

# In-Work Poverty in New Zealand

Wellington, 26 November 2019

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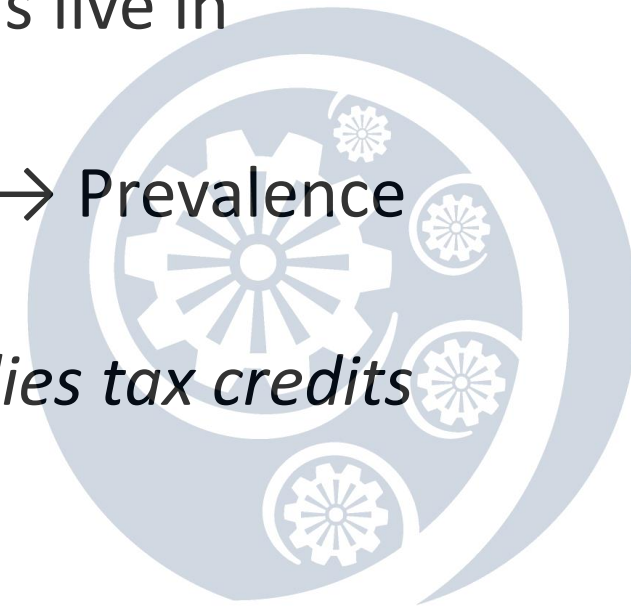
# SNZ Disclaimer

- Access to the anonymised data used in this study was provided by Statistics New Zealand in accordance with security and confidentiality provisions of the Statistics Act 1975, and secrecy provisions of the Tax Administration Act 1994.
- The findings are not Official Statistics. The results in this paper are the work of the authors, not Statistics NZ, and have been confidentialised to protect individuals, households, businesses and other organisations from identification.



# Overview

- **First study** to examine the prevalence of, and characteristics associated with, in-work poverty in New Zealand
- **IDI:** Linking 2013 Census data with monthly data from Inland Revenue and Working for Families
- **March 2013:** 50,000 out of 725,000 working households live in poverty → in-work poverty rate of 7 percent
- **Great variation** across several demographic dimension → Prevalence is greatest for our most vulnerable
- **Substantial re-distributional effect** of *Working for Families tax credits* and the *Accommodation Supplement*



# Measuring in-work poverty

- Units of analysis for defining both ‘work’ and ‘poverty’ → household level
- **Poverty:**
  - Binary indicator: poverty threshold based on the income distribution of the *whole* population and set at 60 percent of the median monthly net equivalised income
  - Accounting for all income sources on the monthly level
  - OECD scale to equivalise income
- **Working:**
  - ‘Population spine’: At least one adult in the household is part of the working-age population (aged 18 to 65)
  - ‘Working’: if at least one working-age adult in that household is in employment for seven or more months of the year (April 2012 to March 2013 inclusive)
  - Excluding households with self-employed members and pensioner households



# Measuring in-work poverty

In-work poverty = proportion of *working* households that fall below the poverty threshold



# Data

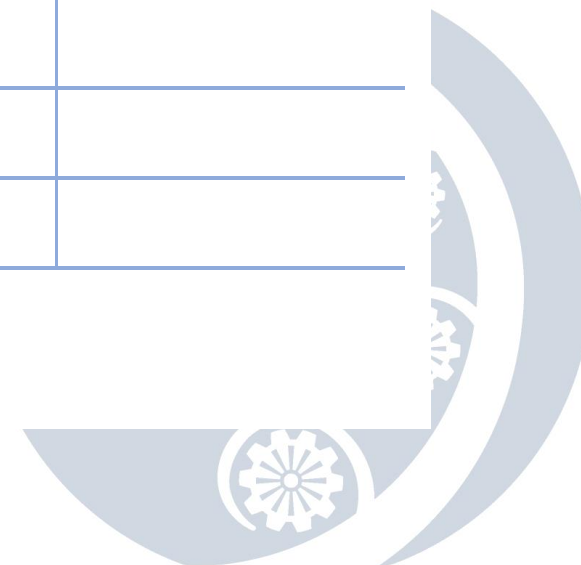
## Integrated Data Infrastructure (IDI):

- 2013 Census → individual and household characteristics
- Inland Revenue Employer Monthly Schedule:
  - Wages and salaries
  - Benefits
  - Pensions
  - Paid parental leave
  - Withholding payments
  - ACC claims
  - Student loans
- WfF research dataset (WfF tax credit, Accommodation supplement)
- HLFS



# Population Spine

	Individuals	Households
1. Full Census dataset	4,354,686	-



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2. Dropping: w/o household ID	4,029,348	1,549,890





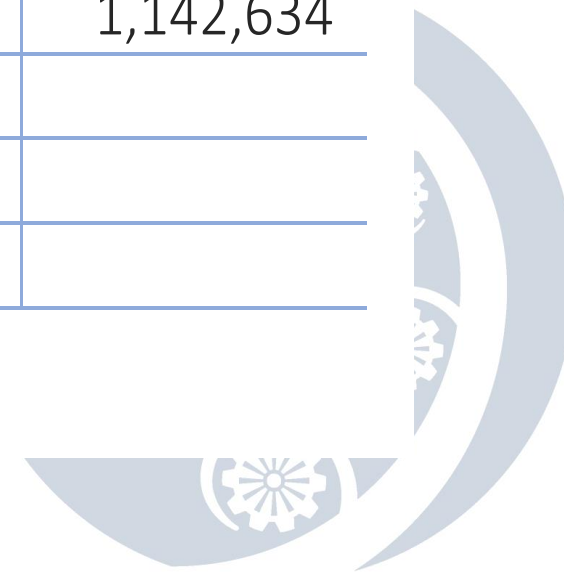
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2. Dropping: w/o household ID	4,029,348	1,549,890
3. Dropping: w/o any income records for the sample period → <i>calculation of the poverty threshold</i>	3,661,971	1,381,833



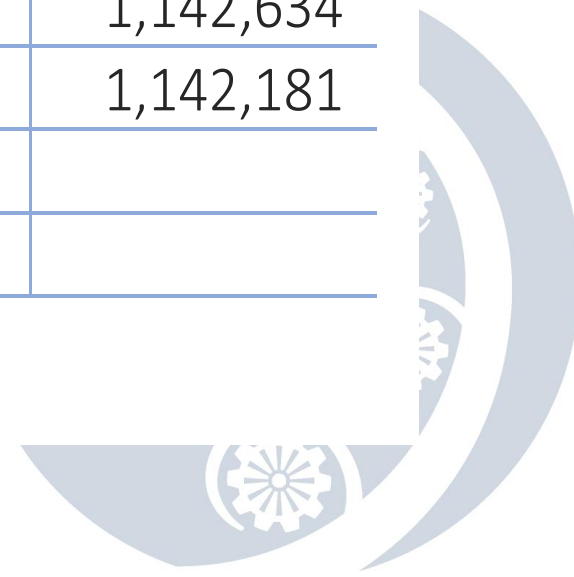
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4. Dropping: member is self-employed	2,925,468	1,142,634



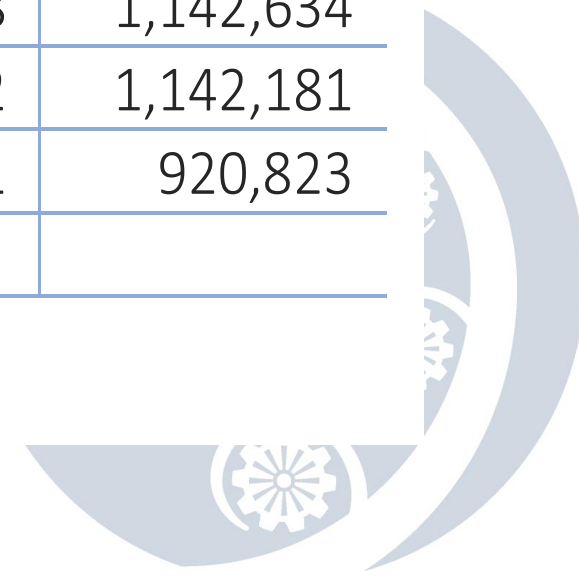
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6. Dropping: pensioner households	2,609,091	920,823



