

## POVERTY AND POLICY

New Zealand Poverty Measurement Project

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## Outline of Paper

- Approaches to Poverty Measurement in NZ
- Using Focus Groups to set an Income Poverty Standard
- Risk, Severity and Effectiveness
- Trends in Income Poverty through time
- Living Standards
- Anti-Poverty Policies post 1999

## Traditions in Conceptualising Poverty

Policy direction not always follow evidence

### 1. Living Standards:

- 1975 Survey of the Aged
- 1999 Monetary Constraints
- 2001, 2005 ELSI

### 2. Income Poverty, Household Economic Survey:

- 1970s & 1980s Easton: Benefit Datum Line
- 1990s+ NZ Poverty Measurement Project
- 2001+ MSD: Social Report

### 3. Deprivation Indices

- Census Area based: Dep '91, '96
- Used for health, education targeting

## History of Poverty Measurement

- 1991 Benefit Cuts: no official monitoring, small community studies, food bank growth
- Impact of market rents, after housing cost poverty and move to rural areas
- Poverty Measurement Project
- Role of medics and teachers
- Labour/Alliance: pensions, state rents, Public Health Organisations, child assistance, employment growth

## Establishing a Poverty Measure

- Concept : absolute/relative; objective /subjective

**Definition: a lack of access to sufficient economic and social resources that would allow a minimum adequate standard of living and participation in that society.**

- Developing poverty indicator: consumption of specific commodities, expenditure, income
- Technical issues: unit of assessment, time period, equivalence scales, adjustment through time
- Setting the poverty threshold – Focus Groups
- Obtaining data source – HES, HLFS, q'aire
- Measuring extent and severity

## The FOCUS GROUP Threshold

	MAORI HOUSEHOLDS				Fair Adequate Particip	
	Minimum Adequate 2 Adults + 3C	H'd Exp 1 Adult +2C			2 Adults + 3C	
	\$	%	\$	%	\$	%
• Food	100	21.0	70	18.7	150	23.7
• H'hold Op	10	2.1	10	2.7	25	3.9
• Housing	150	31.6	150	40.1	150	23.7
• Power	30	6.3	20	5.3	30	4.7
• Phone	11	2.4	11	3.0	11	1.6
• Transport	40	8.4	30	8.0	58	9.1
• Activities/Rec	15	3.2	10	2.7	38	6.0
• Insurance	12	2.4	12	3.1	13	2.1
• Life Insurance	20	4.2	15	4.0	20	3.2
• Exceptional	10	2.1	10	2.7	25	4.0
• Appliances	10	2.1	4	1.0	19	3.0
• Furniture	9	2.0	4	1.0	19	3.0
• Medical	15	3.2	5	1.3	15	2.3
• Clothing/Foot	38	7.9	20	5.3	48	7.6
• Education	6	1.2	4	1.1	12	1.8
•	475	100.0	374	100.0	634	100.0

Category	Maori	Samoan	Pakeha Low Inc	Lone Parent	Low Wage	Pakeha Mid Inc	Average
Food	100	150	100	130	90	100	112
H'hd Op	10	10	10	15	10	10	11
Housing	150	180	150	150	150	180	160
Power	30	20	20	25	20	15	22
Phone	11	10	10	10	10	10	10
Transport	40	30	40	55	60	50	46
Activities	15	10	25	21	30	20	20
Insurance	11	11	15	20	15	12	14
Life Insuranc	20	10	20	10	5	25	15
Exceptional	10	20	10	10	5	10	11
Appliances	10	6	4	5	10	5	7
Furniture	10	6	5	0	3	5	5
Medical	15	5	15	5	15	5	10
Clothing	37	10	15	20	20	20	20
Education	6	5	8	15	10	5	8
TOTAL	475	483	458	491	442	472	471

## Steps in Measuring Poverty

- Use Jensen (1988) scales to adjust focus group results for other household sizes
- Omit 'outliers': self-employed losses, income 3 times expenditure from HES data
- Determine risk, severity of poverty using market and disposable income
- Data for 1984-2000, using household types, age of head of h'hold, tenure, ethnicity, work status, no. of children, no. in h'hold
- Income distribution

