



## Proactive Release

The following document has been proactively released by the Department of the Prime Minister and Cabinet (DPMC) on behalf of Hon Jan Tinetti, Minister for Child Poverty Reduction:

### **Proactive Release: Briefing to the Incoming Minister for Child Poverty Reduction - Supplementary briefings**

The following document has been included in this release:

- **Title of paper:** Aide-Memoire: Briefing to the Incoming Minister for Child Poverty Reduction on the Child Poverty Reduction Act (DPMC-2022/23-885)

Some parts of this information release 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 section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

### **Key to redaction codes**

- s9(2)(a), to protect the privacy of individuals.



## Coversheet

### Aide-Mémoire: Briefing to the Incoming Minister for Child Poverty Reduction on the Child Poverty Reduction Act

Date:	17/02/2023	Report No:	DPMC-2022/23-885
		Security Level:	<del>IN CONFIDENCE</del>
		Priority level:	Routine

	Action sought	Deadline
Hon Jan Tinetti Minister for Child Poverty Reduction	<b>discuss</b> with officials at officials' meeting	20 February 4.30pm

Name	Position	Telephone	1 <sup>st</sup> Contact
Clare Ward	Executive Director, Child Wellbeing and Poverty Reduction	s9(2)(a)	s9(2)(a) ✓
Hugh Webb	Principal Analyst Child Wellbeing and Poverty Reduction Group	s9(2)(a)	s9(2)(a)

#### Departments/agencies consulted on Briefing

Ministry of Social Development

#### Minister's Office

Status:

Signed

Withdrawn

#### Comment for agency

Attachments: Yes

# Aide-Mémoire

## Briefing to the Incoming Minister for Child Poverty Reduction on the Child Poverty Reduction Act

<b>To:</b>	Hon Jan Tinetti Minister for Child Poverty Reduction		
<b>From:</b>	Clare Ward, Executive Director, Child Wellbeing and Poverty Reduction	<b>Date:</b>	17/02/2023
<b>Briefing Number:</b>	DPMC-2022/23-885	<b>Security Level:</b>	<del>IN CONFIDENCE</del>

### Purpose

1. This briefing sets out the rationale and design of the Child Poverty Reduction Act 2018 (the CPRA). It includes a discussion of the multi-measurement framework established under the CPRA, the measures and targets, and your key legislative responsibilities as the Minister for Child Poverty Reduction.
2. This background is important context you'll need to be aware of in your role, including ahead of the release of Stats NZ's Child Poverty Report for 2021/22 on 23 March 2023.
3. We are preparing further briefings, that build on the concepts and issues set out here, on:
  - making progress to reduce child poverty in the current environment
  - further work to strengthen the measurement and reporting under the CPRA.

### The CPRA supports the Government's child wellbeing and wider social policy objectives by providing accountability for achieving a sustained reduction in child poverty

4. The CPRA doesn't define poverty but in developed nations poverty is widely understood as exclusion from the minimum acceptable way of life in one's own society because of inadequate resource.
5. This definition is explicitly tied to social norms about what constitutes a minimum acceptable standard of living, rather than a narrower, "absolute" standard defined in terms of a lack of resources to meet basic physical needs (eg, food and shelter). This definition is also distinct from wider concepts that seek to capture the lived experience of poverty or other causes, consequences and correlates of poverty such as food insecurity, benefit dependence, joblessness, or socio-economic disadvantage.

## **Reducing child poverty is important for a range of reasons, not least because it's amongst the most important determinants of wellbeing across the life course**

6. Rights-based arguments for reducing child poverty emphasise how children start life dependent on the adults around them to meet their needs<sup>1</sup>. Governments therefore have a special responsibility to protect children by ensuring that primary adult caregivers are able to meet their basic needs.
7. Reducing poverty is also important for supporting child wellbeing. High quality international evidence<sup>2</sup>, using quasi-experimental study designs, shows that household financial resources are causally related to various child outcomes including internalising behaviours, physical growth and development, subjective wellbeing, mental health, cognitive development, and school achievement. Household resources are thought to affect children's outcomes through both a direct investment pathway (eg, money to buy food) as well as indirectly by reducing family, and particularly maternal, stress.
8. Severe and persistent poverty, especially in the early years, is also associated with longer term wellbeing outcomes and so is likely to perpetuate the intergenerational transmission of socio-economic disadvantage<sup>3</sup>.
9. There is also an important equity-based argument for reducing child poverty. While poverty rates for Māori and Pacific children have been reducing steadily over the past decade<sup>4</sup>, these groups, and also children impacted by disability, continue to be subject to higher rates of material hardship. Poverty reduction policies can therefore play an important role in supporting the government's wider objectives to achieve more equitable outcomes for Māori, consistent with the principles underpinning Te Tiriti o Waitangi, as well as for other priority populations.
10. Reducing child poverty has the potential to deliver wider benefits to all New Zealanders, especially over the long term. Child poverty reduction helps ensure the Government's current investments in, for example, child health and education, are more effective as well as reducing the longer-term costs to government stemming from socio-economic disadvantage (eg, long term unemployment, crime, poor health). Child poverty reduction also contributes to human capital development which ultimately underpins long-run economic growth and social cohesion.

