

NOVEMBER 2024

Lasting Impacts

The Economic Costs of Child Poverty in New South Wales



A report prepared for **NCOSS** by **Impact Economics and Policy**



About this report

This report was commissioned by the NSW Council of Social Service (NCOSS) to improve understanding and awareness of the costs that child poverty is imposing on New South Wales.

We would like to thank the social services, community organisations and academics that shared their expertise, insights and narrative examples for this report.

Citation

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Acknowledgement of Country

NCOSS and Impact Economics and Policy acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Australia and their continuing connection to both their lands and seas. We also pay our respects to Elders—past and present—and generations of Aboriginal and Torres Strait Islander peoples now and into the future. We acknowledge the spirit of the Uluru Statement from the Heart and accept the invitation to walk with First Nations peoples in a movement of the Australian people for a better future.



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About Impact Economics and Policy

Impact Economics and Policy brings together a group of expert economists and policy specialists with experience working for government, non-for-profits and big four consulting. Established at the start of 2022, our mission is to partner with clients for impact through providing robust evidence, fresh analysis, and strategic communication to tackle Australia's biggest public policy challenges.

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About NCOSS

The NSW Council of Social Service (NCOSS) is the peak body for the social services sector in NSW. With over 400 members and a wider network of organisations and individuals who share our values, we advocate to alleviate poverty and disadvantage in NSW.

We are an independent voice advocating for the wellbeing of NSW communities. At NCOSS, we believe that a diverse, well-resourced and knowledgeable social service sector is fundamental to reducing economic and social inequality.

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Foreword

Child poverty remains one of the most pressing and persistent challenges of our time, affecting one in six children in New South Wales. In some areas of concentration, this can be as high as one in four children. Poverty during childhood can have lifelong impacts. It can undermine a child's future educational attainment, economic productivity, physical and mental health, and safety. Child poverty also creates barriers to opportunity and access, perpetuating a cycle of disadvantage that is difficult to break without targeted interventions.

This report is the first time in Australia that the economic costs of child poverty have been systematically quantified. Drawing on a range of data sources, sector insights and lived experience, this report highlights how the impacts of child poverty can reverberate throughout a child's life and their association with significant costs in terms of government expenditure and revenue, and economic growth.

Our current systems are failing these children. However, there is hope. Ending poverty is achievable, and we know the solutions. Investing in social housing, expanding access to early childhood education, and addressing food insecurity are critical steps. The NSW Government must take bold action to address these issues, while the Federal Government must increase income support payments to lift people out of poverty.

It is time to confront the crisis of child poverty in New South Wales. We hope that this report serves as a valuable resource for the government and social services sector, inspiring meaningful change and a renewed commitment to improving the lives of children living in poverty.

Cara Varian, CEO / **NCOSS**



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Executive summary

This report brings together a substantial and growing evidence base and quantifies the economic costs of child poverty in New South Wales. This is the first time the economic costs of poverty have been systematically quantified in the Australian context. The report highlights how a failure to invest in measures to alleviate poverty negatively impacts individuals throughout their life and undermines the state's long-term economic performance.

The report finds that the total economic costs of child poverty in New South Wales each year are approximately \$60 billion or 7.6 per cent of Gross State Product. This is equivalent to over \$7,000 per person per year in New South Wales.

Three decades of economic growth has not solved poverty

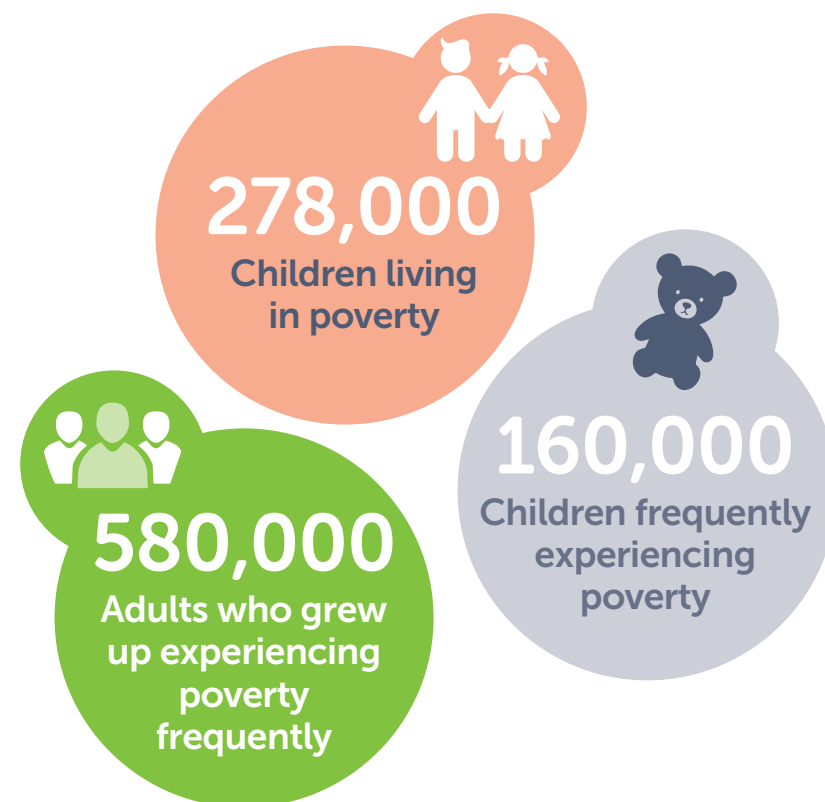
Despite being one of the wealthiest nations in the world, one in eight Australians live in income poverty. Rates of poverty have barely shifted in Australia since 1990 despite an almost continuous period of economic growth. Recent evidence from the Productivity Commission highlights that while Australia has relatively high levels of income mobility, this does not extend to those living in poverty, with people more likely to be in poverty if their parents were also in poverty.¹

Poverty means not being able to afford essentials, such as food, transport and housing. As well as lack of financial resources, people living in poverty also experience a lack of stability, social connections and opportunities. For many families, poverty means not having the resources to provide children with a safe and thriving childhood.

Over a half a million people in New South Wales grew up in persistent poverty

Each year almost one in six or 278,000 children (aged 0 to 17) in New South Wales live in poverty. Of these, about 160,000 will live in poverty for most or all of their childhood. In addition, there are an estimated 580,000 adults living in New South Wales who experienced frequent poverty during childhood (see Figure 1).

FIGURE 1 CHILD POVERTY IN NEW SOUTH WALES, 2023



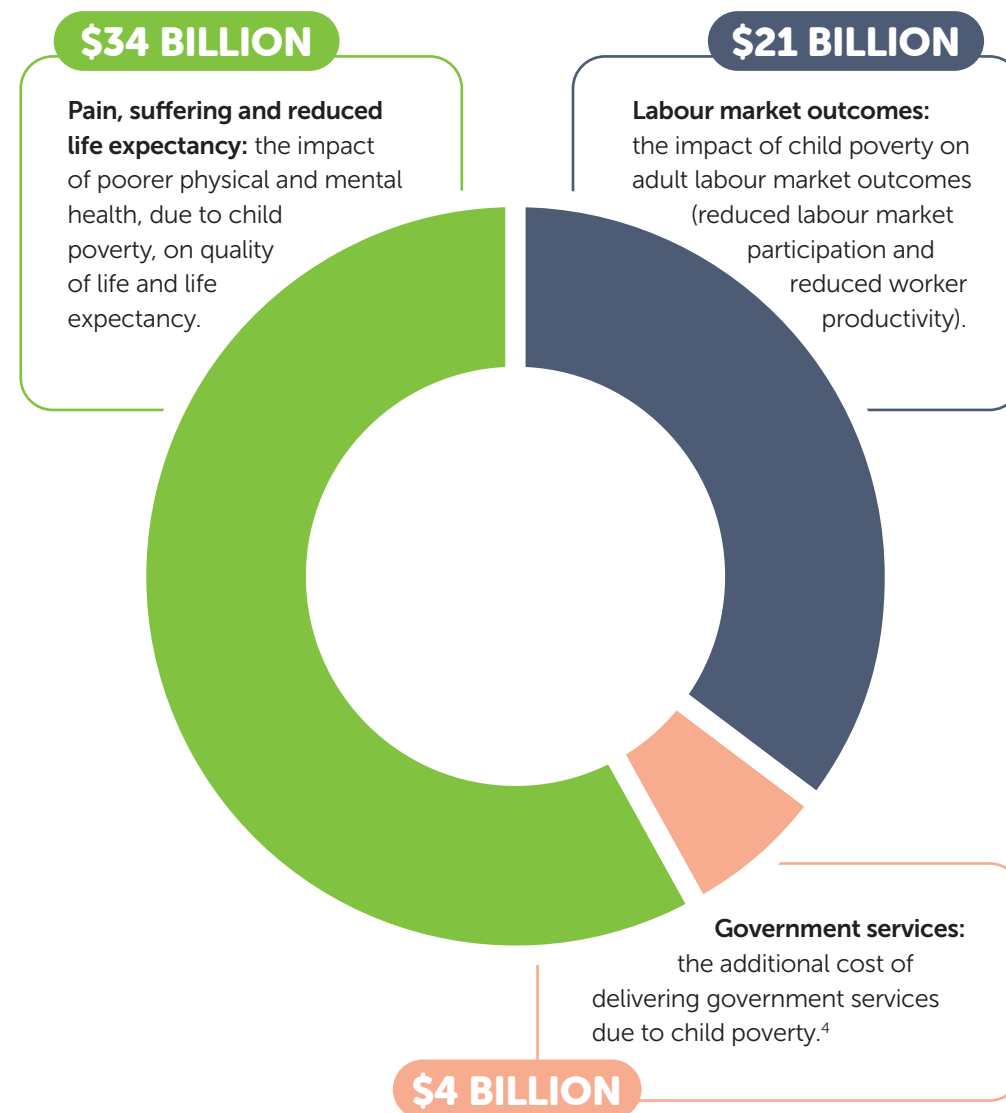
Poverty during childhood has lifelong effects, such as reduced earnings and workforce participation, poor physical and mental health, and a greater probability of being homeless or in the legal system as an adult. Children from households living in poverty are over three times more likely to experience poverty in adulthood than children from households not living in poverty.²

The total economic costs of child poverty exceed the economic value of the manufacturing sector in New South Wales

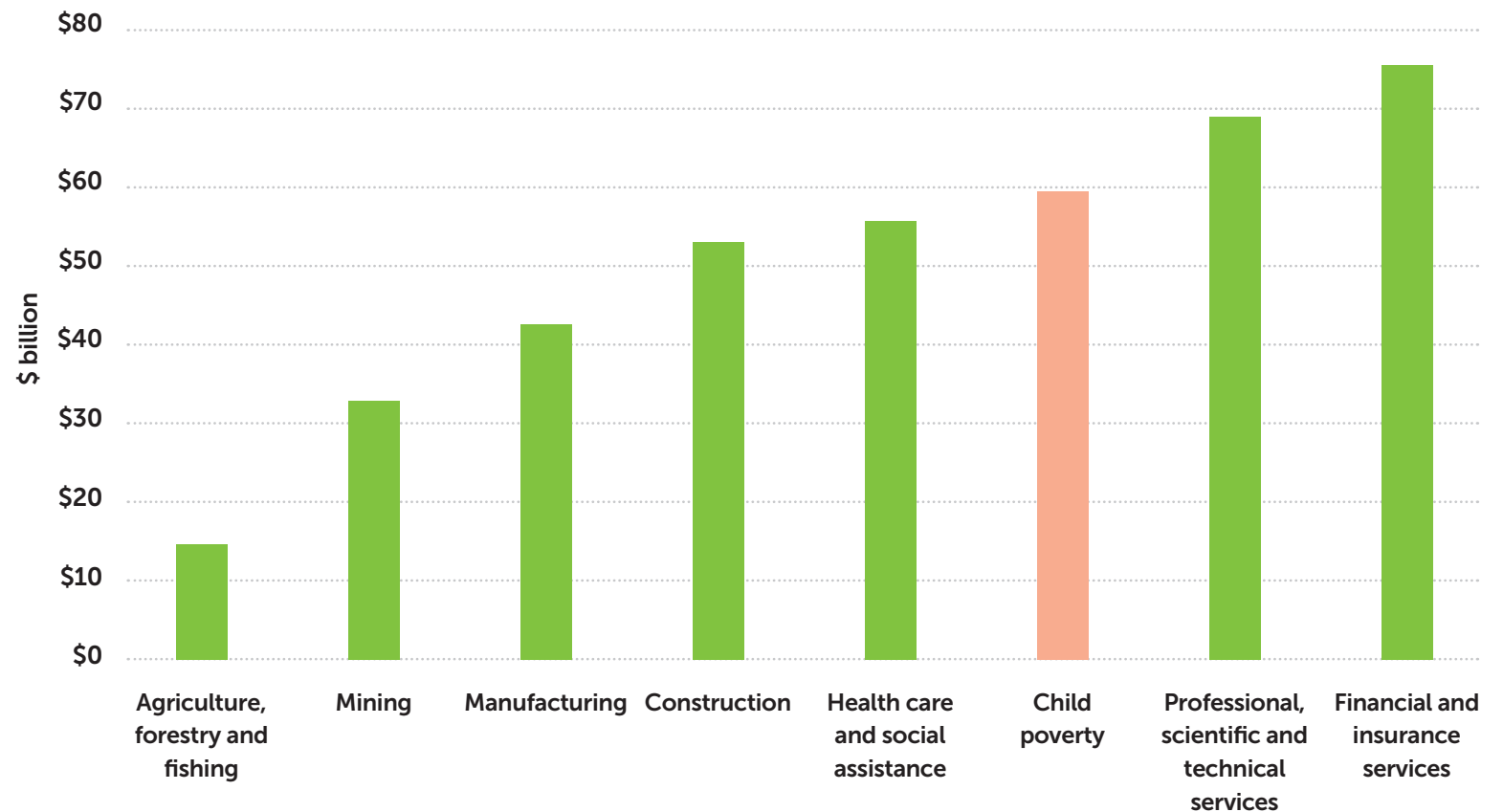
Impact Economics and Policy estimates that the direct costs of child poverty to the economy in New South Wales are **\$25 billion each year**, equivalent to 3.2 per cent of the state economy (see Figure 2). This includes the additional cost of delivering government services (\$4 billion a year), of which about 60 per cent is borne by the Australian Government and the rest by the NSW Government. The direct economic costs also include the long-term costs that arise because of reduced labour market participation and productivity, estimated as \$21 billion a year.

In addition, the value of diminished health and life expectancy due to child poverty is estimated at **\$34 billion each year**. Lower life expectancy as a result of experiencing child poverty means that each year a number of people die earlier than they otherwise would have. In addition, more people experience poor health during the year which is attributable to experiencing child poverty. These impacts are quantified in terms of lost disability-adjusted life years (DALYs), where one DALY is equivalent to one healthy year of life. In New South Wales, poorer health as a result of child poverty is estimated to result in a loss of 150,000 DALYs each year, where the value of one healthy life year lost is \$235,000.³

FIGURE 2 ECONOMIC COSTS OF CHILD POVERTY



This means that the overall economic costs of child poverty in New South Wales are approximately \$60 billion a year, or 7.6 per cent of the state economy. This exceeds the annual output of the health care and social assistance sector (\$53 billion), the construction sector (\$52 billion), the manufacturing sector (\$42 billion), and the mining sector (\$32 billion) in New South Wales (see Figure 3).⁵ On a per person basis, child poverty is imposing economic costs equal to over \$7,000 a person each year across New South Wales.

FIGURE 3ECONOMIC COSTS OF CHILD POVERTY COMPARED WITH ANNUAL OUTPUT OF SELECTED SECTORS OF THE NSW ECONOMY⁶



This report examines the costs of child poverty across the domains of health, education, crime, child maltreatment and homelessness.

As there is overlap between outcomes across these domains, the estimated total costs of child poverty have been adjusted to ensure the same costs are not being double counted.

Cost of services

Labour market impacts

THE ECONOMIC COSTS OF CHILD POVERTY BY DOMAIN

Education



Poverty has a strong negative effect on children’s skill development early in life, with the effects growing over time.

In adulthood, this results in reduced job skills, and lower levels of employment and wage income.

\$621 million

COST OF SERVICES

➔ Cost of school funding to support students living in poverty.

\$18.4 billion

LABOUR MARKET IMPACTS

➔ Up to 60,000 adults are not in the labour force as a result of reduced educational attainment, and those who are working earn less on average.

Health



Child poverty is associated with poorer physical and mental health, especially if poverty is persistent.

Poor mental health is more likely to continue into adulthood than poor physical health.

In addition to service and labour market costs, the impact of poorer health, due to child poverty, on quality of life and life expectancy amounts to \$34 billion.

\$2.2 billion

COST OF SERVICES

➔ Greater use of health services by people affected by child poverty – as children and in adulthood.

\$3.2 billion

LABOUR MARKET IMPACTS

➔ Up to 10,000 adults in NSW are not in the labour force due to the health impacts of growing up in poverty, and those who are working earn less on average.

Child maltreatment (including family violence)



Children growing up in poverty are 2 to 3 times more likely to experience maltreatment, including neglect, abuse and exposure to family violence.

\$974 million

COST OF SERVICES

- ➔ Cost of child protection services attributable to child poverty.
- ➔ Greater use of health services, due to the physical and mental health impacts of child maltreatment, linked to child poverty.
- ➔ Health costs largely relate to adults who experienced maltreatment as a child.

\$2.1 billion

LABOUR MARKET IMPACTS

- ➔ Children who experience maltreatment face higher risks of lower educational attainment and persistent mental health impacts into adulthood.
- ➔ Costs reflect the association between child maltreatment and reduced job skills, lower levels of employment and lower wage income.

Crime



About 20 per cent of criminal offences committed by children are attributable to poverty. People who offend as children have a high probability of re-offending as adults, and ending up in incarceration.

\$493 million

COST OF SERVICES

- ➔ Legal system costs in responding to crime, committed by children, that is linked to poverty.
- ➔ Associated costs relating to victims of crime.
- ➔ Costs of incarceration of adult offenders who had offended as children, where this was linked to poverty.

\$362 million

LABOUR MARKET IMPACTS

- ➔ Adults who experienced detention as a child face significantly reduced educational attainment, which leads to lower rates of labour force participation and lower wage income.
- ➔ Adults who are incarcerated are not in the labour force.

Homelessness



Experiencing homelessness is associated with poorer health, lower educational attainment, and a greater risk of being involved in the child protection and legal systems.

About 80 per cent of children who are homeless experience homelessness as adults.

\$623 million

COST OF SERVICES

- ➔ Use of homelessness services – for children, and for adults who were homeless as children.
- ➔ Greater use of health services – for children, and for adults who were homeless as children.
- ➔ Involvement of homeless children in the legal system, plus associated costs relating to victims of crime.

\$440 million

LABOUR MARKET IMPACTS

- ➔ Adults who experienced homelessness as children face significantly reduced educational attainment, which leads to lower rates of labour force participation and lower wage income.

Rates of child poverty are highest in south western Sydney

The costs of child poverty are concentrated in areas of socioeconomic disadvantage (Table 1). South western Sydney, the Mid North Coast and the New England and North West region have rates of child poverty well above the average. About 111,000 children are living in poverty in the five regions with the highest child poverty rates—40 per cent of the statewide total.

While on average across NSW child poverty is costing \$7,000 a person each year it is as much as \$15,000 a person in South West Sydney. By contrast, the regions with the lowest rates of child poverty—all of which are in the wealthier coastal and north western parts of Sydney—have child poverty rates of 6 per cent or less, and per capita costs as low as \$2,000.

We can eliminate child poverty

While the causes and effects of poverty are complex and interact with a range of other factors in people's lives, the evidence is clear that income poverty itself is the cause of significant long-term harm. Poverty is preventable with the right policies and supports.

The NSW and Australian Governments could reduce the harmful impacts and eliminate child poverty if they chose.

TABLE 1 CHILD POVERTY RATES AND ANNUAL ECONOMIC COSTS FOR THE FIVE SA4 REGIONS WITH THE HIGHEST POVERTY RATES

Region	Per cent of children in poverty	Total economic cost (\$m)	Economic cost per capita (\$)
Sydney - South West	28.4	7,322	14,936
Sydney - Inner South West	23.8	6,684	10,708
Sydney - Parramatta	23.0	5,512	10,787
Mid North Coast	22.0	2,115	8,834
New England and North West	21.8	2,036	10,513
NSW average	15.5	59,131	7,088

The most reliable predictor of children experiencing poverty is having parents that receive income support, with 70 per cent of Parenting Payment recipients living in poverty. Lifting the rates of Parenting Payments, JobSeeker and Youth Allowance as occurred during the COVID-19 pandemic, would significantly reduce the rate of child poverty and the economic costs.

In this report, we argue as a first step the Australian and NSW Governments should lead a community-wide commitment to eliminate child poverty. This requires developing standardised measures of poverty, setting legislated targets and publicly reporting on progress.







Following such a commitment, policies should prioritise lifting the rate of income support,

providing housing and educational support and addressing the harmful impacts of poverty on long-term outcomes for children (see Table 2).

Seven per cent of the economic costs of child poverty to the economy relate to children who are currently experiencing poverty, with the remaining 93 per cent relating to adults who grew up in poverty. The estimates in this report show that prioritising investments in primary prevention and support services will deliver significant economic returns over the long term.

Investing now to reduce the life-long harms caused by poverty offers the potential to significantly boost economic activity and wellbeing into the future.

