

Jonathan Boston

The Challenge of Securing Durable Reductions in Child Poverty in New Zealand

Introduction

New Zealand has tolerated significant levels of relative child poverty for more than two decades. For a country which once prided itself on being comparatively egalitarian and, more particularly, on being a great place to bring up children, this is surprising. It is also concerning. Child poverty imposes many long-term costs. This is especially the case, according to the available evidence, when poverty occurs during early childhood¹ and when it is severe and/or persistent. These costs afflict not only the children directly exposed to poverty (e.g. in the form of lower educational achievement, reduced lifetime earnings and poorer health outcomes), but also society as a whole. The wider social and economic costs include increased health care costs, lower productivity

growth and higher rates of criminal offending.² In short, the empirical evidence suggests that substantial rates of child poverty reduce a nation's prosperity. Hence, on economic grounds alone there is a case for seeking lower child poverty rates. Other considerations, such as the pursuit of fair opportunities for all children, make such a goal even more compelling.

Fortunately, New Zealand's rate of child poverty is by no means the worst within the OECD (see Table 1). Moreover, the situation in 2013 is somewhat less serious than during the 1990s and early 2000s (see Figure 1). Nevertheless, using various approaches to poverty measurement, whether based on relative income thresholds or on rates of material deprivation, child poverty in New Zealand remains a critical social problem. For instance, on one measure of income poverty (i.e. those living in households with equivalised³ disposable incomes below 60% of the median, after housing costs), the child poverty rate in recent years has been around 25%; this is almost twice the rate experienced during the 1980s, which averaged about 13%. Using a more demanding poverty measure (based on 50% of the median household disposable income, after housing costs), whereas the average child poverty rate during the 1980s was about 8%, in

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Table 1: Child poverty rates at different relative poverty lines (before housing costs)

Country	Poverty line at 50%	Poverty line at 40%	Poverty line at 60%
Iceland	4.7	1.9	10.1
Finland	5.3	1.5	11.9
Cyprus	6.1	1.8	12.1
Netherlands	6.1	2.9	15.4
Norway	6.1	3.1	11.3
Slovenia	6.3	2.9	11.1
Denmark	6.5	3.6	11.4
Sweden	7.3	3.7	12.7
Austria	7.3	3.2	13.6
Czech Republic	7.4	3.8	13.0
Switzerland	8.1	3.2	17.9
Ireland	8.4	3.5	18.9
Germany	8.5	4.6	14.9
France	8.8	3.7	16.8
Malta	8.9	2.9	20.3
Belgium	10.2	4.1	16.6
Hungary	10.3	3.0	20.6
Australia	10.9	4.3	17.6
Slovakia	11.2	6.6	17.0
New Zealand	11.7		19.4
Estonia	11.9	6.1	20.6
United Kingdom	12.1	5.6	20.8
Luxembourg	12.3	4.2	22.4
Canada	13.3	7.3	21.9
Poland	14.5	7.5	22.9
Portugal	14.7	9.6	22.7
Japan	14.9	9.6	20.5
Lithuania	15.4	8.8	24.3
Italy	15.9	9.7	24.2
Greece	16.0	8.1	23.5
Spain	17.1	11.5	23.6
Bulgaria	17.8	12.2	24.4
Latvia	18.8	12.8	25.0
USA	23.1	16.6	31.1
Romania	25.5	17.8	32.3

Source: Innocenti Research Centre (2012, p.12)

Note: The rates cited in this table are generally for 2009, but the New Zealand rates are for 2011.

recent years it has been close to 16%. As highlighted in Table 1, New Zealand's rates of child poverty are somewhat lower if calculated without taking housing costs into account, but even on this basis they are close to double those of the best-performing OECD countries.

Furthermore, the rate of material deprivation⁴ among children, based on the official measure used by the European Union, was around 18% in 2008 (just

prior to the global financial crisis). This was significantly higher than the rate in many western European countries and six times the rate of material deprivation among those aged 65 years and older (see Table 2).

International comparisons of this nature, together with the substantial rise in child poverty in New Zealand over the past 25 years, prompt a variety of questions. First, why do rates of child

poverty and material deprivation vary so much across the OECD, and how have some countries managed to achieve relatively low rates for extended periods of time? Second, why did child poverty rates in New Zealand deteriorate so markedly during the late 1980s and early 1990s, and why have such significant rates been tolerated for so long? Third, how might the current rates of child poverty be reduced and, in particular, how might the durability or sustainability of such reductions be enhanced? This article seeks to answer these questions. My reflections draw heavily on the work of the Expert Advisory Group on Solutions to Child Poverty (EAG), of which I was co-chair.

