DEPARTMENT OF THE
PRIME MINISTER AND **CABINET**
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

7 April 2022

[redacted]

Ref: OIA-2021/22-1093

Dear [redacted]

Official Information Act request for Child Poverty Reduction Reports

Thank you for your Official Information Act 1982 (the Act) request received on 11 March 2022. You requested:

> *"This is an Official Information Act request for all internal reports produced and briefings to ministers on child and youth wellbeing during Covid19 since March 2020. This includes any documents outlining the project to be undertaken to understand these impacts, and any results or reports including interim reports produced as part of this.*
>
> *I look forward to receiving this within the 20 days stipulated under the act. Please feel free to contact me if you have any questions"*

On 16 March 2022, an official from the Department of the Prime Minister and Cabinet (DPMC) contacted you to advise we have interpreted your request as seeking internal DPMC reports and briefings to Ministers that are specifically focused on the impacts of the COVID-19 pandemic on child and youth wellbeing.

In response to your request, please find enclosed the following documents:

Item	Date	Document
1.	9 July 2020	Briefing: *The Implications of COVID-19 for Child Poverty Rates and Targets*
2.	29 July 2020	Aide-Memoire: *CPAG Analysis on Impact of COVID-19 on Child Poverty*
3.	20 September 2021	Memorandum: *Early Insights on Impacts of Lockdown on Child and Youth Wellbeing*

Some information has been withheld under section 9(2)(a) of the Act, to protect the privacy of individuals.

I am advised that the following two papers which are also within scope of your request were previously released to you by DPMC's Media team on 18 March 2022 and therefore not been included as part of this response:

- Memorandum: *COVID-19 Delta Resurgence: Child and Youth Wellbeing Impacts* dated 14 October 2021; and

Executive Wing, Parliament Buildings, Wellington, New Zealand 6011
64 4 817 9698 www.dpmc.govt.nz

- Memorandum: *COVID-19 Factors Supporting Children and Young People's Resilience* dated 8 December 2021

Please note, the collection of intelligence and data for the document, *Early Insights of Impact of Lockdown on Child and Youth Wellbeing,* was pulled together at pace and from multiple places and some of the referencing may now be inaccurate. For example, there are references included in the document to 'Insights from MYD Youth Providers' however these intelligence points were actually gathered from a broader range of agencies and organisations through their intelligence gathering and reporting.

The briefing *The Implications of COVID-19 for Child Poverty Rates and Targets* dated 9 July 2020 includes policy advice which was formulated at pace. The fiscal impacts of COVID-19 and their impact on our targets are now clearly defined in the Child Poverty Budget 21 Report which is available through the following link:
https://budget.govt.nz/budget/2021/wellbeing/child-poverty-report/index.htm

In making my decision, I have considered the public interest considerations in section 9(1) of the Act.

You have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the Act.

This response may be published on the Department of the Prime Minister and Cabinet's website during our regular publication cycle. Typically, information is released monthly, or as otherwise determined. Your personal information including name and contact details will be removed for publication.

Yours sincerely

Clare Ward
Executive Director,
Child Wellbeing and Poverty Reduction

DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Briefing

THE IMPLICATIONS OF COVID-19 FOR CHILD POVERTY RATES AND TARGETS

To: Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction			
Date	9/07/2020	**Priority**	MEDIUM
Deadline	22/07/2020	**Briefing Number**	DPMC-2020/21-10

Purpose

1. This briefing provides you with advice on the implications of COVID-19 for child poverty rates and targets. It includes advice on:

    - assessing the impact of COVID-19 on progress towards both the ten year and the three year targets, and the likelihood they will be achieved.
    - navigating some of the other requirements related to targets under the Child Poverty Reduction Act 2018, including the need for you to review your first set of three year targets and set your next round of three year targets, both by June next year.

Executive Summary

2. The COVID-19 pandemic is a 'once in a century' public health shock that will have a profound impact on the New Zealand economy, and place a significant number of families under increased financial pressure. While the real-life impact on poverty for households is likely to be relatively clear, the impact on *measured* poverty is less so - an economic downturn can mean different things for different measures:

    - **rates on fixed line measures of low income (including the AHC50 primary measure) are likely to rise** – past experience in NZ indicates there is a clear relationship between unemployment and rates of child poverty, which is largely the result of people losing their jobs and the incomes of households with children shifting under poverty lines. Experience also shows that policy settings such as income support can mitigate (or exacerbate) this impact.
    - **rates on moving line measures (including the BHC50 primary measure) could go in either direction** – rates on moving line measures of low income can have more muted increases, or show no increase at all. There can even sometimes be small reductions on these measures, if median incomes drop faster than low incomes.
    - **rates on the standard material hardship measure are likely to increase sharply** – of the measures, the impact of an economic downturn on material hardship is likely

to be strongest, as this reflects the circumstances of both the newly unemployed, and also working households whose financial circumstances are precarious and who relatively easily fall into material hardship.

3. The different likely trajectories for the various measures reflects a key strength of the multi-measure approach used by the Child Poverty Reduction Act 2018, which is designed to monitor different aspects of child poverty in New Zealand, including how low income households are faring relative to middle New Zealand and also relative to fixed standards.

4. This report provides you with more explanation of the impact of past recessions, including the Global Financial Crisis (GFC), on the child poverty measures in New Zealand, to help explain what lies behind the trends. It shows that, for two of the primary measures in particular, there is a fairly close relationship between trends on measured rates and economic trends related to employment and earnings. It also indicates that the expected increase in poverty on these measures is likely to mainly reflect an increase in need through the newly unemployed, and potentially lower income workers on reduced earnings, rather than an increase in need amongst existing beneficiaries.

5. The report also provides you with updated modelling on possible trends for child poverty rates. Previous modelling presented in the Budget 2020 Child Poverty Report had some limitations that meant it was likely to underestimate the impact of COVID-19 on the income distribution, and it was also based on economic forecasts and scenarios that have since been superseded. We commissioned new estimates based on improved modelling and more recent economic forecasts. The trends continue to follow the same broad pattern as earlier modelling, but the rises and falls are more accentuated – in particular, projected increases on the fixed line measure are more substantial.

6. This report also provides you with some high level advice on the implications of COVID-19 for the Government's child poverty targets, including on:

   - **the likelihood that your first set of three year targets will be achieved.** The final year of your three year targets is 2020/21, which is also the year in which the impact of COVID-19 on employment is forecast to be at its worst. Prior to COVID-19, the Government was broadly on track to meet its three year targets; now, our overall assessment is that it is still likely that the three-year target will be met on the before-housing cost measure, but unlikely that the targets will be met on the after-housing-cost and material hardship measures.

