



MAXIM
INSTITUTE

2. POLICY PAPER

THE HEART OF POVERTY DEFINING AND MEASURING WHAT IT MEANS TO BE POOR IN NEW ZEALAND

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The paper in summary...

Who is poor? How did they get there, and how has poverty damaged their lives?

We're engaged in a long-term project to develop strategies and policy solutions for those in or at risk of poverty—our families, friends and fellow New Zealanders who are missing out on what most of us take for granted. To do this well, we need a deeper understanding of how poverty definitions, measurements, causes, consequences and solutions all fit together.

For now, we seek better-informed policy for better outcomes—to tackle poverty we need to first understand it. Our thinking has been informed by research from our Issues Paper and the consultation process outlined in the reflections section of this paper. Our recommendations are as follows:

Definition and Measurement:

- *Recommendation 1: Poverty should be defined as a situation where: a person or family lacks the material resources to meet their minimal needs as recognised by most New Zealanders.*

There are many faces to poverty. We've seen heartbreaking images of empty lunchboxes, sick children, and families struggling with sub-standard housing. To respond well we need to know what we are responding to, and for this we need a precise yet easily understood definition that most people find meaningful. Defining poverty as a lack of material resources doesn't mean we think that its causes, consequences and solutions are all about money. Policy needs to tackle these as well as focusing on adequate resources.

- *Recommendation 2: Regularly publish a poverty and deprivation dashboard including income measures, deprivation and outcome indicators.*

It's crucial that we have regular reporting on these broadly agreed upon, benchmark figures. Without ongoing reporting across a variety of indicators, it's impossible to get a clear sense of how poverty is impacting people's lives and how we as a nation are progressing over time. Because poverty is complex, no one measure is sufficient: different measures tell different stories and serve different purposes—this is why we need a dashboard. Headline income measures track overall progress, while multi-dimensional indicators track causes, consequences and risk factors related to poverty, and are much better suited to guiding and informing policy.

- *Recommendation 3: Use consensual budget standards to better identify what most New Zealanders think is a minimal acceptable standard of living and potentially derive an income threshold from this process.*

We need a measure that resonates with, and is easily understood by New Zealanders. Surveys and focus groups should be conducted to create a “basket of goods” that represents the bare necessities required to participate in New Zealand society today. The poverty line could then be set at a level of material resource that is required to meet our minimal needs. This process should include the views of New Zealanders from all walks of life to ensure this measurement has broad appeal.

- *Recommendation 4: Use clustering statistical techniques to target, tailor and evaluate policy by identifying people and families with different combinations of risk factors.*

There's no one-size-fits-all approach to solving a problem this complex, so we need practical, made-to-be-used measures that identify and group people and families with similar combinations of risk factors likely to trap and keep them in poverty. Not all single mothers in poverty are the same for example: assistance that helps a single mother in Auckland with a heavy debt burden, an unstable casual job and few social ties escape poverty will be very different to a

single mother in rural New Zealand with a child with chronic health issues, a university degree and strong family support. We want enriched information that enables smarter, more holistic solutions and paints a better picture of what the lived experience of poverty is really like.

Institutional Frameworks and Reporting:

- *Recommendation 5: There should be some legislative requirement that the measures and indicators above are regularly published.*

In order for measurements to be useful and comparable across time, they must be regularly published and updated. Legislation should exist to protect the ongoing integrity of the measures that researchers, policymakers and practitioners depend upon.

- *Recommendation 6: A poverty-specific legislative framework should not be implemented.*

While many persuasive arguments have been made for a “Child Poverty Act” in New Zealand, similar to legislation in the UK, we recommend that there are more flexible and less costly ways to incentivise and coordinate policy action on poverty in New Zealand.

- *Recommendation 7: Extend the Better Public Service targets / Results for New Zealanders framework to include reasonable, time-specific targets aimed at reducing poverty.*

We do think that targets can be effective at signalling government priorities, helping government agencies and non-government organisations work better together while keeping the government more accountable. Extending the current suite of Better Public Service Targets to include thoughtfully and reasonably set targets aimed at reducing poverty and poverty-related outcomes would help achieve these goals. These targets should be paired with policy and assessment strategies to reach them and to make sure they’re effective.

Data Access and Collection:

- *Recommendation 8: Further investment is required in better data sources in New Zealand, particularly longitudinal studies like SOFIE, to understand the causes, consequences and dynamics of poverty.*

We can learn a lot from great work done overseas, but New Zealand’s unique history, geography, culture and economy means we need to know what’s happening here over time. To do that, we need to invest in quality longitudinal research that will provide vital insights into the pathways in to and out of poverty across New Zealand. This information is critical for more effective policies.

- *Recommendation 9: Official datasets should be more easily accessible to researchers.*

Government ministries and agencies have vast amounts of useful data that show the patterns of poverty in the lives of New Zealanders. Their first duty of care must be to safeguard the privacy of their clients, but more can be done to make this information available and less costly to researchers and academics, both within and outside of government.

This set of recommendations on defining and measuring poverty is the first step in our journey towards developing and advocating for policies that give struggling New Zealanders the help they need and deserve. Our next step is to investigate the underlying causes and the damaging consequences of poverty—our findings will be outlined in a report later this year.

THE HEART OF POVERTY: DEFINING AND MEASURING WHAT IT MEANS TO BE POOR IN NEW ZEALAND

Introduction

Who is poor? How did they get there, and how has poverty damaged their lives?

Maxim Institute is engaged in a long-term project that aims to develop policy that will help those in or at risk of poverty—our families, friends and fellow New Zealanders who are missing out on what most of us take for granted. To do this well, we need to be able to answer these questions. We also need to listen.

