection of 1.2 million children in 2028. For clarity, targets will be based on rates, not numbers of children.

- For a measure of persistence, to set the target once the necessary dataset becomes available and agreed measures have been developed (but no later than 2024).

12 The targets align with existing commitments, including the Sustainable Development Goals, and my commitment to reduce levels on the first measure by 100,000 children. I intend to deliver on my commitment on that measure within the next two terms of Government.

Key elements of the proposal	
Purpose	The overarching purpose is to achieve a significant and sustainable reduction in child poverty. The purpose of legislation is to encourage: <ul style="list-style-type: none"> • greater focus on the issue of child poverty across government and society • transparent and robust reporting on the levels of child poverty in NZ • a greater commitment to action on the part of current and future Governments • Governments to be held accountable for the results they achieve.
Targets & measures	Statistics NZ and the Ministry of Social Development must jointly produce and publish reports on specified measures of child poverty. This includes <ul style="list-style-type: none"> • four primary measures, which will have targets set against them • six supplementary measures, which provide important context. For each of the primary measures, the Government must specify: <ul style="list-style-type: none"> • longer term targets (ten years ahead) and • intermediate targets (each three year period).
Primary Measures	The Government will report on, and have targets for, four primary measures : <ul style="list-style-type: none"> • low income before-housing-costs (50% of median, moving line) • low income after-housing-costs (50% of median, fixed line) • material hardship (threshold equivalent to the EU’s “standard” threshold) • a persistence measure (for low income, material hardship or both)
Supplementary measures	This Government will also report on six supplementary measures : <ul style="list-style-type: none"> • low income before-housing-costs (60% of median, moving line) • low income after-housing-costs (60% of median moving line) • low income after-housing-costs (50% of median moving line) • low income after-housing-costs (40% of median moving line) • severe material hardship • both low income and material hardship
Budget Day Reporting	Alongside the Budget, the Government will be required to publish a report that: <ul style="list-style-type: none"> • sets out progress towards the targets for reducing child poverty • explains how the Budget will reduce child poverty • assesses the impact of the Budget on the primary measures of child poverty.
Child Wellbeing Strategy	The government must also publish a comprehensive child wellbeing strategy, with a particular focus on child poverty. This would set out: <ul style="list-style-type: none"> • the outcomes sought for all children and how they will be measured • policy measures to improve the wellbeing of all children • policy measures that will reduce levels of child poverty
Specific targets (announced but not in legislation)	The ten year targets would be as follows: <ul style="list-style-type: none"> • BHC 50% of median moving line: reduced from 14-15% to 5% of all children. • AHC 50% of median fixed line: reduced from 19-20% to 10% of all children. • Standard material hardship: reduced from 13-15% to 7% of all children • Persistence measure: set the target once data available (by 2024)

Background

- 13 As a nation, we do not want any child living in a household where resources are not adequate to meet basic material needs. This commitment arises from a desire to have all children getting a fair start, our commitment to care for those unable to care for themselves, and our international obligations regarding children.
- 14 Childhood poverty is also of concern because of the likely negative impact on other aspects of child wellbeing. The impacts are pervasive and cumulative across many domains, even if they are relatively small for any one particular domain. There are other factors which also contribute to poor outcomes for children, but childhood poverty is undoubtedly one that matters, especially when the experience is severe and persistent. The New Zealand evidence that we do have (from the 2000s) suggests that there is a substantial group who do not move out of the low-income zone over a seven-year period.
- 15 The impact of childhood poverty can reach into adulthood, contributing to reduced employment prospects, lower earnings, poorer health, and increased chances of contact with the justice system. The harmful effects of child poverty ripple across society, impairing the country's economic performance and damaging its social fabric.
- 16 Māori and Pasifika children are over-represented in poverty statistics – just under half of children in poverty are Māori or Pasifika, and rates of poverty (and persistent poverty) for Māori and Pasifika children are around double the rates for Pākehā. The higher poverty rate for Māori children in part reflects the relatively high proportion of Māori children living in sole-parent beneficiary families, as well as other social issues disproportionately facing Māori.
- 17 While having adults in their household in employment reduces the chances of poverty for children, it is not a panacea. Around 40% of poor children come from households where there is at least one adult in full time employment or self-employed.
- 18 Child poverty rates, after taking housing costs into account, are much higher now than they were in the 1980s. This is the case even using a fixed line measure which looks at changes in real (CPI-adjusted) incomes. Most low-income households with children are now no better off or even worse off than their counterparts in the 1980s. Rising accommodation costs relative to income is one of the main factors that has driven this deterioration. Any improvements since then in the before-housing-cost incomes of low-income households with children have not been sufficient to counter rising accommodation costs with the result that there is increasing housing stress and financial hardship for low-income households.
- 19 International comparisons are best done using material hardship measures. We are able to make good comparisons with EU countries using the EU's material hardship index. On this measure, New Zealand ranks around the middle of the EU for child material hardship (13-15%, 150,000²), though this ranks us below most of the richer western European countries with whom we have traditionally compared ourselves. When child hardship rates are compared with overall population rates, New Zealand ranks "worse for children" than any European country.
- 20 International comparisons using low-income rates are available only for moving line measures, before taking housing costs into account. New Zealand's child poverty rates on these measures are around the middle of OECD and EU rankings, though much higher than those for countries like Norway, Finland, Germany and Denmark.

