DEPARTMENT OF THE
PRIME MINISTER AND **CABINET**
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Proactive Release

The following document has been proactively released by the Department of the Prime Minister and Cabinet (DPMC), and the Child Wellbeing and Poverty Reduction Group (CWPRG) on behalf of Hon Jan Tinetti, Minister for Child Poverty Reduction:

Proactive Release: Briefing: Review of the Child Poverty Related Indicators

The following document has been included in this release:

- **Title of paper:** Briefing: Review of the Child Poverty Related Indicators (DPMC-2021/22-2489)

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- S9(2)(a) protect the privacy of natural persons, including that of deceased natural persons;
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Briefing

REVIEW OF CHILD POVERTY RELATED INDICATORS

To: Rt Hon Jacinda Ardern, Minister for Child Poverty Reduction			
Date	14/07/2022	**Priority**	Routine
Deadline	19/07/2022	**Briefing Number**	DPMC-2021/22-2489

Purpose

This report develops a framework for reviewing the Child Poverty Related Indicators (CPRIs) and applies this framework to review the current set of CPRIs. The review fulfils the legislative requirement, under Section 42 of the Child Poverty Reduction Act 2018 (the Act), to undertake a review of the CPRIs every three years.

Recommendations

1. **Agree** to discuss the findings of this review and the review framework.

   YES / NO

2. **Agree** to confirm that the main function of the current set of CPRIs and reporting is to provide insight into the lived experience of poverty for New Zealand children, beyond what can be conveyed through the main child poverty measures.

   YES / NO

3. **Agree** to change the current housing affordability measure to focus on the number of children living in households in the bottom 40% of the income distribution that spend more than 30% of their household equivalised disposable income on housing costs.

   YES / NO

4. **Agree** to undertake further work with the aim of ensuring that the age ranges for the CPRI measures are appropriate, subject to the availability of data.

   YES / NO

5. **Agree** to forward this report to the Child and Youth Wellbeing Strategy Ministerial Group for discussion at their meeting on 26 July 2022.

   YES / NO

Clare Ward **Executive Director** **Child Wellbeing and Poverty** **Reduction** 14 July 2022	(Rt) Hon Jacinda Ardern **Minister for Child Poverty Reduction** 19./.7./..22

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Minister's office comments:

☐ Noted
☐ Seen
☐ Approved
☐ Needs change
☐ Withdrawn
☐ Not seen by Minister
☐ Overtaken by events
☐ Referred to

REVIEW OF THE CHILD POVERTY RELATED INDICATORS

Executive Summary

1. Under the Act, you are required to review the CPRIs every three years. The first review needs to be completed by the end of August 2022. The nature and scope of the review is not prescribed under the Act and so it is important this first review sets a sound precedent.

A framework for reviewing the CPRIs

2. We therefore propose a CPRI review framework (set out at **Attachment A**) to provide a systematic way of assessing whether a given set of CPRIs is fit for purpose and that can help inform the current and future reviews.

3. The framework sets out four overarching review questions:

   a) What is the main function we want a particular set of CPRIs, and associated reporting, to serve (noting there is flexibility under the Act to define this and for this to change over time)?

   b) Are the indicators aligned with this function?

   c) Are the measures and data underpinning the indicators high quality?

   d) Does the annual CPRI reporting provide insights that align with the function?

4. The framework also sets out several considerations against each of these questions as well as some overarching design principles.

Review of the current CPRIs

5. Although not always explicitly stated, we believe the main function of the current set of CPRIs is to tell a broader story about the impacts of poverty on children's wellbeing outcomes, beyond what can be conveyed through the primary child poverty measures.

6. This rationale is fundamentally sound. As part of our consultation for the Review, a number of stakeholders commented that although the current headline child poverty measures are technically rigorous, they can be hard to understand. Some also perceive a disconnect between the current measures and what they see children and families experiencing on the ground. The current CPRIs help bridge this gap by telling us about the sorts of wider changes we should expect to see in children's lives if we really are making progress. This approach also helps ensure the child poverty workstream is embedded within the wider child and youth wellbeing strategy.

7. We recommend you explicitly confirm this is the main function you would like the CPRIs to serve. This would help clarify expectations. Some non-Government stakeholders were supportive of the current CPRIs but sought to broaden them out to include a wide range of causes of child poverty with the aim of driving strategic policy. There is merit in this alternative function but we consider this is outweighed by the value of showing the impacts of poverty on children's lives. A more technical, policy-focused set of indicators on the drivers of child poverty would be better suited to an alternative reporting mechanism, and

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this could be considered as part of the wider review of the child and youth wellbeing strategy and the proposed child poverty plan.

8. In combination, the five indicators – housing affordability, housing quality, food insecurity, school attendance, and potentially avoidable hospitalisations – tell us a lot about children's experience of poverty in New Zealand and align well with the proposed function of the current CPRIs. We have explored a range of possible alternative indicators but we don't recommend any changes to the current indicator set at this stage.

9. The quality of the measures and data underpinning the current indicators was generally very good. All of the measures are based on data from large, annual, high quality random sample surveys or comprehensive administrative datasets.

10. We do recommend some refinements to the current measures. The current housing affordability measure – which measures the number of children living in households spending more than 30% of their income on housing costs – should be changed to focus on the bottom two quintiles of the income distribution. This will help ensure that only those households at risk of poverty are included in this measure. We also recommend further work be done to ensure the age ranges included in the measures are aligned and appropriate, subject to the availability of data.