TABLE 2 POLICIES TO PREVENT CHILD POVERTY AND REDUCE ITS IMPACTS

 <p>Commitment to eliminate child poverty</p>	<p>The NSW and Australian Governments should lead a community-wide commitment to eliminate child poverty, backed by standardised measures, targets and public reporting on progress.</p>	
 <p>Adequate and affordable housing</p>	<p>Ensure that a minimum of 10 per cent of all housing is social and affordable housing, further increase Commonwealth Rent Assistance to keep up with growth in private rents, and ensure homelessness services are resourced to support everyone who needs help.</p>	
 <p>Empower First Nations communities</p>	<p>Engage in joint decision-making to empower First Nations communities in the design and delivery of services, including expediting efforts to enter into a Treaty and boosting funding for the Aboriginal Community Controlled sector.</p>	
 <p>Adequate income support</p>	<p>Working-age income support payments, including Parenting Payments, need to be substantially increased and indexed to community living standards so that recipients do not have to live in poverty.</p>	
 <p>Universal access to childcare</p>	<p>Guarantee that all children have access to at least three days a week of quality and affordable childcare, with removal of the Activity Test on the childcare subsidy.</p>	
 <p>Support families early and invest in high quality services</p>	<ul style="list-style-type: none"> ➔ Invest in primary prevention and early intervention programs to reduce the risk of child maltreatment. ➔ Reform the child support system to ensure it is a safe and stable form of financial support. ➔ Expand access to child and family services that provide 'wrap around' support to improve health and development outcomes for children in the early years. ➔ Resource schools so that they can provide good quality teaching, learning and the wellbeing supports that children need to thrive. 	
	<ul style="list-style-type: none"> ➔ Properly fund mental health services to alleviate the significant gaps in the current service system. ➔ Reduce the risks of re-offending by children in conflict with the law by raising the age of criminal responsibility and investing in diversionary programs. ➔ Support workforce participation and financial wellbeing services for people living in poverty. ➔ Ensure that the current systems of support for children and families are interconnected and accessible across NSW. 	

Lifting children and families out of poverty offers significant life-long benefits to children and their families in terms of their health, wellbeing and workforce participation. It also offers large dividends to governments in terms of improved economic productivity, higher tax revenues, and lower demand on welfare payments and government services. A greater focus on alleviating poverty and its impacts represents a sound investment that will return significant dividends into the future.

Introduction

Poverty is not having enough resources to meet your basic needs or participate in society.⁷ Poverty is a relative concept that looks different in different societies. In Australia today, living in poverty means struggling to pay the rent or mortgage, not being able to afford a visit to the doctor, skipping meals, missing payments for utility bills, or seeking financial help from others.

For children, poverty can impact every aspect of life including the quality of parenting they receive, their access to quality childcare and education, their physical and mental health, the neighbourhood they live in, and how many times they move house. It negatively shapes their experiences at home and at school during critical years of development. For some children, poverty can also result in suffering abuse or neglect, being homeless, or becoming entangled in the legal system.

Once a family falls into poverty, it can be hard to get out. Prolonged spells of poverty as a child can affect people for the rest of their lives, such as by having ongoing poor health and struggling to retain paid employment.

Poverty is often intergenerational. People

who grew up in poverty are more likely to experience poverty as adults, and thus their own children are more likely to grow up in poverty.⁸ In Australia, children who grow up in families experiencing poverty are much more likely to have low incomes when they are young adults, and those who grew up in families receiving government support payments are twice as likely to receive government support payments themselves, compared to children whose families did not receive support payments.⁹

Poverty has many causes

Unplanned and uncontrollable life events often lead families to experience poverty. For some families, it can start with a parent losing a job, suffering an illness or injury, or having to move

house because the rent has increased and is no longer affordable.¹⁰ Having a first child¹¹ and parents separating¹² are also strongly associated with families entering poverty. Families with an adult or child with disability are significantly more likely to experience living in poverty.¹³

The longer families are in poverty, the lower their chances are of exiting poverty. Families who have more dependent children, or live in more socioeconomically disadvantaged areas, are also less likely than other families to exit poverty.¹⁴

Poverty is also associated with other factors that can contribute to poor health and developmental outcomes for children. These include parents' education and health, genetic and environmental factors, and parenting



practices and behaviours.¹⁵ While there is evidence that many of these factors are themselves caused by income poverty, we know that children experiencing poverty often face multiple stresses in their lives.

Almost one in six children in NSW live below the poverty line

Definitions of income poverty vary, but it is generally defined as household income that is significantly lower than for a 'typical' household. In this report, child poverty is defined as living in a household with income less than 50 per cent of the median household's income (including government benefits, and after tax and housing costs), adjusted for household size. This is consistent with recent Australian research.¹⁶

The poverty line in Australia was \$656 a week for a single parent with a child in 2021, or \$1,059 for a couple with two dependent children.¹⁷ For a family or single parent with children, this is not enough to cover the costs of housing, food, utilities, out-of-pocket health care, education and other costs. Families living in poverty must do without some of these essentials, impacting the health and wellbeing of their children.

The challenges are particularly acute across much of Sydney where housing costs have been rising steeply, with median rents now at \$770 a week¹⁸ and a major statewide shortage of social and affordable housing. An estimated 145,000 households across Sydney, and a further 77,000 households in regional NSW, had unmet housing needs in 2021 (see Figures 4 and 5).¹⁹ The number of children living in poverty is likely to have risen significantly following the COVID-19 pandemic due to rising living and housing costs, which are forcing many low-income families to move to poorer-quality housing.²⁰

Child poverty is associated with poor health and reduced opportunities throughout life

Poverty can reduce access to nutritious food, physical activity and health care; expose children to poor-quality environments such as overcrowded housing, pollution, violent neighbourhoods and under-resourced schools; lead to less effective or harmful parenting styles; and increase the risk of children suffering negative health shocks, abuse or neglect.²¹

FIGURE 4 DISTRIBUTION OF UNMET HOUSING NEED IN NEW SOUTH WALES²²

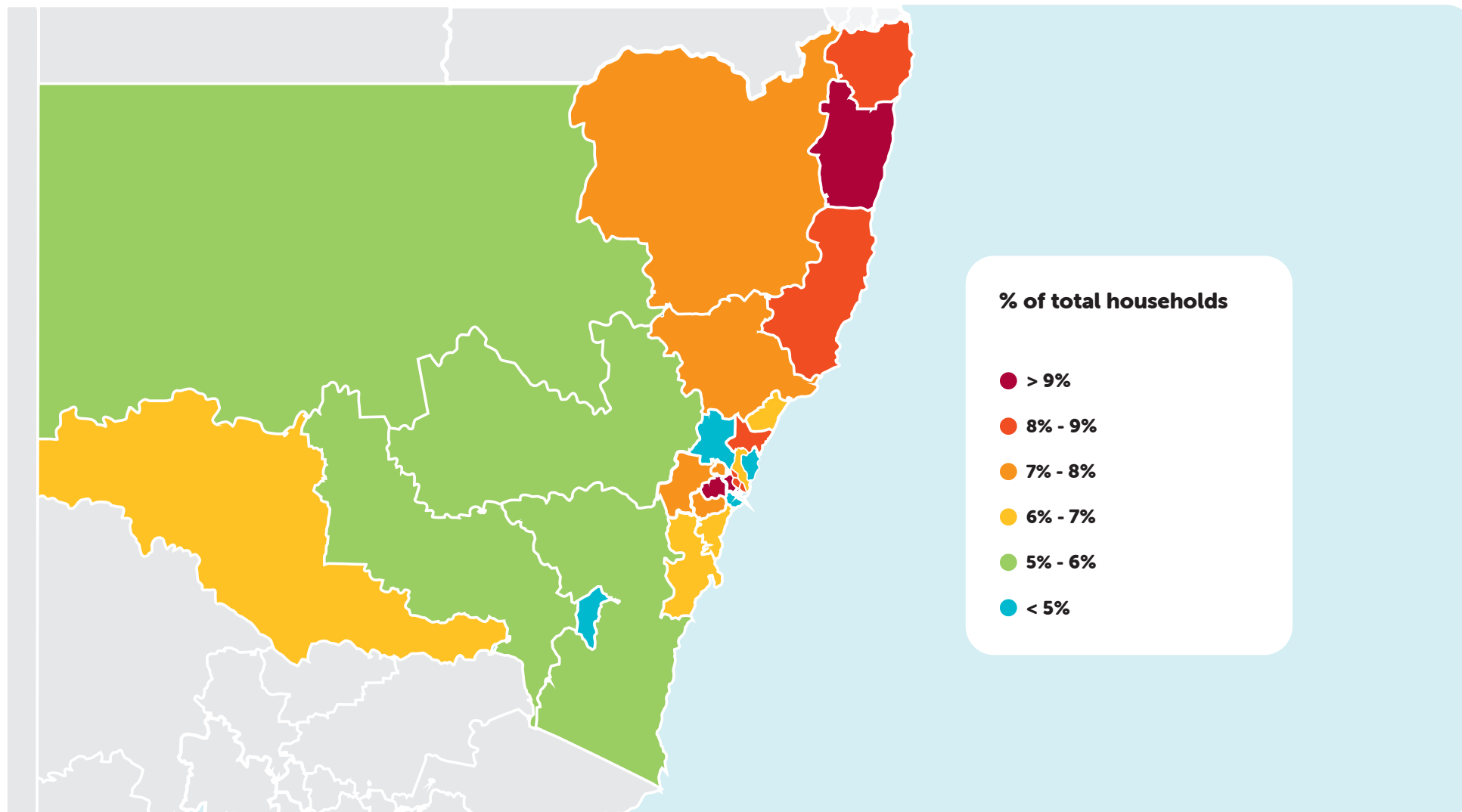
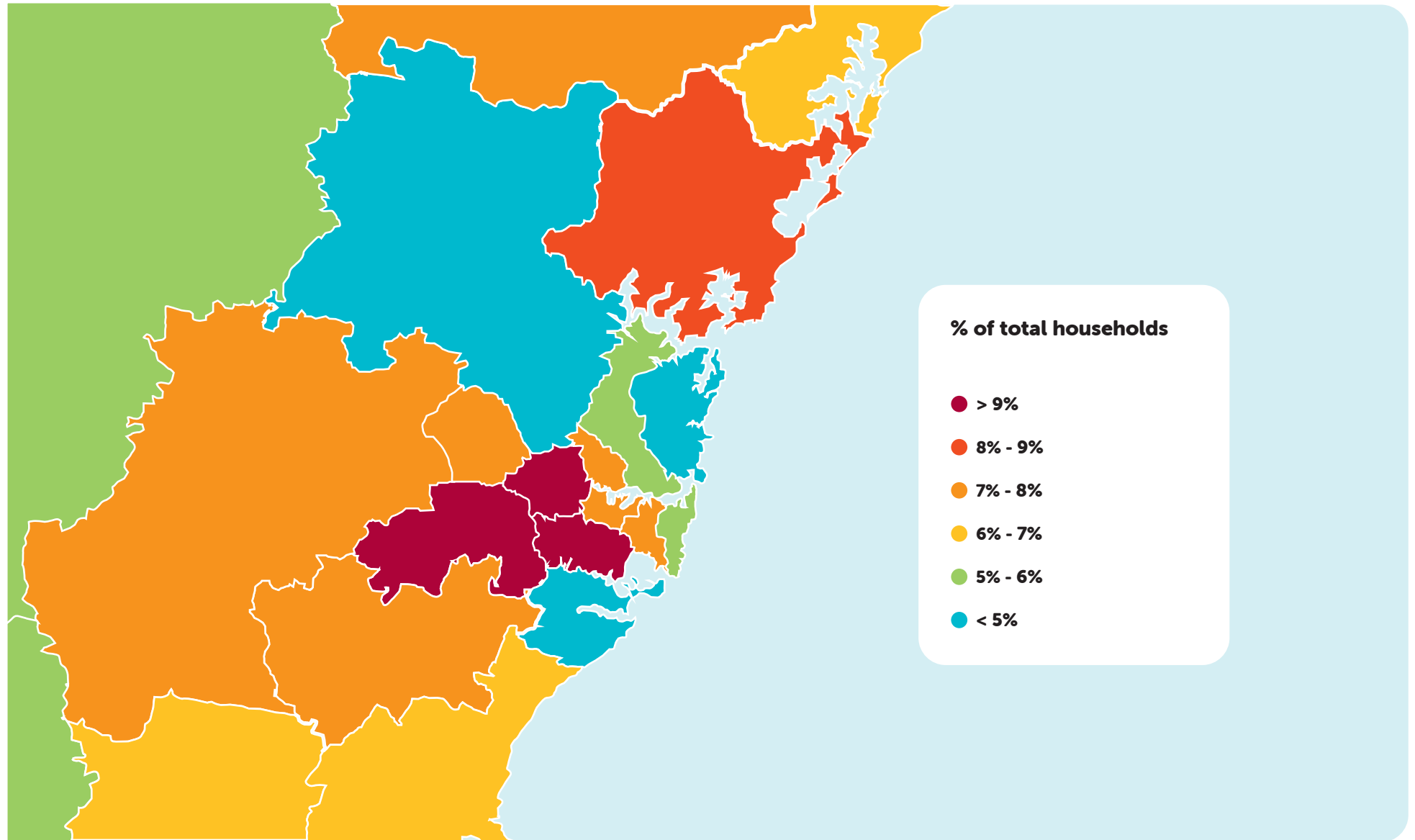


FIGURE 5 DISTRIBUTION OF UNMET HOUSING NEED IN GREATER SYDNEY²³



The effects of poverty during childhood can be lifelong such as reduced earnings and work participation, poor physical and mental health, and a greater probability of being homeless or in the legal system as an adult.

The longer children spend in poverty the more likely they are to experience social and economic disadvantage throughout their lives.

Research from the Melbourne Institute has found that children from poor households are 3.3 times more likely to suffer from adult poverty than children from non-poor households.²⁴ They are also significantly less likely to complete year 12, get a university degree, be employed full-time or have a permanent job by the time they are a young adult.

The economic costs of child poverty

In economic terms, the costs of child poverty are substantial. In the United States, researchers have quantified the costs at around US \$1.03 trillion in 2015 dollars, equivalent to 5.4 per cent of Gross Domestic Product (GDP).²⁵ In the United Kingdom, the cost of child poverty to affected individuals in terms of lost employment alone has been estimated at up to 1.9 per cent of GDP.²⁶

Until now, the economic costs of child poverty in Australia have not been systematically quantified.

In this report, Impact Economics and Policy has estimated the annual costs of child poverty in New South Wales. These costs relate to children who are currently living in poverty and to adults who experienced poverty when they were children.

The estimates show the long-term consequences of child poverty (e.g. on adult earnings) can be much larger than the immediate impacts (e.g. on the cost of government services). Many of the costs are attributable to income poverty itself.

Importantly, the costs are avoidable with the right policy decisions, including income support, housing, and other support services, as we identify in this report. Investing in policies to eliminate child poverty in New South Wales would deliver significant economic benefits.



Child poverty in New South Wales today

As of 2023, there were an estimated 278,000 children aged 0 to 17 (or 15.5 per cent) living in poverty in New South Wales.²⁷ The proportion of children in poverty has barely changed since 2016.²⁸



Over 60 per cent of children in Australia will experience poverty at some point during their childhood, and almost 10 per cent will live in persistent poverty.²⁹

Today in New South Wales there are 580,000 adults who grew up in persistent poverty, many of whom are continuing to experience the long-term impacts including living in poverty as adults.³⁰

Poverty is concentrated in Sydney's western and south-western suburbs, where almost one in four children live in poverty (see Figure 6). There is a 'poverty gap' of over 20 percentage points between rates of poverty in the more advantaged eastern suburbs. This gap has been growing over time, with a deepening of poverty in the west and south-west.³¹

The Mid North Coast, New England and Far West regions of the state also have high concentrations with over 20 per cent of children living in poverty (see Figure 7).

FIGURE 6 CHILD POVERTY RATES ACROSS GREATER SYDNEY

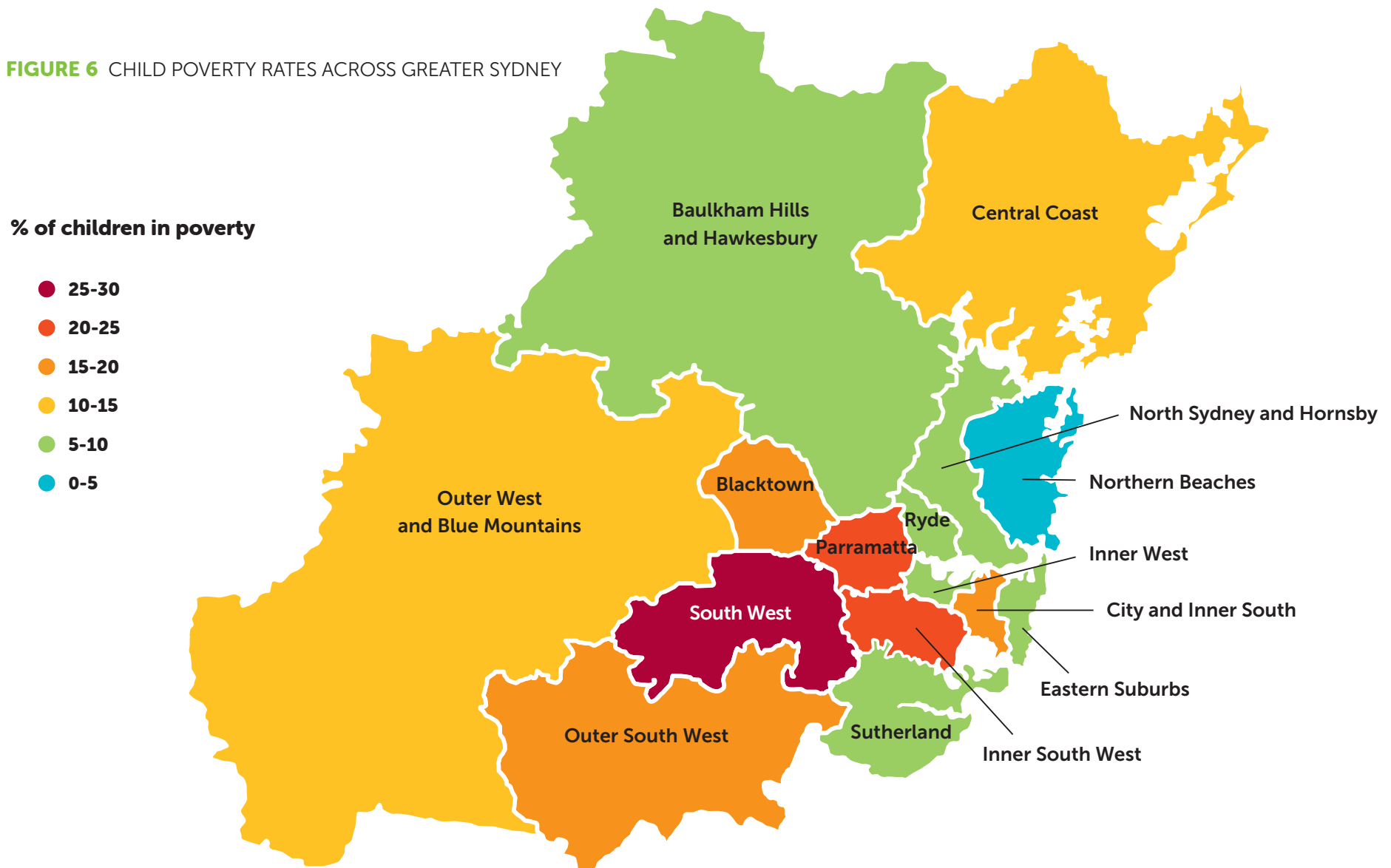
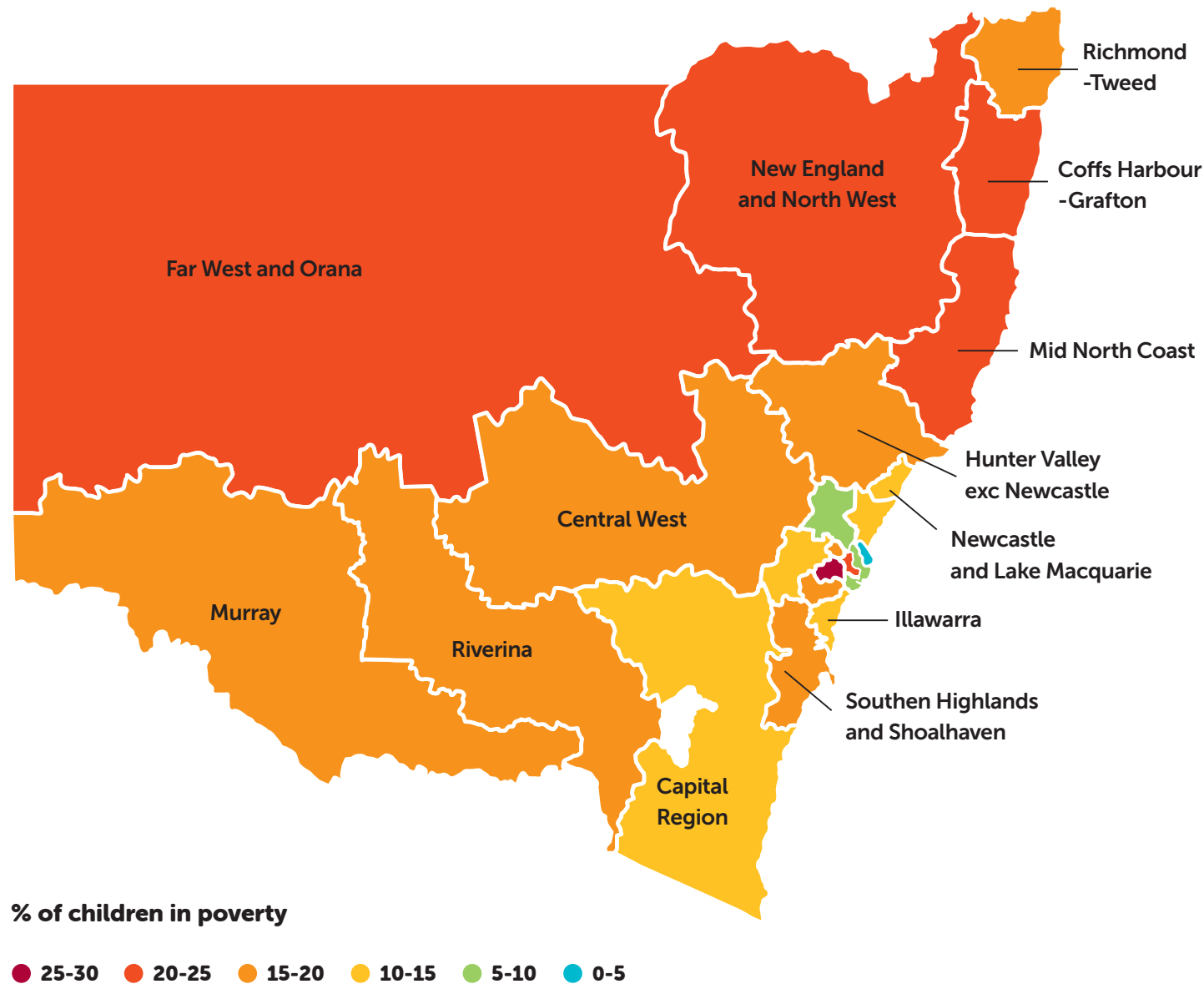


FIGURE 7 CHILD POVERTY RATES ACROSS NEW SOUTH WALES



Poverty rates also vary across different types of families and households.

