



# A New Zealand where all children can flourish

BRIEFING PAPER  
To the incoming  
Government

**Author**

Child Poverty Action Group  
Edited by Dr M. Claire Dale  
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# About Child Poverty Action Group

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

If you would like to support CPAG's work, please visit our website: [www.cpag.org.nz](http://www.cpag.org.nz)

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**A New Zealand where all children can flourish:  
BRIEFING PAPER to the incoming Government**

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# Contents

Introduction and Recommendations .....	2
Priorities for health .....	7
Why does poverty make children sick? .....	7
Triple jeopardy for children.....	7
Poor health in childhood.....	8
Poverty in childhood affects lifetime health and well being.....	8
The reality.....	9
Priorities for 'social investment' .....	10
Effective 'social investment' for all children .....	10
'Social investment' focuses on 'vulnerable' children .....	10
Too narrow definition of 'vulnerable children' .....	10
Strong link between vulnerability and poverty.....	11
Priorities for supporting family incomes.....	12
Background: Working for Families .....	12
Recent changes.....	13
The changes in context .....	14
Priorities for family housing .....	16
What we know about children's housing.....	16
Overcrowding.....	17
Residential mobility and transience .....	17
Trends in rental housing.....	18
Trends in social housing .....	20
Conclusions.....	22
Priorities for education.....	23
Education is a public good .....	23
Is Education in New Zealand adequately funded?.....	24
Conclusion.....	27

# Introduction and Recommendations

The future health and wellbeing of any country is dependent on the well-being of its children, but in Aotearoa-New Zealand, a raft of social inequities are severely affecting large numbers of children.

Children's hospital admissions are a useful indicator of their general health and wellbeing. Illnesses of children (aged 0-14 years) associated with poverty have increased since 2000, and now there are about 40,000 such hospital admissions every year. The impact of sickness on a child's outcomes can be devastating.

CPAG's priority for the new government in 2017 is the introduction of measures to substantially reduce child hospital admissions for preventable diseases.

Access to healthcare, dry and warm housing, an adequately resourced education system, and sufficient family income, all combine to provide the foundation for children to flourish.

Poverty is one of the leading factors contributing to childhood illness, disease, disability and deaths in New Zealand. Children living in poverty are significantly more likely to end up hospitalised for conditions such as asthma, pneumonia, bronchiolitis, bronchiectasis, gastroenteritis, skin infections, road traffic crashes, drownings, falls, neglect and violence. If our systems were working well they would have reduced the numbers of children admitted to hospital with illnesses associated with poverty. It hasn't.

'Social investment', a major driver in the provision of programmes and services for children over the last few years, has focused on those children identified as being 'vulnerable' or in some at risk of abuse and/or neglect. Those who don't get assistance may have the same needs as those who are supported, but they miss out because they don't meet the criteria. The current approach is not a good basis for providing services for children.

Inadequate family income is a strong contributor to children's poor health. Income poverty and material hardship arise from multiple sources, including: very low main benefits; low wages; high taxes; eroding tax credits for families; lack of proper indexation; and punitive interactions of different targeted measures. The effects of these factors are exacerbated by high health and housing costs. The needs of children in low-income families would be best met by implementing the following recommendations with well-designed, child-related policies.

Children's housing needs are not distinguishable from those of their parents, caregivers or extended families. The 2013 Census showed 40.3% of households with children rented, compared to 35.0% of households overall. Renting is expensive and when it is affordable, the accommodation is often unhealthy: damp and cold. The high cost of rental accommodation also leads to overcrowding which promotes the spread of infections. Low incomes and expensive rental accommodation leads to high mobility which impacts negatively on the educational and social development of children.

Education is a large, diverse and influential area of the public sector. The early childhood, school, tertiary and adult and community education sectors are all integral parts of our education system. Education is empowering, and assists children to reach their potential, enabling them to contribute to the quality of their own lives, and to their communities and the wider economy. Students from low-socioeconomic backgrounds, Māori and Pacific learners, and students with special education

needs have historically not experienced equitable opportunities for success in the New Zealand schooling system. In order to improve the wellbeing of all children, and ensure they all have the same opportunities to do well in life, all their needs must be met sufficiently.

If the recommendations in this paper were adopted, by 2022, such preventable children's hospital admissions could be reduced by half, from 40,000 per year to 20,000. All children and their parents would have access to the necessary supports and services, and Aotearoa-New Zealand would once again be 'a great place to bring up children'.

Background documents are available on the [CPAG website here](#).

CPAG recommends the following policy reforms with the aim of ensuring the wellbeing of all children:

## Health

1. Universal and adequate health care for children up to the age of 18 yrs (0-17 years) for ALL their health needs – GP visits, prescriptions, oral health, vision and hearing care. Add full funding for GP visits and prescriptions for 13-17 year olds, and from 0-17 year olds for oral health, vision and hearing care.
2. Develop and share across all health service providers a universal common assessment plan and pathway for all children starting antenatally, including universal enrolment at birth with GP, National Immunisation Register, Well Child / Tamariki Ora providers and dental provider. Develop a new national target that 90% of children are comprehensively enrolled. This plan should include a comprehensive health literacy programme made available to all low-income families and increased support for maternal and child mental health services to respond to identified need.
3. Add to the new National Enrolment Service enrolment which includes GP, National Immunisation Register, Well Child / Tamariki Ora providers and oral health provider new targets to achieve 90% registration and enrolment by 6 weeks and 98% by three months for all these health care providers.
4. Increase the number of primary and secondary schools with school-based health services, including mental health services specific to early detection, appropriate for the age of the children, noting that the approach to healthcare for adolescents is different for younger children. Develop a new national target that 90% of all schools have healthcare appropriate for the age of the pupils, and their health needs.
5. Extend the food in schools programme to reach all hungry children. Develop a new national target of less than 5% of children arriving hungry at school.
6. Effective and universal antenatal care/maternity services to be provided and accessible to all. Develop a new national target that 90% of all pregnant women are fully booked with a Lead Maternity Carer by ten weeks.
7. Add a fully funded visit with the General Practitioner (GP) for pregnant women in the third trimester. The purpose is to renew engagement of the mother-to-be with the GP, assessment of psychosocial issues, discussion regarding family planning, provision of whooping cough

vaccination, and provision of vitamin D in the winter months, and pre-enrolment of the infant-to-be. Develop a new national target that 90% of all pregnant women are seen by their GP in the last three months of pregnancy.

8. Improved access to and supply of maternal mental health services. Poverty is stressful, and it acts as a barrier to accessing help. Develop a new national target so that 90% of affected women can access the services and do not have delay in being seen.

## **Social investment**

9. Provide properly funded social services based around the needs of children and their families/whānau, not on whether they meet statistical criteria.
10. Determine a clear measure of the success of 'social investment' by, inter alia, monitoring the numbers of children admitted to hospital with illnesses associated with poverty.
11. All parties should agree to clearly defined measurements for child poverty in New Zealand and document the current numbers according to these definitions.
12. All parties should agree to adopt and publish for public availability, rigorous reporting on an annual basis to show changes to the numbers and prove a commitment to reducing the numbers of children in poverty. Thus they will be able to gauge the effectiveness of any policy changes.

## **Family income support**

13. Support the increases in the Family Tax Credit (FTC) rates that come in 1 April 2018. They are a needed simplification of rates and provide a real boost for large very low-income families.
14. Immediately remove all hours of work requirements for all child-related tax credits.
15. Treat all low-income children the same by abolishing the In-Work Tax Credit and adding \$72.50 to the FTC for the first child payment. This would simplify, remove discrimination, and measurably impact on child poverty without being delivered all the way up the income scale.
16. Reset the abatement rate on tax credits to 20%. This would reduce the amount of WFF that is lost when the family has additional income, e.g. through working overtime or secondary earner going back to work. Under current policy, this rate is set to INCREASE to 25% in 2018.
17. Set the threshold for abatement at \$45,000 (catch-up for inflation since 2005)
18. Abolish the Parental Tax Credit (PTC) and add \$50 per week to the newborn's FTC for one year if Paid Parental Leave is not taken.
19. Restore full annual CPI indexation for all WFF rates and the abatement threshold. Introduce a link to wage growth as is done for NZ Super.
20. Modernise the welfare system to become more of an individually-based system with couple and single-aligned rates and individual income tests.
21. Liberalise the treatment of extra earned income for parents on a part-benefit (i.e. allow them to earn a greater amount before their benefit is sharply reduced).