11. Finally, reporting on the CPRIs has evolved to provide useful insights into the experience of poverty that is well received by stakeholders. One challenge is managing the expectation that each year's CPRI reporting will generate novel insights about trends that can often take time to unfold. This underscores the value in the current in-depth approach to reporting. This includes subgroup analysis as well as recent data and research from other sources. This approach helps deepen our understanding of children's experience of poverty, reconcile perceived discrepancies in different data sources, and – over time – assess some of the wider impacts of the government's child poverty reduction policies.

Next steps

12. We would welcome the opportunity to discuss the framework and the findings of the review.

13. If you agree to the recommendations we will report back to you in September with an update on our work on the suitability of the age ranges for the CPRI measures. This advice will also include further details about the process for amending the measures through a notification in the New Zealand Gazette and in time to reflect any changes to the measures in next year's CPRI report.

Purpose

14. This report develops a framework for reviewing the CPRIs and applies this to review the current set of CPRIs. The Act requires you to review the CPRIs every three years.

Background

15. Section 38(1) of the Act requires you as the Minister for Child Poverty Reduction to identify one or more CPRIs related to "any or all of the following areas: income and employment, housing, education and development, health and disability, or any other area or areas". The Act defines CPRIs broadly to mean a measure that is, or may be, a cause, consequence or correlate of child poverty.

16. In July 2019, Cabinet agreed [SWC-19-MIN-0085] to establish five CPRIs:

    a) **housing affordability**, as measured by the proportion of children (aged 0-17) living in households spending more than 30 per cent of their equivalised disposable income on housing costs.

    b) **housing quality**, as measured by the proportion of children (aged 0-17) living in households reporting that they have a major problem with dampness or mould.

    c) **food insecurity**, as measured by the proportion of children (aged 0-14) living in households that report that food runs out "often or sometimes" over the past 12 months.

    d) **regular school attendance,** as measured by the percentage of children and young people (ages 6-16) who are regularly attending school.

    e) **potentially avoidable hospitalisations**, as measured by the rate of children (ages 0-15) hospitalised for potentially avoidable illnesses.

17. Section 44 of the Act also requires a monitoring report to be prepared each financial year relating to every identified indicator. Three CPRI monitoring reports have been published, for the 2018/19, 2019/20 and 2020/21 financial years, providing a good indication of how the measures above have been performing. **Attachment A** provides a summary of the most recent findings.

18. Section 42 of the Act requires that a review of each of the current CPRIs be undertaken before September 2022, and every three years beyond that.

The review framework

19. The Act does not explicitly prescribe the nature and scope of the CPRI review.

20. While this provides for a level of flexibility, it's important that this first three-yearly review of the CPRIs establishes a sound precedent for informing future reviews. This is especially critical given that, for some indicators, we have only established robust year-on-year data for the past two or three years and so it may take two or more review cycles to fully assess how the indicators are performing over the longer term.

21. We have therefore developed a framework that seeks to systematically assess whether the current CPRIs are fit-for-purpose and that can help inform the approach to future reviews. The framework is based around the following key review questions:

a) What is the main function we want a particular set of CPRIs, and associated reporting, to serve (noting there is flexibility under the Act to define this and for this to change over time)?

b) Are the indicators aligned with this function?

c) Are the measures and data underlying the indicators high quality?

d) Does the annual CPRI report provide insights that align with the function?

22. Under each of these key questions we have developed a number of design considerations to help assess the current CPRIs and consider alternative options if appropriate.

23. In addition, there are three high-level principles that cut across, and should inform, all of the key review questions:

a) **form follows function.** The review questions are structured sequentially to reflect this idea. Establishing the function (the "why") helps determine the indicators (the "what") which in turn helps determine the measures and reporting (the "how"). There may be constraints on the feasibility and availability of data measures requiring us to discount certain indicators, or reconsider the overarching function and purpose. But we shouldn't jump too soon to what we *can* currently measure, without first establishing what we ideally *want* to measure and why.

b) **continuity.** There is value in maintaining a level of continuity in the purpose, indicators and measures given the importance of the Act in providing ongoing political accountability. Significant, unjustified changes to the CPRIs can undermine the perceived integrity of the wider child poverty measurement regime. This doesn't mean we should never change course if a CPRI isn't fit for purpose or if priorities change, but we should avoid making big changes lightly.

c) **concision.** There is value in keeping the CPRIs and reporting tight. Trying to get the CPRIs to fulfil multiple purposes can flow through to clutter and compromise in the design of the indicators and measures. Similarly, while no single indicator will ever tell you all, or even most of what, you really need to know about child poverty, too many indicators can become unfocussed, obscuring the things that matter most and ultimately reducing accountability.

24. This review framework is summarised in **Attachment B** and shows the relationship between the key review questions, design considerations, and high-level principles. It should be noted that the design considerations and principles are only a guide: people will have different views about how well the CPRIs align with them, their relative importance, and how best to balance trade-offs between them.

25. In applying this framework, the review draws on a range of sources of data and information, including:

a) previous CPRI reports

b) engagement with selected stakeholders across government and non-government agencies with an interest in child poverty policy, measurement and reporting. This is summarised in **Attachment C**, and discussed throughout this review as relevant.

c) a review of selected documentation relating to the CPRIs – including feedback provided through select committee submissions during the development of the Act, and previous official advice provided to you about the selection of the CPRIs.