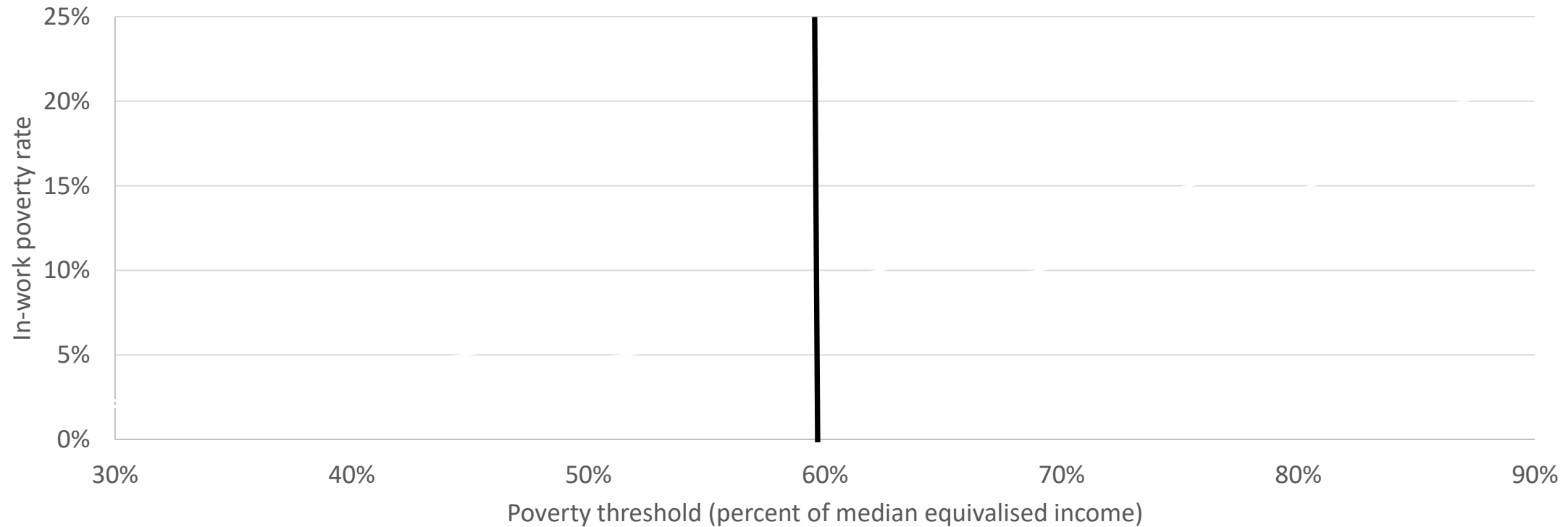
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6. Dropping: pensioner households	2,609,091	920,823
7. Dropping: member outside of NZ for more than 90 days → <i>population of interest</i>	2,438,994	874,797

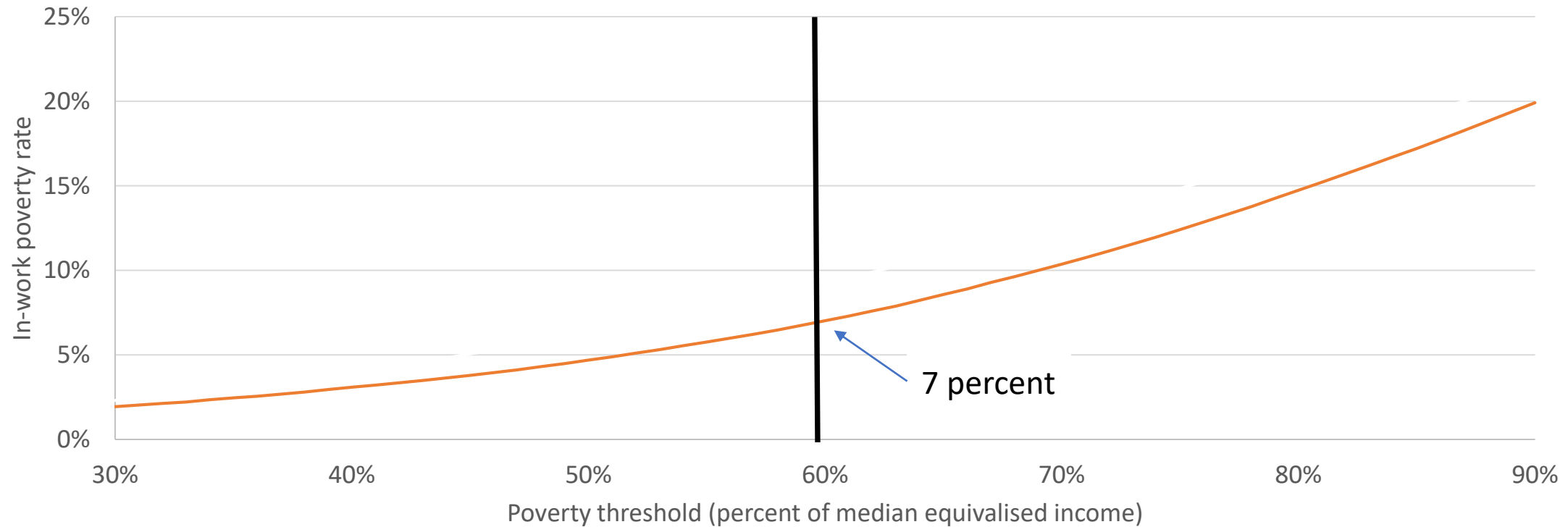
# Working and poverty status (households)

	Non-work	In-work	Total
Non-poor			
	34.1%	93.0%	82.9%
	(51,024)	(674,370)	(725,394)
Poor			
	65.9%	7.0%	17.1%
	(98,460)	(50,943)	(149,403)
Total			
	17.1%	82.9%	100%
	(149,484)	(725,313)	(874,797)

