



21 September 2021

[REDACTED]
[REDACTED]
[REDACTED]

Ref: OIA-2021/22-0044

Dear [REDACTED]

Official Information Act request relating to advice received re child support system

Thank you for your Official Information Act 1982 (the Act) request received on 27 July 2021. You requested:

“This is an Official Information Act request for any advice provided to any minister by DPMC or requests or advice received from ministers about early childhood education in the past five years.

This includes any research or modelling done by DPMC on the impact of childcare subsidies and potential subsidies, and any research or reports done by or for the child poverty unit into ECE and the ECE sector.”

And

“This is an Official Information Act request for any advice provided to or received from any minister about the child support system in the past five years.

This includes any research or modelling done by DPMC on the impact of passing on the child support money to the parent instead of withholding it to pay benefits, and any research or reports done by the child poverty unit into child support.”

On 10 August 2021, we contacted you to clarify details of your request, including that you had made similar requests to other relevant agencies, and as such no partial transfers would be required. You also confirmed you were seeking information for the full five-year period and are not just seeking advice provided during the tenure of the current Government.

The time frame for responding to your request was extended under section 15A of the Act by 20 working days because it necessitated a search through a large quantity of information [before a decision could be made on the request. Following this extension, I am now in a position to respond.

Information being released

I have decided to release the relevant parts of the documents listed below, subject to information being withheld as noted. The relevant grounds under which information has been withheld are:

1. section 9(2)(a), to protect the privacy of individuals
2. section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials

Item	Date	Document Description/Subject
1.	13/11/2021	Briefing: Making Progress on Your Child Poverty Targets And Policy Priorities
2.	17/06/2021	Aide-Memoire: Release of UNICEF Innocenti Report on Childcare

Appendix Two of the Aide Memoire *Release of UNICEF Innocenti Report on Childcare* is a copy of UNICEF's Report, which is publicly available at the following link:

www.unicef-irc.org/publications/pdf/where-do-rich-countries-stand-on-childcare.pdf

Appendix Three of the same Aide-Memoire is a copy of UNICEF New Zealand's Media Release on the report, which is publicly available at the following link:

www.unicef.org.nz/stories/affordable-quality-childcare-inaccessible-in-many-of-worlds-wealthiest

Some briefings provided to the Prime Minister by the Department of the Prime Minister and Cabinet's Policy Advisory Group have been identified as relevant to your request. These briefings are provided to the Prime Minister in confidence, to support her as leader of the Government and chair of Cabinet. These briefings are withheld in full under the following sections of the Act:

- Section 9(2)(f)(iv) to maintain the confidentiality of advice tendered by or to Ministers and officials; and
- Section 9(2)(g)(i) to protect the free and frank expression of opinion by officials.

One further document has been identified relevant to your request which I am seeking final feedback on, and will endeavour to provide to you as soon as possible.

You have the right to ask the Ombudsman to investigate and review my decision under section 28(3) of the Act.

This response will be published on the Department of the Prime Minister and Cabinet's website during our regular publication cycle. Typically, information is released monthly, or as otherwise determined. Your personal information including name and contact details will be removed for publication.

Yours sincerely



Clare Ward
Executive Director, Child Wellbeing and Poverty Reduction



Briefing

MAKING PROGRESS ON YOUR CHILD POVERTY TARGETS AND POLICY PRIORITIES

To: Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction			
Date	13/11/2020	Priority	MEDIUM
Deadline	18/11/2020	Briefing Number	DPMC-2020/21-231

Purpose

1. This report provides more detail on specific aspects of the high-level Briefing to the Incoming Minister (*DPMC-2020/21-235 refers*), which we recently provided to you. It covers:
 - key timeframes for, and progress to date on, the Government's child poverty reduction targets, noting the considerable uncertainty about the impacts of COVID-19 on the measures. A high-level overview of the measures and targets is attached - you may wish to forward this to other Ministers so that they are aware of the current status of this Government priority;
 - upcoming decisions and reporting on the targets and measures;
 - work we have underway or are proposing to do to improve the measurement framework and how it is communicated, so it better achieves its intended objectives;
 - our initial advice on the main areas for the Government to focus on in order to continue to make progress towards your ten-year targets, particularly in light of the impacts of COVID-19; and
 - proposals regarding the establishment of a clear and agreed cross-portfolio work programme to reduce child poverty, and the Child Poverty Unit's role in supporting this work.

Executive Summary

2. Important actions in the coming months include setting your next round of three-year targets and determining the policy areas that you will focus on in order to make progress towards your ten-year targets. We suggest you focus on a small number of areas that will make the biggest difference, and that you set clear expectations with Ministers and agencies regarding the actions and initiatives the Government will progress to achieve its child poverty reduction objectives.
3. In the context of the COVID-19 recovery, and in order to maximise the impact of work underway (such as the welfare overhaul) and your manifesto commitments on child poverty, we suggest a focus on the following:
 - **employment:** maintain a focus on supporting people (particularly women and sole parents) into employment and /or training; improve affordability of early learning and childcare for low income families, and 9(2)(f)(iv)
 - **income adequacy:** as part of the welfare overhaul, make adequacy-focused changes to Working for Families and/or benefit levels, 9(2)(f)(iv)
 - **housing:** in addition to existing work programmes on public housing and homelessness, you could consider a specific focus on improving the availability of affordable private rental housing for those on low incomes; and
 - **debt:** address debt to government, particularly debt created through the welfare system, and expand access to safe credit.
4. Addressing child poverty requires deliberate and concerted efforts across multiple Ministerial portfolios and agencies. We therefore recommend you take a paper to Cabinet that seeks agreement to the actions and initiatives the Government will progress in order to meet its targets. We also suggest that you forward the attached overview of the child poverty measures, targets and progress to-date to relevant Ministers, to support a common understanding amongst Ministers of the current status of this Government priority. We can work with your office to do this.
5. As a small team, the Child Poverty Unit must be strategic and selective in the activities we undertake, and look to other agencies to provide detailed advice on the specific policies and programmes that will deliver on the Government's child poverty objectives. To this end, we propose the following areas of focus for the Unit's work programme, which we would like to confirm with you:
 - **meeting the specific requirements of the Child Poverty Reduction Act:** this includes providing you with advice for the review of current targets and the setting of new targets, and on progress towards the targets. We will also maintain our role in 'business as usual' activities (e.g. advising on Stats NZ's annual reporting, supporting the Treasury's Budget day reporting on child poverty, annual reporting on the Child Poverty Related Indicators, and monitoring and reporting through the Child and Youth Wellbeing Strategy);

- **strengthening the measurement framework for child poverty reduction:** working with relevant agencies to explore opportunities to improve the way child poverty data is collected and reported;
- **providing strategic advice on the Government’s approach to reducing child poverty:** supporting you to establish an agreed whole-of-government work programme for reducing child poverty, so that lead Ministers and agencies are clear about their role and contribution to delivering on the Government’s targets;
- **contributing to advice in selected policy areas:** we propose to work closely with other agencies on high impact areas in which we can add value, taking a selective approach to our role and level of involvement in other policies and initiatives; and
- **assisting with public understanding of the framework:** we have identified a need for more accessible, easily understood public-facing information about the legislation, the measurement framework, and progress in reducing child poverty. We propose to play a greater role here, particularly by improving the information we make available on our website.