## Risk and Severity of Poverty, before Housing Costs 60% Median

	People		Adults <64		Adults 65+		Children	
	1997	2000	1997	2000	1997	2000	1997	2000
Market	28.4	27.4	18.2	18.3	76.9	71.2	30.8	29.9
Disposable	15.7	16.3	11.0	13.2	30.0	17.9	20.5	23.9
Effectiveness	44.7%	40.5%	39.6%	27.9%	61.0%	74.9%	33.4%	20.1%
Poverty Gap \$m								
Market	5668	6625	993	1555	3226	3440	1449	1630
Disposable	598	729	235	341	117	34	246	354
Effectiveness	89.4%	89.0%	76.3%	78.1%	96.4%	99.0%	83.0%	86.3%

## Risk and Severity of Poverty, After Housing Costs

Incidence	People		Adults 18-64		Adults 65+		Children 0-18	
	1997	2000	1997	2000	1997	2000	1997	2000
Market	29.7	30.2	19.5	21.2	75.3	70.6	33.5	33.9
Disposable	20.3	21.9	16.7	18.8	12.3	10.8	33.5	35.0
Effectiveness	31.6%	27.5%	14.4%	11.3%	83.7%	84.7%	0.0%	-3.2%
Poverty Gap \$m								
Market	6059	7283	1059	1654	3222	3438	1778	2191
Disposable	1211	1589	422	626	146	115	643	848
Effectiveness	80.0%	78.2%	60.2%	62.2%	95.5%	96.7%	63.8%	61.3%

## Risk, Composition of Poor, 2001, WorkForce Status, 60% median

• Ireland			• New Zealand		
	Risk	% total		Risk	% total
Employee	8.1	18.8	One worker	17.2	21.5
Self-employed	14.3	6.6	Two+ workers	4.6	14.6
Farmers	23.0	7.6	Benefits	56.5	46.4
Unemployed	44.7	7.3	Benefits/Work	22.6	17.5
Ill/Disabled	66.5	11.9	TOTAL	16.3	100.0
Retired	36.9	18.8			
Home duties	46.9	29.0	Retired	17.9	13.3
TOTAL	21.9	100.0	Lone Parents	66.1	22.7
Lone Parents	42.9	8.0			

## Poverty Risk: Household Type, 2000, before Housing

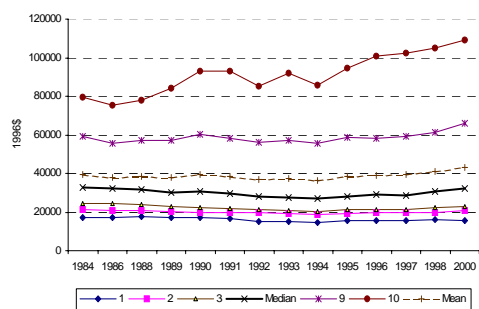
Household type	Disposable Income	Effectiveness	Structure	Poverty Gap \$m	Effectiveness
Single Adult	25.5	53.0	14.2	190.4	93.5
1 Adult+Child	66.1	19.3	22.6	151.2	81.6
2 Adults	12.0	60.8	16.9	140.8	92.3
2Adult+1Child	11.2	39.8	4.8	39.4	78.5
2Adult+2Child	14.9	6.9	13.3	79.0	67.1
2Adult+3Child	20.4	8.1	12.5	44.4	64.4
3 Adults	4.7	54.8	4.5	44.0	79.9
3Adult+Child	11.8	47.3	11.2	40.8	84.2
Total	16.3	40.5	100.0	729.9	89.0

### RISK, STRUCTURE AND SEVERITY OF POVERTY, BY ETHNIC STATUS, 2000

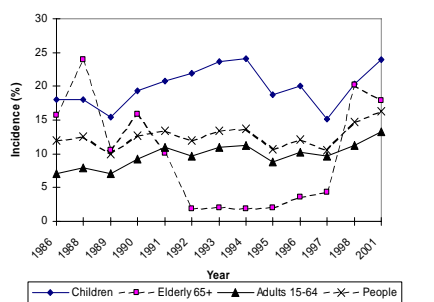
60 per cent of Median Equivalent Household Disposable Income Threshold