   - **progress towards (and achievability of) your ten year targets.** While rates on some measures are likely to rise in the short-medium term, they should slowly fall again over the longer term as the economy recovers and unemployment falls. The implications of COVID-19 for your long-term targets will thus mainly depend on the size of the economic impact and the speed of the recovery. This is highly uncertain now, but should become clearer, and we suggest you assess whether your long-term targets are achievable at a later date. Next year is likely to be a more suitable time - partly because it would enable you to have Stats NZ's latest rates, but mainly because by then the economic implications of COVID-19 should be more apparent.

   - **an approach to the statutory requirement that the first three year targets be reviewed.** Under the legislation, the targets must be reviewed at least once within the period they cover – so the first three year targets must be reviewed by June next year. The legislation does not explicitly state what kind of review must take place, and it could be as simple as confirming the three year targets as they currently stand. An alternative option is to consider them as part of a more fundamental review of both the ten year and three year targets.

- **the setting of your second round of three year targets.** You are also required to set your next targets by June 2021, and you had previously indicated that you would like to set them once you have the latest rates from Stats NZ (for 2019/20) early next year. We recommend you continue with this approach, but note that there will be some unavoidable challenges involved. Not only will you need to once again set targets without confirmed rates for the baseline year, the 2019/20 rates you will have available to you will be 'pre-COVID', whereas the 2020/21 baseline rates will be 'post-COVID'. We will provide you with our best estimates, but we recommend you set the targets on a provisional basis, and then confirm them once you have a confirmed baseline.

7. Overall, we propose that we provide you with a set of advice in between February and April next year covering a set of inter-related topics: advice on the Stats NZ release for the 2019/20 year and progress towards the targets; advice on the statutory review of the three year targets, which could be potentially combined with a broader review of the ten year targets; and advice to help you set your second round of three year targets, which would include our 'best estimate' of the baseline rate for 2020/21. There is an opportunity to discuss your preferred approach with DPMC officials at our next meeting scheduled for 30th July.

Recommendations

It is recommended that you:

a) **note** that prior to COVID-19 the Government was broadly on track to achieve its three year child poverty targets;

b) **note** that the economic impact of COVID-19 now means that is still likely that the three-year target will be met on the before-housing cost measure, but unlikely that the targets will be met on the after-housing-cost and material hardship measures;

c) **note** that the ten year targets may still be achievable, but this depends on the size of the economic impact of COVID-19 and the speed of the recovery;

d) **note** that the Child Poverty Reduction Act requires you to review the Government's first round of three year child poverty targets by 30 June 2021;

e) **agree** that the Child Poverty Unit provide you with advice that will enable you to meet the requirement to review the three year targets in early 2021, following the release of Stats NZ's rates in February;

Yes / No

f) **indicate** if you wish to receive further advice in early 2021 on the implications of the economic impact of COVID-19 for your ten year targets;

Yes / No

g) **note** that the Child Poverty Reduction Act requires you to set your next three year child poverty targets by 30 June 2021; and

h) **agree** that the Child Poverty Unit provide you with advice to help you set your next round of three year targets in early 2021, following the release of Stats NZ's rates.

Yes / No

Kristie Carter
Director, Child Poverty Unit

...../...../2020

Rt Hon Jacinda Ardern
Prime Minister
Minister for Child Poverty Reduction

...../...../2020

Contact for telephone discussion if required:

Name	Position	Telephone	1st contact
Kristie Carter	Director, Child Poverty Unit	s9(2)(a)	✓
Tim Garlick	Principal Analyst, Child Poverty Unit		

Minister's office comments:

- ☐ Noted
- ☐ Seen
- ☐ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to

THE IMPLICATIONS OF COVID-19 FOR CHILD POVERTY RATES AND TARGETS

Background

1. As you know, under the Child Poverty Reduction Act 2018 ('the Act'), the Government has set ambitious ten year targets that aim to reduce rates of child poverty on the primary measures by at least half by 2027/28. The three year targets in the Act are intended as intermediate 'markers of progress' towards those long term targets:

   - The Government has set its first three year targets under the Act, and we are now in the third and final year of the first target period - the first round of three year targets covers the 2018/19, 2019/20, and 2020/21 financial years.
   - Under the legislation, you are required to set your next round of three year targets before the beginning of the next target period – so by June next year. The target period for the second round of targets covers the 2021/22, 2022/23, and 2023/24 financial years.
   - After that second target period ends, there will be one more three year target period (2024/25, 2025/26 and 2026/27) before the ten year targets are due to be achieved in 2027/28.

2. One of the requirements of the Act is that you must undertake a review of your targets at some point during the period they cover – so the first round of three year targets must be reviewed by June next year. The ten year targets could be reviewed at the same time, but they do not need to be – the Act only requires that these are reviewed at least once over the ten year period to which they apply.

Likely high level trends for child poverty rates

3. The 2020 Child Poverty Budget Report included a high level discussion of the likely impact of a recession on child poverty measures. It noted an economic downturn can mean different things for different measures, and the results can sometimes be counterintuitive:

   - Rates on measures of low income with a fixed threshold (including the **AHC50 primary measure**) are expected to increase, as reduced employment and earnings flows through to reduced household incomes for households on lower incomes – including those currently above the poverty lines.
   - On moving line measures of low income (including the **BHC50 primary measure**), impacts are harder to predict – they can have more muted increases, show no increase at all, or even show a small fall, if median incomes fall faster than low incomes.
   - On measures of **material hardship**, rates are expected to rise strongly, as previous NZ experience suggests that these rates are particularly sensitive to economic changes.

4. This report provides further explanation of these high level trends, based on past New Zealand experience, before providing you with new modelling (which has been improved and updated to take into account more recent economic forecasts) and considering some of their implications for your child poverty targets.

The impact of a recession on the primary measures

5. The section below shows how past recessions have impacted on child poverty rates, to illustrate the specific ways in which economic changes are likely to affect the primary measures. The different trajectories for the various measures reflects a key strength of the multi-measure approach used by the Act, which is designed to monitor different aspects of child poverty in New Zealand.

There is a close relationship between unemployment levels and rates of poverty on fixed line measures, but income support settings still make a big difference.

6. The fixed line measure uses a threshold anchored in a particular year, which means it is best suited to comparing year-to-year changes in child poverty.

