

Department of the Prime Minister and Cabinet

Child Poverty Reduction Proactive Release March 2018

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

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

Date: 3 November 2017

Title: Child Poverty Legislation: Approach and Options.

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

Paragraphs 18 and 61-62
s 9(2)(f)(iv), s9(2)(g)(i) - under active consideration.



Report

Date: 3 November 2017

Security Level: IN CONFIDENCE

Child Poverty Legislation: Approach and Options

Purpose of the report

- 1 This report provides advice on the commitment in your 100 day plan to introduce legislation to set child poverty reduction targets and to change the Public Finance Act 1989 so that the Budget reports progress on reducing child poverty. The report identifies a range of options for such legislation, and provides advice on different approaches you could take to those options.
- 2 This report has been prepared by the Ministry of Social Development, in consultation with the Treasury; the Ministry for Vulnerable Children, Oranga Tamariki; and Statistics New Zealand.

Executive summary

- 3 There are several reasons for introducing legislation to require child poverty targets and measures. In addition to the overarching purpose of achieving a sustainable reduction in child poverty, we understand that you would like to see:
 - focus on the issue of child poverty across government and society more generally
 - continued transparency on the levels of child poverty and material hardship in New Zealand
 - a greater commitment to action on the part of current and future Governments, and
 - Governments to be held accountable for the results they achieve.
- 4 In order to achieve these objectives, there is a balance to be struck in the approach you take to the legislation.
 - On the one hand, legislation needs to be specific enough to ensure future reporting is robust and comprehensive, and requirements sufficient to ensure transparency and accountability.
 - On the other, legislation also needs to be 'durable' and flexible enough that it will be retained by future governments. We recommend the Bill not be overly burdensome or prescriptive in approach, and that it be relatively easy to administer on an on-going basis.
- 5 This approach, alongside other key considerations, has informed officials' recommendations on the range of different options that we have identified below.

Measures

- 6 There are options for the types of measures you include in the Bill. We recommend a selection of income-based measures of poverty, non-monetary indicators of material hardship, as well as measures of more severe poverty (the intersection of income poverty and material hardship, or very low incomes), and persistent poverty (those in poverty for extended periods).

- 7 In terms of the specific measures you select, we recommend:
- you take a multi-measure, multi-level approach, with a combination of 'primary' and 'supplementary' measures.
 - that as far as possible the suite of measures be in line with best practice, internationally comparable, and broadly acceptable to the public
- 8 On this basis, we have provided you with a list of recommended measures for your consideration.
- 9 You could also include a requirement for other kinds of indicators, including those related to broader child wellbeing and/or poverty's wider causes and consequences. These are important indicators, but including them in this legislation might increase complexity and dilute the focus on child poverty that you are trying to achieve. We recommend that the bill remains focused on child poverty, but strengthened accountability in relation to wider child wellbeing measures could also be explored as part of a second phase of legislation.

Targets

- 10 There are also options for the approach you take to legislated targets, which range from a more general requirement in the Act to set targets of some kind, to legislated commitments to a stated level of reduction on specific measures in a certain period. We suggest that you aim for somewhere in between, and require targets to be set for specific measures (but without specifying the level).
- 11 You could take the approach of requiring a longer term target to be set (eg 10 years), along with a series of intermediate targets (3-5 years). This would encourage Governments to have aspirational goals, and to take actions that have both short-term and longer-term effects. Such an approach would align with the requirement to produce a strategy on a periodic basis.

Strategy

- 12 Another way to increase transparency and encourage action on poverty is to introduce an obligation on the Government to produce a strategy on how they will reduce child poverty and achieve the various targets. You could specify the required content of the strategy: the focus could be narrower, and outline the ways in which the Government will improve the resources available to families; or it could be broader, and show how the Government will address the wider causes and consequences of child poverty, and/or improve the wellbeing of children more generally.
- 13 The Bill could also set out matters of process for developing the Government strategy, including who must be consulted. An advisory body could be established, which could be made up of officials or independent experts, or you could use the Office of the Children's Commissioner as a source of independent advice. Officials do not believe this needs to be part of legislation. There is a risk that the more prescriptive you are on matters related to content and/or process, the more likely that the legislation will be repealed under future Governments.
- 14 Chief Executives could also set out a plan for the role and specific contribution of different Government agencies, which would provide a mechanism by which actions are co-ordinated. Such a plan could be advanced through existing legislative mechanisms (ie the vulnerable children's plan provided for by Part 1 of the Vulnerable Children Act 2014).