The first paper in our project, *The Heart of Poverty: Matching passion with precision*, explored the concepts and ideas inherent in defining and measuring poverty. We sought consultation on this paper via written submissions and roundtable discussions, exploring concepts and ideas through research while harnessing the experience and wisdom of social workers, practitioners, non-profit staff and researchers, trust managers, academics, ministry representatives and political advisors.¹ Some remarkable insights were shared, and they have greatly shaped our thinking. **Reflections** on this consultation phase and our ensuing policy **recommendations** on definition and measurement of poverty are detailed in this paper.

“We all need to expose ourselves to stories and lives of those who do struggle, so that we are talking about them as people, so that their faces and lives don’t get lost in a sea of statistics and graphs. Graphs are tidy. People are messy.”

We also heard stories. We heard of a caravan park in south Auckland where people are at the lowest of the low: *“It’s meant to be a holiday park where people stay for a time and leave, but it’s turned into a village with fifty year-old caravans the size of a boardroom table housing a husband, wife and four kids.”* We heard of the grinding, scarring nature of poverty, as someone described it as *“soul-crushing, mind-numbing, soul-destroying—the last thing thought about before going to bed at night and the first upon waking.”* We heard how poverty shatters hopes and aspirations, when one child responded to the “what do you want to do when you grow up” question with *“go to prison, like my dad.”* We can’t help but be affected by stories like this, and we can’t afford to lose sight of those we’re trying to help. A social worker warned us, however, that there’s “a huge difference between listening to a story and actually learning.” We hope that our work will not only help bridge the listening-to-learning divide, but also other divides preventing effective action on poverty in New Zealand.

REFLECTIONS

We will begin with a summary of key messages from the feedback we heard. The reflections below are a distillation of hours of meetings and thousands of words that highlight points of tension, resolution and agreement on the definition, measurement, causes and consequences of poverty and solutions to it. Representative quotes are included to help paint a more vivid picture of the concepts discussed.

“We all bring our own biases, but we all care.”

Our roundtable discussions and the written submissions we received drew upon a broad range of expertise, experience and values. Ideological differences are one of the main tensions that arise when considering poverty in New Zealand.² Reasonable people who care deeply may disagree about how best to define, measure and help those in poverty. They’ll also likely disagree on why families end up in poverty and what keeps them there. While evidence can reduce the impact of ideology, different values will always influence how the evidence is gathered and interpreted.

While there were many differences of background and opinion, it was clearly evident that all who took part genuinely cared about those they were trying to assist. Questions regarding the nature of poverty can be daunting, but having heard the passion and thoughtfulness of those at the table, we are both encouraged that there is a way forward together, and extremely grateful to all those who contributed feedback.

“Ideology needs to be clarified in order for it to inform policy and practice; however, it is in seeing and hearing stories of people’s experiences that we come to terms with the realities of what people face on a day to day basis. These people probably don’t care too much for ideology; they just want to be able to feed their children and take them to the doctor (and not have to choose between the two).”

Defining poverty

Both discussions and submissions pointed out that poverty can be defined in two ways: a broad sense that incorporates ideas like lack of hope, aspiration and relational/spiritual resources; or more narrowly, taking only material resources into account.

A **broad conception of poverty** recognises that poverty is about more than just income, more than just the material. This could include ideas like a “constraint of choice and knowledge”—that those in poverty lack the choices that we take for granted. Another concern was that a material-based definition would greatly encourage material-only solutions like increasing benefits at the expense of broader, potentially more effective policies.

“[Poverty] is more than not having enough stuff, it’s the way it affects mental health and social well-being.”

“People don’t know what they don’t know—there is another way to live. How can we put a light at the end of the tunnel?”

“More money often isn’t enough, let’s not limit our solutions.”

A **narrow focus on material resources** made more sense to some because if broader concepts and related causes and consequences are included in the definition, clarity and meaning are lost. In other words, if poverty means everything, it also means nothing at all. Others acknowledged the limitations of focusing on material resources such as income, but argued that they’re the best we’ve got, and likely to get. Furthermore, while measuring material resources poses challenges, measuring non-material aspects like lack of hope or aspirations is nigh impossible.

“We can’t use poverty to mean everything in the world we don’t like.”

“Income isn’t perfect but it is a really good proxy for what is happening for household resources.”

Most considered a material limitation on the definition necessary to prevent the idea of poverty from losing its meaning and impact. There was also a strong consensus that while this makes sense from an academic perspective, if we really care about policy that helps those in poverty it is critically important that we consider the non-material aspects, causes and consequences of poverty. These are related to poverty but not poverty itself.

Another strand of this debate questioned whether the current **focus on child poverty** was appropriate or not. Many shared that limiting our discussion to child poverty makes sense for several reasons: it provides a greater emotive force to support poverty-alleviating policy; it dodges moral questions as children are not responsible

for their situation; and statistically, families with children are more likely to be in poverty.

“A focus on children is a focus on our future.”

Others strongly argued that we need to understand poverty from a **family/whānau perspective**, rather than isolating the children both conceptually and in practice when it comes to solutions. While the short-hand term “child poverty” is much easier to express than “parents with insufficient resources to meet theirs and their children’s needs,” it does tend to obscure that children have parents, and that together they constitute a family. Changing family structures were raised as well, and it was suggested that these changes must be understood better for policy to be effective, and could even offer opportunities for creative solutions.

