

## Measuring child poverty: Concepts and definitions (second edition)

This edition of *Measuring child poverty: Concepts and definitions* was updated in February 2021 to include definitions for disabled child and disabled adult. These additions reflect changes in our data collection made to improve the level of precision in measuring child poverty, required in the Child Poverty Reduction Act 2018.

See:

- [Disabled child](#)
- [Disabled adult](#)

### Purpose

*Measuring child poverty: Concepts and definitions* explains the terms used in calculating child poverty measures in New Zealand.

### About measuring child poverty

The Child Poverty Reduction Act 2018 ('the Act') was introduced in 2018 to help achieve a significant and sustained reduction in child poverty in New Zealand. The Act requires government to set three-year and ten-year targets on four primary measures, and that the Government Statistician will report annually on [10 measures](#) of child poverty.

Stats NZ produces statistics on the economic well-being of New Zealanders, including children, from the household economic survey (HES). The Ministry of Social Development (MSD) also reports on this in their annual Household Incomes Report and the associated report using non-income measures.

To meet the level of precision necessary to effectively implement the Act, from 2018/19 onwards, HES was expanded to increase the sample size and better target low-income or high-deprivation households.

This document is accompanied by three papers that set out the reasons we made particular aspects of the decisions on definitions of concepts and terms.

These papers are:

- [Measuring child poverty: Material hardship](#)
- [Measuring child poverty: Equivalence scale](#)
- [Measuring child poverty: Fixed-line measure.](#)

[Expanding the household economic survey to obtain good measures of child poverty](#) outlines the design of the 2018/19 survey, which collects data to measure child poverty.

## Child poverty measures

These 10 measures must be reported on annually by the Government Statistician. The reports must specify the percentage of children living in households in New Zealand in each financial year who fell in these categories.

- a) Low income: less than 50% median equivalised disposable household income before housing costs (BHC) for the financial year
- b) Low income: less than 50% median equivalised disposable household income after housing costs (AHC) for the base financial year
- c) Material hardship
- d) Poverty persistence [Note: definition not required until the financial year beginning 1 July 2025]
- e) Low income: less than 60% median equivalised disposable household income before housing costs (BHC) for the financial year
- f) Low income: less than 60% median equivalised disposable household income after housing costs (AHC) for the financial year
- g) Low income: less than 50% median equivalised disposable household income after housing costs (AHC) for the financial year
- h) Low income: less than 40% median equivalised disposable household income after housing costs (AHC) for the financial year
- i) Severe material hardship
- j) Low income and hardship: less than 60% median equivalised disposable household income after housing costs (AHC) for the financial year and material hardship.

These terms, used in describing the measures, are defined further below:

- household income
- disposable household income
- equivalised disposable household income
- housing costs
- base financial year
- material hardship
- severe material hardship.

The annual reports may also include analysis of these identified populations:

- Māori children
- one or more groups of other children, such as Pacific children; disabled children; and children with a disabled parent, guardian, or caregiver – as far as available data allows.

## Child and household definitions

### Child

For counting the number of children in poverty the Act defines a child as a person who is aged under 18 years (0–17 years).

However, in these definitions different age cut-offs are used at some points.

- Income is collected from every individual in a household aged 15 or over.

- For equivalence scales, the modified OECD scale defines individuals aged 14 and over as adults for consumption.
- One person aged 18 and over completes the material hardship questionnaire.

### **Child's household**

A child is a member of the surveyed household if they live there four or more nights a week. Children who spend equal time between two separate households (eg when parents are separated), are included in the household that is surveyed if they are present during the week the survey is undertaken.

### **Household**

A household is one person who usually resides alone or two or more people who usually reside together and share facilities (such as eating facilities, cooking facilities, bathroom and toilet facilities, a living area).

[Standard terms for measures of dwellings, households and families V1.0.0.](#)

### **Private dwelling and non-private dwelling**

A private dwelling accommodates a person or a group of people. It is not generally available for public use. The main purpose of a private dwelling is as a place of habitation, and it is usually built (or converted) to function as a self-contained housing unit.

A non-private dwelling provides short- or long-term communal or transitory type accommodation. Non-private dwellings are generally available to the public through employment, study, special need, legal requirement, or recreation.

[Standard terms for measures of dwellings, households and families V1.0.0.](#)

### **Māori children**

The ethnicity of all children in the household is collected using the standard classification for ethnicity. Māori children are those for whom an ethnicity of Māori (and possibly some other ethnicity) is selected. 'Total response' means each person is assigned to all ethnicities they identify with and therefore estimates will sum to more than 100 percent.

[Standard classification for ethnicity 2005 V2.0.0.](#)

### **Children in low income**

After total household income is calculated for each household, households are ranked from the totals. We calculate thresholds, then calculate the number of children who live in households whose income is below the threshold. This gives the number of children in low income.

### **Disabled child**

People aged 5 to 17 are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, feeding or dressing themselves, communicating, learning, remembering, concentrating, accepting change, controlling their own behaviour, making friends, anxiety, or depression.