There are, of course, many other issues deserving of attention. Many of these are covered in other contributions to this special issue of *Policy Quarterly*.

Child poverty rates – explaining the differences between developed countries

The data presented in Table 1 highlight the large differences in rates of child poverty, based on relative poverty thresholds, across the OECD. Using the 60% poverty line, some countries (like Romania and the US) have rates up to three times those of the best-performing countries; using the 50% poverty line the differences are even more marked. Material deprivation rates among children also vary greatly across the OECD, as indicated in Table 2.

If child poverty rates were broadly similar across developed countries, it might suggest that policy settings make little difference. Decision-makers would then be faced with the stark and discouraging possibility that child poverty is an intractable problem and that the rate of child poverty is largely beyond their capacity to influence. Fortunately, the fact that rates differ so markedly suggests that policies do matter and that child poverty can be reduced. The question then becomes how? More specifically, which policies are the most effective and what conditions are necessary for their implementation? Also, what other factors shape poverty outcomes?

Differences in material deprivation rates

Unlike poverty rates based on relative income thresholds, material deprivation

Table 2: Deprivation rates* in 13 countries comparing children with older people and the total population in 2007 (Europe) and 2008 (New Zealand)

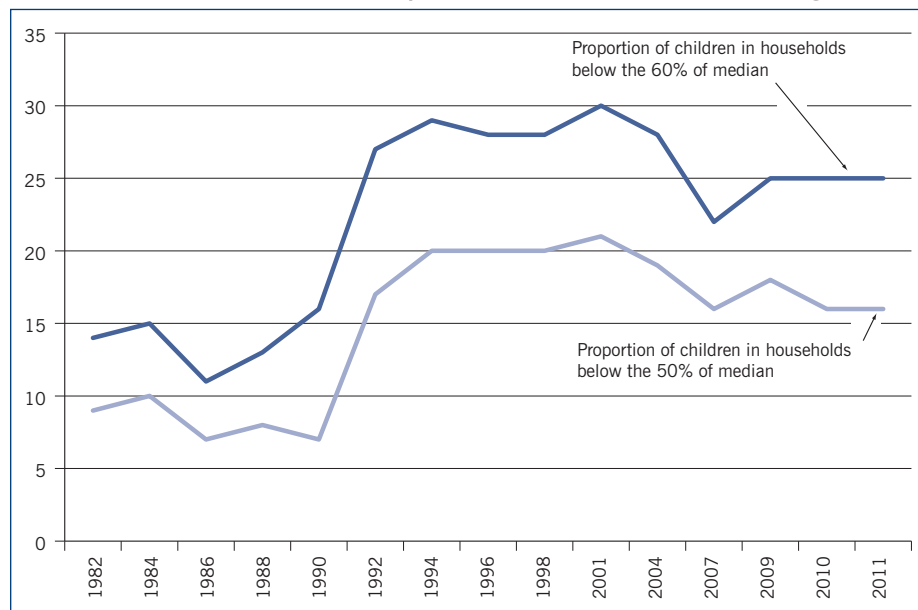
Country	Children 0-17	Aged 65+	Total population
Netherlands	6	3	6
Norway	6	1	5
Sweden	7	3	6
Spain	9	11	11
Germany	13	7	13
Slovenia	13	18	14
Ireland	14	4	11
United Kingdom	15	5	10
New Zealand	18	3	13
Italy	18	14	14
Czech Republic	20	17	20
Hungary	42	35	38
Poland	39	41	44

* The deprivation rates in this table are based on the proportion of households who lack at least three items from a list of nine because they cannot afford them. All nine items are regarded as essential by the majority of the population.