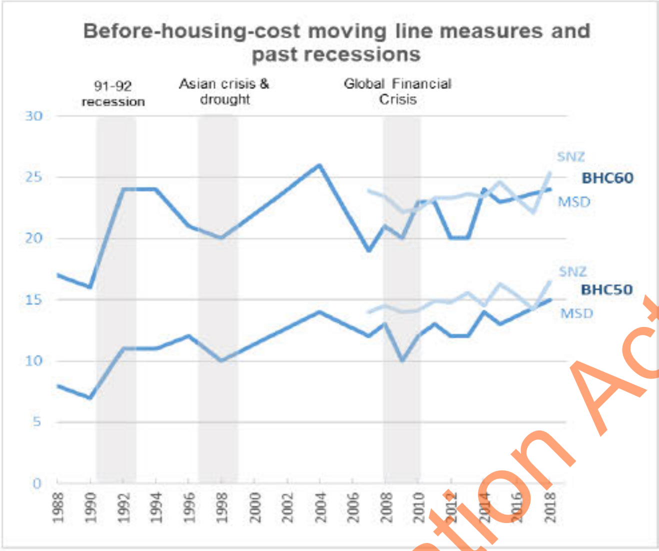
7. This graph shows the trend for the poverty rate for fixed line measures (in blue) mapped against the unemployment rate (in red) for the past three decades. It suggests there is a clear relationship between the two, with both indicators rising and falling together. Job losses tend to result in a fairly significant fall in household income, often shifting those incomes from above poverty lines to below them.

8. A simple comparison of the trends in the early 1990s gives the initial impression that the relationship between unemployment rate and poverty is very strong. There were however other factors involved: the peak of unemployment in 1990-1993 came at the same time as the benefit cuts, and also the shift to market rents for those in public housing, both of which had a significant impact on the residual incomes of the poorest families in New Zealand. By contrast, following the GFC in New Zealand there were no benefit cuts and no significant changes to the level of support provided to those in public housing, which meant that the impact on the AHC50 Fixed Line was less dramatic in that downturn.

9. In response to COVID-19, the Government *increased* current assistance levels, through permanent increases to benefits, and additional temporary income support for the 2020/21 year (doubled Winter Energy Payment, COVID Income Relief Payment). This should somewhat reduce the extent of the shock to household income associated with job loss, and mitigate the extent to which unemployment translates to an increase in measured poverty. One can still expect fixed line measures to rise materially, but not as sharply as the forecast rise in unemployment in the graph above.

Rates on moving line measures could go in either direction, but trends should be more muted

10. With the moving line measure, the poverty threshold is set each year in relation to the median, which means that reported rates are influenced by both changes at the middle of the income distribution as well as those towards the bottom. This makes trends during a recession less predictable, as it is depends on the nature of how any downturn specifically impacts on the income distribution.

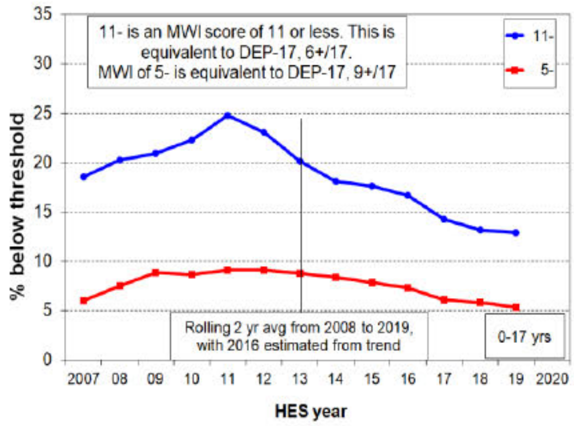


11. During past recessions, NZ has seen different trends on rates on moving line measures. Rates on these measures rose significantly during the 1991/92 recession (although as noted above they also coincided with the benefit cuts), but fell slightly during the recession that followed the Asian crisis. During the GFC, there was some measurement 'noise', but the underlying trend was that the rates were broadly flat on BHC50, but rose on BHC60. This is likely to reflect both trends at the median (which had been rising but flattened off after the GFC), but also where the incomes of beneficiaries at that time sat relative to the poverty thresholds on both BHC measures (generally below BHC60, but with a significant proportion above BHC50).

Rates of 'standard' material hardship are particularly sensitive to economic changes, which in part reflects the changing fortunes for 'non-poor' households[1]

12. As you know, Stats NZ measures material hardship in NZ using the Dep-17 index, which covers various items like not eating fresh fruit or vegetables, putting off a visit to the doctor, or not being able to pay the electricity or gas bill on time. The thresholds for 'standard' material hardship is set at a score of 6 or more 'deprivations'.

13. Evidence from both NZ and overseas indicates that trends for rates on the 'standard' measures of material hardship are very sensitive to the changes in economic fortunes of a country, showing greater percentage point changes than the corresponding income measures do.

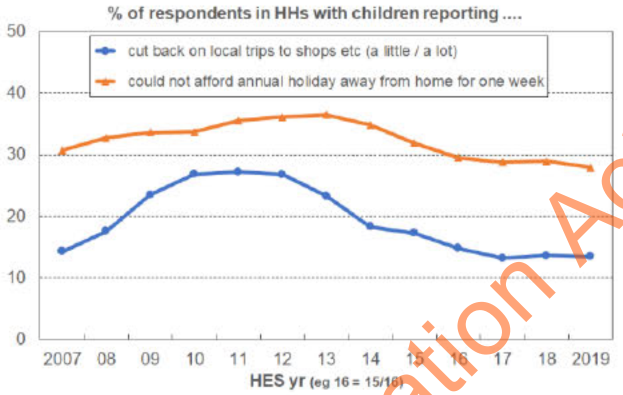


14. This in part reflects the fact that there are many working households with incomes above standard income poverty lines whose financial circumstances are 'precarious to just okay' in normal times. These non-poor households often have financial commitments (eg mortgages, rents, car loans, child-related expenses) that cannot be quickly or easily changed, and fall into material hardship (as measured) more easily if their employment hours are reduced.

[1] This section draws on Ministry of Social Development analysis reported in their annual publications on household incomes and material wellbeing

15. Research by Eurostat on the impact of the GFC on European Union countries found common features in the ways households curtail expenditure when financial difficulties hit. Items on the EU-13 index initially affected were 'holidays', 'replacing furniture', 'leisure activities', before those related to core basic needs such as food, clothing, and heating, and then regular financial commitments such as keeping up with the bills, internet connection, and access to a vehicle.

16. The chart at right shows the way two DEP-17 items changed for NZ households with children following the GFC (cutting back on trips to the shops, being unable to afford an annual holiday). These items are less 'essential' than other items on the index, but contributed to the strong rise and fall in material hardship – they largely reflected the financial restrictions and subsequent loosening for 'non-income-poor' households.