For example:³²

- 70 per cent of families relying on the Parenting Payment live in poverty.
- Young people are more likely to live in poverty than older people, with 15.2 per cent of NSW children under 15 living in poverty compared to 12.5 per cent of people between 25-64.
- Children in single-parent homes are more than twice as likely to be in poverty than children in couple households. Women are more likely to be in poverty than men.
- Individuals that rely on income support payments are seven times more likely to be in poverty than full time employees.
- Private renters are almost three times more likely to live in poverty than those who own their own home (see Figure 8).

In addition, First Nations people, people from culturally and linguistically diverse communities, and people living with disability are two to three times more likely to live in a low-income household compared to people who do not have these characteristics.

FIGURE 8 POVERTY DISPROPORTIONATELY IMPACTS CHILDREN, WOMEN, SINGLE PARENTS, UNEMPLOYED PEOPLE AND TENANTS

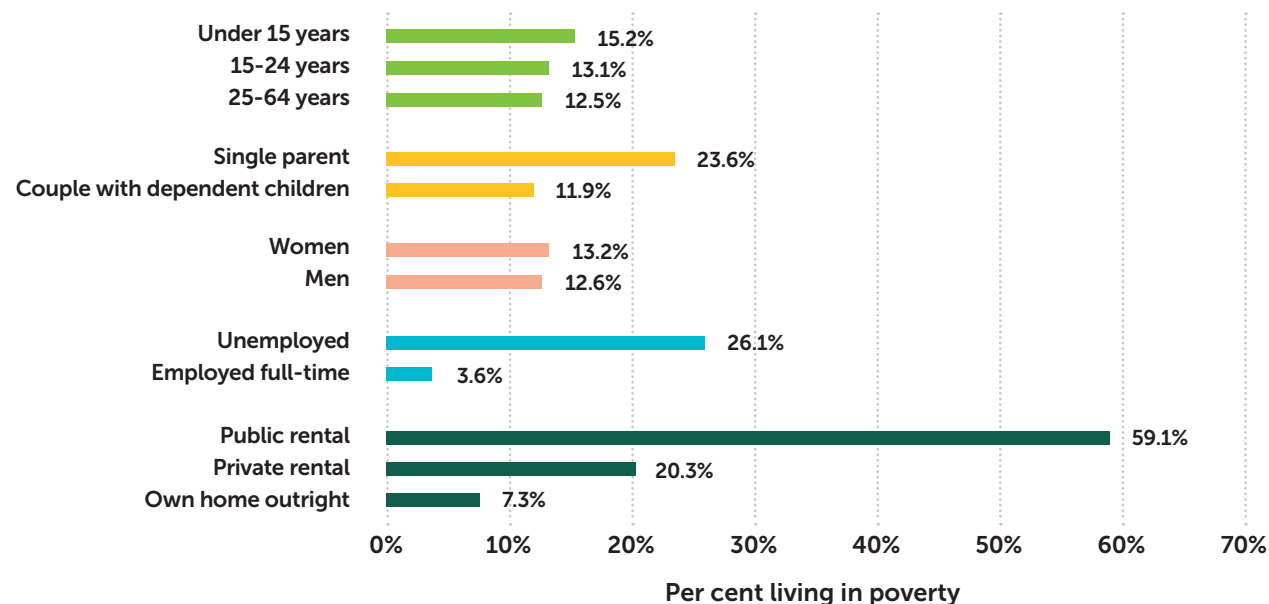
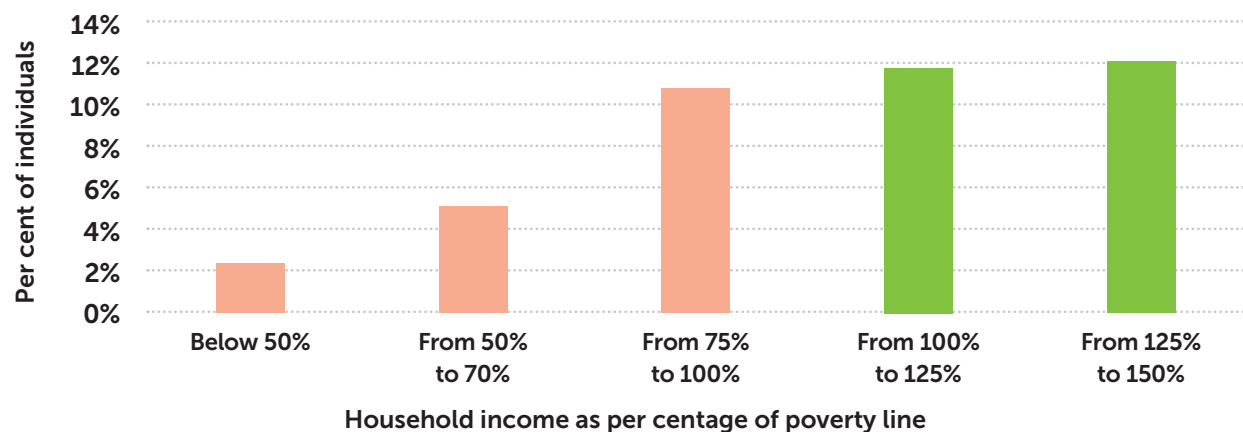


FIGURE 9 DISTRIBUTION OF PEOPLE BY HOUSEHOLD INCOME GROUP³³



The severity of poverty varies, with 11 per cent of households living just below the poverty line; 5 per cent of families living between 50 and 75 per cent of the poverty line and 2.3 per cent of families living below 50 per cent of the poverty line (see Figure 9). There is also an additional 12 per cent of the population living just above the poverty line, who are at risk of entering poverty with only a modest change in their income.

There is also variation in the persistence of poverty, with some families experiencing poverty only temporarily, and others experiencing poverty for an extended period of time. In this report, poverty persistence is defined in terms of the proportion of childhood years (that is, ages 0 to 17) spent in poverty (see Table 3).

TABLE 3 PERSISTENCE OF CHILD POVERTY

Category	Definition	Share of children ³⁴
Never poor	Not in poverty during childhood	38%
Occasionally poor	In poverty up to 25 per cent of childhood years	33%
Regularly poor	In poverty 25-50 per cent of childhood years	17%
Frequently poor	In poverty more than 50 per cent of childhood years	12%

What we have done in this report

Impact Economics and Policy has modelled the annual costs of child poverty in New South Wales across five broad domains: education, health, child maltreatment, crime and homelessness (see Table 4).

TABLE 4 ECONOMIC COSTS INCLUDED IN THE ANALYSIS

Domain	Direct costs of government services	Broader economic and social costs
Educational attainment	<ul style="list-style-type: none"> ○ Cost of providing targeted education supports 	<ul style="list-style-type: none"> ○ Lost earnings due to lower labour force participation and wages
Health	<ul style="list-style-type: none"> ○ Cost of additional health services (for children and adults) 	<ul style="list-style-type: none"> ○ Lost earnings due to lower labour force participation and wages ○ Value of pain, suffering and reduced life expectancy
Child maltreatment (including family violence)	<ul style="list-style-type: none"> ○ Cost of providing child protection services ○ Cost of additional health services 	<ul style="list-style-type: none"> ○ Lost earnings due to lower labour force participation and wages as a result of poor health ○ Value of pain, suffering and reduced life expectancy
Crime	<ul style="list-style-type: none"> ○ Costs to the legal system 	<ul style="list-style-type: none"> ○ Costs borne by victims of crime ○ Lost earnings due to lower labour force participation and wages
Homelessness	<ul style="list-style-type: none"> ○ Cost of providing homelessness services ○ Cost of additional health services (for children and adults) ○ Costs to the legal system 	<ul style="list-style-type: none"> ○ Lost earnings due to lower labour force participation and wages ○ Costs borne by victims of crime ○ Value of pain, suffering and reduced life expectancy

These costs relate to children currently experiencing poverty, as well as the longer-term costs for adults who experienced poverty when growing up.

The costs include:

- higher use of services such as health care, child protection and homelessness services by people affected by child poverty;
- lost economic production and earnings as a result of lower labour market participation and wages;
- non-monetary costs of pain, suffering and loss of life; and
- costs borne by victims of crime caused by child poverty.

The report also includes estimates of fiscal costs to government in terms of welfare payments and forgone tax revenues. As these are transfers of money (as opposed to the direct consumption or savings of resources), these fiscal costs are not included in the estimates of total economic costs.

Costs have been modelled at the NSW-wide level and for each of the 28 Statistical Area 4 (SA4) regions across the state, based on the share of children living in poverty in each region.

To model the costs of child poverty, previous estimates by the National Centre for Social and Economic Modelling and NCOSS of rates of child poverty across New South Wales were used, and supplemented with findings from the academic literature (both Australian and international) on the impacts caused by child poverty. Where possible, the analysis accounts for how experiences of poverty differ depending on a child's age and how many years they are in poverty.

Quantifying the impacts of poverty is complicated by a range of factors—for example, the impacts can be hard to distinguish from other factors affecting people's lives, and the causal relationships can often be hard to tease out (see Box 1). There is also a lot of overlap across the domains of impacts—for example, children experiencing maltreatment as a consequence of poverty may also have poorer physical and mental health, or

be more likely to engage in crime. To avoid double counting the costs, we have made adjustments when adding up costs across the domains.

A related issue is that the impacts of poverty are attenuated by government-funded services and safety nets. This affects our estimates in two ways:

- The estimated cost of government services use attributable to child poverty reflects actual spending, even though in some areas there are high levels of unmet need.
- The extent to which current spending on these services reduces the impacts of poverty shows up in other parts of the analysis, such as the labour market outcomes for people who experience child poverty. Greater spending on high-quality services and supports will reduce these longer-term costs, albeit with a lag.

Appendix 1 explains the assumptions, methods and data sources used for the modelling, and Appendix 2 provides detailed estimates at the SA4 level.

BOX 1: CHALLENGES WITH ESTIMATING THE ECONOMIC COSTS OF CHILD POVERTY

- **Experiences of child poverty differ**, in terms of its extent (mild versus severe deprivation), duration (temporary, recurring or sustained) and when it occurs (in early years versus adolescence). Many children's experiences will be very different to the average.
- **Impacts can take years to materialise**, such as impacts on adult income and health. This means many studies are based on adults' recollections of their childhood rather than on robust data (although there are exceptions).
- **There are many confounding factors** that can affect life outcomes, including parents' education, health and behaviour; genetics; the place people grow up; peer influences; and the educational and health interventions children receive. Some of these factors may play a bigger role than poverty per se, and others can be caused or exacerbated by poverty. Disentangling the effects of these other factors from the effects of poverty is very difficult.
- **Double counting is a big risk** in quantifying the impacts of child poverty. For example, lower adult earnings could be a result of poverty's impact on a child's education, health, maltreatment, or participation in crime—so adding up the effects of each of these separately will overstate the total impact.
- **Reverse causality is also possible**, especially when measuring outcomes for children—for example, poor child health could be caused by household poverty, or alternatively poor child health could be linked to poor adult health which affects parents' ability to participate in the labour market (and so is the cause, rather than the consequence, of poverty).

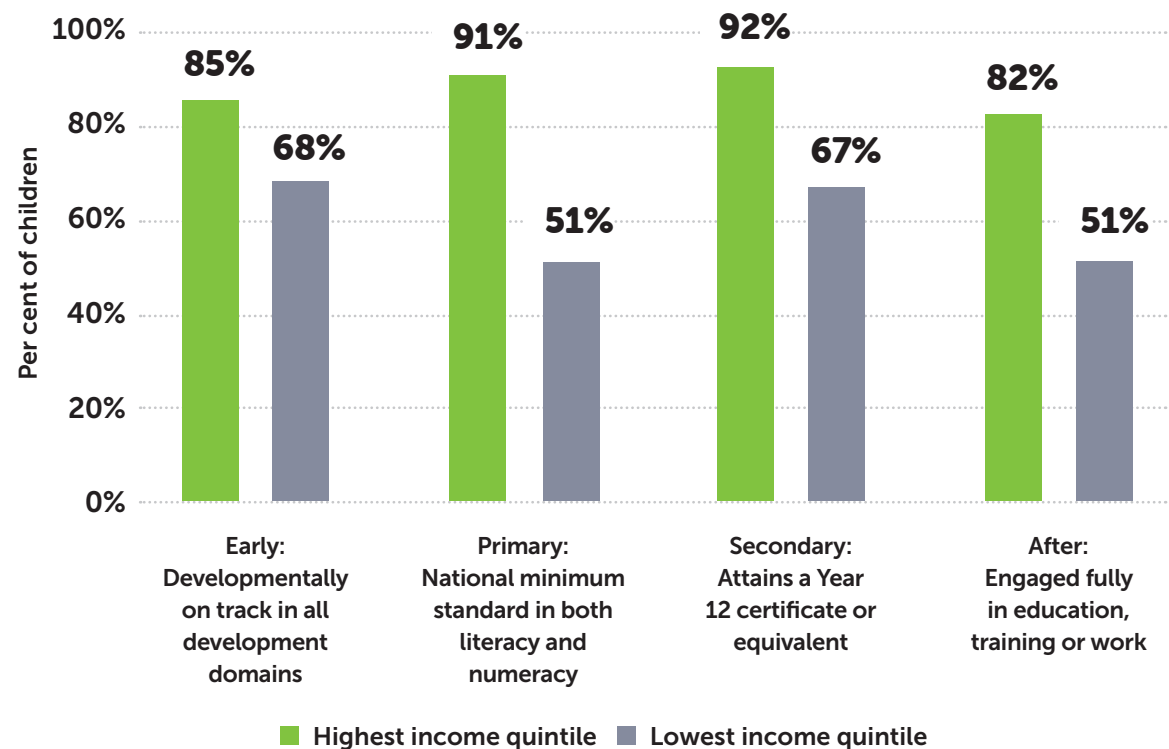
Educational attainment

In Australia, the educational gap between children living in poverty and those who are not is stark across all ages, from early child development through to university education. This has significant and life-long impacts for people who grow up in poverty.

For example:

- National literacy and numeracy test scores across all year levels and domains are substantially lower for children from the lowest socioeconomic backgrounds compared to those from the highest.³⁵
- Almost a third of young adults (aged 26 to 32) who experienced poverty as a child have not completed high school, compared to less than 10 per cent of young adults who grew up in a household that never experienced poverty.³⁶
- Less than 45 per cent of young adults who experienced poverty as a child have obtained a university degree, diploma, or certificate 3 or 4 by the age of 26, compared to over 60 per cent of children who never experienced poverty³⁷
- Children from low-income backgrounds fare significantly worse than those from high-income backgrounds across all stages of education and then when they enter the workforce (see Figure 10).

FIGURE 10 STUDENTS WHO HAVE EXPERIENCED POVERTY HAVE WORSE OUTCOMES AT EVERY STAGE OF EDUCATION³⁸



The effects of poverty appear to be strongest in the early years of life, with levels of family income clearly linked to children’s cognitive skill development.³⁹ There is also evidence that:

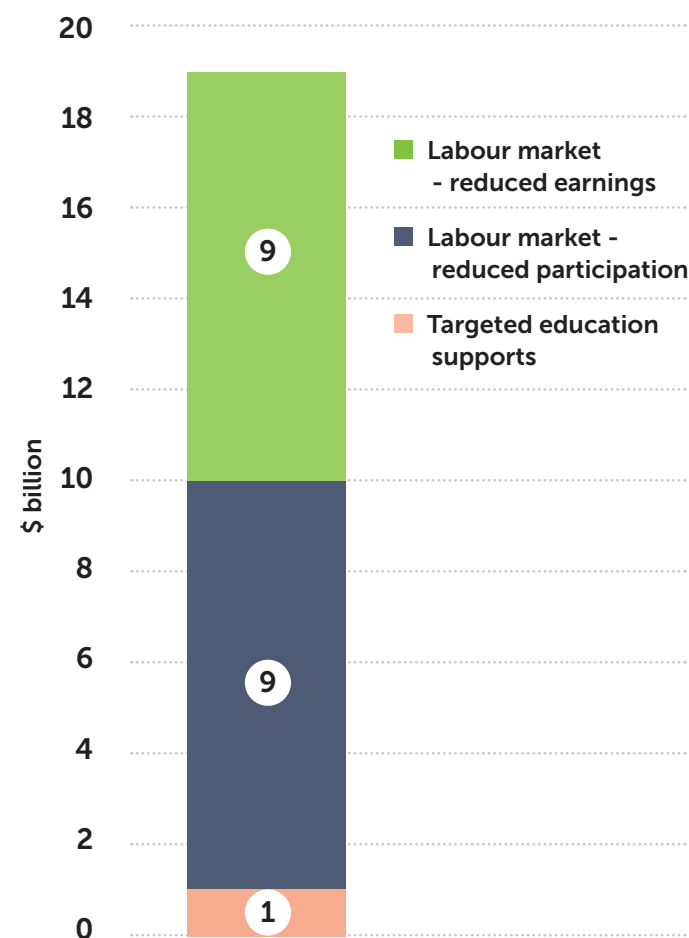
- More than one-third of Australian children living in the most socioeconomically disadvantaged areas are developmentally vulnerable when they start school, and are four times as likely to be developmentally vulnerable in their language and cognitive skills compared to children living in the most advantaged areas.⁴⁰
- Children who were in poverty in their first year of life are about a quarter of a year behind on literacy and numeracy test scores by Year 3, even after controlling for background characteristics and school readiness when they started school.⁴¹
- Children who were in poverty in the first seven years of life have worse literacy and numeracy test scores on average, equivalent to just over one year of schooling at the Year 3 level.⁴²
- Around half of developmentally vulnerable children never catch up with other children— they end up a whole year behind other children by Year 3, on average, and two years behind other children by Year 5.⁴³

Poverty may affect educational outcomes for young children via the role that parenting practices play, including parents’ investment in cognitively stimulating activities and materials for their children.⁴⁴ Poverty is also associated with stress, depression and poor health in parents, and with higher levels of frustration and aggravation, which could adversely affect children’s behavioural and verbal development.⁴⁵

Economic costs of lower educational attainment

Impact Economics and Policy estimates that the economic costs of lower educational attainment as a result of child poverty in New South Wales are **\$19.0 billion a year** (see Figure 11). The majority of these costs are from worse labour market outcomes in adulthood, although there are also costs associated with providing targeted educational supports to children experiencing poverty.

FIGURE 11 ANNUAL COST OF CHILD POVERTY TO THE ECONOMY—REDUCED EDUCATIONAL ATTAINMENT



Targeted education supports

The NSW and Australian Governments currently spend an estimated \$621 million a year in additional school funding to support students living in poverty in New South Wales. This funding is provided through a loading in school funding formulas that provide higher funding based on the number of students from low socioeconomic backgrounds. Schools have flexibility in how they use this funding to address educational disadvantage and tailor teaching practices to improve learning and wellbeing outcomes for disadvantaged students.⁴⁶

Labour market outcomes

Lower educational attainment can have life-long costs in terms of worse labour market outcomes, with significant costs to individuals and the broader economy.

Australian-based research has found that adults who did not experience child poverty are 1.8 times more likely to be employed full time, 1.3 times more likely to have a permanent ongoing job, and 3.3 times more likely to be in the labour force compared to people who experienced several years of child poverty.⁴⁷ Adults who did not experience poverty also have 23 per cent higher wages, on average.⁴⁸

Internationally, researchers have found that people who experience child poverty spend less time in education, enter the labour market at a younger age, are less likely to be employed, and—if they are employed—have lower job positions and lower wages.⁴⁹

Impact Economics and Policy estimates that worse labour market outcomes as a result of this reduced educational attainment is costing \$18.4 billion a year across New South Wales. This is a significant cost to the affected individuals and to the broader economy.

