



## Coversheet

### Aide-Mémoire: Implications of discontinuing the Living in Aotearoa survey for your responsibilities as the Minister for Child Poverty Reduction

Date:	14/12/2023	Report No:	DPMC-2023/24-582
		Security Level:	IN-CONFIDENCE
		Priority level:	High

	Action sought	Deadline
Hon Louise Upston Minister for Child Poverty Reduction	discuss issues at official's meeting on 19 December 2023	19/12/2023

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#### Departments/agencies consulted on Briefing

Ministry of Social Development; Treasury, and Stats NZ were provided a copy of this aide-mémoire for information.

#### Minister's Office

Status:

Signed

Withdrawn

Comment for agency

Attachments: No

# Aide-Mémoire

## Implications of discontinuing the Living in Aotearoa survey for your responsibilities as the Minister for Child Poverty Reduction

<b>To:</b>	Hon Louise Upston Minister for Child Poverty Reduction		
<b>From:</b>	Clare Ward, Executive Director, Child Wellbeing and Poverty Reduction	<b>Date:</b>	14/12/2023
<b>Briefing Number:</b>	DPMC-2023/24-582	<b>Security Level:</b>	IN-CONFIDENCE

### Purpose

1. This aide-mémoire formally advises you of the implications for your Child Poverty Reduction portfolio of the Government Statistician's recent, in-principle decision to discontinue the Living in Aotearoa survey (LiA).
2. We note there is a possibility that the Government Statistician may make a final, unconditional, decision imminently. If you have concerns about this, based on the advice we have set out here, you may wish to raise these with the Minister of Statistics as a matter of urgency.

### There are three main risks with the Government Statistician's in-principle decision to discontinue the LiA survey

3. The Government Statistician has the authority under the Child Poverty Reduction Act 2018 (CPRA) to independently decide how child poverty statistics are produced, subject to a requirement to consult with the Chief Executive of the Ministry of Social Development (MSD) about any proposed decisions.
4. Stats NZ advised the Minister of Statistics on 7 December 2023 that the Government Statistician has agreed in-principle to discontinue LiA and to produce child poverty statistics through a revised Household Economic Survey (HES) [STATS-MM2706 refers]. Stats NZ have proposed using administrative data to measure persistent poverty, subject to confirming this is practically feasible. The Minister of Statistics agreed to endorse this decision and has shared this advice with you (as the Minister for Child Poverty Reduction) and the Minister of Finance.
5. Stats NZ did not consult with the Child Wellbeing and Poverty Reduction Group (CWPRG) on their report to the Minister of Statistics. However, we have previously discussed with Stats NZ about the challenges facing LiA outlined in the report, including the risk to data quality from declining response rates and the ongoing financial viability of LiA.

6. It's important you're aware of the specific implications of the Government Statistician's in-principle decision for your responsibilities as the Minister for Child Poverty Reduction.
7. There are three main issues to be aware of.
  - There are legal and reputational risks to you, and the Government Statistician, if LiA is stopped and it's not possible to measure persistent poverty using administrative data.
  - If persistent poverty can be measured using administrative data, then this would necessarily be limited to a before housing costs, moving line, income poverty measure. Such a measure would be subject to certain limitations. Compared to a measure based on material hardship, it may be less well-aligned with your priorities for this portfolio.
  - Continuing with HES will mean the impacts of poverty reduction policies on the nine current cross-sectional measures will be reflected in the data less quickly than if data collection switched to LiA in 2024/25 as originally planned.

**The feasibility (and legal risk) of using administrative data to measure persistent poverty will need to be confirmed over the next six months**

8. As noted in Stats NZ's paper, persistent poverty measures rely on longitudinal data (data collected from the same household over successive years).
9. The CPRA requires the Government Statistician to measure and report on persistent poverty from and for the 2025/26 financial year. As the Minister for Child Poverty Reduction, the CPRA requires you to set three-year and ten-year poverty persistence targets by 31 December 2024. The CPRA further requires you to review these targets and report any non-compliance with the persistence targets you set.
10. If LiA is stopped, it's not yet clear if Stats NZ will be able to produce the persistent poverty data needed to meet your, and the Government Statistician's, statutory obligations. Stats NZ states that "the Government Statistician considers that Stats NZ can still meet its legislative child poverty reporting requirements" but notes that "more work is required to test and confirm that a measure of persistent poverty can be sourced from administrative data" and that Stats NZ are "starting to research, develop and assess an administrative data measure of persistent poverty".
11. HES data collection was scheduled to be discontinued in 2023/24. Stats NZ therefore need to confirm over the next six months whether they can use administrative data to measure persistent poverty.
12. If they can't, and LiA is stopped, then the CPRA would likely need to be amended before 31 December 2024 to mitigate potential legal risk to you and the Government Statistician. Changing the legislation to remove the requirement to measure poverty persistence, and set persistence targets, would be a significant change that is likely to be subject to considerable public and media scrutiny. Advocacy groups may perceive that a decision to change the legislation indicates a lack of commitment by the Government to child poverty reduction, rather than an outcome of an independent decision by the Government Statistician aimed at ensuring the rigour and sustainability of the data.
13. These legal and reputational risks need to be balanced against the risks of proceeding with the original plan of switching to LiA. If Stats NZ did switch to LiA there's a possibility that robust data for all of the measures (not just persistent poverty) is jeopardised.