17. As the graphs show, following the GFC rates of material hardship rose to a peak in 2011/2012, as it took some time for the crisis to impact on employment and earnings. By contrast, the impact of the COVID-19 crisis on employment has been more immediate, and we would expect the increase on material hardship rates to be more sudden than for the GFC.

Overall, child poverty measures are sensitive to the economy, and employment is critical

18. The discussion above illustrates that, for two of the primary measures in particular, there is a fairly close relationship between trends on measured rates and economic trends related to employment and earnings, though income support settings make a big difference to the size of those trends. It also indicates that the expected increase in poverty on these measures is likely to mainly reflect an increase in need through the newly unemployed, and potentially lower income workers on reduced earnings, rather than an increase in need amongst existing beneficiaries.

Updated modelling of the impact of child poverty on COVID-19

19. Treasury undertook TAWA modelling of possible trends in child poverty for the 2020 Budget Report. This modelling estimated the trajectory for child poverty rates based on the economic forecast available at the end of March (which predated the Budget Economic and Fiscal Update), and tested the sensitivity of this modelling to different unemployment forecasts – using the economic scenarios published by the Treasury in early April. Officials' stated view was that the modelling was likely to underestimate the expected rises in poverty rates - because the modelling could not fully reflect the 'step change' that was likely to occur in the income distribution – particularly due to widespread job losses.

20. The Treasury have since further developed TAWA so that it can now better model the impact of job loss[2], and also updated the economic assumptions using the forecast in BEFU. To test the impact of different levels of unemployment, sensitivity analysis has again

[2] Treasury developed a new 'Job Loss module', which randomly selects a group of working individuals, removes their income from employment, and then calculates their resulting income based on the tax and transfer system.

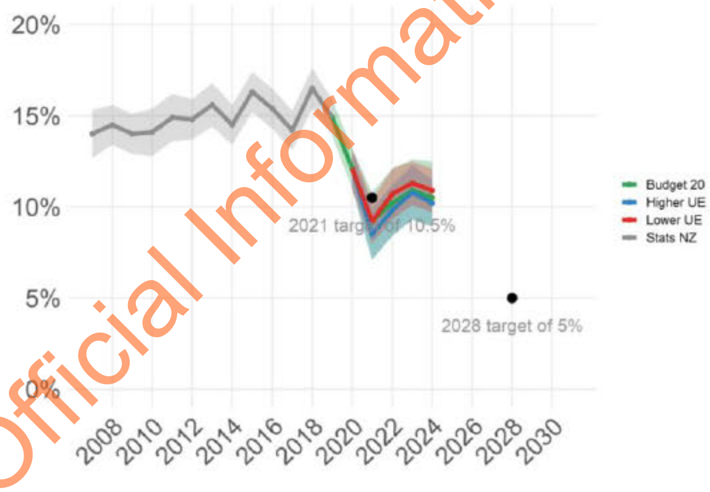
been included using different assumptions around the unemployment rate. This is drawn from Treasury analysis in recent weeks, developed after the country had progressively shifted down the various COVID-19 alert levels.

21. The graphs below show the results of this modelling, with projected child poverty rates based on the economic forecast in BEFU (the green line in the graphs below), and alternative projections based on a higher unemployment estimate (blue line) and a lower unemployment estimate (red line):

Tax year	Lower unemployment estimate (red line)	BEFU20 unemployment estimate (green line)	Higher unemployment estimate (blue line)
20/21	6.10%	8.80%	11.40%
21/22	3.70%	6.70%	9.80%
22/23	2.30%	5.50%	8.80%
23/24	1.70%	5.10%	8.40%

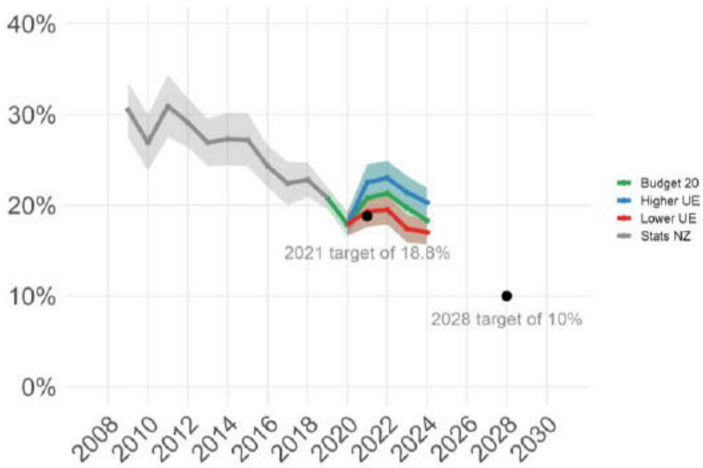
22. The broad shape of the trends for child poverty are consistent with the earlier modelling for the Budget Report, but the size of the rises and falls are more accentuated:

- On the **before-housing-cost moving line measure**, rates are modelled to decrease from 2018/19 to 2020/21 – initially from the impact of the Families Package, but also owing to a reduction in median incomes for households. Rates then steadily rise, reflecting the increase in the number of households supported by benefits or on lower incomes while employed (due to reduced earnings).



- This modelling shows that higher levels of unemployment actually result in *lower* rates of child poverty, due to the impact on median incomes shifting the threshold. On this measure, the three year targets are met for all three projections.

- On the **after-housing-cost fixed line measure**, rates are modelled to fall in 2019/20, mainly due to the Families Package. Rates then increase in 2020/21 and 2021/22 as the economic impact of the COVID-19 crisis takes effect, before falling again as employment recovers.



- On this measure, higher levels of unemployment flow through to higher rates of child poverty. On the lower unemployment estimate, the three year targets are achieved, whereas the targets are not achieved on the two projections based on higher unemployment forecasts.

23. A strong note of caution is required in relation to this modelling. All modelling is highly dependent on the data and assumptions used and is subject to a degree of uncertainty. The level of uncertainty is much higher for this particular modelling due to the unpredictable nature of the impact of COVID on the economy and incomes, and the difficulty in replicating that impact in the modelling.