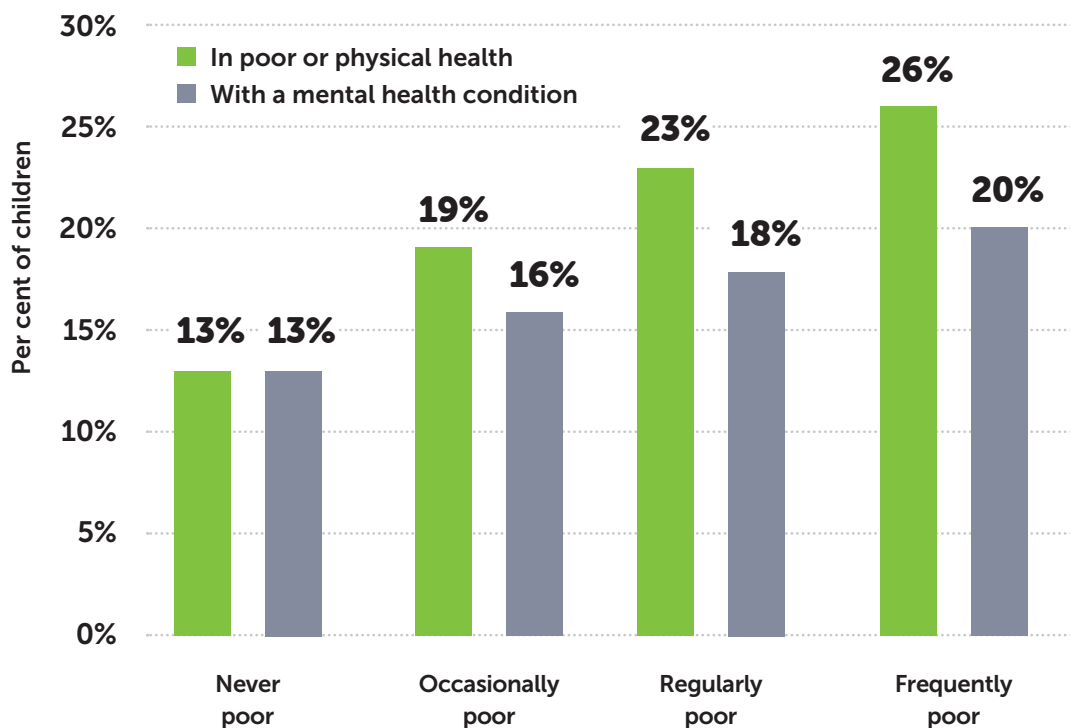
This estimate accounts for:

- **Lower employment**, reflecting about 60,000 people who are unable to work or unable to find a job. At average wage rates, this means \$9.5 billion a year in lost earnings.
- **Lower earnings** for people who are working, reflecting fewer working hours and/or lower hourly wage rates. This amounts to \$8.9 billion a year in lost earnings.

Health

Children growing up in poverty tend to have poorer health outcomes, both as children and when they grow up. The connection between poverty and poor health is well established, with the health effects tending to be worse for older children and for children who spend more time in poverty (see Figure 12).⁵⁰

FIGURE 12 SHARE OF CHILDREN WITH POOR PHYSICAL OR MENTAL HEALTH, BY PERSISTENCE OF POVERTY⁵¹



Physical health

The health impacts of child poverty often extend into adulthood. Australian adults are more likely to have poor physical health if they frequently experienced poverty as children, regardless of their socioeconomic position as adults.⁵² Adults who report having poor health as children are more likely to have poor health as adults, with the effect stronger for women than for men.⁵³

An Australian study found that 26 to 32 year olds who had frequently lived in poverty as children had lower levels of general health (62.8 out of 100 on a self-rated health questionnaire) than young adults who had never lived in poverty as children (71.4 out of 100).⁵⁴ Another Australian study found that children who experienced persistent poverty in the first 2 to 3 years of their life were less likely than other children to have a healthy diet, less likely to participate in regular physical activity, and less likely to have mothers that have a warm parenting style—all factors which contributed to poorer physical health.⁵⁵ As a result, children who experience persistent poverty in Australia are about twice as likely to have poor physical health (as rated by their parents) compared to children who never lived in poverty.⁵⁶

Mental health

Australian and international research shows that children living below the poverty line are at greater risk of mental health problems, including anxiety, depression and conduct disorders.⁵⁷

In addition, poor mental health in childhood has been associated with a range of mental health conditions in adulthood, including anxiety, depression, poor emotional regulation and alcohol abuse.⁵⁸ There is also evidence that poor mental health is more likely than poor physical health to persist from childhood into adulthood.⁵⁹

Socioeconomically disadvantaged children in Australia are almost 12 per cent more likely to experience elevated mental health symptoms than their non-disadvantaged peers, even after controlling for differences in family composition, neighbourhood socioeconomic status, parents' mental health, and other factors.⁶⁰ Children who grew up in poverty are significantly more likely to suffer from nervousness or feel unhappy with their lives for up to ten years after leaving home.⁶¹

Children who experience poverty for longer periods are more likely to have poor mental health.⁶² The gap between children who are and are not socioeconomically disadvantaged widens from about 5 per cent in early childhood to 12 per cent in teenage years.⁶³ Researchers have also found that the gap in mental health outcomes between children who experienced poverty and those who had not at age 4 tends to persist until at least age 14.⁶⁴

The way that child poverty affects health can be complex. Researchers in Australia have found that the mother's mental health and education, along with neighbourhood disadvantage, can explain a large part of the relationship between family income and child mental health.⁶⁵ Other studies have pointed to the fact that children in low-income households tend to experience lower quality housing and home environments, parenting under difficult circumstances, more family conflicts, poorer physical health, higher residential mobility, lower quality schooling, and lower access to community resources and services.⁶⁶

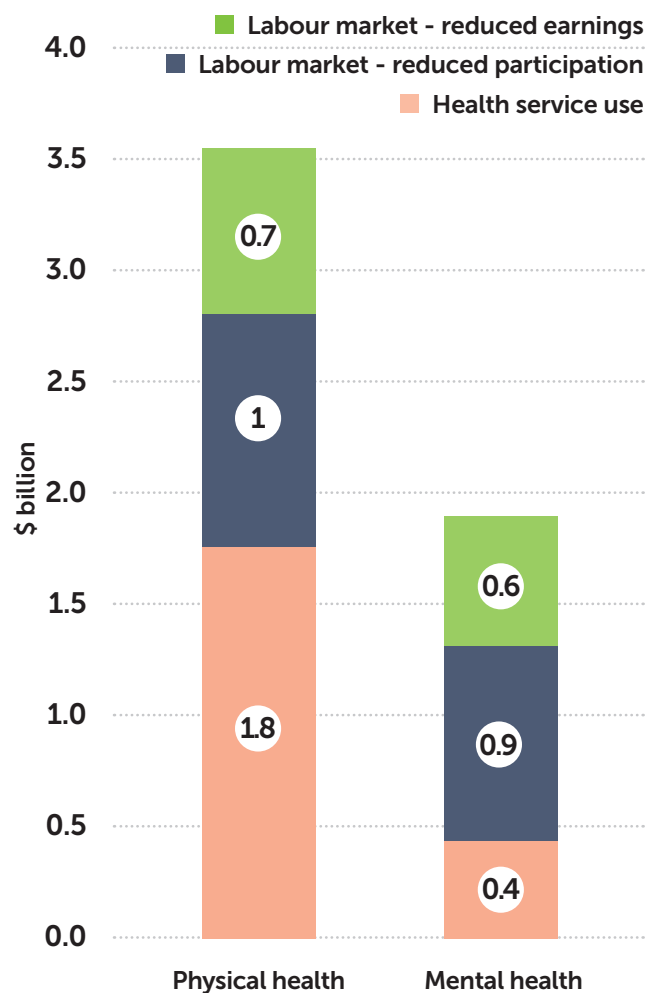
Economic costs of poor health

Impact Economics and Policy estimates that the costs to the economy of poor health caused by child poverty in New South Wales amount to **\$5.4 billion a year**, of which two-thirds relate to physical health and the remainder to mental health (see Figure 13). This includes costs related to greater use of health services by people affected by child poverty and poorer labour market outcomes.

In addition, the pain, suffering and reduced life expectancy attributable to child poverty are valued at **\$34.2 billion a year**.

Due to data limitations, these estimates do not separately count the costs associated with excessive alcohol and drug use, problem gambling or foetal alcohol spectrum disorders—all of which are linked to poor mental health, and all of which could be exacerbated by poverty. However, some of these costs are captured indirectly, to the extent they co-occur with poor mental health and are associated with greater use of mental health services or reduced labour market participation.

FIGURE 13 ANNUAL COST OF CHILD POVERTY TO THE ECONOMY—POOR HEALTH



Use of health services

The health impacts of child poverty translate into greater use of health services. Most health services used by families experiencing poverty are government funded, with out-of-pocket costs comprising only about 5 per cent of total expenditure on these services.⁶⁷ By comparing current use of health services to what usage would look like if no-one experienced child poverty, the additional costs to government of providing these services can be quantified (see Table 5).⁶⁸

Across New South Wales, the cost of additional health services used by people who have experienced child poverty is \$2.2 billion a year, of which 80 per cent relates to physical health and the remainder to mental health. The cost comprises \$288 million in health services used by children experiencing poverty and \$1.9 billion by adults who experienced child poverty.

The cost also includes \$87 million attributable to use of the National Disability Insurance Scheme by children who live with psychosocial disorders or developmental delay attributable to child poverty.

TABLE 5 SERVICE USE PER PERSON PER YEAR BY CHILDREN AND ADULTS EXPERIENCING CHILD POVERTY⁶⁹

Health service	Use by children			Use by adults		
	In poverty	Not in poverty	Difference	Experienced child poverty	Did not experience child poverty	Difference
Admitted hospital visits	0.51	0.46	13%	1.9	1.7	9%
Emergency department visits	0.49	0.41	19%	0.45	0.37	21%
General practitioners	4.2	4.3	-2%	9.3	9.4	-1%
Allied health services	1.0	1.1	-10%	2.5	2.3	7%
Mental health services	0.35	0.33	5%	0.36	0.33	8%
Mental health facilities	0.09	0.06	50%	0.16	0.10	61%

The analysis takes account of different patterns in the use of health services depending on the persistence of child poverty. For example, Australian children from families at risk of experiencing poverty or remaining in poverty are more likely to use hospital services during the first five years of life, and less likely to use general practitioner and specialist services, than children from other families.⁷⁰ This may be because GPs and specialists can be harder to access in regions of economic disadvantage due to low availability of services, long waiting lists or high out-of-pocket charges.

There are also high levels of unmet need for mental health services across the community.⁷¹ Families experiencing poverty may be unable to access services to the full extent that they need them. This could be because of poor availability of services (and high out-of-pocket costs) in disadvantaged areas, or a reluctance by children (or their parents) to use available services due to stigma or mental health conditions not being properly diagnosed.

While the estimates of health service use do not account for unmet need, the consequences of undiagnosed and under-treated health conditions will show up in other cost areas, including labour market outcomes and the value of pain, suffering and reduced life expectancy.

Labour market outcomes

Health status during childhood impacts labour market outcomes as an adult. A US-based study found that people who enjoyed excellent or very good health in childhood earn 24 per cent more than people who were not in good health, after controlling for other differences between people.⁷² There is evidence, also from the US, that children who experience poor health have lower educational attainment, lower socioeconomic status and poorer health as adults.⁷³ Internationally, poor mental health as a child is estimated to reduce adult earnings by up to 28 per cent in the United Kingdom⁷⁴ and 37 per cent in the United States.⁷⁵

In Australia, the impact of an additional year of schooling on adult wages is lower (by about 7.4 per cent) for people who are in 'poor' or 'fair' physical health, compared to those in better health—leading to lost production and wages of up to \$25 billion a year (in 2017 dollars).⁷⁶ This may be because people in poorer health are less productive when at work, and are more likely to accept lower-paid jobs given their experience, skills and education.

In terms of mental health, higher levels of psychological distress in adults are estimated to reduce earnings by 6.7 per cent, comprised

of greater absenteeism from work (1.7 per cent higher than for healthier adults) and reduced performance at work (6.1 per cent lower).⁷⁷ The cost to the Australian economy was estimated at \$5.9 billion in 2009.⁷⁸ In addition, adults with poor mental health have unemployment rates up to four times higher than healthier adults.⁷⁹ Unemployment can also cause or exacerbate poor mental health, which means some of the impacts could be self-reinforcing.⁸⁰

Impact Economics and Policy estimates that worse labour market outcomes as a result of poorer health caused by child poverty is costing \$3.2 billion a year across New South Wales, of which 55 per cent is attributable to poor physical health and rest to poor mental health. The costs comprise:

- **Lower employment**, reflecting about 10,000 people who are unable to work or find a job as a result of the health impacts of child poverty. This equates to \$1.9 billion a year in lost earnings (\$1.0 billion for physical health and \$862 million for mental health); and
- **Lower earnings** for people who are working, amounting to \$1.3 billion a year (\$732 million for physical health and \$588 million for mental health).

Pain, suffering and reduced life expectancy

It is possible to measure the extent of diminished quality of life (pain and suffering) and reduced life expectancy for people with poorer physical or mental health because of child poverty. Lower life expectancy as a result of experiencing child poverty means that each year a number of people die earlier than they otherwise would have. In addition, more people experience poor health during the year which is attributable to experiencing child poverty. To combine these effects, health researchers often use a concept called disability-adjusted life years (DALYs). Poorer health can be measured as the lost DALYs, where one DALY is equivalent to one healthy year of life.

Poorer health as a result of child poverty in New South Wales is estimated to result in a loss of 150,000 DALYs each year—the equivalent of 150,000 years of healthy life across the population.

This can be valued using estimates of how much money people are willing to pay to reduce the risk of suffering disease or death—for example, how much they are willing to spend for safety features in a car that reduce the risk of injury, or to protect themselves from pollutants that may cause disease. This equates to about \$235,000 for one additional year of healthy life.

The cost of this pain, suffering and reduced life expectancy associated with a child poverty amounts to \$34.2 billion a year. These long-term costs are borne almost entirely by people who experience poverty as a child. They represent the improvements to quality of life that can be released by eliminating child poverty.







Child maltreatment and family violence

Over 62 per cent of Australians aged 16 years and older have experienced some form of child maltreatment, according to a large, nationally representative survey.⁸¹

Child maltreatment takes a range of forms and includes:

- physical abuse;
- emotional abuse;
- sexual abuse;
- neglect; and
- exposure to family violence.

Child maltreatment is often under-reported, making it hard to quantify. According to surveys, almost two-thirds of victims experience more than one form of child maltreatment.⁸² Exposure to family violence is the most common form that children experience (64 per cent of victims), followed by physical abuse (51 per cent).⁸³ Exposure to family violence is widely recognised as a form of child maltreatment even if the child themselves is not the intended target of the violence.⁸⁴

Poverty and economic disadvantage are strongly linked to child maltreatment, both in Australia and internationally.⁸⁵

For example:

- An estimated 27 per cent of all child maltreatment in Australia is attributable to economic disadvantage, with the strongest link for physical abuse, sexual abuse, and exposure to family violence.⁸⁶
- Children who experience poverty in Australia are estimated to be around 2 to 3 times more likely to experience maltreatment compared to children who have not experienced poverty.⁸⁷
- Children living in the most disadvantaged areas are up to five times more likely to experience substantiated maltreatment (cases that have been investigated and verified by child protection services) compared to children in the least disadvantaged areas, even after accounting for differences in parents' ages, mental health and substance abuse.⁸⁸
- First Nations children are seven times more likely than non-First Nations children to be subject to substantiated child maltreatment.⁸⁹

They are also more than 11 times as likely as non-First Nations children to be placed in out-of-home care by child protection services in New South Wales.⁹⁰ This reflects the disproportionate levels of socioeconomic disadvantage faced by First Nations families, which is amplified by intergenerational trauma and systemic racism.⁹¹

There are also well-established links between poverty and family violence, which can elevate the risks of child maltreatment.⁹² About 12 per cent of women remaining in a violent relationship say they are unable to leave because of a lack of money and financial support, and about 15 per cent of women returning to a violent partner did so because they would otherwise have been in poverty and/or homeless.⁹³ As many as half of women who chose to leave a violent relationship will end up in poverty.⁹⁴

Family violence is the main reason women and children leave their homes in Australia, and is the main reason for single women with children seeking assistance from homelessness services.⁹⁵

Children who experience maltreatment have worse outcomes across a range of domains:

- **Poorer physical and mental health.** Child maltreatment causes an estimated 41 per cent of suicide attempts in Australia, 35 per cent of self-harm and 21 per cent of cases of depression.⁹⁶ People who have experienced child maltreatment are also significantly more likely to have mental disorders such as generalised anxiety disorder, post-traumatic stress disorder and alcohol use disorder.⁹⁷ They are also more likely to engage in binge drinking, smoking and cannabis use, and are more likely to have obesity.⁹⁸
- **Worse developmental and educational outcomes.** Child maltreatment has been linked with reduced social skills, poorer school performance and impaired language ability.⁹⁹ It has also been associated with lower workforce participation.¹⁰⁰
- **Increased risks of involvement in crime and homelessness.** Children who have contact with the child protection system are more likely than other children to have contact with the legal system and homelessness services.¹⁰¹ Children’s experiences of family conflict between the ages of 13 and 15 are strongly associated with being homeless by age 25.¹⁰²

- **Increased risk of perpetrating violence.** Children who have experienced maltreatment are more likely to be perpetrators of family or sexual violence when they are older.¹⁰³

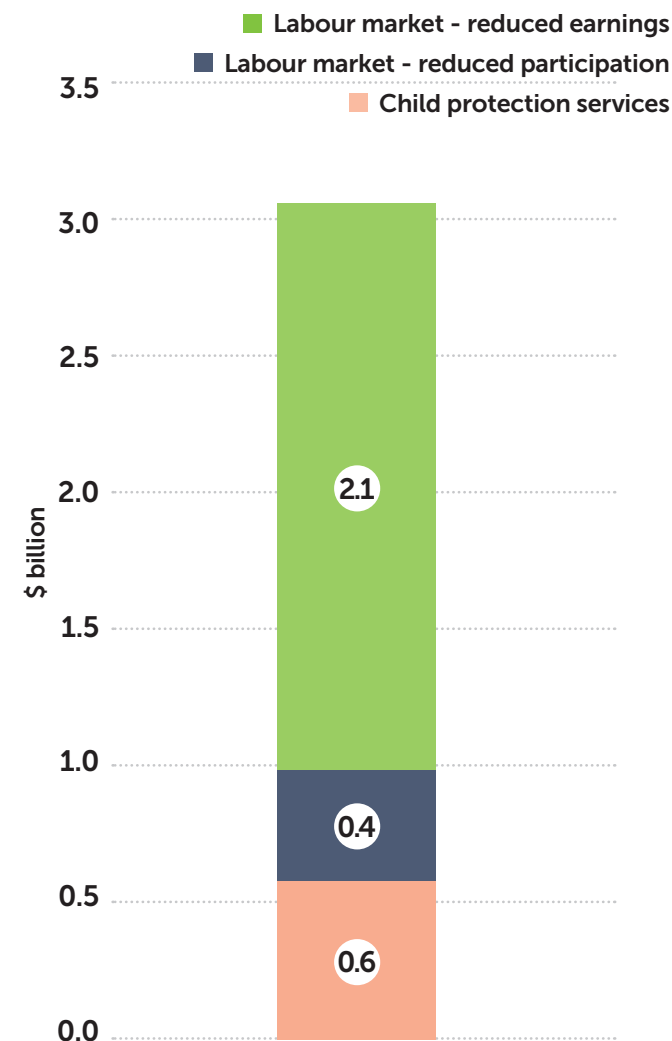
Children can also suffer poor outcomes when their mothers are victims of family violence. Experiences of family violence by pregnant women can cause sustained stress which adversely affects their child’s birth weight and brain growth. Violence can also adversely affect parenting skills and maternal attachment, compromising children’s ability to regulate emotions and their academic performance in school.¹⁰⁴

Economic costs of child maltreatment

Impact Economics and Policy estimates that child maltreatment caused by child poverty directly costs the economy at least **\$3.0 billion a year** across New South Wales (see Figure 14), with a further \$10 billion a year attributable to pain, suffering and reduced life expectancy. These are conservative estimates.

Due to data limitations, costs could only be estimated in terms of the provision of child protection services and the physical and mental health costs (including service use and labour market impacts). It was not possible to specifically quantify the economic cost of the impacts of child maltreatment relating to lower educational attainment or greater use of legal or homelessness services.

FIGURE 14 ANNUAL COST OF CHILD POVERTY TO THE ECONOMY—INCREASED CHILD MALTREATMENT



Provision of child protection services

An estimated 13,000 children are involved in the NSW child protection system each year as a result of child poverty.¹⁰⁵ This costs the state \$571 million a year, or about 20 per cent of the total cost of child protection services. These services include protective intervention services, out-of-home care services and family support services (see Table 6).

The estimates only capture the direct cost to government of providing child protection services. They do not account for the large number of children who are reported to child protection services but are not seen by a case worker—which was almost 80 per cent of children reported as being at risk of serious harm in 2022-23.¹⁰⁶ This suggests that a significant amount of child maltreatment is not being responded to.

TABLE 6 ANNUAL COSTS OF PROVIDING CHILD PROTECTION SERVICES ASSOCIATED WITH CHILD POVERTY

Total cost attributable to poverty	\$m per year
Protective intervention services	72
Family support services	52
Intensive family support services	33
Out-of-home care services	416
Total	571

Health costs of child maltreatment

Additional costs arise due to the physical and mental health impacts of child maltreatment linked to child poverty. Most of the costs relate to adults who experienced maltreatment as a child, which reflects the life-long impacts of child maltreatment.

These costs include greater use of health services, including \$113 million for children and \$289 million for adults. Compared to the overall use of health services attributable to child poverty, mental health services make up a greater share of total service use for people affected by child maltreatment (35 per cent compared to 20 per cent).

Adults who experienced child maltreatment are much more likely to have had an overnight hospital admission, a mental health admission or multiple visits to their general practitioner in the past 12 months, compared to adults who did not experience child maltreatment.¹⁰⁷ People who have had contact with the child protection system are estimated to cost Australia's public hospital system up to 27 per cent more over their lives than people who have not had contact with child protection.¹⁰⁸

Labour market outcomes

A further \$2.1 billion a year relates to poorer labour market outcomes as a result of the health impacts of child maltreatment. Of these costs, \$986 million represents lower employment, and \$1.1 billion represents lower earnings for people who are working. The costs reflect the association between child maltreatment and reduced income, unemployment, lower levels of job skill, receipt of government welfare payments, and fewer assets, over and above the influence of family socioeconomic status when growing up.¹⁰⁹

Other costs

The above impacts are dwarfed by the value of pain, suffering and reduced life expectancy related to the health impacts of child maltreatment. An estimated 42,000 years of healthy life are lost each year because of poorer physical and mental health among people who experienced child maltreatment due to child poverty. In economic terms this equates to \$10.0 billion a year.