## **The CPRA aims to hold successive governments to account for achieving a significant and sustained reduction in child poverty**

11. The overarching goal of the CPRA is to achieve a significant and sustainable reduction in child poverty.
12. The legislation has been designed to achieve this by:
  - encouraging a focus by successive governments and society on child poverty reduction

<sup>1</sup> United Nations Convention on the Rights of the Child (1989).

<sup>2</sup> Cooper, K. & Stewart, K., 2017. Does money affect children's outcomes? An update. CASE paper 203, London, United Kingdom. Available at: <https://sticerd.lse.ac.uk/dps/case/cp/casepaper203.pdf>

<sup>3</sup> For a review, see: <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/weag-report-release/rapid-evidence-review-the-impact-of-poverty-on-life-course-outcomes-for-children-and-the-likely-effect-of-increasing-the-adequacy-of-welfare-benef.pdf>

<sup>4</sup> See Perry (2022), Figure F.8 and G.6, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/2022-child-poverty-report.pdf>

- facilitating political accountability against published targets
- requiring transparent reporting on levels of child poverty.

13. The CPRA also complements the Children Act 2014. The Child and Youth Wellbeing Strategy required under the Children’s Act must improve, as a particular focus, the well-being of children with greater needs as well as reducing child poverty. The CPRA provides an evidence-based and data-driven accountability framework that supports these obligations.

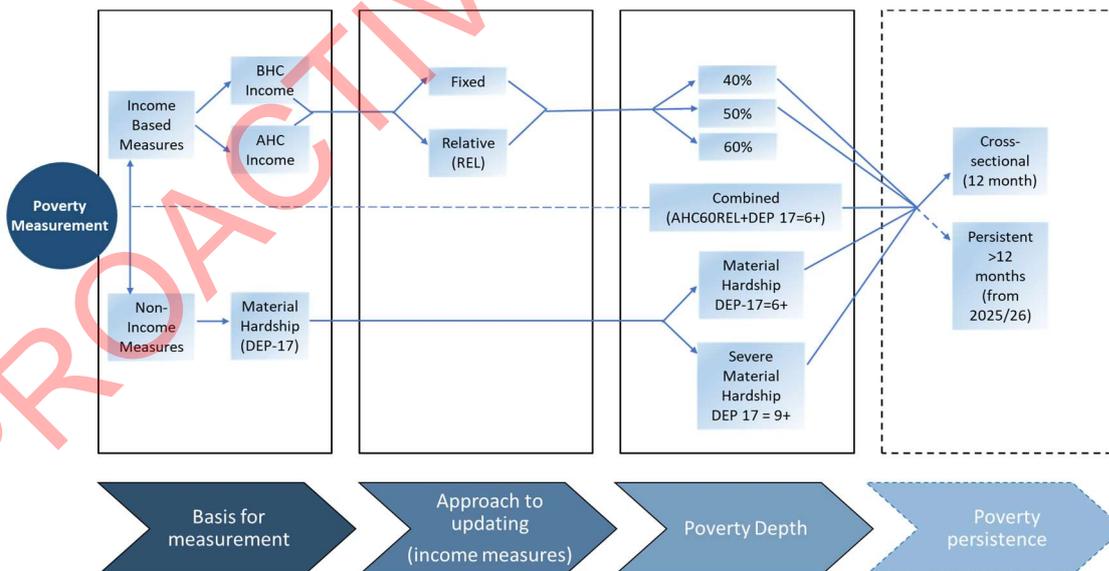
### The CPRA establishes a multi-measurement framework to provide a more comprehensive view of child poverty

14. Child poverty measurement is multi-dimensional. No single measure tells the whole story because different measures capture different aspects of poverty.
15. The CPRA reflects this, and aligns with international best practice, by establishing a “multi-measurement framework”. The combination of measures within this framework help reveal the various facets and contours of poverty to paint a more comprehensive picture.

### Four key concepts underpin the measures

16. It’s useful to think about four key concepts underpinning the measures:
- the basis for measuring poverty
  - the approach to updating poverty lines
  - poverty depth
  - poverty persistence.
17. Figure 1 shows how these concepts underlie the design of the measures. **Attachment A** summarises the features, strengths and limitations of these different measures.

Figure 1: Key concepts underlying the “multi-measurement framework” within the CPRA