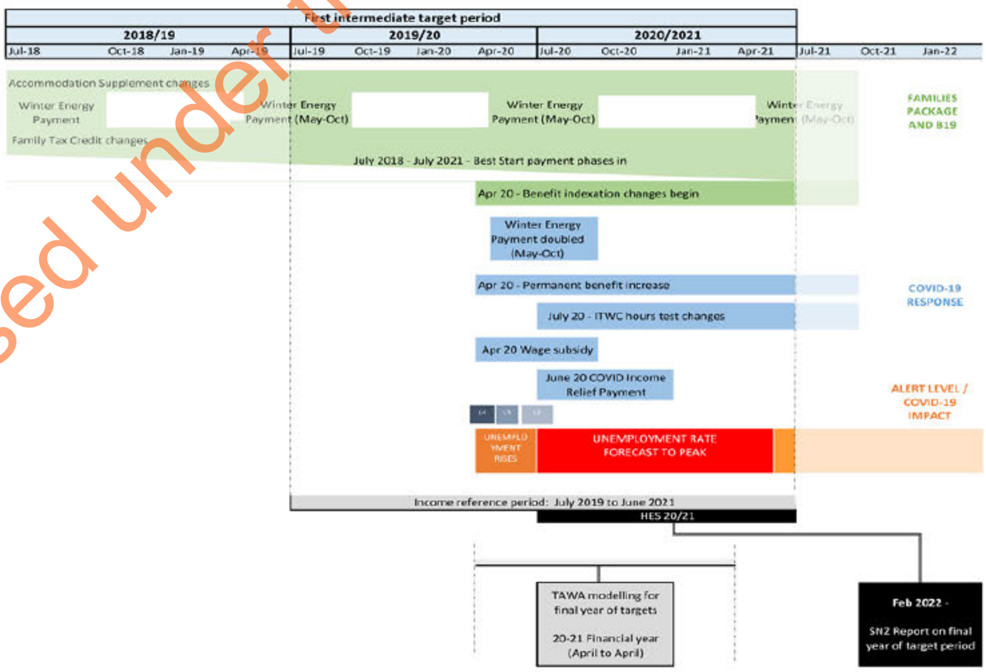
24. We cannot model projections for material hardship, and so are reliant on past experience for expected trends - we can expect standard material hardship to rise from 2020/21 onwards, with smaller rises for severe hardship. We also have not yet modelled any projections for the supplementary low income measures, but this is available and we can provide this on request and/or as part of advice to you early next year.

Implications for achieving your first set of three year targets

25. We have now reached the final year of the first intermediate target period (2020/21), which is the year in which the economic and social impact of COVID-19 is expected to be greatest. This will certainly increase the risk that the three year targets will not be achieved, but there are also a couple of factors that reduce that risk:

- As well as various measures to support business and minimise job-loss, the Government has introduced substantial income support measures that will significantly reduce the impact of increased unemployment, all of which take effect in the 2020/21 year. In addition to the significant increases through the Families Package and indexation, you have introduced an additional permanent benefit increase, doubled this year's Winter Energy Payment, and introduced the COVID-19 Income Relief Payment.
- The lag that applied to the impact of the Families Package also applies to the impact of COVID-19 on the income measures, which means that the reporting on the 2020/21 year effectively covers household circumstances across 2019/20 and 2020/21, and only some of the impact of COVID will be apparent in the reporting on the final year of the target period.

26. The diagram below illustrates the timeframes for key income support initiatives and the economic impact of COVID, and how they relate to the reporting for the 2020/21 year.



27. Prior to COVID-19, our advice was that the Government was broadly on track to meet its three year targets. For the low income measures, modelling indicated that the full impact of income support changes was expected to result in reductions broadly in line with what was needed to reach the three year targets, and the Stats NZ release (which showed a partial impact from the Families Package) showed reductions that were in line with that modelling. Some uncertainty remained in relation to material hardship, as it could not be modelled and Stats NZ's release showed no initial reductions on this measure. But it remained too early to say either way on material hardship, as the impact of the Families Package on this measure was affected by two 'lags' – the reporting delay which sees the impact of changes only partially showing through in the reporting initially, and the 'real world' delay for changes in income flowing through to improved day-to-day living conditions.

28. Now that the pandemic has struck, and the economic implications are becoming clearer, our overall assessment is that it still likely that the three-year target will be achieved on the before-housing-cost measure, but unlikely that the targets will be met on the after-housing-cost and material hardship measures. The judgement call on the last two measures takes account of both the upward pressure on rates from the economic downturn and the downward pressure from the policy changes, noting the uncertainty in each. What is clear is that, without the policy changes, the trend in both these rates would have been significantly higher than what we will see them to be in the upcoming Stats NZ releases.

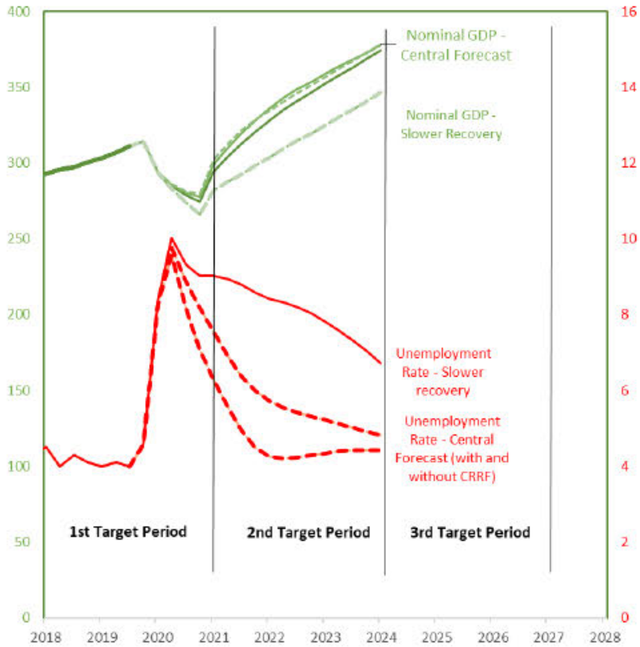
Implications for achieving your ten year targets

29. While rates on some of the measures of child poverty are likely to rise, they should slowly fall again as the economy recovers, unemployment falls, and earnings increase. The challenge for assessing the extent to which the ten year targets are still achievable is that there is currently a very high degree of uncertainty about the nature of the economic impact, the likely speed of the country's recovery, and the funding available in the future for further transfers to low income families in New Zealand.

30. The level of uncertainty regarding the economy can be seen in the Treasury's economic forecast for Budget 2020. In their main forecast, the New Zealand economy is substantially impacted in the 2019/20 and 2020/21 years, but then bounces back, with economic activity recovering over the remaining three years of the forecast period. From a pre-COVID rate of around 4%, unemployment approaches 10% by September 2020, but then eases to around 8% by mid-2021, 6% in mid-2022, and 5% in 2022/23 and 2023/24.

31. But Treasury's update also included an alternative scenario where the economic shock is more persistent, and the recovery more gradual. After the initial peak, unemployment is persistently around 2-3 percentage points higher, ending the forecast period close to 7%.