² Best estimate only, while waiting for 2016/17 data

- 21 In March 2012, then Children's Commissioner Russell Wills established an Expert Advisory Group (EAG) to consider local and international evidence, and provide realistic recommendations on how best to address child poverty. I have been strongly supportive of that initiative and in particular the EAG's recommendation that, as an important first step, governments adopt a strategic framework for addressing child poverty issues, including legislation that would ensure accountability for outcomes.
- 22 In line with these recommendations, I lodged a Members' Bill in September 2012, with a number of mandatory requirements, including the measurement of child poverty, the setting of poverty-reduction targets, and the monitoring and regular reporting of results. This paper draws on my Members' Bill and takes the next step by seeking Cabinet's agreement to a new Bill setting up an enduring legislative framework to drive action on child poverty.
- 23 The Bill I am proposing also draws on international experience. In 2010, for example, the United Kingdom parliament passed the Child Poverty Act, which set four binding targets for the reduction of child poverty over a ten year period. Last month, the Scottish Parliament also passed its own Child Poverty (Scotland) Bill with four statutory targets, with an all-party agreement meaning that the vote was unanimous in favour of the Bill.

Proposal: a legislative framework to drive action on child poverty

- 24 We have committed as a Government to putting a strong focus on substantially and sustainably reducing child poverty. The Bill I propose will change the landscape by bringing increased focus and transparency to this area. I propose to establish a legislative framework under which governments are required to:
- set and publish longer-term targets (ten years), as well as intermediate targets (three years), for a defined set of 'primary' measures of child poverty
 - report each year on progress towards the targets, as well as on trends using several 'supplementary' measures to give a more comprehensive assessment of overall progress
 - publish strategies to improve children's wellbeing, reduce child poverty, and work towards the targets.
- 25 The establishment of a legislative framework for these proposals will help ensure that on-going governments are transparent and held to account in reducing child poverty. I believe legislation is necessary and justified, given that addressing child poverty requires a sustained commitment, and to ensure officials act independently of the Government of the day in carrying out the reporting.
- 26 I have developed an enduring framework that meets these objectives while being as flexible as possible. Under the proposed legislation, the Prime Minister will have the ability to designate the Minister(s) responsible for setting child poverty reduction targets; developing the child wellbeing strategy (and reporting against it); and approving the chief executives' plan. I propose that the legislation allow these responsibilities to be accorded to one Minister or to different Ministers, enabling a number of possible arrangements to make the legislation work in practice.

Child poverty measures

- 27 Poverty in more economically developed countries is generally understood as 'exclusion from a minimum acceptable standard of living in one's own society because of a lack of adequate resources". It is about household resources being inadequate to meet basic material needs (adequate food, clothing, housing, dental and medical care, transport, social engagement that involves financial cost, and so on. The wellbeing of children is about much more than just this, but material wellbeing is a crucial component of overall wellbeing.
- 28 In the richer countries, poverty has traditionally been measured using household income as an indicator of resources. These measures are valuable, but are unable to capture the impact of a range of other factors that affect living standards (for example, high health costs, debt servicing, and assistance from extended family networks, assistance from in-kind government transfers). In recent years more direct non-income measures of day-to-day living standards have been developed. These can reflect a wider range of influences, and are now widely used to measure material hardship (deprivation).
- 29 Any measure of poverty, whether a low-income or a material hardship measure, requires and reflects a judgement call on how to assess 'minimum acceptable' and 'adequate'. This involves not only a decision on where to draw the line on the spectrum from more to less severe poverty, but also on how to update these thresholds from year to year.
- 30 For low-income measures there are two common approaches to updating thresholds from year to year:
- a fixed (or anchored) line approach:

The threshold ('poverty line') is chosen for a reference year, then updated for inflation using the appropriate index (different for a before-deducting-housing-cost approach than an after-deducting-housing-cost one).

An improvement in rates using this fixed line measure means that the incomes / material living standards of low-income households have unambiguously improved in real terms compared to the previous year. The reference year needs to be re-set from time to time
 - a moving line approach:

The threshold ('poverty line') is set at a given distance from middle-income households, and kept at that same distance each year (eg 40%, 50% or 60% of the contemporary median). This measure takes the "average" living standards / household incomes in the survey year as the reference level when making an assessment of the adequacy of household income and living standards. The threshold ('poverty line') therefore moves with the movement of the median.

Moving line measures need to be part of the suite as they reflect the degree of income inequality (and therefore social cohesion) in the lower half of the income distribution. Such measures can however give misleading trends when used on their own, potentially falling in recessions even when the number in financial hardship may in fact be increasing, and potentially rising in times of strong growth even if many with low incomes are experiencing income growth themselves.
- 31 These two approaches reflect different notions of poverty and both are needed to properly monitor and understand trends and progress.