Reporting

- 15 We recommend that the proposed Act require the Government to measure poverty annually and publicly reports the results. Statistics New Zealand and MSD currently work together on the production and dissemination of statistics related to poverty and material hardship, and officials recommend that this continue. There are legislative options available to ensure that the production of these statistics retain a level of independence, and are safeguarded from political interference.

- 16 In terms of your commitment to introduce reporting as part of the Budget process, you could introduce a requirement that signals how the Budget is consistent with the Government's child poverty reduction strategy, including a quantitative assessment of the impact of the budget measures on child poverty levels, where this is possible.

Data and modelling

- 17 In order to properly support the options above, there is an immediate need to make a number of improvements to the measurement of poverty and hardship in New Zealand.
- Poverty reporting is reliant on Statistic New Zealand's Household Economic Survey, which has a small sample size that prevents robust analysis of a year-to-year changes, and limits analysis of certain subgroups of the overall population.
 - There are also currently no adequate data sources for the measurement of poverty persistence.

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

Legislative options

- 19 The legislative vehicle for the above requirements could be 1) a standalone act ("Child Poverty Act"), 2) an amended (and potentially renamed) Vulnerable Children Act (for example, a "Children's Act"), or 3) a combination of both. This would also amend the Public Finance Act that would require the Minister of Finance to report certain types of information on Budget Day. There are pros and cons to each, and the best approach may be dependent on the decisions you make on the options above.

An example approach

- 20 There are multiple options available for potential child poverty legislation, with interdependencies between these options. Given this complexity, the officials working group has put together an example of its recommended approach for your consideration. In short, this proposed approach is:
- Statistics NZ and the Ministry of Social Development must jointly produce and publish reports on specified measures of child poverty. This includes four 'primary' measures and five 'supplementary' measures. The primary measures include two income-based poverty measures using 50% of median incomes (before housing cost moving line, after housing costs fixed line), a measure of material hardship, and a measure of poverty persistence.
 - For each of the primary measures, the Government must specify targets both for the longer term (ten years ahead) and short-medium term (each three-to-five year period). Short-term targets are to be renewed at least once every three to five years.
 - The government must also prepare, approve and publish a comprehensive child poverty strategy at least once every three years. This is required to set out the rationale for the Government's targets, the policy measures that the Government has implemented and will implement, and the expected impact of those policy measures.
 - On Budget day, the Government must discuss the progress towards reducing child poverty as well as signal how the Budget is consistent with the Government's child poverty reduction strategy, including a qualitative and quantitative assessment of the impact of the budget measures on child poverty levels.

Recommended actions

- 1 **discuss** your preferred options with officials at your meeting with them scheduled for 9am on Tuesday 7 November

2 **note** that the next steps for officials are to:

- draft a Cabinet paper on the policy decisions for the proposed legislation, based on your preferred options, as well as a Regulatory Impact Statement.
- provide you with further advice on data issues, options for possible targets, and the recommended legislative vehicle.

Nic Blakeley
Deputy Chief Executive
Ministry of Social Development

Date

Approved for release by the Minister for Child Poverty Reduction

General Considerations

- 21 There are several general matters that officials suggest that you bear in mind as you consider the rest of this report and your responses to it.
- 22 There are many factors that have a significant impact on child poverty rates (using the sort of measures to be defined in the Bill). The government has control over some of these factors but not others. A government can change policies and policy settings to increase family incomes or to reduce demands on the family budget (eg free GP visits for children), or to better assist families through more streamlined and coordinated access to government services. These can have a very significant impact on the numbers.
- 23 However there are other factors that also impact on child poverty rates, but which a government has less direct control over and in some cases limited or no control:
- the general state of the economy (especially employment and wage rates), some aspects of which are dependent on international factors;
 - accommodation costs;
 - demographic shifts and cultural norms (eg the number of sole-parent families and the number of dual-earner two-parent families, the number of children living in more than one household at various times, the number of multi-generational households);
 - personal characteristics of parents (for example, their parenting and budgeting skills).
- 24 This means that while a government will have to give account for progress towards meeting child poverty targets, not all the relevant factors are under a government's control.
- 25 Once poverty measures are defined for children "for the purposes of the Act" and targets set, these same measures are likely to become taken as the poverty measures for all New Zealand households, and then applied to other groups with some advocating for more government assistance for them too.
- 26 There are varying fiscal implications depending on the measures and targets chosen. In general, the higher the threshold used (for income measures) the higher the likely fiscal costs involved in making a significant impact.
- 27 You have indicated that a key purpose for your Bill is to achieve a sustainable reduction in child poverty rates in New Zealand, and that you accept that "zero" is not a realistic target for any measure. The UK Child Poverty Act 2010 did use "eradication" in the text but not in the title, and then set long-run targets of between 5 and 10%. We are therefore advising that "eradication" be not used in the title or the narrative, so as not to set up unrealistic expectations.