BUDGET ECONOMIC AND FISCAL UPDATE - FORECASTS FOR GDP AND UNEMPLOYMENT RATE



32. A long, severe recession could make the ten year targets very challenging to achieve, whereas a short economic shock and speedy recovery would make achieving the targets still feasible, albeit more challenging.

33. The country's fiscal position is another factor to be taken into account when considering the achievability of the long-term targets. Previous advice noted that reaching the target on the moving line BHC50 measure would likely involve significant income support packages every few years; the impact of COVID-19 on the Government's balance sheet may have made such an approach less feasible.

34. Given the level of uncertainty regarding the likely shape of the economic impact of COVID-19, we consider that it is too soon to assess whether your long-term targets are still achievable. Next year is likely to be a more suitable time than now - partly because it would enable you to have Stats NZ's latest rates, but mainly because by then the economic implications of COVID-19 should be more apparent (as will your fiscal position).

Approaching your statutory review of the first three year targets

35. One of the requirements of the Act is that you undertake a review of your targets (both three year and ten year) at some point during the period they cover – so the first round of three year targets must be reviewed by June next year. The legislation does not specify what form the review must take (it does not require anything to be published), nor what must be considered. At a minimum, it is likely to require that you explicitly consider whether the targets continue to be set at the right level.

36. We are seeking your direction on the nature of the review you would like to take, and your preferred timing for that review. It could occur when you receive the rates from Stats NZ next year, once you know the rates for the second year of the target period. The review could be as simple as confirming the current three year targets as they currently stand, or you could choose to revise them based on the expected impact of COVID-19. A further option available to you is to undertake a more fundamental review of the ten year targets at the same time, taking into account Stats NZ's latest rates (which will show the full impact of the Families Package but will still be pre-COVID) and also the latest economic forecasts.

37. We expect that the review provisions will continue to be a useful feature of the Act on an ongoing basis, as they are a way of navigating some of the complexities surrounding the target-setting aspects of the legislation. Because the legislation requires the responsible Minister to set their targets before a three-year period begins, and the baseline for those targets will always be the last year of the previous three year period, they will not yet have the confirmed baseline rates available when they set the targets. Ultimately, each time the Minister will always be in the position of needing to set targets on a provisional basis, and the statutory review provides a formal process for confirming those targets once they are known.

Setting your next round of three year targets

38. You had previously indicated that you intend to set your child poverty targets in early 2021. We recommend you continue to work to this timeframe, as by this time you should have the latest rates from Stats NZ and clearer economic forecasts, and setting your second set of targets next year is likely to be more complex than usual.

39. Even in ordinary circumstances the need to set targets under the Child Poverty Reduction Act 2018 without a confirmed baseline requires making decisions with some uncertainty. In

the current context, setting your next round of (provisional) targets will be particularly challenging, given the significant impact that COVID-19 is likely to have on rates, and the timing of that impact in relation to the target periods:

- The rates you will receive from Stats NZ early next year will be for the 2019/20 year, which will be almost entirely 'pre-COVID'.
- The second round of targets covers the 2021/22, 2022/23, and 2023/24 financial years, which makes the baseline for the targets the 2020/21 year – the year in which the impact from COVID is going to be seen.

40. This effectively requires that you estimate the likely impact of COVID-19, and set your targets as reductions off that estimate. The Child Poverty Unit will work with MSD and the Treasury to provide our 'best estimate' of the baseline for the targets, drawing from modelling and other sources. As with the first round of targets, we suggest you announce your targets as indicative only, signal that you will confirm (or slightly adjust) the targets once the confirmed baseline is known in early 2022, and will do so using the 'statutory review' provision in the Child Poverty Reduction Act 2018.

Next steps

41. We propose that we provide you with a set of advice in March/April 2021, which covers a set of inter-related topics:

- the Stats NZ release for the 2019/20 year, the full impact of the Families Package, and progress towards the targets;
- the statutory review of the three year targets, which could be potentially combined with a broader review of the ten year targets if you wish;
- analysis to help you set your second round of three year targets, including a 'best estimate' of the baseline rate for 2020/21.

42. There is an opportunity to discuss your preferred approach with DPMC officials at the next meeting scheduled for 30th July.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Aide-Memoire

CPAG ANALYSIS ON IMPACT OF COVID-19 ON CHILD POVERTY

To:	Rt. Hon Jacinda Ardern, Minister for Child Poverty Reduction		
From:	Tim Garlick, Principal Analyst, Child Poverty Unit	**Date:**	29/07/2020
File Number:	PMC-AGS-3-15-10-1	**Briefing Number:**	DPMC-2020/21-62

Purpose

1. This aide memoire provides you with brief description of, and comment on, a recent Child Poverty Action Group (CPAG) background paper, titled *A Scenario for Changes in Child Poverty Rates from the COVID-19 Recession*. A copy of the paper is attached to this aide memoire.

2. The analysis in the paper was the basis for a recent story on One News that stated 70,000 more children are "expected to plunge into poverty due to the crisis", which would "bring the number of children living in poverty to at least 300,000". The Child Poverty Unit was not provided with an opportunity to review the paper prior to it being provided to the media, but we have since been sent a copy by CPAG.

Description of the report and its approach, with commentary

3. The CPAG paper aims to estimate the impact of COVID-19 on levels of child poverty in New Zealand. In order to arrive at its figures, the analysis:
   - estimates the number of households who are likely to lose some or all of their employment, based on the patterns seen during the recession that followed the Global Financial Crisis
   - estimates the number of children who will be in poverty on the 50% of median after-housing-costs measure[1], using the recent rate of poverty for children in benefit dependent households (80 percent) and in households with mixed/some employment (15 percent).

4. The approach is the basis for CPAG's estimate that 70,000 additional children will be in poverty, and that the number of children in poverty could rise from "at least 230,000 children to 300,000 children".

[1] The paper is ambiguous about whether the projections are for the moving line or fixed line AHC50 measure. In most places, the paper's estimates appear to be for the moving line measure (a supplementary measure in the Child Poverty Reduction Act 2018), but the paper also refers to the fixed line measure in places (a primary measure).