22. Abolish the MFTC and make it easier to stay on a part benefit and get full WFF.
23. Move away from use of the accommodation supplement for families over time by using the framework of the FTC that better reflects family size,
24. Review social welfare benefits for adequacy then, in future, adjust on the basis of relationship to the average wage, as is done for the age pension, New Zealand Superannuation
25. Raise minimum wage significantly. CPAG supports a minimum wage increase as advocated for by the New Zealand Council of Trade Unions<sup>1</sup>.

## Housing

26. The Accommodation Supplement should be reviewed as a matter of urgency and especially following the April 2018 increases to determine its effectiveness in reducing housing related poverty for New Zealand's poorest families and households.
27. The Residential Tenancies Act should be overhauled with a view to improving tenants' rights and in particular to giving them:
  - more secure tenure,
  - access to effective advocacy and support in disputes with landlords,
  - protections against excessive rent increases, and,
  - guarantees to decent quality housing through a comprehensive warrant of fitness programme.
28. A Social Housing Plan should be developed within 12 months, that is based on realistic forecasts for future demand for social housing and that budgets are allocated to fund this plan over at least a ten year period.

## Education

29. Ensure that high quality, culturally responsive early childhood education is available for all children in early childhood care and education (ECCE) by requiring 100% degree-qualified teachers in all teacher-led ECCE centres. Ensure all teachers are adequately prepared and supported to meet the needs of children from all socioeconomic and linguistic backgrounds, including those living with learning difficulties and disabilities. Home-based education should no longer be counted in the statistics as 'qualified', unless the data can demonstrate that the person who is in the home on a daily basis caring for other people's children holds a degree level early childhood qualification. Additional funding to be provided to ensure minimum group sizes and improved ratios, particularly for infants and toddlers.
30. Reduce household per-student spending to OECD average. Household contributions to the cost of education are consistently higher in New Zealand than across the OECD. This is inherently unfair, but disproportionately unfair on families living in material hardship and income poverty. Education is a social good and should be paid for through general taxation, not user pays.
31. Increase school operational grants annually in line with CPI or actual costs, whichever is greater. There are enormous pressures on schools to constantly do more, and report more of what they do. At the same time, publishing school level achievement data without the

<sup>1</sup> See "Minimum wage needs to be two-thirds of average wage": <http://www.union.org.nz/minimum-wage-needs-to-be-two-thirds-of-the-average-wage/>

contextual information that decile rating provides makes any school-to-school comparisons of success or quality meaningless. When government does not fully fund the costs of existing and new policies, new compliance or new knowledge and skills, families end up contributing more, and teachers, leaders and trustees in schools work longer and harder on activities not directly related to the quality of student learning.

32. Pilot targeted Risk Index funding model and learning support funding with additional Vote Education resources before system-wide implementation. The current government's 'social investment' ideology is based on early intervention to avoid more costly interventions later in a student's time in education, or adulthood. This is fine in principle, but it will be many years before the results of the experiment are known. In the meantime, government needs to guarantee that children and young people who are still in the system do not lose out because funding is shifted from later intervention to earlier intervention.
33. Remove the cap on eligibility for tertiary student loans and allowances. We all benefit, socially and economically, from a more educated, happier, healthier and engaged society. Tertiary education enables people to contribute to family and community development. People whose education has been fully funded by society are more likely to want to give back to that society, and to feel part of it. Support tertiary students to gain the full benefit of their potential and their studies, without having to worry about a roof over their head, or where their next meal is coming from.
34. Guarantee a genuinely free education in all public schools at compulsory schooling level. In particular remove the "hidden costs" of free education:
  - Abolish NCEA and scholarship examination fees, or at the minimum provide a 100% subsidy on these in decile 1-4 schools.
  - Ensure students whose families cannot pay the expected voluntary donations are not disadvantaged in their schooling as a result.
  - Ensure schools are funded sufficiently to meet all the costs of curriculum delivery, including such additional requirements as digital technology, languages, and outdoor education/ camps.

Schools must be accountable to follow the law in terms of charging fees and requesting donations, and in being reasonable in their expectations of how much already overstretched families can contribute to meeting the cost of high quality learning experiences for students.

# Priorities for health

**Authors: Professor Innes Asher; Dr Nikki Turner; Dr Toni Ashton**

CPAG's health priority for the 2017 election is the introduction of measures to substantially reduce child hospital admissions for preventable illnesses.

These measures must address three key areas:

- Inadequate basic healthcare services and education,
- Income poverty and material hardship, and
- A lack of affordable, healthy housing.

## Why does poverty make children sick?

Ivy is seven years old, she lives with her parents and brother. The parents are also looking after two extra children from the extended family. Her mother works evenings as a cleaner but is also chronically ill and her father works night shifts, but the work is not reliable and there are long periods when they are out of work. Her family has moved six times since she was born. They currently live in a three-bedroom house with her aunty's family. She sleeps in the same room as her family, in order to stay warm over winter. They all sleep on mattresses on the floor. Ivy has had eight admissions to hospital since birth – two for bronchiolitis (a wheezy chest infection) as a baby, two for pneumonia, one for asthma, one for a head injury, one for a skin infection and one for a tooth infection. Why has she ended up in hospital so many more times than other children have?

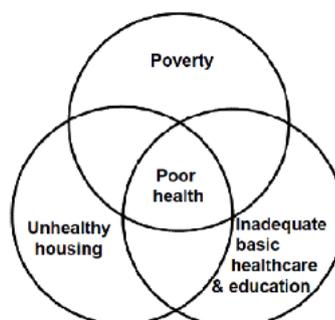
Firstly, infections spread more easily in a crowded environment, with close contact and limited ability to hand wash, maintain good hygiene and to keep a distance from others when sick. Secondly, Ivy's immune system is not responding to infections as well as other children. She will be very stressed by many factors including: a cold, mouldy house which makes fighting off infections harder; poor nutrition as the family income usually cannot afford consistently healthy food including fresh fruit and vegetables, resulting in deficiency; her family is chronically under stress with inadequate income, poor parental health, insecure housing and multiple house shifts. Thirdly, it can be difficult to get to the family GP early enough when she is unwell, with the parents working evening and night hours, and also often unwell themselves, creating difficulty for good care and supervision for her after school and in holidays. The family has a car but due to lack of income, it is often unwarranted or needing repairs.

A combination of all these factors means Ivy will repeatedly get sick and need hospitalisation much more frequently than other children her age.

## Triple jeopardy for children

The introduction of measures to ensure adequate healthcare, incomes and housing for families would result in a significant reduction in the number of potentially preventable admissions to hospital for children aged 0-14 years.

By 2022, such admissions could be reduced by half, from 40,000 per year to 20,000.



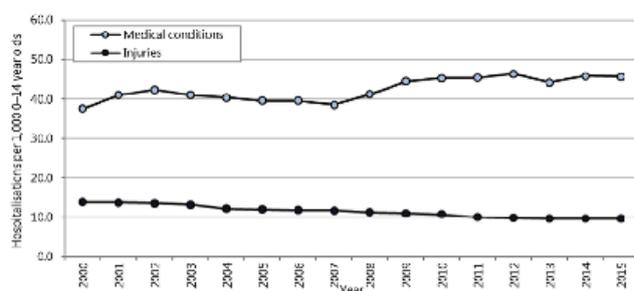
**Figure 1. New Zealand's triple jeopardy for child health (adapted from Asher 2014)**

## Poor health in childhood

The future health and wellbeing of any country is dependent on the well-being of its children. Currently, a raft of social inequities are severely affecting large numbers of children. High rates of preventable illness, particularly from diseases linked to poverty (conditions with a social gradient – see Figure 2), are reducing the likelihood of successful life outcomes for many children across New Zealand. Child health statistics are getting worse. A much greater proportion of New Zealand children are affected by poverty now than two to three decades ago. The latest Child Poverty Monitor report shows that more than one in four of our million children live in families where income is below the internationally recognised poverty line: a household income of less than 60% of the national median, after housing costs. 155,000 children are living in households that regularly experience material deprivation, while 85,000 endure severe poverty.