Recommendations

We recommend you:

1. **forward** a copy of the attached overview of the child poverty measures and progress to selected Ministers (i.e. Minister of Finance, Minister for Children, Minister of Housing, Minister of Education, Minister for Social Development and Employment, and the Minister of Revenue)

YES / NO
2. **indicate** if there are any other Ministers to whom you would like the attached overview to be forwarded


YES / NO
3. **note** that you will need to take a paper to Cabinet early in 2021, to agree the interim targets for the next three-year period (covering 2021/22 to 2023/24), as these must be gazetted by June 2021.
4. **direct** officials to provide further advice to inform a Cabinet paper (or papers) in early 2021 to seek agreement to the targets, and to the policies and initiatives the Government will progress in order to meet its child poverty reduction targets

YES / NO
5. **note** that we suggest a focus on four broad policy areas, and some specific settings and programmes within them, in order to further reduce child poverty: employment (particularly for women and sole parents); income adequacy; housing; and debt

IN CONFIDENCE – NOT GOVERNMENT POLICY

6. **note** that we propose the Child Poverty Unit plays a more active role in supporting public understanding of child poverty, such as through providing additional web-based information on the legislation, the measurement framework, and progress in reducing child poverty
7. **discuss** the contents of this briefing with officials at a meeting scheduled for Thursday 19 November.

YES / NO

 Kristie Carter Director, Child Poverty Unit Department of the Prime Minister and Cabinet
...12/11.../2020

Rt Hon Jacinda Ardern Prime Minister Minister for Child Poverty Reduction
...../...../2020

Contact for telephone discussion if required:

Name	Position	Telephone		1st contact
Kristie Carter	Director, Child Poverty Unit	9(2)(a)	9(2)(a)	✓
Barbara Annesley	Principal Analyst, Child Poverty Unit			

Minister's office comments:

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to

MAKING PROGRESS ON YOUR CHILD POVERTY TARGETS AND POLICY PRIORITIES

Next steps in implementing the child poverty framework

6. You are very familiar with the child poverty measurement framework, targets, policies implemented, and progress to date. As a brief recap, the key timeframes for the target periods are as follows:
 - We are now in the third and final year of the first target period - the first round of three-year targets covers the 2018/19, 2019/20, and 2020/21 financial years.
 - The period for the second round of three-year targets covers the 2021/22, 2022/23, and 2023/24 financial years. You need to set the targets for this period by June 2021.
 - After that second target period ends, there will be one more three-year target period (2024/25, 2025/26 and 2026/27 financial years) before the ten-year targets are due to be achieved in 2027/28.
7. A summary of key information about the child poverty measurement framework and progress towards the targets is attached to this briefing (**Attachment A**). You may wish to forward this to relevant Ministers, so they are aware of the current status of this Government priority. We can work with your office to distribute the overview to Ministers.
8. There are some important milestones and deliverables in the first half of 2021, which we will provide you with advice on early in the year. These include:
 - **The release in February 2021 of the Stats NZ report** on child poverty rates for the 2019/20 year;
 - **The required review of the current three-year targets.** Under the Child Poverty Reduction Act you are required to undertake a review of your targets at some point during the period they cover - so the first round of three-year targets must be reviewed by June 2021. The legislation does not explicitly state what kind of review must take place - and our current thinking is that it could reflect on the process of setting the first targets, what we have learned since then, and the impact of COVID-19. The review could also include consideration of the level of the ten-year targets, if you wish.
 - **Setting targets for the next three-year period (2021/22 - 2023/24).** These needs to be agreed by Cabinet and formally gazetted by June 2021. Due to the timing of data availability, you will need to set interim targets before baseline data for 2020/21 is available from Stats NZ in February 2022. These 'interim' targets can be confirmed once baseline data is available (although the interim targets would still need to be officially gazetted). The Child Poverty Unit will work with the Ministry of Social Development (MSD) and the Treasury to provide our 'best estimate' of the baseline for the interim targets, drawing from modelling and other sources.
9. It would be good to have an early discussion with you about how we can best support you to set the next three-year targets at the right level, and ensure there is a policy work programme in place to enable them to be achieved. We suggest an iterative approach involving written advice and discussions with officials, and between relevant Ministers.

10. For example, we can provide you with an estimated baseline for setting targets, the likely trajectory for rates, and other contextual information. This information could provide the basis for discussions with your Ministerial colleagues about your intentions for the next three years. This would provide a basis for more detailed advice that both reflects and informs the wider government policy work programme, and which could feed into Cabinet decisions. As explained below, a key consideration would be whether you wish to make any further income support changes and the intended scale and timing of any such changes.

Improving the framework for measuring and reporting on child poverty

11. An early priority for the portfolio is considering whether improvements should be made to the monitoring framework under the Child Poverty Reduction Act 2018, and how this relates to Stats NZ's current work to change the way data is collected in order to report on persistent child poverty.
12. As you know, Stats NZ is currently in the process of implementing a new approach to data collection, to enable longitudinal data to be collected from the 2021/22 financial year onwards. The proposed approach involves converting the existing Household Economic Survey (HES) into two different surveys: a new rotating panel survey (to be called the Longitudinal Survey of Income and Housing Costs) and a new stand-alone survey (to be called the Household Expenditure and Wealth Survey). Stats NZ is scheduled to provide an update on progress to joint Ministers in late November.
13. You are also familiar with the significant length of time between real world progress on child poverty, and changes being reflected in annual reporting by Stats NZ. The most recently available data is for the 2018/19 financial year, and even this only shows a partial impact of initiatives implemented in the first year of the last term of Government, including the Families Package. The fuller impact of the Families Package will be shown in the next Stats NZ report in early 2021. This report is unlikely to show much, if any, impact from COVID-19 as Stats NZ suspended its data collection for the HES due to the lockdown.
14. We are working with Stats NZ and MSD on options for addressing 'lags' in data collection and reporting, and expect to be able to provide you with advice by the end of 2020. This will include advice on various options we have explored for changing the approach to the way data is collected and used for reporting on the child poverty measures – through the survey, through administrative data, or both. It will also include other options that could be explored to provide more timely provisional assessments of the impact of Government policy (e.g. making better use of the Treasury's TAWA modelling), either instead of, or alongside, changes to the reporting on the official measures themselves.
15. Another issue we have identified is that commentary and public debate indicates a relatively poor level of understanding and confusion around measures of child poverty and progress towards the targets. While the data lags contribute to this, there may also be scope to improve publicly available information about child poverty, to build greater awareness, and support the legislative intent of political accountability. We would like to discuss with you the role that the Child Poverty Unit can play in strengthening public understanding of child poverty statistics. This is discussed further in paragraph 49 below.