5. The analytical approach CPAG uses to estimate the rise in the number of children in poverty relies on a number of assumptions which in our view are contestable. These include the assumptions that:
   - there is a relatively direct and simple relationship between the unemployment rate, the number of people supported by benefits, and rates of child poverty;
   - those losing their jobs have the same characteristics (incomes, housing costs, number of children) as those of current beneficiaries – and thus have the same likelihood of being in poverty;
   - recent policy changes such as the increases to benefits and the Winter Energy Payment have no mitigating impact.
6. The estimate of a rise from 230,000 to 300,000 is particularly problematic. The 230,000 figure appears to be taken from the latest rate published in MSD's 2019 Household Incomes Report, which is the figure for 2017/18 - the CPAG report does not use the more recent Stats NZ rates for 2018/19 that were released in February this year. The CPAG analysis simply adds the calculated increase in the number of children in poverty to MSD's 2017/18 figures, and does not factor in any changes for 2018/19 and 2019/20 – in effect, this means that it does not factor in any reductions from the Families Package.
7. We recently provided you with updated TAWA modelling on possible trends for child poverty (table below), which uses a more sophisticated approach to estimating COVID's impact on incomes. It is worth noting that the 'order of magnitude' of CPAG's estimated increases for the after-housing-costs measure is broadly similar to one of the scenarios included in the TAWA modelling, where there is an increase of 61,800 children (± 13,900) across the 2020/21 and 2021/22 years. However, this is only for the scenario with the highest levels of unemployment – where the unemployment rate reaches a peak of 11.4%. Even in this scenario, the modelled number of children in poverty reaches 266,000 (23%), not the 300,000 in the CPAG report, as it follows a significant reduction in 2019/20 from the full impact of the Families Package.

Recent TAWA modelling of possible trends in child poverty (DPMC-2020/21-10 refers).

	NUMBERS OF CHILDREN IN POVERTY					
Population	BEFU		Higher Unemployment		Lower Unemployment	
	BHC50	AHC50	BHC50	AHC50	BHC50	AHC50
2018/19 (SNZ actual)	168,500 ± 11,200	235,400 ± 13,500	168,500 ± 11,200	235,400 ± 13,500	168,500 ± 11,200	235,400 ± 13,500
2019/20	138,100 ± 12,800	204,200 ± 15,100	138,100 ± 12,800	204,200 ± 15,100	138,100 ± 12,800	204,200 ± 15,100
2020/21	105,500 ± 14,500	238,500 ± 20,900	97,300 ± 15,600	257,700 ± 23,200	105,700 ± 13,900	221,300 ± 19,400
2021/22	117,100 ± 16,900	246,500 ± 19,700	112,700 ± 15,800	265,900 ± 21,400	123,900 ± 16,600	225,000 ± 18,100
2022/23	126,500 ± 15,900	228,300 ± 19,900	125,300 ± 16,800	248,100 ± 21,200	131,000 ± 14,200	202,200 ± 17,000
2023/24	122,500 ± 16,100	213,300 ± 16,500	119,500 ± 15,300	236,300 ± 19,100	126,600 ± 13,900	197,900 ± 15,200

DEPARTMENT OF THE PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Memorandum

EARLY INSIGHTS ON IMPACTS OF LOCKDOWN ON CHILD AND YOUTH WELLBEING

To	Rt Hon Jacinda Ardern, Minister for Child Poverty Reduction	**Prepared by**	Child Wellbeing and Poverty Reduction Group
From	Maree Brown, Director Child Wellbeing Unit	**Date**	20/09/2021

Background

1. We are currently scoping a project that will collate and analyse data from government and non-government sources from the period of March 2020 to the present day, to understand the impacts COVID-19 and related measures have had on child and youth wellbeing, including material wellbeing. We expect that this work will assist with:

   - Understanding the likely impact of COVID-19 on the Child and Youth Wellbeing Strategy indicators and measures, including reporting in the 2022 Annual Report on the Strategy

   - Advice on policies and other measures that could best support the wellbeing of particular groups and mitigate further negative impacts.

2. This note provides our very initial review of emerging data and insights from a range of government and non-government sources related to the current lockdown. It also provides comparisons with the 2020 data where possible. We expect to provide you with a further update on this work in October.

Emerging insights from the current lockdown

Public Health Information

3. Timely access to accurate information is shaped by how and whether young people access the internet.
   - Concerns are emerging about misinformation being shared among young people, with pockets of vaccine hesitancy particularly present on social media (e.g. Tik Tok).[1]
   - The digital divide is becoming apparent, with many young people unable to access information and book vaccines, or not scanning in on the COVID-19 app, because of a lack of phone data (efforts are being made to ensure essential sites are accessible without data).[2]

[1] Insights from Ministry of Youth Development (MYD) Youth Providers

[2] Ibid.

Mental Wellbeing and Safety

4. Children and young people's need for mental health support has increased further, and is expected to remain high, possibly for years to come.
   - Youthline reported a 300% increase in contacts from young people reaching out for support within the first 24 hours of the country moving to alert level 4, which included a 200% increase in young people who had not contacted them before (MYD and Youthline are looking into this further).[3]
   - A significant proportion of the calls to Youthline relate to reporting safety/abuse issues. There are concerns that this will increase further once Auckland is out of level 4, as a backlog of people come forward. Youthline notes that resumption of programmes like Mates and Dates – which are preventative, but also tend to surface issues for children who have already been subject to sexual violence, and therefore lead to more disclosures – will likely further increase demand, and the specialist workforce may be overwhelmed.[4]
   - Oranga Tamariki reported an increase in concerns about youth mental health through its call centre, and reports of young people feeling they received a poor response from the *1737-Need-to-talk?* helpline.[5]
   - Fewer people are worried about the health of family members during the Delta lockdown than the April 2020 lockdown (67% at peak 2020 compared with 58% at peak 2021).[6]
   - More people are experiencing symptoms of anxiety or depression during the Delta lockdown than the April 2020 lockdown (13.4% at peak 2020 compared with 15.1% at peak 2021).[7]
   - There is a general view in the sector that mental health impacts of successive lockdowns are cumulative. The mental health fallout of COVID-19 is likely to be generational, as has become evident following the Christchurch earthquakes. Demand for mental health services in Christchurch has remained high for ten years – there is a long tail for children affected by such events, and workforce planning needs to reflect this.[8]

Education

5. Major disruptions to learning due to successive lockdowns are expected to negatively impact educational achievement and school attendance, particularly for students in poverty and/or with work or family responsibilities.
   - Parents in hardship are struggling to provide essentials for children's online learning, particularly IT equipment and heating during the day.[9]
   - Secondary schools report senior students are less engaged with online learning than last lockdown. They are concerned many will need catch-up support to achieve NCEA.[10]

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[3] Insights from MYD Youth Providers

[4] Insights from JV Children and Young Persons (JV CYP) working group

[5] Insights from MYD Youth Providers

[6] COVID-19 Health & Wellbeing Survey

[7] Ibid.