Source: Perry, 2009, pp30-33

(or hardship) rates reflect actual day-to-day living conditions or standards. Accordingly, one would expect, other things being equal, that rates of childhood deprivation would be higher in countries with lower living standards than in those which are relatively wealthy. Thus, it is no surprise that deprivation rates (across all age groups) are much higher in eastern European countries like Hungary and Poland than in the richer countries of western Europe (see Table 2). But it is also clear that real per capita incomes supply only one of the reasons why deprivation rates differ. For instance, some countries with roughly comparable living standards as measured by GDP per capita (e.g. Germany and Sweden) have different childhood deprivation rates, and some countries with significant childhood deprivation rates (e.g. New Zealand and Britain) have very low rates of deprivation among those aged 65 years or more (e.g. 3–5%). Interestingly, although rates of childhood deprivation (and income poverty) across the OECD are typically higher than those for the elderly (and the population as a whole), there are notable exceptions. Such findings suggest that there are a range of factors, not least policy

Figure 1: Trends in New Zealand child poverty rates from 1982 to 2011 (based on 50% and 60% of median disposable household income, after housing costs)



Source: Perry, 2012, 124

settings, which affect rates of income poverty and material deprivation.

Differences in income poverty rates

As noted earlier, income poverty is measured on the basis of whether equivalised disposable household income is below a specified level of the median income (i.e. the mid-point in the income distribution, not the average). The poverty rate is thus a relative measure and will vary depending on the median income, the income threshold adopted, whether or not housing costs are taken into account (and, if so, how), and the nature of the equivalence scale adopted. The precise methodologies employed to calculate poverty rates are discussed by Bob Stephens elsewhere in this issue, but it is worth noting that disposable income refers to market income that is adjusted for direct taxes, income support (benefits) and tax credits.

Plainly, measures of income poverty reflect the shape of the income distribution within a particular society (especially at the bottom end). While the relationship between income inequality (on various measures) and poverty is complex (see Carter et al. in this issue), broadly speaking, countries with high rates of income inequality (e.g. the US) tend to have relatively high rates of poverty, including child poverty. Conversely, countries with below-average

levels of income inequality, like those in Scandinavia, tend to have lower poverty rates.

The distribution of household disposable income is influenced by many factors, most notably:

- the dispersion of wages and other earnings from employment;
- the dispersion of investment income (e.g. rents, dividends and interest) and private transfers;
- household structure (e.g. the balance of two-parent and sole-parent households, and the extent to which there is 'assortative mating'⁵);
- the degree of polarisation between 'job rich' and 'job poor' households;
- the limited employment opportunities for many unskilled and semi-skilled people; and
- the structure of direct taxes and the level of public cash transfers (e.g. pensions, benefit payments and tax credits).

In brief, the significant variability in income poverty rates (including child poverty rates) across the OECD reflects differences in one or more of these factors, especially the dispersion of wages (and other earnings) and the structure and generosity of tax-welfare systems. Note, too, that poverty rates can be sensitive to relatively small movements (up or down) in levels of social assistance, as such changes can shift large numbers of

households above or below particular poverty thresholds. Specific policy settings, therefore, can have a significant impact on rates of income poverty.

As a general rule, the countries with low rates of relative child poverty (such as Denmark, Finland, Iceland, Norway and Sweden) have rates of market-income inequality below the OECD average, and/or tax-welfare systems that are relatively effective at redistributing income to those in low-income households (Cass and Whiteford, 2009; Whiteford and Adema, 2006). For instance, child poverty rates in the US are high because market-income

inequality is affected by many different variables and few of these are amenable to the direct control of policy makers. Such variables include: the overall structure of the economy and patterns of employment in different sectors; labour market mobility and participation rates; the structure of employment, including working-time arrangements; the nature of labour market institutions, including union density and bargaining coverage; the framework of labour market regulation, including the minimum wage; benefit replacement rates; unemployment rates; and cultural values. Over recent

picture is complicated by the fact that the employment rates (and earnings) of sole parents vary significantly across the OECD and some countries provide relatively generous assistance to sole-parent families. Hence, for instance, although the rate of sole parenthood in Scandinavia is close to or above the OECD average, child poverty rates are nonetheless low. This is because the Nordic countries provide strong incentives for sole parents to find paid employment and supply considerable financial support to enable participation in the labour market (e.g. via heavily subsidised child care and early childhood education). Achieving high parental employment levels is thus a critical mechanism for minimising child poverty. This applies even in a context where the wage dispersion is considerable.