Poverty is one of the leading factors contributing to childhood illness, disease, disability and deaths in New Zealand. Children who are living in poverty are significantly more likely to end up hospitalised for many conditions. These particularly include respiratory conditions (including asthma, pneumonia, bronchiolitis, bronchiectasis), gastroenteritis, skin infections, road traffic crashes, drownings, falls, neglect and violence. Approximately 30% of all childhood hospital admissions are considered to be preventable (called ambulatory sensitive admissions)(1). Rates of these conditions in children have continued to rise from 2000 to 2015, and in particular Māori and Pasifika children suffer higher rates. A child living in poverty is nearly three times more likely to end up hospitalised than a child from a more affluent household, and over eight times more likely to be hospitalised for assault, neglect or maltreatment (2).

**Figure 2. Hospitalisations for conditions with a social gradient<sup>1</sup> in 0–14 year olds (excluding neonates), New Zealand 2000–2015 (Accessed from Child Poverty Monitor Technical Report)**



## Poverty in childhood affects lifetime health and well being

In addition to those immediate consequences, many major health issues in adulthood have origins in childhood poverty, such as chronic lung damage, cardiovascular disease, mental illness, dental decay and shortened life expectancy. Mental health problems in pregnancy and early childhood are more common for those living in income poverty, and are more likely to lead to long-term social and emotional behavioural problems for the child. This significantly affects their life outcomes in all areas including education, work and stable emotional relationships. (3)

It is important to focus on getting the early years right to reduce the long-term consequences. This means taking a stronger focus on pregnancy and early childhood years, then improving access to appropriate healthcare support throughout childhood and adolescence. Currently New Zealand has

2 Conditions with a social gradient are defined as those where death or hospitalisation are more than one and a half times higher for children living in areas with the highest NZDep index of deprivations cores (deciles 9-10) compared with those of the lowest NZDep scores (deciles 1-2). Numerator: National Minimum Dataset; Denominator: Statistics NZ estimated population; Medical conditions acute and arranged hospitalisations; Injuries exclude ED cases.

no coordinated framework which effectively engages all children in healthcare from pregnancy to adulthood in ways that everyone can access. A coordinated framework is the platform necessary to identify those in greater need in order to offer more targeted services. Once need is systematically recognised, services in higher need areas, such as mental health, maternity, early years and teenage years could be provided.

## The reality

Bronchiectasis, a life-threatening disease that is the result of lung damage due to severe and repeated chest infections in early childhood, has strong links to poverty. Children who have bronchiectasis have lung damage for the rest of their lives, causing repeated infections, and reduced lung capacity, affecting their ability to work and exercise, and some may die in their youthful years. In New Zealand we have rates of bronchiectasis far higher than in other OECD countries, and our rates are continuing to increase. The Asthma and Respiratory Foundation reported that 99 new children under 15 were diagnosed with bronchiectasis in 2015. This is nearly three times higher than the rates back in 2001/2002 (10.8 per 100,000 in 2015 compared with 3.7 per 100,000 in 2001/2002).

Every past winter in New Zealand between 25,000 and 30,000 children have been hospitalised with respiratory infections and illnesses caused by living in cold, damp houses (4). As the numbers of tenancies increase, so will these numbers. For children, sub-standard, high-cost housing causes excess mobility: a CPAG survey of South Auckland schools reported accommodation as the most common reason behind high rates of transience (5). Sub-standard, high-cost housing contributes to overcrowding which affects more than 136,000 children in New Zealand, causes at least twice the risk of them being admitted to hospital for pneumonia (6), and has been identified as the most important risk factor for rheumatic fever (7) and meningococcal disease (8), illnesses that can compromise children's health with lifetime consequences.

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# Priorities for 'social investment'

**Author: Associate Professor Mike O'Brien**

## Effective 'social investment' for all children

'Social investment' could provide a powerful basis for services and programmes for all children. A comprehensive approach to social investment would mean that all children have the opportunities, resources and supports to have a full, healthy life that would enable them to develop all their skills and talents. It would mean that they would in turn be fully contributing adults.

- If social investment is to be used effectively for all children, it will need to include the following:
- All children will have access to affordable, quality health care.
- All children will live in households with sufficient income to ensure that they have a chance to thrive and develop.
- All children will have access to adequate and affordable food.
- All children will have access to adequately funded culturally-appropriate and skilful support services when required.
- All children will have housing which is affordable, warm and safe.
- All children with a disability will have the supports and resources that they need to live alongside and among their peers.

All children will have access to education appropriate to their needs; their educational opportunities will not be limited by what they can afford and by the income and wealth of their school community.

All children will be able to participate in chosen cultural and supporting activities with their peers.

This is a broad charter. If we are serious about social investment in our children then this needs to be the aim.

## 'Social investment' focuses on 'vulnerable' children

'Social investment' has been a major driver in the provision of programmes and services for children over the last few years. The approach has focused on those children identified as being 'vulnerable' or in some way as 'at risk', particularly at risk of abuse and/or neglect. This approach divides children between those who get assistance and those who don't. Those who don't get assistance may have the same needs as those who are supported, but they miss out because they don't meet the criteria and fall outside the rules for who will be supported.

The current approach to social investment, relying heavily on statistical links between what happens in children's lives and their later experiences as adults, is not a good basis for providing services for children.

## Too narrow definition of 'vulnerable children'

The Treasury's four primary characteristics determining a child as 'vulnerable' are: the child has a substantiated finding of abuse or neglect or has ever been placed in the care of Child, Youth and Family; the child has been supported by benefits more than three-quarters of their lifetime,

or if aged 0 they were supported by benefit at birth; either parent has received a community and custodial sentence; and mother has no formal qualifications.

However, Treasury also make it very clear that:

- Many children who have the poor experiences as a child don't have poor outcomes as adults.
- Some children who have poor outcomes as an adult don't have poor experiences as a child.
- Some children who need services will not receive them, while others who will not need assistance will be provided with assistance.

## Strong link between vulnerability and poverty

Many of those children who are 'vulnerable' and 'at risk' are living in poverty. The current 'social investment' approach ignores the effects of poverty and the ways that poverty affects children and their families. Māori and Pasifika children are over-represented among those who are 'vulnerable' and 'at risk'. They are also over-represented among children living in poverty. The available information shows a strong overlap between the geographical areas where children are 'at risk' and measures of deprivation.

If social investment is limited to a narrowly identified minority, then that group will be stigmatised. They are also likely to have their lives very carefully monitored and supervised. Many children who need assistance will not get it.

# Priorities for supporting family incomes

*Author: Associate Professor Susan St John*

**For children:** *“The combined effects of inadequate family incomes, high living costs and poor housing conditions can lead to serious and prolonged illness.”<sup>3</sup>*

Incomes for families with children have been grossly neglected and inadequate income is a strong contributor to poor health. Income poverty and material hardship arise from several sources:

- Very low main benefits
- Low wages
- High taxes
- Eroding tax credits for families
- Lack of proper indexation
- Punitive interactions of different targeted measures
- High health and housing costs

There is a strong case for higher, and wage-linked adult benefits, a higher minimum wage and lower tax rates in the lower income ranges. To support families needing assistance, increases to the main benefits (and Working for Families) could be used instead of relying on the Accommodation Supplement and the tightly income and asset tested Temporary Additional Support which are both complex to access, and can trap people further in debt.

The needs of children in low-income families are best met by well-designed child-related tax credits paid to the caregiver. Welfare reforms need to be integrated so that families do not lose so much of their targeted assistance when they earn extra income.

Based on principles of equity, reduction of child poverty, simplification and cost effectiveness CPAG recommends that Working for Families (WFF) is significantly improved<sup>4</sup>.