- 32 Household incomes can be measured both before and after deducting housing costs. There are therefore six types of measure in use:
- low income before deducting housing costs (BHC) – fixed and moving line
 - low income after deducting housing costs (AHC) – fixed and moving line
 - material hardship indices – using more direct (non-income) measures of actual living conditions
 - measures that use both low incomes and material hardship.
- 33 A suite of measures is needed to properly monitor the significant financial or material disadvantage that we refer to as “poverty”. This is because:
- material disadvantage is multi-dimensional and therefore more than one measure is needed to properly assess trends and understand which groups are over-represented
 - even when using more than one measure, judgement calls are needed as to where to ‘draw the line’ on the spectrum from less to more severe – the level of poverty is a contestable notion and different views can reasonably be held on the matter
 - trends can be different at different depths.
- 34 In selecting the measures specified in the Bill, I have taken into account the following:
- Trends using fixed line income measures and material hardship measures are of primary importance as they unambiguously reflect improvement and deterioration in real terms, and any child reduction strategy would at the very least seek to bring these rates down.
 - Trends using moving line measures are also needed, especially for the longer-term. They capture changes in inequality in the lower half of the income distribution, and are therefore important for monitoring social cohesion and the degree to which economic growth is inclusive.
 - AHC low-income measures are needed given the large proportion of the household budget that now goes on housing costs for many low-income families.
 - International comparisons are important, but the only income measures that are currently available are for BHC moving line measures.
 - Low-income measures are useful and needed, but there are many factors other than income that impact on a household’s material wellbeing. For example, some households receive financial or other material support from friends and wider family and whānau, others have special demands on the family budget because of the high health, debt servicing, and other costs. The adults in different families also have different budgeting skills and individual characteristics that can mean that children in families with similar incomes can have quite different experiences of the degree to which their material (and other) needs are met. Material hardship measures are needed to better capture the impact of both income and other factors on the material living standards of households. They can also enable further international comparisons.
 - Persistence measures are needed as it is persistent poverty (spending multiple years in income poverty or hardship) that is likely to do most harm to children.

35 The selected measures need to have widespread support and endorsement – domestically and, where possible, internationally. The different measures also need to be amenable to impact by changes in policy, the economy and other factors.

Primary Measures

36 I propose that the Bill require governments to report on and have targets for the following ‘primary’ measures:

- low income BHC (50% of median, moving line, used in OECD publications)
- low income AHC (50% of median, fixed line, with an updated reference year).
- material hardship (with a threshold equivalent to the EU’s “standard” threshold, or as near as possible)
- a persistence measure (for low income, material hardship or both)

37 The poverty persistence measure or measures need to be defined and longitudinal data sources developed. The legislation will include a provision that will enable the measure to be defined by Order in Council, with reporting to begin no later than 2024.

Supplementary Measures

38 I propose that the Bill require reporting, but not targets, on an additional set of six supplementary measures. These provide further international comparison, essential information on poverty depth and more severe poverty, and context for interpreting the primary measures. The measures proposed are:

- low income BHC (60% of median, moving line, as used in the EU’s ‘at-risk-of-poverty’ measure)
- low income AHC (60% of median moving line)
- low income AHC (50% of median moving line)
- low income AHC (40% of median moving line)
- severe material hardship (same measure as in the primary, but with a lower threshold)
- both low income and material hardship (using 60% AHC moving line and the standard material hardship measure from the primary list)

39 The table shows the current rates (and numbers of children) for the full suite of measures. They should be taken as best estimates, subject to confirmation after the relevant survey data (2017-18) is available and analysed.

Estimated current rates and numbers

Primary		
BHC 50% moving line	14-15%	(160,000)
AHC 50% fixed line (using 2015 as ref year)	19-20%	(210,000)
Material hardship	13-15%	(150,000)
Persistence	not available	

Supplementary		
BHC 60% moving line	19-20%	(210,000)
AHC 60% moving line	27%	(290,000)
AHC 50% moving line	19%	(200,000)
AHC 40% moving line	12%	(130,000)
Combined AHC 60% moving and material hardship	8%	(90,000)
Severe material hardship	8%	(90,000)

40 Officials have advised me that:

- the suite of primary measures is a robust and balanced set, allowing some international comparison, and that making significant and sustainable progress on all these measures together will mean that there will be a major and indisputable gain for the children of New Zealand
- the supplementary measures allow further international comparison, enable reporting on changes in the depth of poverty, ensure that trends at different levels of severity can be monitored, and, together with the primary measures, constitute a comprehensive suite that will inform policy development as well as tracking progress towards the targets.

41 I am also advised that officials will continue to report on household incomes, income inequality, inclusive growth, accommodation costs relative to income, low income and material hardship rates for all New Zealanders, and other measures in a similar way to the current Household Incomes Report and the companion report using non-income measures.

42 In terms of the child poverty reporting required by this legislation, I am deliberately keeping the specified set of measures focused on the material needs of households with children. At this stage, I am not proposing to legislate to require reporting using other specific measures, such as indicators related to poverty's wider causes and consequences, other forms of social and economic disadvantage, and other domains of wellbeing for children and their families and whānau.

43 These outcomes are, however, very important, and are likely to be included in other forms of reporting, such as the existing Families and Whānau Status Report, and the monitoring framework for the wellbeing strategy described below. I expect that this Government will continue to look at the current suite of social outcomes reporting, and where this needs to be expanded or adjusted in the future, to ensure we are effectively monitoring our progress as a country.

Child poverty targets

44 I propose that the responsible Minister must ensure that the Government publishes:

- ten-year targets that set out the Government's longer term objectives for reducing child poverty
- three-year intermediate targets that indicate how they will be working towards the longer term targets.

45 Long-term targets will encourage governments to have aspirational goals, and to take actions that have both short-term and longer-term effects. At the same time, short-term intermediate milestones that build over time are critical to ensuring satisfactory progress towards the overall goal.