## **Basis for measurement: income and non-income-based measures**

### ***Household income can be a useful proxy for a household's resources***

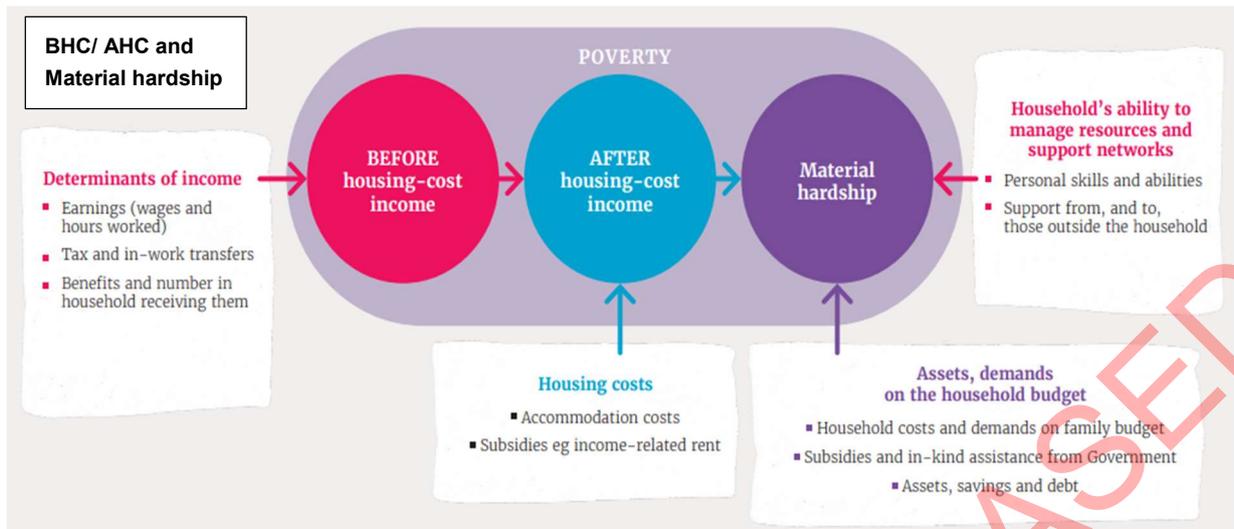
18. A household's equivalised disposable income<sup>5</sup> has historically been used as a good proxy for a household's resources. Income poverty measures capture the number of children living in households with incomes lower than a particular threshold, or "poverty line", defined as a proportion (eg, 50%) of the median income for all households.
19. A key limitation with a standard **Before Housing Cost (BHC)** income poverty measures is that households with a seemingly adequate income can nevertheless struggle to pay for the basics because their housing costs (which make up the biggest proportion of a low-income household's expenditure) are very high.
20. **After Housing Cost (AHC)** income poverty measures are designed to help take this into account by assessing a household's residual income after their housing costs have been deducted.

### ***Survey-based measures of material hardship reflect a wider range of determinants of poverty***

21. Income-based measures don't take into account other, non-income related factors that impact on a household's ability to achieve an adequate standard of living. This includes a household's various non-income resources (eg, cash savings, consumer durables, cash and in-kind supports) or the particular needs and unavoidable costs (eg, high debt or high healthcare costs) that different households face.
22. An alternative, non-income-based approach to poverty measurement uses survey questions to provide a more direct measure of **material hardship**. In New Zealand the "DEP-17" index is a validated survey instrument made up of a balanced set of items including questions assessing the extent to which households experienced an "enforced lack" of essentials like not having two pairs of suitable shoes because of cost, or putting up with feeling cold.
23. The relationship between, and high-level determinants of, BHC income, AHC income, and material hardship is shown in Figure 2 below. The determinants of each of the measures will be discussed further in our forthcoming paper on making progress towards the targets.

*Figure 2: The relationship between BHC, AHC and material hardship*

<sup>5</sup>The adequacy of household incomes can't be meaningfully compared without "equivalising" or adjusting incomes to account for household size and composition. For example, all else being equal, a five-person household will need more income to maintain the same standard of living as a two person household. Disposable income refers to a household's income after including any transfer payments (eg, Working for Families or Accommodation Supplement) and deducting income taxes. In this advice, the term income will be used exclusively to refer to equivalised, disposable income.



### Approach to updating the measures

24. Because poverty in developed nations is defined relative to normative societal standards, thresholds for defining poverty need to be updated over time as these standards change.

#### **There are two main approaches to updating income poverty lines: fixed vs relative**

25. A “**fixed-line**” approach adjusts the income poverty line each year to account for inflation<sup>6</sup> relative to a baseline year (currently defined by the Government Statistician for the purposes of CPRA reporting as 2017/18).

26. Fixed-line measures tell us whether low-income households are faring better or worse in real terms relative to the baseline year and are especially useful for monitoring trends over the short to medium term. Over the longer term, however, fixed line measures can become out-dated. If middle-income households experience much faster income growth compared to the bottom, then low-income households can find it increasingly difficult to meaningfully participate in mainstream society, even if the real purchasing power of their income has stayed the same or improved. Fixed-line measures may therefore need to be re-baselined periodically and the CPRA empowers the Government Statistician to do this as needed.