[8] Insights from JV CYP working group

[9] Te Arawhiti - Daily reports on iwi engagement - 25 August

[10] Ministry of Education – COVID-19 Resurgence Situation Report 11 - 3 September 2021

- Heightened anxiety about returning to school post-lockdown is expected to result in reduced attendance.[11]
- Two Māngere colleges have noted an increase in students working during lockdown to support their families.[12] Many rural students are also working due to workloads on farms and pressure on families.[13]
- Some senior students who are preparing for exams are also essential workers (e.g. in supermarkets).[14]
- In general, children and parents are feeling considerable pressure in relation to learning and achievement – some parents may benefit from further messaging to take the pressure off children.[15]

Food Security and Hardship Assistance

6. Food security is a major concern during the Delta lockdown, particularly for Auckland Pacific families. For some families, eligibility criteria and application processes are major barriers to accessing support.
   - There is increasing pressure on families as Auckland remains at Alert Level 4. Increased welfare needs such as food and psychosocial support are anticipated – food supply for Pacific families is a primary concern.[16]
   - Some families may rely on food in schools programmes, which are not available under Alert Levels 3 and 4.[17] Entitlements to food in schools do not 'follow the child' during lockdowns, meaning children's caregivers must undertake extra work to access MSD support with food.[18]
   - Families without citizenship or residency are not approaching MSD for help due to their immigration status. Others are unable to apply for support due to a lack of internet access.[19]
   - Some families are reporting having 'exhausted' or gone into 'negative entitlement' to food/hardship support available through MSD.[20]
   - The Child Poverty Action Group is concerned that some families are not able to access food because parents are being prevented from bringing children into supermarkets with them.[21]
   - 44,439 Hardship Grants were issued during week 1 of the Delta lockdown; more than double the same time last year at 19,446, although still significantly lower than at peak 2020 (69,972 Hardship Grants Week 2 April 2020 lockdown).[22]

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[11] Ministry of Education – COVID19 resurgence Situation Report 12 – 6 September 2021

[12] Ministry of Education – COVID19 Resurgence Situation Report 11 - 3 September 2021

[13] Ibid.

[14] Insights from JV CYP working group

[15] Ibid.

[16] NEMA Situation Report 019 at 1700 NZST on 15 September 2021

[17] Insights from MYD Youth Providers

[18] Te Arawhiti - Daily Report on Iwi Engagement – 6 September

[19] The Salvation Army Social Policy & Parliamentary Unit – COVID-19 Lockdown Briefing 16 September 2021

[20] Ibid.

[21] Insight from JV CYP working group

[22] MSD – Income Support Weekly Update

- More people reported that their household was financially struggling during the Delta lockdown than the April 2020 lockdown (6.5% at peak 2020 compared with 8% at peak 2021).[23]

Housing

7. The housing crisis continues to impact children and young people during lockdown, with serious consequences such as homelessness and exposure to violence.
   - A new group of young people has emerged at risk of homelessness during this lockdown. Some providers were unable to stand up their emergency response in time (although additional emergency housing spaces have been secured during this lockdown).[24]
   - Some family violence providers report that availability of temporary accommodation can be a barrier to Police Safety Orders being used, meaning that people using violence are remaining in households with children.[25]

Youth Justice

8. Young people in the Youth Justice system are at increased risk of isolation during lockdown, with changes in the psychosocial support available to them.
   - There are concerns that prolonged lockdown measures may lead to young people in youth residences absconding.[26]
   - Lockdown restrictions mean that young people in Corrections/Youth Justice facilities are not permitted visitors and issues of isolation therefore emerge as the lockdown restrictions become prolonged.[27]
   - Case manager and psychologist appointments have also moved to online or phone.[28]

Childcare, Custody Arrangements and State Care

9. Parents and caregivers face additional challenges to supervising, caring for, and protecting their children during lockdown.
   - There have been reports of foster carers refusing/being unable to care for tamariki/rangatahi in lockdown, and reports of some staff opting to stay in residences throughout lockdown.[29]
   - Specialists in the field of child custody are reporting parental disputes over vaccination.[30]
   - There is still ambiguous messaging around who is allowed to leave home for what reasons – eg single parents taking young children to the supermarket, or taking children out with them when other adults in the home are not safe to leave alone with children.[31]
   - Childcare pressures as Auckland moves down through level 3 are expected to create barriers to compliance with restrictions.[32]

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[23] COVID 19 Health & Wellbeing Survey
[24] Insights from MYD Youth Providers
[25] Insight from JV CYP working group
[26] Insights from MYD Youth Providers
[27] Ibid.
[28] Ibid.
[29] Insights from MYD Youth Providers
[30] Insight from JV CYP working group
[31] Ibid.
[32] NEMA Situation report 019 at 1700 NZST on 15 September 2021

Disabled children and young people

10. Disabled children and young people report barriers to accessing COVID-19 information, essential healthcare, and keeping themselves safe and well during the pandemic.
    - Young disabled people report physical and other barriers to accessing COVID-19 testing and vaccine appointments.[33]
    - Some disabled youth feel mainstream youth services/supports 'don't get disability'.[34]
    - Families and carers report challenges in explaining social distancing to disabled rangatahi, specifically those with autism and other neurodivergent conditions.[35]
    - Increased family stress is being reported within disabled households, including safety concerns in some instances.[36]
    - There are concerns that when Auckland reaches Alert Level 2, many disabled rangatahi will still be isolated at home as they cannot socially distance. Concerns that this vulnerable group will be at home much longer than non-disabled young people and may feel that they have been forgotten.[37]

Tamariki and rangatahi Māori

11. Māori providers are beginning to report on barriers and enablers to uptake of vaccination among rangatahi Māori.
    - Some rangatahi Māori in Waikato are expressing hesitancy about vaccination.[38]
    - Kaupapa Māori providers report that rangatahi are highly responsive to vaccination education campaigns focused on protecting whakapapa.[39]

Pacific children and young people

12. Many Pacific children and young people live in Auckland, in the communities most severely impacted by the current COVID-19 outbreak and continuing level 4 lockdown.
    - Food insecurity and barriers to engagement with remote learning are likely to disproportionately affect Pacific children and young people during this lockdown. [40]
    - Racism towards Pacific communities has increased during this lockdown, following outbreaks associated with Samoan churches[41]
    - Some fatigue is emerging among youth leaders and young people involved in community response (e.g. Pacific communities) and engagement with providers and government – particularly as lockdown becomes prolonged.[42]

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[33] Insights from MYD Youth Providers
[34] Ibid
[35] Ibid.
[36] Ibid.
[37] Ibid.
[38] TPK regional situation report as at 15 September 2021
[39] Ibid.
[40] NEMA Situation Report 019 at 1700 NZST on 15 September 2021
[41] Insights from MYD Youth Providers
[42] Insights from MYD Youth Providers