## **Measuring persistent poverty with administrative data would need to be based on a before-housing-costs, income poverty measure, which is subject to some limitations**

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14. If it is feasible to use administrative data to measure persistent poverty, then this would necessarily be based on a before-housing-costs, moving-line, income-poverty measure (BHC (rel)). It wouldn't be possible to measure persistent poverty using an after-housing costs (AHC) income poverty measure or a material hardship measure. This is because these measures rely on longitudinal survey data that can only be collected through a survey vehicle like LiA, rather than administrative data.
15. One advantage of using a BHC (rel) measure is that it could be aligned with persistence measures that are widely used in European Union reporting and cross-national comparisons. However, as outlined in an earlier briefing to you [DPMC-2023/24-544 refers], there are important limitations with BHC (rel) measures.
  - Moving line poverty measures are the most challenging to make progress against. Depending on the Government Statistician's approach to calculating persistent poverty, reducing rates of persistent BHC (rel) poverty would require incomes within households at the bottom to rise faster than middle incomes over successive years.
  - Moving line income poverty measures also tend to move in counter-intuitive ways during periods of rapid economic growth or downturns. For example, rates on moving line measures tend to decrease during economic downturns because household incomes at the middle of the distribution decrease faster than incomes at the bottom (which tend to be more protected by the social safety net).
  - You've indicated you would like to particularly focus on making progress to reduce material hardship. However, BHC (rel) poverty rates are not well correlated with material hardship rates.

## **Policy impacts will take more time to be fully reflected in the data than had been planned**

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16. As part of the shift to LiA, Stats NZ had originally planned to make changes to the way data is collected so that any policy impacts are fully reflected in the data more quickly.
17. Currently, poverty rates for a given financial year using HES data are based on a "two year rolling reference period". Survey respondents' incomes and material circumstances are recorded for the 12 months before they are interviewed. For those respondents interviewed at the start of a given financial year's reporting (2022/23 for example) the data will reflect their incomes for the previous financial year (i.e. 2021/22). The income reference period then progressively "rolls" forward for survey respondents interviewed in subsequent months.
18. This means that child poverty rates for a given financial year are effectively based on data spanning a two-year period. The practical policy implication is that only half of the impact of any policy changes implemented in full at the start of a financial year will be reflected in the rates reported for that financial year.
19. To address this limitation, it had been planned as part of the shift to LiA to move to a 12 month "fixed reference period". This would have meant that, for example, policies that increase income transfers implemented in full at the start of a financial year would have been fully reflected in that year's reporting.
20. If LiA is discontinued then the impacts of policy changes will continue to be reflected in the data more slowly. For example, only direct income transfers announced through Budget

2024 and implemented in full by 30 June 2025 will be fully reflected in measured poverty rates in the final year of the third intermediate target period (2024/25 to 2026/27).

21. A further implication is that, realistically, there would be just two main budgets (Budget 2024 and Budget 2025) to confirm child poverty investments that will be fully reflected in the final year of the ten-year target period (2027/28).

### Summary and next steps

22. Stats NZ's report to their Minister states that DPMC is "broadly supportive" of their decision. We would qualify this claim. We recognise the significant pressures facing Stats NZ, and the concerns regarding sustainability of LiA. However we are particularly concerned about the narrow time window to confirm the feasibility of their proposed approach to using administrative data to measure persistent poverty.
23. It is possible that the Government Statistician may move quickly to finalise the decision to stop LiA. If you have any concerns about this, you may also wish to meet with the Minister of Statistics urgently to ensure he is aware of the implications of the Government Statistician's in-principle decision for your responsibilities as the Minister for Child Poverty Reduction.
24. We will continue to work with Stats NZ, the Ministry of Social Development and the Treasury to better understand their proposed approach and to ensure appropriate contingency planning is in place to mitigate possible legal and communications risks if persistent poverty cannot be measured.
25. We recommend discussing this issue at the officials meeting scheduled for 19 December 2023. We are also available to discuss the matter on the phone this week if needed.

 <b>Clare Ward</b> Executive Director, Child Wellbeing and Poverty Reduction  14 December 2023	    <b>Hon Louise Upston</b> Minister for Child Poverty Reduction  ...../...../.....
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