# Poverty threshold and in-work poverty rate

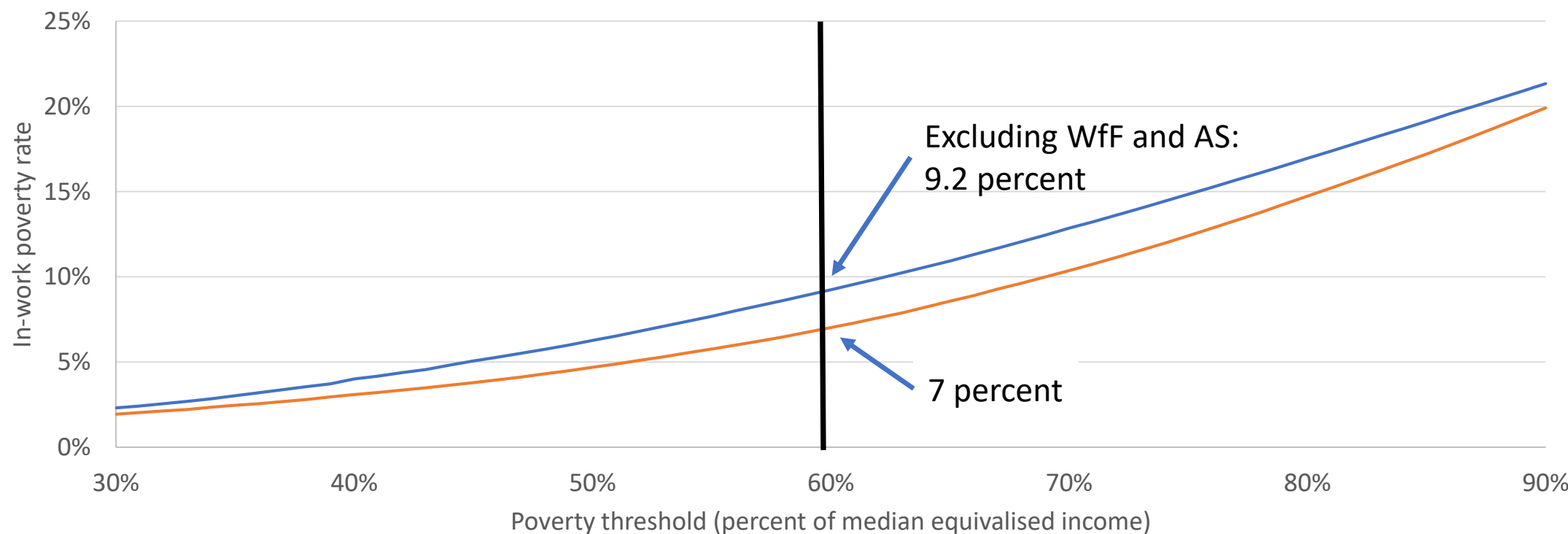


# Poverty threshold and in-work poverty rate





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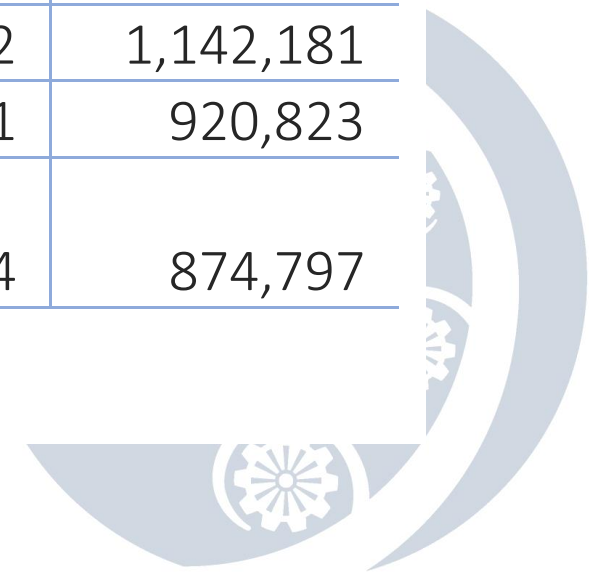
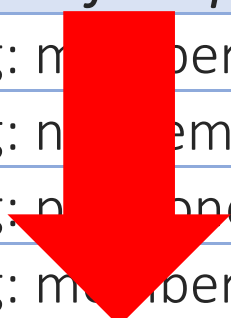


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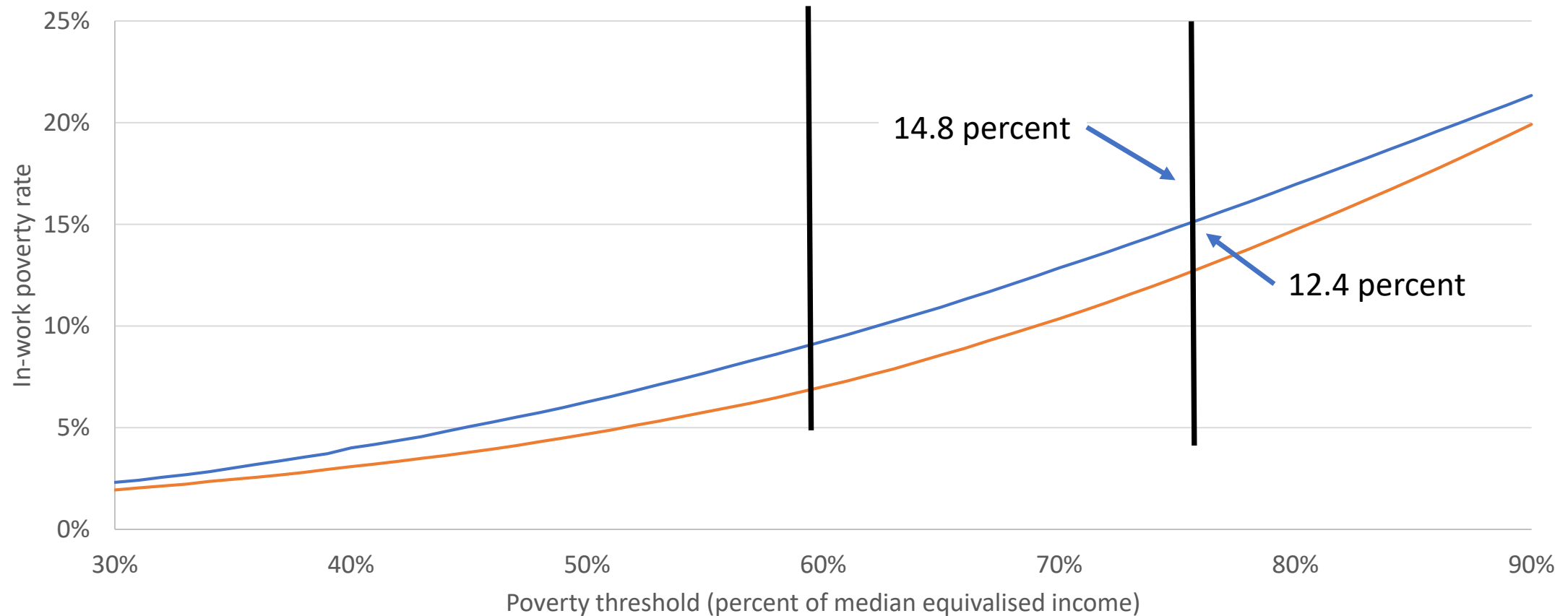


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~**Threshold: 60 % → 75 %**

# Poverty threshold and in-work poverty rate



Source: IDI 2019.

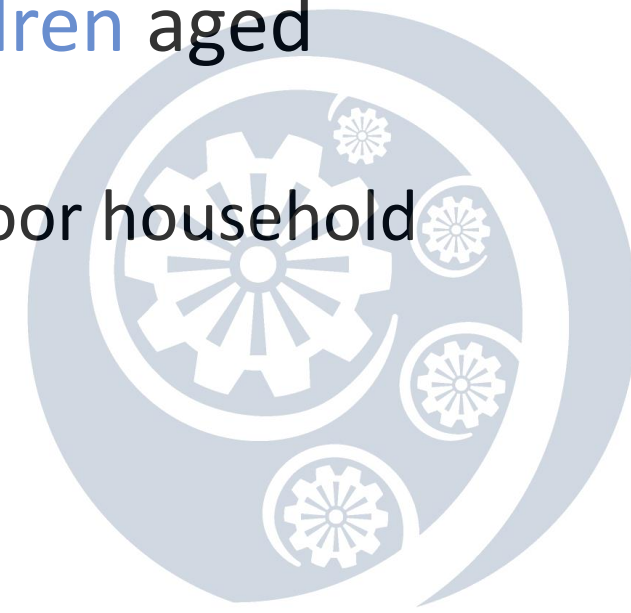
# Analysis by gender and children

- 725,313 working households → 1,507,986 adults
  - in-work poverty rate at the adult level of 7.2 percent
  - 7.7 percent (59,967 adults) female adults
  - 6.6 percent (47,874 adults) male adults

