

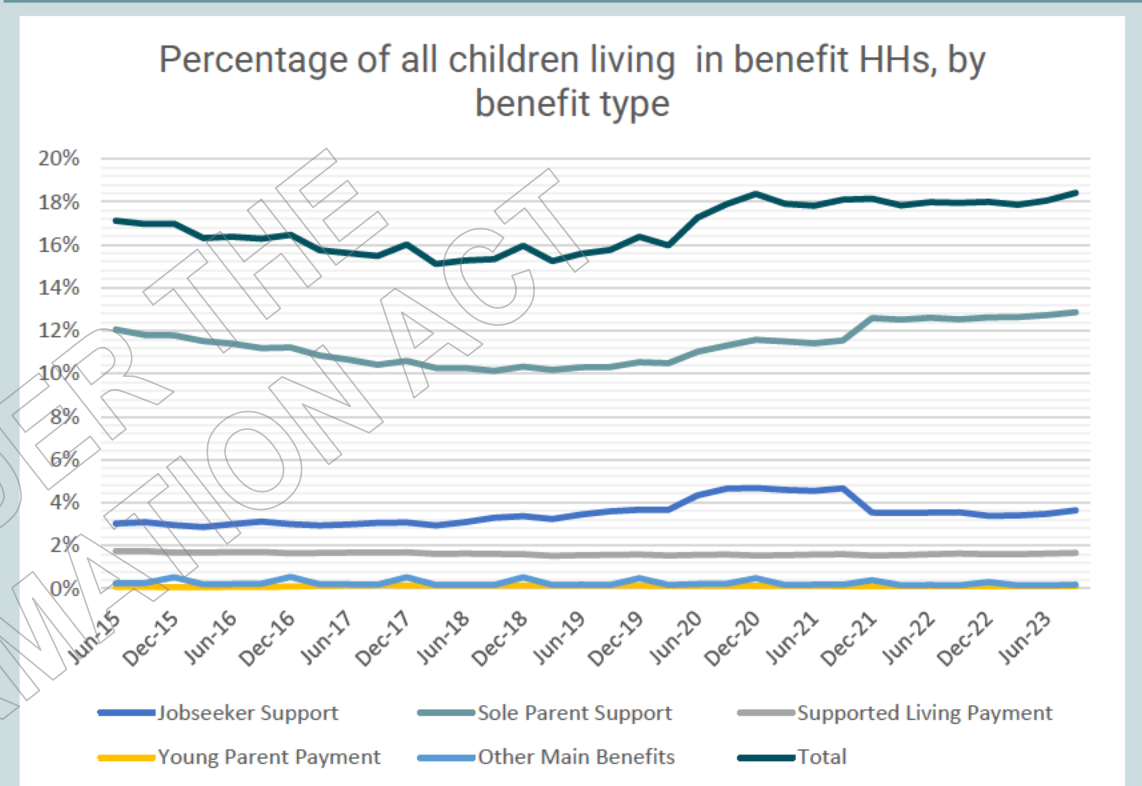
Attachment B Reducing the number of children in main benefit households as a poverty reduction tool

1. Children in Material Hardship (MH) are more likely to be in main benefit households (benefit HHs)...

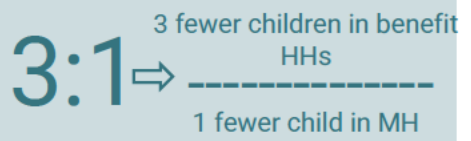
Four Key Groups:	Children in benefit HHs	Children in low income working HHs (<BHC70)	Children in low-middle income working HHs (BHC70-BHCmedian)	Children in middle to high income HHs (>BHC median)
# children (2021)	~190,000	~200,000	~294,000	~456,000
		956,000 (total number of children in working/not in benefit HHs)		
		1,146,000 (total number of children in NZ)		
≈ 10,000 children in Material Hardship ≈ 10,000 children, not in Material Hardship				
# children in Material Hardship (Material Hardship rate*)	~74,000 children in material hardship (39% of children in benefit HHs are in MH)	~24,000 (~12%)	~17,000 (~6%)	~11,000 (~2%)
Material Hardship composition**	~59% of all children in MH are in benefit HHs	~19%	~14%	~9%
		~51,000 (5%) total working/ not in benefit HHs		
		~41% - working/ not in benefit HHs		

*material hardship rate = proportion of children with a given characteristic in material hardship.
 **material hardship composition = proportion of all children in material hardship with a given characteristic.