Several participants warned that a focus on children, while relevant, tended to lead us to consistently ignore the plight of those in the **working-age poor**, often those in their forties and fifties without children. Some highlighted that the low poverty rates for the elderly or retired New Zealanders shows how effective age-based policy can be.

New Zealand’s **cultural and regional diversity** poses challenges for any definition that attempts to capture and reflect the customs and expectations of all New Zealanders. Several key questions arose regarding the definition offered in the Issues Paper:³ Whose customs? Whose hopes and aspirations? What is unacceptable or important for Maori may not be for European New Zealanders, for example. These may also change across regions. How are these differences captured in a definition? These are genuine challenges to be overcome, and show the difficulty inherent in a relative understanding of poverty—what is unacceptable and minimal depends on who is asked.

“Poverty is overwhelmingly a brown issue.”

“South Auckland and West Auckland are completely different.”

And yet others highlighted the **unity of the situations** faced by all those in poverty – that there is a universal human dimension of poverty that doesn’t change with culture or region.

“The faces we see every day change but the situations do not.”

Measuring poverty

There was considerable agreement on **how to measure poverty**. Most participants expressed that when taken together, the current suite of income and material deprivation measures captured in the Ministry of Social Development’s (MSD’s) annual reports were adequate for providing headline measures. The limitations of these measures were acknowledged, such as their tendency to over-simplify and sometimes misrepresent the complexity of what it means to be in poverty. While being easy to understand can be helpful, some preferred deprivation indicators over income measures, arguing that they are better grounded in real lives rather than academic best-guesses. We were also reminded just how difficult it is to measure resources—particularly in-kind resources like education and health.

“Poverty is not an all-or-nothing situation, but a continuum. People do not necessarily escape the afflictions of poverty by climbing just over the line, and many of those below the line have few permanent impacts.”

There was, however, an appetite to incorporate more **multi-dimensional measures** designed to capture the experiences, causes, consequences and risk factors related to poverty. It was recognised that these measures serve a different purpose to the headline income and deprivation measures—that they were much more effective and relevant to informing policy responses to help those in poverty and targeting at-risk groups. Many preferred the term “tailoring” here as it doesn’t have a negative connotation and expresses the idea of adapting support to meet the particular challenges that different families face. These measures were generally viewed as complements to the current suite of measures, rather than a replacement.

“Poverty is complex and this complexity needs to be reflected in a multi-dimensional measure.”

“I feel like a single line is a poor proxy for deciding where to target help. We need better clusters of variables or measures that can define people for more targeted assistance...we need measurement that goes beyond one line with one variable.”

There was considerable support for the idea that **poverty dynamics** really matter; that understanding movements into and out of poverty were critical for solutions that span generations rather than just quick fixes. All participants who spoke about this area were unanimous that New Zealand needs to be better-equipped with robust longitudinal studies so we can better track what's happening in the long run, particularly with respect to uncovering causes and consequences. It was also acknowledged that this innovation needs to be paired with easier access to socio-economic datasets (both point-in-time and longitudinal) for government and non-government researchers alike.

"It's crucial that we know what's shifting people out and what's keeping people in poverty."

Causes and consequences

Of all our discussion topics, **causes and consequences of poverty** was perhaps the most controversial. This was expected, as eventual policy recommendations will, to some extent, depend on which cause (or combination of causes) is seen as a priority to tackle. Overwhelming agreement existed on the point that any generalisations around the causes and consequences of poverty were going to fall short. Because poverty is a complex situation, there is no single most important causal factor but a range of intertwined factors. Causes will differ among groups like age, ethnicity, working status and housing tenure, for example. Tracing causes and discerning consequences is notoriously difficult.

The main tension in this area—one which is of serious importance to resolve—was between those who argued that poverty was a **symptom** of other problems and those who thought it was the **cause**. For example, factors like family breakdown, mental illness, poor money management or no sense of purpose were named by some as the main causes of poverty. Others responded that it wasn't these factors but instead a lack of resources that caused emotional stress and material deprivation, leading to problems like those just listed down the track.⁴

"Poverty is a major driver of a lot of social problems – there are some pretty big structural factors determining different starts in life."

An important distinction between immediate and fundamental causes was also raised.⁵ **Immediate causes**

could include a low family income due to an inability or reluctance to participate in the market economy. Others also mentioned times of crisis, also known as life shocks, as immediate causes.⁶ Life shocks can include marriage or other significant relationship break-ups, losing a job, experiencing domestic violence or suffering an illness. Families may be able to recover from one or two life shocks, but when they face several in short succession, they can be "pushed over the edge." Not having sufficient resources as a buffer from life shocks was seen as a considerable risk factor.

"Something goes wrong and then the dominoes fall."

Fundamental causes are the underlying reasons why a family has insufficient resources to begin with, often throughout generations. Factors brought up in discussion were inadequate education; social welfare system shortcomings; long-term unemployment; unstable jobs; excessive debt; lack of savings; poor decision-making and low wages. It is notable that this list contains both "individualistic" and "structural" elements—where either families themselves or social, political and economic systems respectively are seen as responsible for poor outcomes. While participants of the discussions tended towards either end of this spectrum, there was once again agreement that both are at play.

"Both [individual and structural] are there, of course. The system sets the boundaries and the rules of society within which the individual must operate."

One point of agreement was around poverty as an **intergenerational** problem, transmitted through these fundamental causes. Parents leave their children with an inheritance—good or bad. Almost everyone highlighted that, deep down, most parents want the best for their children.⁷ This motivation in parents to give their kids a better chance in life than they likely had themselves was identified as one of the most powerful "tools" to harness and break the cycle of intergenerational disadvantage.

"Ultimately, it is the parents who set the expectations and mindset for their kids."