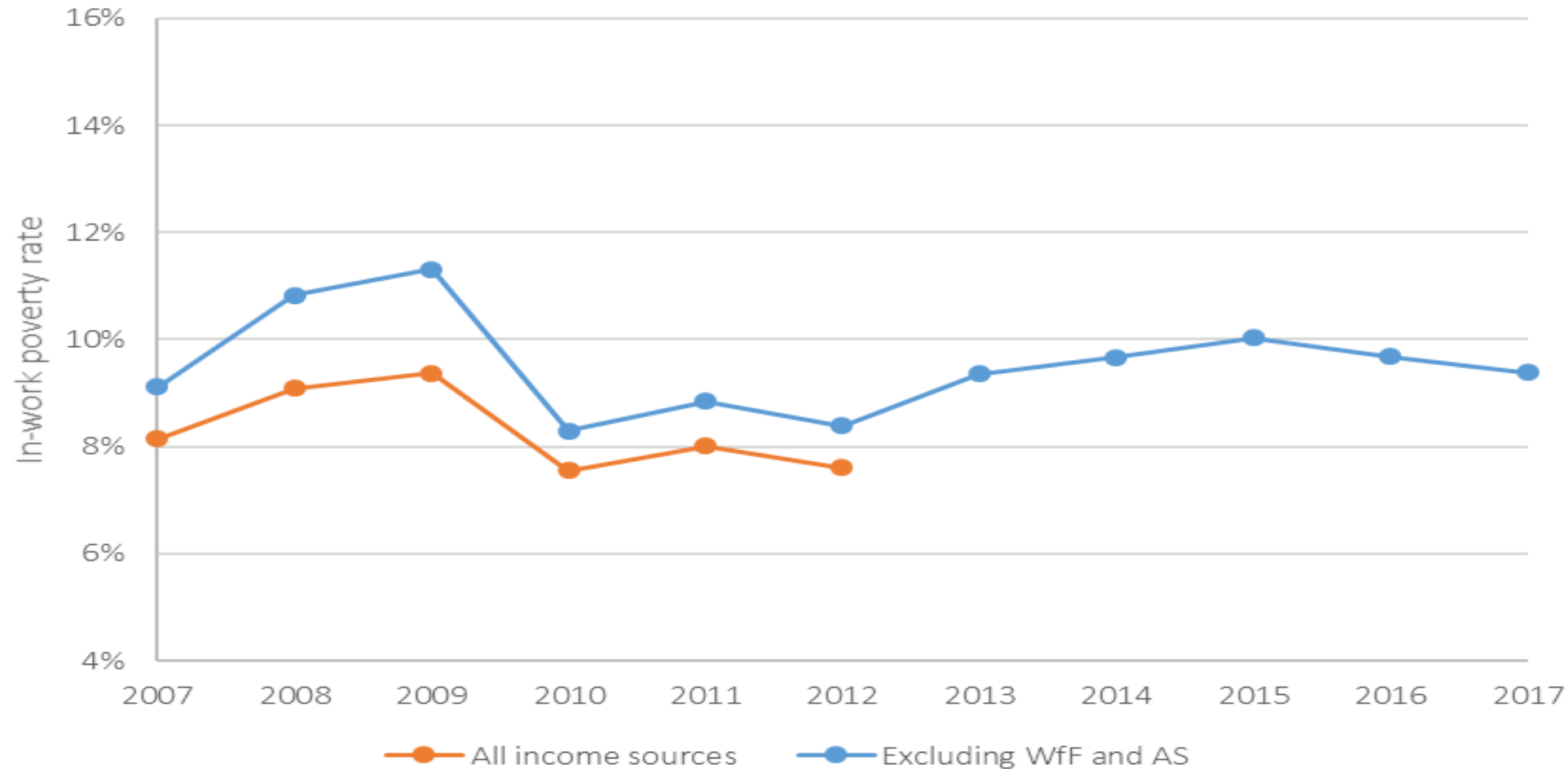


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  - 7.7 percent (59,967 adults) female adults
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- 725,313 working households → 567,069 children aged below 18
  - 10 percent (56,823 children) live in an in-work poor household



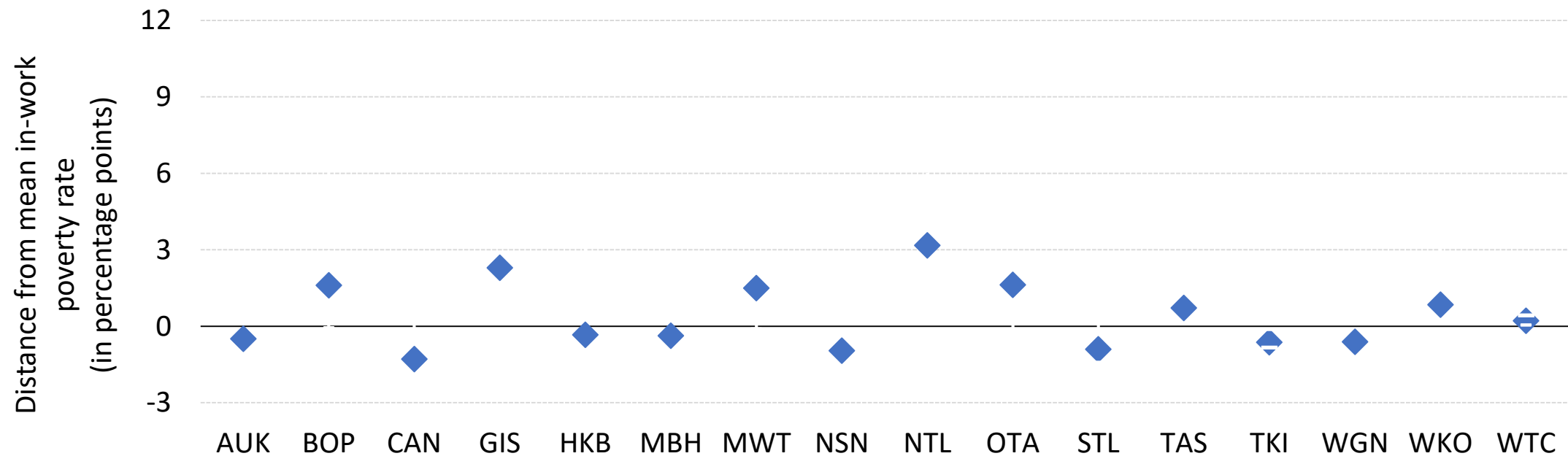
# In-work poverty rate over time (HLFS)



Source: IDI 2019. Notes: 'WfF' is Working for Families tax credit; 'AS' is Accommodation Supplement. September quarter utilised for each yearly calculation of household in-work poverty rate. The thresholds for in-work and household poverty are as defined in Section 3. Total sample = 89,187 working households.