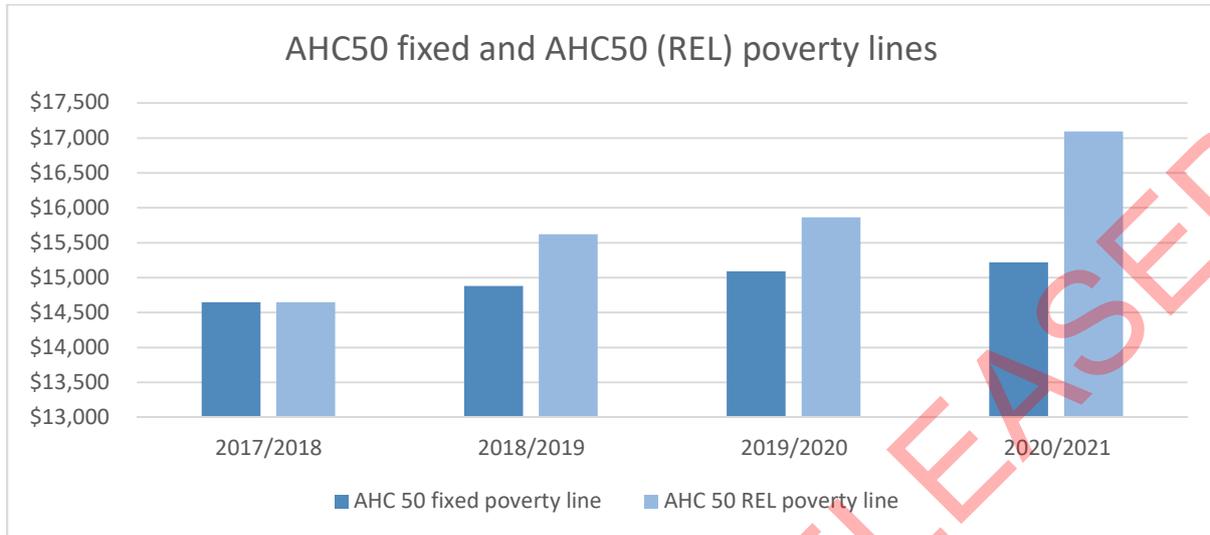
27. An alternative “**moving-line**”, or “**relative**” (**REL**), approach adjusts income poverty lines each year in line with the median household income (BHC or AHC as appropriate) in that year. If median incomes increase then the relative poverty line will also increase. If incomes at the bottom don't at least keep pace with any growth in the contemporary median income, then more children will fall below the poverty line on this measure. Figure 3 shows how the AHC 50 fixed-line and AHC50 (REL) poverty lines have changed since the 2017/18 baseline year.

28. Relative income poverty measures can be useful for indicating longer term trends. But these measures can be quite volatile during periods of rapid economic growth or slowdowns. For example, economic recessions can lead to negative middle-income growth relative to low-income households. This means that, counter-intuitively, poverty

<sup>6</sup> The CPRA does not specify what inflation index is used. The Government Statistician is empowered to define this under the CPRA and has determined that the Household Living Price Index for low-income households (bottom 20% of the income distribution) is the index for updating the AHC50 fixed line. See: <https://www.stats.govt.nz/methods/measuring-child-poverty-fixed-line-measure>

rates can decline on this measure during a recession – not because low-income households are faring better, but because middle income households are doing worse.

Figure 3: AHC50 fixed and AHC50 (REL) poverty lines over time



29. Non-income measures like the DEP-17 material hardship indicator may also need to be periodically updated to reflect changing societal norms about what constitutes a minimum acceptable standard of living. Again, the Government Statistician has the duty and power to define key statistical concepts or terms, including updating measures and definitions as required.

### Poverty depth

30. A poverty measure based on a single threshold (eg, household incomes less than 50% of the median (BHC50)) tells us about the number of children “in” poverty on that measure. But this can create a mistaken impression that poverty lines mark a sharp divide between poverty and material sufficiency when, in truth, poverty exists along a continuum of severity.

31. The practical implication of this is that lifting a child from well below to just under a particular poverty line doesn’t get counted as poverty reduction on that measure, while a small shift from just under, to just over the line does.

32. To help address this issue income poverty lines can be set at different fractions of the median income (eg, children living in households receiving income that is less than 40%, 50%, or 60% of the median – BHC40, BHC50, BHC60).

33. Similarly, for material hardship, households scoring more than 6 out of 17 on the DEP-17 measure are categorised as living in material hardship, while those scoring 9 or more out of 17 are categorised as living in severe material hardship.

### Poverty persistence

34. It’s not necessarily the same children who are poor year-on-year. For many, poverty will be experienced as a one-off spell, for others it may be intermittent, and for some it is a chronic experience - “persistent poverty”. Because we know that children who experience

persistent poverty are at especially heightened risk of poor outcomes<sup>7</sup>, it's important to capture this within the measurement framework.

35. There are a number of different ways of measuring persistent poverty most of which rely on longitudinal data (data collected from the same households over multiple years), and can be based on either an income or non-income measure. Because there was no up-to-date data on persistent poverty at the time the CPRA was established, the CPRA allows time for Stats NZ to develop a measure of persistent poverty. The Government Statistician is required to do this by June 2025.

### **The Act establishes 4 primary and 6 supplementary measures to provide a balance between focus and comprehensiveness**

36. The concepts and distinctions set out so far underpin the definitions of the four primary and six supplementary measures that Stats NZ must report against each year in accordance with the CPRA.
37. The four primary measures, against which the targets are set, are:
- BHC50 (REL)
  - AHC50 (Fixed-line)
  - material hardship (DEP17=6+)
  - persistent poverty (from 2025/26).
38. This set of primary measures has been designed to provide an optimal balance of focus and comprehensiveness. In just four indicators, the set includes: fixed and moving line, before- and after-housing-cost, income and non-income, cross-sectional and persistent poverty measures.
39. Crucially, this provides a high level of accountability because the measures are sensitive not just to government investments directly aimed at reducing poverty but also differentially sensitive to various changes in the economy that (for better or worse) can also have a significant impact on child poverty rates, including inflation, housing costs, and changes in middle incomes. This helps limit the risk of "cherry-picking" single measures that, viewed in isolation, can cast poverty rates in an overly positive or negative light.
40. The six supplementary measures support the interpretation of the primary measures and inform a wider assessment of progress. The supplementary measures are particularly useful for assessing changes in poverty depth. The supplementary measures also include a "combined" measure based on the number of children in households that are in both material hardship and income poverty.
41. Not all possible combinations of measures implied by the conceptual framework are included as primary or supplementary measures. For example, AHC50 fixed is the only fixed line measure and there's no BHC40 (REL) measure. Again this reflects the need to balance focus and comprehensiveness: too many measures risks becoming unwieldy and ultimately reducing accountability.
42. The definition of each of the current measures, and their sensitivity to different economic circumstances (eg, inflation, housing costs, median income growth) is set out in **Attachment B**.

