

# CHILD POVERTY: MATERIAL HARDSHIP

## Introduction

The Ministry of Social Development (MSD) uses non-income measures to assess the material wellbeing of families with children, as well as measures of income poverty. The non-income measures provide insight into what hardship looks like for everyday life by indicating families' actual living standards, including their ability to keep the house warm in winter, to afford meat and fresh fruit and vegetables, to replace worn out shoes and clothing, and broken appliances, and to visit the doctor when they need to [5]. MSD monitors these measures using:

1. The New Zealand Household Economic Survey (NZHES) which contains a 40-item Economic Living Standards Index (ELSI) that ranks households from low to high living standards using a range of non-income measures. A short (25 item) form of the ELSI has been included in the NZHES since 2006–07 [5].
2. Material Wellbeing Index (MWI) which is a new index developed by MSD that uses 13 of the 25 items from ELSI and 11 new ones [5]. This index was first used to collect data on material hardship in 2012–13. There is considerable similarity on the household rankings between ELSI and MWI. The main differences between the MWI and the ELSI are the removal from the MWI of three items previously included in the ELSI that required a high level self-assessment (of income inadequacy, standard of living and satisfaction with standard of living) and the MWI having greater emphasis on material things that households or families have and activities they could participate in.
3. The Living Standards Surveys (LSS), undertaken nationally by MSD in 2000, 2004 and 2008, provided data on households with children and child specific measures. The 2008 survey collected information from 5,000 households on their material circumstances including ownership and quality of household durables, and their ability to keep the house warm, pay the bills, have broken down appliances repaired and pursue hobbies and other interests [5]. The details of the 2008 Survey are available from earlier MSD reports [9].

The following section provides the data from the Household Economic Survey (NZHES), and the MWI, which provide insight into children's exposure to hardship. The 2008 Living Standards Survey data have been included for their child specific measures that reflect children's experience of material hardship.

## New Zealand Household Economic Surveys

### Data Source and Methods

#### Indicator

1. *Proportion of children aged 0–17 years experiencing material hardship*

#### Data Source

N.Z. Household Economic Survey (NZHES) (n=2,800–3,500 households per survey) via Perry 2014 [5].

The MSD developed the 40-item Economic Living Standards Index (ELSI), which ranks households from low to high living standards using a range of non-income measures. A short (25 item) form of the ELSI has been included in the NZHES since 2006–07, with 16 items being used to calibrate a material hardship measure [5]. The MSD has developed the ELSI further with the Material Wellbeing Index (MWI) that retains 13 of the 25 items from the ELSI and adds 11 new ones. These were first collected in HES in 2012–13. The ELSI and MWI rank the population as a whole and the different groups in it in much the same way (correlation of 0.95) [5] and the following 16 items are common to both. There is, however, a discontinuity in the HES-based material hardship measures of 2007–12 (ELSI) and those of 2012–13 (MWI).

#### *Enforced lack of essentials*

- Meal with meat, fish or chicken (or vegetarian equivalent) at least each 2nd day
- Two pairs of shoes in good repair and suitable for everyday use
- Suitable clothes for important or special occasions
- A good bed

*Economised, cut back or delayed purchases 'a lot' because money was needed for other essentials*



Fresh fruit and vegetables  
Meat  
Replacing worn out clothes  
Put up with being cold  
Visits to the doctor  
Trips to the shops or other local places  
Repair or replace broken or damaged appliances

*In arrears more than once in last 12 months, because of shortage of cash at the time*

Rates, electricity, water  
Vehicle registration, insurance or Warrant of Fitness

*Financial stress and vulnerability*

Had to borrow from friends or family more than once in last 12 months to cover everyday expenses  
Feel 'very limited' by the money available when thinking about purchase of clothes or shoes for self  
Could not pay an unexpected and unavoidable bill of \$500 within a month without borrowing

The ELSI hardship threshold was set at 6 or more deprivations out of 16 from the calibration list above. This gave a population hardship rate in 2008 of 12%, which was close to the 2008 income poverty rate (using the more stringent 50% of median AHC threshold) of 13%. For further detail on the methodology used see Perry 2014 [5].

### **Proportion Living in Material Hardship by Age and Household Type**

In New Zealand during 2007–2012, material hardship, as defined using the Economic Living Standards Index (ELSI), was consistently highest for households with children aged 0–17 years, followed by one person households aged 45–64 years. The lowest rates of hardship were seen among those aged 65+ years. The proportion of children aged 0–17 years in material hardship in rose from 16% in 2009 to 21% in 2011, before falling to 17% in 2012 (**Figure 1**). In 2012, around 180,000 children were living in material hardship. The Material Wellbeing Index (MWI) and ELSI rank the population in much the same way [5].

