

Child Poverty Report 2024

Te Pōharatanga Tamariki

Introduction

Section 15EA of the Public Finance Act 1989 requires the Minister of Finance to present to the House on Budget Day a report on child poverty. This must:

- discuss any progress made, in the most recent completed financial year, in reducing child poverty consistent with the targets under the Child Poverty Reduction Act 2018, and
- indicate whether and, if so, to what extent, measures in or related to the Budget will affect child poverty.

How child poverty is measured

The Child Poverty Reduction Act 2018 specifies three primary measures of child poverty. Governments must set long-term (ten-year) and intermediate (three-year) targets for each primary measure.¹ The primary measures and current targets (as set by the previous Government) are as follows.

Primary measure	This measures child poverty by looking at...	Intermediate target (2023/24)	Ten-year target (2027/28)
Material hardship	...households' living standards based on their access to the basics	9.0 per cent	6.0 per cent
The after-housing-costs fixed-line measure (AHC50)	...the proportion of children living in households with incomes that are less than half the median income in 2017/18, after paying for housing costs (eg, rent) and adjusting for inflation	15.0 per cent	10.0 per cent
The before-housing-costs moving-line measure (BHC50)	...the proportion of children living in households with incomes before housing costs that are less than half the median income for the financial year	10.0 per cent	5.0 per cent

¹ More information on the measures and targets can be found on the Child and Youth Wellbeing website (www.childyouthwellbeing.govt.nz).

Progress in the last financial year

Child poverty statistics for the most recently completed financial year, 2022/23, were released by the Government Statistician in February this year.² These indicate that the material hardship and AHC50 poverty rates were higher in 2022/23 than in the previous year, by two percentage points and three percentage points respectively. The one percentage point increase in the BHC50 poverty measure was not statistically significant.

Primary measure	Per cent			Change between 2021/22 and 2022/23 ³
	2017/18	2021/22	2022/23	
Material hardship	13.3	10.5	12.5	2.0 percentage point increase in poverty measure
AHC50	22.8	14.4	17.5	3.0 percentage point increase in poverty measure
BHC50	16.5	11.7	12.6	1.0 percentage point increase in poverty measure

These changes reflect, at least in part, the impact of high inflation on the cost of living, which has made it harder for families to afford the basics in the year to June 2023.

The Government's approach to child poverty

The Government's focus is on changing the circumstances that trap people in poverty, by providing them with real opportunities to make changes and choices. It therefore aims to address the long-term drivers of child poverty to achieve reductions in poverty rates, particularly material hardship.

A key driver of child poverty is living in a benefit-dependent home. The Government is committed to supporting parents who are receiving a benefit into work, including as part of the target to reduce the number of Jobseeker Support recipients by 50,000 over the next six years. An important element of this is making work pay, which is why Budget 2024 includes FamilyBoost and a significant increase in the In-Work Tax Credit for working families. Other longer-term drivers and consequences of child poverty the Government will continue to focus on include school attendance and achievement, food insecurity, avoidable hospitalisations, and housing quality and affordability.

Crucially, the principles of social investment – intervening earlier and more effectively – will guide decisions on where to invest and what to do differently to improve outcomes for New Zealand's children and young people.

A stronger economy helps facilitate all these measures – both directly (by providing more opportunities and higher incomes) and indirectly (through the ability to fund high-quality public services and programmes).

² More information on these statistics for the year ended June 2023 can be found on the Stats NZ website (www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2023/).

³ Apparent differences between year-on-year statistics with the poverty rates reported are due to rounding.

Budget 2024 initiatives

The Government has made significant investments in Budget 2024 that support families and whānau with children currently experiencing poverty. Several tax and transfer measures, outlined below, directly lift the incomes of working households and can be modelled for their impact on child poverty measures.

- Introducing FamilyBoost, a new childcare payment for low-to-middle-income households to help with the costs of early childhood education (ECE). Under this scheme, households can get back up to 25 per cent of their ECE fees, to a maximum amount of \$150 per fortnight.
- Increasing personal income tax thresholds to recognise wage growth and allow hard-working New Zealanders to keep more of what they earn. This is the first reduction in personal income tax since 2010.
- Increasing the In-Work Tax Credit (IWTC) by up to \$50 per fortnight for working families with children, on top of personal income tax relief. The extra IWTC, together with income tax relief, will support an estimated 160,000 families, including those receiving the Minimum Family Tax Credit.
- Extending the upper limit of eligibility for the Independent Earner Tax Credit (IETC) to \$70,000, to recognise wage growth and assist people who are not receiving a benefit or Working For Families. The IETC extension is not, however, likely to benefit households where children are in poverty.

Other Budget 2024 initiatives that could impact on child poverty or wellbeing include funding 1,500 new social housing places, the Healthy School Lunches programme (including a new targeted programme for two-to-five-year-olds who attend low-equity, not-for-profit, community-based early learning services), investments in the ECE sector, funding free period products in schools, and contracting Gumboot Friday to deliver free mental health counselling for young people.

Child poverty forecasts

The Treasury forecasts future levels of child poverty on the AHC50 and BHC50 measures, based on economic forecasts and changes in key income-support measures. This modelling involves considerable uncertainty, so future child poverty rates are expressed as a range. The Treasury's model cannot, however, forecast material hardship.