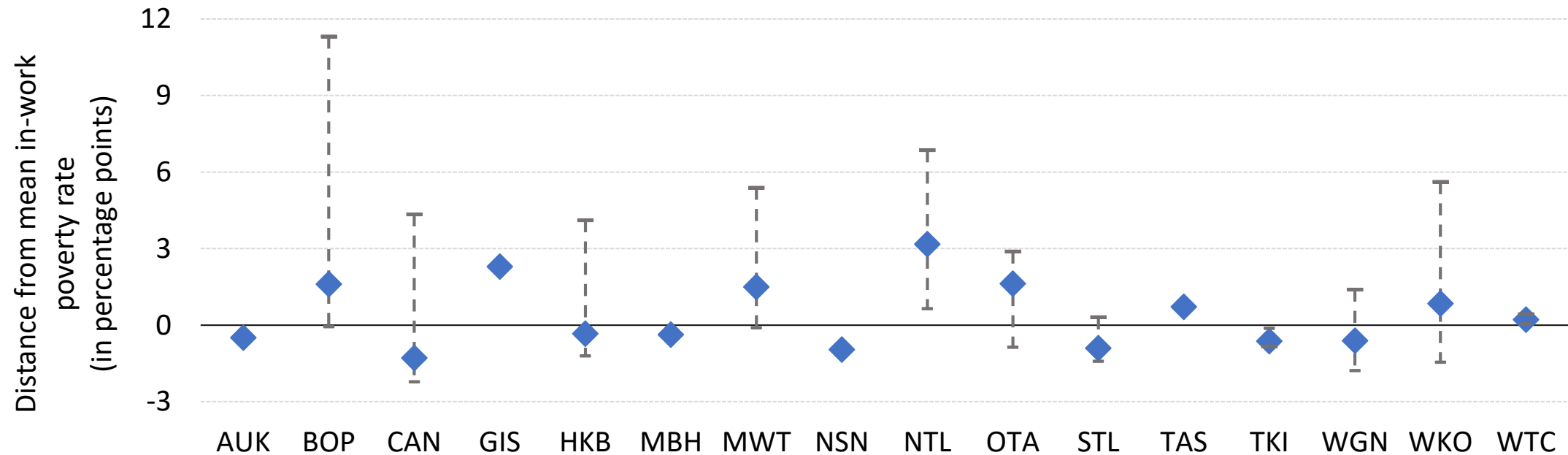


# Region and in-work poverty rate



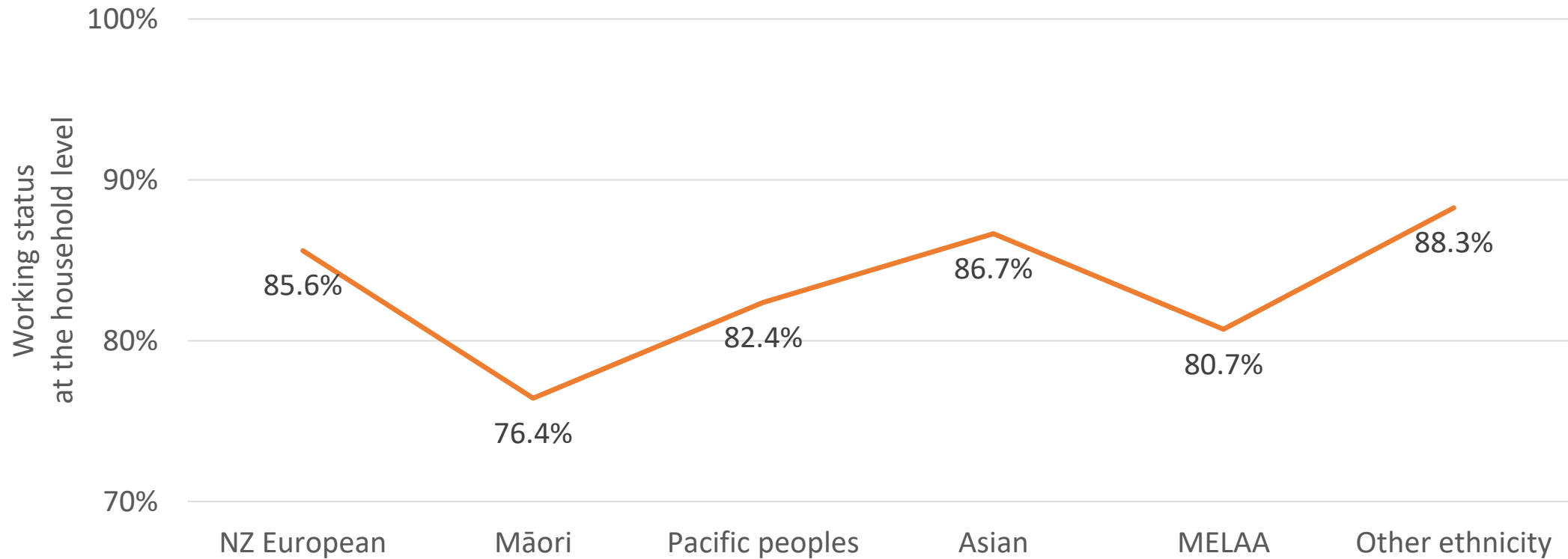
Source: IDI 2019. Notes: AUK = Auckland; BOP = Bay of Plenty; CAN = Canterbury; GIS = Gisborne; HKB = Hawkes Bay; MBH = Marlborough; MWT = Manawatu; NSN = Nelson; NTL = Northland; OTA = Otago; STL = Southland; TAS = Tasman; TKI = Taranaki; WGN = Wellington; WKO = Waikato; and WTC = West Coast. In-work poverty rate as defined in Section 3.

# Region and in-work poverty rate

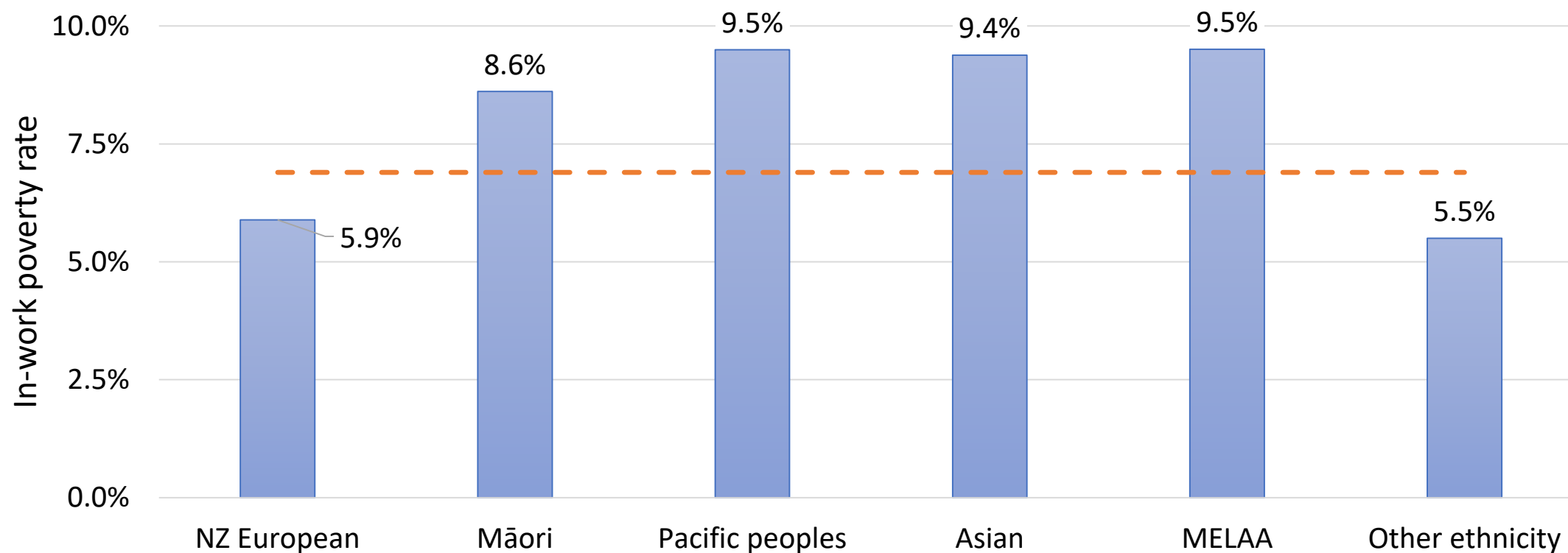


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# Ethnicity and working status



# Ethnicity and in-work poverty rate



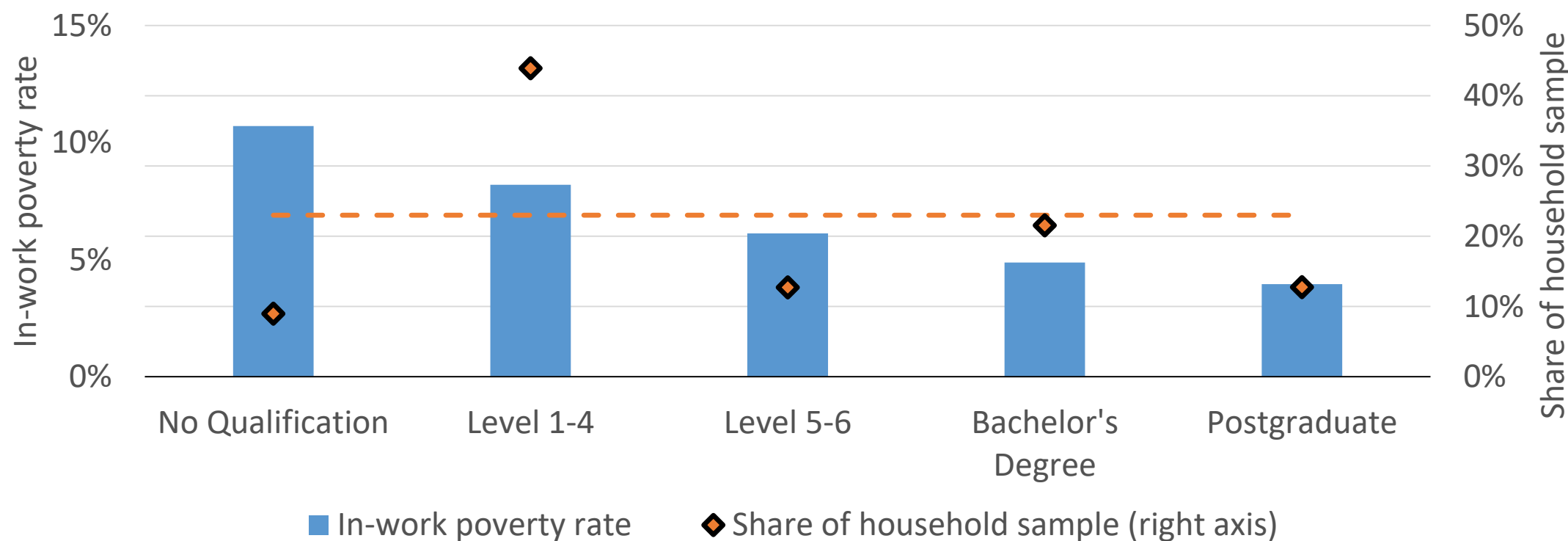
Source: IDI 2019. Notes: In-work poverty rate as defined in Section 3. The dashed line refers to the overall in-work poverty rate (6.9 percent based on 845,244 working household units defined by ethnicity).

