

Child poverty and health in New Zealand

**Innes Asher and Susan St John
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**Prepared for Ann Pettifor of Prime Economics
and The Policy Observatory,
Auckland University of Technology**

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About this report

This report is one in a series prepared for Ann Pettifor's visit to New Zealand in September 2016. The reports provide background information on challenges facing the New Zealand economy and society, and are available on The Policy Observatory website.

The Policy Observatory would like to thank Auckland University of Technology Vice-Chancellor Derek McCormack for sponsoring Ann's visit to New Zealand as an AUT Distinguished Scholar. Ann, a specialist in Keynesian monetary theory, is Director of Policy Research in Macro-Economics (PRIME), based in London. We would also like to thank Innes Asher and Susan St. John, the authors of this report, as well as the other contributors to this series.

The Policy Observatory

Auckland University of Technology
Private Bag 92006
Auckland 1142

policyobservatory@aut.ac.nz

+64 9 921 9999 extn. 7531

<http://thepolicyobservatory.aut.ac.nz>

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Child poverty and health in New Zealand

By Innes Asher and Susan St John

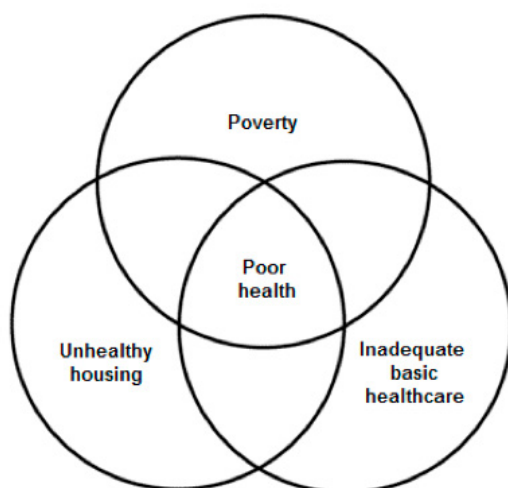
*"Take care of our children
Take care of what they hear
Take care of what they feel
For how the children grow
So will be the shape of Aotearoa"*

Dame Whina Cooper

New Zealand's Minister of Health told a national conference of health professionals on 28 June 2016 that the government's aim is that "every child should have a healthy start". However for more than two and a half decades poor policy decisions continue to adversely affect the mental and physical health of New Zealand's most vulnerable and disadvantaged children and their families.

In New Zealand there is a triple jeopardy for poor health: poverty, unhealthy housing and inadequate basic health care. Each alone puts health at risk, but when the three are combined, poor mental or physical health is almost inevitable (Figure 1).

Figure 1. New Zealand's triple jeopardy for child health

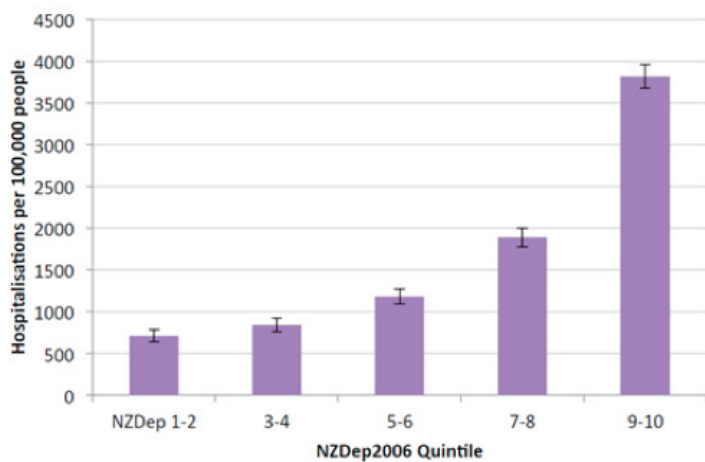


¹ Parts of this paper are included in: Asher, I. (Whiringa-ā-rangi/November 2016, in press). 'Child Poverty and health in Aotearoa - the way forward'. *Psychology Aotearoa*, 8 (2).