The second broad option for reducing child poverty is to enhance the redistributive effectiveness of the tax-welfare system, particularly in relation to low-income families. Many factors affect the redistributive effectiveness of government policies, including:

- the structure, comprehensiveness and progressivity of the tax system;
- the overall level of taxes;
- the comprehensiveness and generosity of the welfare/social security system, including the design of family assistance programmes and the level of benefit payments/tax credits;
- the eligibility criteria for benefit receipt;
- the balance and structure of in-work and out-of-work benefits; and
- the nature and generosity of social assistance which is tied to the provision of specific goods and services (e.g. cash subsidies for housing and child care).

On the whole, the OECD countries that are most effective in redistributing income combine relatively progressive tax regimes with comprehensive and generous social security/social assistance regimes. With respect to reducing child poverty, key ingredients typically include strong parental employment incentives and related supports, significant family assistance programmes (in the form

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disparities are substantial and the tax-welfare system is not very effective in redistributing income between households. By contrast, Canada has a broadly similar level of market-income inequality (i.e. before taxes and transfers) to that of the US, but the tax-welfare system is much more effective in redistributing income to poorer households (OECD, 2011a, p.36). Hence, whereas child poverty rates (using a threshold of 50% of median household disposable incomes before housing costs) in Canada and the US are roughly the same before taxes and transfers are taken into account, after they are factored into the equation, Canada's child poverty rate falls to almost half that of the US (see Table 1).

Options for reducing child poverty

Such an analysis suggests that there are two broad strategies available for reducing the proportion of households with disposable incomes below key poverty thresholds and thereby alleviate child poverty: the first is to focus on reducing market-income inequality, especially on a household basis; the second is to enhance the redistributive effectiveness of the tax-welfare system.

The first option is the more complex and difficult of the two. Market-income

decades there has been a general tendency across the OECD for market-income inequality to increase, but the reasons for this, as well as possible solutions, remain contested (see OECD, 2011a; Stiglitz, 2012). Similarly, there is continuing debate about why the rise in inequality has been so uneven between countries.

Aside from this, social factors that are not necessarily related to the structure of the economy or the labour market also shape the dispersion of household incomes. One of these is the proportion of sole-parent households. On average, sole-parent households have lower disposable incomes than two-parent households. This reflects the fact that: 1) such households have only one working-age adult; 2) both education and employment levels, and thus potential earnings, tend to be lower; and 3) many sole parents are (largely) dependent on cash transfers and other forms of public assistance. Accordingly, child poverty rates among sole-parent households are invariably higher within OECD countries than among two-parent households. Likewise, other things being equal, countries with comparatively high rates of sole parenthood have greater child poverty than those with low rates of sole parenthood. Having said this, the

of tax credits and/or child payments), and benefit systems that are designed to ensure that household disposable incomes are above (or at least not too far below) poverty-related thresholds. Interestingly, the countries with the lowest rates of child poverty generally rely quite heavily on universal (i.e. non-means-tested) forms of social assistance to families.

Additionally, governments across the OECD provide many 'in-kind' services for children (and their families), such as education (at all levels), health care, housing and care services. Although these are not designed primarily as instruments for redistribution, their effect is typically strongly redistributive.⁶ Hence, while in-kind services do not directly impact on the inequality of *household disposable incomes* (or income poverty rates), they do affect rates of material deprivation (e.g. the affordability of and access to health care services) and overall levels of societal inequality. The nature, comprehensiveness and generosity of in-kind services must therefore be taken into account in designing strategies to alleviate child poverty and material deprivation.

Achieving low rates of child poverty – political economy considerations

It is one thing to identify possible strategies, and related policy frameworks, for minimising child poverty; it is quite another to implement them and sustain the required political support over long periods of time. After all, reducing child poverty entails policy interventions that redistribute income in various ways, and redistributive initiatives are inherently controversial. Not only are they subject to (potentially ongoing) ideological opposition and taxpayer resistance, but there is also the perennial challenge of conflicting policy priorities and fiscal constraints. Hence, if effective strategies to alleviate child poverty are to be implemented successfully, and if they are also to endure, the relevant policies require ongoing multi-party endorsement at the parliamentary level and adequate, stable levels of public support. This implies the need for a broad societal commitment to particular values (e.g. a strong emphasis on social justice

and social solidarity, a preference for low levels of poverty, support for childbearing and gender equity, a recognition that the state has a legitimate role in encouraging family well-being and protecting the best interests of children, and so forth). Supportive institutional arrangements are also likely to assist (e.g. an interest group structure that reinforces the predominant societal values and preferences). Achieving the necessary consensus appears to be easier in societies which are relatively homogeneous (especially on the crucial dimensions of ethnicity and religion) and have comparatively high rates of