<sup>7</sup>Dickerson, A., & Popli, G. K. (2016). Persistent poverty and children's cognitive development: evidence from the UK Millennium Cohort Study. *Journal of the Royal Statistical Society. Series A (Statistics in Society)*, 535-558.

## Legislated target setting and reporting requirements are key to ensuring accountability

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43. The CPRA requirements to set and report progress against specific, quantitative targets are key to ensuring accountability for achieving a significant and sustained reduction in child poverty.
44. The main target-setting and reporting milestones are set out in the timeline at **Attachment C**. These reflect the legislative requirements set out below.

### Child poverty target setting and review

45. The CPRA does not prescribe the level of child poverty reduction that must be achieved. The aim instead is to ensure governments set targets and are held to account through transparent and independent reporting.
46. The Minister for Child Poverty Reduction must set 10-year (long-term) and three-year (intermediate) targets against each of the primary measures. The three-year targets are designed to support achievement of the ten-year targets.
47. The first ten-year targets cover the period from 2018/19 to 2027/28. The intermediate targets cover the financial years 2018/19 to 2020/21 (first intermediate targets); 2021/22 to 2023/24 (second intermediate targets); and 2024/25 to 2026/27 (third intermediate targets).
48. The targets must be set before, or as soon as possible after, the target period starts and can be changed at any time before the end of the period. Targets are set and changed by giving notice in the Gazette and these targets or changes must be presented to the House of Representatives and published on the internet.
49. The Minister for Child Poverty Reduction must review the targets at least once during the period they cover.
50. The Minister for Child Poverty Reduction must establish intermediate and long-term child poverty persistence targets by 31 December 2024. Stats NZ must confirm a poverty persistence measure by 30 June 2025 and report on this for the 2025/26 financial year and beyond.

### Child poverty reporting

51. Stats NZ must report poverty rates for each of the CPRA measures for each financial year, within the next financial year. Normally, Stats NZ reporting is in February each year, except this year, when poverty rates for 2021/22 will be reported on 23 March 2023.
52. In preparing the report the Government Statistician is required to consult with the Chief Executive of the Ministry of Social Development (MSD). This is in recognition of MSD's longstanding role in child poverty monitoring and expertise in child poverty measurement. In performing their functions under the CPRA the Government Statistician and the Chief Executive of MSD must act independently – they cannot be directed by Ministers or chief executives from other agencies.
53. The Minister for Child Poverty Reduction must promptly table Stats NZ's report after it is released. **Attachment D** sets out the most recent child poverty rates covering the first three years of the first target period, as well as the first and second intermediate and ten-year targets set by the previous Minister for Child Poverty Reduction.
54. The Minister for Child Poverty Reduction must report any non-compliance with long-term or intermediate targets disclosed in Stats NZ's reporting for a final year of a target period.

55. Stats NZ is required report on poverty persistence for the 2025/26 financial year and beyond.

### **Child Poverty Budget Report**

56. The Minister of Finance must prepare a report on child poverty as part of the main Budget each year. The report must discuss any progress made in the most recent financial year, as well as indicating the anticipated impacts of measures within the Budget that year on child poverty rates. The Child Wellbeing and Poverty Reduction Group assists Treasury with the production of this report.

57. To fulfil these requirements, Budget reporting includes forecasts of child poverty rates (for the two primary income poverty measures), including the modelled impact of major income support initiatives, using Treasury's Tax and Welfare Analysis (TAWA) model.

58. These forecasts provide accountability and transparency about the anticipated child poverty impacts of government policies, as well as providing an up-to-date estimate of current (and future) income poverty rates. This is particularly important given the unavoidable 9-month lag between Stats NZ finalising HES data collection for a financial year and reporting.

### **Child Poverty Related Indicators (CPRIs) – setting, changing, reporting and review**

59. The Minister for Child Poverty Reduction must identify one or more "Child Poverty Related Indicators" (CPRIs) that are defined as "causes, consequences or correlates of child poverty". The indicator(s) for a financial year must be identified, and can be changed, before the start of the financial year by giving notice in the Gazette. Any changes need to be presented in Parliament and published on the internet.

60. The previous Minister for Child Poverty Reduction agreed to establish five CPRIs: housing affordability, housing quality, food insecurity, potentially avoidable hospitalisations, and regular school attendance.

61. The Minister for Child Poverty Reduction is required to prepare a report about each CPRI for a financial year. This must be published and presented to Parliament within the following year.

62. The CPRIs must be reviewed every three years. The first review of the CPRIs was completed in August 2022. The review found that the CPRIs are useful for providing insights about the sorts of changes we should expect to see if we are making progress in reducing child poverty, based on indicators that are easier to understand like food insecurity and housing affordability.

63. The review recommended a slight change to the current Housing Affordability Indicator, which looks at the number of children living in households spending more than 30 per cent of their income on housing costs. The review recommended this measure be more tightly focused on households in the bottom 40% of the income distribution.