Understanding the impact of COVID-19 on progress towards the targets

16. Prior to COVID-19, modelling and analysis suggested the Government was on track to achieve its three-year child poverty reduction targets. However, the current three-year targets mature in 2020/21 when COVID-19 is likely to have the greatest impact. As a result, we now need to revise our previous assessments of progress in addressing child poverty, to take account of the impacts of COVID-19 on income and material wellbeing, and measures the Government has taken to buffer families from these impacts (e.g. increasing benefits by \$25 per week).
17. Data currently available shows that COVID-19 has had negative economic and employment effects on many families, but particularly those on low-incomes and those already disadvantaged in the labour market. Māori and Pacific people are over-represented in sectors impacted by COVID-19 and in regions that are already less economically resilient, with data showing that, on a per capita basis, Māori and Pacific people have been laid off at a significantly higher rate than New Zealand Europeans since February 2020. Since March, the number of working age people receiving main benefits has increased by around 70,000, and the number of those with children has increased by more than 10,000. Additionally, some households have faced additional short-term financial pressures as a result of COVID-19 movement restrictions limiting their ability to access usual food sources and non-financial support.
18. Evidence from past recessions shows that employment effects can continue to build over time and, for the most vulnerable groups, take a longer to recover from. For example, when economic shocks occur, it can take three to six quarters longer for Māori unemployment to return to 'baseline' levels, compared to non-Māori unemployment rate recovery.
19. Our initial advice to you in July 2020 (*DPMC-2020/21-10 refers*) was that due to COVID-19 it was unlikely that the current three-year targets will be met on all three measures, but there remains considerable uncertainty in this assessment. The implications of COVID-19 for your long-term targets are even more uncertain as the impacts on measured child poverty are highly dependent on the length and depth of recession, the speed of recovery, and (for moving line measures such as 50 percent of before-housing-costs) changes in median income. The economic outlook continues to evolve: the Treasury's economic forecast as part of 2020 Pre-election Economic and Fiscal Update (PREFU) stated that the near-term economic outlook is less negative than that contained in the Budget Update, but the medium-term outlook is weaker.
20. We are currently working with other agencies to update our assessment of the actual and expected impact of COVID-19 on child poverty and have requested modelling from the Treasury using the PREFU forecast and more up-to-date HES data. We will provide you with updated projections to you as soon as we have them - likely in late November.

Key policy areas for reducing child poverty

21. The Labour Party manifesto restates your commitment to addressing child poverty, by supporting people into meaningful and sustainable work, making sure income support allows people to live with dignity, and addressing the housing shortage. Within these broad areas, you've identified a number of specific manifesto commitments. You have also identified a range of actions aimed at reducing the cost of living for Kiwi families, which is

key to reducing rates of material hardship. These commitments all contribute to the Government's overarching priority of a COVID-19 recovery for all New Zealanders.

22. Your manifesto commitments represent a significant work programme that has the potential to shift child poverty rates closer to your targets. The extent of the actual impact will depend on detailed policy design, the scale and timing of the changes implemented, and wider factors (e.g. success of the COVID-19 elimination strategy; changes in median income; global economic conditions). Your approach to reducing child poverty also needs to include actions to achieve reductions in the three-year target timeframes, while also establishing the necessary preconditions to meet your ten-year targets.
23. In the context of the COVID-19 recovery, your manifesto commitments, and work already underway (e.g. the welfare overhaul), we suggest a focus on the following broad policy areas, and specific settings and programmes within them:
- **employment:** maintain a focus on getting people into employment and/or training; ensure appropriate employment support for women, particularly sole parents; improve affordability of early learning and childcare for low income families; 9(2)(f)(iv)
 - **income adequacy:** as part of the welfare overhaul, make adequacy-focused changes to Working for Families and/or benefit levels, 9(2)(f)(iv)
 - **housing:** in addition to existing work programmes on public housing and homelessness, we suggest a specific focus on improving the availability of affordable private rental housing for those on low incomes; and
 - **debt:** address debt to government, particularly debt created through the welfare system, and expand access to safe credit 9(2)(f)(iv)
24. We elaborate on these areas and opportunities to progress them, below.

Employment, with a particular focus on women and sole parents

25. In a previous briefing on child poverty in sole parent families (*DPMC-2019/20-293 refers*) we noted that this group makes up almost half of all children in poverty, and the bulk (currently 82 percent) of children in families supported by benefits. Poverty rates amongst children in sole parent families are almost four times those of children in two-parent families. Reducing child poverty amongst this group is likely to have a material impact on overall child poverty rates.
26. Sole parents and many women with caring responsibilities are more exposed to the adverse and scarring effects of recessions (as we are currently experiencing as a result of COVID-19), which can lock in long-term unemployment, contribute to poverty traps, and increase rates of child poverty. Labour market participation rates of Māori and Pasifika women have fallen significantly since February this year: of the drop of 15,000 women in the labour force to June 2020, 69 percent were Māori and/or Pasifika. The number of women receiving Sole Parent Support increased by 6,245 or 10.4 percent at the end of October 2020, compared with the October 2019 quarter, and MSD data also shows a reduction in the normal rate of exit from the benefit. Numbers receiving Sole Parent or Jobseeker Support are likely to

continue to increase as the Covid-19 Income Relief Payment (CIRP) winds up and current wage subsidies come to an end.

27. Women also make up 70 percent of the part-time workforce, with recent Household Labour Force Survey (HLFS) data showing significantly more women than men are under-employed and wanting more hours of work. Caring responsibilities, and disincentives to part-time employment (such as high childcare costs, and loss of income from the abatement of other income support), are significant barriers to raising the incomes of working families by increasing the hours worked by one or both parents.
28. The Government's COVID-19 recovery plan has a strong focus on retaining jobs, creating employment, and supporting people who have lost their jobs to find employment or take up education and training to develop new skills. Work in this area is being overseen by the Employment, Education and Training Ministers Group. You have also committed to expanding the Flexi-Wage subsidy, extending the scope of the Training Incentive Allowance, removing the subsequent child policy, and changing abatement rates to allow people to work more hours before their benefit reduces. These are important policies for improving immediate and longer-term incomes of sole parent households.
29. We have identified several areas of work which could be prioritised in order to further reduce child poverty through a focus on women's employment:
- **employment support and active labour market policies:** identify opportunities to create and retain jobs in sectors where women are the majority employees, and ensure employment assistance is effective for women, particularly sole parents. Recent job creation and education and training initiatives have targeted male-dominated industries and occupations (e.g. primary industries, trades) with limited application in sectors and occupations in which women are heavily represented (e.g. retail, accommodation and hospitality) and which have been disproportionately impacted by COVID-19.
 - **childcare / early learning:** examine the policy settings that support affordability and access to early learning and childcare for low income families. MSD-provided childcare assistance has not kept pace with costs and is administratively complex: opportunities to improve the adequacy and accessibility of this assistance are being considered as part of the welfare overhaul. Early learning funding provided through the Ministry of Education includes a relatively small targeted component to support children from low-income families. Your manifesto commitment to implement the Equity Index in the early learning sector, and increase the proportion of funding allocated on this basis, presents an opportunity to improve participation in high quality early learning services by children from disadvantaged families.