The latest forecasts are shown below, with historical figures included for completeness.⁴ The AHC50 chart indicates that the key tax and transfer measures in Budget 2024, as listed in the previous section, are expected to have a positive effect on future child poverty rates. There is no statistically significant impact on the BHC50 measure.

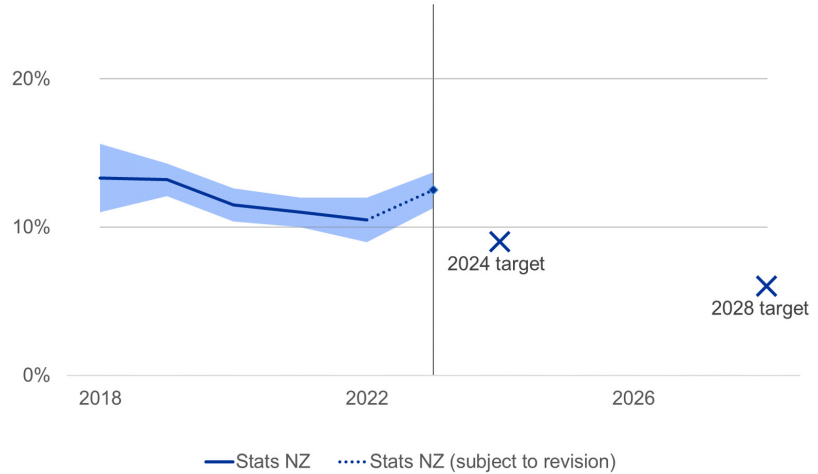
⁴ The alignment of benefit indexation to the Consumer Price Index took effect from 1 April 2024, pre-dating Budget 2024. Its effect is therefore illustrated in both the forecast ranges, including the 'Without Budget 2024' range.

Material hardship

How many households do not have access to the essential items for living?

The Treasury's model cannot estimate material hardship.

Percentage of children in households experiencing material hardship

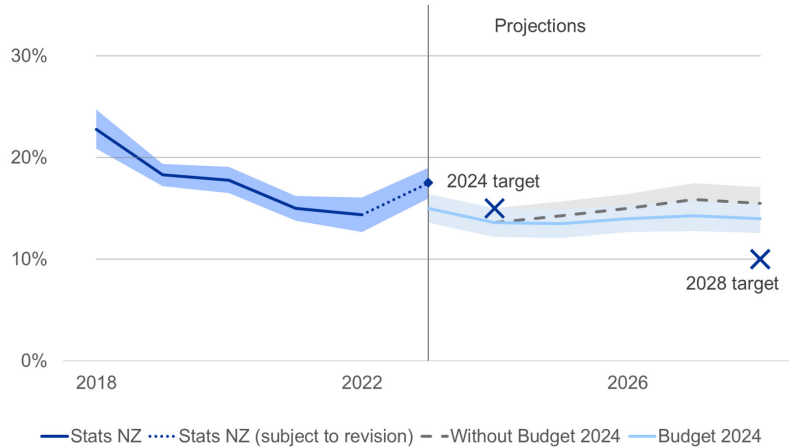


After-housing-costs, fixed-line measure (AHC50⁵)

How many households have very low incomes relative to previous years, after considering housing costs and increases to the cost of living?

2028
Projection 14.0 per cent
Margin of error ±1.4
 (percentage points)

Percentage of children in households below the AHC50 poverty threshold

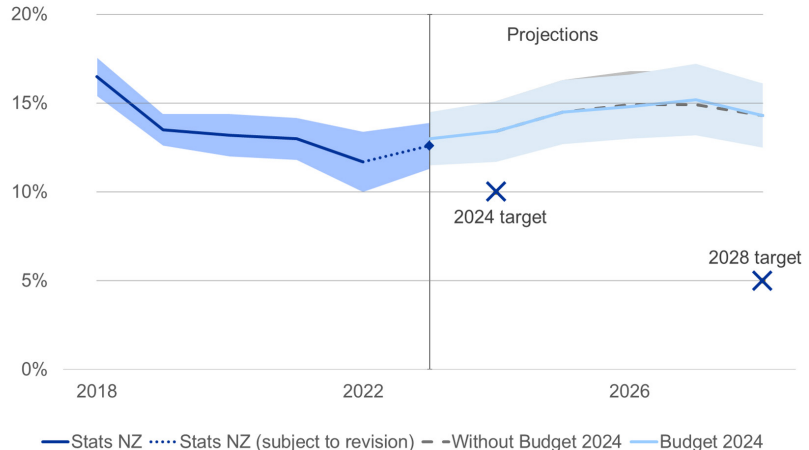


The before-housing-cost moving-line measure (BHC50⁵)

How many households have much lower incomes than middle-income households?

2028
Projection 14.3 per cent
Margin of error ±1.8
 (percentage points)

Percentage of children in households below the BHC50 poverty threshold



⁵ The 2023 child poverty statistics from Stats NZ will be revised next year to capture updated Working For Families data, in line with standard practice. More information on why this happens can be found in Stats NZ's technical appendix to this year's child poverty statistics data release (<https://www.stats.govt.nz/methods/child-poverty-statistics-year-ended-june-2023-technical-appendix/#updates-made>). There is a discontinuity between Treasury modelling and Stats NZ's most recently reported child poverty statistics for 2023 because the 2023 statistics will be revised to reflect updated data. The modelled poverty rates presented here have therefore been aligned with updated child poverty statistics from earlier years.