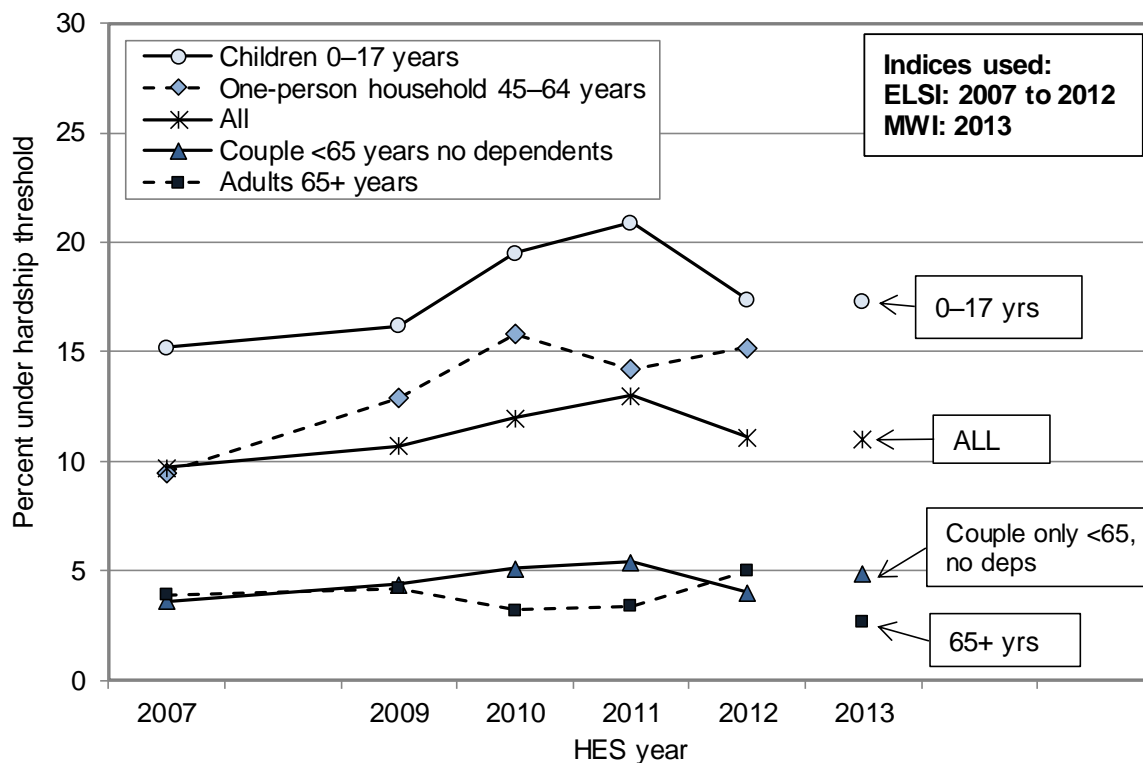
Perry notes that the rise in material hardship from 2007 to 2011 for the total population and for children 0–17 years was not unexpected, given the impact of the Global Financial Crisis and economic downturn, and that the improvements seen between 2011 and 2012 reflect the early impacts of the more recent economic recovery [5] (**Figure 1**).

### **Proportion of Children Living in Material Hardship by Family Income**

During 2007–2012, a lower proportion of children with a family income above the 60% poverty threshold (non income-poor families) lived in material deprivation than did New Zealand children overall. However, material hardship rates rose during 2009–11 both for non income-poor families and for all families. Perry suggests that a number of families with incomes above the 60% threshold may be in relatively precarious financial circumstances, with small drops in income or unexpected bills potentially making a significant difference to their day-to-day living standards [5].



Figure 1. Proportion living in material hardship, for children 0–17 years and selected sub-groups, New Zealand 2007–2013 HES years



Source: Perry 2014 [5] derived from Statistics New Zealand Household Economic Survey (HES) 2007–2012; Note: Hardship defined using Economic Living Standards Index (ELSI) and Material Wellbeing Index (MWI), see Methods for further detail

## 2008 Living Standards Survey

In the Living Standards Survey, respondents provided information about themselves and others in their economic family unit including information on specifically child related items [9]. In the Living Standards Survey, material hardship was defined as having a score of four or more “enforced lacks” from a list of 14 items on the material deprivation index outlined in the Methods box.