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In NZ there are 40,000 hospital admissions per year for children under 18 years because of serious, potentially preventable diseases. Deprivation and disease are strongly related (Figure 2). Childhood hospital admissions for bronchiolitis, which is a serious chest infection, is one of the commonest reasons for babies to be admitted. The rates of admission for bronchiolitis are higher than 'similar' countries, and are going up - the opposite of what you might expect in an affluent country. This disease is more likely where poverty and substandard housing are present.

Figure 2. Childhood admissions to hospital with bronchiolitis, age-adjusted, by quintile of deprivation (9-10 the most deprived neighbourhoods)



In August 2014 Emma-Lita Bourne died at the age of two years from complications of pneumonia. Coroner Brandt Shortland reported that *"It is entirely possible the condition of the house [very cold and damp and had a leaking ceiling when it rained] contributed to the pneumonia-like illness that [she] was suffering from the time of her death"*. The landlord was Housing New Zealand, which is owned by the New Zealand State for [the purpose of](#) providing housing services for people in need. The family had repeatedly asked for the cold and damp to be remedied. Following Emma-Lita's death the family were rehoused in a better home.

Around 11 children die from pneumonia each year, with the 'most deprived' quintile having rates about 10 times the 'least deprived' quintile. Most of these deaths are Māori or Pacific children which reflects the huge inequities by ethnicity. It doesn't have to be this way. If, hypothetically, European children had hospital admissions many times higher than the rate of Māori and Pacific children would more be done? If the answer is yes then these are things we can actively address.

Poverty

Child poverty rates increased dramatically after the 1991 Budget when welfare benefits were cut by more than 20% and user-pays policies were introduced.

Although the poverty rate in the whole population rose, the biggest impact was on children. Child poverty rates have remained high under both National and Labour governments, in times of good economic growth, and in times of recessions. While the Prime Minister promised after the 2014 election to reduce child poverty the significant policy changes needed have not occurred.

Poverty is measured by the Ministry of Social Development by both low income and material hardship. The table below shows three income measures of poverty - less than 60%, 50% and 40% of the 2015 median disposable household income, after housing costs. Theoretically it is possible that no-one would be below these thresholds. Material hardship is the other measure used. By any assessment we have a large proportion of children in income poverty and hardship, and alarmingly high numbers at more severe levels.

Table: Children 0-17 years in poverty in NZ 2015 using different measures (MSD 2015)

Child poverty figures in NZ	No. of children	% of children
Total children	1,060,000	100%
Income poverty (<60% 2015 median after housing costs)	295,000	28%
Severe income poverty (< 50% 2015 median after housing costs)	210,000	20%
Very severe income poverty (<40% 2015 median after housing costs)	125,000	12%
Material hardship (EU standard threshold)	155,000	14%
Severe material hardship (EU severe threshold)	85,000	8%
Material hardship and severe income poverty	82,000	8%

Our leaders repeatedly state that “paid work is the way out of poverty”, and recent welfare reforms are based on this approach. However about 40% of children in poverty are in families where there is an adult in full-time paid work.

Early childhood adversity can be worsened by bad policies and improved by good policies. Policy changes are the most rapid and effective ways of influencing poverty within a population. Following the benefit cuts in 1991 the percentage of children in poverty in ‘beneficiary’ families increased from 25% to 75% and has remained at that level since - a ‘bad’ policy. In 2004 the Working for Families package was introduced, helping particularly children in families supported by paid work. The percentage of those children in poverty halved from 21% to 11% - a ‘good’ policy for that group.