- 46 Each measure in my proposed suite of measures is an important lens on the issue of child poverty. Targets must be set for each of the primary measures specified (and may also be set for one or more of the supplementary measures). It is important that Governments set goals for each of the four measures to be sure we are making progress on several fronts for New Zealand children.
- 47 I propose that targets be required within six months of the date of the commencement of the Act, and that every three years the responsible Minister be required to both set new intermediate targets, and at the same time consider the on-going appropriateness of the ten year targets, and whether any changes are needed. Governments will be required to publish new long-term targets as they approach the end of the ten year period.
- 48 Because the persistence measure has not been defined yet, the first targets will have to be set at a later date. I propose that for this measure only, the legislation enables Ministers to set a target by Order in Council, but no later than 2024.

Setting our first ten-year targets

- 49 I am also seeking your agreement to our first longer-term ten year targets. The previous Government signed up to ambitious goals to reduce child poverty by half by 2030 through the UN Sustainable Development Goals (SDGs). I would like to honour that commitment, by proposing initial longer-term goals that are consistent with this.
- 50 I have made a public commitment to reduce the BHC 50% moving line measure by 100,000. The current proportion of children in households with incomes below this threshold is around 14-15% (160,000), so a level of 5% for that measure (a two-thirds reduction from the current rate) is needed. I intend to meet this commitment within our first two terms of Government.
- 51 Taking these commitments into account, the table below shows the current levels of child poverty according to each of the proposed measures, alongside the rate we would be targeting according to the SDGs, and my proposed ten-year targets.

Measure of child poverty	Estimated Current level	Sustainable Development Goal target	Proposed ten year target
BHC 50% moving line	14-15%	7%	5%
AHC 50% fixed line	19-20%	10%	10%
Material hardship	13-15%	7%	7%
Child poverty persistence measure	Target will be set once the measures and appropriate datasets are available.		

- 52 This will require a concerted and sustained effort. Once we have implemented the Families Package, and implemented further measures necessary to reach my public commitment for the early 2020s, officials advise me that rates on the moving line income measures are likely to start to rise again, due to continued economic growth and a rising median in real terms. Further policy measures could well be necessary to maintain lower rates through the late 2020s and up until the 2030 date.
- 53 Reaching and maintaining (and hopefully even doing better than) the long-term targets proposed would be an outstanding outcome for New Zealand children and New Zealand as a whole. It would place New Zealand alongside those countries who currently have the lowest rates of child poverty and material hardship (Finland, Denmark, Sweden, Norway).

54 I propose that we release these long-term targets at the same time the legislation is introduced. Our three year intermediate targets will be developed at a later date, once we have settled on our long-term aspirations. This will enable our shorter-term targets to be developed at the same time we consider more specific policy actions for inclusion in the wellbeing strategy. Once they are determined, the intermediate targets will be submitted to Cabinet for approval.

A strategy for improving children's wellbeing

55 I also propose to amend Part 1 of the Vulnerable Children Act (VCA) to require the responsible Minister, in consultation with other Ministers, to publish a dedicated strategy to enhance and promote the wellbeing of children in New Zealand. The requirement to publish a child wellbeing strategy will replace the ability for the Minister to set Government priorities for improving the wellbeing of vulnerable children. The strategy will be required to be published within 12 months of the legislation being passed, and be updated every three years.

56 This strategy will be focused on the wellbeing of all children in New Zealand (aged 0-18), but will be required to have a particular focus on reducing child poverty, and include specific policy measures to improve the outcomes for children living in poverty or more general socio-economic disadvantage. The strategy could, for example, set out the policy measures the Government intends to implement in order to:

- improve children's health, educational and other developmental outcomes
- increase the incomes of families with children or reduce the demands on household budgets
- ensure that children grow up in adequate housing
- mitigate the effects on children of poverty and socio-economic disadvantage .

57 The strategy will be required to set out:

- the outcomes that are sought for children in New Zealand and how these outcomes will be measured. The responsible Minister will be required to report annually on those outcomes, which will include monitoring any disparities between outcomes for children in poverty or more general socio-economic disadvantage, and outcomes for all children.
- the policies that Government has implemented, and those it intends to implement, to improve the wellbeing of children including an assessment of the likely impact on child poverty. This must be with reference to the measures in the Child Poverty Act, especially the primary measures.

58 The responsible Minister will need to consider existing obligations as part of the process of developing the strategy. This means that they will need to have due regard to:

- the principles of the Treaty of Waitangi
- any relevant international commitments, including the requirements of the United Nations Convention on the Rights of the Child, and the United Nations Sustainable Development Goals

59 The legislation will include a specific requirement to consult with Māori representatives as part of the development of the strategy. There will also be a requirement to consult with children, as consistent with principles of the United Nations Convention on the Rights of the Child.