### Data Source and Methods

#### Definition

*Proportion of children aged 0–17 years experiencing material hardship*

In the 2008 Living Standards Survey [9], respondents provided information about themselves and others in their economic family unit (EFU). A respondent’s EFU comprised the respondent and partner (if any), together with their dependent children in the household (if any). This was a narrower concept than the census family unit which includes other family members such as adult children and parents of adult children. In the survey, total response ethnicity was used, meaning that categories were not mutually exclusive, as one person could be in two or more categories depending on their response.

#### Deprivation Index Based on Data from the 2008 Living Standards Survey

In the 2008 Living Standards Survey report [9], a 14 item material deprivation index was used to compare the relative positions of different population groups. Each item in the index assessed an ‘enforced lack’, with items being divided into two categories: ownership/participation, where an item was wanted but not possessed because of cost; and economising items, which focused on cutting back or going without in order to pay for other basic needs. The deprivation score for each respondent was the sum of all enforced lacks, with a cut off of 4+ being used as a measure of material hardship, as it represented the 15% of the population experiencing the most hardship (and was thus seen as being equivalent to the MSD’s income poverty measures).



14 items (enforced lacks) are included in 2008 Living Standards Survey Deprivation Index (DEP)\*

*Ownership/Participation*

- A good bed
- Ability to keep main rooms adequately warm
- Suitable clothes for important or special occasions
- Home contents insurance
- Presents for family and friends on special occasions

*Economising 'a lot' (to keep down costs to help pay for other basics)*

- Continued wearing worn out clothing
- Continued wearing worn out shoes
- Went without or cut back on fresh fruit and vegetables
- Bought cheaper or less meat than wanted
- Postponed visits to the doctor
- Did not pick up a prescription
- Put up with feeling cold to save on heating costs
- Went without or cut back on visits to family or friends
- Did not go to a funeral (tangi) you wanted to

\* A DEP score is not to be confused with NZDep categories

## Proportion of Children Experiencing Material Hardship

Table 1 provides an overview of the distribution of children by their family's deprivation scores (DEP) according to items included in the Living Standards Survey. Additional child specific items not included in the calculation of the DEP score have been listed to highlight experiences of children living in households with differing experiences of material deprivation. It suggests that 22% of children lived in families experiencing four or more enforced lacks (10% had a DEP Score of 4–5 and 12% had a DEP score of 6+).

When broken down by individual item, those children experiencing material hardship (i.e. living in households with DEP scores of four or more) were exposed more to household economising behaviours such as having to wear worn out shoes or clothing, sharing a bed or bedroom, cutting back on fresh fruit and vegetables and postponing doctor's visits because of cost. For example, 39% of children whose families had a DEP score of 6+ continued to wear worn out shoes or clothing, while 58% had major difficulty keeping the house warm in winter (**Table 1**).

## Proportion of Children Experiencing Material Hardship by Ethnicity and Family Income

In the 2008 Living Standards Survey, 51% of Pacific children, 39% of Māori children, 23% of "Other" children and 15% of European children aged 0–17 years were in families experiencing material hardship (i.e. scored four or more on a composite deprivation index measuring a range of "enforced lacks", as outlined in the Methods box above). In addition, 59% of children whose family's income source was a benefit experienced material hardship (**Figure 2**).