# Birthplace and in-work poverty rate

	In-work poverty rate (percentage points relative to sample average)	Share of sample
New Zealand	-0.2 pp	67.7%
Australia (incl. External Territories)	-0.3 pp	2.4%
Polynesia (excludes Hawaii)	+2.3 pp	4.9%
United Kingdom	-1.7 pp	9.1%
Western Europe	-0.2 pp	1.4%
Maritime South-East Asia	-1.1 pp	2.2%
North-East Asia	+7.4 pp	2.8%
Southern Asia	+0.9 pp	2.3%
Northern America	-0.1 pp	1.2%
Southern and East Africa	-2.1 pp	2.6%
		Sum = 96.6%



# Educational attainment



# Disability status

	In-work poverty rate	Total
<b>Disability</b>		
No Disability	6.6%	86.9%
Disability	9.5%	13.1%
<b>Difficulties</b>		
Seeing, Even When Wearing Glasses or Contact Lenses	8.4%	6.1%
Hearing, Even When Using a Hearing Aid	7.9%	3.1%
Walking, Lifting or Bending	8.3%	11.7%
Using Your Hands to Hold, Grasp or Use Objects	8.5%	4.6%
Learning, Concentrating or Remembering	10.1%	4.8%
Communicating, Mixing with Others, or Socialising	10.1%	3.8%

# Household structure

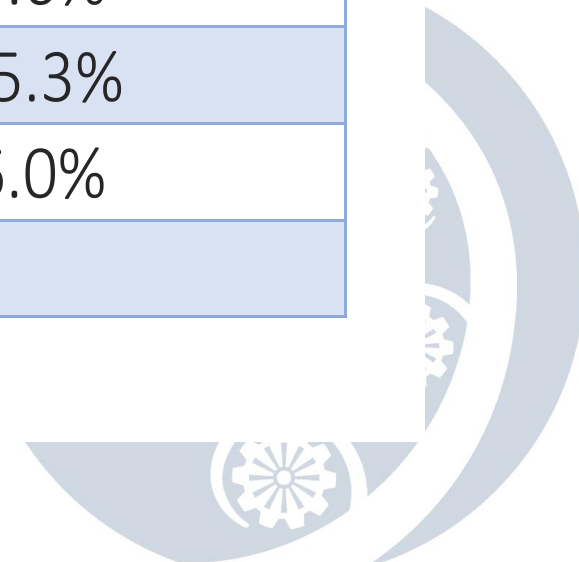
	In-work poverty rate	Share of households
Couple without children		
Couple with child(ren)		
One parent with child(ren)		
Two or more family household		
One-person household		
Other multi-person household		
<b>Total</b>	<b>7.0%</b>	





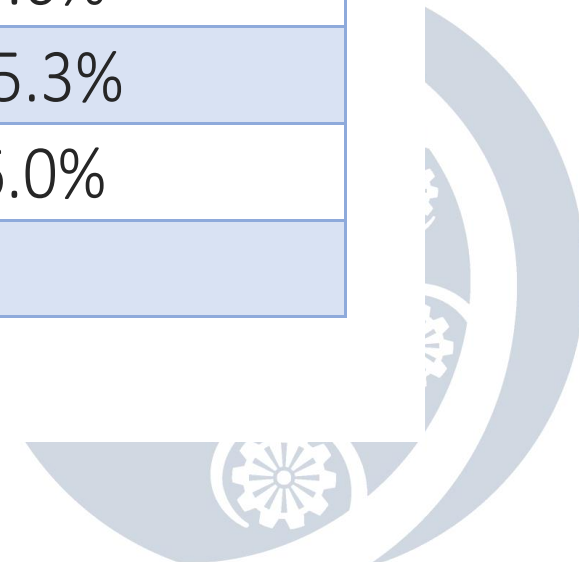
# Household structure

	In-work poverty rate	Share of households
Couple without children		25.7%
Couple with child(ren)		36.8%
One parent with child(ren)		9.6%
Two or more family household		6.6%
One-person household		15.3%
Other multi-person household		6.0%
<b>Total</b>	<b>7.0%</b>	



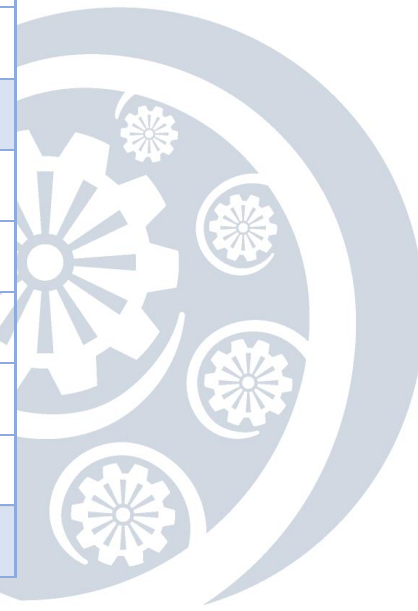
# Household structure

	In-work poverty rate	Share of households
Couple without children	4.8%	25.7%
Couple with child(ren)	6.3%	36.8%
One parent with child(ren)	12.3%	9.6%
Two or more family household	9.6%	6.6%
One-person household	6.4%	15.3%
Other multi-person household	11.6%	6.0%
<b>Total</b>	<b>7.0%</b>	



# Household structure

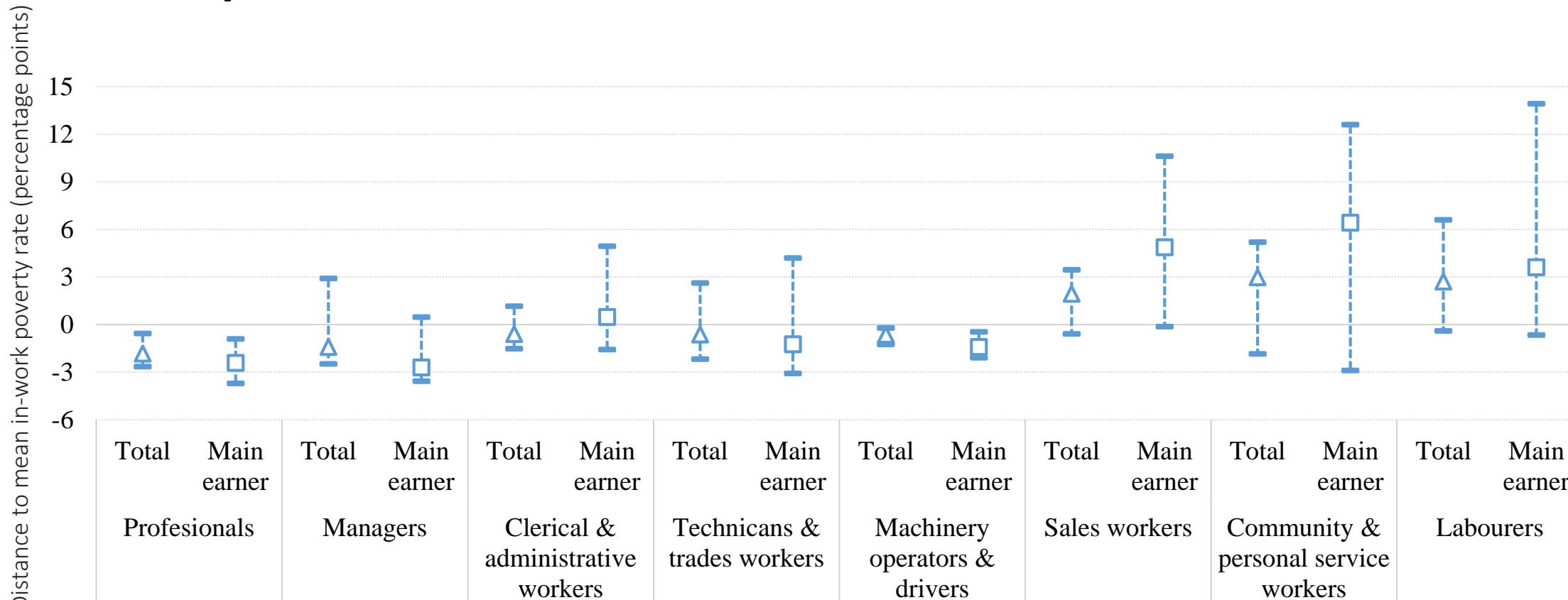
	In-work poverty rate	Share of households
<b>Couple without children</b>	<b>4.8%</b>	<b>25.7%</b>
One working		(34.0%)
>1 working		(66.0%)
<b>Couple with child(ren)</b>	<b>6.3%</b>	<b>36.8%</b>
One working		(37.8%)
>1 working		(62.2%)
<b>Two or more family household</b>	<b>9.6%</b>	<b>6.6%</b>
One working		(38.4%)
>1 working		(61.6%)
<b>Other multi-person household</b>	<b>11.6%</b>	<b>6.0%</b>
One working		(41.0%)
>1 working		(59.0%)
<b>Total</b>	<b>7.0%</b>	