- **Working for Families:** 9(2)(f)(iv)

9(2)(f)(iv)

9(2)(f)(iv)

30. The work programme of the joint Employment, Education and Training (EET) Ministerial Group, and the welfare overhaul led by the Minister for Social Development and Employment, are the key policy vehicles through which to progress changes that improve women's participation in work, and their net income from employment. You may wish to signal this as a key priority to these Ministers (for example, through letters of expectation to relevant Ministers, and/or through a Cabinet paper on the Government's approach to reducing child poverty, as discussed further in paragraphs 50 to 53 below). Work on parental employment would complement the 'wellbeing for 0-6 year olds' work underway as part of the Child and Youth Wellbeing Strategy, which is focused on strengthening the core services for parents, children and whānau in the early years.

Income adequacy

31. Measures to support income adequacy will need to continue to be a key part of the Government's approach to reducing child poverty. Employment support and active labour market policies are critically important to your child poverty reduction efforts but, on their own, are unlikely to achieve the large-scale reductions needed to meet your targets. As previously noted by Cabinet (*CBC-17-MIN-0048 refers*), substantial income support packages are likely to be required every few years to lift incomes to a level that enables the ten-year targets to be achieved.
32. Despite recent increases to income support (many of which were focused on families with children), there remain issues with the adequacy of incomes for low income parents, particularly those on benefits. Adequacy issues are likely to have heightened importance in the context of COVID-19, as a much larger proportion of families will be reliant on income support, and employment opportunities may be limited for some time. Income support settings can influence the extent of the shock to household income associated with job loss, and the extent to which changes in unemployment rates flow through to measured poverty rates.
33. Ministers have expressed interest in further advice on exploring social unemployment insurance for displaced workers. 9(2)(f)(iv)
- [REDACTED]
- [REDACTED] We will continue to work with relevant agencies to advise you on the expected impact on child poverty of any options considered here.
34. The welfare overhaul continues to be the key work programme through which you can deliver meaningful improvements in the incomes of households with children. We recommend your child poverty objectives continue to have high priority within the welfare overhaul. Alongside consideration of more general benefit increases, we suggest early attention be given to two areas in particular:
- the **review of Working for Families**: this represents a significant opportunity to improve income adequacy for low-income households, and you could explore adequacy-focused changes alongside changes to the design of assistance. 9(2)(f)(iv)
- [REDACTED]

9(2)(f)(iv)

- the planned review of **hardship assistance**: areas for particular consideration include your manifesto commitment to increase Special Needs Grants for dental care; 9(2)(f)(iv)

35. The timeframes¹ for income support changes to flow through into measured child poverty mean that Budget 2021 will be a key budget for any income support changes to impact within the second three-year target period. Budget 2022 initiatives will have only a partial impact on reported rates for the second three-year target period - though this depends to some extent on current work to address current measurement and reporting lags.
36. With this in mind, you could consider making 'reducing and mitigating child poverty' a key priority for Budget 2021. This would address the timeframe considerations noted above, help to recover ground that has been lost due to COVID-19, and ensure you continue to make progress to reduce child poverty over this term of Government.
37. We recognise the challenges of significant income support increases in the context of the fiscal impact of COVID-19 on government revenue and expenses. There may also be opportunities to ensure your infrastructure and other investments do 'double duty' in reducing child poverty while also achieving their objectives (e.g. by using social procurement approaches to contracting, and by prioritising low income families and communities in the targeting or phasing of initiatives).

Housing and debt

38. Housing costs and household debt continue to be significant drivers of child poverty, as they represent significant areas of expenditure for the vast majority of households, but particularly for those on low incomes. For example, in 2018/19, over half of children living in low income (quintile 1) families spent more than 30 percent of the household income on housing costs, and just under one in three (30 percent) spent more than 50 percent. Based on an initial analysis by a financial capability service provider, clients are spending (on average) around 15 percent of their disposable income on servicing 'priority' debt (excludes mortgages and unsecured loans).
39. We expect housing and debt-related cost pressures to increase in the context of COVID-19. Families usually have limited scope to adjust housing costs when faced with a reduction in income, leading to increased poverty on after-housing cost and material hardship measures. As people face pressure on their finances due to job losses or under-employment, there is an increased risk of debt becoming a problem for many families.

¹ We have assumed standard implementation timeframes (e.g. benefit changes taking effect from 1 April of the year following Budget announcements), but it is possible that some changes may be able to be implemented more quickly than this. We have also assumed no change to data collection and reporting methods.

40. Work on these issues began during your previous term in government. It includes the provision of funding for 17,000 public and transitional houses, a wide-ranging action plan focused on tackling homelessness, recent work on consumer credit aimed at addressing harmful practices by private lenders, cross-agency work on debt to government, and a review of hardship assistance as part of the welfare overhaul.
41. Ongoing work programmes on housing and debt would benefit from the application of an explicit child poverty 'lens' when identifying priorities, and as a core-criteria for assessing policy options. Within these two broad areas, we suggest the following specific areas of focus:
- **affordable housing for those on low incomes, with a particular focus on rental costs:** including a strong focus on policies that are earlier in the 'housing continuum', particularly those related to the supply, affordability and stability of private rental housing. Around half of children in poverty live in private rented accommodation (with a further 20 percent in public housing). Officials in the Ministry of Housing and Urban Development (MHUD), MSD, and the Treasury are best placed to advise on how to expand private rental supply and address affordability issues, but you may wish to discuss with relevant Ministers how to ensure a sustained focus on this issue.
 - **reducing debt and providing access to safe credit:** continue to progress efforts to identify opportunities to address debt to government, particularly debt created through the welfare system. ^{s9(2)(f)(iv)}

The Child Poverty Unit continues to lead cross-agency work on debt to government. As discussed with you previously, we are also working with other agencies to consider opportunities to expand access to safe and affordable credit, ^{s9(2)(f)(iv)}

We will provide you with further advice on material hardship

42. As you know, Stats NZ reporting to date indicates no change in measured child material hardship since the establishment of the targets. We expect to see some impact from the Families Package in next year's reporting, but this cannot be modelled, and there is considerable uncertainty about the scale of this impact. We have previously advised (*DPMC-2020/21-10 refers*) that levels of child material hardship are likely to increase as a result of COVID-19.
43. People's experience of material hardship is subject to a range of influences, including: income; the cost of household essentials (e.g. housing, food etc); needs-related factors (e.g. health and disability related costs); wealth (e.g. assets and savings); and other non-income factors (e.g. financial capability, access to family and community support). There is often a lag in increased income flowing through to improved day-to-day material circumstances.
44. As well as addressing the key areas above (income adequacy, housing, debt), reducing material hardship is likely to require an increased focus on the following areas:

- **the cost of essential household goods and services:** the Government has made changes to reduce child-related costs for families. A broader focus on reducing general household costs can free up money to spend on other necessities, reduce financial stress, and improve the health and wellbeing of adults with dependent children. Relevant policies include in-kind and subsidised services for low income adults (e.g. dental costs, costs and services covered by the Community Services Card), and regulatory settings that affect the cost of essentials (e.g. power, transport, food).
 - **policy settings that help buffer people against shocks:** relevant policies include those that help to address the causes of persistent low income (e.g. ongoing health / disability issues, low skills and / or qualifications) and improve the ability of low-income earners to accumulate savings and assets (e.g. asset-test settings for income support, including hardship and emergency assistance).
 - **'social infrastructure' that strengthens community and informal networks and support:** high trust, connected communities, informal networks, and local programmes and facilities can increase resilience and enable people to better manage within the resources they have available (e.g. by providing access to amenities, low or no-cost food, and informal support, and by facilitating engagement with more formal support systems).
45. We intend to provide you with more detailed advice in early December on material hardship. This will consider the range of factors that influence measured child material hardship, policies that could help shift the rates on this measure, and relevant workstreams through which potential gaps and opportunities in current policy settings could be addressed (e.g. Department of Internal Affairs-led work on community-hubs; and work under the Child and Youth Wellbeing Strategy on mitigating the impact of poverty and socio-economic disadvantage, and whānau-centred services).

Confirming the Child Poverty Unit's work programme

46. As a small team, the Child Poverty Unit, needs to be strategic and selective about what we work on and how we engage with other agencies. We want to strike the right balance between leading or partnering on policy development, and providing second opinion advice and contributions at critical points in the policy process. We see other agencies as having an important role in providing detailed advice on specific policies that will deliver on the Government's child poverty objectives.
47. Looking ahead, we see our core role and focus as three-fold: leading work to give effect to the legislative framework; providing strategic advice on the approach to reducing child poverty; and 'leaning in' to policy areas as necessary. These are discussed further below. We would appreciate the opportunity to discuss these with you, as a basis for developing our detailed forward work programme.

Giving effect to the legislative framework

48. An important focus for the Child Poverty Unit over the next year will be supporting actions and decisions relating to the measurement and reporting of child poverty, in line with legislative requirements. In addition to advising you matters relating to the targets and improving the child poverty measurement framework, we will also support Stats NZ annual reporting, the Treasury's Budget day reporting on child poverty, annual reporting on the Child Poverty Related Indicators, and monitoring and reporting through the Child and Youth

Wellbeing Strategy (including the planned report backs to Cabinet on the five policy priority areas under the Strategy).

49. We are aware that the complex nature of the measurement framework creates challenges in communicating it to key stakeholders and the public, and believe that we can better support you as Minister by playing a more active role in this area. This could be through (for example) a public-facing web-presence that provides providing accessible, easily understood information about the legislation, the measurement framework, different aspects of child poverty, relevant actions underway, and progress in reducing child poverty.

Strategic advice on the whole-of-government approach to reducing child poverty

50. We will continue to provide you with advice on what's needed to address child poverty in New Zealand and meet the Government's targets. This will be informed by our ongoing analysis of evidence and data related to the determinants and characteristics of poverty in childhood, and about 'what works' to reduce and mitigate the impacts of child poverty.
51. As indicated earlier, concerted and collective efforts are needed across multiple Ministerial portfolios and agencies in order to make progress on all three targets. This highlights the importance of ensuring other Ministers and agencies are clear about the role they and their agencies play in delivering on the Government's commitments in this area.
52. You may wish to consider taking a paper to Cabinet in early 2021, to seek agreement to the key actions and initiatives the Government is going to progress in order to meet its child poverty reduction targets and make improvements on its Child Poverty Related Indicators (CPRIs). This advice could be provided ahead of, or alongside, the paper seeking Cabinet decisions on the next set of three-year targets. A paper seeking decisions could be preceded by more strategic scene-setting advice to the appropriate Cabinet committee (e.g. Cabinet Priorities Committee or Social Wellbeing Committee), and / or a discussion with key portfolio Ministers.
53. It would be useful to discuss this suggestion with you as part of our proposed discussion about the process for target setting. Cabinet decisions would help establish clear expectations for Ministers and agencies about the key policies and initiatives the Government intends to pursue in order to achieve its three-year and ten-year targets. They would also provide the Child Poverty Unit with clear direction and mandate to inform our engagement with other agencies.

'Leaning in' to policy areas as needed

54. We will continue to work closely with other agencies on high priority, high impact areas in which we have expertise, and can add value. In some cases, we can also play a role in catalysing or coordinating work for which there is no clear or existing lead agency.
55. We are proposing to adopt the following approach to our involvement in the development of policies and initiatives to reduce child poverty:
- continue to prioritise and work in partnership with MSD, Inland Revenue, and the Treasury on the review of Working for Families, and the welfare overhaul;

IN CONFIDENCE – NOT GOVERNMENT POLICY

- continue to provide input into the government's employment work programme, with more limited input once priority groups and actions have been agreed by the joint EET Ministerial Group;
- play a more limited role in housing policy, as this is a large and complex work programme for which there is a clear lead agency, as well as dedicated policy teams within MSD, MHUD, and the Treasury;
- continue to coordinate cross-agency work on debt to government;
- adopt a 'watching' role for other areas of policy (e.g. free school lunches, oral health, period poverty) so that we can update you on progress, emerging issues, and / or opportunities to strengthen child poverty impacts; and
- retain some capacity to undertake initial analysis, scoping or cross-agency coordination on specific areas of policy that you may be interested in receiving advice on.

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OVERVIEW OF CHILD POVERTY REDUCTION MEASURES, TARGETS AND PROGRESS TO DATE

The child poverty measurement framework

There is no one single measure of poverty in New Zealand. The Child Poverty Reduction Act 2018 (the Act) specifies ten measures of child poverty – four primary measures, and six supplementary measures, and requires the Government to set three-year and ten-year reduction targets on the primary measures. Each of the measures pick up a different aspect of poverty. Two of the primary measures are income measures, and the third is a non-income measure and relates to material hardship.

The primary measures are:

- a ‘moving-line’ measure, with the poverty threshold being 50% of the median household income before-housing-costs in the year the data is gathered (abbreviated to ‘BHC50’)
- a fixed-line measure with the poverty threshold fixed to 50% of the median income after-housing-costs in 2017/18 (‘AHC50’)
- a material hardship measure, with the poverty threshold set at 6 or more indicators of deprivation on the Dep-17 material deprivation index (see Annex 3).

The fourth primary measure is persistent poverty. Work is currently underway, led by Stats NZ to define this measure and start collecting data. The first set of persistent poverty targets must be set for the financial year commencing on 1 July 2025.

The legislation also requires the Government to identify and report annually on one or more Child Poverty Related Indicators which measure factors that are causes, correlates or consequences of child poverty. Five indicators have been established: housing affordability, housing quality, food insecurity, regular school attendance, and potentially avoidable hospitalisations.