While the logical process of identifying a root cause of poverty and focusing on combating that root cause makes sense, it isn't always that easy. Sometimes the solution doesn't necessarily follow directly or match up neatly with the identified cause. As one participant noted,

for example: “We can’t turn back the clock...we can’t magically create meat-packing factories to create low-paying secure jobs.” If reinvigorating factory work isn’t an option in this instance, other avenues to encourage the creation of similar jobs will need to be explored. This highlights that even if we can clearly identify a cause with better data, we need to be creative with our solutions.

Solutions

Just as we heard that there is no one cause or consequence of poverty, we also heard there is no one solution—unfortunately, there is no “silver bullet.” As one submission highlighted, “parenting, income transfers, government and services and subsidies, employment, education and economic growth are all important parts of the equation.” Perspectives and tensions on causes and consequences—between poverty as cause or symptom—flowed through to policy solutions.

Some argued that if a lack of resources is truly the problem, then **more resources is the solution**. If families have sufficient resources, they will no longer be mired in poverty, and we can then direct our attention to other issues affecting families.

“Money isn’t the only problem, but a big part of the problem...if we can eliminate poverty then a lot of social problems will theoretically reduce. Then we could focus on particular issues, improving the health system if health problems persisted, for example.”

Others, particularly those working with vulnerable families, argued that *dealing with the problems that families are facing should come before the provision of resources*. We heard several stories of families with issues like debt, addiction and relational breakdown that were the result not of insufficient resources but of traumatic childhoods where emotional scarring had not been overcome. Deal with these root causes and “heal families where they are broken” first and then more traditional pathways to well-being like education and employment will follow, it was argued. The organisation that shared these stories walks beside these families for several years, as it takes that long for relationships and trust to build for sustainable change.

“Give them money give them food, they just don’t move past that place...it takes much more than money.”

As with many of the other tensions discussed, this is not an either/or situation. Many participants highlighted that we need to embrace both approaches and tailor them to particular families because some families will respond well to more money while others will continue to struggle regardless of how many resources are available to them.

Whether New Zealand should enact poverty-specific **legislation** to encourage action and accountability was a hotly contested question as well. Some argued that it wasn’t a perfect solution, but it does provide a framework and improves coordination within government. Others warned that a target may negate community responsibility by focusing entirely on government response, and would take significant time and resources for an outcome that is unclear.

“What we want is some kind of deep commitment to do something that endures over terms of government, to make a difference.”

“Legislation is a vehicle for good intentions, but that’s not the same things as good results.”

“The time and effort involved in putting something through parliament shouldn’t be underestimated.”

A large focus of discussion was on the **role of government and other institutions in society**. There was a broad consensus that while government is doing a decent job at alleviating poverty, all levels of society need to work better together for long-lasting, transformational change. We heard consistently that policy must be integrated and co-ordinated both within government and across sectors. As poverty is a societal problem, everybody, including those classified as poor, have a role to play.

“A lot of good work gets done in government, but it still struggles to reach and help the bottom five percent. There is something about the way the state sector operates that it doesn’t give the resources to those most in need. We need to recognise that information lives outside the building and harness relationships and local knowledge.”

“Different policy and implementation agencies generally operate in silos, and fail to provide a holistic response to the complicated problems that those in poverty tend to face... We need community-specific solutions, not the investment approach of funding corporate-like NGOs to deliver exactly the same things all over the country.”

The Social Sector trials and Whānau Ora were named as examples here—pockets of where this is already happening—although not without their shortcomings.⁸ There were some critiques of harnessing community groups, however. Devolution and accountability can cause problems, including significant administrative costs for both families and service providers due to the potential for fragmented and duplicated services. We heard, for example, that families in their first nine months of their child’s life commonly rely on five or more sources of support, which take considerable time and energy to access.⁹ Because of this complexity and cost, some families simply don’t access the services that are available to them, even if they’re aware of their eligibility.

“Even if you change systems and services, people have to access them. This doesn’t always happen. I suspect that some of the reason we don’t see change is because there’s a group that our services don’t reach.”

Another related discussion went down the line of shifting from a resource-based perspective where success is based on government **spend on services to one more focused on outcomes**. One participant wryly described the all-too-common process where government services and programs don’t actually reach those they were designed to as “trickle-down social policy.”

“We talk about resources, redistributed incomes, what we don’t talk about is whether people are actually better off... we can’t continue to just create new programs and throw money around...”

“The question is fundamentally institutional. The kinds of approaches we’ve had have been over-centralised, tend not to use local information, very poorly managed in focussing on inputs rather than outcomes, and really slow to adapt. We need devolution and accountability. All of the levels matter.”

Another shift of focus suggested by participants was to **discern and promote success**. We consistently speak of deficits and negatives, but rarely do we look at the success stories and positives.

“One way forward is to look at people who have similar experiences/backgrounds to those at risk but don’t end up in poverty – what makes them resilient? Don’t just focus at those in poverty, but learn lessons from those who avoid it.”

“We’ve had the same debate for decades, instead we need to flip the poverty debate upside down and focus on those who’ve risen up from poverty.”

This shift from the negative to the positive is a pertinent one to conclude this section on reflections. Despite the countless challenges raised, there is a real sense of hope, passion and tenacity among those in the sector to do better for struggling families, both now and in the future. These challenges are significant, but not insurmountable. It is in this spirit that we offer our recommendations, informed in part by the conversations recorded here.