Function of the CPRIs

Design considerations

26. When reviewing the function of the CPRIs some key considerations include:

a) **alignment with the Act.** The legislation does not prescribe the purpose or function of the CPRIs. However, the purpose should be broadly consistent with the overarching purpose of the Act, set out in Section 3a-c, which is to help achieve a significant and sustained reduction in child poverty in New Zealand by encouraging a focus by government and society on child poverty reduction, facilitating political accountability and requiring transparent reporting on child poverty.

b) **alignment with Government priorities.** The purpose and function of the CPRIs should align with the priorities of Government, for example in terms of the approach to progressing the child poverty agenda and the wider Child and Youth Wellbeing Strategy.

c) **fit with other reporting.** It is important that the function of the CPRIs, as reflected in the CPRI report, fills a niche within the wider ecosystem of child poverty reporting, including: Stats NZ's child poverty reporting, the Child and Youth Wellbeing Strategy annual report, the Child Poverty Report produced by the Ministry of Social Development, and the Child Poverty Monitor report produced in partnership between the Office of the Children's Commissioner and the University of Otago. We should seek to avoid substantively duplicating the functions that are better served by these other reporting mechanisms.

The main function of the current CPRIs: painting a bigger picture about the impacts of poverty on children and young people's wellbeing

27. In our original advice to you about the selection of the CPRIs we noted that because the legislative requirement is framed flexibly there is a range of approaches to the CPRIs that could be taken [DPMC-2018/19-735 refers].

28. Although not explicitly agreed at the time, we consider the main purpose of the current suite of CPRIs is to provide insight into the lived experience of poverty for New Zealand children, beyond what can be conveyed through the main child poverty measures[1].

29. This rationale for the CPRIs is sound. A number of stakeholders we engaged with as part of the wider review of the Child and Youth Wellbeing Strategy noted that the current Child Poverty measures, while technically rigorous, can be hard to understand. Some advocates also commented they perceive there can be a disconnect between the headline measures and the "lived reality" of child poverty and its impact on, related, child wellbeing outcomes[2].

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[1] This is stated most directly in the 2019/20 CPRI report (p.2) which noted "Taken together, these indicators help tell a broader story about life for children living in poverty in New Zealand... beyond what we can understand from observing trends against the income and material hardship primary and supplementary measures of child poverty"

[2] St John & Wynd (2022) *Commentary: Improving the child poverty reduction framework*

30. This purpose also aligns well with the overarching purpose of the Act, including "to encourage a focus by government *and society* on child poverty reduction" (emphasis added). This affirms the value of ensuring that society more broadly, and not just government, has a clear understanding of what reducing child poverty really means for children and young people.

31. There is also good alignment with this purpose and the Government's wider priorities to advance child and youth wellbeing. By framing the CPRIs around the impacts of poverty on children's lived experience and wellbeing outcomes, the CPRI report serves to help integrate the Government's child poverty reduction priorities and the wider Child and Youth Wellbeing Strategy.

32. Finally, although the current CPRIs are also all currently reported in the Child and Youth Wellbeing Strategy Annual Report we note that the purpose of this latter report is quite distinct. The annual report aims to provide a comprehensive overview of outcomes achieved for children and young people across all wellbeing domains. By contrast, the distinct value of the CPRI report is in allowing for far more in-depth analysis of wellbeing outcomes through the lens of child poverty.

Possible alternative approaches to the function of the CPRIs

33. Given the rationale for the current CPRIs appears to be sound we do not recommend any fundamental changes to the purpose of the CPRIs (in line with the high-level principle of continuity).

34. However we recommend more explicitly confirming the implicit function of the current CPRIs. In our consultations with non-government child poverty stakeholders, it became clear there were a range of assumptions about this purpose that shaped expectations about the adequacy of the current CPRIs. Although there was support for the value of the CPRIs in speaking to the lived experience of poverty child poverty, there was also an implicit view from some that the CPRIs should comprehensively monitor the short- and long-term causes of child poverty and that the indicator set should therefore be expanded and the frequency of reporting increased.

35. As part of the review we considered these alternative approaches focusing on the causes of child poverty. These approaches were also discussed in our earlier advice to you [DPMC-2018/19-735 refers].

36. We see some merit in framing the CPRIs around the causes of poverty with the aim of informing child poverty policy strategy. This approach could include a range of indicators capturing the determinants of income (e.g. total benefit incomes, number of children in jobless households, minimum wage rates), housing costs (e.g. children living in social housing, rental expenditure, accommodation supplement take-up), and material hardship (e.g. household living price index for low-income households, energy poverty, debt to government).

37. An alternative approach again would be to look at some of the long-term, intergenerational, but potentially modifiable determinants of poverty and socio-economic disadvantage: for example, child educational attainment, parental qualifications, long-term parental joblessness, parental ill-health and disability.

38. However, on balance, we think the rationale for focusing on the wider impacts of child poverty on the lives of children outweighs the benefits of an indicator set focused on causes. We think a bigger priority is to ensure that stakeholders, and the wider public,

have a clear understanding of the real-world impacts of poverty on children's lives and how this is changing over time as a result of Government's policies. By contrast, one of the main limitations of an approach focusing on causes is that it's likely to require a much larger number of more technical indicators. Given the legislative time constraints on reporting the CPRIs, there would be less opportunity for analysing and contextualising the results and providing insights. We also note that the quality, frequency and timeliness of many of the indicators relating to the causes of poverty are not well suited to being CPRIs.

39. We do think there is value in further work looking at the feasibility of a more technical dashboard for informing child poverty strategy, separately from the CPRIs. This could be further explored through the wider review of the Child and Youth Wellbeing Strategy and as part of the child poverty plan.

Alignment of the indicator set with the function

Indicator set design principles: relevance, coherence, balance

40. Having confirmed the purpose of the CPRIs is to provide insight into the lived experience of child poverty in New Zealand, it is important to assess whether the current indicators are the right ones to show this. In doing so, it's important to remember that the indicators and measures are related but distinct: the indicators are the high-level constructs we are interested in, and the measures are the tools that more or less accurately reflect them. The quality of the measures will be discussed in the next section.