Children can also suffer health and other costs as a direct result of being involved in the child

protection system. For example, experiences of out-of-home care may contribute to poor mental health or to involvement in alcohol and drug use for some children.¹¹⁰ In 2021-22, about 1,200 children across Australia were the subject of substantiated abuse or neglect while in out-of-home care.¹¹¹ First Nations children face particularly high risks of harm from the out-of-home care system,¹¹² and the effects it has on them can be exacerbated by intergenerational trauma and a loss of cultural connection. Some of these costs relating to harm and suffering from physical and mental health conditions are implicitly reflected in the estimates above.

Crime

A child experiencing poverty is more likely to become involved in the legal system. Child poverty is the primary cause of an estimated 20 per cent of reported criminal offences committed by children in Australia¹¹³—equivalent to about 8,100 offences and about 3,700 offenders a year in New South Wales.

Further, about 300 children experience youth detention each year in New South Wales (20 per cent of the total) as a result of child poverty. Of these, just over half (54 per cent) are First Nations children.¹¹⁴ Across Australia, First Nations children are about 23 times as likely as non-First Nations children to be under youth justice supervision.¹¹⁵ They are also more likely than their non-First Nations peers to be referred to court rather than receive a caution, and more likely to be arrested rather than issued with a caution or diversion.¹¹⁶

Youth crime is also more common in socioeconomically disadvantaged areas. For example, Australian children aged 10 to 17 are about seven times as likely to be under youth justice supervision if they are from the lowest socioeconomic areas compared to those from the highest socioeconomic areas.¹¹⁷ About 40 per cent of all recorded offences committed by

children are concentrated in the 25 per cent most disadvantaged local areas.¹¹⁸

However, child poverty does not automatically lead children into crime. Other complex factors are often at play, including children's cognitive development, family environment and exposure to peer pressure.¹¹⁹ In addition, there is significant overlap between factors associated with child poverty and factors associated with youth crime rates, including experiences of child maltreatment, homelessness, alcohol and drug problems, and lower educational attainment.¹²⁰ One study found that early school leavers in Australia are seven times more likely to offend, and eight times more likely to be in prison, compared to people who completed Year 12.¹²¹

Children who are in conflict with the law are more likely to continue offending as adults. In

Australia, people who were first arrested as a child are 14 percentage points more likely to be arrested as an adult, even after controlling for parental education, growing up in a single-family household and other factors.¹²² One study found that over a 10-year period, young people involved in the NSW legal system face an 81 per cent chance of re-conviction, compared to only 54 per cent for adult offenders.¹²³ Another found that nearly 8 in 10 youths released from detention will be subject to community or custodial supervision within seven years, and almost half will be imprisoned.¹²⁴

Impact Economics and Policy estimates that across New South Wales there are 1,500 adults in incarceration each year who were also incarcerated when they were a child, where this can be directly linked to child poverty.

For some families, crime—like poverty—can be intergenerational. For example, a quarter of adults entering prison report having at least one incarcerated parent or carer when they were a child. People who enter prison aged 18 to 24 are three times more likely to report having a family history of incarceration compared to prison entrants aged older than 45.¹²⁵

Economic costs of crime related to child poverty

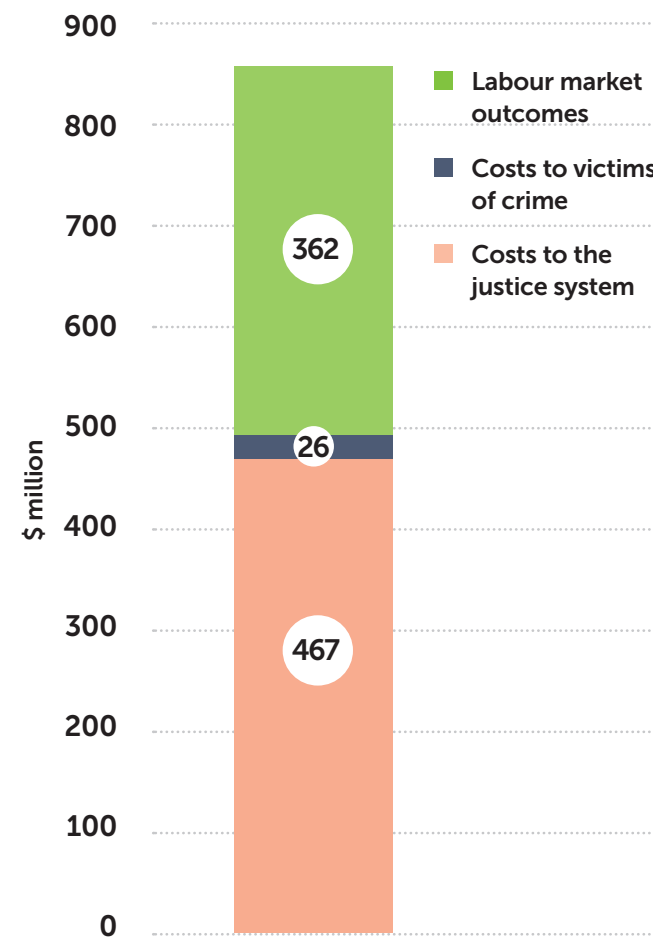
Impact Economics and Policy estimates that the economic costs of crime attributable to child poverty are as high as **\$855 million a year** across New South Wales (see Figure 15). This includes the cost of providing justice services (including incarceration) for child offenders and for people who continue offending into adulthood. It also includes costs borne by victims of crime and poorer long-term labour market outcomes for people in conflict with the law.

Costs to the legal system

The NSW Government spends an estimated \$221 million a year through the legal system responding to crime caused by child poverty. Of this, \$61 million relates specifically to the youth justice system and includes the costs associated with courts, statutory agencies, and non-government and community service providers. It also covers the costs of providing community-based supervision, detention-based supervision and group conferencing for youth offenders. There are separate costs associated with expenditure on general policing, amounting to \$160 million a year. This includes the costs of police responding to offences committed by children.

An additional \$247 million a year in costs to the legal system are associated with adult offenders who had offended as children. These costs relate to the incarceration of adults who also were incarcerated as children. The relatively high cost of adult incarceration, relative to youth justice system costs, reflects that adult re-offending and re-incarceration typically occurs over a longer period (e.g. adulthood compared with childhood), and higher per-inmate costs.

FIGURE 15 ANNUAL COST OF CHILD POVERTY TO THE ECONOMY—INCREASED CRIME



Costs to victims

Each year, victims bear \$26 million in economic costs as a result of reported crime associated with child poverty in New South Wales. This includes:

- property loss and damage;
- the cost of providing medical treatment to victims of assaults and other crimes;
- lost economic output (and earnings) from victims being unable to work; and
- non-monetary costs to victims of pain, suffering and lost quality of life.¹²⁶

There are other costs associated with crime which are more difficult to quantify, and are not included in this figure. These include costs incurred in anticipation of crime (such as expenditure on security and precautionary measures), the psychological costs of the fear of crime, costs of providing victim support services, long-term health costs to victims (e.g. due to poorer mental health), costs imposed on families and friends of offenders, and costs of providing compensation to people injured in crimes. As a result, the estimated costs are conservative and understate the true social costs of crime associated with child poverty.

Labour market outcomes

About one per cent of child offenders end up in a correctional institution. This cohort suffers long-term economic effects from reduced labour market participation, amounting to an estimated \$362 million a year in New South Wales. Of this, \$259 million represents lower employment, and \$103 million represents lower earnings for people who are working.

These costs arise because:

- People who experience incarceration as children are more likely to re-offend as adults, and thus end up experiencing further incarceration. This removes these people from the labour market while they are incarcerated (for an average period of 16 months),¹²⁷ leading to lost economic production and earnings. The likelihood of being reincarcerated as an adult varies with age, and peaks at around 50 per cent at age 28.¹²⁸
- People who experienced youth detention as a child are likely to have significantly reduced educational attainment than other children, which then leads to lower rates of workforce participation and employment. For example, people who experienced

a period of incarceration as a child have employment rates about 20 per cent lower than the general population one year after being released from incarceration.¹²⁹

A number of assumptions had to be made to estimate the total costs across New South Wales (see Appendix 1). Due to data limitations, the estimates do not include broader labour market outcomes on children in conflict with the law (i.e. impacts on the 99 per cent of child offenders who do not end up in youth detention). The estimates are therefore likely to understate the overall labour market impacts of participation in crime due to child poverty.



Homelessness

Homelessness is an extreme manifestation of poverty. In New South Wales, almost 30,000 children experience homelessness at some point each year.¹³⁰ On any given night, about 6,900 children are homeless and a further 8,500 are considered to be at risk of homelessness.¹³¹ About 60 per cent of these children live with their families and 40 per cent live on their own, based on data on people receiving support from homelessness services.¹³²

Homelessness is associated with a range of adverse outcomes for children—many of which can be both causes and consequences of homelessness. For example:

- **Physical and mental health:** Homeless children are more likely than housed children to experience mental health problems or to have a physical disability or behavioural problems.¹³³ Over half of homeless Australian youth report having been diagnosed with at least one mental health condition.¹³⁴ Experiences of homelessness can also exacerbate health conditions. More generally, people who experience homelessness have a life expectancy about 33 years shorter than the general population.¹³⁵
- **Educational attainment:** Homeless children have poorer academic achievement than

other children, on average, which has been attributed to decreased classroom engagement and frequent school moves.¹³⁶

- **Crime:** Homeless young people (aged 15 to 25) are much more likely to have contact with the legal system than other young people—they are 15 times more likely to be apprehended by police and 230 times more likely to be incarcerated. Homeless young people are also six times more likely to be victims of assaults and robberies.¹³⁷
- **Child maltreatment and family violence:** An estimated 63 per cent of homeless Australian youth have been placed in some form of out-of-home care by the time they turn 18, and 56 per cent leave home because of violence between parents or guardians.¹³⁸

Many homeless children continue to be homeless as adults. An estimated 80 per cent of children who experience homelessness also experience homelessness into adulthood.¹³⁹ Impact Economics and Policy estimates that, on any given night, about 12,000 adults are homeless as a consequence of having experienced homelessness and poverty as a child.

About 37 per cent of Australians receiving homelessness services report experiencing homelessness before the age of 18, and about half also report that their parents were also homeless at some point in their lives.¹⁴⁰ These figures provide strong evidence that homelessness can be intergenerational.

Economic costs of homelessness

Impact Economics and Policy estimates that homelessness arising from child poverty in New South Wales costs the economy about **\$1.1 billion a year** (see Figure 16). This includes costs related to homelessness and health services, and costs incurred through the legal system, for children experiencing homelessness; the impacts of child homelessness on labour market outcomes; and costs associated with crime committed by homeless children. In addition, a further **\$11.8 billion a year** can be attributed to the pain, suffering and reduced life expectancy caused by child homelessness.

Due to data limitations, the estimates do not include the costs of child maltreatment specifically associated with child homelessness.

Use of homelessness services

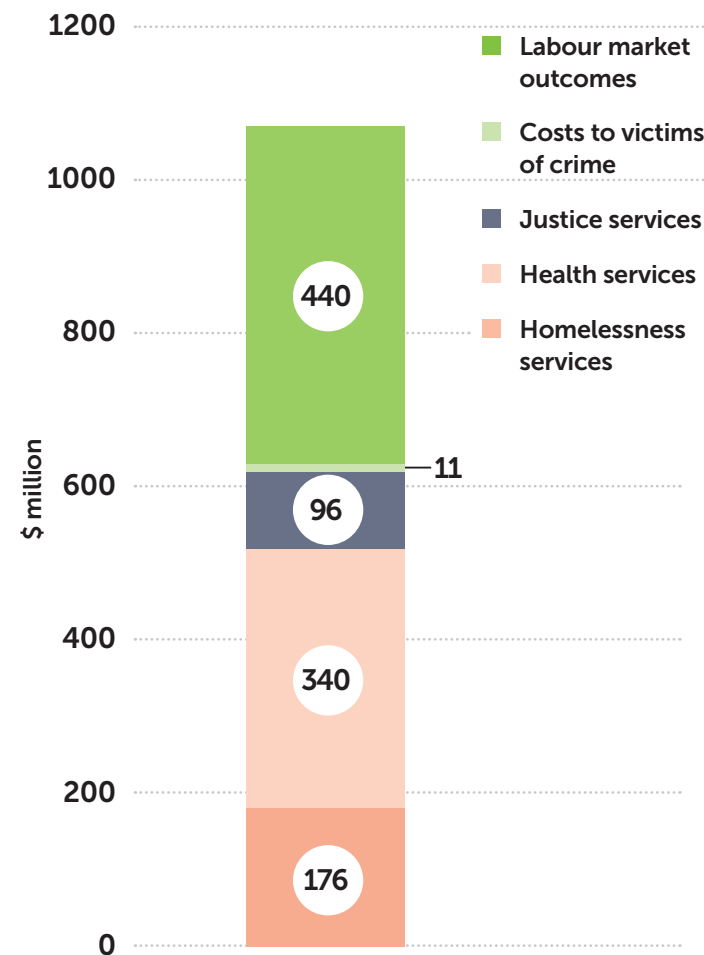
Governments fund a range of specialist services to support people experiencing homelessness. These include temporary accommodation and other services such as prevention, early intervention, crisis and post-

crisis assistance.¹⁴¹ Providing these services for children in poverty costs about \$100 million a year in New South Wales. A further \$76 million a year is spent on providing homelessness services to adults who were homeless as children.

Children make up about a third of people receiving assistance from homelessness services. In 2022-23, there were 26,700 children using homelessness services in New South Wales. Families with children comprised 34 per cent of all clients of these services, and young people presenting alone comprised a further 19 per cent.¹⁴² First Nations children receive assistance through homelessness services at almost eight times the rate of non-First Nations children.¹⁴³

However, demand for homelessness services exceeds the number of people who can be assisted, meaning there are long wait lists and people are turned away. For example, across New South Wales, an average of 33 requests for accommodation services go unassisted each day, and only about 51 per cent of demand by clients of homelessness services for accommodation support is currently able to be met.¹⁴⁴

FIGURE 16 ANNUAL COST OF CHILD POVERTY TO THE ECONOMY—INCREASED HOMELESSNESS



Use of health services by people experiencing homelessness

People who experience homelessness as a result of child poverty place greater demands on health services. Homeless children and young adults have far higher rates of health service use across most service areas compared to housed youth (particularly use of emergency and mental health services).¹⁴⁵

The additional services cost \$340 million a year to provide. About 60 per cent of these costs relate to adults who are homeless as a result of having experienced child poverty. These health costs arise due to the impact that adult homelessness has on an individual's physical and mental health (data limitations meant that it was not possible to estimate the long-term labour market consequences of childhood homelessness for adults who are no longer homeless). However, the costs are offset by significantly lower life expectancies of homeless people (more than 30 years less than the general population), which mean there is less overall service use.¹⁴⁶

Additional costs relate to labour market outcomes, which are discussed below. The costs of pain, suffering and reduced life

expectancy associated with poor health is estimated at \$11.8 billion a year. This is equivalent to 50,000 years of healthy life lost each year.

Labour market outcomes

Experiencing homelessness as a child can have a significant impact on labour market outcomes throughout life. Australian research has found that women who first experienced homelessness as a child are 14 percentage points less likely to be employed (compared to other women), and men who first experienced homelessness as a child are 8 percentage points less likely to be employed.¹⁴⁷ Part of the effect is due to lower educational attainment, higher welfare receipt (for women) and higher rates of incarceration (for men).

Impact Economics and Policy estimates that worse labour market outcomes as a result of homelessness caused by child poverty is costing \$440 million a year across New South Wales. Of this, \$358 million represents lower employment, and \$82 million represents lower earnings for people who are working. These estimates include the effects of poorer health and education on labour market outcomes.

Costs of crime associated with child homelessness

Crimes committed by homeless children in New South Wales impose economic costs of \$107 million a year, comprising:

- \$26 million a year to the youth justice system, including the costs of court services and detention (about 9 per cent of total youth justice system costs);
- \$70 million a year in police services; and
- \$11 million a year in costs borne by victims of crime.

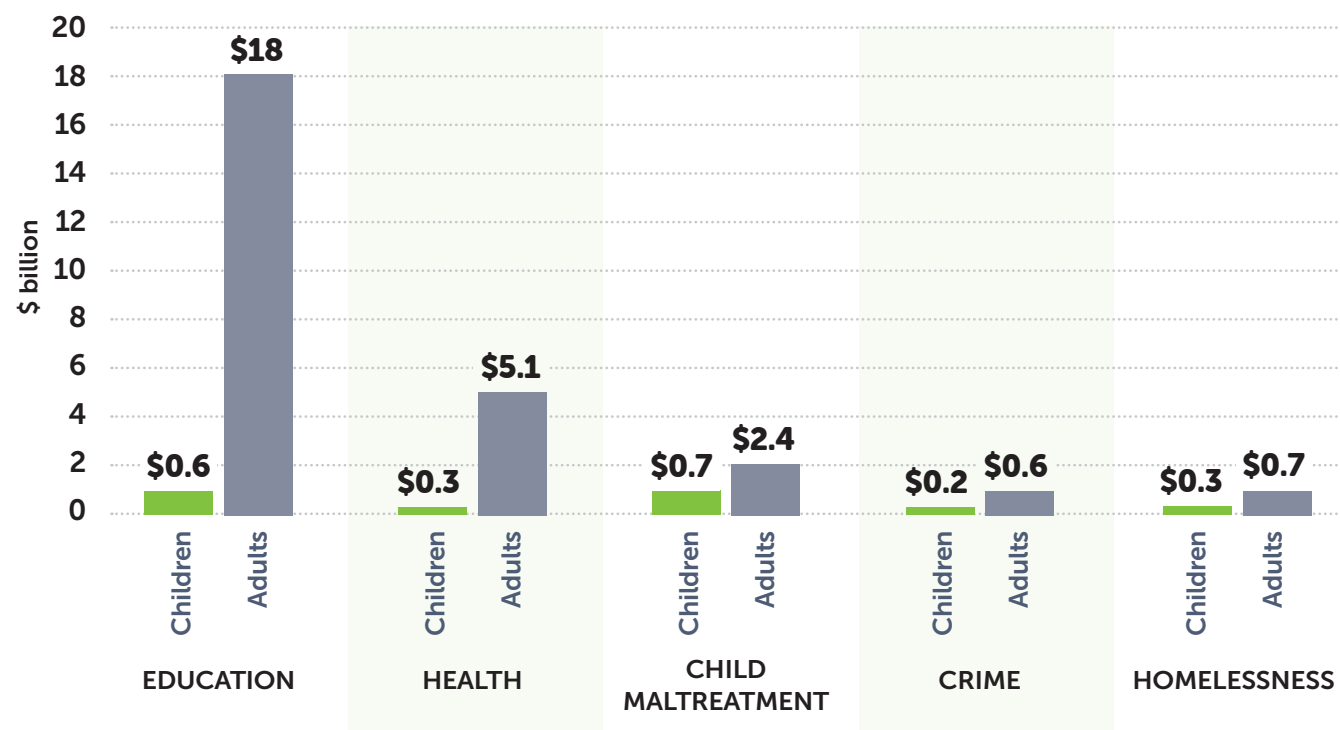
Adding up the costs of child poverty

Impact Economics and Policy estimates that the direct costs of child poverty to the New South Wales economy are **\$25 billion each year**—equivalent to 3.2 per cent of Gross State Product. About \$2 billion of these costs (or 7 per cent) relate to children who are currently experiencing poverty, while the remaining \$23 billion relate to adults who grew up in poverty.

These costs are substantial and capture the economic cost of lower educational attainment, poorer physical and mental health, child maltreatment, involvement in crime and homelessness (see Figure 17). As there is overlap between outcomes across these domains, the estimated total costs of child poverty have been adjusted to ensure the same costs are not being double counted.

There are further costs of about **\$34 billion each year** attributable to the economic value of the diminished health and life expectancy of people who experience child poverty. This means that the overall economic costs of child poverty in New South Wales are approximately \$60 billion a year.

FIGURE 17 DIRECT COSTS TO THE ECONOMY, BY DOMAIN



On a net basis (adjusting for double counting), 7 per cent of the overall economic costs (\$4 billion a year) relate to government services. Roughly 60 per cent of these service delivery costs are borne by the Australian Government, with the NSW Government accounting for the rest. A further 36 per cent (\$21 billion) of the overall economic costs relate to labour market outcomes, and 57 per cent (\$34 billion) relate to pain, suffering and reduced life expectancy (see Figure 18).

The costs of child poverty are concentrated in areas of socioeconomic disadvantage (Figures 19 and 20, Table 7). Parts of south western Sydney, the Mid North Coast and the New England and North West region have rates of child poverty well above the average, with child poverty rates in South-West Sydney almost twice the statewide average. About 111,000 children are living in poverty in the five regions with the highest child poverty rates—40 per cent of the statewide total.

On a per person basis, child poverty is imposing economic costs equal to over \$7,000 a person each year across New South Wales, but as much as \$15,000 a person in South West Sydney. By contrast, the regions with the lowest rates of child poverty—all of which are in the wealthier coastal and north western parts of Sydney—have child poverty rates of 6 per cent or less, and per capita costs as low as \$2,000.