## Background: Working for Families

Income assistance is provided to eligible families with dependent children aged 18 or younger through WFF tax credits, usually paid weekly or fortnightly to the caregiver to assist with the costs of children. The maximum amounts are payable up to a threshold of total family income (the abatement threshold). After that threshold, every dollar earned results in an abatement<sup>5</sup> or loss of entitlement. For example, in 2017, an extra \$10,000 earned means a loss of \$2,250 of annual WFF tax credits (through the current abatement rate of 22.5%).

### **The WFF tax credits<sup>6</sup>:**

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3 In Gibson, Abraham, Asher, Black, Turner, Waitoki & McMillan, 2017, [Child poverty and mental health: A literature review](#), prepared on behalf of the New Zealand Psychological Society and Child Poverty Action Group.

4 Fix Working For Families website at <https://www.workingforfamilies.govt.nz/>

5 The ‘abatement rate’ is the percentage of an extra earned gross dollar over the threshold that is ‘clawed back’. The new rate of 25% for WFF in 2018 will mean that each extra dollar earned over the abatement threshold (\$35,000) causes a loss of 25 cents of WFF.

6 <http://www.cpag.org.nz/assets/CPAG%20WFF%20Tax%20Credit%20descriptions%20FINALrevised.pdf>

1. The main tax credit is the Family Tax Credit (FTC). The FTC is paid, per child, per week, regardless of the source of income. It is a non-discriminatory payment as all low income children are treated the same (see Table 1).
2. The next most important tax credit for children is the In-Work Tax Credit (IWTC) of \$72.50 per week (as at 1 April 2017). It is available only to low-income families not receiving a main social welfare benefit, and where the parents meet the work test of a minimum of 30 hours in paid work per two-parent household, or 20 hours for a sole-parent. These criteria mean that around 230,000 children are excluded from this significant assistance.
3. The Parental Tax Credit (PTC) is a minor tax credit of up to \$220 a week for the first ten weeks after a baby's birth. Families can't receive both PTC and Paid Parental Leave. The problem is that families receiving a benefit don't qualify for this assistance – so babies likely to be most in need of the income assistance to meet basic necessities are excluded.
4. The Minimum Family Tax Credit (MFTC) is of minor significance affecting only around 4000 families. It is not child-linked but also has a work test of a minimum of 30 hours in paid work per two-parent household, or 20 hours for a sole-parent. This tax credit is paid at a variable rate to bring the family's net annual income to \$23,816. But extra income reduces the MFTC dollar for dollar, making it impossible for the family to benefit from working longer hours to earn extra income.

A family's total WFF (sum of 1-3 above) is reduced or abated above a fixed threshold: first the FTC then the IWTC then the PTC until there is nothing left.

## Recent changes

The Family Incomes package announced in the 2017 budget is expected to start 1 April 2018.

The maximum FTC rates are increased as shown in Table 1. Overall the first child under 16 gets a maximum increase of \$9 a week (9.7%) for that child, and each subsequent child under 16 gets an increase of \$18 (24%) to \$27 (42%) depending on age.

**Table 1. Family tax credit per child rates 2017 and new rates 2018**

Annual Rate	Current	1 April 2018
Eldest child, 16-18	\$5,303	\$5,303
Eldest child, 0-15	\$4,822	
Subsequent child, 16-18	\$4,745	\$4,745
Subsequent child, 13-15	\$3,822	
Subsequent child, 0-12	\$3,351	

Table 2 shows the maximum WFF amounts for a family of five children, including the changes announced in the 2017 budget for 2018/19 year.

**Table 2. Maximum WFF weekly Entitlements in New Zealand (Five Children) 2017/8 and 2018/19**

**Maximum Weekly Entitlements 2017/18**

Age of Children	14	12	9	7	4	Weekly Sum	Annual Sum
FTC	\$92.73	\$64.44	\$64.44	\$64.44	\$64.44	\$350.49	\$18,225
IWTC*		\$72.50		\$15.00	\$15.00	\$102.50	\$5,330
Total (Max. Available)		\$294.11		\$79.44	\$79.44	\$452.99	\$23,555

**Maximum Entitlements 2018/19**

Age of Children	14	12	9	7	4	Weekly Sum	Annual Sum
FTC	\$102	\$91.25	\$91.25	\$91.25	\$91.25	\$467.00	\$24,284
IWTC*		\$72.50		\$15	\$15	\$102.50	\$5,330
Total (Max. Available)		\$357		\$106.25	\$106.25	\$569.50	\$29,614

*\*not available for families on benefits, student allowances, NZ Superannuation or if not meeting fixed hours of work requirement.*

While a welcome increase and simplification of the FTC rates, the Family Incomes package also increases the abatement rate from 22.5% to 25%, and reduces the income threshold to \$35,000. This means the reduction in assistance with increased earned income is even more pronounced.

The five-child family illustrated in Table 2 has a maximum entitlement that is 26% higher after the changes are implemented, and in 2018 will deliver another \$116.50 a week. Some very low income, larger, younger families will gain a real boost in income. But many hard-working families will pay a high price for this Families Package that was supposed to assist them. The increased clawback on family incomes over \$35,000 will make it harder for them to move out of poverty.

To illustrate, in 2017, a one child family has a maximum WFF of \$4,822. If the parents work 60 hours a week at the minimum wage rate of \$15.75 (gross income of \$49,140), after abatement the WFF entitlement is \$1922. In 2018, the new maximum WFF \$5303 entitlement after abatement for this family falls to \$1768. The only reason the family is not actually worse off is that they gain from the tax cuts in the Family Incomes Package.

It is of great concern that many low-income families will be subject to high Effective Marginal Tax rates (EMTR) over long income ranges. The family illustrated in Table 1 face the 'bleed out' of their WFF over an income range of \$118,000 starting from \$35,000 and finishing at \$153,000. This is particularly worrying if there is an Accommodation Supplement to abate at 25% and/or a 12% repayment of student loan. To illustrate, if this family is getting \$35,000 and has the opportunity to earn another \$10,000, after tax (of 17.5% + ACC 1.4% + WFF 25% + AS 25% + KiwiSaver 3% + Student Loan repayment 12%) they may only retain \$1,630 of the \$10,000. That is an EMTR of nearly 84%.

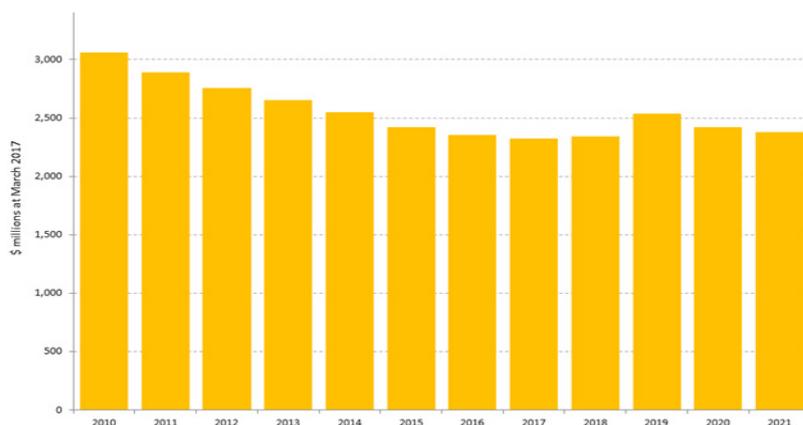
## The changes in context

WFF expenditure fell sharply in real terms from 2010 to 2017 as shown in Figure 1 and it required an additional \$700 million per annum in 2017 just to restore its 2010 original value. Using 2010 as

a starting point, there is no evidence to suggest that WFF was too generous then and needed to be cut back. That year child poverty was very high, foodbank usage was increasing and the housing crisis was emerging. Over time, fewer families receive any help from these tax credits, and others have received far less than they should, as it has become a more tightly targeted programme.

The chart shows that for 2018/19, the increased rates described above, coupled with faster abatement results in a blip for increased spending for 2018/19 of about \$370m that again quickly erodes out to 2021 because there is no commitment to proper annual indexation.

**Figure 2. Real Expenditure on WFF (derived from Budget 2017)**



Lower spending between 2010 and 2017 was achieved by a combination of three tools.