Purpose (Background and Objectives)

- 28 In addition to the overarching purpose of achieving a sustainable reduction in child poverty, we understand that there are several objectives you wish to achieve through the enactment of the Bill. These include encouraging:
- focus on child poverty across government and society more generally
 - commitment to action on the part of government
 - accountability for results against declared targets
 - transparency on levels of child poverty in New Zealand
- 29 The Labour Party's 100 day plan included the commitment to introducing the relevant legislation. In the election campaign Labour also committed to reducing by 100,000 by the early 2020s the number of children living in households with incomes below 50% of the median, before deducting housing costs (ie using the OECD low income measure).

Definition and Measures

- 30 To achieve the over-arching purpose and the objectives, the Act needs definitions and specified measures of child poverty. Definitions can be made at a high level and also at the level of specific measures.
- 31 At the high level, a very common definition is “exclusion from a minimum acceptable standard of living because of inadequate resources”. This or something similar is used by both the EU and by UNICEF, and MSD uses it in its reports. This definition is clear that judgement is required (for ‘minimum acceptable’ and ‘adequate’) and points to the need to look at both household resources and the actual living conditions experienced. It is consistent with a focus on the core measures, as distinct from causes, consequences and correlates.
- 32 At the practical level of measurement, there are three main groups of measures in use:
- low income before deducting housing costs (BHC) – fixed and moving line
 - low income after deducting housing costs (AHC) – fixed and moving line
 - an improvement in fixed line figures means that the incomes of poor households have risen in real terms
 - an improvement in moving line figures means that the incomes of poor households are nearer those of middle-income households – this can occur through either a fall in the incomes of middle-income households or a rise in the incomes of low income households, or both
 - material hardship indices – using more direct (non-income) measures of actual living conditions.
- 33 There is no universally agreed measure of poverty in the richer nations that enables us to say “there are XX,000 poor children in New Zealand”. The EU has some agreed measures and standards for member countries, both for low income and for material hardship, but each country also uses its own measures. The OECD has employed the same low-income measure as its main one for many years, though it is different from the EU one (a threshold of 50% rather than 60% of the median household income).
- 34 In their Report Cards, UNICEF has used three different income measures in recent years (50% and 60% of median moving line, before deducting housing costs; 60% of median, fixed line), plus a measure of poverty depth, and two different material hardship measures neither of which are the same as the EU measure.
- 35 One reason for there not being a single agreed measure is that material disadvantage is multi-dimensional and therefore more than one measure is needed to properly monitor trends and understand which groups are over-represented. This is now widely accepted.
- 36 Another reason is that even when using more than one measure, judgement calls are needed as to where to ‘draw the line’ on the spectrum from less to more severe. The level of poverty is a contestable notion and different views can reasonably be held on the matter. There is also the practical matter that trends can be different at different depths. Poverty, however defined and measured, is at its heart an unacceptable state of affairs that requires action to address it, so there is a lot that rides on the decisions that are made about measures.
- 37 MSD’s reports use a wide range of measures to cover off both BHC and AHC trends, material hardship trends, trends at different depths, and international comparisons. The reports then use this information to tell a comprehensive story to inform public debate, policy development and social research.
- 38 The purpose of the Act is different than that of MSD’s reports. While the Act can build on the same income-wealth-consumption-material-wellbeing framework that the reports use, a smaller set of measures is needed. This will inevitably mean a trade-off and compromise between various principles and ideal criteria such as:

- trends using fixed line income measures and material hardship measures are of primary importance as they unambiguously reflect improvement and deterioration in real terms as they fall and rise - they need, however, to be rebased from time to time
- after housing costs low-income measures are needed given the large proportion of the household budget that goes on housing costs for many low-income families
- international low-income comparisons usually use fully relative measures – these measures can give misleading trends, falling in recessions even when the number in financial hardship may in fact be increasing, and rising in times of strong growth even if many with low incomes are experiencing rises themselves
- material hardship measures are needed to capture that dimension and to incorporate the impact of factors other than income on the material living standards of households
- persistence measures are needed as it is the persistence of the poverty experience that is likely to do most harm to children
- trends using different thresholds can be quite different
- best practice (this is established for BHC income measures, whether 50% or 60% or other fraction of the median; material hardship measures are still developing – it is well developed in the EU and we can do reasonable comparisons using their measure from time to time but no time series – for trends in material hardship we use our own (which give similar results to the EU index). Canada, Australia, US, Japan, Korea cannot do EU comparisons as they do not collect the relevant data
- widespread support and endorsement of the selected measures (the MSD reports do not face this issue as sharply as they use such a wide range of measures)
- feasibility of achieving realistic and meaningful reduction in rates on a given measure
- honouring public commitments already made.

39 Bearing all this in mind officials recommend a multi-measure, multi-level tiered approach as set out in more detail in paragraphs 43-44 below.

Targets

- 40 There are options for you in terms of legislated targets, which range from less to more specific. The legislation could:
- simply require a government to set child poverty targets of any kind (without defining the measures to be used)
 - require targets to be set for specific child poverty measures
 - legislate targets which specify a specific level of reduction (as per the UK's Child Poverty Act 2010)
- 41 Not all of the stated measures need to have targets. In reaching a view on a workable number and type of targets, officials considered two main criteria:
- simplicity and clarity
 - awareness that policy measures impact differently on different measures, and the suggested measures need to be able to reflect the impact of policy interventions. For example, reducing the cost of doctors visits is likely to reduce material hardship rates, but will have no impact on low-income rates.
- 42 Our suggested approach is to distinguish between “primary” and “supplementary” measures, and require the Government to set targets for each of four primary

measures. Governments could, of course, also choose to set targets for some of the supplementary measures, but this would be optional.

Recommended approach

- 43 The recommended approach below takes into account the purpose and objectives of the bill and the list of considerations in paragraphs 37 and 40. We would welcome an opportunity to discuss the proposed approach to the measures and targets with you.
- 44 A set of four primary measures (all required to be reported on and to have targets set)
- low income BHC (50% of median, fully relative moving line, as in OECD publications)
 - low income AHC (50% of median, anchored line (with the 2017/18 survey as the anchor year to start with))
 - material hardship (with a threshold equivalent to the EU's "standard" threshold)
 - a persistence measure (for low income, material hardship or both) – to be defined once we have the relevant dataset available.
- 45 A set of five supplementary measures which provide further international comparison, essential information on poverty depth and more severe poverty, and context for interpreting the primary measures (all required to be reported on, but no mandatory targets required):
- low income BHC (60% of median, fully relative line, as used in EU's 'at-risk-of-poverty (AROP)' measure)
 - low income AHC (50% of median fully relative moving line)
 - low income AHC (40% of median fully relative moving line)
 - severe material hardship (same measure as in the primary, but with a lower threshold)
 - both low income and material hardship (using 60% AHC moving line and the standard material hardship measure).
- 46 Officials consider that the above is a workable and robust regime for the purposes of the Act, albeit with necessary compromises and trade-offs to get tractability, focus and widespread agreement.
- The primary tier allows for international low-income comparisons using the OECD's 50% of median measure. While this has the risk of counterintuitive rises in booms and falls in recessions, it is a good measure of inequality at the lower end of the distribution and is widely used. If this rate can be significantly reduced and held low, then that is a definite gain for New Zealand children.
 - International comparisons using a material hardship measure are more challenging as only the EU does this and their lag in publication is longer than ours. We have our own Material Wellbeing Index and DEP-17 measures with thresholds set to be roughly equivalent to the EU's, but a full EU replication to a standard suitable for a measure in the Act would require a slight adjustment to the survey questions in the 2018/19 survey (2020 report). Even if we had the ability to perfectly replicate now, we would not want to have to amend the Act if the EU changed indices. Officials recommend leaving the material hardship measure not further defined in the Act.
 - The AHC measure in the primary tier is a fixed line one. If the rates rise or fall on this, then this means unambiguous deterioration or improvement in real terms for low-income households. The level of the threshold is also likely to command more widespread support than a higher one. No international

comparisons are available using AHC, except with the UK, as most countries do not collect housing costs in their income surveys.