64. The previous Minister agreed to the recommended change to the housing affordability indicator, which, if gazetted before 30 June 2023, would come into effect for reporting for 2023/24. We will provide you further information about this change as part of our briefing on this year's Child Poverty Related Indicators report (scheduled for publication in June 2023).

## **Overall, the CPRA has been working well**

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65. Since its establishment in 2018, the CPRA has been operating well. This is a notable achievement given the pace at which the legislation was developed and the initial targets set; the significant and ongoing data development, reporting, monitoring and modelling investment needed to support the framework; and the challenges and disruptions to Stats NZ's Household Economic Survey (HES) data collection as a result of COVID-19.
66. Some of the main challenges and opportunities that will be discussed further in our forthcoming briefings include:
- communicating progress simply while also accurately explaining some of the complexities in child poverty trends revealed through the multi-measurement framework. This is critical for supporting informed public debate about child poverty as well as building wider public trust in the integrity of the regime
  - the challenges and inherent uncertainties around modelling child poverty rates. This modelling is vital for supporting decision makers to assess the likely impact of child poverty reduction policies and setting targets. The significant volatility and uncertainties facing the New Zealand economy since COVID-19 makes this especially challenging
  - aligning child poverty policy, strategy, and implementation with target setting and assessment. There are a number of issues here. Child poverty targets must be set before the start of a target period. But this decision must be made before up-to-date baseline data (from the year before the start of a target period) is available. A further issue is that child poverty data is currently based on a two-year rolling reference period which creates a lag between implementing a policy and these impacts being fully reflected in Stats NZ's data
  - Stats NZ's ongoing work to further strengthen child poverty data including the shift to the Living in Aotearoa longitudinal survey, which will enable poverty persistence to be measured from 2025/26. At the same time, data collection will shift to a 12-month fixed reference period to address the lag issue identified above.

## **Next steps**

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67. We have an officials' meeting scheduled on 20 February 2023 to discuss the issues and concepts set out in this supplementary briefing.
68. In the coming weeks we will also be providing you with further briefings – on making progress towards achieving the targets, and also the ongoing work to further strengthen measurement and reporting.
69. You may also want to meet with officials from the Ministry of Social Development who can speak more fully to some of the technical aspects of child poverty measurement. If so, we'd be happy to arrange a meeting.

s9(2)(a)

**Clare Ward**  
Executive Director, Child Wellbeing  
and Poverty Reduction

17 / 02 / 2023



**Hon Jan Tinetti**  
Minister for Child Poverty Reduction

19 / 02 / 2023

Attachments:	Title	Security classification
<b>Attachment A:</b>	Key concepts underpinning the multi-measurement approach	
<b>Attachment B:</b>	Overview of the three current primary and six supplementary measures	
<b>Attachment C:</b>	Timeline of statutory reporting milestones	
<b>Attachment D</b>	Intermediate and long-term child poverty targets and poverty rates for baseline year and first three years of targets	

**Contact for telephone discussion**

Name	Position	Telephone	1 <sup>st</sup> Contact
Clare Ward	Executive Director, Child Wellbeing and Poverty Reduction	s9(2)(a)	✓
Hugh Webb	Principal Analyst	s9(2)(a)	

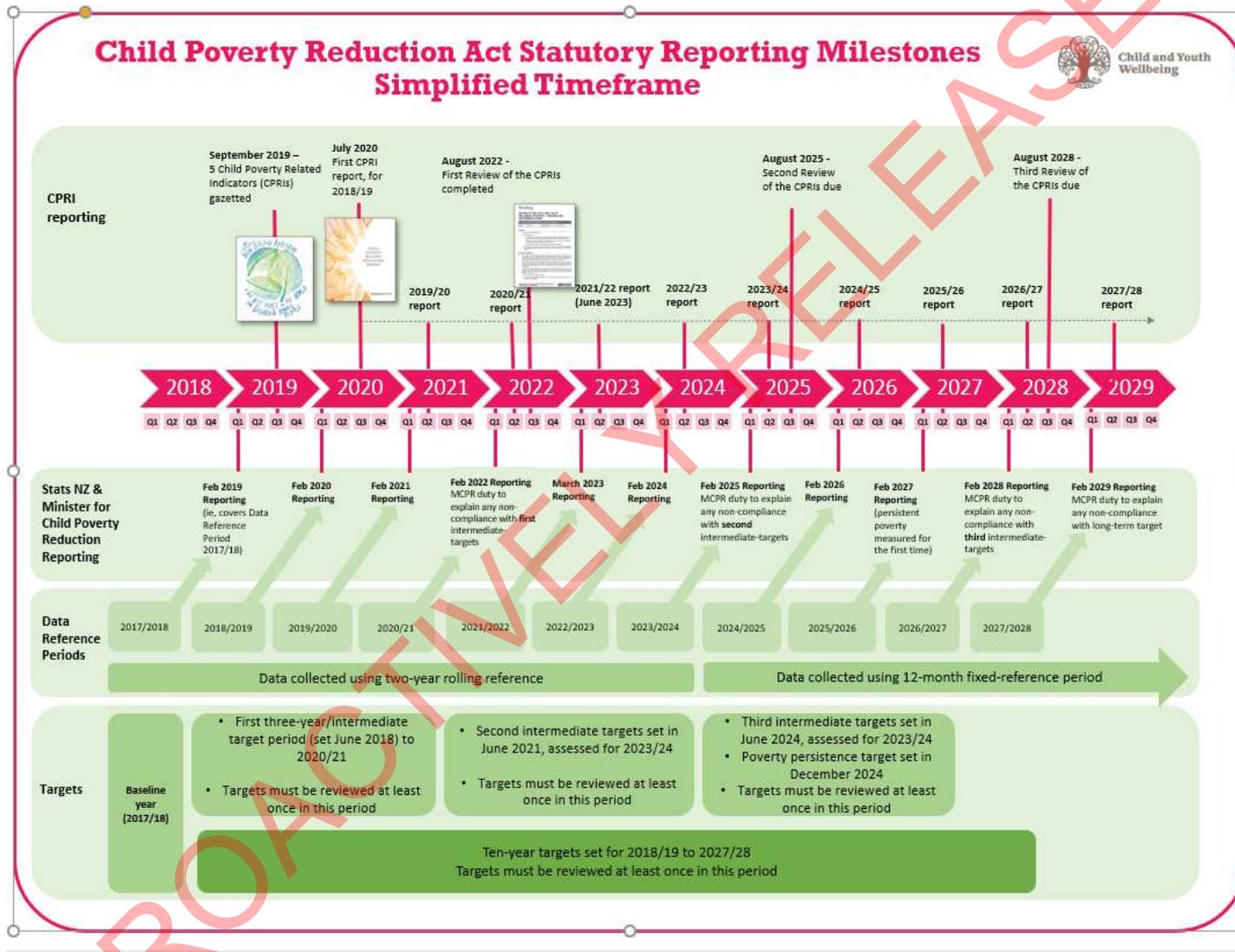
**Attachment A: Key concepts underpinning the multi-measurement approach: summary of features and limitations**