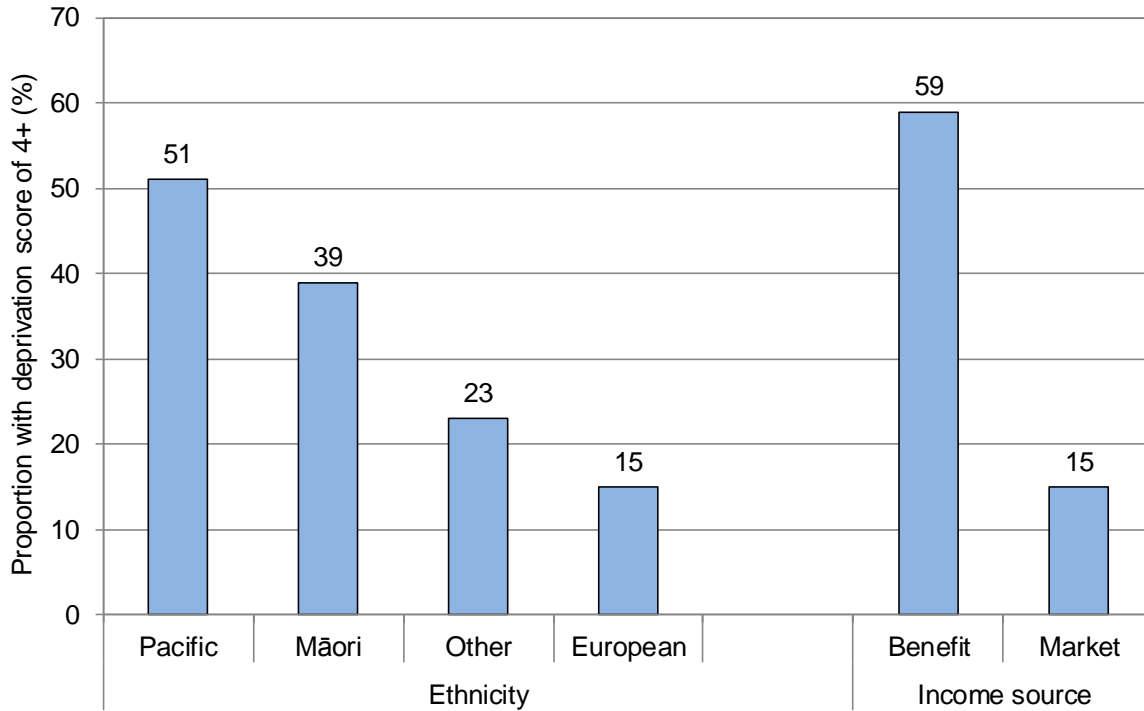
Table 1. Restrictions experienced by children by the deprivation score of their family (DEP score), from the New Zealand Living Standards Survey 2008

	All <sup>#</sup>	DEP score				
		0	1	2-3	4-5	6+
<b>Distribution of children across the DEP scores (%)</b>	<b>100</b>	<b>41</b>	<b>18</b>	<b>18</b>	<b>10</b>	<b>12</b>
Average number of children per family		2.2	2.3	2.5	2.7	2.7
<b>Enforced lacks of children's items</b>						
Friends to birthday party*	6	-	-	5	9	31
Waterproof coat	8	-	2	8	11	39
Separate bed	5	-	-	3	13	20
Separate bedrooms for children of opposite sex (10+ yr)*	8	2	3	6	14	24
All school uniform items required by the school	5	-	-	2	9	19
<b>Economising 'a lot' on children's items to keep down costs to afford other basics</b>						
Children continued to wear worn out shoes/clothes	8	-	-	5	15	39
Postponed child's visit to doctor	2	-	-	-	5	13
Did not pick up prescription for children	1	-	-	-	3	7
Unable to pay for school trip*	3	-	-	-	6	17
Went without music, dance, kapa haka, art etc*	9	2	4	8	18	37
Involvement in sport had to be limited*	8	-	4	6	17	32
<b>Multiple deprivation</b>						
4+ of the 11 children's items above	6	-	-	2	11	35
5+ of the 11 children's items above	4	-	-	-	7	29
6+ of the 11 children's items above	3	-	-	-	2	24
<b>Children's serious health problems reported by respondent</b>						
Serious health problems for child in the last year*	28	22	25	31	35	43
<b>Enforced lacks reported by respondent in child's family</b>						
Keep main rooms warm	9	-	3	8	18	37
Meal with meat/chicken/fish at least each second day	3	-	-	-	6	18
Cut back/did without fresh fruit and vegetables	14	-	-	15	32	63
Postponed visit to doctor	14	-	4	18	38	65
One week's holiday away from home in last year*	33	14	28	42	52	73
Home computer*	8	3	6	8	13	25
Internet access*	9	-	7	9	18	28
<b>Housing and local community conditions</b>						
Physical condition of house (poor/very poor)*	7	-	3	7	15	28
Major difficulty to keep house warm in winter	22	9	13	27	38	58
Dampness or mould (major problem)*	17	5	13	18	37	49
Crime or vandalism in the area (major problem)*	11	6	6	11	13	31

Source: NZ 2008 Living Standards Survey [9]; Note: Only those items mentioned in the Methods box are included in the calculation of DEP Scores. This table includes a number of additional child specific items (marked \*) which were not included in the calculation of the DEP Index as they did not relate to all family types. These additional items have been included here in order to highlight the experiences of children living in households with differing experiences of material deprivation. <sup>#</sup> 'All' refers to all children aged 0-17 years



Figure 2. Percentage of children aged 0–17 years experiencing material hardship\* by ethnicity and by family income source, NZ Living Standards Survey 2008



Source: NZ 2008 Living Standards Survey [9]; Notes: \* Material Hardship defined as scoring four or more “enforced lacks” on the material deprivation index as outlined in the Methods box. Ethnicity is total response