The Government’s targets for reducing child poverty

The Government’s ten-year targets aim to reduce child poverty by at least half, in line with the Sustainable Development Goals. The baseline year for the targets is 2017/18, and the ten-year targets are due to be met in 2027/28. The first three-year target period covers the 2018/19, 2019/20, and 2020/21 years. The current targets are:

Table 1 – Child poverty reduction targets (% of children)

Primary measure	Baseline rate (2017/18)	3-year target rate (2020/21)	10-year target rate (2027/28)
BHC50 moving line	16.5%	10.5%	5%
AHC50 fixed line	22.8%	18.8%	10%
Material hardship	13.3%	10.3%	6%

Reporting on child poverty

Statistics New Zealand (Stats NZ) reports annually on child poverty. The most recent rates published by Stats NZ (see table in **Annex 1**) are from the 2018/19 Household Economic Survey (HES) and show incomes across mid-2017 to mid-2019. This is because the HES is conducted over a twelve-month period, and questions about income relate to the twelve months immediately prior to the questions being asked.

The rates published in 2021 will be for 2019/20. These will still represent the picture pre-COVID-19 and will show the full impact of the Families Package. This and other income support changes made to date are summarised in **Annex 2**.

We will not know if the three-year targets have been met until the Stats NZ release scheduled for February 2022.

Progress towards the targets prior to COVID-19

The Stats NZ report for the 2018/19 year indicated that, prior to COVID-19, the Government was broadly on track to meet its three-year child poverty targets:

- of the nine different poverty measures reported, seven showed decreases (two of which were statistically significant) from 2017/18 baseline rates
- these reductions on the income measures were in line with the Treasury's modelling of the impact of the Families Package and Budget 2019 changes. Reporting timeframes meant that the impact from the Families Package was only partially shown
- while Stats NZ's release did not yet show any reductions for material hardship, there is often a 'lag' in income flowing through to improved day-to-day living conditions.

Modelling of the full impact of the Families Package and Budget 2019 indicated that by 2020/21 the changes were expected to

- reduce the BHC50 measure by 41-66,000 children
- reduce the AHC50 measure by 50-74,000 children.

The impact of COVID-19 on the child poverty targets

The estimated reductions identified pre-COVID-19 are no longer expected to apply, as the economic impacts of the pandemic will increase financial pressure on many New Zealand families. It is too early to say precisely what that means for the child poverty targets, but we can expect that:

- rates on the fixed line after-housing-costs and material hardship primary measures, are likely to rise
- rates on the moving line before-housing-costs primary measure may fall due to the impact of COVID-19 on middle income households
- the impact is likely to be seen in the 2020/21 year – the last year of the first three-year target period (the year we are in now). These rates will be reported in February 2022.

Next steps for the child poverty reduction framework

The first three-year targets must be reviewed, and the next round of three-year targets set, by June 2021. The ten-year targets can be reviewed at the same time, although this is not required by law.

The second set of three-year targets covers the 2021/22, 2022/23, and 2023/24 financial years, with 2020/21 as the baseline year. Officials will need to estimate the likely impact of COVID-19 in 2020/21, as the Government sets its targets as reductions off that estimate.

Upcoming reports on child poverty, as required by the legislation, are:

- the next Stats NZ annual report on child poverty rates (likely to be released in Feb/March 2021), which the Minister for Child Poverty is required to table in the House of Representatives
- the 2021 Budget day report on Child Poverty
- the next monitoring report on the Child Poverty Related Indicators, likely to be published in mid-2021.

Most recent rates of child poverty released by Stats NZ

The table below shows the most recent child poverty rates, as released by Stats NZ in February 2020. Points to note are:

- these are for the 2018/19 HES year and provide the first report on progress against the targets
- data collection and reporting timeframes mean that the release shows only a partial impact from the Families Package
- of the nine different poverty measures reported, seven showed decreases (two of which were statistically significant) from last year’s baseline rates
- while Stats NZ’s release did not yet show any reductions for material hardship, there is often a ‘lag’ in income flowing through to improved day-to-day living conditions.

	2017/18 (number of children)	2018/19 (number of children)	Sample error on change	Annual change
Primary measures				
BHC 50% moving line	16.5 % (183,400)	14.9% (168,500)	1.6	-1.6 ppt (-14,900)
AHC 50% fixed line (2017/18 ref year)	22.8% (253,800)	20.8% (235,400)	2.4	-2.0 ppt (-18,400)
Material hardship	13.3 % (147,600)	13.4% (151,700)	2.6	+0.2 ppt (+4,100)
Supplementary measures				
BHC 60% moving line	25.3 % (281,200)	23.3% (263,400)	1.9	-2.0 ppt (-17,800)
AHC 60% moving line	30.6 % (341,100)	29.0% (328,200)	2.9	-1.6 ppt (-12,900)
AHC 50% moving line	22.8 % (253,800)	21.4% (241,600)	2.4	-1.4 ppt (-12,200)
AHC 40% moving line	15.7% (174,300)	14.8% (167,600)	2.6	-0.8 ppt (-6,700)
Severe material hardship	5.8 % (64,800)	5.8 % (66,100)	1.6	0.0 ppt (+1,300)
Combined AHC 60% and material hardship	8.8 % (98,300)	8.2% (92,300)	2.1	-0.7 ppt (-6,000)

The table below shows rates of poverty by ethnicity for 2018/19. As indicated, rates of poverty for Māori and Pacific children are significantly higher than those for European children.

	European	Māori	Pacific Peoples
BHC 50% moving line	11 % (80,300 children)	19.6% (55,000 children)	21.2% (30,200 children)
AHC 50% fixed line	17 % (124,300 children)	24.7% (69,100 children)	24.7% (35,000 children)
Material hardship	9.8 % (72,700 children)	23.3% (64,200 children)	28.6% (40,600 children)

Government income support changes that impact on child poverty

The Government has implemented a number of policies to increase incomes for the lowest-income families, most notably:

- The Families Package (\$5.5 billion over four years), which increases the incomes of around 384,000 low to middle-income families with children, on average, \$75 a week, through
 - increases to the Family Tax Credit and Accommodation Supplement
 - The introduction of a new Winter Energy Payment
 - The introduction of a new Best Start payment for young children
- Budget 2019 changes, which included
 - the indexation of main benefits to average wage growth,
 - removing the section 192 sanction (which reduced the benefit of sole parents who did not name the other parent), and
 - increasing the amount that beneficiaries can earn before their benefit reduces (\$535.1 million over four years)
- April 2020 announcements, which included
 - an across-the-board benefit increase of \$25 per week,
 - doubling the Winter Energy Payment for 2020, and
 - broadening eligibility for the In-Work Tax Credit.

The following table shows the estimated average weekly increase in income support for beneficiaries resulting from the combination of the above changes. These changes do not include increases from the Winter Energy Payment in the total estimated average weekly gains.