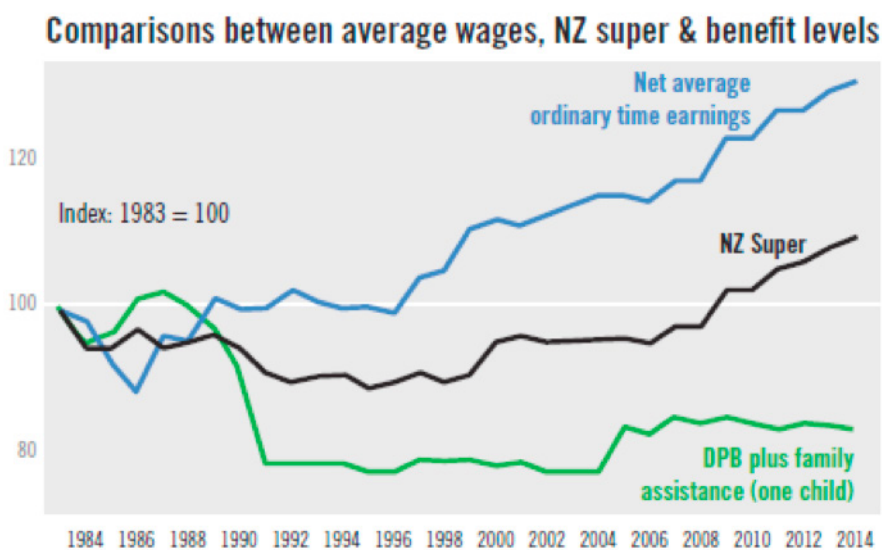
The Working for Families package of tax credits is the main government policy to address child poverty however beneficiary families do not get a key child-related tax

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credit - the In Work Tax Credit currently worth \$72.50/week. Between 2002 and 2012 The Child Poverty Action Group took a Human Rights case against the Crown in which the Courts found children of beneficiaries were discriminated against by this policy - a 'bad' policy for them.

Figure 3 shows the dramatic differences between net average wages, New Zealand Superannuation (the old age pension), and the 'DPB' income support benefit (now called the 'Sole Parent Support'). New Zealand Superannuation for a couple is not allowed to fall below 66% of the net average wage. However benefits are only adjusted for prices and have been falling well behind. Likewise family tax credits have been poorly adjusted. The country has saved billions of dollars by not allowing these benefits to keep up with other income levels, and the tax cuts of 2010 did not help family poverty at all.

Figure 3. Comparisons between average wages, NZ superannuation and benefit levels



We have an unusual paradox in New Zealand where we treat two vulnerable age groups differently. Income support for those 65 and over are more adequate, and result in low poverty rates for them. However, income support benefits for families with children are less adequate, and they have high poverty rates. Benefits are too low, not adjusted for wage growth and can be cut (sanctioned) for not meeting social or job-seeking obligations. Furthermore, they are based on relationships status (the state zealously watches in case a single parent has established an undeclared new relationship), and society has a negative judgement of people receiving this form of income support. In contrast, for those receiving New Zealand Superannuation these adverse judgements do not apply.

Tax credits for children are not universal, not indexed to wages, are complicated, and reduce in hard times (for example when hours of work are lost in an earthquake, or redundancy, or when parents stop work because their child is ill). The policies put in place for Working for Families since 2010 to save money are affecting low income working families. These cuts are contributing to the rise of child poverty in working families, many of whom need foodbank services to survive.

The solutions to child income poverty for those on income support benefits is to do the same for them as we do for those aged 65 and over, that is, make a simple system with full indexation of benefits and tax credits, do not cut the amount in hard times or for not meeting obligations, and base it on the parent as an individual, not their relationship status. This will require money. Remember that for years we have saved billions by not giving this money to low income families with children. These policies have helped generate budget surpluses and are being used to argue for tax cuts that would not help child poverty.

Inadequate basic health care

Families living in poverty, overcrowded homes or cars, are likely to be stressed and may struggle to provide basic hygienic practices at all times to prevent disease. Free health services need to be expanded so that all pregnant women are enrolled with antenatal care from early pregnancy; all children enrolled at birth with a general practitioner (GP), the National Immunisation Register, Well Child /Tamariki Ora and Dental services; and all primary care services should be free for all children from last 3 months of pregnancy up to age 18, including GP services, prescriptions, dental and optometry care.