Thus far, only Scandinavia and a limited number of continental European countries (e.g. Austria and the Netherlands) have been successful in achieving and maintaining low child poverty rates. At the same time, over recent decades various other OECD countries have made concerted efforts for extended periods to reduce child poverty (e.g. Australia, Ireland, Italy and the UK). These anti-poverty strategies have generally been initiated by centre-left governments but have often received a solid level of support from parties across the political spectrum. In policy terms, such strategies have

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social mobility. By contrast, societies characterised by deep and entrenched social divisions (such as the US) are less likely to secure or sustain any agreement on anti-poverty strategies.

Adept policy design is also crucial if low child poverty rates are to be achieved and maintained. For instance, the main anti-poverty policies need to be constructed so that they are not undermined by inflation, the inevitable ups and downs of the business cycle or negative external shocks. Maintaining relatively low unemployment levels, as well as high labour force participation rates by those with children, is equally crucial; ultimately this depends on successful macroeconomic management. Additionally, it is helpful, in terms of maintaining cross-party support for low rates of child poverty, to incorporate measures which: a) are politically difficult to change because of the likely electoral costs; and b) ensure support across the ideological spectrum. In this respect, embracing policies with at least some universal coverage appears to be important as this tends to enhance middle-class support for the overall strategy.

usually incorporated a mix of elements, including:

- explicit and generally ambitious medium-to-long-term poverty-reduction targets or high-level political pledges;
- additional cash transfers to families (both working and non-working), typically involving a mix of universal and targeted elements;
- various measures to enhance the employment of sole parents and improve the flexibility of working hours; and
- additional investments in children (e.g. via extra subsidies for child care and early childhood education, longer paid maternity leave, more funding for schools in poorer areas, and improved social support for young mothers) (Cass and Whiteford, 2009; Waldfogel, 2010).

In the case of the UK, a particular focus of the former Labour government's anti-poverty strategy was on assisting families with young children (e.g. 0–5 years) so that the youngest children receive benefits at least equal in value (or higher) than older children. This approach is consistent with

international evidence which highlights the importance of avoiding persistent and/or severe poverty during early childhood.

Explaining the rise and acceptance of child poverty in New Zealand

As noted earlier, New Zealand moved from having relatively low rates of child poverty in the early to mid-1980s to much higher rates during the 1990s and into the 2000s. The dramatic rise during the late 1980s and early 1990s was the product of a convergence of factors. Two were especially important: 1) a substantial increase in those receiving social assistance (due to much higher unemployment and an increase in the number of sole parents and those receiving sickness and invalids benefits);

- a reduction in the progressivity of the tax system;
- an increase in relative housing costs (partly due to policy changes); and
- a reduction in the real value of family assistance programmes – partly due to a failure to index fully some forms of assistance (e.g. various tax credit initiatives, primary health care subsidies, etc.).

In response to the dramatic increase in child poverty during the early 1990s, some modest policy changes occurred during the latter part of the National-led government (1990–99), including a small increase in the level of family assistance. No reversal of the 1991 benefits cuts, however, was instituted. Under the

related financial incentives. The IWTC has, however, remained controversial, partly because of certain design features and partly because of the inevitable distinction that is made between families with different levels of engagement with the labour market (see the contribution of St John in this issue of *Policy Quarterly*).

Despite these anti-poverty measures, child poverty rates (on most indicators) have remained significantly above their levels during the 1980s for over two decades. Why have such levels of poverty been tolerated?

Any suggestion that the reason lies in insufficient empirical evidence or inadequate advocacy is difficult to sustain. Although New Zealand does not have official poverty measures, reliable poverty data have been published by the Ministry of Social Development and various academic researchers over many years. Abundant international and local data have also been available on the negative educational, health, social and economic consequences of higher child poverty rates. Thus, policy makers in New Zealand cannot plead ignorance about the nature, extent and likely impacts of child poverty. Likewise, there has been no lack of articulate and well-informed public advocacy. Alleviating child poverty has been vigorously championed for many years by numerous professional bodies (especially in the health care sector), community groups and voluntary organisations (such as the Child Poverty Action Group), as well as several minor parliamentary parties. Of course, this has not prevented much ignorance and denial. Nor has it precluded numerous misunderstandings and myths about child poverty from holding sway (e.g. that there is no ‘real’ hardship in New Zealand; that child poverty is a minor problem and/or does little harm; that there is little that the government can do to improve the situation, etc.). But there has been no shortage of empirical evidence available to counter such myths.