RECOMMENDATIONS

Our recommendations for now are limited to **definition** and **measurement**, including supporting recommendations around **institutional frameworks and reporting**, and **data access and collection**: seeking better-informed policy for better outcomes. These recommendations are a culmination of our research and consultation process thus far. Reflections above on the causes, consequences and solutions to poverty will be drawn on in our future work.

Our recommendations are:

Definition and measurement:

- **Recommendation 1:** Poverty should be defined as a situation where: a person or family lacks the material resources to meet their minimal needs as recognised by most New Zealanders.
- **Recommendation 2:** Regularly publish a poverty and deprivation dashboard including income measures, deprivation and outcome indicators.
- **Recommendation 3:** Use consensual budget standards to better identify what most New Zealanders think is a minimal acceptable standard of living and potentially derive an income threshold from this process.
- **Recommendation 4:** Use clustering statistical techniques to target, tailor and evaluate policy by identifying people and families with different combinations of risk factors.

Institutional frameworks and reporting:

- **Recommendation 5:** There should be some legislative requirement that the measures and indicators above are regularly published.
- **Recommendation 6:** A poverty-specific legislative framework should not be implemented.
- **Recommendation 7:** Extend the Better Public Service targets / Results for New Zealanders framework to include reasonable, time-specific targets aimed at reducing poverty.

Data access and collection:

- **Recommendation 8:** Further investment is required in better data sources in New Zealand, particularly longitudinal studies like SOFiE, to understand the causes, consequences and dynamics of poverty.
- **Recommendation 9:** Official datasets should be more easily accessible to researchers.

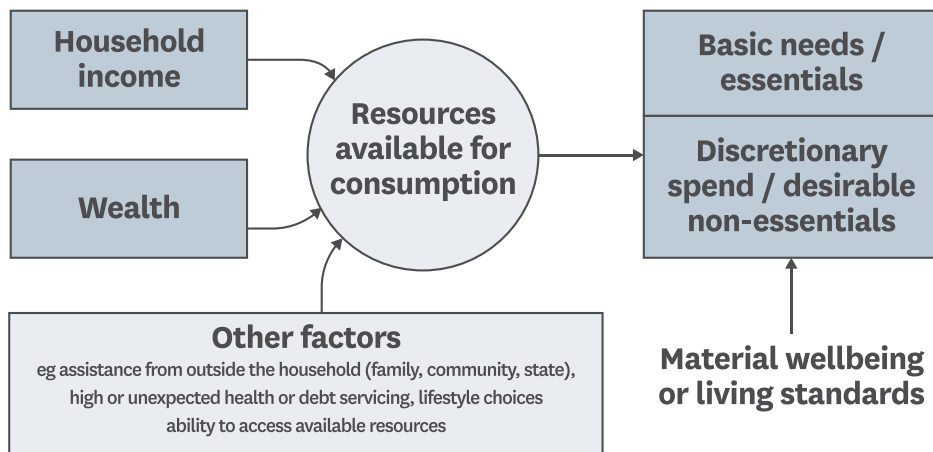
Definition and measurement

Defining Poverty: A definition of poverty cannot capture “everything in the world we don’t like,” as one roundtable attendee noted.¹⁰ Instead, it must distinguish between those who are poor and those who are not.¹¹ Most agree that poverty involves a lack of resources that leads to exclusion from a minimum way of life.¹² More specifically:

Recommendation 1: Poverty should be defined as a situation where: a person or family lacks the material resources to meet their minimal needs as recognised by most New Zealanders.

Expanding upon the key concepts in the definition:

- **Material Resources** can be formal—that is, provided by the Government—or informal—provided by family, friends, neighbours, churches etc. There are two basic kinds:
 - Financial: Income, benefits, assets, material goods, charitable gifts etc.
 - In-kind: Health services, education, childcare from family, etc.
- **Minimal Needs** are determined by what most New Zealanders consider necessary for a *minimal acceptable standard of living to participate in society*: a range of items or activities that no one should go without.¹³ These needs may be social or material and go beyond what’s required for mere survival. The needs that are included are those that require material resources to fulfill (therefore the definition doesn’t include the full breadth of human needs like meaningful relationships, for example).¹⁴ Needs change over time and differ depending on personal/family circumstances such as age, health, disability, geography, prices etc.¹⁵



Source: B. Perry, Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013," (Wellington: Ministry of Social Development, 2014), 5.

Poverty is best understood as a dynamic relationship between these **resources** and **needs**. People use resources to meet their needs, and the scarring effects of deprivation (going without) and social exclusion (inability to participate in society) are likely to result when these needs are not met. MSD Researcher Bryan Perry's stylised diagram above describes the relationship between resources, needs and other factors.

Some additional points of clarification on the recommended definition may also be helpful:

- Lacking sufficient resources to meet minimal needs *alone* is what separates those who are poor from those who are not. This means that if people have sufficient resources to meet their needs but choose not to, they are not in poverty.
- The definition does not (and does not need to) capture the various material and social **causes** of poverty: *why* people lack sufficient resources. It also doesn't describe the **consequences** of going without: *how* their lives are blighted (deprivation or social exclusion).
- While resources are primarily material, the causes and consequences of poverty can be social or spiritual: a lack of hope, ambition or motivation for example.
- A person or family can be deprived or socially excluded without being poor.

- Conversely, while prolonged periods of poverty are likely to lead to deprivation or social exclusion, this is not necessarily the case when people or families experience poverty for shorter periods.
- A material resource-based definition like this does not necessarily lead to solely material resource-based solutions. For meaningful and sustained reductions in poverty, policy must tackle its causes and consequences *alongside* a focus on resource adequacy.

