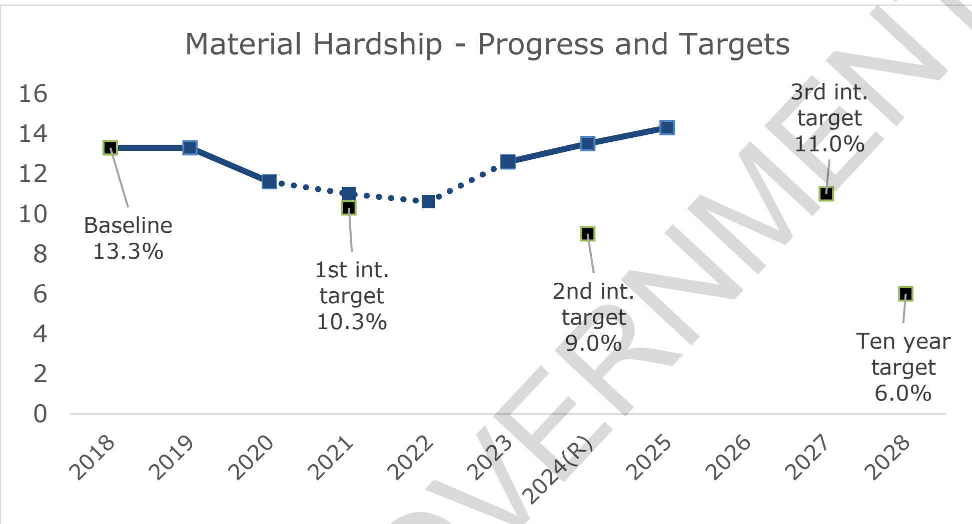
Content for the MAG - Child poverty and material hardship

2024/25 child poverty and material hardship rates

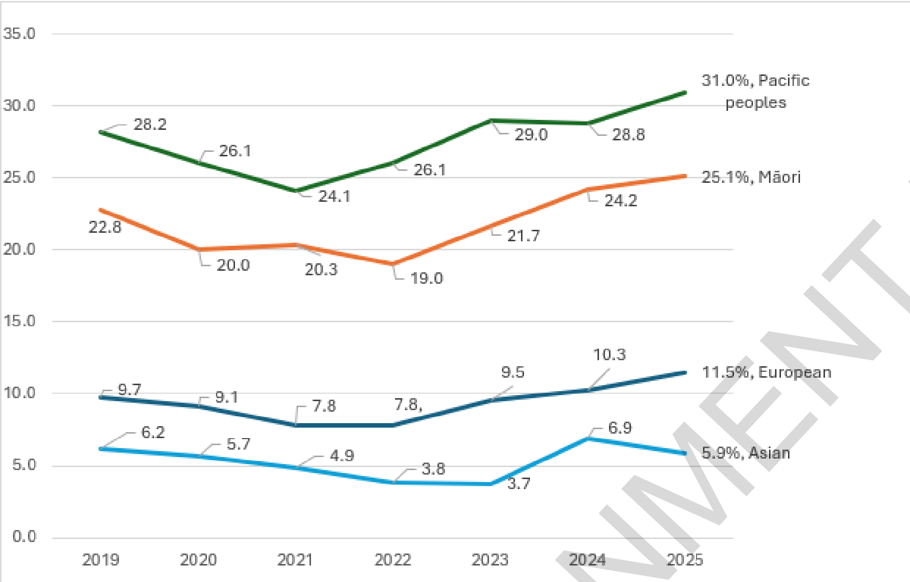
- The 2024/25 child poverty rates show that:
  - 14.3% (169,300 children) were in poverty on the material hardship measure
  - 17.8% (210,600 children) were in poverty on the after-housing-costs fixed-line measure (AHC50)
  - 12.6% (148,700 children) were in poverty on the before-housing-costs moving-line measure (BHC50).
- Material hardship rates have begun to track upwards over the last three years. The graph below shows the longer-term trend for rates since the baseline year.[1]



- The 2024/25 rates reflect household circumstances and economic conditions across a period from July 2023 to June 2025. In 2024/25 inflation was easing but remained elevated, with key essentials such as housing-related costs, food, insurance and utilities continuing to rise. Inflation began to stabilise at 2.7% in the year to June 2025. However, real household income trends for households with children have remained flat. Rising unemployment since 2022 has also further reduced income for many families.
- The 2024/25 data shows that Māori, Pacific and disabled children, and children in households impacted by disability all continue to experience significantly higher rates of material hardship than the general population:
  - Rates of material hardship for tamariki Māori were 25.1 percent in 2024/25.