The reasons for New Zealand’s tolerance of significant child poverty for an extended period must therefore lie elsewhere. Three separate but interrelated explanations can be identified: the dominance of market-liberal ideas; the

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and 2) a substantial reduction in the real value of welfare benefits. For instance, between 1987 and 1992 the number of beneficiaries almost doubled while many benefits were cut by 10–30% in real terms. The combined impact of these changes was to reduce the disposable incomes of many families below one or other of the various poverty thresholds.

The increase in child poverty between the mid-1980s and the early 2000s was also exacerbated by other policy changes and wider economic and social trends. These included:

- an increase in the dispersion of wages and other earnings from employment;
- an increase in the dispersion of investment income (e.g. rents, dividends and interest) and private transfers (see OECD, 2011a, overview, p.35);
- changes in household structure, and, in particular, an increase in the proportion of sole-parent households;

subsequent Labour-led government (1999–2008) more significant redistributive policy initiatives were introduced, most notably in the form of extra housing assistance (including income-related rents for state house tenants and changes to the accommodation supplement) and the implementation of Working for Families during 2005–07. The latter involved a revised and expanded package of tax credits for low- to middle-income families. These measures, together with a substantial fall in the level of unemployment and a more modest reduction in those receiving the domestic purposes benefit, brought a significant reduction in child poverty rates between 2004 and 2008 (see Figure 1). Much of this reduction, however, was concentrated in ‘job rich’ households. This is because most job poor households were not eligible for the new in-work tax credit (IWTC), which replaced the former child tax credit in April 2006. The IWTC was designed to enhance labour force participation rates, especially among sole parents, by providing additional work-

related weakening of egalitarian values; and the tendency for the problem of child poverty to be 'framed' in public discourse as a minority ethnic group issue.

Ideologically, a strong market-liberal ethos prevailed within the country's policy community, and especially its most influential policy-making institutions, during the 1980s and 1990s. While this ethos has weakened more recently, the dominant policy concern has remained focused on enhancing economic growth and lifting labour productivity rather than achieving greater equity or reducing poverty. Further, the prevailing orthodoxy has continued to embrace the following assumptions: that boosting economic growth requires a smaller, less active state; that for a small, open economy in the context of economic globalisation and liberalisation, greater income inequality is inevitable (if not desirable); and that benefit rates need to be kept low to maintain adequate work incentives and reduce dependence on the state. From this perspective, higher rates of poverty, including child poverty, are viewed as a largely unavoidable (short-term) by-product of the focus on growth. It is assumed that eventually, however, faster growth will expand employment opportunities and reduce poverty rates, certainly among families with paid employment. Such assumptions and perspectives have been reinforced by a mix of paternalistic attitudes and anti-statist sentiments. Examples include the views that childrearing is solely a parental responsibility, that the state should not interfere in family matters, that child poverty is the result of deficient parenting, that the best solution is for poor people not to have children, and that 'throwing more money at the problem' doesn't work.

Related to this, opinion poll data indicate that there has been a steady decline in support for egalitarian values in New Zealand over the past three decades. As a result, there is now a greater acceptance of income inequality and relative poverty and less support for income redistribution. For instance, whereas in 1992 around 70% of those surveyed endorsed a progressive tax system (with those on high incomes paying a

greater proportion of their income in taxes than low-income earners), by 1999 support had fallen to 60%, and by 2009 to just over 50% (International Social Survey Programme, 2010). Likewise, the proportion of New Zealanders who support government measures to reduce income differences between the rich and poor fell from 50% in 1992 to 40% in 2009, and there was a similar reduction in the proportion of people who thought income disparities were too large. Related to this, less than half the population (43%) agreed in 2009 that the government should provide a decent standard of living for those who are unemployed. In short, increased inequality in New Zealand has gone hand in hand with a shift in values;

and child poverty rates among such groups are at least twice those of the European population on most measures (Perry, 2012). Not surprisingly, therefore, child poverty tends to be associated in the public mind with minority groups, and thus identified as a minority ethnic problem rather than a broader societal issue. Such perceptions, coupled no doubt with elements of racism and negative attitudes to sole parents, may have contributed to an 'us' and 'them' attitude among some European voters and decision-makers. From this perspective, child poverty is viewed as 'their' problem, not 'our' problem; poor children are seen as 'their' children, not 'ours'. Consistent with this, a notable refrain from certain