Measuring Poverty: Measures are signposts that point to poverty, necessary simplifications of a complex condition that are especially important for policy analysis. **No one measure is sufficient** as different measures tell different stories, serve different purposes and have different strengths and weaknesses. Some, like median income thresholds, provide an overall benchmark; others, like deprivation and outcome indicators, provide insights into the lived experience, causes and consequences, and which groups are most at risk of poverty. Both have distinct policy applications. Headline income measures can track broad progress of policy directions, while deprivation and outcome measures are much better suited to tailoring specific solutions based on clusters of needs in particular communities. Measures should be acceptable and understandable to the public, statistically defensible, comparable and consistent with the concepts used in the definition, and use data that are available or relatively easy to obtain.¹⁶

Recommendation 2: Regularly publish a poverty and deprivation dashboard including income measures, deprivation and outcome indicators.

Both income and deprivation measures should continue to be monitored and published regularly for households, including breakdowns by characteristics like family size, age, working status, housing type, ethnicity and so on where possible.¹⁷ These are, at best, approximations of the numbers of those without sufficient material resources to meet their minimal needs. Ministry of

Social Development’s (MSD) annual Household Incomes in New Zealand report is excellent in this regard and should continue to be supported. Poverty-related outcome indicators should also be regularly monitored and published.¹⁸ We broadly commend the Children’s Commissioner’s Expert Advisory Group’s (EAG) recommendations on **poverty measurement**.¹⁹

The dashboard should feature **five income and deprivation measures/indicators**, and around **ten poverty-related outcome indicators**.²⁰

Type of Measure	Description	Thresholds and other features
1. Income-based	How many are poor? Headline median income thresholds track how those in poverty are doing in relation to the ‘everyday New Zealander,’ the median being a strong indicator of what is ‘normal.’ Because resources comprise of more than just income, these measures are best understood as identifying those at risk of poverty.	<p>Fixed Line: 60% of the annual median equalized household disposable income, AHC and BHC; current reference year is 2007; adjusted annually for inflation. Reference year to be updated every ten years or so or sooner if a relevant trigger point (source: HES)</p> <p>Moving Line: 60% of the annual median equalised household disposable income, AHC and BHC; adjusted annually changes in median household income (source: HES).</p>
2. Material deprivation	How deprived? Living standard indicators based on the Material Wellbeing Index (MWI) show how many people are going without a range of items or activities considered necessities because of insufficient resources.	<p>Deprivation Index: Based on an index derived from the questions relating to material wellbeing contained in the HES. A household should be regarded as experiencing material deprivation if it has a material well-being index (MWI) score that puts them in levels 1 or 2 (out of 7) (Source: HES).²¹</p>
3. Severe poverty	How far below? Severe and Poverty gap measures seek to understand how poor people are, not just how many are poor. Both income and deprivation measures can report on severity.	<p>Severe or Consistent Income/Deprivation: Households in severe poverty would be those who fall below both the recommended moving-line income and the recommended deprivation measure.</p> <p>Poverty Gap: the dollar gap between the moving-line income measure of poverty and the median income of the poor as a proportion of the moving-line measure (source: HES).</p>

Type of Measure	Description	Thresholds and other features
4. Persistent poverty	For how long? Poverty persistence measures reflect the dynamics of poverty. Incomes over time are more reflective of actual living standards. These measures are critical to understand the shifts into and out of poverty and to identify those who are persistently poor who are much more likely to experience multiple disadvantages. ²²	Persistent Income: based on the recommended moving line income measures, the threshold set for those living in households who experience poverty for at least three of the previous four years Persistent Deprivation: the second should be based on the recommended material deprivation measure, the threshold should be set for those living in households who experience poverty for at least three of the previous four years (source: new longitudinal survey).
5. Poverty-related outcome indicators	What are the risk factors? Multi-dimensional indicators provide a more extensive picture of the lived experience, causes, consequences and risk factors of poverty. These indicators are better suited for specific policy responses and help facilitate cross-agency initiatives. Outcome indicators should not, however, be used or aggregated to count those in poverty as they are descriptions of characteristics linked with poverty, not poverty as we define it. They can also track when certain dimensions are going well, sometimes at the expense of others; and are able to capture the effectiveness of in-kind assistance.	Possible dimensions could include (particular indicators would depend on how success is defined in each area): health; education; housing; employment; debt; behaviours and risks; relational stability; food bank usage/special needs grants; food and power (hardship) grants; and benefit/in-kind uptake (source: various).

Recommendation 3: Use consensual budget standards to identify what most New Zealanders think is a minimal acceptable standard of living and potentially derive an income threshold from this process.

MSD’s submission highlighted the need to “identify what ‘ordinary New Zealanders’ see as an unacceptably low level of income or material wellbeing.” We agree. Rather than relying on a proportion of people falling below median income thresholds as a strong indicator of insufficient resources, the consensual approach identifies what the minimal acceptable standard looks like by public consensus through surveys and focus groups mediated by experts. A threshold derived from this would be more democratic, methodologically consistent with our definition, and potentially more

acceptable and meaningful to the public. Done well, this should be added to the dashboard as a complement or even as a replacement for the income thresholds.

Robust work from the UK could be replicated here. The Joseph Rowntree Foundation’s Minimum Income Standard uses focus group discussions to specify a basket of goods and services necessary to arrive at “the income that people need in order to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think.”²³ Poverty and Social Exclusion UK uses a survey to understand what the population deems are necessities, and “identifies people falling below what the public agrees is a minimum standard of living” using deprivation measures.²⁴ While not consensual, Canada’s Market Based Measure uses a basket of goods approach to complement income measures.²⁵ Pioneering focus group work was done in

New Zealand in this area, however, results need to be updated to reflect current conditions.²⁶ This need not be implemented entirely by government but should be commissioned and supported by it; a university department could develop it for example.