- Failure to index the WFF package, either annually to inflation, or to provide a wage link (as is done for New Zealand Superannuation (NZ Super)).
- Reducing the income threshold from which the abatement rate applies
- Increasing the abatement rate
- The last inflation adjustment to WFF was 1 April 2012. A fiscally neutral change was made in 2016 when the unindexed In-Work Tax Credit for working families was increased by \$12.50 a week, but that was offset by an increase to the abatement rate to 22.5% and a reduction in the threshold to \$36,350.

The next inflation adjustment would be 2018 and would be of the order of 7%, but the Family Incomes Package announced for 1 April 2018 would appear to replace that.

The discussion above suggests that to get to 2010 spending in real terms would need another \$700 million per annum in 2017, not allowing for any compensation for the failure to index annually.

**And let's not forget the original flaw in WFF**

Most importantly, another \$500 million per annum is needed to remove the discrimination that denies at least \$72.50 a week of the IWTC to the very worst-off families who are unable to meet the required work test. Making this payment available to all low-income families irrespective of their hours of work would have the overall effect of a dramatic reduction in the measures of child poverty especially for the worst-off families.

The Government needs to spend \$1.2 billion immediately to fix WFF, to protect the health and wellbeing and future of our children, so they can flourish.

# Priorities for family housing

**Author: Alan Johnson**

In 1993, signing the United Nations Convention on the Rights of the Child, New Zealand recognised the right of every child to adequate housing. Article 27 of that convention states: *The Government recognises the right of every child to an adequate standard of living for the child's physical, mental, spiritual, moral and social development... And the Government shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing.*<sup>7</sup>

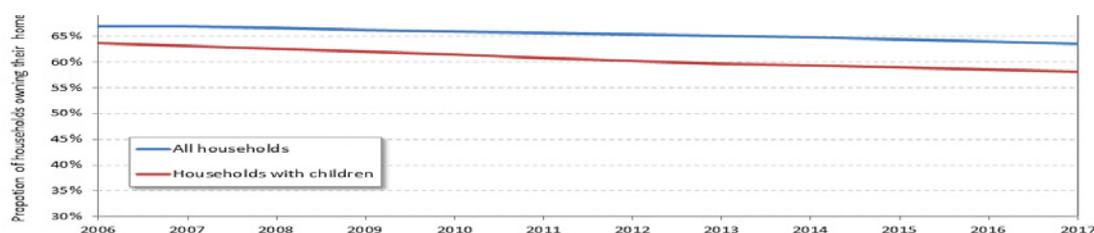
Recent changes in housing markets and in housing policies have impacted badly on New Zealand's poorest children. This paper describes those changes and offers some recommendations to address the identified challenges.

## What we know about children's housing

Children's housing needs are of course not distinguishable from those of their parents, caregivers or extended families. This means that to understand what is happening around children's housing needs we must have some idea of the size of their household and house, the income of their household, and the tenure of their housing. Such data are difficult to find outside of the Census. The data offered here is in part based on Census data and on more recent general household data.

Children are more likely to live in rented accommodation than adults: the 2013 Census showed 40.3% of households with children rented, compared to 35.0% of households overall. Figure 1 traces the continuing decline in levels of homeownership for households overall and for households with children. In early 2017 Statistics New Zealand estimated that 36.5% of households did not own their home and on this basis it is likely that this proportion for households with children will now be around 42%.

**Figure 1: Ownership rates for all households and for households with children<sup>8,9</sup>**



Tenant households tend to be poorer than owner-occupied households, in part because renter households are younger. The ability to make it into the homeowners' ranks is dependent on income and wealth, yet for 2016 Statistics New Zealand estimates that 63% of tenant households earn less

<sup>7</sup> United Nations Human Rights Convention on the Rights of the Child, at: <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx>

<sup>8</sup> Gibson, Abraham, Asher, Black, Turner, Waitoki & McMillan, 2017, *Child poverty and mental health: A literature review*, prepared on behalf of the New Zealand Psychological Society and Child Poverty Action Group. Available at [http://www.cpag.org.nz/assets/170516%20CPAGChildPovertyandMentalHealthreport-CS6\\_WEB.pdf](http://www.cpag.org.nz/assets/170516%20CPAGChildPovertyandMentalHealthreport-CS6_WEB.pdf)

<sup>9</sup> Data is from Statistics New Zealand's Estimates of Households and Dwellings series and from the 2006 and 2013 Census.

than the median household income compared to just 44% of owner-occupier households<sup>10</sup>. Because it is unlikely that many of the tenant families will be able to make the transition to homeownership, the cost, quality and security of rental accommodation for families is critical for the health and well-being of their children.

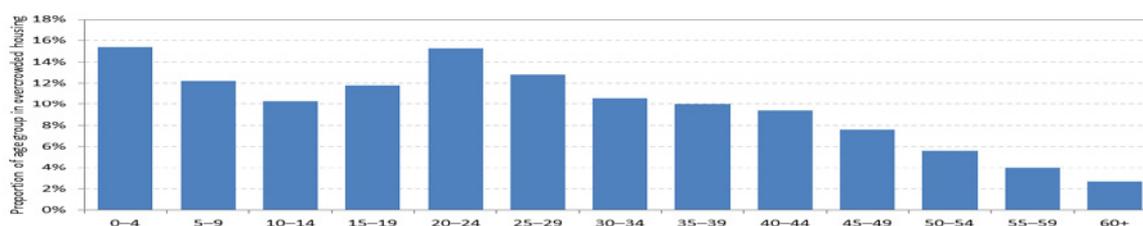
In the 2016 *Household incomes in New Zealand* report Brian Perry showed that for 2014 to 2015, 54% of children living in Housing New Zealand housing fell below the 60% of median household income poverty measure while 38% of children in private rental accommodation did. Because children living in private rental accommodation are so numerous more than half -54%, of all children living below this poverty line lived in such accommodation while 17% of these children lived in Housing New Zealand housing<sup>11</sup>. This compares with just 13% of children in owner-occupied housing with a mortgage falling below this poverty measure, and only 7% of children in mortgage-free owner occupied housing. Because so many children living in private rental accommodation are also living below this poverty line, it is imperative that private rental accommodation is 'healthy' housing.

## Overcrowding

Although Ministry of Health analysis of census data showed the proportion of households judged to be overcrowded fell from 5.2% in 2006 to 5.0% in 2013, the numbers of people involved grew from an estimated 389,390 in 2006 to 398,300 in 2013 on account of background population growth<sup>12</sup>. The national level changes mask important regional shifts with many parts of New Zealand seeing falls in the numbers of people and households living in overcrowded conditions while there were significant increases in Auckland (13,500 people) and Canterbury (1,700 people).

Children are more likely to live in overcrowded housing than adults although there is a clear relationship – as we should expect – between the overcrowding experienced by young children and that experienced by their young adult parents. This relationship is illustrated in Figure 2 which reports overcrowding rates by age from the 2013 Census. This data also shows that 44.4% of Pacific children aged under five years old and 25.9% of Maori children under age five lived in overcrowded housing. In Counties-Manukau 30.1% of children aged under five lived in overcrowded housing.<sup>13</sup>

**Figure 2: Proportion of population in overcrowded housing by age - 2013<sup>14</sup>**



## Residential mobility and transience

We have no reliable data on the extent of residential mobility of households with children although recently released data from Ministry of Education provide some insights into the extent to which

10 Statistics New Zealand Household Economic Survey - 2016

11 Perry, B. (2016) *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2015*. p.135.

12 Ministry of Health (2014) *Analysis of Household Crowding Based on Census 2013 data*. Available at <http://www.health.govt.nz/publication/analysis-household-crowding-based-census-2013-data>

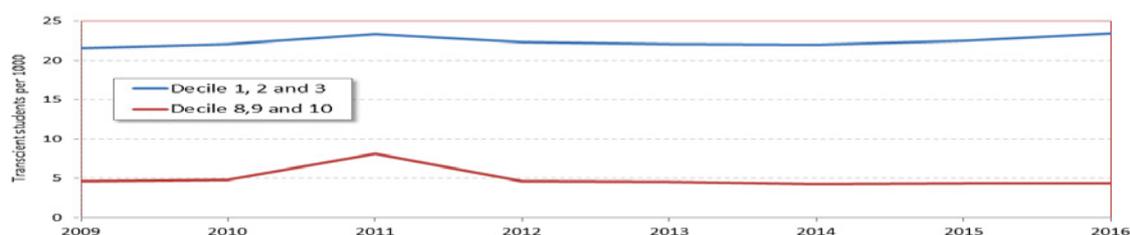
13 Ibid Tables 3b and 4a.