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the once broad and vigorous support for egalitarianism has been significantly eroded. Similarly, increased inequality, coupled with greater socio-economic residential segregation, has no doubt reduced the extent to which wealthy citizens experience and understand the problems which afflict the poor. For instance, children brought up in well-off households in affluent suburbs have virtually no direct experience of material deprivation or hardship. Their living circumstances are far removed from the substantial deprivation experienced by children brought up in households with the lowest 10–20% of living standards (Perry, 2011, p.14).

Finally, there is the issue of policy 'framing'. I am speculating here, but I suspect that ethnic considerations, and related demographic trends, have contributed to the failure of policy makers to take more decisive action to reduce child poverty. Around 50% of poor children in New Zealand are wholly or partly of Māori or Pasifika ethnicities,

members of the public during the consultations undertaken by the Expert Advisory Group on Solutions to Child Poverty in 2012 was the need to 'stop them breeding'.

If the policy problem is framed in such ways, many people might well conclude that child poverty is an issue for the Māori or Pasifika communities to address, not one for society as a whole. Likewise, if child poverty is seen as solely the result of bad choices by certain individuals (e.g. poor parents are having too many children), then the case for action by the state to alleviate the problem may appear less strong.

Parallels can readily be drawn with other countries which have deprived ethnic minorities, like the US (where child poverty is concentrated especially in the black and Latino communities). It is perhaps no accident, therefore, that as demographic changes have altered the ethnic composition of the population and as poverty has become more entrenched within certain ethnic minorities, there

has been a corresponding reduction in public support for policy measures to address child poverty.

A way forward: reducing child poverty in New Zealand

To the extent that such an analysis has merit, how might progress be made towards alleviating child poverty in New Zealand, not just temporarily but on a long-term basis? Let me offer several suggestions.

Building robust, durable, public and parliamentary support for the implementation of effective anti-poverty measures will be critical. This is currently lacking. Generating the necessary support will require both

being of all children, regardless of their ethnic background.

More generally, greater public support is needed for effective redistributive policy initiatives and the values which underpin such approaches. In this regard, a focus on *child* poverty, rather than *family* poverty, is likely to be more conducive to capturing the public imagination. Emphasising the expected long-term national *economic* benefits of lower rates of child poverty might also help. After all, reduced poverty is not merely about less hardship and expanded opportunities for deprived children (however critical this might be); it is also about enhancing the nation's prosperity. The message needs to be clear: child poverty benefits no one;

... the most controversial of the EAG's recommendations were those proposing a greater reliance on universal forms of social assistance, especially during the early years of a child's life.

astute political leadership and stronger electoral incentives for policy action. The latter, in turn, will require a shift in public attitudes, particularly among better-off New Zealanders. To achieve this, prudent use of all three Aristotelian forms of persuasion might help: *logos* (the use of logic), *ethos* (appeals to authority and ethical considerations) and *pathos* (appeals to the emotions). In practical terms, effective persuasion will entail continuing efforts by researchers and community groups to highlight the empirical evidence regarding the long-term economic and social costs of child poverty; to underscore the harmful impacts of poverty on individual children; to emphasise the shame of tolerating significant childhood deprivation in the midst of plenty; to counter the manifold myths and misunderstandings noted earlier; and to reframe the policy problem so that child poverty is not perceived solely or primarily as a Māori and/or Pasifika concern, but rather as an issue about the rights, opportunities and well-

less poverty means better outcomes and a more secure future for everyone, not just the poor. Equally, the focus should not be on the costs of poverty relief (although these are undeniable), but on the wisdom of investing in our collective future.

In policy terms, a package of initiatives is needed which has the capacity to attract cross-party support. Moreover, such support needs to be durable over multiple elections. As highlighted by the EAG, New Zealand has much to learn from the experience of other countries that have pursued successful strategies to reduce child poverty (see OECD, 2009, 2011b). Such strategies have typically embraced a balanced combination of measures that appeal to a range of political interests. They have also been designed both to relieve poverty and to mitigate its effects. The strategies include (as noted earlier):

- explicit (and ideally credible and achievable) medium- to longer-term poverty-reduction targets to ensure clarity of purpose and accountability for results;

- the specification of clear objectives for the reduction of various negative social outcomes associated with child poverty;⁷
- prudent fiscal and other macro-economic policies to maximise the chances of high employment levels;
- active labour market policies to enable and support high participation rates, and in particular to reduce joblessness among families with children, not least sole parents;
- a mix of cash assistance and in-kind policies;
- a mix of universal and targeted assistance for families with children; and
- levels of income support (via cash benefits and tax credits) that are sufficient to ensure that most low-income families receive disposable incomes above relevant poverty thresholds.