Recommendation 4: Use clustering statistical techniques to target, tailor and evaluate policy by identifying people and families with different combinations of risk factors.

As both Treasury and MSD have noted in recent reports, “cumulative impact of multiple disadvantage across different domains” is more likely to lead to poor outcomes and opportunities than low income alone.²⁷ Those in poverty are not one homogenous group. Clustering techniques like **latent class analysis** or **factor analysis** provide a richer picture by grouping families or households into clusters that share similar outcomes. Groups identified this way go beyond family size, age, working status, housing type, ethnicity etc. UK think tank Demos’ work Poverty in Perspective is exemplary, and aims to “prompt more holistic and multi-agency solutions (based on an understanding of multiple factors) regarding how each group might be helped out of the distinct type of poverty they face.”²⁸ Treasury has investigated use of these techniques in a working paper,²⁹ as has the Growing Up In New Zealand study in their Vulnerability report.³⁰ Understanding these groupings is key to targeting, tailoring and evaluating policy responses more effectively. This need not be implemented by government but should be commissioned and supported by it.

Institutional framework and reporting

Recommendation 5: There should be some legislative requirement that the measures and indicators above are regularly published.

There should be some requirement that these measures are made available to the public at regular intervals. Legislation like that in the Families Commission Amendment Act 2014 that requires the Commission to develop and publish “an annual Families Status Report that measures and monitors the wellbeing of New Zealand families” should be considered.³¹ Ideally, Statistics New Zealand would take primary ownership of this requirement as an independent agency with relevant expertise.

Recommendation 6: A poverty-specific legislative framework should not be implemented.

While many, including the EAG, have advocated for a Child Poverty Act to incentivise and coordinate policy action, we believe that the democratic process as it stands provides sufficient means for citizens to signal their preferences and policy priorities to government. Not only would enshrining a legislative framework be extremely costly to implement, similar legislation in the UK has proven to be ineffective at reducing levels of poverty.³² The intended benefits could instead be realised by harnessing and expanding existing, less rigid mechanisms such as the Results for New Zealanders framework.

Recommendation 7: Extend the Better Public Service targets / Results for New Zealanders framework to include reasonable, time-specific targets aimed at reducing poverty.

Thoughtfully-set targets would signal governmental priorities and aspirations, galvanise action across agencies, and provide an additional accountability mechanism. Reasonable targets that align with the above outcome indicators should also be considered, alongside pre-existing targets such as long-term benefit dependency and rheumatic fever. It should be made clear that the Government doesn’t have complete control over movement towards targets (as with any complex social problem), but it should be required to outline policy strategies towards reaching the set targets to explain performance based on evaluations of the effectiveness of these policies. The current medium-term five year horizon is appropriate.

Data access and collection

Recommendation 8: Further investment is required in better data sources in New Zealand, particularly longitudinal studies like SOFiE, to understand the causes, consequences and dynamics of poverty.

Rigorous studies of the relationship between income poverty and material deprivation measures over time show that while even short periods of poverty can scar (house sale, debt, family breakdown) it is “people’s underlying economic position that matters, not their short-term fluctuations from year to year.”³³ Just as brief periods of poverty are unlikely to have long-lasting effects, long-term chronic poverty results in severe deprivation, so seeing permanent economic changes for families is important.

We also need to understand triggers and exits to poverty to inform preventative policies. However, as it stands New Zealand’s longitudinal data sources are insufficient for informing and assessing this critical task. While SOFiE afforded many excellent studies, since it ceased in 2012, researchers have resorted to using international data for understanding poverty dynamics. SOFiE needs to be reinstated. Other data sources like the Growing Up In New Zealand study are promising, but most have limited income data (i.e. just market income, not adjusted to disposable income). This applies for the Dunedin, Christchurch and Auckland longitudinal birth cohort studies as well, which should continue to be supported. Another more expensive but comprehensive solution for evidence-informed policies would be to introduce a flagship, gold-standard data source like UK’s Understanding Society.³⁴

Recommendation 9: Official datasets should be more easily accessible to researchers.

From submissions received and discussions with experts and academics, the message was clear that socio-economic data in New Zealand is very difficult to access, prohibitively expensive or both. While data security should remain paramount, an investigation into improved data accessibility processes based on international best practice should be undertaken.

Conclusion

This set of recommendations on defining and measuring poverty is the first step in our journey towards developing and advocating for policies that give struggling New Zealanders the help they need and deserve. Informed through our research and consultation process, we now have a more robust understanding of what poverty is. This is a good start but it doesn’t change lives. For truly effective policies, we need a deeper understanding of the underlying causes and the damaging consequences of poverty. Our next piece of work will investigate these, with our findings to be released later in the year.