Inadequate income support for newborns

It is not widely known that about 15,000 (25%) of the babies born each year miss out on vital extra tax payer support. Parents on a benefit with a new baby don't get Paid Parental Leave worth up to \$8,396 or even the lesser alternative, the Parental Tax Credit \$2,200. Their parents do not get the In Work Tax Credit worth \$3,770 a year either because looking after children is not counted as work.

Unhealthy housing

Stress and diseases flourish with unhealthy housing. In New Zealand some families with children live in cold, damp, mouldy crowded homes, some live in garages, some live in cars, and some are homeless. Some parents struggle to afford to feed themselves and their children. In May 2016 the Salvation Army reported that they supplied 54,000 emergency food parcels - up 9% from the previous year. On 19 May 2016 Te Puea Marae opened its doors to families living in cars. The mother of a two week old baby at the marae said "I want her to be able to grow and to have

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somewhere to belong". In Whakatane their car was impounded so the family camped in a tent. The family approached Housing New Zealand but did not inform the agency of the new baby, fearing she would be taken away by the Child Youth and Family agency (now renamed the Ministry for Vulnerable Children, Oranga Tamariki). Is this the 'healthy start' intended by the government?

The key housing issues affecting health are crowding (because private rentals are too expensive or houses are unavailable), poor quality houses which are cold, damp and mouldy, and unaffordable or unhealthy fuel. We know that making New Zealand homes healthy improves health, such as fewer days off school and work, fewer visits to GPs and fewer hospital admissions. The number of state houses per population has fallen over the last two decades. After more than ten years of neglect of the increasing need for healthy housing, it will take ten years to rectify it. A cross-political party accord is needed for such an important and complex issue, with a comprehensive plan needed so that all families can be housed in healthy homes.

When speaking in May 2016 about families living in cars or otherwise homeless, then Prime Minister John Key [said](#) *"That's not the New Zealand we want and it's not acceptable"*. Of course we all agree with that. However six months later no adequate solutions have been proposed by the government to meet the immediacy and extent of need.

To start to remedy the unhealthy housing issues, several steps are needed. Firstly, pass The Healthy Homes Guarantee Bill 2016 so that every rental home in New Zealand would meet up to date standards of insulation, heating and ventilation; secondly increase the number of state houses and social housing by 1000 units per year; thirdly increase emergency housing to provide for about 5,100 people on the Housing New Zealand Priority A list (those with immediate risk to health and safety); and fourthly provide greater tenure and rent protection for tenants.

What we need to do

We do know what to do. Three recent major reports have spelt out the solutions: the Children's Commissioner's Report (2012) [Solutions to Child Poverty](#), the report of Parliament's Health Committee (2013) [Inquiry into improving child health outcomes and preventing child abuse, with a focus on pre-conception until 3 years of age](#), and Child Poverty Action Group's 2014 publication [Our Children Our Choice](#). For the health of all our children and families, communities and our society, New Zealand needs these better policies now. The Child Poverty Action Group (CPAG) [Fix Working for Families](#) campaign has clear recommendations to make a major impact on income measures of child poverty.

About The Authors

Innes Asher is Professor of Paediatrics in the Department of Paediatrics: Child and Youth Health at The University of Auckland, and a Respiratory Paediatrician at Starship Children's Department, Auckland Hospital. She is the health spokesperson for Child Poverty Action Group (CPAG).

Associate Professor Susan St John is a founding member of the Child Poverty Action Group and their spokesperson on economics.

<http://www.cpag.org.nz/>

About The Policy Observatory

Based at Auckland University of Technology, The Policy Observatory provides a lens on public policy in Aotearoa New Zealand. We both conduct and commission research on economic, social and environmental policy issues, with the intention of publishing results in a form that is accessible to the general public. We work in a collaborative, networked way with researchers across institutions and in the private sector. Ultimately, we are concerned with how policy advances the common good.