Family type	Number of Families	Family Tax Credit	Best Start	Main Benefit	AS*	Temporary additional support	Total
Couple with Children	12,000	\$44	\$17	\$31	\$25	-\$6	\$110
Sole Parent	85,000	\$34	\$12	\$34	\$29	-\$7	\$101
Couple no Children	14,000			\$30	\$19	-\$5	\$43
Single No Children	204,000			\$28	\$7	-\$2	\$33
Total	315,000	\$11	\$4	\$30	\$14	-\$4	\$55

* AS – Accommodation Supplement



Proportion of population in households with children whose respondent reported an enforced lack of items (for DEP-17), by DEP-17 score HES 2019

Component	DEP-17 score											
	1	2	3	4	5	6	7	8	9	10	11	12+
	Percent											
Meal with meat, fish or chicken	S	1	1	1	1	4	5	11	8	11	14	31
Have good shoes	0	1	2	3	5	8	9	10	16	38	31	63
Have suitable clothes	0	2	4	7	8	17	14	22	30	36	51	67
Able to give gifts	1	2	6	5	18	21	20	33	24	39	52	58
Have home contents insurance	14	23	35	38	45	39	55	59	70	77	71	90
Buy fresh fruit or vegetables	1	2	2	3	5	11	14	23	26	37	44	71
Buy cheaper or less meat	5	15	24	31	43	44	60	67	77	74	83	99
Put up feeling cold	2	5	11	17	27	27	36	37	44	61	64	71
Put off doctor's visits	2	7	15	26	25	41	47	44	52	53	74	83
Put off dentist's visits	33	47	58	71	70	76	83	83	90	93	88	98
Cut back on local trips	4	14	22	31	36	48	56	61	67	80	83	89
Delay replacing/repairing appliances	2	7	12	23	28	36	47	56	59	72	78	85
Could not pay utilities	2	6	12	20	20	33	29	37	52	55	60	79
Could not pay for car	1	4	9	14	23	25	37	43	51	48	63	73
Borrow to meet costs	4	9	16	20	30	43	47	47	68	64	66	81
Limited buying clothes/shoes	6	19	28	37	53	57	63	83	77	77	85	97
Afford unexpected \$500 expense	24	37	43	53	63	71	79	85	88	85	95	97

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Aide-Mémoire

RELEASE OF UNICEF INNOCENTI REPORT ON CHILDCARE

To:	Rt. Hon Jacinda Ardern, Minister for Child Poverty Reduction		
CC	Hon Carmel Sepuloni, Minister for Social Development and Employment Hon Chris Hipkins, Minister of Education		
From:	Child Poverty Unit	Date:	17/06/2021
File Number:	4396214	Briefing Number:	DPMC-2020/21-1130

Purpose

1. This aide-mémoire provides you with a brief summary of, and comment on, an upcoming report by UNICEF's Office of Research – Innocenti, titled *Innocenti Where do rich countries stand on childcare*. The Report is due to be released on Friday 18 June 2021 at 12.00 midday New Zealand time. It is not part of the Report Card series, but rather one of a number of reports Innocenti will publish this year.¹

Overview of the report

2. The Report assesses the national childcare and paid parental leave policies in the 41 high-income countries that are part of the Organization for Economic Co-operation and Development (OECD) and the European Union (EU), referred to as "the rich countries". UNICEF has previously called for a set of family-friendly policies: paid parental leave, breastfeeding support, accessible quality childcare, and child benefits.
3. The league table ranks each country on eight indicators grouped into four dimensions: leave, access, quality, and affordability of childcare. The Report predominantly captures data up to 2018, and therefore precedes more recent policy changes, such as the extension to paid parental leave and the introduction of the Best Start payment, and other current work programmes designed to improve the wellbeing of children and families.
4. We received an embargoed draft of this Report and provided updated information to the Report authors, via UNICEF NZ, but unfortunately it has not been incorporated. We will work with UNICEF NZ to try to address this ongoing challenge with ensuring UNICEF Innocenti Centre is working with up-to-date and accurate information to inform its reports.

¹ The UNICEF Innocenti Report Card series takes a more multidimensional look at child well-being in the world's richest countries and explores a broader range of topics. The next one will be released in 2022.

5. As with past reports by UNICEF, New Zealand is missing from many of the measures, and there is a lack of comparable data on others. This is partly due to the Report's use of measures based on European surveys. It is also unclear from the Report how some results have been calculated, particularly on the affordability of childcare measure.

6. s9(2)(f)(iv)

7. Attached are talking points and further background information on the Report (Appendix One). The full embargoed report is attached at Appendix Two, and the UNICEF NZ media release at Appendix Three.

Key findings of the Report

8. New Zealand ranks 33rd out of the 41 'rich countries' in the League Table overall on the indicators of national childcare policies:

- Quality – New Zealand is towards the top of the league table at number 3, and above countries such as Finland and Denmark
- Access – New Zealand is halfway on the league table at number 22
- Affordability – New Zealand is towards the bottom of the table at number 36
- Leave – New Zealand is number 39, above only Switzerland and the United States.

9. Overall, the Report singles out the United States, Switzerland and Australia as occupying the bottom places of the League Table; with Japan, Romania, Estonia and the Republic of Korea ranking highest on leave entitlements.

10. New Zealand, Denmark, and Finland are singled out in the Report for having the highest quality of childcare, "combining low children-to-staff ratio with high qualifications of caregivers to ensure that children get sufficient attention of trained personnel".

11. However, New Zealand is identified, along with Ireland and Switzerland, as having the least affordable childcare for the middle class.

Comment

Leave – New Zealand is ranked 38th out of 41 countries for paid parental leave, but this does not take into account the recent extensions to the duration of the scheme

12. This Report paints the same picture as last year's Report Card [refer DPMC 2020/21-133], in that it is still based on 2018 data, and therefore the most recent extension to 26 weeks of New Zealand's paid parental leave scheme has not been taken into account.²

13. New Zealand's ranking and the statement that New Zealand (along with Australia, Ireland and Switzerland) offers less than 10 weeks of full pay is based on a comparison of duration of leave 'at full-pay equivalent' (calculated on the basis of the national average wage). This is not an accurate statement for New Zealand if the data were up to date. Based on 26 weeks,

² In 2017, the current Government passed legislation to increase PPL from 18 weeks to 26 weeks in two stages (increasing to 22 weeks from 1 July 2018, and to 26 weeks from 1 July 2020).

New Zealand's full pay equivalent would in fact be over 12 weeks, as PPL is set at roughly half of average weekly earnings (AWE), and increases each year in line with increases in AWEs. The updated data will unlikely shift our placing in the overall rankings if measured on full-pay equivalent rather than number of weeks.

14. Unlike most of the other countries, New Zealand has no separate or ring-fenced fathers' leave – rather it operates as a flexible system where the leave can be either partially or fully transferred to a partner/spouse.

Access and affordability – New Zealand ranks poorly for childcare costs, but the 20 Hours ECE policy is not accounted for

15. Ministry of Education officials advise that the affordability data is highly unsound for New Zealand, and does not take into account the 20 Hours ECE policy, treating the hours as if they have the same fees as other hours. The Government universally subsidises early childhood education for children between three and five years old, for up to 20 hours a week.
16. The information on fees is also not representative, and the patterns of usage assumed in the scenario are significantly higher than what is typical for New Zealand children,³ given we have higher rates of informal childcare than many other countries.