FIGURE 18 ECONOMIC COSTS OF CHILD POVERTY¹⁴⁸

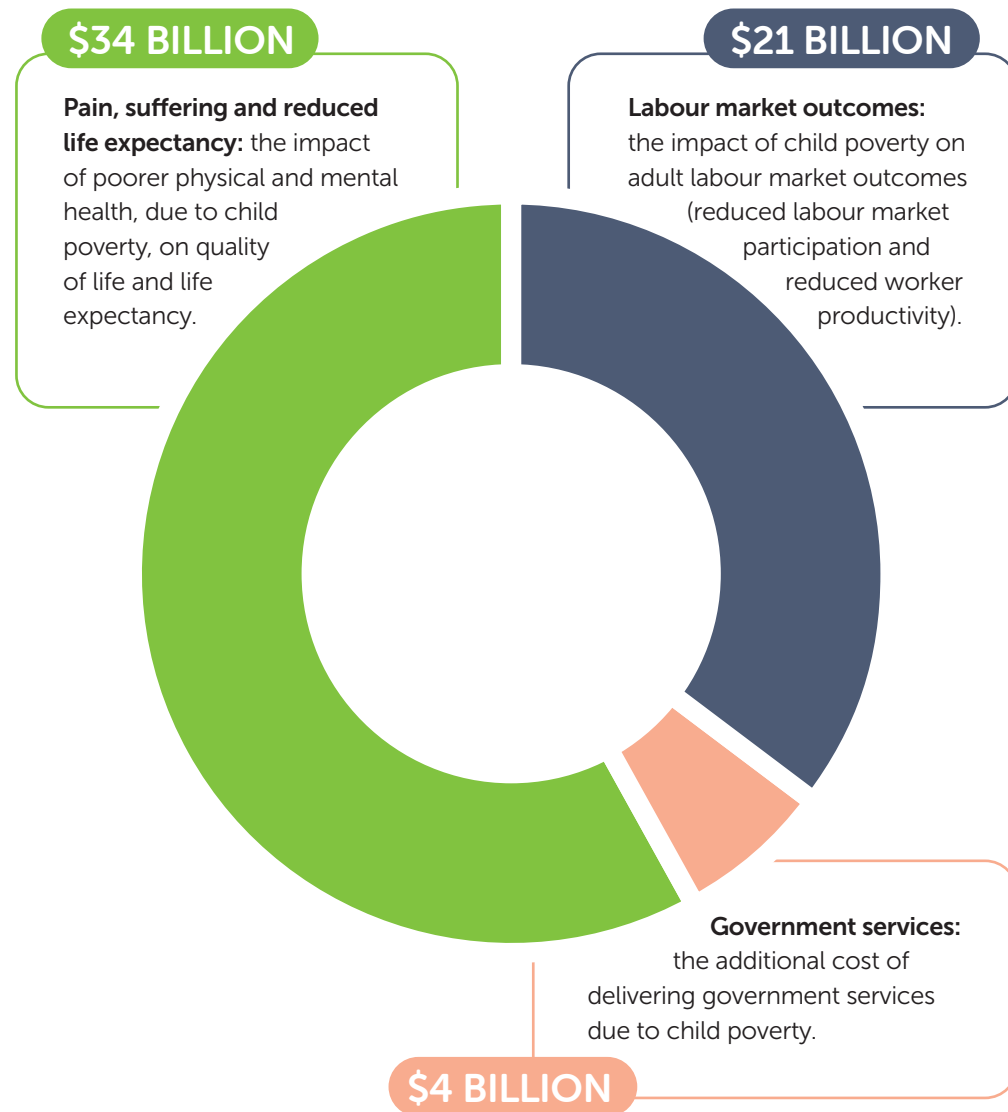


FIGURE 19 ECONOMIC COST OF CHILD POVERTY PER HEAD OF POPULATION, NEW SOUTH WALES

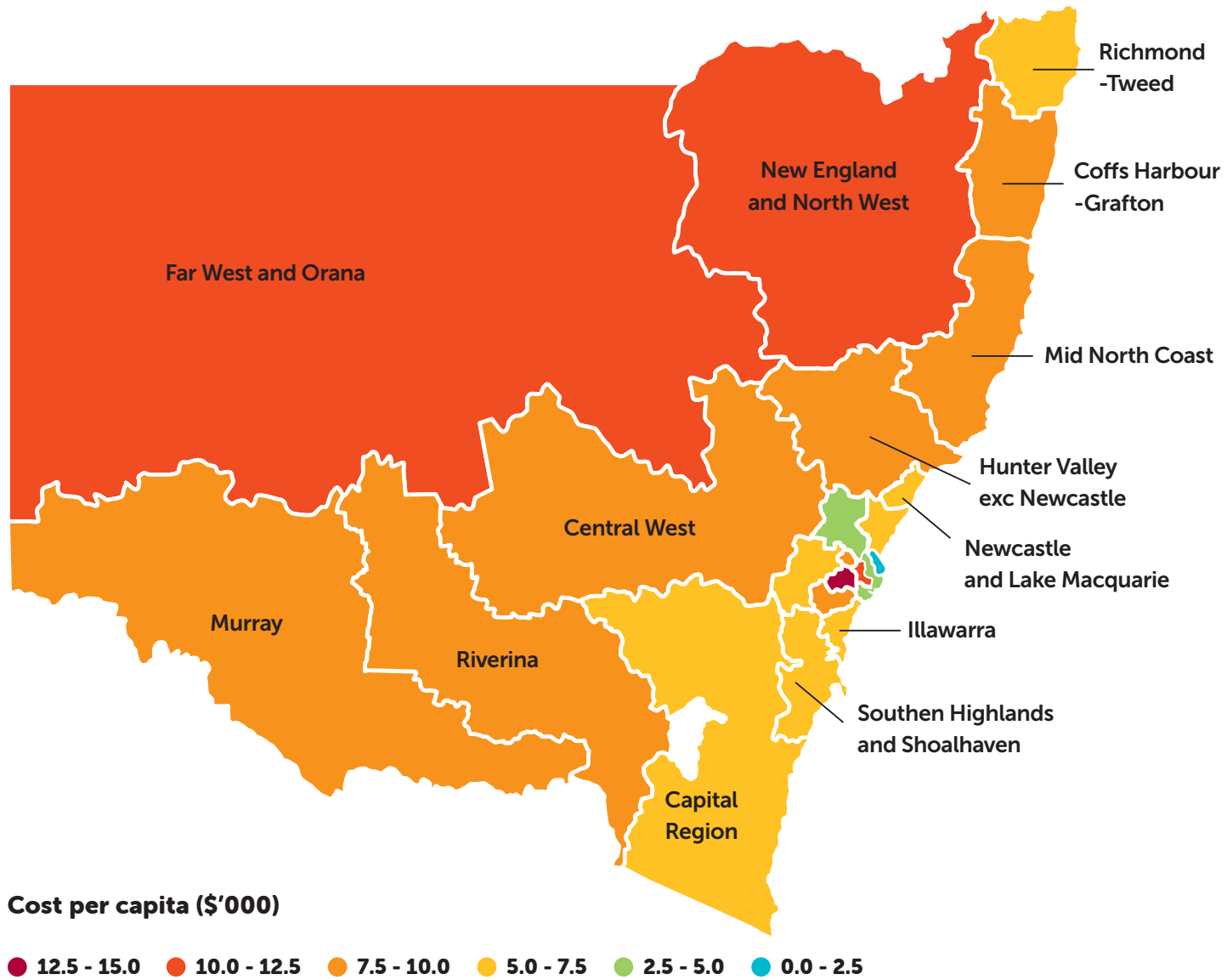


FIGURE 20 ECONOMIC COST OF CHILD POVERTY PER HEAD OF POPULATION, GREATER SYDNEY

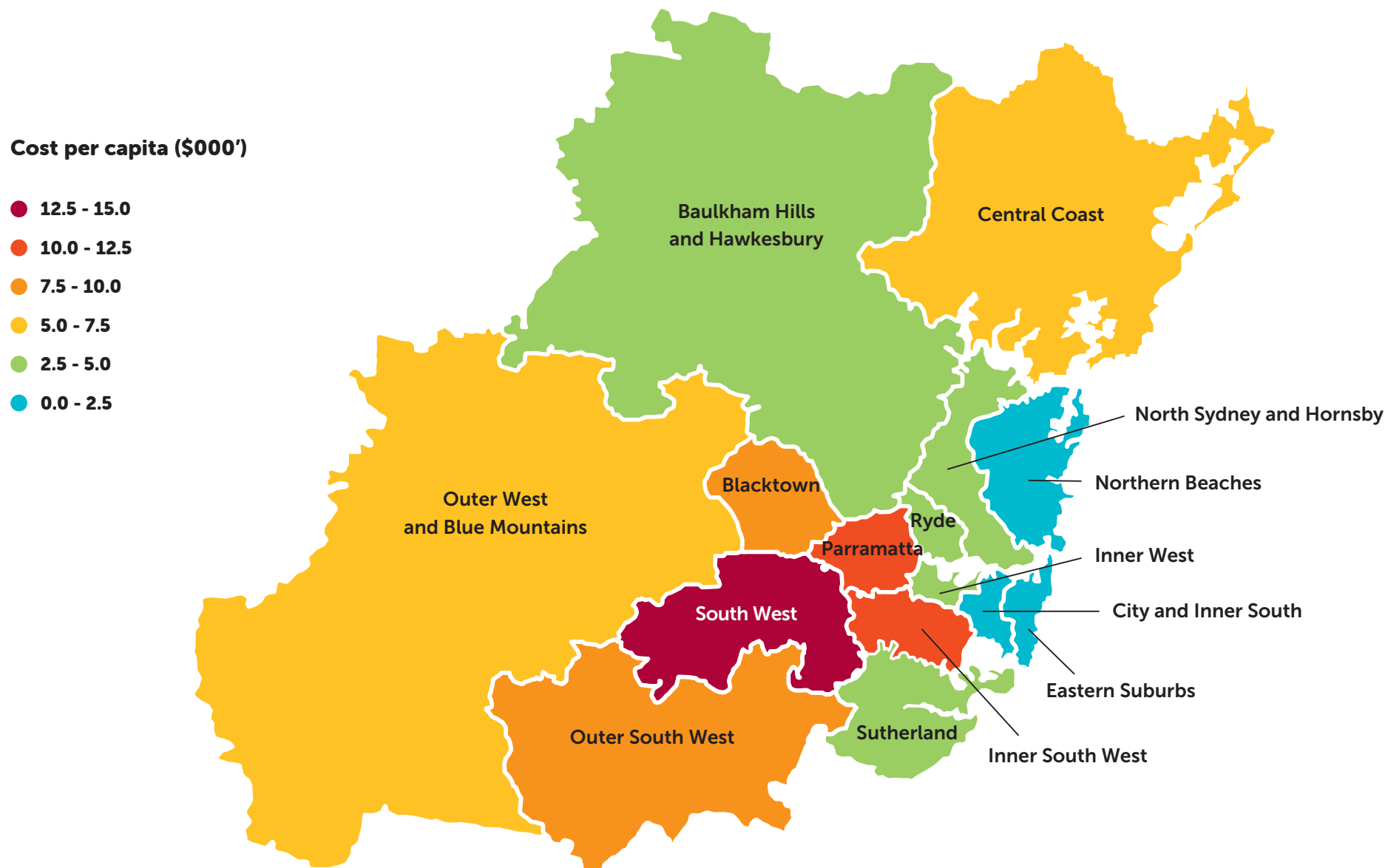


TABLE 7 CHILD POVERTY RATES AND ECONOMIC COSTS FOR THE FIVE SA4 REGIONS WITH THE HIGHEST POVERTY RATES

Region	Per cent of children in poverty	Total economic cost (\$m)	Economic cost per capita (\$)
Sydney - South West	28.4	7,322	14,936
Sydney - Inner South West	23.8	6,684	10,708
Sydney - Parramatta	23.0	5,512	10,787
Mid North Coast	22.0	2,115	8,834
New England and North West	21.8	2,036	10,513
NSW average	15.5	59,131	7,088

Impact Economics and Policy also estimates that each year governments spend about \$980 million in income support payments relating to child poverty—about \$500 million to families currently experiencing poverty, and a further \$480 million to adults who are unable to work as a result of the long-term impacts of growing up in poverty. As these payments are transfers between groups of people, they are not included in estimates of total economic costs (which only relate to the direct consumption or savings of resources).

These figures demonstrate the significant benefits to the New South Wales economy and to community wellbeing that can be realised by eliminating child poverty. In the following section, we explain how this can be done.

The path out of poverty

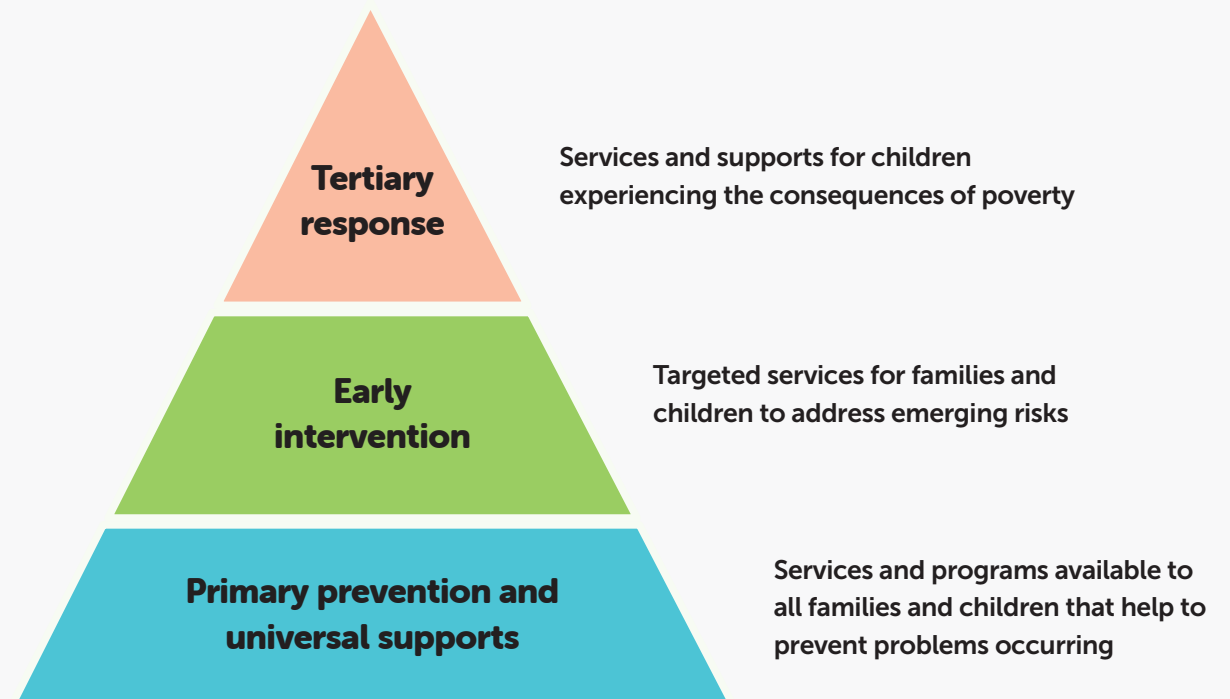
Poverty looks different for each family and child impacted. But despite its complexity, poverty is avoidable. Policy measures that help to lift families out of income poverty—or that act to mitigate its effects—offer significant benefits to children and their families.

Over the long term, eliminating child poverty would bring substantial benefits to the economy and government through increased workforce participation and productivity, higher tax revenues, and lower demands on welfare payments and government services.

This section outlines a number of policies that can both address child poverty at its cause, and alleviate some of the worst impacts over the long term. It draws on the ‘public health approach’ that is often used to tackle complex health and social problems, such as family violence and child maltreatment.¹⁴⁹

The public health approach says that the greatest investment should be in supporting the largest number of families to avoid problems occurring in the first place (primary prevention) (see Figure 21). This should be complemented with targeted additional support to families at higher risk of harm (early intervention), as well as high-quality services to support people after harm has occurred in order to minimise long-term effects and prevent reoccurrence (tertiary response).

FIGURE 21 THE PUBLIC HEALTH MODEL FOR TACKLING COMPLEX HEALTH AND SOCIAL ISSUES¹⁵⁰



Solutions will be most effective when driven by local needs and contexts. This must include meaningful engagement with First Nations people, culturally and linguistically diverse communities, and other groups to ensure that interventions meet their needs and are trusted.

As the bulk of the economic costs of child poverty relate to adults who grew up living in poverty, investing now to reduce the life-long harms caused by poverty therefore offers the potential to significantly boost economic activity and wellbeing. The NSW Government has recognised the potential for investment in early intervention to realise substantial cost savings in the context of service delivery for First Nations communities,¹⁵¹ and should extend this approach to addressing child poverty across the state.

Primary prevention policies

Preventing poverty in the first place is the best way to improve the lives of the 278,000 children in NSW that are experiencing poverty each year, and reduce the long-term economic costs.

COMMITMENT TO ELIMINATE CHILD POVERTY

No one policy will end child poverty, and doing so will take concerted effort from government, service providers, business and the community. Establishing and maintaining effort can be aided

by clear targets to eliminate child poverty. When backed by robust data and public reporting on progress, targets act to keep governments focused, and publicly accountable for progress.¹⁵²

The Australian and NSW Governments should lead a community-wide commitment to eliminate child poverty. This should involve:

- developing standardised measures of poverty;
- setting targets to eliminate child poverty;
- developing and implementing action plans to meet these targets;
- designing an effective measurement and reporting framework; and
- public reporting on progress by all levels of government.

This commitment could adopt a similar structure to the Closing the Gap commitments, where all levels of government have agreed to specific targets and priority reforms to overcome inequalities faced by First Nations Australians, backed by a measurement framework and regular public reporting.

The commitment could also draw inspiration from other jurisdictions. For example, the Child Poverty Reduction Act in New Zealand requires the government to set clear three-year and ten-year targets on a defined set of child poverty

measures—and then to report annually on progress against these targets.¹⁵³ The European Union’s Child Guarantee requires member countries to develop action plans to guarantee access for all children to free childcare, free education, free health care, healthy nutrition and adequate housing.¹⁵⁴ This includes analysing inequalities in access to services, and setting specific objectives, targets and spending commitments.¹⁵⁵

A recent poll found that 83 per cent of Australians would support the Australian Government regularly measuring and reporting on poverty rates in Australia, and high levels of support for policies that would reduce rates of child poverty.¹⁵⁶

ENSURE INCOME SUPPORT IS ADEQUATE TO LIFT FAMILIES OUT OF POVERTY

The primary cause of poverty is insufficient income. Internationally, interventions that increase family income have had a significant impact on children’s development and life outcomes.

Studies in the United States, Canada and United Kingdom have found a direct link between higher family income and improved test scores for children, as well as a greater likelihood of obtaining a university degree.¹⁵⁷ Interventions to boost income for families with young children

have also been directly linked to significantly higher earnings and workforce participation by those children later in life.¹⁵⁸

There is also evidence linking family income directly to rates of child maltreatment. In the United States, a modest increase in income for the most disadvantaged families has been linked to a 10 per cent reduction in the likelihood of child maltreatment reports.¹⁵⁹ By contrast, in Denmark, a 30 per cent reduction in welfare payments has been shown to increase the risk of children being placed in out-of-home care by 25 per cent.¹⁶⁰

In Australia, living on income support payments means living in poverty. The rate of income support payments including JobSeeker, Youth Allowance and Parenting Payments (single and partnered) have declined over the last two decades, relative to the poverty line—with JobSeeker payments being equivalent to just 57 to 72 per cent of the poverty line, depending on how it is measured.¹⁶¹

People receiving Parenting Payments and JobSeeker have an estimated 30 to 50 per cent probability of experiencing financial stress.¹⁶² Income support recipients report skipping meals or relying on payday loans just to get by, with their situation worsened by high consumer prices, petrol prices and rents in the past few years.¹⁶³

The inadequacy of Parenting Payment Single, in particular, has been attributed to very high rates of poverty among single parent families, with this payment being the most important income support payment for women and children leaving violence or becoming single parent families.¹⁶⁴

Lifting the rate of income support could significantly reduce rates of child poverty. The experience during the COVID-19 pandemic shows what can be done. The temporary COVID-19 supplements of up to \$550 a fortnight paid to recipients of Jobseeker, Youth Allowance and Parenting Payments during 2020 and 2021 led to the number of Australian children in poverty falling by 6 per cent, despite the economic crisis occurring at the time.¹⁶⁵ The number of children in poverty in single parent families fell by as much as 56 per cent. After these temporary payments expired, child poverty rates returned to their previous levels.

There can also be barriers to families experiencing poverty accessing income support payments. These barriers include onerously enforced mutual obligation requirements, which have resulted in 70 per cent of recipients subjected to these obligations seeing their payments suspended for mostly trivial or inadvertent rule breaches.¹⁶⁶ There are also hurdles to getting onto payments in the first place, with couples and single parents subjected

to long waiting periods because they have as little as \$10,000 in savings. These punitive measures are making it harder for people to seek work, to make ends meet, and to provide for their children.

To lift families out of poverty, the Australian Government should:

- substantially increase base rates of Jobseeker and other income support payments (for example, to match rates of the Age Pension, which is much more generous);
- improve the way income support payments are indexed so they do not fall behind widely accepted measures of community living standards;
- allow single parents to remain on the Parenting Payment until their youngest child turns 16 (instead of ending when they turn 14);
- ensure that families experiencing or at risk of poverty are aware of what income support is available and are able to easily access the payments; and
- reform mutual obligation and waiting period requirements that are exacerbating poverty.