41. In assessing the fitness-for-purpose of the suite of indicators, some key design considerations include:

    a) **poverty relevance.** There should be evidence linking the indicators with child poverty – as either a cause, consequence or correlate.

    b) **coherence.** The indicators should ideally be selected to ensure they fit together in a logical way that paints a bigger picture about some aspect of child poverty.

    c) **balance.** The suite of indicators should provide a fair and balanced account of the state of some aspect of child poverty and how this is changing over time.

42. In addition to these specific design considerations relevant to the selection of indicators, the overarching principle of concision is especially important when considering the total number of indicators. Too many indicators not only risks a loss of focus, it also risks non-compliance with the CPRI reporting timeframes required under the Act. The legislation requires that each indicator needs to be reported on "as soon as practicable" after Stats NZ's annual child poverty data report and within the next financial year (Section 44). The more indicators there are, the greater the chance that one or more indicators is delayed or unavailable - thereby risking the quality of reporting or compliance with statutory reporting timelines.

The current suite of CPRIs helps reveal some of the trade-offs that can shape the wellbeing outcomes of children in poverty

43. Overall, the five current indicators each provide unique insights about important aspects of poverty's impact on children's lives. In combination, they also provide a balanced picture that reveals some of the trade-offs poor families face.

44. Housing is rightly a prominent focus of two of the five CPRIs (i.e. housing affordability and housing quality). Housing is the stage where so many of poverty's impacts on children play out. Children's physical[3] and mental wellbeing[4], their ability to play and learn, their connections with family and whānau, their access to resources, their sense of place and identity are all intimately connected to a home's location, configuration, security, stability, quality and amenity[5].

45. But these housing characteristics all come at a price. Housing costs make up the largest single item of expenditure and this needs to be weighed against other demands on the household budget. It is this fundamental tension between household income and housing costs that is reflected in the housing affordability CPRI.

46. Housing affordability only provides part of the picture though. Households can try to push down expenditure on housing only to find that, like a bubble in a carpet, these savings "pop up" as costs in other areas. Housing quality is a good example of one of these trade-offs. Cheaper, poorer quality housing can come at the cost of higher heating bills, the risk of mould and damp, chronic respiratory problems (especially in very young children), worse mental health, and absences from school and work that further entrenches poverty and disadvantage – in both the short and longer term. This in turn points to the value of the currently included indicators of potentially avoidable hospitalisations (many of which are respiratory conditions) and school attendance: highlighting the direct and indirect impacts of poverty on children's lives.

47. Food insecurity rounds out the indicator set by providing insights into a very tangible consequence of poverty for children. Food is the second largest item of household expenditure and can be more readily economised on week-to-week compared to relatively fixed costs like rent and utilities. This in turn can have flow-on consequences for children's wellbeing across multiple domains, including physical[6] and mental health[7], and education[8].

Coherence and balance

48. As well as being clearly relevant to child poverty, there is also a coherence and balance to the indicator set. Three of the indicators – housing affordability, housing quality, and household food insecurity – capture core aspects of poverty that we know cluster together tightly and will substantially affect children's day-to-day lives. The other two – potentially avoidable hospitalisations and school attendance – while less central to the core phenomenon of poverty, are indicators that much more directly reflect objective outcomes experienced by children that are secondary outcomes of the three core indicators.

49. A potential criticism of these indicators, given the proposed function of the CPRIs, is that these measures are not balanced out with indicators that *directly* reflect a child's first-person perspective of what it's like to be poor. Ideally, we would want to include such an

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[3] Keall et al. (2013) A measure for quantifying the impact of housing quality on respiratory health: a cross-sectional study. Environmental health : a global access science source 11:33,069X-11-33.

[4] Coley et al. (2013) Relations between housing characteristics and the well-being of low income children and adolescents. Developmental psychology 49:1775.

[5] For a review see: Clair (2019) *Housing: an Under-explored influence on children's well-being and becoming. Child Indicators Research.* 12, 609-626

[6] Thomas et al. (2019) Food insecurity and child health. *Pediatrics.* 144: (4): e20190397

[7] Carter et al. (2010) The association of food security with psychological distress in New Zealand and any gender differences. *Social Science and Medicine.* 9: 1463-1471

[8] Shankar et al. (2017) Association of Food Insecurity with Children's Behavioral, Emotional, and Academic Outcomes: A Systematic Review. *Journal of Developmental & Behavioral Pediatrics.* 38: 135-150

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indicator alongside the current, more objective indicators (e.g. measures about whether children perceive that they have missed out on experiences due to a lack of money).

50. Unfortunately, no such data currently exists and nor could an annual, high-quality measure of this indicator be readily produced in the foreseeable future. The closest alternative would be the child specific indicators that are routinely reported in MSD's Child Poverty Report. s9(2)(g)(i)

Other indicators considered

51. We also considered a variety of other indicators, including the specific suggestions proposed by stakeholders.

52. This included indicators capturing selected short-term causes and correlates of poverty, such as: household debt, benefit take up, rental expenditure, receipt of supplementary payments through MSD and food bank usage. These proposals would not align well with the main function of the current CPRIs and some would fit better in a dashboard designed to provide a more comprehensive picture of these causes. Further work to assess the data quality and frequency issues with these indicators would also be needed.

53. Various consequences of poverty for households were also considered as possible additional CPRIs, including: overcrowding, more objective measures of housing quality, energy hardship, difficulties affording transport, and foodbank usage. While there is some merit in these indicators, it's not clear they substantively add to the current indicator set. Again, potential measures of these indicators are also subject to significant data quality issues.