There is, of course, much scope for debate about the precise design of such policy instruments, as well as the inevitably problematic issues of prioritisation, sequencing and affordability. The EAG in its final report made no fewer than 78 specific recommendations. Of these, six were identified as short-term priorities, and a further four as long-term priorities. While some of the priority recommendations have attracted a measure of support from across the political spectrum, others certainly have not. This is hardly surprising, not least because of the substantial fiscal costs of implementing several of the more ambitious longer-term policy measures.

As expected, the most controversial of the EAG's recommendations were those proposing a greater reliance on universal forms of social assistance, especially during the early years of a child's life.⁸ This is not the place for a detailed defence of the approach enunciated by the EAG. But various matters deserve stressing. First, the policy debate in New Zealand needs to move beyond a simplistic either/or approach to universality and targeting. The policy terrain is much more complicated than this and many policy options (and sub-options) are available. These include what the 2010 Marmot Review (which focused on how to reduce

health inequalities in England) termed ‘proportionate universalism’ and what Theda Skocpol has referred to a ‘targeting within universalism’ (Mkandawire, 2005, p.17). Second, and related to this, the debate needs to be informed by careful, sober, rigorous analysis and the avoidance of knee-jerk reactions or ideologically-driven rigidity. Third, it is vital to consider the coherence of the overall policy package, not merely the integrity and logic of the individual components. And fourth, while the aggregate fiscal costs of the various options are a critically important consideration, they should not receive absolute or overriding priority. Other criteria also need appropriate weighting, including feasibility, simplicity, compliance costs, political durability, and the effectiveness of the interventions in meeting their multiple objectives.

To sum up, there are compelling ethical, economic and social reasons for reducing child poverty rates in New Zealand. Fortunately, policy makers have the means to do so, at least to some degree. Unfortunately, the political will and incentives appear to be lacking. The challenge, therefore, must be to change the political climate, ideally in a durable manner. This will not be an easy or straightforward task. Nevertheless, for the sake of all those children who deserve a better start in life, it is undoubtedly a task worth pursuing – with intelligence, persuasiveness and vigour.

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- 1 See the contribution by Greg Duncan and Katherine Magnuson in this issue of *Policy Quarterly*.
 - 2 For further details, see the various working papers and reports produced by the Expert Advisory Group on Solutions to Child Poverty: http://www.occ.org.nz/publications/child_poverty.
 - 3 This means that adjustments are made for the size and composition of the households.

- 4 Deprivation rates provide more direct indications of hardship than income-based measures of poverty, and are typically based on the proportion of households which lack a certain number of items (that are deemed by the majority of the population to be essential) because they cannot afford them.
- 5 Assortative mating is a non-random partnering pattern in which individuals with similar backgrounds (including education, socio-economic status and beliefs) mate with one another more frequently than what would be expected under a random mating pattern.
- 6 There are a few exceptions to this generalisation, the most obvious being large universal subsidies for post-compulsory education (which are regressive).
- 7 The EAG recommended that the government develop a comprehensive set of child poverty-related indicators (CPRIs), with explicit targets for at least some of these CPRIs.
- 8 For a critique, see the contribution of Susan St John in this issue of *Policy Quarterly*.

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Corrections to note:

Two errors occurred in the article by Geoff Bertram and David Tripe in the November 2012 issue of *Policy Quarterly*. First, the reference to ‘Hosking and Woolford 2011’ ought to have been ‘Hoskin and Woolford 2011’. Second, the attribution of the 2012 Regulatory Impact Statement (RIS) to the Treasury was wrong; in fact the RIS was prepared by the Reserve Bank of New Zealand, although it appeared on the Treasury website. The ‘Reserve Bank of New Zealand’ should therefore have appeared as the author of the ‘Regulatory Impact Statement: covered bonds registration requirements and insolvency protections’.