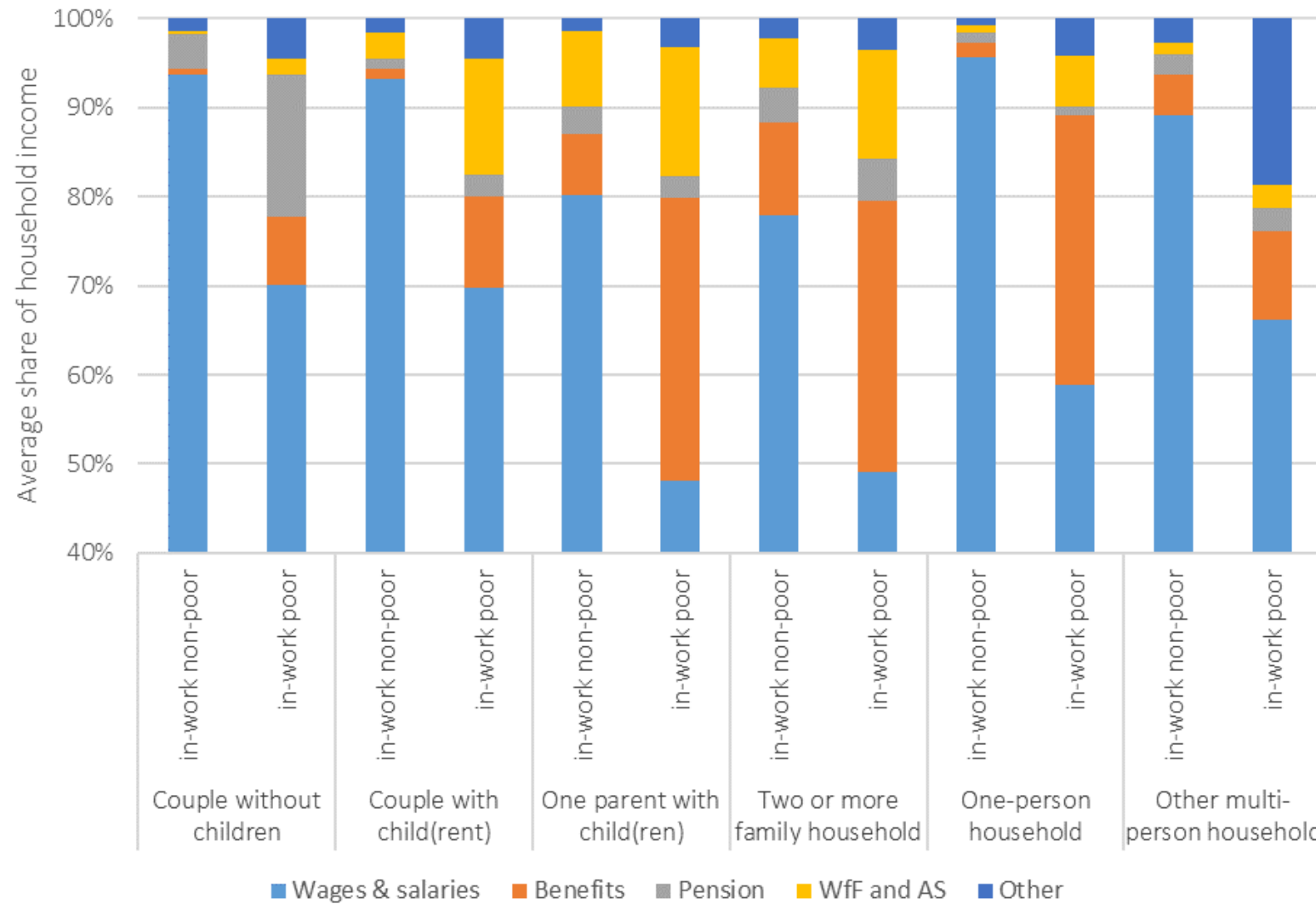
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One working	11.6%	(34.0%)
>1 working	1.2%	(66.0%)
<b>Couple with child(ren)</b>	<b>6.3%</b>	<b>36.8%</b>
One working	13.5%	(37.8%)
>1 working	1.9%	(62.2%)
<b>Two or more family household</b>	<b>9.6%</b>	<b>6.6%</b>
One working	19.9%	(38.4%)
>1 working	3.1%	(61.6%)
<b>Other multi-person household</b>	<b>11.6%</b>	<b>6.0%</b>
One working	19.2%	(41.0%)
>1 working	6.3%	(59.0%)
<b>Total</b>	<b>7.0%</b>	