2. ... and the proportion of all children in benefit HHs has increased by about 3ppt since 2018



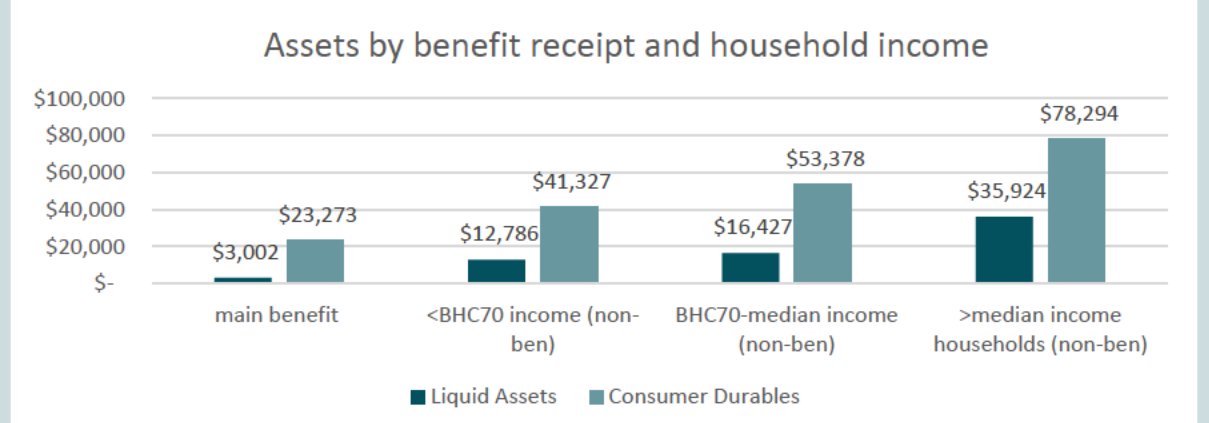
3. Reducing the number of children in benefit HHs by 3 ppt could reduce MH rates by up to 1 ppt on average....



- On average, reducing the proportion of children in benefit HHs by 3ppt (to the historically low rate of 15%, seen in 2017/18), could reduce material hardship rates by up to 1 ppt.
- The ratio is similar for the other primary poverty measures.
- But realising these reductions depends on strong assumptions (see figure 4).

4. ... assuming other barriers are addressed

- We don't have direct causal evidence about the child poverty impacts of reducing the number of children in benefit HHs. But we do know other factors are likely to be associated with both benefit receipt and poverty risk (eg risk of physical and mental health barriers, low skills, fewer supports)
- These risk factors would need to be addressed, or may take time to resolve, if the potential reductions in material hardship from moving off benefit and in to employment are to be fully realised.
- For example, we know that benefit HHs with children have on average one quarter the liquid assets (eg cash savings) and half the consumer durables that low income working households have (see figure below). Assets are an important protective factor against material hardship, but may take time to accumulate.



5. Policy implications:

- Supporting parents who are able to move off main benefit and into work has an important role to play in reducing child poverty rates, as one part of a balanced portfolio of child poverty reduction investments.
- Over the longer term (10-20 years) investing in human capital (skills, health etc) and ensuring family friendly work options and access to affordable child care, has the potential to drive large and sustained reductions in both long term benefit receipt and child poverty rates.
- But over the shorter term (5-10 years) the main constraints to reducing benefit receipt rates as a child poverty reduction policy lever are:
 - Scalability.** It may be challenging to reduce rates of children in benefit HHs below 15%. At most, this could deliver a 1ppt reduction in material hardship rates.
 - Uncertainty about causal impacts.** Other factors may also need to be addressed (see figure 4).
 - Timing.** Implementing employment interventions at scale can take time. And there is a further lag between lifting employment income and reductions in measured material hardship.
- A balance of investment is needed, including to reduce in-work poverty for the 40% of children in material hardship not on main benefit, and to ensure main benefit rates are adequate for those who are unable to work.