Ethnicity	Risk (pre-housing)			Structure			Risk (post-housing)		
	Adult	Child	Total	Adult	Child	Total	Adult	Child	Total
European	11.6	20.3	13.5	64.7	57.4	62.4	14.5	31.3	18.2
Maori	22.1	32.9	25.6	18.6	24.1	20.6	27.5	39.3	31.4
Pacific	26.1	34.2	29.0	8.3	10.7	9.1	36.8	54.0	43.0
Other	17.6	25.3	19.6	8.4	7.8	8.1	23.9	39.4	28.0
Total	13.8	23.9	16.3	100.0	100.0	100.0	17.6	35.0	21.9

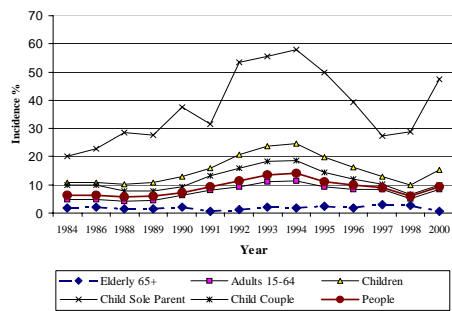
### Trends in Real Household Equivalent Disposable Income, 1984-2000 March 1996\$ (Mean of each decile)



### Incidence of Poverty, by Age, 1984-2000: 60% Poverty Threshold



### Trends in the Incidence of Poverty, 1984-2000, using an Absolute Poverty Measure



## Living Standards

- MSD and Surveys of elderly, working population, Maori
- Ownership, social participation restrictions, economising behaviour, financial and accommodation problems, self-rating
- Show ability to prioritise
- Lack of congruence income and outcomes
- Policy uses of living standards surveys: in-kind benefits, targeting, adequacy

### MATERIAL WELL-BEING INDICATORS: BY AGE AND ETHNICITY

Restriction	Older Age Group (65+)		Younger Age Group 18-64	
	European	Maori	European	Maori
Serious financial problems	0.08	0.36	0.59	1.38
Ownership deficits	0.52	1.26	0.85	1.67
Social participation deficits	0.84	1.06	1.15	1.49
Economising	2.75	5.13	5.24	7.85
All Restrictions	4.19	7.75	7.83	12.35

Source: Fergusson *et al* (2001)

## Living Standards Restrictions

Ownership Restrictions	Total	Two Parent	One Parent	Elderly	Elder Maori
Dishwasher	14	15	29	5	13
Heating main rooms	9	9	22	6	18
Winter coat	4	4	9	2	5
Good shoes	2	2	11	1	4
Car	3	1	16	1	6
<b>Social Participation Restrictions</b>					
Holiday every year	21	25	45	14	26
Friends over for meal	5	5	11	3	5
Presents for family	3	3	7	2	12
Childcare services	-	26	58	-	-

## Living Standards Restrictions

Economising	Total	2 Parents	1 Parent	Elderly	Elderly Maori
Less/cheaper meats	23	28	52	36	62
Older clothes	10	11	30	12	30
Postponed doctor visit	8	9	18	8	21
No glasses	5	6	11	10	24
Not got prescription	2	3	7	2	10
Kids share bedroom	-	8	17	-	-
<b>Financial Problems</b>					
Borrowed money Can't pay	14	13	27	1	7
Relies on charity	10	12	36	2	11
Relies on charity	5	6	21	0.5	6
<b>Accommodation Problems</b>					
Dampness	19	20	19	-	-
Plumbing	11	11	12	-	-
Roof	12	13	9	-	-

## Overlap Income and Living Standards Scales

Source: B. Perry SPINZ 2002

Country	% income poor = % living standards poor by construction	% overlap between two measures	% of population both income and living standards poor
Portugal	24	52	12
Greece	22	46	10
UK	21	47	10
Spain	20	46	9
Italy	19	42	8
Belgium	17	33	6
Ireland	17	44	8
Germany	16	32	5
France	15	39	6
Netherlands	10	39	4
Denmark	8	17	1
New Zealand	17	40	7