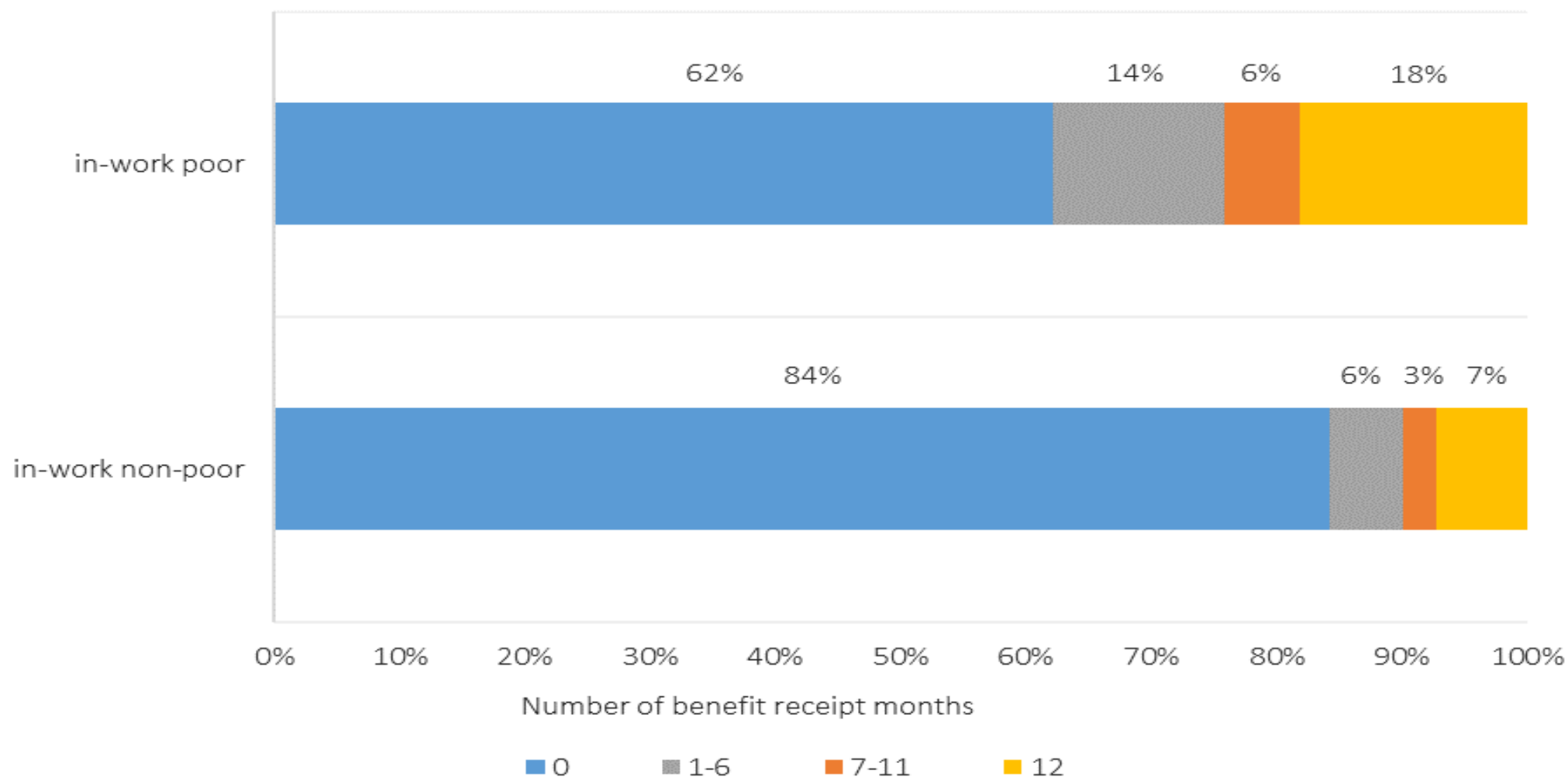
# Occupation



# Income sources



# Benefit duration



# Before and after housing costs

	Restricted sample			Full sample (from Table 8)	
	Before housing costs	After housing costs		Before housing costs	
	In-work poverty rate	In-work poverty rate	Share	In-work poverty rate	Share
Couple without children				4.8%	25.7%
Couple with child(ren)				6.3%	36.8%
One parent with child(ren)				12.3%	9.6%
Two or more family household				9.6%	6.6%
One-person household				6.4%	15.3%
Other multi-person household				11.6%	6.0%
<b>Total</b>				<b>7.0%</b>	<b>100.0%</b>



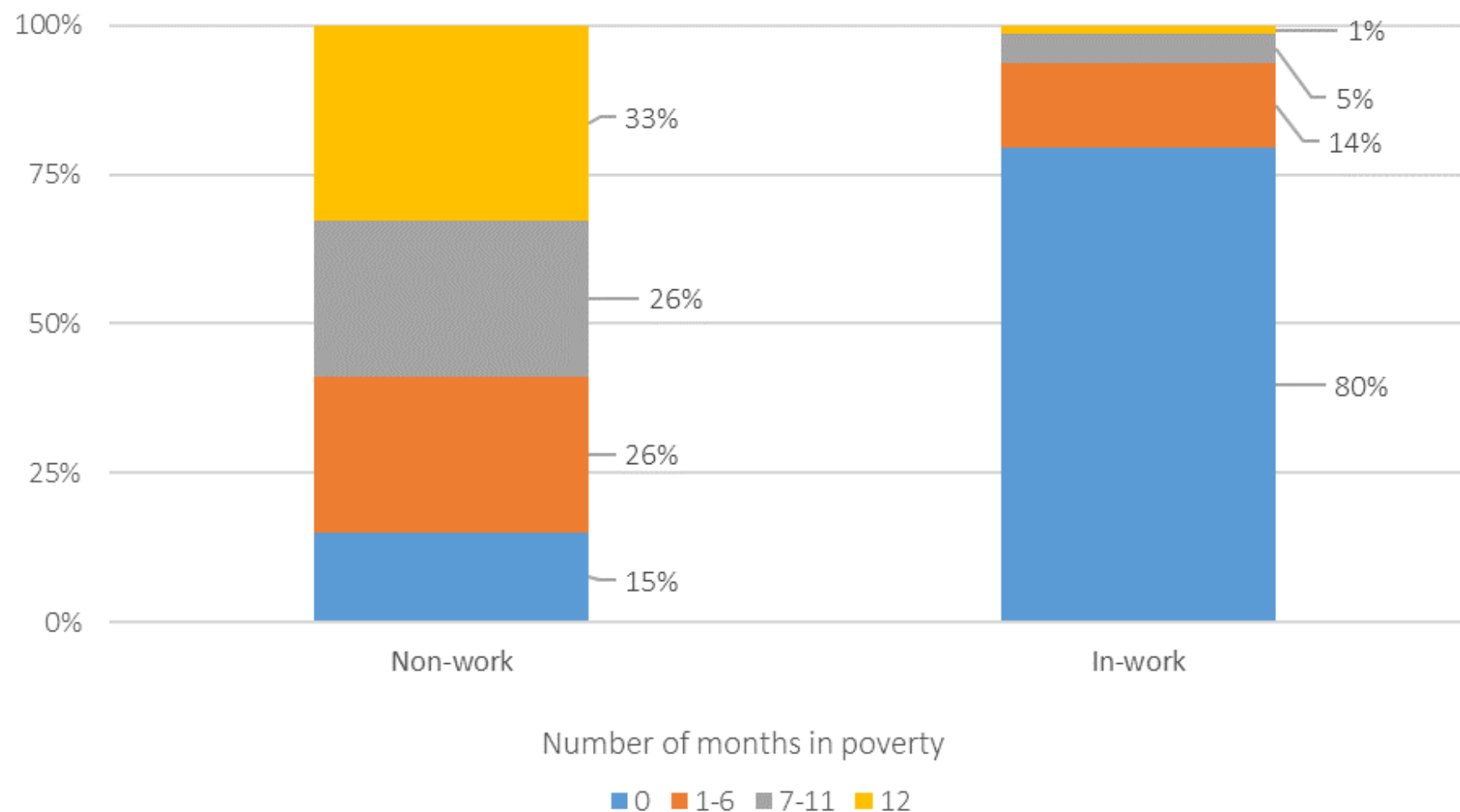
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Couple without children	4.5%		21.5%	4.8%	25.7%
Couple with child(ren)	7.6%		30.1%	6.3%	36.8%
One parent with child(ren)	12.7%		12.3%	12.3%	9.6%
Two or more family household	10.3%		8.4%	9.6%	6.6%
One-person household	5.7%		17.1%	6.4%	15.3%
Other multi-person household	14.0%		10.6%	11.6%	6.0%
<b>Total</b>	<b>8.1%</b>		<b>100%</b>	<b>7.0%</b>	<b>100.0%</b>

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Couple with child(ren)	7.6%	10.4%	30.1%	6.3%	36.8%
One parent with child(ren)	12.7%	23.2%	12.3%	12.3%	9.6%
Two or more family household	10.3%	12.1%	8.4%	9.6%	6.6%
One-person household	5.7%	11.0%	17.1%	6.4%	15.3%
Other multi-person household	14.0%	20.7%	10.6%	11.6%	6.0%
<b>Total</b>	<b>8.1%</b>	<b>12.8%</b>	<b>100%</b>	<b>7.0%</b>	<b>100.0%</b>

# Poverty duration



# Conclusion

- **March 2013:**  
50,000 out of 725,000 working households live in poverty  
→ in-work poverty rate of 7 percent
- **Great variation** across several demographic dimension  
→ Prevalence is greatest for our most vulnerable
- **Substantial re-distributional effect** of *Working for Families tax credits* and the *Accommodation Supplement*
- Follow-up study on ethnic differences (commissioned by MBIE)



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