ENDNOTES

1. While we didn't directly hear from those in poverty, we deeply value their input. Later phases of this project will incorporate insights and share the stories of those in or at risk of poverty.
2. For more on ideology as it relates to poverty, see: K. Madden, "The Heart of Poverty: Matching passion with precision," (Maxim Institute, 2014), 5-6.
3. K. Madden, "The Heart of Poverty: Matching passion with precision," 15.
4. For further reading about how a lack of material resources may cause other poor outcomes, see K. Cooper & K. Stewart, "Does Money Affect Children's Outcomes?" (Joseph Rowntree Foundation, 2013), 39.
5. For more on the distinction between immediate and fundamental causes, see Expert Advisory Group, "Working Paper no.3: What causes child poverty? What are the consequences? An economic perspective" (Office of the Children's Commissioner, 2012).
6. On life shocks, see Jensen et. al, "New Zealand Living Standards 2004 – An Overview" (Ministry of Social Development, 2004), 8-9, 22.
7. Recent qualitative research conducted by SuPERU reinforced that this is "core value" for the vast majority of low-income families surveyed. The other two core values that emerged were: "putting family before income" and a "belief that there were more important things in life than money." SuPERU, "Perceptions of Income Adequacy by Low Income Families" (2015), 22.
8. The New Zealand Productivity Commission is currently investigating (among other things) "The strengths and weakness of current approaches to commissioning and purchasing social services" as one aspect of their current inquiry into social services. For more on this, see Productivity Commission, Issues Paper: More Effective Social Services (2014).
9. For a graphical representation of this complexity, see Auckland City Mission's Empathy Tool. Auckland City Mission, "Demonstrating the Complexities of Being Poor: An Empathy Tool" (Auckland City Mission, 2014).
10. While a broader view on improving well-being is a legitimate policy goal (like that of Treasury's Living Standards Framework (<http://www.treasury.govt.nz/abouttreasury/higherlivingstandards>)), focusing on poverty requires a tighter definition.
11. In real life, however, poverty exists as more of a continuum. Those just above a poverty line are not in a significantly different situation to those just below, for example.
12. R. Berthoud, M. Bryan & E. Bardasi, "The dynamics of deprivation: the relationship between income and material deprivation over time," (Department of Work and Pensions, 2004).
13. See B. Perry, "Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013," (Ministry of Social Development, 2014), 115 for a list of basic material needs. See also Recommendation 3 for more on determining basic needs. Ideally, these would be determined using a consensual method.
14. For a list of human needs / dimensions of well-being, see Appendix 1 in K. Madden, "The Heart of Poverty: Matching passion with precision", 30.
15. Research from the UK suggests that while public perceptions of necessities usually rise, they can fall too. For example, "in all previous surveys over the past thirty years, being able to afford to give presents to family and friends once a year (such as on birthdays or at Christmas) was considered to be a necessity by the majority of people. In 2012, the majority of people no longer believe this is a necessity. The minimum expectations of the population have fallen." See D. Gordon et. al, "The Impoverishment of the UK - PSE UK first results: Living Standards" (2013), 6.
16. R. Michael & C.F. Citro, eds., "Measuring Poverty: A New Approach, report for the Joint Economic Committee of Congress" (National Academies Press, 1995).
17. Different equivalence scales—adjustments to incomes take into account economies of scale within a household—can result in significantly different levels of poverty or hardship at a point in time. Over time, however, the trends are similar. The most appropriate method for New Zealand would need to be considered for the measurements recommended in this paper. See B. Perry, "Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013," 236-240.
18. B. Perry, "Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013."
19. Children's Commissioner's Expert Advisory Group, "Solutions to Child Poverty in New Zealand evidence for action" (Office of the Children's Commissioner, 2012). For benefits and drawbacks of different measures, see K. Madden, "The Heart of Poverty: Matching Passion with Precision," 16-23.
20. Table adapted from Expert Advisory Group's recommended suite of child poverty measures, Expert Advisory Group, "Working Paper 1: Defining and Measuring Child Poverty" (2012), Table 1, 7.
21. Otago University's NZDep indicators work is an effective complement to the MWI that shows geographical characteristics at the mesh block level. Geographic data helps target policy and should continue to be supported and expanded where possible. University of Otago Department of Public Health, "Socioeconomic Deprivation Indexes: NZDep and NZiDep," <http://www.otago.ac.nz/wellington/departments/publichealth/research/hirp/otago020194.html> (accessed 9 December 2014).
22. See Recommendation 8 on longitudinal data sources.
23. A. Davis, D. Hirsch & M. Padley, "A minimum income standard for the UK in 2014" (Joseph Rowntree Foundation, 2014), 8.
24. D. Gordon et. al, "The Impoverishment of the UK - PSE UK first results: Living Standards," (2013).
25. Statistics New Zealand, "Measuring child poverty in New Zealand: Issues and practicalities, Paper prepared for the Expert Advisory Group on Solutions to Child Poverty," (2012), 9.
26. R. Stephens, C. Waldegrave & S. Frater, "Measuring Poverty in New Zealand," *Social Policy Journal of New Zealand*, No.5 (1995).
27. New Zealand Treasury, "Improving outcomes for children –Initial Views on Medium-term Policy Directions, Report to the Ministerial Committee on Poverty," (2013). B. Perry, "Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013," 10.
28. C. Wood et. al, "Poverty in Perspective," (Demos, 2012), 14.
29. See C. Ball & M. Ryan, "New Zealand Households and the 2008/09 Recession, New Zealand Treasury Working Paper 13/5," (New Zealand Treasury, 2013).
30. S. Morton et. al, "Growing Up in New Zealand Vulnerability Report 1: Exploring the Definition of Vulnerability for Children in their First 1000 Days," (Growing Up in New Zealand, 2014).
31. Families Commission Amendment Act, New Zealand Statutes, (2014).
32. J. Hancock, "Legislating to Reduce Child Poverty" (Office of the Children's Commissioner, 2014), 13-15.
33. R. Berthoud and M. Bryan "Income, deprivation and poverty: a longitudinal analysis." *Journal of Social Policy* 40, no.1 (2011): 135-156.
34. The Economic and Social Research Council, Understanding Society, <https://www.understandingsociety.ac.uk/about> (accessed 17th December, 2014).



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