Overall assessment

54. On balance, we think the five current CPRIs are sound. In combination, they tell us a lot about children's experiences of poverty and we don't think any could be omitted without diminishing the balance and coherence of the indicator set. A strong case could be made for including a more subjective indicator, from a child's perspective, about the impacts of poverty on their life. This would be worth considering as part of any future child wellbeing data investments, but we are not in a position to recommend this in the immediate future.

Data quality of the current measures underlying the measures

Data quality design considerations: accuracy, timeliness and interpretability

55. It is essential that the individual measures and underlying data underpinning each indicator are high quality. CPRIs with significant data quality issues are not only potentially

misleading, they also jeopardise the integrity and credibility of the wider child poverty measurement regime set out under the Act.

56. In developing the design considerations for this review question, we have therefore adapted a widely used[9] data quality framework to consider whether each individual measure is:

   a) **relevant.** The content, coverage, and focus of the data should be relevant to the indicator we are seeking to measure and the overarching purpose.

   b) **accurate.** The data underlying each measure needs to be technically sound and correctly describe what it was designed to measure. Data based on survey measures in particular should ideally be based on large representative samples of the population, with an adequate sample size to measure indicators with sufficient precision (i.e. small sample error) and allow for breakdowns by key sub-populations.

   c) **timely.** Data for the indicators needs to be collected at least annually, with reporting within the next financial year to meet the statutory reporting time frames within the Act.

   d) **consistent.** The measures should be consistent over time.

The current CPRIs largely perform well against these data quality criteria

57. A more detailed assessment of the data quality of the current CPRI measures is provided at **Attachment D**.

58. By and large, we consider the measures are technically sound. All of the measures are based on measures derived from high-quality, random sample surveys or well-established administrative datasets, and all of the indicators are based on data that can be routinely reported on within the timeframes required under the Act.

We recommend that further work be undertaken to ensure the age ranges are appropriate and relevant
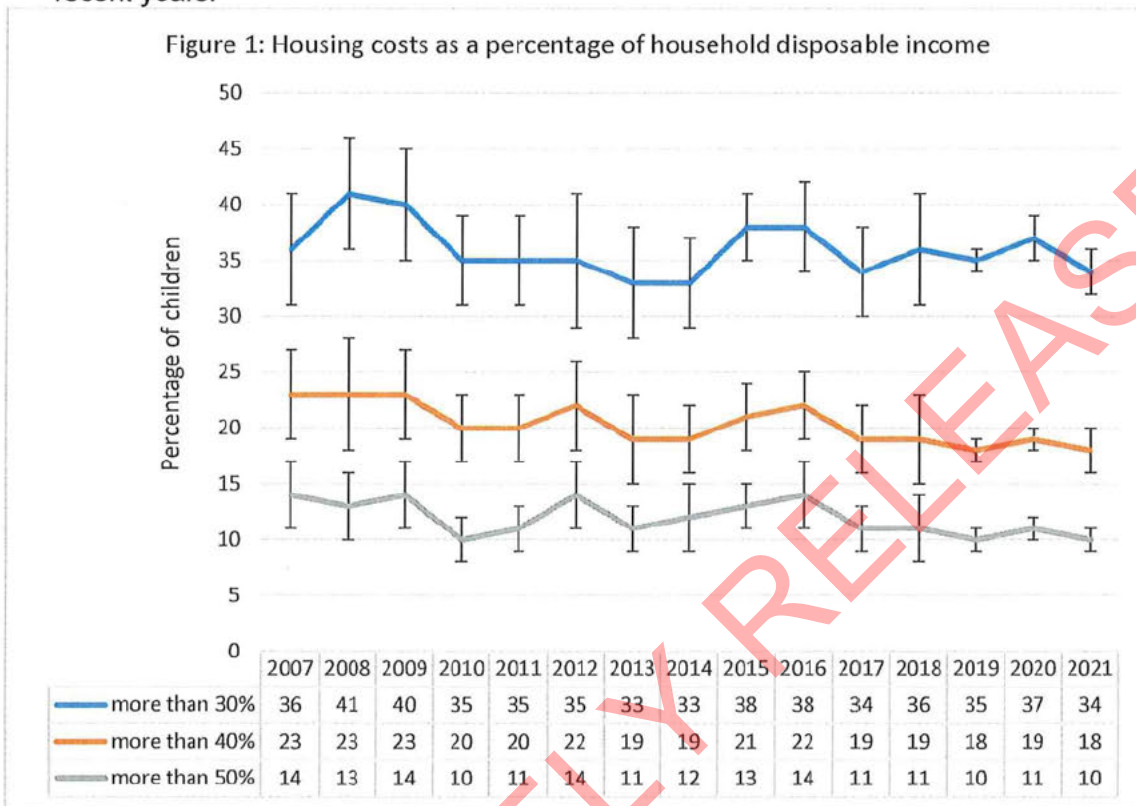
59. Across the indicators, perhaps the most common limitation is that three out of five of the measures do not cover the full age range of children (i.e. food insecurity: 0-14 years; school attendance: 6-16; potentially avoidable hospitalisations: 0-15).

60. In the case of school attendance, this misalignment partly reflects the applicability of the measure (although there is available data covering children aged 17 years old that could be included). In other cases, for example the measure of potentially avoidable hospitalisations, it may be more appropriate to focus this measure more tightly on children on younger ages - where the links between child poverty and potentially avoidable hospitalisations is strongest.

61. We therefore recommend that further work be done to ensure the age ranges for each measure is relevant and aligned where appropriate, taking into account the availability of data.

