Is public debt or rampant child poverty the real crisis?

Pie Commentary 2026-12
Susan St John [1]

Susan St John reflects on the fragility of political agreement around reducing child poverty as demonstrated by the 2026 budget. If we look at the social security budget and the increasing dominance of NZ Super, alongside growing poverty for those on benefits and working for families and it is legitimate to question society's priorities.

Budget reflections

Reduction in child poverty under the Child Poverty Reduction Act (CPRA, 2018) was once a top agenda item. It does not make ***any*** of the top ten issues for Budget 2026.

Number one issue however is: "Secures New Zealand's future by getting back to surplus and reducing debt as a share of GDP."

A budget surplus was guesstimated be achieved by 2028/29 to contribute to 'bending the curve 'of government's debt % GDP, with no mention of the assets accumulated and the strength of the government's balance sheet.

The real crises of child poverty, hunger, homelessness, with the associated youth unemployment, suicide and child ill health, amid unprecedented demands on foodbanks and other charities are ignored.

The annual cost of child poverty to the NZ economy has been estimated at a staggering annual $15-20 billion.[2] While the exact figure is conjectural, the costs include the impact of poverty on productivity, mental and physical health costs, emergency and hospital care, crime, child protection, failure to retain the young in New Zealand.

These are grounds for a government wanting economic growth to take the Child Poverty report for the budget very seriously. Unfortunately, this was not the case in the 2026 budget.

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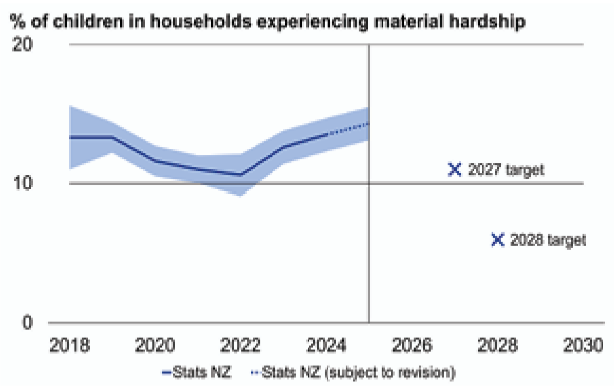
[1] Susan St John is Honorary Associate Professor of Economics at the University of Auckland Business School and director of PIE.

[2] Using OECD guidelines and CPAG research, Pearce, J. & Poletti, S. (2008) *The Economic Costs of Child Poverty* Prepared for the New Zealand Child Poverty Action Group. Dale, M.C., O'Brien, M. & St John, S. (2011). Left Further Behind: How Policies Fail the Poorest Children in New Zealand Child Poverty Action Group. See also Jack Tame (Q&A Sunday 31st May).

Under the Public Finance Act 1989, the Minister of Finance is required to present to the House on Budget Day a report on child poverty that:

- *discusses any progress made, in the most recent completed financial year, in reducing child poverty consistent with the targets under the Child Poverty Reduction Act 2018, and*
- *indicates whether and, if so, to what extent, measures in or related to the Budget will affect child poverty.*

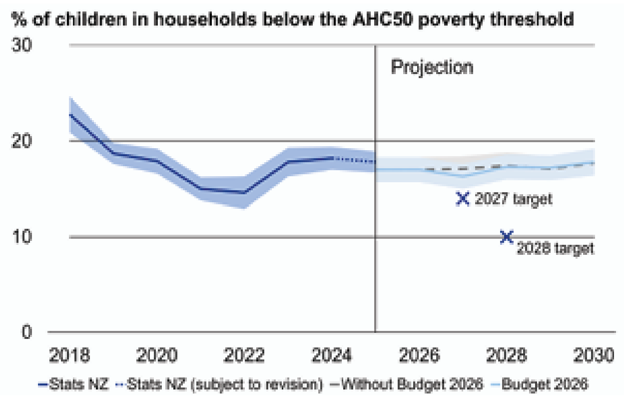
One of the three main measures used to measure child poverty is **material hardship**. But Treasury says it can't model any impacts of current policy on this measure, not even hazard a guess or offer an informed, or indeed any opinion.