[1] The dashed line between 2020 and 2023 represents the period impacted by COVID-19, which was impacted by social and economic shocks, and particular sample and non-sample error, so it is important to treat this period with a degree of caution.

- Rates of material hardship for Pacific children were 31.0 percent in 2024/25.
- Rates of material hardship are significantly higher for disabled children (26.9%) and children in disabled households (27.5%) compared to non-disabled children (12.7%) and children in non-disabled households (8.4%).



Connection between ECE Funding Review and reducing child poverty and material hardship[2]

Parental employment impacts on rates of material hardship and child poverty

- While households with their main source of income from the government have much higher child material hardship rates[3] than those with mainly market income, the larger number of working households means that broadly half of children in material hardship are in working households (and the other half are in beneficiary households.) This reflects the fact that being in work is not a guarantee of income adequacy.
- The material hardship rate for children in sole-parent households is typically three to four times higher than for two-parent households. A major factor in this is the more limited potential for paid hours of employment in a one-adult household. Constraints on the ability of sole parents to share childcare responsibilities within the household is a significant limiting factor in their ability to take up paid employment.

[2] Content summarised from October 2025 MSD paper to MAG - "The Ministry of Social Development's Childcare Assistance Products for 2025 Early Childhood Education Funding Review Ministerial Advisory Group"

[3] About 40% for beneficiary households, compared to around 8% for working households.

- The impact of the work intensity of households, including the number of adults working, on the likelihood of experiencing material hardship is shown in the following table. It also shows how the work intensity of households impacts on overall child material hardship:

Household work intensity	Likelihood of experiencing material hardship	Contribution to child material hardship rates
Sole earner household (full time work)	14%	26%
Two+ earner households (with one+ in full time work)	6%	25%
Part-time earner only household	24%	10%
No earner households	42%	37%

Childcare and ECE costs also have an impact on household expenses

- Childcare costs are generally the most significant in-work cost for families with children, including for low-income households. Reducing the cost of childcare is likely to have a positive effect on both the uptake of childcare and on labour market participation by parents.
- There is limited recent analysis of childcare costs in New Zealand,[4] but comparisons with other countries suggests that New Zealand's childcare is one of the least affordable in the OECD for middle-income families. A typical couple both earning the average wage with two children spend 23 percent of their income on childcare,[5] according to the data from the OECD in 2020.
- A Statistics New Zealand's 2017 childcare survey found 19 percent of parents working, or wanting to work, cited childcare being too expensive (as their main difficulty in getting childcare). This was behind the reason 'lack of available care at the times needed', at 38 percent. This impacts workforce participation, especially that of mothers

Low-income families face the greatest barriers in relation to both access and cost

- Low-income parents have faced disproportionately higher increases in the cost of ECE and support has declined in real terms over time. They also tend to spend a greater proportion of their income on childcare. Data highlights that children from more socio-economically disadvantaged backgrounds participate

[4] Information on fees is not collected nationally.
[5] Net childcare costs are the net reduction in family budgets resulting from the use of full-time centre-based care. It is calculated by comparing net income of a family that uses childcare and an otherwise identical family where no childcare services are used (for example, if the family can use unpaid informal care). Net childcare costs are calculated for both couples and lone parents assuming two children aged 2 and 3, both attending a childcare centre full-time. For this indicator, couples include one parent earning 67% of the average wage and the other earning minimum wage. Single parents earn 67% of the average wage. Source: [Net childcare costs | OECD]

in ECE at lower rates than children from less disadvantaged families. The vast majority of the childcare/ECE subsidies are universal, with only a small proportion targeted to low-income families and/or focused on supporting affordability and access. It is likely that a considerably higher proportion of the universal spend is accessed by middle- to higher-income families.