- 60 The VCA includes an existing mechanism to require joint working between children's agencies – currently, a “vulnerable children's plan”. This mechanism will be retained, but renamed, and have a specific focus on the children and young people Oranga Tamariki works with, including care-experienced children, and those at risk of future involvement with the statutory care, protection and youth justice systems. This action plan will have an important and discrete function of bringing a specific focus to helping this cohort of children, but it will not become an implementation plan for the child wellbeing strategy.
- 61 To ensure that a chief executives' plan is produced and to give effect to the tightened focus of the plan set out above, I propose that the VCA is amended to require, once the child wellbeing strategy is published, that chief executives of children's agencies jointly develop a plan setting out how they will work together to improve the wellbeing of the core groups of children of interest to Oranga Tamariki. These groups of children are those specified in section 9(2) of the VCA:
- children and young people with early risk factors for future involvement in the statutory care, protection and youth justice systems
 - children and young people receiving assistance, youth justice services, care or transition support services under the Oranga Tamariki Act 1989
 - care-experienced children and young people aged up to 21.
- 62 The plan will set out the steps that CEs will take to achieve any specific policy priorities identified in the Ministerial strategy for these children.
- 63 I propose that the legislation enable the Prime Minister to assign a Minister or Ministers to be responsible for setting the targets; developing the child wellbeing strategy (and reporting against it); and overseeing the development of the chief executives' plan. I propose that the legislation be flexible in terms of how these responsibilities are assigned to Ministers – allowing them to be accorded to one Minister or to different Ministers.
- 64 The Minister for Children and I will work together to develop the wellbeing strategy. The Minister for Children will be responsible for overseeing and approving the Chief Executives Plan. The Minister for Children and I will report back in December 2017 on the process for the wellbeing strategy's development.
- 65 The changes above are intended to support a strong preventative focus by this Government, and reflect our aspirational approach for children. Consistent with this, I am concerned with the negative impact of the widespread use of the term 'vulnerable', which has the potential to be stigmatising to groups of children who are already facing significant challenges. I am therefore proposing that:
- the Vulnerable Children Act will be renamed, in line with its broadened scope, and the “Vulnerable Children's Plan” renamed the Oranga Tamariki Action Plan
 - the name of the Ministry of Vulnerable Children - Oranga Tamariki will also be amended; the Minister for Children will separately seek Cabinet's agreement to this change along with consideration of the implications for the agency.

Guaranteeing robust, independent reporting

- 66 The Ministry of Social Development (MSD) and Statistics New Zealand currently work together on the production and dissemination of information related to poverty and material hardship, including the contribution by Statistics NZ to international bodies such as the OECD

and the publication of reports such as MSD's Household Incomes Report. The measure of disposable income used in these analyses is created by Treasury's micro-simulation model of the tax and welfare system – TAWA, which is based on the Household Economic Survey (HES).

- 67 I propose that the legislation require the Chief Executive of MSD and Government Statistician to jointly produce and publish reports on child poverty using the measures specified in the Act. This approach draws on the expertise of both departments: MSD in social policy research and analysis and understanding the relevant evidence and the policy and operational context, and Statistics New Zealand in data collection, design, methodology, quality assurance and analysis. Leveraging the independence of the Government Statistician provides clear assurance that reporting will be conducted at arms-length from the Government of the day.
- 68 To further ensure the robustness and impartiality of this reporting, I recommend that the legislation include a duty for officials to act independently of Ministers, and that the Government Statistician have responsibility for deciding what data and statistical methodology is to be used, in consultation with the Chief Executive of MSD, and following best practice statistical principles and protocols.
- 69 I envisage that formal reporting on primary and supplementary measures would be available in February each year starting from 2019, and would be publically reported at that time.
- 70 I propose to amend the Public Finance Act to require child poverty reporting on Budget day. Alongside the Budget, the Government will be required to set out its progress towards its targets for reducing child poverty, and signal how the Budget is consistent with the child poverty reduction components of the Government's child wellbeing strategy.
- 71 The Budget reporting would include, as far as possible, an assessment of the impact of the Budget measures on the primary measures of child poverty. This will include both quantitative impact for income measures and qualitative assessments for non-income measures, as appropriate. I have requested that, when publishing both the headline measures and the Budget day assessment, officials ensure that this material is as clear and accessible to the public as possible.
- 72 MSD's more detailed reporting through the Household Incomes Report and related reports will continue later in the year, as currently. These reports provide more detailed technical analysis of household income, including trends for poverty and inequality (for both children and adults), demographic breakdowns and international comparisons, as well as reporting on non-monetary indicators of material wellbeing.

Improving data and modelling

- 73 In order to properly support the new reporting and monitoring regime, there is a need to make a number of improvements to the data and modelling that the measurement of poverty and hardship in New Zealand relies on.
- 74 Poverty reporting is currently reliant on Statistic New Zealand's Household Economic Survey, which has a small sample size (around 3,500 households) that allows for the analysis of trends over multiple years but prevents robust analysis of changes on a year-to-year basis. The small sample limits the analysis of certain subgroups of the overall population, such as Māori and Pasifika, people with disabilities, different age groups of children, and regional

breakdowns. All of these cuts of the data will be important if we are to understand which groups we particularly need to tailor interventions to.³

75

s9(2)(f)(iv), s9(2)(g)(i)

76

77

78 The recommended suite of child poverty measures also includes a measure of persistence of poverty as a primary measure. There are currently no adequate longitudinal data sources that can serve as the basis for its measurement. In time, there is potential to use the Integrated Data Infrastructure for some candidate measures, but this would require the improvement of relevant administrative data, particularly focused on family and household structure and mortgage costs. It would also require extensions of current models to incorporate this administrative data alongside survey data.

79 Officials are currently undertaking further analysis of options to have a persistence measure ready for reporting by 2024. Additional funding for this work will be sought once the measures are developed and the data requirements are understood.

Consultation

80 This paper was prepared by the Department of Prime Minister and Cabinet, with the Ministry of Social Development. The Treasury; the Ministry for Vulnerable Children Oranga Tamariki; the State Services Commission; Statistics NZ; Te Puni Kōkiri, Ministry for Pacific Peoples, Ministry for Women; Ministry of Health; Ministry of Education; New Zealand Police; Ministry of Justice; Office of Disability Issues; and the Office of the Children's Commissioner have been consulted.