These reforms would be in line with the recommendations of the Government's own Economic Inclusion Advisory Committee.¹⁶⁷

FIX THE CHILD SUPPORT SYSTEM

The child support system is not working for many children and single mothers who are most in need of support.¹⁶⁸ Four in five women receiving child support have reported their ex-partner deliberately withholding or minimising payments.¹⁶⁹ There are also complexities in the interaction between child support payments and welfare payments, with the way that Family Tax Benefit Part A is reduced for people who may be eligible for support payments leaving single mothers vulnerable to economic abuse and ongoing family violence.¹⁷⁰

The Australian Government should rigorously enforce the payment of child support and remove the Maintenance Income Test from the calculation of Family Tax Benefits, so that welfare payments are more predictable and leave fewer single parent families vulnerable to economic abuse. This was recommended by the Government's Economic Inclusion Advisory Committee and the Women's Economic Equality Taskforce.¹⁷¹

INVEST IN ADEQUATE AND AFFORDABLE HOUSING AND RENT ASSISTANCE

Access to affordable housing underpins broader economic participation. It gives people a secure base from which to find and keep a job. Families

who are unable to secure affordable housing may have to move often, or risk homelessness—with significant consequences for their children's health, friendships and education. Housing is closely linked to family violence and child maltreatment, with many mothers experiencing violence choosing not to move away because it would push them into poverty or homelessness.¹⁷² Living in overcrowded and poor-quality housing has also been linked to avoidable hospital admissions, with First Nations people facing high levels of risk.¹⁷³

Continually rising housing prices and rents, and a major shortage of social and affordable housing, are pushing many families into crisis. In 2024, two in three households living below the poverty line in New South Wales were in housing stress, meaning they were spending 30 per cent or more of their income on housing costs. More than a quarter of households in poverty were paying at least 50 per cent of their income on housing.¹⁷⁴

Social housing

Across New South Wales, the stock of social and affordable housing has been falling below what is needed for many years. Almost 60,000 households are on the social housing waiting list, with non-priority applicants facing a two-year median waiting period.¹⁷⁵

Governments have belatedly started to invest more in social and affordable housing. In the 2024-25 Budget, the Australian Government announced \$2.6 billion in funding for social housing and homelessness services, with a further \$500 million becoming available from the Housing Australia Future Fund in 2024-25.¹⁷⁶ The NSW Government plans to spend \$5.1 billion over the next four years building 6,200 new social housing units and replacing 2,200 units—of which at least half will be prioritised for victim-survivors of family violence.¹⁷⁷

However, much more needs to be done. To address critical housing shortages, NCOSS and other advocates have called for the NSW Government to deliver an additional 5,000 new social housing units every year, totalling 20,000 over four years, and for a long-term plan for 10 per cent of all housing stock to be social and affordable housing,¹⁷⁸ up from about 5 per cent currently.¹⁷⁹ Households in poverty or at risk of poverty should be prioritised in allocating new social housing, including those who are single parent families, women and children escaping family violence and First Nations families.

Rent assistance

Families who rent in the private market need additional support, including through Commonwealth Rent Assistance (CRA). About

21 per cent of single-parent households, and 5 per cent of couple households with children, are in rental stress, meaning they spend more than 30 per cent of their income on rent.¹⁸⁰ Families with children experience some of the highest rates of rental stress among recipients of welfare payments who are eligible for CRA. More than 80 per cent of recipients of Parenting Payments are on the maximum rate of CRA.¹⁸¹

Even though the Australian Government increased the maximum rate of CRA in the 2023-24 Budget by \$31 per fortnight, and announced a further \$25 per fortnight increase in the 2024-25 Budget, for many families payments are not keeping up with increases in rents. With average rents in Sydney having risen by 57 per cent over the past three years,¹⁸² and median rents paid by CRA recipients with children around four times the median level of CRA assistance received,¹⁸³ it is clear that further increases in CRA are needed so it can keep up with growth in private rents.

Further, the NSW Government should reform tenancy laws to provide renters greater protections and security, including prohibiting 'no grounds' evictions, which it consulted on in 2023. It should also ensure that tenants advice services are adequately funded to help vulnerable renters.

Homelessness services

Demand for specialist homelessness services exceeds the number of people who can be assisted, with only about 51 per cent of demand by clients of homelessness services for accommodation support currently able to be met. Nationally, about 76,000 children seek help from homelessness services each year, and a growing number are being turned away without assistance due to a lack of resources.¹⁸⁴

It is clear that greater funding for homelessness services is needed so that all families in need of help can be supported straight away. The Australian Government's announcement that it would double its funding contribution for homelessness services to \$400 million a year nationally (with the expectation the States and Territories will match this) is a welcome first step.¹⁸⁵ In its 2024-25 Budget, the NSW Government committed \$528 million over the next four years for emergency housing and homelessness support services.¹⁸⁶

However, even more funding is needed to ensure there is adequate provision of specialist homelessness services to meet demand for support. Impact Economics and Policy estimates that about \$265 million in funding would be needed each year just to meet demand by

homeless children and their families in New South Wales. This is over 2.5 times current funding for homelessness services used by children experiencing poverty.

Providing the right support as early as possible

To the extent that child poverty remains, investing early in the services and supports that will mitigate its impacts is critical. This partly requires delivering universal services in a way that is proportionate to individual and community needs, both in terms of scale and intensity. In practice, this would mean:

- providing increased resourcing for health care, education and social services in places with high levels of socioeconomic disadvantage where children and families are at the greatest risk of poverty;
- ensuring adequate levels of public services are available so there is no unmet need; and
- reducing barriers to accessing services by ensuring they are delivered in a culturally appropriate, stigma-free and trauma-informed way so that everyone is comfortable using the services.

MAKE ACCESS TO CHILDCARE UNIVERSAL

Access to high-quality Early Childhood Education and Care (ECEC) can improve the learning and development trajectories of disadvantaged children. Quality ECEC has been shown to improve the cognitive, language and social development of the most disadvantaged children, especially in the first three years of life.¹⁸⁷ This can help disadvantaged children get back on track in terms of their learning and provides a strong foundation for success at school and, ultimately, in the workforce.

Previous research from Impact Economics and Policy found that the average benefits for each child of two years of pre-school are \$102,700 over the life course from increased educational attainment and the higher probability of completing school.¹⁸⁸

However, children living in poverty and disadvantaged backgrounds are less likely to attend childcare than other children and also face some of the biggest barriers to access.¹⁸⁹ These barriers include low availability of childcare, especially in regional and remote areas. An estimated 700,000 Australians live in areas with no access to childcare, and almost a quarter of the population lives in childcare 'deserts' with

more than three children for every available childcare spot.¹⁹⁰ Even when spots are available, parents living in poverty may be unable to afford them, even after government subsidies. Children with additional need can also experience exclusion and a lack of appropriate support in childcare,¹⁹¹ with comparatively fewer children from First Nations backgrounds and children with a disability accessing ECEC services than other children.¹⁹²

Current policy settings are making it harder for some low-income families to access childcare. The Australian Government's Activity Test limits access to the Child Care Subsidy if both parents are not engaged in sufficient work-related activity. This increases the cost of ECEC for these families and limits access for children in low-income families. Impact Economics and Policy has estimated that the Activity Test is contributing to 126,000 children from low-income households across Australia missing out on ECEC.¹⁹³ For children of pre-school age, families caught by the Activity Test face out-of-pocket costs of \$7,000 to \$24,000 per child over two years.¹⁹⁴

Barriers to accessing childcare also make it harder for women to return to work after having a child, which could be making it harder for

some households to escape poverty (especially single mothers). Abolishing the Activity Test could lead to 39,620 more women participating in the workforce and increase GDP by up to \$4.5 billion a year.¹⁹⁵

The Australian Government should ensure all children have access to a minimum of three days a week of quality and affordable ECEC services. As a first step, it should abolish the Activity Test on the Child Care Subsidy, as recommended by the Productivity Commission, Australian Competition and Consumer Commission, Economic Inclusion Advisory Committee and Women's Economic Equality Taskforce.

Access to quality childcare in areas of socioeconomic disadvantage can also be improved by progressing reforms to the supply and funding of childcare centres, and by supporting higher wages and better working conditions for early childhood educators.

Further, the Australian and NSW Governments should work together to connect childcare services with child and maternal health services and other family supports to ensure all children and families have access to a joined-up pipeline of supports through the early years, as recommended by the Economic Inclusion Advisory Committee.¹⁹⁶

STRENGTHEN SUPPORT DELIVERED THROUGH THE EDUCATION SYSTEM

With children experiencing poverty at significant risk of falling behind in educational attainment, there is significant potential to intervene through the education system to identify at-risk children and deliver evidence-based support to enable them to stay on track. However, many schools still require extra support from governments in order to make the shifts required to a more systematic way of supporting these children.

To address this, the NSW and Australian Governments should start by implementing the recommendations of the 2023 Review to Inform a Better and Fairer Education System.¹⁹⁷

These include:

- funding all schools to the Schooling Resourcing Standard (a formula for calculating how much funding is needed to meet educational needs, with additional loadings for socioeconomically disadvantaged students);
- providing more supports to build schools' capacity to screen students' progress and implement the multi-tiered system of support (MTSS) model to ensure no student is left behind; and

- strengthening links between schools and other community and health services, particularly in the most disadvantaged communities. This includes establishing dedicated 'linker' roles that help connect children and their families to services.

To best support disadvantaged and at-risk students, there needs to be a strong focus on improving the quality of teaching, learning and wellbeing supports at schools. The MTSS model provides a way to do this by using universal screening assessments to identify students who need additional support and then targeting interventions to those students on a sliding scale of intensity. Interventions could involve providing additional instruction to individual students or small groups of students.¹⁹⁸

The NSW Government has already significantly invested in small-group tutoring since 2021 in response to the COVID-19 pandemic, but there is more work to do to support schools to fully embed tutoring within a MTSS framework.¹⁹⁹ The NSW Government should strengthen the resources, training and other supports provided to schools to ensure they are well-equipped to implement best-practice interventions, especially for children who have experienced poverty.²⁰⁰

ENSURE ALL FAMILIES CAN ACCESS HEALTH AND WRAP AROUND SERVICES FOR CHILDREN IN THE EARLY YEARS OF LIFE

Programs to deliver 'wrap around' child and family services have proven successful in supporting children's development and wellbeing. These include child and family health services which offer health and development checks and give parents access to information and specialist referrals. They are a vital social service that offers clear benefits for socioeconomically disadvantaged families to avoid some of the health and educational costs of poverty, while also providing opportunities for early intervention when there are risk factors of child maltreatment or family violence.

For example:

- Integrated Child and Family Hubs have improved access to social support and health services by overcoming barriers to families and children accessing these services. When these hubs are co-located in schools, they have been shown to improve child health outcomes, school readiness and academic outcomes, while helping to identify developmental vulnerabilities.²⁰¹

- The Sustained Home Visits Program (SHVP), which funds health professionals to support families through home visits, has generated a social return on investment of 120 per cent.²⁰²

Despite evidence of their effectiveness, there is significant unmet need for these programs, particularly for families living in regional and rural NSW. Integrated Child and Family Hubs are only present in 15 per cent of areas identified as having the greatest need,²⁰³ and only 30 per cent of people live in an area where the Sustained Home Visits Program is available, with eligibility restricted to mothers experiencing anxiety or depression.²⁰⁴ Across Australia, mothers living in poverty are more likely to have their first antenatal visit later in pregnancy and to have fewer antenatal visits (see Figure 22),²⁰⁵ indicating the presence of barriers to accessing these services.

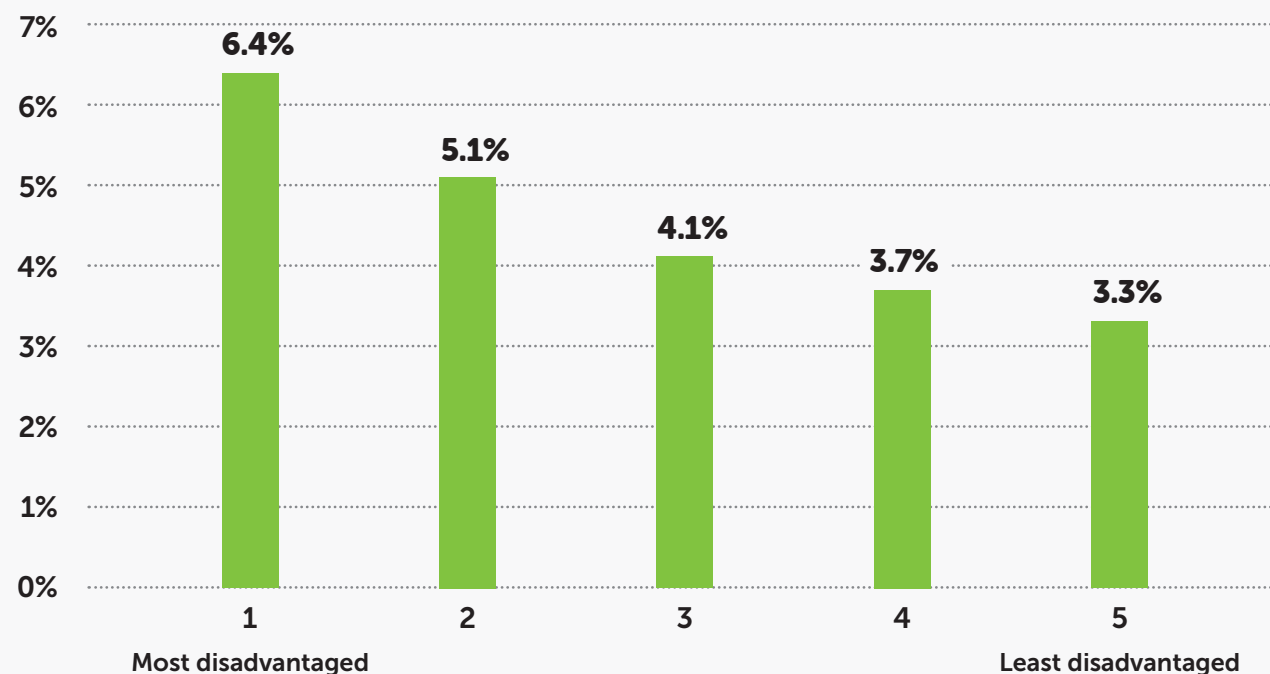
Existing programs need to be expanded significantly, with a focus on improving access for families experiencing or at risk of poverty. This offers the potential to overcome some of the challenges experienced by children born into disadvantaged families. This can have significant long-term benefits for their health and labour market participation throughout their life.

Socioeconomically disadvantaged families also face barriers to accessing the broader primary

health system, especially bulk-billed general practitioner (GP) visits. Across Australia, about 38 per cent of patients living in economically disadvantaged areas pay out of pocket to see a GP,²⁰⁶ and about 7 per cent of people skip GP visits because of the cost.²⁰⁷ In addition, children from lower-income families access less

government-funded specialist care, with the gap being greatest in the early years of life.²⁰⁸ Making bulk-billed health care available to all poorer families offers the potential to significantly lift health outcomes.

FIGURE 22 PROPORTION OF MOTHERS WHO HAVE LESS THAN 5 ANTENATAL VISITS BY SOCIOECONOMIC STATUS QUINTILE, AUSTRALIA



CASE STUDY

Winanggaay, Marathon Health, Bathurst

Supporting Aboriginal children with additional support before they start school can have an impact in closing the educational gap they experience once they attend school. The Winanggaay ('to know, to think, to understand') program aims to build the school readiness of Aboriginal children, through connection of families, schools, community and services. It identifies learning and development vulnerabilities through screening and ensures children have access to the right health care and educational support before they start school.

When two four-year-old boys started attending a preschool in Bathurst, staff raised concerns that the boys were still in nappies and had speech delays. Their mother consented to them being involved in the Winanggaay Project because she had limited connections within the local community, lacked confidence and didn't know how to source the support her sons needed.

An Aboriginal Health Linker arranged screening for the boys, which highlighted that they were delayed in most areas of their development.

The Winanggaay team then worked with the centre and the boys' mother to develop a care plan that would help prepare them for school.

The Winanggaay team was able to link the boys to supports through the National Disability Insurance Agency's local Early Childhood partner organisation, who sourced early intervention funding through the National Disability Insurance Scheme.

Through Winanggaay, the family also received speech therapy, access to a dentist and healthy lunchbox information sessions at preschool. The educators at the preschool also gained access to speech therapy resources so they could support the boys' therapy sessions. Once the supports were in place, the Winanggaay team then handed over the boys' support plan to their primary school, in readiness for them starting their school journey in Kindergarten.

Staff at the preschool observed that the boys' speech improved significantly since undertaking speech therapy. They became

more confident, made eye contact when they were talking or being spoken to, and happily accepted praise. They boys went to the toilet on their own and took part in group activities. The most encouraging outcome was that they seemed proud of themselves and would not need a support worker in the classroom when they started school.

Schools in Bathurst have recorded their appreciation for the Winanggaay program and the school transition resources the team has provided. The program was supporting children and their families to access screening, while also allowing schools to plan the supports that new students are likely to need. Unfortunately, the program was part of a 12-month pilot and requires more funding to continue.



PHOTO COURTESY OF: Ngurang-gu Yalbilinya

CASE STUDY

Ngurang-gu Yalbilinya, Orange local Coalition of Aboriginal Peak Organisations and the NSW Aboriginal Education Consultative Group (NSW AECG), Orange

The Ngurang-gu Yalbilinya (Place of Learning) Program is an initiative specifically designed to target young Aboriginal males aged 12 to 16 years who have become disengaged from education for varying reasons. The program connects students with their culture and community, re-engages them with education and learning, and has demonstrated that it can improve school attendance, literacy and numeracy outcomes. It provides students with a culturally safe space where they are supported to learn and confidently express and demonstrate their knowledge of the cultures of their own Peoples as well as supported to achieve educational success and transition to further study, training or work.

Program staff take a holistic approach, working with families to support student participation and ongoing engagement in the program as well as facilitating referral or connection of parents or families with other local support services where needed. In a recent evaluation, it was found that the average full day attendance of students involved in the program was 94.3%, improving from an average of 44.3% prior to participation. The students have also recorded significant improvements to their reading and spelling levels. Several parents have commented that the improvement in their child's attendance has allowed them to return to work.

The biggest impact it has had is the cultural aspect, involving this alongside the learning and education is not only beneficial but highly engaging for David.

"The program picks David up and drops him off daily, so he knows that there is no getting out of going, people are relying on him to show and turn up. He has begun to interact with his peers and make friends, again something so trivial for most kids is huge for David and the changes it has made to my boy I cannot express in words.

I could go on and on about the benefits of the program, little things like the buses made available to collect and drop off, the attention to the boys health and wellbeing through health checks or just the 1:1 care and commitment from the teachers themselves all valuable and impactful instances but overall is the impact it has on the kids themselves, in the 9 short weeks David has been at the program he has learnt more, attended more as well as grown and committed more than he has ever! "

- David's mother

There is a very high demand for Ngurang-gu Yalbilinya program placements however the program currently only has capacity for 14 students and there are currently 30 students on

the wait list. The program can benefit from an increase in financial resources to ensure that staff are supported to plan, have adequate resources and are provided with professional development opportunities. Improved facilities, and greater connection with staff in the mainstream school will also assist the students with their transition back. Additionally, there is a need to provide a similar program for Aboriginal girls within the region who have similarly disengaged with their school education.

NSW CAPO have identified that there is significant potential for the Ngurang-gu Yalbalinya model to be implemented successfully in additional locations in NSW as well as with younger boys (Year 3-6). Programs such as these are an important way to ensure young Aboriginal boys are connected to culture while also ensuring that they re-engage with the education system and therefore are given the opportunity to achieve improved education outcomes for themselves.



PHOTO COURTESY OF: Ngurang-gu Yalbilinya

Mirrung – creating a thriving learning environment

Schools are often the physical and social centre of communities. Their connection to all children, young people and families in the community mean they have a reach and universality that is unparalleled. The move to leverage this opportunity and connect schools to local service systems is growing in momentum.

Ashcroft Public School is a vibrant primary school located in Liverpool Local Government Area. Culturally diverse, it is a community of considerable strength and resilience. However, it also has the highest level of poverty in NSW.

Two years ago, in partnership with NCOSS, the school launched Mirrung – a learning and wellbeing hub that takes a holistic approach to respond to the priorities and needs of the Ashcroft community.

The school facilitates whole-family wraparound services through an approach that dedicates time and staff to supporting family health and wellbeing. It is premised on the fact that improvement in student wellbeing and learning will only occur if families are also supported.

Hassan is a student at the school who has had some involvement with child protection services over the years. The school has had a history of concerns for him but reports made to child protection services have not reached the Risk of Significant Harm threshold. Engagement with the family has been inconsistent, difficult and characterised by a lack of trust.

In 2024, a worker at Mirrung contacted Hassan's mum to arrange a meeting

about significant behaviour escalation. After initial hesitation and deflection, she relayed the family's situation that included extreme financial hardship and the impacts this was having on her mental health and subsequently on family dynamics. Mirrung referred her to a DCJ-funded social service organisation for general case support. She has started receiving financial and psychological counselling. Hassan has been included in a sports-driven school-based social support group and additionally has started receiving government-funded psychological counselling. This year, the school has not had to make a mandatory report to child protection services about their concerns. The school estimates that last year it spent over 50 hours making mandatory reports relating to Hassan.



and learn

PHOTO COURTESY OF: Mirrung

PROPERLY FUND MENTAL HEALTH SERVICES

There are significant gaps in the delivery of mental health services across New South Wales, with an estimated 58,000 people with severe or complex mental health needs not being able to access the care they need, critical shortages of psychologists and First Nations mental health workers, and funding for community mental health services that is failing to keep up with growing demand.²⁰⁹

A recent inquiry by the NSW Legislative Council found that mental health services in New South Wales have become reactive and crisis-driven, with cost, waiting times, and geographic and cultural accessibility posing significant barriers to people accessing appropriate mental health services.²¹⁰ The inquiry recommended that the NSW Government immediately commit to increased funding across the sector, with priority given to community-based mental health services.

While the NSW Government announced a \$112 million funding package (to be spent over four years) on the release of this inquiry, the mental health sector has noted this amounts to less than 1 per cent of the state's mental health budget. The NSW Government should further increase

funding for mental health services and implement the recommendations to reform the mental health system, as called for by organisations across the sector.²¹¹

INVEST IN REDUCING CHILD MALTREATMENT AND FAMILY VIOLENCE

While the causes of child maltreatment and family violence are complex, there is clear evidence that poverty, gender norms and attitudes, and gender inequalities are major risk factors that contribute to these harms.²¹² To prevent harm occurring in the first place, broad action across all of society is needed to influence the social, economic and environmental factors that contribute to child maltreatment and family violence. This is known as primary prevention.

Additional investment in early intervention and support services is also needed. This includes supporting children and families through wrap around health services, childcare and schools (as discussed above). All these services are well placed to intervene by identifying children and families at risk of harm and connecting them to appropriate supports and services as soon as possible.

Specialist services focused on child maltreatment

and family violence are currently unable to help everyone who needs help. Family violence services across New South Wales report having to turn some victim-survivors away because they do not have enough resources to provide help.²¹³ The recent announcement by the NSW Government of \$246 million over four years for domestic and family violence services is a welcome step, as is the decision to prioritise social housing for victim-survivors.²¹⁴ However, more needs to be done to ensure adequate support can be provided to all women and children experiencing or at risk of violence.