Measurement Concepts and Distinctions		Applied definition	Features/strengths	Caveats/ limitations	Examples in the Act	
Basis of measurement	Income based measures	<b>Before Housing Cost (BHC)</b>	The number of children living in households whose equivalised disposable income falls below a certain threshold (eg, 50% of the median).	<ul style="list-style-type: none"> <li>Can be readily modelled</li> <li>Responsive to policy intervention</li> </ul>	<ul style="list-style-type: none"> <li>Does not take into account non-income resources and needs</li> </ul>	<b>BHC50 (REL)</b> , BHC40(REL), BHC60(REL)
		<b>After Housing Cost (AHC)</b>	The number of children living in households whose equivalised disposable income, after paying for housing costs, falls below a defined threshold.	<ul style="list-style-type: none"> <li>Sensitive to changes in housing costs</li> <li>More closely correlated with material hardship than BHC income</li> <li>Can be modelled</li> </ul>	<ul style="list-style-type: none"> <li>Does not take into account non-income resources and needs (other than housing costs)</li> <li>More challenging to model than BHC</li> <li>Does not distinguish between high housing costs caused by need (vs preference) or account for potential savings (eg, heating, transport)</li> </ul>	<b>AHC50 fixed</b> , AHC40(REL), AHC50(REL), AHC60(REL)
	Non-Income Measures	<b>Material Hardship (DEP-17)</b>	The number of children living in households scoring above a particular threshold on the DEP-17 survey measure of material hardship	<ul style="list-style-type: none"> <li>Better accounts for non-income resources and needs</li> <li>Sensitive to cost of living increases</li> <li>(Potentially) responsive to a much wider range of non-income and in-kind policy supports, not just income</li> </ul>	<ul style="list-style-type: none"> <li>Cannot (yet) be modelled</li> <li>Potentially more vulnerable to response bias than income measures</li> <li>DEP-17 is not internationally comparable</li> </ul>	<b>material hardship</b> , severe material hardship
Approach to updating (income measures)	<b>Fixed line</b>	The number of children living in households falling below a given poverty line in a baseline year (eg, 2017/18), after adjusting for inflation.	<ul style="list-style-type: none"> <li>Directly sensitive to inflation/ cost of living</li> <li>Good for assessing short to medium term trends</li> <li>Can be modelled</li> </ul>	<ul style="list-style-type: none"> <li>Needs periodic updating/ re-baselining – especially after periods of significant economic growth</li> </ul>	<b>AHC50(fixed)</b>	
	<b>Relative (REL)</b>	The number of children living in households falling below a given poverty line set at a proportion of the median income in a given year.	<ul style="list-style-type: none"> <li>Good for assessing longer term trends</li> <li>Can be modelled</li> </ul>	<ul style="list-style-type: none"> <li>More challenging to model</li> <li>Very sensitive to short term changes in median incomes (eg, during a recession)</li> </ul>	BHC50 (REL), BHC40(REL), BHC60(REL), AHC40(REL), <b>AHC50(REL)</b> , AHC60(REL)	
Poverty Depth/ Severity	Income measures: <b>40/50/60%</b> of median	Approach to assessing the severity of poverty by setting income poverty lines at different proportions of the median (eg, 40/50/60%)	<ul style="list-style-type: none"> <li>Helps to assess changes in poverty rates at different levels of severity</li> </ul>	<ul style="list-style-type: none"> <li>Does not capture shifts within income poverty lines (eg, between BHC40 and BHC50 poverty lines)</li> </ul>	<b>BHC50 (REL)</b> , BHC40(REL), BHC60(REL), AHC40(REL), AHC50(REL), AHC60(REL), <b>AHC50 fixed</b> ,	
	Non-Income measures: <b>Standard vs Severe Material Hardship</b>	Standard MH = DEP17=6+ Severe MH = DEP17=9+	<ul style="list-style-type: none"> <li>Correlates well with child specific deprivations (see Perry, 2022, p. 57)</li> </ul>	<ul style="list-style-type: none"> <li>Does not capture shifts within thresholds</li> <li>Assumes additivity of individual items</li> </ul>	<b>Material hardship</b> Severe Material hardship, combined measure	
Poverty persistence	<b>cross-sectional poverty</b>	1-month prevalence	<ul style="list-style-type: none"> <li>Point in time snapshot - can be readily measured</li> </ul>	<ul style="list-style-type: none"> <li>Doesn't distinguish short spells from chronic poverty</li> </ul>	All of the current measures	
	<b>persistent poverty</b>	TBC – successive years in poverty	<ul style="list-style-type: none"> <li>Captures households experiencing chronic poverty – link to worse outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Challenging to measure – longitudinal data</li> <li>Multiple approaches – income/ non-income;</li> </ul>	TBC by Stats NZ by 30 June 2025	