The graph shows measured material hardship stops in 2025 but even that figure is based on survey data that by 2025 was well out of date.[3]

Under Labour the goal was to reduce material hardship to 9% of children by 2026/27. The National-led Government reset that target to 11% in 2025 saying it was 'too ambitious'.

We can anticipate from the irrefutable evidence from social agencies, a policy-prolonged slump and the absence of any meaningful policies, that the upward trend of material hardship will continue unbated. It could be more like 15% for 2027 making the target of 6% by 2028 an utter fantasy.



The other two measures used in the Act to assess progress are income-related. Here is their flatline projection for the after-housing costs (AHC) 50% poverty line.

Treasury put the best possible spin on its very desultory flatline projection by claiming a "*decrease child poverty in 2026/27.*"

They point to the very unfair policy for the temporary $50 a week fuel boost. This so called 'decrease' is shown by the dotted line which they acknowledge is *"driven by the temporary, $50 a week increase in the in-work tax credit. Impacts in subsequent years are small and not statistically significant."*

Under the Act, the Minister for Child Poverty Reduction must explain publicly if targets are missed and explain government plans to achieve those targets.

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[3] Noting that the surveys on which this indicator of poverty is based actually excludes any family without a residential address and thus excludes a growing population of the poorest homeless children.

In 2026 the actual explanation is highly ideological: 'benefit dependency' is to blame and economic growth will solve all problems[4] in spite of the evidence that growth alone cannot be relied on to reduce child poverty.

> *The focus is on changing the circumstances that trap people in poverty, by providing them with opportunities to make changes and choices.*
> *A key driver of child poverty is living in a benefit-dependent home. The Government is committed to supporting parents who are receiving a benefit into work, including as part of the target to reduce the number of Jobseeker Support recipients by 50,000. An important element of this is making work pay* (Budget 2026 Child Poverty report).

The queues of families in low paid full-time work at foodbanks indicate that paid work is no panacea. In a time of very high unemployment and long-term underemployment, it is totally unrealistic to expect the market to provide secure well-paid jobs for all. The impacts on Māori and Pacific populations which are predominantly young are marked, as are families with disabilities and pre-school children.

Financial Impact

Vote Social Development Opex:

	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Total Cost	-	43.108	50.200	-	-	**93.308**
Total Savings	-	8.503	49.217	70.702	62.106	**190.528**
Net Funding	-	34.605	0.983	(70.702)	(62.106)	**(97.220)**

Illustrating the mindset that paid work is only the way out of poverty Budget 2026 announces:

...funding of $93 million for additional case management and assistance to support sole parents into work.
That is the upfront cost, but the initiative is expected to deliver net savings of $97 million as more sole parents move from receiving a benefit to having a job. (MSD 2026).

Forcing sole parents into full time work will mean an army of temporary expensive case managers interested in ticking boxes regardless of whether there are good well paid suitable jobs for sole parents to fill. It ignores the work sole parents already do in taking care of their children and the extra work of very young and disabled children and, of course, the lack of suitable work.

Low wages are never ever going to be enough on their own to support a family. A person with no children on the living wage may just get by, but if there are children, extra income is required if living standards are not to drop sharply. Working for Families (the sum of the Family Tax Credit and the In Work Tax Credit) is the way that extra income is provided for children.

The $50 per week IWTC increase was touted the saviour of the government's appalling child poverty record. The IWTC abates last-- so many families on well over $100,000 have become eligible for the $50- while 250,000 children in the poorest families are deliberately excluded. But when low-income families lose their job (as so many have recently) and go onto an inadequate adult benefit, their children will now also lose the total IWTC of around $150 a week.

Politically, this is the time for Labour to step up and own the Child Poverty Reduction Act and to set out a clear reform path for Working for Families, the principal income tool for achieving better incomes for children.

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[4] Return to surplus? Nicola Willis charts economic recovery from 22 .30 min