People aged 2 to 4 are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, manual dexterity, communicating, learning, playing, or controlling their own behaviour.

Children under 2 years old are not assessed for disability.

### **Disabled adult**

People aged 18 or over are disabled if they have serious difficulty with at least one of the following: seeing (even with glasses), hearing (even with hearing aids), walking, remembering or concentrating, washing or dressing, communicating, upper body strength, manual dexterity, anxiety, or depression.

## **Income definitions**

### **Total personal income**

Total personal income is income from all sources for the financial year. It is collected using the New Zealand standard for classification of sources of personal income. Total personal income includes income from: employment (wages and salaries and self-employment income), financial or non-financial investment (eg ownership of assets), and current transfers received (social assistance and transfers from other households). It includes both taxable and non-taxable income. These sources of income are further defined here.

### **Wages and salaries**

Wages and salaries consist of income received from all current and previous wage and salary jobs held over the reference period. This includes any job-related bonuses, commissions, redundancies, or other taxable income such as honoraria or directors' fees.

### **Self-employment income**

Self-employed income is the combined income received from self-employment activities. This could include net profit or loss received, wages or salaries, or lump sum payments from all current and previous self-employment jobs held over the reference period. It includes drawings (cash or goods the respondent takes from the business instead of a 'wage').

### **Investment income**

Net profit or loss received from investments. Investments captured in this collection are rent, rents from Māori land or other leased land, dividends from New Zealand companies, royalties, or interest from: banks, other financial institutions, bonds, stocks, money-market funds, debentures, or securities.

### **Private superannuation income**

Private superannuation income includes income received from both job-related superannuation schemes and other private schemes but excludes income from NZ Superannuation.

### **New Zealand Superannuation and war pensions**

This covers NZ Superannuation, and veteran's, war disablement, and surviving spouse pensions.

## **Other government benefits**

Includes main benefits (eg jobseeker support, sole parent support, supported living payment), and student allowances, emergency benefits, and supplements (accommodation supplement).

## **Other sources of regular and recurring income**

This includes income received from trusts, annuities, alimony, educational scholarships, and income protection insurance.

## **Irregular income**

Includes income from inheritances, matrimonial settlements, lump-sum life insurance pay-outs, lump-sum bursaries and prizes, and gifts of money from other New Zealand households.

## **Disposable personal income**

Disposable personal income is the total of total personal income (defined above) plus tax credits, less ACC levy, less tax payable.

## **Tax credits**

Working for Families tax credits and Independent Earner tax credit.

## **Accident Compensation Corporation levy**

ACC levy is calculated using the appropriate ACC rate, maximum ACC-leviable income, and wage and salary and self-employed income.

## **Tax payable**

Tax payable is calculated by applying the appropriate tax scales to taxable income.

## **Total household income**

Total household income is the sum of total personal income for all members in a household who are 15 years and over.

## **Disposable household income**

Disposable household income is the sum of disposable personal income for all members in a household who are 15 years and over.

## **Equivalence scale**

We adjust disposable household income for household size and composition to allow living standards to be compared across households. This is equivalisation.

Equivalisation reflects the two common-sense notions that:

- a larger household needs more income than a smaller household for the two households to have similar standards of living (all else being equal)
- there are economies of scale as household size increases.

We use the modified OECD scale for the measures a, b, e, f, g, h, and j (see [Child poverty measures](#)). This scale, when applied using a single-person household as the base, assigns a value of 1.0 to the first adult in the household, 0.5 to each additional adult member (anyone 14 years and older), and 0.3 to each child.

We will also produce measure 'a' (the 50 percent before-housing-costs measure) using the square root scale so that we can report to OECD. This is calculated by taking the square root of the number of people in the household.

[Measuring child poverty: Equivalence scale](#) has more information.

## **Equivalised disposable household income**

We divide disposable household income by the scale factor calculated for each household to give equivalised disposable household income.

## **Housing costs**

Total housing costs consist of expenditure on: mortgage payments, rent payments, property rates payments, and payments associated with building-related insurance.

### **Mortgage payments**

Mortgage payments consist of mortgage principal repayments, mortgage interest payments, and application and service fees for mortgages.

### **Rent payments**

Rent payments include rent paid for primary property and for other properties, and other payments connected with renting – that is, bonds paid in the last 12 months, ground rent, and easements.

### **Property rates payments**

Property rates payments include both regional and local government rates.

### **Building-related insurance**

A household has expenditure on building-related insurance when it pays premiums to an insurance company or broker for coverage in the event of damage occurring to a dwelling.

## **After-housing-costs income and equivalised after-housing-costs income**

After-housing-costs income is disposable household income after subtracting housing costs.

Equivalised after-housing-costs income is the after-housing-costs income that has been equivalised. This provides a measure of the income available to households after paying for housing.

## **Fixed-line measure**

Measure 'b' (low income: less than 50% median equivalised disposable household income after housing costs for the base financial year) uses a fixed-line approach. This approach sets an income threshold for a particular base year and keeps this threshold constant, while adjusting for inflation – that is, thresholds are based on 50 percent of the median income in the base financial year and are held constant in real terms over other years (ie inflation adjusted).