14 Ibid Figure 3 p.11

this is a chronic and perhaps growing problem for a small minority of children. Figure 3 reports transience rates (the number of children per 1000 children who shifted schools at least twice in a year) for school children across the decile range. This data shows a clear social gradient with children attending the poorest schools – deciles 1 to 3 – having a transience rate of almost five times that of students going to decile 8, 9 or 10 schools. It is of grave concern that this gap appears to be widening with stable rates of transience for students attending higher decile schools and a growing rate of transience for students going to lower deciles schools.

Transience rates in 2016 were particularly high in South Auckland and especially in Manurewa and Papakura, through the whole of Waikato but especially south Waikato as well as the eastern Bay of Plenty. Although there is no direct evidence, it suggests that families in these communities are particularly mobile and may be experiencing difficulties around sustaining permanent housing tenure. The real cost here is around the high education and social costs and lost opportunities for the children involved<sup>15</sup>.

**Figure 3: School students' transience by decile – 2009 to 2016<sup>16</sup>**



## Trends in rental housing

The majority of children living in relative poverty are living in private rental housing or in housing owned by Housing New Zealand. A recent report from the Building Research Association of New Zealand (BRANZ) demonstrated that overall rental housing is of poorer quality than owner-occupied housing. The BRANZ 2015 House Condition Survey showed that 51% of rented houses and 66% of owner-occupied ones were in good or excellent condition. This means that 49% of rented houses were in sub-standard or bad condition. For example the survey showed that 31% of rented houses but only 11% of owner-occupied houses<sup>17</sup> had problems with dampness. Every winter, between 25,000 and 30,000 children have been hospitalised with respiratory infections and illnesses caused by living in cold, damp houses<sup>18</sup>.

Over the past five years New Zealand's population has grown at about two-thirds of the rate of growth in rental housing. This trend is shown in Figure 4 and is of course consistent with the trend reported in Figure 1 of declining rates of homeownership. While it is only an estimate, Statistics New Zealand reports that since 2012 the rental housing stock has grown at an average annual rate of 2.3% and to a total of more than 600,000 dwellings in 2017. Of the 105,000 additional dwellings added to the national housing stock since mid-2012 more than two-thirds or 70,000 have been rental housing.

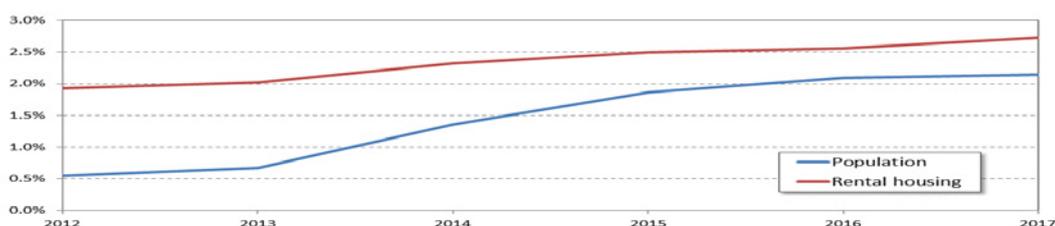
<sup>15</sup> Data from Education Counts website at <https://www.educationcounts.govt.nz/statistics/indicators/main/student-engagement-participation/transient-students>

<sup>16</sup> Ibid

<sup>17</sup> White, V. Jones, M. Cowan, V. and Chun, S. (2017) *BRANZ 2015 Housing Condition Survey: Comparison of house condition by tenure*. Building Research Association New Zealand. Available at [https://www.branz.co.nz/cms\\_show\\_download.php?id=a1eff0a2fd9885ecf878ce475631df7025cf3b8](https://www.branz.co.nz/cms_show_download.php?id=a1eff0a2fd9885ecf878ce475631df7025cf3b8).

<sup>18</sup> 'Health and cold damp houses' *Environmental Health Indicators NZ*, at: <http://www.ehinz.ac.nz/indicators/indoor-environment/health-conditions-related-to-cold-and-damp-houses/>.

**Figure 4: Growth in New Zealand's population and rental housing stock – 2012 to 2017<sup>19</sup>**



Despite this growth in the rental housing stock, rents across New Zealand have tended to rise at two to three times the rate of inflation in most regions, driven by increased demand. Increases in lower quartile rents are reported in Table 1 on a region by region basis to offer some idea of changes in rents over the past five years in the most affordable segment of the housing market. Nationally, rents have risen by 12% over the past three years (2012 to 2015) while consumer prices overall have risen by only 5%.

Table 1 also compares 2016 rents with 2016 median household incomes from wages and salaries on a regional basis to compare the affordability of rents.

Several other things stand out from this data. One is a rapid increase in rents over the past three years in Waikato, Bay of Plenty and Taranaki although the rents in these regions are relatively affordable in comparison with median wages and salaries. Note also the high cost of rents relative to median incomes in Northland, Auckland and the combined regions of Nelson, Tasman, Marlborough and West Coast.

**Table 1: Trends in lower quartile rents on a regional basis – 2014 to 2017<sup>20</sup>**

	Lower quartile rent March 2017	Change in rent 2014 -17	2016 Rent as % of 2016 median household income
Northland	260	17.1%	30.0%
Auckland	384	12.2%	29.8%
Waikato	260	19.1%	21.8%
Bay of Plenty	275	19.4%	26.8%
Gisborne - Hawkes Bay	252	13.9%	25.9%
Taranaki	264	21.1%	22.3%
Manawatu-Wanganui	203	13.4%	20.6%
Wellington	302	13.3%	20.7%
N-T-M-WC#	248	4.5%	28.1%
Canterbury	265	-2.8%	21.6%
Otago	241	12.2%	22.0%
Southland	174	4.2%	16.4%
New Zealand	287	11.8%	24.2%

# Nelson Tasman Marlborough West Coast regions combined

<sup>19</sup> Source: Statistics New Zealand's Population Estimates and Estimates of Dwellings and Households

<sup>20</sup> Rent data is from Ministry of Business Innovation and Employment' Tenancy Bond Service's data base while housing income is from Statistics New Zealand's Household Economic Survey 2016. Rent figures are averaged over quarters and relate to the period June 2014 to March 2017. Household incomes are based on Statistics New Zealand's Household Economic Survey 2016 and median reported incomes from wages and salaries on a regional basis.

# Trends in social housing

The Government commenced an extensive social housing reform programme in 2013 based on the following main changes.

The introduction of reviewable tenancies for state house tenants in order to move on tenants who are able to rent in the private sector and so utilise the existing stock to better meet unmet housing needs.

The transfer of the needs assessment and allocation processes from Housing New Zealand to Ministry of Social Development.

The creation of a so-called 'social housing market' through the extension of income related rent subsidies to NGO groups which are registered community housing providers. These subsidies are paid by MSD which also has the responsibility for planning for future demand for social housing.

The sale of Housing New Zealand stock to third parties including community housing providers and the operation of these as social housing with income related rent subsidies. The most notable sale to date has been that of 1138 dwellings in Tauranga in early 2017 to a consortium headed by Accessible Properties – a subsidiary of IHC.

An estimate of the current numbers of social housing units in New Zealand is provided in Table 2. These estimates are divided between the numbers of units receiving an income related rent (IRR) subsidies and those that are not.