Lack of change in the housing affordability measure

62. One further area of specific concern is that, since at least 2007, there has been no statistically significant change in the housing affordability measure, nor any evidence of

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[9] See OECD (2011), *Quality Framework for OECD Statistical Activities*

change when looking at the corresponding measures using a 40 per cent and 50 per cent housing cost "outgoing to income" ratio (OTI) (see Figure 1). This is at odds with a widespread public perception that housing affordability has substantially worsened in recent years.

Figure 1: Housing costs as a percentage of household disposable income

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
more than 30%	36	41	40	35	35	35	33	33	38	38	34	36	35	37	34
more than 40%	23	23	23	20	20	22	19	19	21	22	19	19	18	19	18
more than 50%	14	13	14	10	11	14	11	12	13	14	11	11	10	11	10

63. This apparent anomaly likely reflects a number of factors:

a) housing affordability, as measured by high housing cost outgoings to incomes, *has* worsened, but this has occurred over a much longer time-period than is commonly appreciated. The proportion of all households (excluding superannuitant households) spending more than 30% on housing increased from about 14% in 1990 to about 30% in the late 2000s, and has been relatively stable since[10].

b) public perceptions of housing affordability in recent years tend to conflate a number of distinct aspects of affordability, including:

i) house prices, which have increased by around 30% on average between 2019/20 and 2020/21

ii) rents, which have increased by 5.4% between 2019/20 and 2020/21

iii) housing costs overall, which have increased by 2.5% between 2019/20 and 2020/21. It should be noted that this relatively low figure reflects how the majority of households across the whole population are owner/occupied (either with or without a mortgage) and, up until recently, interest rates and mortgage costs have been at historically very low levels.

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[10] See Table C.3 in Perry (2018): *Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2017*

iv) median household disposable incomes, which have increased by approximately 5.5% since 2019/20 and 2020/21 – largely keeping pace with housing cost increases.

c) prior to 2018/19, the Household Economic Survey relied on a much smaller sample size, with a sample error in any given year on the housing affordability measure of around 5 ppt. Since the sample size has increased, the sample error has decreased to around 1.5ppt and so we have sufficient precision in our estimates to sensitively detect much smaller changes in housing affordability. However, with only three years of data since this more precise data has become available, it may be too soon to say if we are seeing significant changes in the data.

64. Overall, this evidence suggests the lack of change in housing affordability on this measure largely reflects how income growth *on average* has more-or-less kept pace with housing cost growth in recent years.

We recommend replacing the current housing affordability CPRI with a "30/40" housing affordability measure

65. A much more significant issue with the current housing affordability measure is that it is less relevant because it is not focussed on children in low-income households.

66. The existing measure is based on the proportion of children living in households spending greater than 30% of their equivalised disposable household income on housing costs. This measurement definition means that households with high incomes - who could comfortably spend more than 30% of their income on housing costs – will be classified as living in "unaffordable housing" despite having after-housing-cost incomes that are well above the median.

67. A standard way of addressing this issue is to instead use a so called "30/40" housing affordability indicator[11]. This measure focuses on the number of children in households with housing costs greater than 30% of their equivalised disposable income but only for households in the bottom 40% of the income distribution.

68. Figure 2 shows the impact of shifting to a 30/40 housing affordability indicator, relative to the existing measure.

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[11] Rowley & Ong (2012)

Figure 2: Comparison of the proposed 30:40 housing affordability indicator and current housing affordability indicator

	2019	2020	2021
current housing affordability measure (>30% OTI)	35	37	34
30:40 housing affordability measure	46	49	48
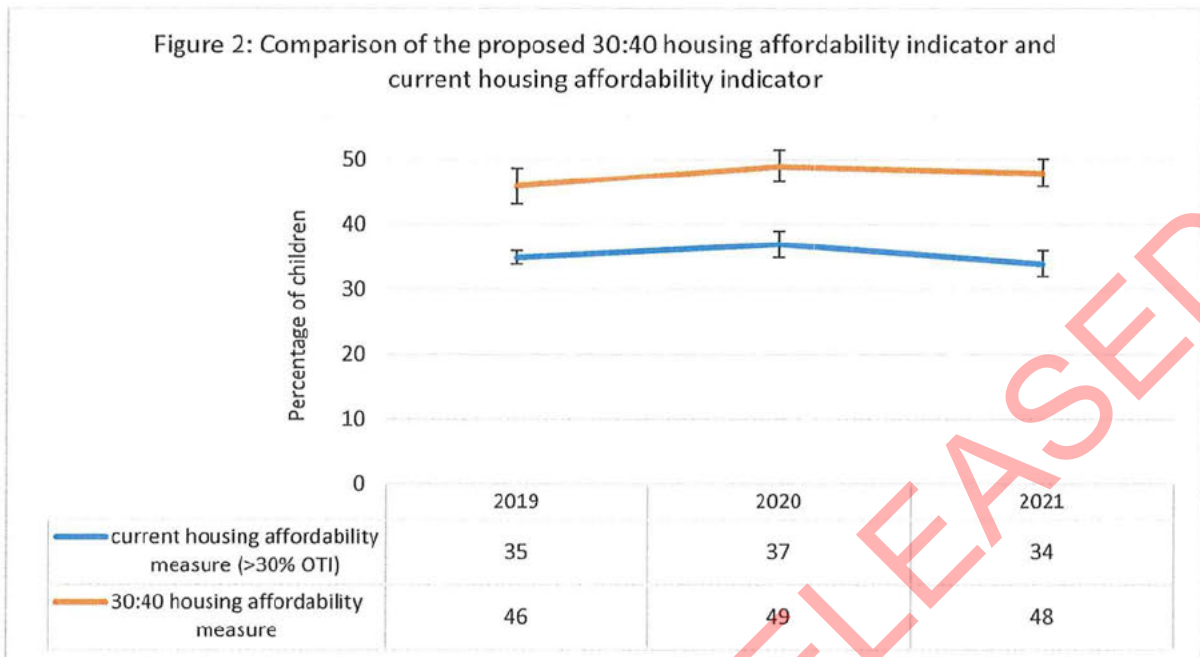
69. A key advantage of this measure is that it focuses much more tightly on those children in households at risk of poverty and is therefore a more relevant measure of housing affordability.