- The persistence measure is not doable at present as the relevant longitudinal data is not available. Officials recommend that this still be included in the primary tier in the Act as it is of fundamental importance, and retaining it will increase the focus, motivation and investment by government and officials to make it a reality in the future. The legislation could specify a date by when it will come into force.
- 47 In terms of your approach to setting targets, we recommend requiring longer-term target for each primary measure (eg ten years), supported by a series of intermediate targets (eg three to five years). This would encourage Governments to take actions that have both short-term and longer-term effects and mean that Government progress is regularly monitored against the objectives that they set.
- 48 It should also be noted, however, that there will inevitably be a time 'lag' between any target dates and the time when measures will be able to be reported on. Income measures are based on the Household Economic Survey, which includes questions about income for previous 12 months. If your target was, say, December 2019, then the level at this time would not be picked up until the 2020/21 survey, which on current timeframes would be reported on in 2022 (30 months after the target date).
- 49 Statistics New Zealand and Treasury could reduce this lag by streamlining some of the processes involved in processing the survey data, potentially by three to four months. In addition, having a limited number of measures to report will reduce analysis time. Nevertheless, the lag is still likely to still be at least 24 months.

Strategy

- 50 Another way to increase transparency and encourage action on poverty is to introduce an obligation on Government Ministers to produce a strategy on how they will reduce child poverty and achieve the target(s). The Government could be required to prepare and publish a comprehensive strategy on a periodic basis – say, every three or five years. This could be accompanied by an expectation that Chief Executives publish an action plan.
- 51 You could specify the required focus and scope of the strategy. The focus could be:
- narrower, and outline the ways in which the Government will improve the resources available to families, or it could be
 - broader, and show how the Government will
 - address the wider causes and consequences of child poverty, and/or
 - improve the wellbeing of children more generally.
- 52 You could also specify that the strategy covers specific matters. The strategy could be required to:
- Have particular regard to the groups of children in New Zealand who are disproportionately affected by poverty.
 - Explain the rationale for the government's long term and intermediate child poverty targets; and
 - Explain the policy measures the government may have implemented, and those which it intends to implement, to ensure, as far as possible, that children in New Zealand do not experience poverty; and
 - Assess the likely impact on child poverty of the measures outlined in the strategy; and
 - Assess the extent to which the government's strategy is consistent with its international obligations and commitments.

- 53 As well as the *content* of the strategy, legislation could introduce requirements related to matters of *process*, including who must be consulted on the development of the strategy. Groups/agencies for consultation could include:
- children, families, and whanau
 - organisations working with or representing children and their families, including the Office of the Children's Commissioner
 - organisations representing Māori and Pasifika populations and other ethnic groups
- 54 An advisory body could be established to provide advice on the strategy and/or monitor progress. This could be comprised of senior officials, or independent expert advisory group. For example, the United Kingdom's Child Poverty Act 2010 established a Child Poverty Commission, an advisory body that, amongst other things, publishes an annual report setting out its views on progress in reducing child poverty. If appropriately resourced, the Office of the Children's Commissioner could also be used as a source of independent advice on child poverty. Officials do not believe this needs to be part of legislation.

Reporting

General reporting requirements

- 55 Statistics New Zealand and MSD currently work together on the production and dissemination of statistics related to poverty and material hardship, including the contribution of statistics to international bodies such as the OECD and the publication of reports such as MSD's Household Incomes Report. Officials recommend that this continue and Statistics New Zealand and MSD be jointly responsible for reporting under the Act.
- 56 We recommend that the legislation requires the Government Statistician and Chief Executive of the Ministry of Social Development to jointly produce and publish reports on measures of poverty and report the results. The involvement of the Government Statistician would give a clear assurance that reporting is conducted at arm's length from the Government of the day. We also recommend the inclusion of clauses similar to those in section 14 and 15 of the Environmental Reporting Act 2015¹, which ensure best practice on the part of officials, and a duty to Act independently of Ministers.

Reporting as part of the Budget

- 57 Your 100 day plan also included a commitment to change the Public Finance Act so the Budget reports progress on reducing child poverty. The Public Finance Act requires financial reporting at a whole-of-government level but currently does not require reporting on non-financial outcomes. Inserting such a change would, however, be consistent with the overall scheme of the Act.
- 58 We recommend a requirement in the legislation to prepare a report on child poverty and to present it as part of the Budget. There are a range of options for what could be reported as part of the Budget process, including:
- A progress report – a backward look at how the Government is delivering against its commitments to reduce child poverty
 - a strategic assessment – how Budget measures are consistent with the child poverty reduction strategy
 - an impact (quantitative and/or qualitative) assessment – how Budget measures are expected to impact on child poverty levels

¹ The Environmental Reporting Act 2015 makes responsibilities for environmental reporting explicit, sets the broad framework for the scope of reporting and timing for reporting products.