## Anti-Poverty Policies Post 1999

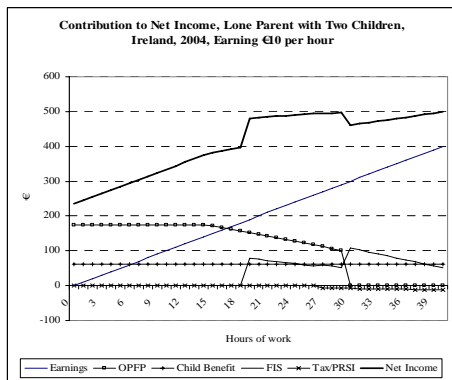
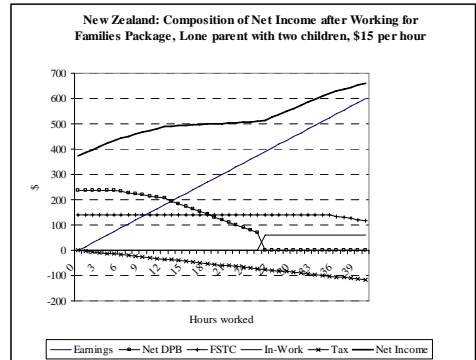
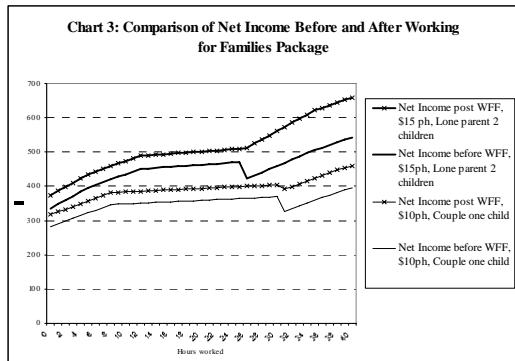
- NZ Superannuation:
  - lift rate to 67.7% average weekly earnings
  - Super fund
- Housing:
  - Income-related State 25% average earnings
  - Adjust Accommodation Supplement
- Improving Child Assistance
  - Family Support: 1<sup>st</sup> child \$47->\$82 (\$95, 16-18)
  - 2<sup>nd</sup> child \$32->\$57 (\$65 13-15)
  - Threshold \$27,500 (2/3 av.earn) abate at 30%
  - In-Work: \$60, work 20 hours lone, 30 couple, not core benefit
  - Abate after FSTC
  - Child-care Subsidy: \$2.58->\$3.12 per hour, targeted

## Poverty Risk, Housing Tenure: 1997 & 2000, before & after Housing Costs

Tenure	Before 1997	Housing 2000	After 1997	Housing 2000
Owned mortgage	8.7	10.1	16.5	20.3
Owned no mortgage	15.2	14.3	4.7	6.7
Rent free	26.3	18.6	15.6	11.2
Rent HNZC	40.3	33.4	68.6	54.0
Rent private	17.0	25.5	35.2	39.6
Rent other	24.4	19.2	42.9	32.7
Total	15.7	16.3	20.3	21.9

## Estimated Impact of Working for Families on Income Poverty

- Headcount poverty rates will fall by:
  - 71% for children based on a poverty threshold of 50% of household median income
  - 29% for children based on a poverty threshold of 60% of household median income
  - 41% for the whole population based on a poverty threshold of 50% of household median income
  - 22% for the whole population based on a poverty threshold of 60% of household median income



### Poverty Incidence, by Number of Children 2000, before Housing

Number of Children	Market	Disposable	Efficiency	Structure	Poverty gap \$m
0	28.6	12.2	57.3	42.6	352
1	23.9	13.4	43.9	11.2	71
2	22.6	19.4	14.2	21.4	97
3	25.3	21.8	13.8	12.1	38
4	41.6	37.6	9.6	7.0	25
5+	77.7	48.4	37.7	5.7	14
<b>Total</b>	<b>27.4</b>	<b>16.3</b>	<b>40.5</b>	<b>100.0</b>	<b>730</b>

### Causes of Child Poverty

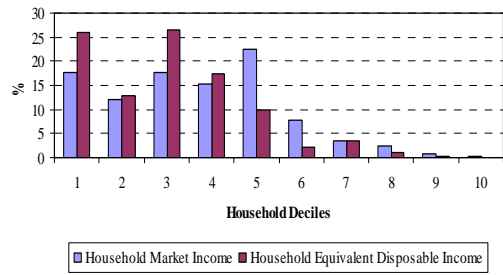
Inter-related factors leading to high poverty rates

- Decline in real value of Family Plus
- Generosity falls per additional child
- Extreme targeting of Family Plus
- High proportion of Sole Parents, with low employment rates
- Maori and Pacific families larger, younger and greater proportion in low income groups
- Lack of cash and in-kind assistance

Issue: is lack of financial input cause of poor child outcomes?