**Table 2: Estimates of social housing stock in New Zealand – March 2017**

	Housing NZ	Local councils	NGO's & others	Total
Receiving IRR subsidies	59,000	0	3,500 <sup>16</sup>	62,500
Not receiving IRR subsidies	3,450	11,800	4,500	19,900
Total	62,450 <sup>17</sup>	1,800 <sup>3</sup>	8,000 <sup>4</sup>	82,400

Figure 5 reports changes in the stock of housing owned or leased by Housing New Zealand since 2001. Included in this data is the transfer of approximately 2700 units in 2016 to the Tamaki Regeneration Company (TRC) which is a joint venture between the Government and Auckland Council. Note that even allowing for the transfers to TRC there are 2,200 fewer state houses in 2016 than in 2010.

21 Estimate from Ministry of Social Development Social Housing Quarterly Report – March 2017 p.3

22 Ibid.

23 Estimates of local council housing stock are taken from a survey undertaken in 2014. See Johnson, A. (2014) Homeless Baby Boomer: housing poorer Baby Boomers in their retirement. Appendix 3. Available at <http://www.salvationarmy.org.nz/research-media/social-policy-and-parliamentary-unit/reports>

24 Estimate based on stock of community housing providers reported in Community Housing Aotearoa (2015) Details Matter – Taking stock of the community housing sector in Aotearoa p.17 which reported at total stock in early 2015 of 3,862 units. Since then 344 units were sold by Hamilton City Council to Accessible Properties (Dec 2015), 2700 units were transferred from Housing New Zealand to Tamaki Regeneration Company (Sep 2016) and 1138 units former Housing New Zealand properties were sold to Accessible Properties (Apr 2017) and have been included in these figures. The estimate of units not receiving income related rents subsidies is a residual of this total figure and the numbers of units (3450) reported by MSD as receiving income related rents subsidies. This means that some of the 2700 units in the Tamaki transfer and the 1138 units in the Tauranga are not receiving income related rent subsidy which is an anomaly which cannot be explained by the data reported in the March 2017 Social Housing Survey

**Figure 5: Stock of housing units owned or leased by Housing New Zealand – 2001 to 2016<sup>25</sup>**

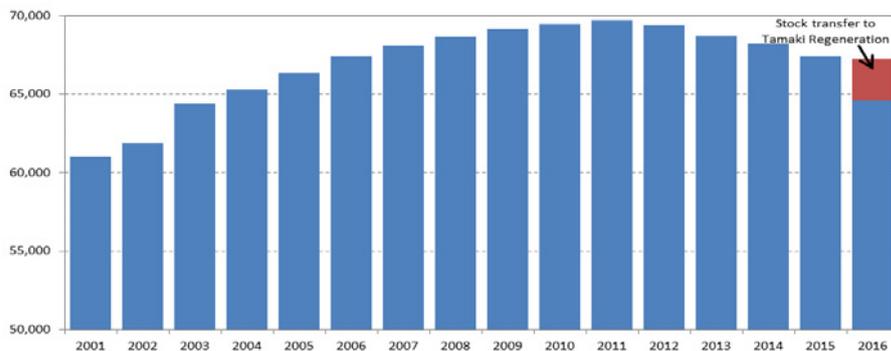


Figure 6 reports recent changes in the social housing waiting list as administered by MSD. This data shows a 1300 increase between March 2016 and March 2017 in the numbers of families or households assessed as having a critical or serious unmet housing need.

**Figure 6: Social housing waiting list as administered by Ministry of Social Development<sup>26</sup>**



Table 3 reports the MSD’s social housing purchasing intentions through to 2020, showing the scale of the proposed transfers between Housing New Zealand, local councils and NGO providers. Aside from these transfers, by mid-2020 the Ministry expects to have added a further 3800 dwellings with half of these being in Auckland

<sup>25</sup> Source: Housing New Zealand Annual Reports.

<sup>26</sup> Source: Ministry of Social Development’s Social Housing Quarterly Report at <http://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/msd-social-housing-quarterly-report-march-2017.pdf>

**Table 3: Ministry of Social Development's social housing purchasing intentions to 2020<sup>27</sup>**

	Auckland	Rest of New Zealand	New Zealand
<b>HOUSING NEW ZEALAND</b>			
Housing NZ – additions	2104	504	2608
Housing NZ – disposals	1252	817	2069
Housing NZ external transfers		1124	1124
Net change for Housing New Zealand	852	-1437	-585
<b>NGO &amp; OTHER NON-STATE PROVIDERS</b>			
Transferred from Housing NZ		1124	1124
Transferred from TLA	420	903	1323
Redirected from existing CHA stock	197	284	481
Leased from private sector	57		57
New builds	183	43	226
<b>TOTALS</b>			
Additional IRRS stock excl Housing NZ	857	2354	3211
Additional IRRS stock incl Housing NZ	1709	917	2626
Additional stock still to be identified	191	973	1164
Total additional IRRS by 2020	1900	1890	3790

## Conclusions

The data and analysis offered above point to three main conclusions as follows:

Increasingly children are living in rented rather than owner-occupied housing and this will be especially so for children living in low-income households. Generally these children live in poorer quality and less secure housing which poses risks to their health and educational success.

Over the past three years rents have risen at more than twice the rate of CPI inflation and at a faster rate than household incomes<sup>28</sup>. Beneficiary households renting in the private sector have been squeezed most by these increases given their incomes are indexed to the CPI. The 2017 Budget approved increases in maximum payments of the Accommodation Supplement from 1 April 2018. This overdue increase may simply fuel further rent inflation given the pressure of unmet demand.

Significant change has occurred around social housing over the past three years and there are signs of some progress in the Government's plans to reconfigure and redevelop the social housing stock. Beneath these changes there has been only very limited progress in addressing serious unmet housing need through increasing the available housing stock. Critically, there is no discernible progress in planning for future demand for social housing.

<sup>27</sup> Ibid

<sup>28</sup> Statistics New Zealand's Quarterly Employment Survey reports at the average weekly wage –taken on a four quarter average basis rose from \$1075 in March 2014 to \$1150 in March 2017 – a 7% nominal increase.

# Priorities for education

**Authors: Professor John O'Neill; Dr Vicki Carpenter, Associate Professor Jenny Ritchie**

## Education is a public good

In order to improve the wellbeing of all children, and ensure they all have the same opportunities to do well in life, all their needs must be met sufficiently. As well as incomes, housing and health, they also need equitable access to a quality education. Under the current funding model, this access is reduced for many children. Students from low-socioeconomic backgrounds, Māori and Pacific learners, and students with special education needs have historically not experienced equitable opportunities for success in the New Zealand schooling system.

Research shows the links between socioeconomic disadvantage or poverty and a broad range of negative outcomes, including health and wellbeing, longevity and lifetime income.<sup>29</sup> Educating children and their families is key to breaking the intergenerational poverty cycle and improving the quality of life across generations. Effective education benefits both the individual and wider community and contributes to the social and economic strength of our country.

Education is a large, diverse and influential area of the public sector. The early childhood, school, tertiary and adult and community education sectors are all integral parts of our education system. In this year's Budget, Vote Education and Vote Tertiary Education estimates and appropriations totalled \$14.6 billion for the 2017-2018 year.<sup>30</sup>

While the current Government claims that education expenditure has increased significantly since it was elected in 2008, much of the new expenditure is attributable to population growth. In reality, spending on the education sector has not kept pace with actual costs of educational services, or with the growing educational needs that are the consequence of chronic economic and social inequalities.

Since 2008, the Government's position has consistently been that it will not increase general taxation or public debt. There is therefore no new public money for education, so existing funding must be re-prioritised to areas of greater need and/or greater impact.

The two key issues to consider when weighing up priorities for government expenditure on education are: firstly, is the funding sufficient to meet all reasonable community demands and expectations? And secondly, is the funding distributed in a way that increases equitable access to and benefits from education?

CPAG's analysis looks at how New Zealand spending on education compares with other developed economies in the Organisation for Economic Cooperation and Development (OECD), as published annually in the Education at a Glance omnibus.<sup>31</sup> It shows a disproportionately large education costs burden faced by households in New Zealand, and, given the unacceptably high numbers of children experiencing income poverty and material hardship, CPAG believes there is an overwhelming case for increasing the proportion of public funds in ECCE, school and tertiary education.