59 There are options for how this information could be published. It could be released as a standalone document on Budget day, or required to be included in key budget documents as part of the Half-Yearly Fiscal Update (Dec), the Budget Policy Statement (March) and the Fiscal Strategy Report (Budget Day). Officials recommend legislation require material to be presented on Budget day, but not specify the format of the information, and instead just specifying the kind of content that needs to be produced.

Data and Modelling

60 In order to properly support the options above, there is a need to make a number of improvements to the data and modelling that the measurement of poverty and hardship in New Zealand relies on.

- Poverty reporting is reliant on Statistic New Zealand's Household Economic Survey, which has a small sample size that allows for the analysis of trends over multiple years but prevents robust analysis of changes on a year-to-year basis. The small sample also limits analysis of certain subgroups of the overall population, such as Māori and Pacific ethnic groups, different age groups of children, and regional breakdowns.
- There are also currently no adequate data sources for the measurement of poverty persistence and other longitudinal analysis. In time, there is potential to use the Integrated Data Infrastructure, but this would require the improvement of relevant administrative data, particularly focused on family and household structure. It would also require extensions of current models to incorporate this administrative data alongside the survey data from the Household Economic Survey.

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

62

63 Officials can also explore options for a dedicated longitudinal survey - this would be more costly, and the need for this requires further analysis. It does not necessarily need to be part of the current Cabinet paper on the legislation, and could instead be considered more thoroughly as part of the general budget process.

64 Treasury calculates the measure of disposable income using their tax and welfare analysis model (TAWA) which provides a robust measure that meets the strict standards required for international comparisons and publication in official reports. Treasury is continually improving these models and could further reduce the processing time for the data.

Legislative options

65 When considering the best legislative vehicle for the options included in this paper, you may wish to consider the current legislative framework for children. There is currently a number of pieces of legislation governing children's policy and services, including:

- the Oranga Tamariki Act 1989, which focuses on child protection and youth justice;

- the Children’s Commissioner Act 2003, which sets out the functions and powers of the Children’s Commissioner and his or her Office; and
 - the Vulnerable Children Act 2014, which includes child protection policies for state services, safety checks for the children’s workforce, and the requirement to produce a vulnerable children’s plan.
- 66 There is some overlap between the proposed requirements, in particular the requirement for Ministers to produce a child poverty strategy, and Part 1 of the Vulnerable Children Act 2014 (VCA). Under the VCA, Government may set priorities for improving the wellbeing of vulnerable children, and once priorities are set, Chief Executives of specific children’s agencies must prepare a vulnerable children’s plan setting out how they will work together to achieve government’s priorities.
- 67 The VCA does have a requirement to produce a plan, but this needs to be triggered by the Government setting priorities (this itself is not a legislative requirement). The VCA provides a vehicle by which Government can progress cross-agency work to advance its priorities for children, particularly in areas where the lack of effective cross-agency working has proved a barrier to children and families getting the services and support they need.
- 68 Options for legislation include:
- including the measures, targets, and strategy requirements in a new stand-alone Child Poverty Act
 - including the measures, targets, and strategy through amendments to the Vulnerable Children Act 2014 – which could, for example, be renamed a ‘Children’s Act’.
 - a combination of both, where a new Child Poverty Act mandates the measures and targets, and an amended (and potentially renamed) Vulnerable Children Act is used to introduce the strategy requirement
- 69 Whichever of these options is chosen, we believe the requirement to publish poverty material as part of the budget process could be progressed by a relatively simple amendment to the Public Finance Act 1989. This amendment of the Public Finance Act 1989 will be part of each legislative option discussed above.
- 70 At this stage, officials consider that any of the above options could accommodate your requirements, but will provide you with further advice. Whether you choose to establish a new standalone Act, or whether you choose to include requirements in an amended VCA (which could be renamed as a ‘Children’s Act’) is partially a political consideration. However if you want the focus of the required strategy to be broader than poverty and focused on child wellbeing more generally, then it may be preferable to amend the Vulnerable Children Act, to minimise duplication and fragmentation.
- 71 There are possible advantages in having a standalone Child Poverty Act for the measures and targets, including clarity of purpose and relative simplicity. It would also be a means of communicating the Government’s commitment to reducing child poverty as a priority area for action. The new child poverty provisions may be more prominent if they are included in a standalone Act.