81 I intend to undertake further external consultation on the approach outlined in this paper, before the legislation is finalised. This will include selected Māori representative groups with a demonstrated interest in child poverty, as well as a few key non-government organisations

³ Low-income and material hardship rates based on the HES and surveys like it are about trends and relativities for those living in private dwellings. Other sorts of surveys are needed to obtain a picture of what life is like for those "living rough" or in boarding houses, hostels and so on.

that represent the interests of children. Any significant policy changes that arise from this additional consultation will be submitted to Cabinet for decisions.

- 82 There will also be further consultation with relevant parties once the Bill has been introduced. In addition to consultation on the legislation as part of the standard select committee process, a significant degree of consultation will occur as part of the development of the strategy, and I propose that the legislation include a specific requirement to consult with Māori in the process of its development.

Treaty of Waitangi considerations

- 83 The principles of the Treaty of Waitangi have been actively considered in relation to the proposals in this paper, particularly the principles of active protection and partnership:

- the principle of active protection requires the Crown to actively protect Māori interests;
- the principle of partnership requires the Crown to act reasonably and with the utmost good faith towards Māori. Inherent in this duty is a requirement to make informed decisions on matters that affect Māori interests.

- 84 Given that Māori are over-represented amongst statistics for child poverty, actions to reduce child poverty are likely to have a disproportionately beneficial impact on Māori children, and thus the requirements for child poverty reduction targets and strategies should be consistent with the principle of active protection. Critical to this is ensuring that Government actions effectively reduce poverty amongst Māori children, and that special consideration is given to what will be effective and culturally appropriate for whānau. Meaningful engagement with representatives of Māori organisations is likely to be an important factor of success here.

- 85 As part of the development of the proposals in this paper, consideration has been given to the rights and interests of Māori. The proposals here have taken into account the over-representation of Māori in child poverty statistics, and have resulted in actions to improve data collection to improve reporting by ethnicity. I intend to consult more with Māori representatives on the decisions in this paper, as outlined in paragraphs 81-82 above.

- 86 Special consideration in relation to the rights and interests of Māori will also need to be given as part of the implementation of the proposed legislation. As above, this means that Māori will be consulted as part of developing the strategy, and measures to reduce child poverty should take into account over-representation, and have particular regard for what works for Māori children and their whānau.

Financial implications

s9(2)(f)(iv), s9(2)(g)(i)



Human rights implications

- 90 The policy proposals in this paper appear consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.
- 91 Any inconsistency would be justified under section 5 of the New Zealand Bill of Rights Act 1990 as reducing child poverty would result in a considerable decrease of social and economic costs.
- 92 The proposals further increase New Zealand's alignment with the United Nations Convention on the Rights of the Child, particularly Article 27 – Right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.

Legislative implications

- 93 This paper proposes new legislation to support the achievement of a significant and sustainable reduction in child poverty. This includes a requirement for successive governments to establish measures, targets and strategies to address child poverty, hardship and well-being, and to enable them to be held accountable to the public and Parliament for the results they achieve.
- 94 The proposed legislation will also contain amendments to the:
- Vulnerable Children Act 2014 to require responsible Minister/s to publish, regularly review and renew a strategy establishing and regularly reporting on targets to reduce child poverty and material hardship, and actions to improve wellbeing and safety
 - Public Finance Act 1989 to require reporting on how Budget measures support the strategy.
- 95 I am also seeking authorisation to make technical and administrative changes required to finalise the draft Bill, in consultation with other Ministers as appropriate. Any substantive policy decisions required to finalise draft legislation for inclusion in the Bill will be submitted to Cabinet for decisions.
- 96 The Bill has not been given a priority category yet, but we intend to submit the Bill as a Category 1 or 2, in that it should be passed in the coming year. I intend that the legislation would have a normal select committee process, allowing healthy public scrutiny, submissions and debate. I will report back to the Cabinet Legislative Committee in January 2018 with a draft of the Bill for approval for introduction.
- 97 To ensure sustainability, and define legal and accountability effects, the legislation will expressly preserve government and chief executives' ability to exercise powers and functions, introduce legislation, amend policy and respond to changing circumstances. The legislation will, as far as appropriate, be drafted to make clear that accountability is intended to be political rather than legal.

Regulatory impact and compliance cost statement

101 A Regulatory Impact Statement is not required for this Bill. Regulatory Impact Assessment may, however, be required in due course, for measures taken in pursuit of the targets or to implement the strategy.

Gender implications

102 Women are much more likely than men to be the primary caregivers for children and young people, and sole parent families have higher rates of child poverty and persistent material hardship. These households, of which 85% are mother-led, are disproportionately led by Māori and Pasifika mothers. Policy that is mother-centric, and coordinated across agencies, will improve outcomes for families and whānau where children live in poverty.

Disability perspective

103 There is limited national information available about people with disabilities in New Zealand and even less information about the extent that they experience financial and material hardship:

- international evidence suggests there is a two-way relationship between disability and poverty in childhood. Disabled children are significantly more likely to experience poverty and poor children are more likely to become disabled than those who are better off
- this international evidence, combined with other kinds of New Zealand evidence about the socio-economic status of people with disabilities, indicates that people with disabilities are disadvantaged compared with the general population in a range of ways, including income, educational and employment opportunities, health and wellbeing, and full participation in the community
- measures to reduce child poverty are likely to benefit people with disabilities, given the greater rates of child poverty. In order to address this disadvantage amongst people with disabilities, strategies to reduce child poverty would need specific consideration of the

needs of people with disabilities – particularly children with disabilities, and children of parents with disabilities.