70. Interestingly, the data suggests there is no evidence of any change since 2018 on this indicator either. As well as reflecting the issues highlighted in para 47, it should be noted that this indicator will be subject to a larger sampling error (see Figure 1). This will mean that it is more difficult to sensitively detect year-on-year changes in housing affordability compared to what is possible with a larger sample size, encompassing all income quintiles. This loss of precision in favour of a more interpretable measure seems worth it given that it is more important to be able to reflect longer term trends of a more meaningful measure than to precisely estimate small, year-on-year changes.

71. A further potential criticism of the 30/40 indicator is that, although it is a significant improvement on the current housing affordability measure, it is still an arbitrary benchmark that does not reflect the different depths of housing affordability and is insensitive to significant shifts in housing affordability above the threshold. For example, the measure will be unaffected if a particular household changes from spending 31% to 39% of their income on housing costs.

72. While recognising these issues, we note that there are no obviously preferable and feasible alternatives, and these limitations can be at least partly addressed in other ways. For example, routinely reporting the corresponding figures for the 40% and 50% OTIs ensures there is good visibility of the more severe end of housing stress.

73. We therefore recommend that the current housing affordability measure be changed to the 30/40 measure.

CPRI reporting

CPRI reporting design considerations

74. The extent to which the CPRIs are fit-for-purpose cannot be considered in isolation from how they are reported.

75. Four key design considerations to inform this review of the reporting, include:

    a) **alignment with legislated reporting requirements.** The key legislative constraint here is that a report needs to include data on every identified indicator for the financial year (Section 45), and must be prepared "as soon as is reasonably practicable, and in any case within the next financial year".

    b) **context.** CPRI reporting needs to provide the context needed to interpret the data appropriately, including an understanding of the strengths and limitations of the measures.

    c) **depth.** Reporting should ideally provide deeper analysis of variation in the CPRIs by key socio-demographic characteristics as well as evidence from other, relevant measures, data sources and research – subject to the wider constraint of concision.

    d) **insight.** Reporting needs to provide insights that speak to the purpose of the CPRIs. This should take into account the latest data and trends for each CPRI, as well as contextual information and other evidence.

CPRI reporting is fit for purpose – but there are limits on our ability to provide novel insights based on most recent CPRI data in a given year

76. There have been three CPRI reports so far, covering data for the 2018/19, 2019/20 and 2020/21 financial years. The 2018/19 and 2019/20 reports were not required under the Act, but were prepared with the aim of providing a "template" for future reporting. The 2020/21 report was the first time that the CPRIs were required to be reported. This report was delivered in April 2022, within the statutory reporting timeframes.

77. CPRI reporting includes good coverage of some of the technical strengths and limitations of the measures. The 2019/20 and 2020/21 reports included a technical annex that provided more in-depth information about the data sources and methods. For the 2020/21 report this included discussion of the impacts of Covid-19 on data collection and the quality of the measures in that year.

78. One of the key challenges with annual CPRI reporting is that there is an implicit expectation that each year's data will reveal new insights for each indicator, despite the fact that meaningful trends can take years to unfold.

79. This points to one of the main strengths of the current reporting going beyond the CPRI measures themselves to include various breakdowns for key demographic groups, and analysis of other, recent research and data related to the CPRIs.

80. This approach provides more scope for generating new insights, including exploring any discrepancies between the CPRIs and relevant data from other sources. For example, analysis of the food insecurity CPRI includes discussion of recent data on Ministry of Social Development food Special Needs Grants and qualitative information about changes in food parcel receipt from food bank providers. This includes discussion of the

strengths and limitations of these different data sources that may explain differences in key trends. The insights from this comparative analysis are important for bridging the perceived "gap" between official government data and what some providers report they are seeing on the ground.

Summary, recommendations and next steps

81. Overall, we consider the current CPRIs, and the reporting of them through the CPRI report, are broadly fit for purpose, subject to some refinements.

82. This broad conclusion assumes the main function of the current CPRIs is to provide a broader picture of the impacts of poverty on children's lives. Again, we think the rationale for this approach is sound, and see value in maintaining continuity. Alternatively, you may instead want to use this review of the CPRIs, and the wider review of the Child and Youth Wellbeing Strategy, as an opportunity to more fundamentally re-imagine the function of the CPRIs and our approach to measurement and reporting.

83. We therefore recommend you confirm if the function we have assumed throughout much of this review aligns with your vision and priorities.

84. Subject to your agreement to this, we have two further recommendations. First, we recommend the current housing affordability measure is changed to focus on children in households in the bottom 40% of the income distribution. Second, we recommend further work be done to ensure the age ranges reflected in the measures are aligned and appropriate, subject to the availability of data.

85. If you agree to these recommendations, then we will prepare further advice in September – updating you on our work on the age ranges and providing advice on making changes to the CPRIs through the New Zealand Government Gazette in accordance with Sections 39-40 of the Act.