**Attachment B: Overview of the three current primary and six supplementary measures**

CPRA Measure	Definition: the number of children living in households...	To make progress on this measure requires....	Sensitivity to <u>inflation</u>	Sensitivity to <u>income growth</u> for households with children <u>towards the bottom</u> of the income distribution	Sensitivity to <u>housing costs</u> for households with children <u>towards the bottom</u> of the income distribution	Sensitivity to <u>income growth</u> for households <u>around the middle</u> of the income distribution	Sensitivity to <u>housing costs</u> for households <u>around the middle</u> of the income distribution
<b>BHC50 (REL)</b>	... receiving less than 50 percent of the median household income in a given year	...incomes for households with children receiving less than 50% of the median to grow faster than for all households at the middle of the income distribution		✓		✓	
<b>AHC50 (Fixed)</b>	...receiving less than 50 per cent of the median 2017/18 household income after deducting housing costs and adjusting for inflation	...increasing real incomes and/or reducing housing costs faced by low-income households with children	✓	✓	✓		
<b>Material Hardship</b>	...scoring 6 or more on DEP-17	...reducing costs of essentials and supporting lower-income households with children with cash and in-kind resources	✓	✓	✓		
BHC60 (REL)	... receiving less than 50 percent of the median household income in a given year	...incomes for households with children receiving less than 60% of the median to grow faster than for all households at the middle of the income distribution		✓		✓	
AHC40/50/60 (REL)	... receiving less than 40/50/60 percent of the median household income in a given year, after deducting housing costs	...after housing cost incomes for households with children receiving less than 40/50/60 percent of the median		✓	✓	✓	✓
Severe Material Hardship	...scoring 9 or more on DEP-17	...reducing costs of essentials and supporting severely disadvantaged households with children with cash and in-kind resources	✓	✓	✓		
Combined Material Hardship/ BHC60 (REL)	... receiving less than 50 percent of the median household income in a given year <b>and</b> scoring 6 or more on DEP-17	...as for material hardship and BHC60 (REL)	✓	✓	✓	✓	

Attachment C: Timeline of Statutory Reporting Milestones



**Attachment D: intermediate and long-term child poverty targets and poverty rates for baseline year and first three years of targets**

Measures	2017/18 rate (baseline) (%, # of children)	2018/19 rate (%, # of children)	2019/20 rate (revised) (%, # of children)	2020/21 rate (%, # of children)	Change since (2017/18 baseline) (ppt, # of children)	First intermediate target (%) (2021/21)	Second intermediate Target (%) (2023/24)	10-year target (%) (2027/28)
<b>BHC 50 (REL)</b>	16.5 183,400	13.5 153,200	13.2 151,200	13.6 156,700	-2.9* -26,700*	10.5	10	5
<b>AHC 50 fixed</b>	22.8 253,800	18.3 207,700	17.8 203,300	16.3 187,300	-6.5* -66,500*	18.8	15	10
<b>Material Hardship (6+)</b>	13.3 147,600	13.2 149,400	11.5 131,700	11.0 125,700	-2.3 -21,900	10.3	9	15
BHC 60 (REL)	25.3 281,200	22.1 250,300	21.8 248,900	21.7 249,000	-3.6* -32,200*			
AHC 60 (REL)	30.6 341,100	27.7 313,200	27.8 318,100	28.1 322,900	-2.5 -18,200			
AHC 50 (REL)	22.8 253,800	20.1 227,900	19.5 222,800	20.6 236,900	-2.2 -16,900			
AHC 40 (REL)	15.7 174,300	13.8 156,100	13.2 151,400	13.1 150,400	-2.6* -23,900			
Severe Material Hardship (9+)	5.8 64,800	5.7 64,600	4.6 52,600	4.9 56,100	-0.9 -8,700			
Low Income (AHC 60 REL) and Material hardship (6+)	8.8 98,300	7.7 87,100	6.9 78,400	6.6 76,100	-2.2* -22,200*			

\*indicates that the change is statistically significantly different from zero