104 The lack of information on the prevalence of poverty amongst those with disabilities is in part a result of the limitations with current data collection. As part of the data improvements signalled in paragraphs 73-79 above, officials will be exploring the potential for such improvements to help better understand the relationship between poverty, material hardship, and disability.

Publicity

105 If Cabinet agrees to this paper, I will make a statement to the media at my post-Cabinet press conference indicating that we are making progress on the Bill, and are on track to introduce it during our first 100 days in office.

Recommendations

106 I recommend that Cabinet:

A legal framework to encourage action on child poverty

- 1 **note** that child poverty imposes considerable social and economic cost, and there is robust evidence that growing up in poverty can harm children in multiple, predictable, substantial and often sustained ways;
- 2 **agree** to legislate for a framework with the overarching purpose of achieving a sustainable and significant reduction in child poverty by encouraging:
 - 2.1 a focus on child poverty across government and society more generally;
 - 2.2 a commitment to action on the part of government;
 - 2.3 political accountability for results against published targets;
 - 2.4 transparency on levels of child poverty in New Zealand;
- 3 **agree** that under this legislative framework, the Government be required to:
 - 3.1 establish longer-term and intermediate child poverty targets for a set of four 'primary measures';
 - 3.2 monitor and report progress towards those targets, as well as for a set of six 'supplementary measures', on a regular basis;
 - 3.3 develop a strategy to improve children's wellbeing and reduce child poverty;

Child poverty measures and reporting

- 4 **agree** that legislation require the Chief Executive of the Ministry of Social Development and the Government Statistician to jointly produce and publish annual reports on child poverty using the measures specified in the Act, utilising the skills and expertise from both agencies;
- 5 **agree** that, to ensure the robustness and impartiality of this reporting, the legislation:

- 5.1 specify that the Government Statistician has responsibility for deciding what data and statistical methodology is to be used, in consultation with the Chief Executive of MSD, and following best practice statistical principles and protocols;
- 5.2 include a duty for officials to act independently of Ministers;
- 6 **agree** that the report described in recommendation 4 must include the following 'primary' measures, which will form the basis for targets under the Bill:
- 6.1 a moving line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, before housing costs are deducted, that are below 50% of median household disposable incomes;
- 6.2 a fixed line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, after housing costs are deducted, that are below 50% of median household disposable incomes (anchored in a specified year);
- 6.3 a measure of material hardship reflecting the proportion of children living in households with hardship rates below a standard threshold;
- 6.4 a measure of poverty persistence reflecting the proportion of children living in households experiencing income-based poverty and/or material hardship, based on at least one of the measures above, over several years;
- 7 **agree** that the child poverty report described in recommendation 4 must include the following supplementary measures, which will not be subject to target requirements:
- 7.1 a moving line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, before housing costs are deducted, that are below 60% of median household disposable incomes;
- 7.2 a moving line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, after housing costs are deducted, that are below 60% of median household disposable incomes;
- 7.3 a moving line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, after housing costs are deducted, that are below 50% of median household disposable incomes;
- 7.4 a moving line measure reflecting the proportion of children living in households with annual equivalised disposable incomes, after housing costs are deducted, that are below 40% of median household disposable incomes;
- 7.5 a measure reflecting the proportion of children living in households experiencing severe material hardship;
- 7.6 a measure of severe poverty reflecting the proportion of children living in households with hardship rates below a standard threshold and with annual equivalised disposable incomes, after housing costs are deducted, that are below 60% of median household disposable incomes;
- 8 **agree** that the legislation require that reporting on the poverty persistence measure in recommendation 6.4 begin by 2024, when a suitable measure will be available;

- 9 **agree** that the child poverty report described in recommendation 4 must include a technical appendix that describes the methodology used for each of the primary and supplementary measures specified in recommendations 6 and 7;
- 10 **note** that MSD intends to continue to produce further detailed reporting of a similar nature to the Household Incomes Report;
- 11 **note** that in order to support the new reporting regime, there is a need to improve the data sets used to measure child poverty, and to develop a new poverty persistence measure;

s9(2)(f)(iv), s9(2)(g)(i)

12

Child poverty targets

- 13 **agree** that the legislation require that the responsible Minister publish longer-term ten year targets for reducing child poverty;
- 14 **agree** that the legislation require that the responsible Minister publish intermediate three-year targets for reducing child poverty;
- 15 **agree** that legislation require that the long-term and intermediate targets be set for each of the primary measures specified;
- 16 **agree** that legislation requires the targets to be set:
- 16.1 within 12 months of the legislation coming into force for the three primary measures for which data is available, namely those measures specified in recommendations 6.1, 6.2 and 6.3 above;
- 16.2 by 2024 for the persistence measure in recommendation 6.4 above;
- 17 **agree** that legislation require the responsible Minister to review the intermediate targets for the primary measures of child poverty at least once every three years;
- 18 **agree** that legislation require the responsible Minister to consider the on-going appropriateness of the ten-year targets for the primary measures of child poverty at least once every three years;
- 19 **agree** that legislation require the responsible Minister to review the longer-term targets for the primary measures of child poverty at least once every ten years;

Our first long-term targets

- 20 **note** that the proposed targets align with or exceed the previous Government's commitment to the United Nation's Sustainable Development Goals of halving poverty on national measures by 2030;
- 21 **agree** that the first ten-year targets to be achieved are:

21.1 for the before-housing-costs 50% moving line measure: 5% of all children

21.2 for the after-housing-costs 50% fixed line measure: 10% of all children

21.3 for the material hardship measure: 7% of all children;

- 22 **note** that I intend to work to meet the target identified in recommendation 21.1 within our first two terms of Government;

Strategy for improving children's wellbeing

- 23 **agree** to amend Part 1 of the Vulnerable Children Act to replace the existing provisions for setting Ministerial priorities with new provisions requiring the responsible Minister to publish a strategy for improving children's wellbeing;
- 24 **agree** that the legislation require the responsible Minister to:
- 24.1 publish the strategy within 12 months of the legislation being passed;
- 24.2 review the strategy every three years;
- 25 **agree** that this strategy must:
- 25.1 set out the policies that Government has implemented, and those it intends to implement, to improve the wellbeing of children;
- 25.2 set out the policies that Government has implemented, and those it intends to implement, to reduce child poverty and socio-economic disadvantage;
- 25.3 set out the outcomes that are sought for children in New Zealand and how these outcomes will be measured;
- 25.4 include an assessment of the likely impact on child poverty of the policies outlined in the strategy, as well as the impact of any expected economic changes;
- 26 **agree** that the legislation require the responsible Minister to consult with Māori in the development of the strategy;
- 27 **agree** that the legislation require the responsible Minister to consult with children in the development of the strategy;
- 28 **agree** that the legislation require the responsible Minister to report annually on progress in achieving the outcomes set out in the strategy;
- 29 **agree** that the legislation require the reporting in recommendation 28 above include monitoring of disparities between outcomes for children in poverty and socio-economic disadvantage, and outcomes for all children;
- 30 **agree** to amend the legislation to require, once the child wellbeing strategy is published, that chief executives of children's agencies jointly develop a plan setting out how they will work together to improve the wellbeing of the groups of children currently specified in section 9(2) of the VCA, namely:
- 30.1 children and young people with early risk factors for future involvement in the statutory care, protection and youth justice systems

30.2 children and young people receiving assistance, youth justice services, care or transition support services under the Oranga Tamariki Act 1989

30.3 care-experienced children and young people aged up to 21;

- 31 **agree** to change the name of the Vulnerable Children Act to the Children's Act;
- 32 **agree** to amend the Vulnerable Children Act to rename the "Vulnerable Children's Plan" an "Oranga Tamariki Action Plan";
- 33 **agree** that that the legislation require that the Oranga Tamariki Action Plan must set out the steps CEs will take to achieve any specific policy priorities, identified in the Ministerial strategy, for children with early risk factors for statutory involvement in services provided by Oranga Tamariki, children and young people whom Oranga Tamariki works with, and care-experienced children up to age 21;
- 34 **agree** that the Prime Minister may, at her or his discretion, designate separate responsible Ministers for the targets, strategy, and plan;
- 35 **agree** that the Minister for Child Poverty Reduction and the Minister for Children be jointly responsible for overseeing the development of the wellbeing strategy;
- 36 **invite** the Minister for Child Poverty Reduction and the Minister for Children, in consultation with other relevant Ministers, to report back to Cabinet in December 2017 on the process for developing the child wellbeing strategy;
- 37 **agree** that the Minister for Children will be responsible for approving the "Oranga Tamariki Action Plan";

Budget day reporting

- 38 **agree** that the Minister of Finance be required by legislation to present to the House of Representatives immediately after he or she has delivered the Budget, or at any time prior to that time on the same day, information on how the measures contained in that Budget;
- 38.1 contribute to the achievement of the published longer term and intermediate targets;
- 38.2 are consistent with the strategy required in recommendation 23 above;
- 39 **agree** that the information presented must include an assessment of:
- 39.1 how Budget measures are consistent with the approach to reducing child poverty outlined in the Government's wellbeing strategy;
- 39.2 as far as possible, an assessment of how Budget measures are expected to impact on primary measures of child poverty;

Financial implications

s9(2)(f)(iv), s9(2)(g)(i)



Further targeted consultation

- 43 **agree** to further consultation on the policy decisions for the legislation in this paper, including with Māori representative groups with a demonstrated interest in child poverty, and with non-government organisations representing children's interests;
- 44 **agree** that this consultation may include the use of relevant extracts of the draft bill;
- 45 **note** that any significant policy changes proposed from this consultation will be submitted to Cabinet for decisions;

Legislative implications

- 46 **note** that the proposals contained in this Cabinet paper will require amendments to existing legislation;
- 47 **invite** the Minister for Child Poverty Reduction to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in this paper;
- 48 **authorise** the Minister for Child Poverty Reduction to make technical and administrative changes required to finalise draft legislation giving effect to the proposals in this paper, in keeping with the overall policy aims of the proposals, and in consultation with other Ministers as appropriate;
- 49 **note** that any substantive policy decisions required to finalise draft legislation for inclusion in the Bill will be submitted to Cabinet for decisions;
- 50 **note** that it is intended that the Bill will be introduced and referred to a select committee;
- 51 **agree** to include a Child Poverty Bill in the 2018 Legislation Programme with a priority of Category 1 or 2;

Publicity

- 52 **note** that if Cabinet agrees to this paper, I will make a statement to the media at my post-Cabinet press conference indicating that we are making progress on the Bill, and are on track to introduce it during our first 100 days in office.

Rt Hon Jacinda Ardern
Minister for Child Poverty Reduction

____ / ____ / ____