86. We would also welcome the opportunity to discuss the findings of this review and the proposed review framework.

Attachments:		
Attachment A:		CPRI review framework
Attachment B:		Summary of most recently reported CPRIs from 2020/21
Attachment C:		Summary of feedback from non-government stakeholders
Attachment D:		Summary of strengths and limitations of the measures and data

ATTACHMENT A: CPRI REVIEW FRAMEWORK

High Level Principles	Review Questions	Design Considerations
• **form follows function** • **continuity** • **concision**	What is the main **function** we want a particular set of CPRIs, and associated reporting, to serve?	• alignment with the Act • alignment with Government priorities • fit with other child poverty reporting functions
	Are the **indicators** aligned with this function?	• relevance to child poverty • coherence • balance
	Are the **measures and data** underlying each of the indicators high quality?	• relevance to the indicator • accuracy • timeliness • consistency
	Does annual CPRI **reporting** provide insights that align with the function?	• alignment with legislated reporting requirements • context • depth • insight

ATTACHMENT B: SUMMARY OF MOST RECENTLY REPORTED FINDINGS

Indicators at a glance

Child Poverty Related Indicator	Change since previous year	Indicative longer-term trend	Measures
Housing affordability	— (orange)	— (orange)	■ 34% of children (aged 0–17) lived in unaffordable housing in 2020/21 (i.e. in households spending more than 30% of their disposable income on housing). ■ 29% of Māori children and 27% of Pacific children lived in unaffordable housing ■ 33% of children with disabilities, and 32% of children living in households with a disabled person, lived in unaffordable housing
Housing quality	— (orange)	↗ (green)	■ 6% of children (aged 0–17) lived in households with a major problem with dampness or mould in 2020/21. ■ 10% of Māori children and 12% of Pacific children lived in households with a major problem with dampness or mould ■ 10% of children with disabilities, and 10% of children living in households with a disabled family member, lived in housing with a major problem with dampness or mould
Food insecurity	↓ (green)	↘ (green)	■ 15% of children (aged 0–14) lived in households reporting that food runs out sometimes or often in 2020/21. ■ 26% of Māori children and 37% of Pacific children live in households reporting that food runs out sometimes or often
Regular school attendance	↓ (pink)	↘ (pink)	■ 61% of students (aged 6–16) regularly attended school in 2021 ■ Regular school attendance was lower for Māori and Pacific students: 45% and 47%, respectively.
Potentially avoidable hospitalisations	— (orange)	↘ (green)	■ 49 per 1000 children (aged 0–14) experienced potentially avoidable hospitalisations in 2020/21. ■ Potentially avoidable hospitalisations were more common among Māori and Pacific children at 54 and 65 per 1000 children respectively.

● = improving   ● = no change   ● = worsening

ATTACHMENT C:

Summary of feedback from non-Government Stakeholders

Stakeholder	Summary of feedback
Maxim Institute	• overall indicators and reporting are providing useful insights • main purpose should be to capture the key causes of child poverty over the short and longer term — but agrees there is value in painting a richer picture of the lived experience of poverty, beyond what is provided by the main child poverty measures alone

Child Poverty Action Group	• The current group of five indicators is useful in identifying critical areas which impact on child poverty and reflect changes and potential changes in the nature and extent of child poverty.
	• Data is only available with a lag — and so doesn't capture contemporary realities
	• CPRIs could be extended and enhanced to build a more comprehensive picture and to indicate areas of possible effective action to reduce poverty.
	• These include:
	   o Benefit take up, time on benefit, children in benefit households
	   o Changes in supplementary payments and TAS from MSD
	   o Qualitative data on foodbank usage
	   o Household occupancy and rental expenditure
	   o NCEA completion
	   o Report of neglect to Oranga Tamariki
	   o Information on debt and arrears
	   o Potentially avoidable hospitalisations
	• Data should be more finely disaggregated by ages and stages
	• Should be more of a focus on impacts of poverty on infants

Salvation Army	• CPRIs are "pretty good" • Data often not timely enough — good to provide more 'real-time' insights • It would be useful to have indicators that cover a wider range of the causes of poverty, including measures based on a minimum income standard

ATTACHMENT D:

Summary of strengths and limitations of the measures and data

Indicator	Measure (Data source)	Key data quality strengths	Key data quality limitations
Housing affordability	percentage of children (aged 0-17) living in households spending more than 30 per cent of their equivalised disposable income on housing costs. (Household Economic Survey)	• technically robust: large, representative sample survey	• relevance – not focused on children at risk of poverty • does not reflect variation in depth of severe housing unaffordability
Housing quality	percentage of children (aged 0-17) living in households reporting that they have a major problem with dampness or mould. (Household Economic Survey)	• as above	• subjective measure of housing quality likely less reliable/ valid than independent/ expert assessment • does not capture all aspects of housing quality and partly determined by non-housing quality related factors (e.g. climate, crowding, behavioural factors)
Food insecurity	percentage of children aged 0-14 living in households that report that food runs out "often or sometimes" over the past 12 months. (New Zealand Health Survey)	• technically robust: large, representative sample survey	• limited to children aged 0-14 • breakdowns available NZDEP quintiles only, not household income • may not accurately reflect children's experience of food insecurity – e.g. because parents prioritise ensuring children have access to food.
Regular school attendance	percentage of children and young people (ages 6-16) who are regularly attending school (School Attendance Survey)	• excellent survey coverage allows for detailed breakdowns by subgroups and sensitive measurement of change over time • technically robust	• breakdowns by school decile only, not household income • reflects school attendance rates of students based on data generated for Term 2 of the school year – not the whole year
Potentially avoidable hospitalisations	as measured by the rate of children (ages 0-15) hospitalised for potentially avoidable illnesses. (administrative data)	• administrative data provides excellent coverage	• breakdowns available by NZDEP quintiles only, not household income