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29 Expert Advisory Group, 2012, Working Paper no.2: Lifecourse Effects on Childhood Poverty, Office of the Children's Commissioner, <http://www.occ.org.nz/assets/Uploads/EAG/Working-papers/No-2-Lifecourse-effects.pdf>.

30 <https://www.budget.govt.nz/budget/2017/by/vote/educ.htm>.

31 <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

## Is Education in New Zealand adequately funded?

An analysis of the OECD family database<sup>32</sup> shows that, for 2013, New Zealand spent slightly more than the OECD average (1% vs 0.7%) of public funds on early childhood education and care (ECCE) as a proportion of GDP, and New Zealand also spent more than the OECD average total per child 0-5 years (USD 4,400 vs USD 4,300). However, a 2016 OECD report also stated that New Zealand childcare was second only to the UK in having the highest family costs, equating to 29% of a family's net income compared to 16% in Australia, and less than 10% in Germany and France.<sup>33</sup> This disparity suggests that the burden of childcare costs in New Zealand is disproportionately borne by households.

New Zealand data are not reported to the OECD for participation in ECCE by household income or mother's qualifications. However, 92.4% of New Zealand 3-5 year olds and 41.9% of 0-2 year olds were enrolled in ECCE in 2014. Average ECCE attendance hours in New Zealand increased from 13.2 in 2000 to 20.4 in 2014. This increase is likely in response to minimum work hours required to qualify for Working for Families (WFF) tax credits, the main form of family income assistance, and because since 2007 the majority of services began to offer 20 hours of government-subsidised enrolment. This has come at a cost to quality provision, since the Government also reduced the expectation that by 2012 all ECCE teachers would be qualified, to the current minimum requirement of 50%.

Thus the Government's policy of focussing on its Better Public Services (BPS) target of increased ECCE participation<sup>34</sup> has come at the expense of maintaining quality provision in a government-subsidised increasingly privatised sector. Poor quality ECCE can be harmful, whilst high quality provision establishes important foundational dispositions to learning, and is especially beneficial to children from disadvantaged homes.

The 2016 Education at a Glance report states that the OECD average total annual expenditure per student by educational institutions was USD 10,493 for the 2013-2014 year, so New Zealand's USD 10,045 was slightly below the OECD average. However, New Zealand's cumulative expenditure across the total of a student's primary and secondary education was USD 124,998 compared with the OECD average of USD 123,031. A major difference between the two figures was that the average OECD expenditure per student on primary education was USD 50,680, while in New Zealand it was USD 44,066, so it would appear that, on average, OECD countries prioritise spending at primary school, while in New Zealand, the priority is at secondary school.

Of course, educational institutions spend both public and private sources of funding. So, another point of comparison is the relative share of public and private expenditure on education. This is a big issue in New Zealand because while the law says that schooling is free, many schools, particularly those in wealthier communities, seek large 'voluntary donations' from families. In addition, they include expensive digital devices in their 'essential' stationery packs, and directly recover the considerable costs of student participation in sports, cultural activities and education outside the classroom, all on a user-pays basis. Also, a growing phenomenon in New Zealand is what is known internationally as supplementary private tutoring (e.g. Kip McGrath, NumberWorks 'n Words), also paid for by families or households.

An additional cost is the private fee for NCEA examinations and formal school qualifications. Children from the poorest families, no matter how capable and competent, face another barrier to

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32 [http://www.oecd.org/els/family/database.htm#public\\_policy](http://www.oecd.org/els/family/database.htm#public_policy)

33 <https://www.childforum.com/news-early-childhood-education-latest/1429-nz-childcare-costs-early-childhood-education-fees-oecd.html>

34 <http://www.ssc.govt.nz/bps-results-for-nzers>

achieving the qualifications necessary for employment or further education.

Increasing the costs of education is not confined to New Zealand. Between 2008 and 2013, private sources of expenditure on primary, secondary and post-secondary non-tertiary education increased by an average of 16% across the OECD, while public expenditure increased by only 6%. Many OECD governments are transferring more and more of the costs of education onto households.

**Table 1. Distribution of sources of funding, New Zealand compared with the rest of the OECD (2013) (Source: stats.oecd.org)**

	New Zealand			OECD		
	Public (%)	Private (%)	Proportion household expenditure	Public (%)	Private (%)	Proportion household
Primary School	92	8		93	7	
Lower Secondary	86	14		93	7	
Upper secondary	75	25		87	13	
Tertiary	51.9	48.1	33	70.3	30.2	21.4
Average (%) across all levels of learning	74		18	84		12

Across the OECD as a whole, from primary to tertiary education, households in 2013 contributed an average of 12% of total education expenditure, compared to 84% expenditure from public funds. In New Zealand, households contributed 18% of expenditure, compared to 74% contributed from public funds. So in New Zealand, households contribute 50% more to total expenditure during the course of a student's education.

The high private cost of education continues through to tertiary. A 2016 New Zealand government report on student loan debt<sup>35</sup> reported that 731,800 people had a student loan debt, averaging NZ\$ 21,000 per student with a national nominal total of NZ\$15.3 billion. The median leaving loan balance in 2014 ranged from around NZ\$ 9,400 for those with Level 1-4 certificates, to NZ\$32,400 for those with postgraduate qualifications. The median repayment time ranged from 7.8 years for postgraduate qualifications to 9.3 years for Level 5-7 diplomas.

In effect, the longer children remain in formal schooling, the considerably greater the financial burden on households. This private household burden is also increasing over time as the proportion of public funding decreases or fails to keep pace with costs. As a consequence, New Zealand households directly contribute almost twice as much per student to the costs of secondary schooling as their average OECD counterparts.

This household financial jeopardy runs entirely counter to one of the government's Better Public Services targets: to increase the proportions of students with Level 2 qualifications at age 18, and Level 4 qualifications at age 24. On the one hand, students from households in material hardship and income poverty are encouraged to stay in formal education as long as possible. However, if and when they do, their families are expected to pay ever increasing proportions of the cost.

## Is Education funding distributed fairly?

Approximately 30,000 out of 750,000 students attend private schools in New Zealand. For the most part such students come from already socioeconomically advantaged households in society and

35 [http://www.nzherald.co.nz/personal-finance/news/article.cfm?c\\_id=12&objectid=11787574](http://www.nzherald.co.nz/personal-finance/news/article.cfm?c_id=12&objectid=11787574)

enjoy considerably better learning conditions and facilities than are available at their local state school. According to the 2016 Child Poverty Monitor, 155,000 or 14% of children in New Zealand experience material hardship, 295,000 or 28% live in income-poor households, and 90,000 live both in low income households and in material hardship.

The current government claims that it is 'inequitable' to fund public and private education providers differently. Logically, this position means that private institutions will receive a greater share of current public funding, or a disproportionately higher share of any new funding. Table 2 demonstrates that New Zealand is consistently spending less per student than the OECD average in both public and private institutions.

**Table 2. Average distribution of public funds per primary student (2013)**

	New Zealand		OECD	
	Public (\$ USD)	Private (\$ USD)	Public (\$ USD)	Private (\$ USD)
Primary school	6841	1606	8383	4290
Lower Secondary	8213	1750	9744	6176
Upper secondary	8963	5728	9252	5743
Tertiary	8218	2823	12263	4201
Average across all levels of learning	7763	3759	9433	5951

Arguably, there is a much more important equity consideration in respect of New Zealand learners. This is the imperative to reduce the differences in achievement faced by children living in poverty and hardship. In New Zealand, there is a stronger than OECD average relationship between achievement and socio-economic circumstances.<sup>36</sup> Other high performing OECD countries are better at mitigating the consequences of child poverty and hardship via public provision of education.

36 <https://www.oecd.org/education/school/50293148.pdf>

# Conclusion

CPAG's priority for the new government in 2017 is the introduction of wide ranging policy changes recommended here, which if implemented, would improve all outcomes for all children. Reduction in child hospital admissions for preventable diseases by half, from 40,000 per year to 20,000 by 2022, would signal that these improvements have been achieved.

If these recommendations for policy changes in health, social investment, incomes, education and housing were adopted, all children and their parents would have access to the necessary resources, supports and services, and Aotearoa-New Zealand would become 'a great place to bring up children', a country where all children can flourish.