## **Base financial year**

The initial base financial year for the fixed-line measure is set to the financial year 2017/18. The base financial year will be reviewed every 10 years unless economic circumstances make it necessary to change before the 10 years are up.

## **Inflation adjustment**

We will use the household living-costs price index income quintile 1 (after removing housing costs) for inflation adjustment of the fixed-line measure.

[Household living-costs price indexes: Background](#) has more information.

[Measuring child poverty: Fixed-line measure](#) has further details.

## **Material hardship**

Measures c, i, and j report on material hardship. Material hardship is defined using MSD's DEP-17 index.

[The appendix](#) describes the 17 questions included in the DEP-17 index.

[Child poverty: Material hardship](#) has more information about DEP-17 and measuring material hardship.

[The material wellbeing of New Zealand households: trends and relativities using non-income measures](#) explains the development of the DEP-17 index.

## **Material hardship threshold**

A household is defined as being in material hardship if the respondent scores six or more lacks from the 17 items.

## **Severe material hardship threshold**

A household is defined as being in severe material hardship if the respondent scores nine or more lacks from the 17 items.

## **Statistical definitions**

### **Deciles**

Deciles are formed by dividing the population into 10 equal groups, from lowest to highest. The bottom decile (decile 1) is the lowest 10 percent of the population, while the top decile (decile 10) is the highest 10 percent.

### **Median**

The point where half the population is above and half below the stated amount.

### **Quintiles**

Quintiles are formed by dividing the population into five equal groups, from lowest to highest. The bottom quintile (quintile 1) is the lowest 20 percent of the population, while the top quintile (quintile 5) is the highest 20 percent.

## References

New Zealand Government (2018). [Child Poverty Reduction Act 2018](http://www.legislation.govt.nz). Retrieved from www.legislation.govt.nz.

Ministry of Social Development (MSD) (2018). [The material wellbeing of New Zealand households: trends and relativities using non-income measures](http://www.msd.govt.nz). Retrieved from www.msd.govt.nz.

Stats NZ (2016). [Household living-costs price indexes: Background](http://www.stats.govt.nz). Retrieved from www.stats.govt.nz.

## Appendix 1: DEP-17 questions and scoring

Category	Question introduction	Question
<p>Enforced lack of essentials (an enforced lack is when the item is not had because of cost.</p> <p>Score = 1 if enforced lack, 0 otherwise</p>	<p>I'm now going to ask you about some things you may or may not have or do. Do you have</p>	a meal with meat, fish or chicken (or vegetarian equivalent) at least each second day?
		two pairs of shoes in a good condition that are suitable for your daily activities?
		suitable clothes for important or special occasions?
		home contents insurance?
		give presents to family or friends on birthdays, Christmas or other special occasions?
<p>Economising behaviours</p> <p>(not at all, a little, a lot)</p> <p>Score=1 if "a lot", 0 otherwise</p>	<p>I'm now going to read out a list of things some people do to help keep costs down. This is not about choosing to spend less. It is about being forced to keep costs down to pay for other basic things that you need. In the last twelve months have you had to do any of these to keep costs down?</p>	go without fresh fruit or vegetables?
		buy cheaper cuts of meat or buy less meat than you would like?
		postpone or put off visits to the doctor?
		postpone or put off visits to the dentist?
		do without or cut back on trips to the shops or other local places?
		put up with feeling cold?
		delay replacing or repairing broken or damaged appliances?
<p>Restrictions</p> <p>(not at all limited, a little limited, quite limited, very limited)</p> <p>Score=1 if very limited, 0 otherwise</p>	<p>When buying, or thinking about buying, clothes or shoes for yourself</p>	how much do you usually feel limited by money available?
<p>Restrictions</p> <p>(yes, no)</p>		If you (or your partner) had an unexpected and unavoidable expense of \$500 in the next week, could you pay in a month without borrowing?

Score =1 if no, 0 otherwise		
Financial stress and vulnerability  (not at all, once, more than once)  Score = 1 if more than once, 0 otherwise	In the last twelve months, have any of the following happened to you (or your partner) because of a shortage of money?	You could not pay electricity, gas, rates or water bills on time?
		You could not pay for car insurance, registration or warrant of fitness on time?
		You borrowed from friends or family to meet everyday living costs?



Crown copyright ©

[See Copyright and terms of use](#) for our copyright, attribution, and liability statements.

**Citation**

Stats NZ (2021). *Measuring child poverty: Concepts and definitions (second edition)*. Retrieved from [www.stats.govt.nz](http://www.stats.govt.nz).

ISBN 978-1-99-003238-7 (online)

**Published in February 2021 by**

Stats NZ Tatauranga Aotearoa  
Wellington, New Zealand

**Contact**

Stats NZ Information Centre: [info@stats.govt.nz](mailto:info@stats.govt.nz)

Phone toll-free 0508 525 525

Phone international +64 4 931 4600

[www.stats.govt.nz](http://www.stats.govt.nz)