An example approach of requirements

- 72 As this briefing shows, there are multiple options available for potential child poverty legislation, with interdependencies between these options. Given this complexity, the officials working group has put together an example of its recommended approach for your consideration.

Recommended requirements for Child Poverty legislation

- 73 This Act has the following purposes:
- to enhance the wellbeing of children and improve their overall economic and social outcomes by ensuring, as far as possible, that children in New Zealand do

not experience poverty, as defined in both the low-income and material hardship measures specified in this Act:

- to establish a framework under which governments are required to:
 - measure child poverty; and
 - establish long-term and intermediate child poverty targets; and
 - develop strategies to minimize child income-related poverty and material hardship, and mitigate their harmful effects; and
 - monitor and report progress on a regular basis

74 The Government Statistician and the Chief Executive of the Ministry of Social Development must jointly produce and publish reports on New Zealand's on measures of child poverty. This report must include the following 'primary' measures:

- A **moving line** measure reflecting the proportion of children living in households with annual equivalised disposable incomes, **before housing costs** are deducted, that are below **50% of median** household disposable incomes
- A **fixed line** measure reflecting the proportion of children living in households with annual equivalised disposable incomes, **after housing costs** are deducted, that are below **50% of median** household disposable incomes (anchored in a specified year)
- a **measure of material hardship** reflecting the proportion of children living in households with hardship rates below a standard threshold
- A measure of **poverty persistence** reflecting the proportion of children living in households experiencing income-based poverty and/or material hardship, based on at least one of the measures above, over several years.

75 Child poverty reporting must also include, but need not be limited to, the following supplementary measures:

- A **moving line** measure reflecting the proportion of children living in households with annual equivalised disposable incomes, **before housing costs** are deducted, that are below **60% of median** household disposable incomes; and
- A **moving line** measure reflecting the proportion of children living in households with annual equivalised disposable incomes, **after housing costs** are deducted, that are below **50% of median** household disposable incomes; and
- A **moving line** measure reflecting the proportion of children living in households with annual equivalised disposable incomes, **after housing costs** are deducted, that are below **40% of median** household disposable incomes
- A measure reflecting the proportion of children living in households experiencing **severe material hardship**.
- a measure of **severe poverty** reflecting the proportion of children living in households with hardship rates below a standard threshold and with annual equivalised disposable incomes, **after housing costs** are deducted, that are below **60% of median** household disposable incomes

76 The responsible Minister must ensure that the government publishes targets for reducing child poverty within six months of the date of the commencement of the Act:

- Targets must be set for each of the primary measures specified (and *may* be set for one or more of the supplementary measures)
- Longer term targets for the primary measures of child poverty must be set for, but not limited to, a period of ten years ahead:
- Intermediate targets for the primary measures of child poverty must be set for, but need not be limited to, each three-five year period following the announcement of targets

- The responsible Minister must ensure that the government reviews the intermediate targets for the primary measures of child poverty at least once every three-five years
- 77 The responsible Minister must ensure that the government prepares, approves and publishes a comprehensive child poverty strategy within six months of the date of the commencement of the Act. The responsible Minister must ensure that the government reviews and updates the strategy at least once every three years.
- 78 In preparing the strategy, the responsible Minister must:
- Consult with such children, families, whanau, and organisations working with or representing children and their families, including the Office of the Children's Commissioner, as the Minister thinks fit; and
 - Have particular regard to the groups of children in New Zealand who are disproportionately affected by poverty.
- 79 The strategy must, among other things:
- Explain the rationale for the government's short-term and long-term child poverty targets; and
 - Explain the policy measures the government may have implemented, and those which it intends to implement, to ensure, as far as possible, that children in New Zealand do not experience poverty; and
 - Assess the likely impact on child poverty of the measures outlined in the strategy; and
 - Assess the likely impact of the measures the government has implemented, and/or intends to implement, to mitigate the harmful effects of poverty on children; and
 - Assess the extent to which the government's strategy is consistent with its international obligations and commitments.

Approved for release by the Minister for Child Poverty Reduction