New Zealand's alignment with the Report's recommendations

17. The Report concludes with nine recommendations for some of the world's richest countries to improve their policies. They cover recommendations for provision of leave for both mothers and fathers; for leave to be inclusive of non-standard working arrangements, and those not insured or unemployed; investment in the childcare workforce; flexible work arrangements; and universal child benefits.

New Zealand's approach to childcare policies and the future work programme aligns well with the recommendations of the Report

18. New Zealand's parental leave framework is well aligned with the recommendations, particularly in terms of its inclusiveness in relation to both working and parenting arrangements, and its flexibility.
19. New Zealand has had the right to request flexible working arrangements legislation in place since 2008, and it is common practice for employers and employees to agree on a flexible work arrangement or reduced hours for parents after the birth of a child. Parents are more likely to have flexible hours (57%) than non-parents (49%).⁴
20. The Government's work programme in the early learning sector recognises that there is more work to do, with the launch in 2019 of a 10-year plan to set the direction for the sector (*He taonga te tamaiti – Every child a taonga: Early learning action plan 2019-2029*). Other commitments include a review of Childcare Assistance. Assisting parents with the costs of childcare relates to a number of Government priorities including the economic recovery programme, the welfare overhaul, the Employment Strategy, and the Child and Youth Wellbeing Strategy.

³ MoE had requested that this data be removed for NZ in this report, given its lack of reliability but, as stated, officials' feedback was not responded to or incorporated.

⁴ Stats NZ (2019) 'Over half of employees in New Zealand have flexible work hours', July 2019.

Appendix One: Background information and suggested talking points

General comments

- Improving child wellbeing is extremely important to this Government, which is why we have introduced legislation to ensure that successive New Zealand governments maintain a focus on improving the lives of children and young people, now and in the future.
- The Report discusses the significant impact the COVID-19 pandemic has had on children's education and care, and the disproportionate burden placed on women (for example, women's labour participation hit a 33-year low this year in the US). Fortunately, the impact in New Zealand has been less significant given this Government's and the country's response to the pandemic – though we know there has still been a disproportionate impact on already disadvantaged groups.
- Successive Budgets have demonstrated the Government's commitment to children, young people, and their families. We introduced the Families Package in 2018, which incrementally increased paid parental leave from 18 to 26 weeks, and introduced a new universal Best Start payment (that has supported the parents of over 100,000 babies), increased main benefits in 2020 and 2021, and indexed them to wage growth.

Data gaps for indicators

- We welcome assessments of our progress in improving family-friendly policies, and our childcare and early learning policies. We also believe some of these rankings should be viewed with caution because they are based on a small number of indicators, with much of the data pre-dating this Government's changes and our priorities.
- New Zealand is also missing in the rankings for a number of indicators. This has been an issue in previous international reports, which is partly due to the fact that the rankings are dominated by countries in the European Union and the indicators chosen for such reports often reflect sources of data collection based in Europe.
- Officials are working to address these gaps and improve the data collection on children and young people, and reflect this in the indicators and measures.

The Report's findings and our response

- There are areas where New Zealand compares well with other countries, and we are particularly pleased to be singled out alongside Denmark and Finland as having the highest quality of childcare, and being ranked number 3 out of the OECD and EU countries.
- We recognise we have work to do in the affordability space in particular (notwithstanding the ECE 20 Hours policy being excluded from the assessment), and we have a number of priorities in place to address this, including the Childcare Assistance Review, which we are bringing forward.
- The Government recognises that, over time, the costs of childcare have steadily increased, and the adequacy of income-tested Childcare Assistance has declined. We think current settings could do a better job of reflecting the changing needs of parents in terms of work, care arrangements and preferences.

- Assisting parents with the costs of childcare relates to a number of Government priorities including the economic recovery programme, the welfare overhaul, the Employment Strategy, and the Child and Youth Wellbeing Strategy.

New Zealand's approach to leave and childcare aligns well with the recommendations

- *We are also pleased to note that the Government's programme of work and priorities align well with the Report's recommendations.*

Paid parental leave:

- New Zealand's current paid parental leave framework allows for 26 weeks of paid leave that can be taken flexibly by either the mother or partner/spouse, and up to a year of job-protected leave.
- Paid parental leave is available to workers in non-standard working arrangements, including temporary and seasonal workers, and those who may have only had sporadic work in the year prior to taking leave. Most parental leave systems in the comparable countries are financed by social insurance schemes for employees.
- New Zealand also supports costs for those unemployed which is fully government funded through the benefit system. This country also has considerably more generous income support provisions for those with children on a benefit and Budget 2021 has again increased this support.
- In addition, the Families' Package introduced a universal Best Start payment of \$60 per week for the first year, and up to the age of three for lower- to middle-income families.

Current childcare and early childhood education provisions

- The Government supports parents and caregivers with the cost of childcare through Ministry of Education subsidies for ECE. This includes universal subsidies for children between three and five years old, for up to 20 hours a week.
- The Government also provides additional targeted assistance and support through MSD with Childcare Assistance for low- and middle-income families to access childcare, as well as the Childcare Subsidy, and the Out of School Care and Recreation (OSCAR) subsidy. Budget 2021 invested in more places for low-income families in OSCAR, providing funding for an additional 3,300 places.

Legislative changes

- From April 2022, income thresholds for Childcare Assistance will be indexed to annual changes in the average wage. Broadly speaking, this will mean parents/caregivers will remain eligible for Childcare Assistance even if their wages increase.
- The Government has recently introduced a Bill to remove the subsequent child policy. This means parents won't have to return to work earlier if they have an additional child while receiving a main benefit. (It is expected to be removed by November 2021.)

Upcoming work programme in the early learning sector

- The Government's work programme in the early learning sector recognises that there is more work to do, with the launch in 2019 of a 10-year plan to set the direction for the sector (*He taonga te tamaiti – Every child a taonga: Early learning action plan 2019-2029*).

An action that has already been implemented from the Plan is the reinstatement of higher funding rates for teacher-led centres with 100% qualified teachers. It also commits the government to regulating for 80% qualified teachers and to improving ratios for children aged 0-2 years old in early learning.

- A long-term programme of change is also planned across the early years system with the transformation of Well Child Tamariki Ora to a whānau-centred system of integrated early years health and wellbeing services and support.

Encouraging employers to support working parents

- New Zealand has had legislation in place to support flexible working arrangements since 2008, and there is a high uptake of flexible hours and part-time work for parents in particular. We also have legislation in place requiring employers to provide breaks and facilities for women who want to breastfeed at work.
- Progress with our active labour market policies includes encouraging employers to recognise employees with care responsibilities – for example, we have ensured Mana in Mahi is being offered to employers offering part-time roles for those unable to work full-time.

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Appendix Two: UNICEF's Office of Research – Innocenti report – “*Where do rich countries stand on childcare?*” (Embargoed 12:00 18 June NZT)

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**Appendix Three: UNICEF NZ Media Release “Affordable, quality childcare inaccessible in many of world’s wealthiest countries”
(Embargoed 12:00 18 June NZT)**

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