- Research from Motu Economic and Public Policy Research in 2022 identified that access to childcare is strongly influenced by socioeconomic status – measured both by household income and deprivation index. Ante-natal unemployment and benefit receipt could also predict lack of access to childcare. It found that higher income, higher educated, predominantly European women are more likely to be accessing ECE than other groups, and for longer hours.[6]

Childcare and ECE can be a barrier to labour market participation

- Reductions in the cost of ECE to low-income families could contribute to the Government's objective to reduce child material hardship by increasing parental earnings through improved ability to participate in the labour market.
- There is robust data and evidence on the impact of childcare costs on labour market participation, particularly for sole parents and mothers. Research finds that, while the effect of childcare costs on the labour supply of women is rather limited on average, it is much larger and more significant (greater elasticity) for sole mothers, mothers at the bottom of the income distribution, and for mothers with lower education levels.
- MSD's 2022 New Zealand Income Survey found that approximately 25 percent of respondents with children said they had to work less or not work at all over the past 12 months due to the cost of childcare, and around 20 percent of respondents with children and a partner said that their partner had to work less or not work for the same reason.
- Statistics New Zealand's 2017 childcare survey found that more than two-thirds (68 percent) of parents who experienced difficulties getting childcare in 2017 also experienced work-related consequences due to those difficulties. For this group:[7]
    - 49 percent made changes to their usual work
    - 23 percent turned down paid work
    - 20 percent stopped searching for paid work
    - 18 percent were prevented from making changes to their usual work
    - 5.3 percent resigned from paid work.
- This is supported by information collected through the 2022 New Zealand Income Support Survey. Around 24 percent of respondents with children aged

[6] Sin, Isabelle (2022). *Access to childcare interim report 1: Who has difficulty accessing affordable childcare?.* Motu Economic and Public Policy Research. https://www.motu.nz/assets/Uploads/Access-to-Childcare-note-FINAL.pdf
[7] Note parents may report more than one type of work-related consequence.

under 14 said that during the last 12 months, they had not worked, or worked fewer hours than they wanted, because of the cost of childcare.

- Additionally, the 2022 Mako Mama – Mangopare Single Parents Project found that two thirds (66 percent) of the low-income single mothers who responded to the survey, who want some, or more, paid work said that needing to look after their child/children was what was getting in the way for them, with 37% also saying that they are unable to afford childcare.
- In general, research suggests that subsidies that reduce the private cost of childcare increases the childcare attendance of young children and have positive impacts on mothers' labour force participation and work hours.[8] Recent research[9] indicates Māori and Pacific families are two or three times more likely to experience issues accessing childcare than Pākehā families. Cost was cited as a major factor, particularly for Pacific parents. In general, more disadvantaged families have more persistent issues with access to childcare. This is particularly true for low-income households.
- Recognising childcare cost as a major barrier to paid work for mothers, in 2019 the Welfare Expert Advisory Group recommended the government review childcare subsidy rate adequacy and consider increasing income thresholds to provide greater subsidisation of childcare costs for low- and middle-income families (Welfare Expert Advisory Group, 2019). They also recommended improving take-up of childcare assistance by promoting greater awareness to working families.
- Inability to access childcare has a detrimental impact on women's earnings and career opportunities. Research in 2022 by the Motu Economic and Public Policy Research Trust identified that the total annual value of wages lost by mothers with a child under three due to lack of childcare access is estimated to be $116 million.

High quality ECE can mitigate the adverse impacts of child poverty and material hardship in the long term

- Evidence indicates that participation in high quality ECE can help mitigate the negative effects of poverty and socio-economic disadvantage in the home, by supporting children to develop competencies and skills that provide a foundation for ongoing learning, development and wellbeing.

[8] Morrisey, Taryn (2017) *Childcare and parent labour force participation: a review of the research literature*. Review of Economics of the Household (201) vol 15: No. 1. https://link.springer.com/article/10.1007%2Fs11150-016-9331-3
[9] https://www.growingup.co.nz/growing-reports