

Frequently Asked Questions

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1. Why do you have four measures of poverty?

Poverty measures based on income are a good indication of whether children have enough resources to meet their basic needs. But measuring by income alone does not give the full picture.

We have other measures of poverty to show how many children are missing out on basics (material hardship), how long they are experiencing poverty (persistent poverty) and how 'deep' in poverty they are (severe poverty).

2. How is child poverty (income) calculated?

A child is living in income poverty when they are in a household that earns less than 60% of the median income. Incomes are adjusted for the size of the family and after rent and mortgage costs. Housing costs are taken out of the calculations because they are a significant fixed cost for families and it is easier to see how much is left over for other expenses.

3. Why do you use the 60% of median income as a measure?

We have selected a measure of 60% of median household (after housing costs) because it is the best measure on balance:

- It is based on data available
- It accounts for changes in the nation's economic circumstances (like recessions and booms)
- It is internationally comparable and in line with best practice around the world.

The EU use 60% of median household disposable income adjusted for family size and type as their threshold.

4. Is 'median' income another way of saying 'average' income?

No. There is a difference between median and average.

- ▶ An average household income takes the total value of all New Zealand incomes and divides it by the total number of New Zealand households to get an 'average'. Average incomes can be misleading because a few extremely high incomes can make the average look higher.
- ▶ A median income is the middle point of all households, where half the households earn more and half earn less. A household is considered to be in poverty if their income is 60% or less than the level of this 'median income.'

5. What does 60% of median income look like?

It is important to remember that families in income poverty are living **below** the 60% threshold. Most families in poverty are not 'at' this threshold, they are somewhere well below it.

The table below shows how much money various households have to live on each week at **exactly** 60% of the median household income (after housing costs).

Budget advisors tell us that meeting basic needs at this level is still very difficult. They also remind us that any unexpected expenses can put these families in severe hardship.

60% median income threshold for various household types (AHC, 2013 dollars p/w)

| Household type | 60% of 2013 median |
|------------------------|--------------------|
| Single parent, 1 child | \$400 |
| SP, 2 children | \$500 |
| SP, 3 children | \$590 |
| 2 parents, 1 child | \$530 |
| 2P, 2 children | \$620 |
| 2P, 3 children | \$700 |

Source: Perry (2014), Household Incomes in New Zealand, p.249

We recommend visiting <http://www.poverty.ac.uk/> which has a fantastic interactive tool showing how poverty thresholds work when household incomes change.

6. What is material hardship?

Data on material hardship gives us a better idea of people's living standards than income alone. It demonstrates how many households are not able to keep the house warm in winter, replace worn out shoes and clothing or afford meat and vegetables etc.

The data for material hardship comes from the NZ Household Economic Survey (NZHES), which uses a list of 16 'essential items' from the Economic Living Standards Index (ELSI) and the Material Wellbeing Index (MWI).

If a household is missing six or more of the 16 items then they are considered to be living in material hardship.

7. Do you have regional data for child poverty?

The data in the Child Poverty Monitor is based on the Statistics New Zealand Household Economic Survey which is run every year. The size of that survey does not let us provide data for separate regions at this time.

There is some regional data available on people living in poverty based on Census data, with the most recent based on the 2008 Census. While showing overall poverty rates (not broken down by families with children) this will still be useful since the overall poverty in communities is likely to have a similar distribution to child poverty. Poverty and other useful data are in the Regional Indicators 2010.

The New Zealand Deprivation index also provides regional information.

See [Regional Indicators 2010](#) for more information, and http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11254032 for an interactive tool developed by the New Zealand Herald.

8. How do we compare with other countries?

Comparing child poverty rates across countries can be difficult, especially income poverty. The relevant data are not always available or directly comparable to each other, and accepted standards of living can differ greatly.

Often it makes more sense to compare material hardship measures with countries we like to consider have a similar standard of living.¹ Regardless of the poverty measures compared, New Zealand tends to rank:

- near the top for low rates of senior poverty
- about the middle for rates of overall poverty, and
- near the bottom for high rates of child poverty

¹ For more detailed information on comparisons see page 175 of the [Ministry of Social Development's Household incomes in New Zealand](#) report.