Year	Family Benefit	Family Support	Child Tax Credit	Total Exp	Real 1994 Exp	Exp % GDP	% Social Exp
1987	273.2	186.9	N/a	460.1	601.4	0.84	7.1
1988	290.6	403.4	N/a	694.0	832.1	1.13	9.0
1989	258.4	439.3	N/a	697.7	804.7	1.05	7.7
1990	284.8	465.0	N/a	749.4	807.5	1.06	7.3
1991	223.0	472.0	N/a	695.0	716.5	0.96	6.3
1992	N/a	618.0	N/a	618.0	631.9	0.86	5.9
1993	N/a	577.3	N/a	577.3	584.9	0.77	4.8
1994	N/a	609.4	N/a	609.4	609.4	0.75	5.3
1995	N/a	700.1	N/a	700.1	673.2	0.81	6.0
1996	N/a	748.3	N/a	748.3	703.9	0.82	6.2
1997	N/a	785.2	40.5	825.7	763.1	0.86	6.5
1998	N/a	881.0	121.4	1002.4	914.6	1.02	7.6
1999	N/a	914.7	161.9	1076.3	983.0	1.09	8.3
2000	N/a	909.6	173.8	1083.4	974.9	1.03	8.2
2001	N/a	871.0	178.5	1056.5	922.1	0.95	7.5
2002	N/a	899.0	207.0	1106.0	940.9	0.94	7.5

**Figure 1 Incidence of Family Assistance Tax Credits, by Deciles, 1997/98**



**Structure of Child Benefit Package: 2A+3C, 1/2 av male earnings**

Country	Income Tax	Targeted child ben	Universal child ben	Net rent	Net local tax	School costs	Health costs	Other	Net
Australia	0	300	0	123	0	167	0	57	654
Austria	0	20	376	121	0	-7	2	110	672
Belgium	74	0	349	0	-1	-42	-2	0	378
Canada	70	261	0	0	0	0	-34	0	296
Denmar	0	0	165	144	0	0	-1	0	309
Finland	0	0	129	103	0	130	0	162	524
France	5	136	222	150	-10	34	-2	0	535
German	33	261	0	180	0	0	0	0	475
Ireland	0	207	191	-31	0	-17	-36	0	314
Italy	20	356	0	0	0	-53	0	0	322
L'burg	0	0	498	0	-8	-63	-8	193	612
N'lands	21	0	173	26	0	-66	0	0	154
<b>NZ</b>	<b>0</b>	<b>332</b>	<b>0</b>	<b>-23</b>	<b>0</b>	<b>-21</b>	<b>-3</b>	<b>0</b>	<b>286</b>
Norway	0	0	176	70	0	-20	-2	0	224
Spain	0	61	0	0	0	0	-19	0	42
Sweden	0	0	212	89	0	63	0	106	471
UK	0	421	157	-6	-21	0	4	0	554
USA	0	221	0	77	0	98	0	482	897

**Structure of child benefit package; Sole parent = 1 child. Av female earnings**

Country	Income tax	Targeted child benef	Universal child ben	Child care costs	Health costs	G'teed child supp	Net after all
Australia	0	98	0	-125	0	0	-27
Austria	0	0	108	-72	1	70	107
Belgium	-18	0	50	-136	0	0	-105
Canada	3	91	0	-324	0	0	-230
Denmark	-103	0	127	-84	2	70	40
Finland	0	0	80	-75	0	72	77
France	15	104	0	-140	5	0	17
Germany	11	0	0	-225	0	34	-179
Ireland	0	0	58	-375	0	0	-316
Italy	8	38	0	-186	5	0	-135
L'bourg	56	0	95	-137	0	0	13
N'lands	58	0	39	0	22	0	129
<b>NZ</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>-310</b>	<b>10</b>	<b>0</b>	<b>-275</b>
Norway	14	18	157	-55	5	70	209
Spain	5	0	0	-201	0	0	-196
Sweden	0	0	65	-100	6	80	51
UK	0	270	67	-385	2	0	-33
USA	0	68	0	-160	0	0	-92