In addition, major reforms are needed to the child protection system in New South Wales, which is failing to protect children from harm. As noted earlier, only about one in five children are being seen by a caseworker. A recent report from the state Auditor-General found that the system is ineffective and unsustainable, with 75 per cent of children identified as being at risk of significant harm not receiving a home-based safety assessment, and the Department of Communities and Justice failing to assess and monitor the mental health and wellbeing of children in out-of-home care.²¹⁵ Aboriginal organisations have consistently been calling out how the system is failing First Nations children by exposing many of them to trauma, neglect, assault and drug use.²¹⁶

As a priority, the NSW and Australian Governments should:

- Reform the child protection system, to ensure proper management and oversight of out-of-home care arrangements as well as adequate funding so that all children at risk of significant harm can be seen by a case worker.²¹⁷
- Work, through shared decision-making, with Aboriginal Community Controlled Organisations (ACCOs), Aboriginal leaders and communities to implement the Family is Culture blueprint for reforming out-of-home care, starting with priority actions that will provide the foundations for a fundamentally reformed system that is community-led.
- Increase investment in evidence-based early intervention and family preservation by 25 per cent, prioritising funding for ACCOs.²¹⁸
- Increase funding for ACCOs to deliver culturally-safe services and supports for women and children experiencing family violence and maltreatment.
- Properly fund mental health and homelessness services to adequately support children and adults experiencing family violence or maltreatment, as discussed earlier.

REDUCE THE RISKS OF RE-OFFENDING BY CHILDREN IN CONFLICT WITH THE LAW

There is clear evidence that involvement in the legal system has harmful effects on children and often leads to re-offending and ending up in adult prison. Experiences of youth detention have been identified as a driver of future criminal involvement as children learn more offending skills and develop criminal networks while in detention.²¹⁹ Being caught in the legal system can also have adverse effects on a child's health, education and family relationships, thereby worsening the disadvantage that many already face. The early exposure to trauma experienced by some First Nations children can be compounded in the legal system where children are separated from their families, culture, country and connection.²²⁰

More needs to be done to reduce the risks of re-offending by making greater use of community-led alternatives to youth detention. To start with, the NSW Government needs to raise the age of criminal responsibility from 10 years to at least 14 years. This would be in line with international benchmarks and has been called for by Children's Commissioners and Guardians across Australia, as well as many community and legal organisations.²²¹ The Australian Capital

Territory has already raised its age to 14 years, and Tasmania has announced it will do so too.²²² New South Wales must follow suit.

In addition, diversion programs can reduce risks of re-offending and deliver justice without young offenders being subject to detention. This includes the Youth Justice Conferencing program in New South Wales, which provides for young offenders to meet the victims of their behaviour and agree an 'outcome plan' to restore the harm done.²²³ There are also community programs that young offenders can be diverted to instead of going to court.

Greater use of these alternatives to court and detention could help more young people to get back on track in their lives and reduce the risks of future offending. It can also avoid the life-long harm that can arise from a criminal record or period of incarceration.

The NSW Government's recently announced \$67 million in funding for diversionary programs for young people²²⁴ is welcomed, but more will be needed, including changes to policing practices.

Empower First Nations communities

Aboriginal and Torres Strait Islander people living in New South Wales are twice as likely to live in a low-income household compared to non-First Nations people.²²⁵ In parts of the state, as many as 50 per cent of First Nations people are living in low-income households.

First Nations children also disproportionately suffer some of the worst outcomes from child poverty, and are significantly overrepresented in the child protection and youth justice systems, as discussed earlier in this report. The impacts of poverty are often exacerbated by intergenerational trauma affecting many First Nations families, and by systemic racism that makes many non-First Nations services culturally unsafe and ineffective for First Nations families.²²⁶

Government programs and services have too often been delivered in a way that does not meet the needs of First Nations families, are culturally unsafe or stigmatising, or are simply inaccessible where many First Nations Australians live. At their worst, services such as child protection and youth justice have served to worsen harms to children and perpetuate intergenerational trauma.

The evidence is clear that to close the gap and ensure First Nations children have the best possible start in life, governments need to respect First Nations people's knowledges and solutions and engage in joint decision-making that empowers them in the design and delivery of services.²²⁷

To support this, the NSW and Australian Governments should:

- commit to and expedite efforts to enter into a Treaty with First Nations Australians;
- make genuine effort to Close the Gap, including by adopting the recommendations of the recent Productivity Commission review;²²⁸
- commit to policy interventions that are place-based and led by local First Nations communities; and
- dedicate specific funding to the Aboriginal Community Controlled Sector across all areas of service delivery (including health care, housing, homelessness services, education, child protection and youth justice), with organisations empowered to use this funding in ways that best meet the needs of their communities.

Support workforce participation and financial wellbeing

More needs to be done to support people to participate in education and the workforce, to find and retain employment, and to manage their financial wellbeing. This includes:

- Comprehensive reform to move towards a new employment services system that promotes economic inclusion, and away from the current system, which is inefficient, ineffective and too often harms rather than helps people;²²⁹
- Removing barriers to women's economic participation, including through reforms to the childcare system, extending Paid Parental Leave to 52 weeks, tackling gender inequality and discrimination, and other recommendations of the Women's Economic Equality Taskforce;²³⁰
- Improving the accessibility and affordability of public transport, especially in regional and rural communities, to help people to access jobs and education wherever they live, and to reduce the risk that adults need to leave their job or children need to change schools if they move home; and
- Adequately funding financial wellbeing services such as financial counselling so they are accessible to all families facing socioeconomic disadvantage.

These policies can help to mitigate some of the life-long impacts of child poverty on education and workforce participation. Critically, they will also help to prevent families from falling into poverty in the first place and make it easier to exit poverty. These policies are a necessary step towards eliminating child poverty.

Conclusion

Child poverty is a complex and longstanding problem, affecting about 278,000 children across New South Wales each year. About 160,000 of these children experience persistent poverty throughout their childhood. Much of this poverty is geographically concentrated in certain parts of the state, including south western Sydney, New England and the Mid North Coast.

Even a temporary experience of poverty can have significant consequences which can last into adulthood. It affects physical and mental health and puts children at much greater risk of learning and developmental problems, which manifest as lower educational attainment and worse labour market outcomes. For some children, poverty can also result in suffering abuse or neglect, being homeless, or becoming entangled in the legal justice system.

In an Australian first, Impact Economics and Policy has estimated in this report that child poverty is directly imposing costs to the NSW economy of over **\$25 billion a year**, or 3.2 per cent of the state economy. In addition, there are economic costs of about **\$34 billion a year** attributable to the economic value of the diminished health and life expectancy of people who experience child poverty.

These costs relate to children who are currently living in poverty and to adults who experienced

poverty when they were children. The true costs are likely to be even higher, given the many aspects of child poverty that were not able to be quantified.

However, child poverty is not inevitable: governments have the power to eliminate it if they choose to.

Tackling child poverty requires investing in adequate income support, housing and universal childcare. Reducing its harms requires investment in early intervention and high-quality services such as health care, education support, child protection, family violence services, crime prevention and workforce participation.

As a starting point, the Australian and NSW Governments should lead a community-wide commitment to eliminate child poverty, backed by standardised measures, legislated targets and public reporting on progress.

A genuine commitment is also needed by all levels of government to Close the Gap by engaging with and supporting First Nations communities, which suffer from poverty and its harmful effects to a much greater extent than the rest of the population.

Lifting children and families out of poverty offers significant life-long benefits to children and their families in terms of their health, wellbeing and workforce participation. It also offers large dividends to governments in terms of improved economic productivity, higher tax revenues, and lower demand on welfare payments and government services. It can be done, and it is an investment that is worth making.

Appendix 1: Modelling methodology, data sources and assumptions

The modelling in the report estimates the annual cost of child poverty in New South Wales. This includes the costs associated with children living in poverty as well as the costs associated with adults who lived in poverty as a child. All cost estimates are in 2022-23 dollars.

Child poverty is defined as living in a household with income less than 50 per cent of the median household's income (including government benefits, and after tax and housing costs), adjusted for household size.

Child poverty rates

In 2021, an estimated 15.5 per cent of children (under 18 years of age) lived in income poverty in New South Wales, or around one in six children.²³¹ This equates to 278,000 children, based on the state population at June 2023.²³²

The model uses four child poverty persistence cohorts, based on estimates of the share of Australian children who experience different durations of poverty (measured as the proportion of childhood years spent in poverty) over a 19-year window.

For children aged 0 to 4 at the start of the window, the four cohorts are:

- Never poor – not living in poverty in any of the 19 years (38 per cent of children)
- Occasionally poor – living in poverty in one, two or three years (33 per cent)
- Recurrently poor – living in poverty in at least four, but no more than nine years (17 per cent)
- Persistently poor – living in poverty in 10 or more years (12 per cent).²³³

The model also takes account of differences in life expectancy for people in each of the above groups, using estimates of average life expectancy for geographic areas as a proxy.²³⁴

Educational attainment

TARGETED EDUCATION SUPPORTS

Government and non-government schools are provided with additional funding to support students from low socioeconomic backgrounds through a loading in school funding formulas. The current loadings are 50 per cent for children in the lowest quartile of socioeconomic status and 37 per cent for children in the second-lowest quartile of socioeconomic status. In New South Wales, this is based on the number of eligible children measured using the Family Occupation and Education Index (FOEI).²³⁵

The cost impact of child poverty is modelled by comparing current funding to a counterfactual where children who are currently subject to the 50 per cent loading are instead subject to the 37 per cent loading.

LABOUR MARKET OUTCOMES

To model the impact of reduced educational attainment due to child poverty on adult labour market outcomes, labour market participation and earnings for people who experienced child poverty are compared to a counterfactual of people who never experienced child poverty. This is based on estimates of educational attainment (during adulthood) for each of the poverty-persistence cohorts²³⁶ and data on labour market participation and earnings by level of educational qualification.²³⁷

Health

The model estimates the health-related costs of child poverty for children who live in poverty, and for adults who lived in poverty as a child. This includes costs related to health services, the impacts of poor health on working life outcomes, and estimates of the costs associated with pain, suffering and reduced life expectancy.

PHYSICAL HEALTH OUTCOMES

The model incorporates the health status of children by the degree to which they experience poverty persistence—on average, the greater the degree of poverty persistence, the lower a child's health status.

Health status by poverty duration is derived from

a study that measured parent-reported ratings of the health of their children (on a scale of 1 to 5, from poor to excellent) by the duration of poverty experienced.²³⁸ Children who experience persistent poverty for the first 8 to 9 years of life have rates of fair or poor health about double the level of children who do not experience poverty (26 per cent versus 13 per cent). There is a 'gradient' of health outcomes for children who experience an intermediate degree of poverty persistence. This allows the proportion of children in fair or poor health to be estimated for each of the child poverty persistence cohorts in the modelling (as described earlier).²³⁹

For adults, the model incorporates measures of the persistence of poor childhood health outcomes into adulthood, with adult health outcomes lower for those adults who experience poverty as a child. Research has found that adults aged between 26 and 32 have health scores 10 points lower (measured on a scale of 0 to 100) if they experienced frequent poverty in childhood, compared to those who never experienced poverty as a child.²⁴⁰ Research has also found that poor health in childhood is likely to persist into adulthood, although the effect of childhood health on adult health generally diminishes with age in Australia.²⁴¹

To reflect this, the model assumes that the proportion of adults in fair or poor health associated with experiencing poverty as a child

diminishes over time (over each of the child poverty persistence cohorts). Specifically, it assumes that the proportion of adults in fair or poor health (associated with poverty as a child) reduces by an average of 30 per cent by age 32 across all child poverty persistence cohorts, and remains constant from age 32 onwards.

MENTAL HEALTH OUTCOMES

The model incorporates the mental health status of children by socioeconomic status based on estimates of the prevalence of elevated mental health symptoms using parent-reported Strengths and Difficulties Questionnaire scores, where the differential in prevalence between socioeconomically disadvantaged children and their non-disadvantaged peers widens from about 5 per cent in early childhood to about 12 per cent during teenage years.²⁴²

For adults, childhood mental health outcomes are assumed to persist into adulthood, with adults who experienced poverty as a child experiencing poorer mental health outcomes. There is evidence that poor mental health in childhood is likely to be more persistent into adulthood than poor physical health,²⁴⁴ and thus there is less narrowing in the overall 'health gap' between people who experienced child poverty compared to those who did not. Given this, and the absence of robust estimates of the degree of persistence of mental health conditions, the model assumes

that childhood mental health outcomes persist throughout adulthood (i.e. they do not diminish with age, in contrast to physical health).

USE OF HEALTH SERVICES

To estimate the impact of child poverty on health service use and costs, the model compares two scenarios: the current distribution of child poverty, and a counterfactual of no child poverty. These scenarios reflect differences in the use and cost of health services associated with poorer physical and mental health as a result of child poverty.

The model incorporates average rates of use of a range of different physical and mental health services (e.g. hospital admissions, emergency department visits, general practitioner visits) per person, derived from data published by the Australian Institute of Health and Welfare (AIHW), as well as data on the cost of providing the various health services (also derived from data published by the AIHW).²⁴⁴ For each type of service, rates of use are derived with respect to:

- age;
- health status; and
- the level of socioeconomic disadvantage of the region in which people live (measured with the Index of Relative Socio-Economic Disadvantage).²⁴⁵

The model apportions service use estimates across the four child poverty persistence cohorts based on the health status estimates for each cohort.

On average, people in poorer health use health services at a higher rate than people in better health. People living in areas with higher relative disadvantage tend to use certain services at relatively higher rates than the broader population (hospital inpatient admissions, hospital emergency department admissions, mental health services) and other services at relatively lower rates (general practitioners and specialists).

NATIONAL DISABILITY INSURANCE SCHEME COSTS

The model includes estimates of the cost to government of providing services through the National Disability Insurance Scheme (NDIS) to children experiencing poverty and to adults who experienced child poverty. This is based on data for NDIS payments for the year to June 2024 relating to children in poverty in NSW.²⁴⁶

The model only considers NDIS costs for people with a primary disability of psychosocial disorders, developmental delay and global developmental delay, which may be attributable in part to experiences of child poverty. It is assumed that 17 per cent of children on the NDIS with these conditions are experiencing poverty (based on

the proportion of children experiencing poverty among all children who received NDIS payments in the most recent wave of the Household, Income and Labour Dynamics in Australia (HILDA) survey), and that in 50 per cent of cases the condition is caused by child poverty (as opposed to external factors such as genetics).

NDIS costs for adults who experienced child poverty (for the same disability groups as above) are modelled assuming that the proportion of NDIS costs associated with child poverty is the same as the proportion of adult mental health service costs (described above) associated with child poverty.

The estimates have also been adjusted to remove double counting where NDIS funding is used to pay for mental health services that are captured in the earlier analysis.

LABOUR MARKET OUTCOMES

To estimate the impact of poor health due to child poverty on adult labour market outcomes (employment and earnings), the model compares two scenarios: the current distribution of child poverty and a counterfactual of no child poverty.

Children who grow up in poverty tend to have poorer health outcomes as adults, and poorer health as an adult is associated with poorer labour market outcomes.

Labour market participation rates were modelled for adults by child poverty persistence cohort (including the no-poverty cohort as the counterfactual), where participation rates within each cohort vary by age. This was based on the (above) estimates of health status by child poverty persistence cohort, combined with estimates of participation rates by health status and age.²⁴⁷

The impact of child poverty on adult earnings was modelled using estimates from the literature that workers with elevated mental health conditions are about 7 per cent less productive in the workplace.²⁴⁸ A similar impact is assumed with respect to physical health. These effects are assumed to translate into earnings discounts of similar amounts, and converted into dollars using average wage rates,²⁴⁹ with adjustments made to avoid double counting physical and mental health impacts. The estimates account for the different proportions of people in poor health within each of the child poverty-persistence cohorts.

PAIN, SUFFERING AND REDUCED LIFE EXPECTANCY

Children who experience poverty have lower life expectancy, and experience poorer health during their lives, than children who do not experience poverty. These impacts are quantified in terms of lost disability-adjusted life years (DALYs), where one DALY is equivalent to one healthy year of

life lost. The difference in aggregate DALYs lost between the cohort of people who experience child poverty and those who do not is a measure of the pain, suffering and reduced life expectancy associated with child poverty.

There are no direct estimates available of lost DALYs that compare people who experienced child poverty with those who did not. To impute these values, the model makes use of differences in the proportions of people in poor health across the child poverty-persistence categories, as described earlier. On average, the proportion of people in poor health is 1.6 times higher for people who experienced persistent poverty as a child relative to the cohort who were never poor as a child.

This difference is the same as the difference in the overall burden of disease (measured as lost DALYs per 1000 population per year) across regions based on socioeconomic status. Data from the Australian Institute of Health and Welfare (AIHW) show that, on average, regions in the lowest socioeconomic quintile have a burden of disease 1.6 times that of regions in the highest quintile (as measured by the ABS Index of Relative Socio-economic Disadvantage). The AIHW data also show that for each quintile the burden of disease increases with age.²⁵⁰

The model assumes that the burden of disease differential between people who did and did not

experience child poverty is the same as the burden of disease differential across socioeconomic status (on average). The burden of disease is assumed to increase with age across both groups, consistent with the AIHW data.

This results in an estimate of 150,000 healthy lives lost each year in New South Wales due to child poverty (out of a total of 1.8 million healthy lives lost each year across the whole population). To estimate the cost, the value of a healthy life year lost is assumed to be \$235,000.²⁵¹

Child maltreatment and family violence

PREVALENCE

An estimated 27 per cent of children in the NSW child protection system experienced maltreatment as a result of child poverty.²⁵² This suggests that 12,700 of the 47,032 children who received child protection services during 2022-23 experienced maltreatment as a result of child poverty.²⁵³ This includes children who were the subject of an investigation, children on care and protection orders and children in out-of-home care.

To estimate how many adults experienced significant health effects from child maltreatment attributable to child poverty, the number of adults who would have been subject to substantiated

maltreatment is used as a proxy. It is assumed 27 per cent of new substantiations of child maltreatment (that is, children who were not previously subject of a substantiation) each year are attributable to child poverty. This number (8600 children) is divided by 18 to give a measure of the number of new substantiations per individual age cohort per year, and then projected forward using population figures to estimate the relevant population of adults.

These figures are underestimates because they do not include children who experienced maltreatment but were not reported to child protection agencies or did not receive child protection services.

PROVISION OF CHILD PROTECTION SERVICES

Of the \$2.8 billion spent on child protection services in New South Wales in 2022-23, \$571 million is assumed to be attributable to child poverty. This is 27 per cent of total costs, after excluding costs associated with reports, notifications and investigations that do not result in substantiations. The proportion is based on the estimate cited above for the share of children in the NSW child protection system who experienced maltreatment as a result of child poverty.

HEALTH COSTS OF CHILD MALTREATMENT

Children who are subject to maltreatment have poorer health outcomes—and make greater use of health services—than children in the general population and compared to children who live in poverty but do not experience maltreatment. Into adulthood, children who experienced maltreatment have a high probability of experiencing ongoing poor health outcomes.

Direct estimates of health service usage rates by children who have experienced maltreatment are not available. The model instead uses estimates from the literature for health service use by young adults who experienced child maltreatment,²⁵⁴ and makes adjustments to reflect that younger children are likely to use health services at lower rates. Specifically:

- Children aged under 8 who have experienced maltreatment are assumed to use health services at the same rate as children in the frequently poor poverty-persistence cohort (per the modelling for the health domain).
- Children aged 8 to 17 are assumed to make greater use of health services, with usage rates gradually increasing by age until they reach the level for young adults in the literature (by age 18).

The difference in service usage attributable to child poverty, and its associated cost, is then

estimated using the same method as for the health domain.

The estimates of labour market impacts associated with child maltreatment due to child poverty use the same method as for the health domain.

The estimate of pain, suffering and reduced life expectancy associated with poor health arising from child maltreatment due to child poverty largely relates to poor mental health outcomes and the impacts of substance abuse among adults. It is derived using reported estimates for the proportion of the total burden of disease in NSW that is related to poor mental health outcomes and the impacts of substance abuse, and the proportion of instances of mental health conditions/substance abuse that is related to childhood poverty.

In this regard, the AIHW reports that 15 per cent of the total burden of disease in NSW is related to poor mental health outcomes and the impacts of substance abuse.²⁵⁵ The Australian Child Maltreatment Study (ACMS) found that the prevalence of mental health disorders and substance abuse is higher among people (aged 16 and over) experienced child maltreatment compared with those who did not experience child maltreatment.²⁵⁶ In particular, the prevalence of mental health disorders (among those aged 16 and over) is 22 per cent for those who did not experience child maltreatment, compared with

48 per cent for those who did experience child maltreatment.²⁵⁷ Using other reported estimates from the ACMS for the proportion of Australian adults who experienced child maltreatment, estimates were derived for the proportion of instances of mental health conditions/substance abuse that is related to childhood poverty.

Crime

PREVALENCE

Child poverty is the primary cause of an estimated 20 per cent of reported criminal offences committed by children in Australia. This is equivalent to about 8,100 offences and about 3,700 offenders a year in New South Wales (see Table 8 for estimates by offence type).²⁵⁸

The assumed proportion attributable to child poverty is based on studies that have found a link between child and youth crime rates and socioeconomic disadvantage. A seminal NSW study found a causal relationship between poverty and juvenile crime (a regression coefficient of 0.2), as well as an indirect relationship via the impact of poverty on the incidence of child neglect/abuse (the direct effect represents a lower bound).²⁵⁹

This is consistent with other studies that have found a correlation between overall crime rates and geographical disadvantage in New South Wales.²⁶⁰ Impact Economics and Policy analysis of NSW Bureau of Crime and Statistics and Research data suggests a high correlation (correlation coefficient of about 0.5) between youth crime rates (weighted by the number of crimes per type of offence) and measures of relative regional advantage/disadvantage.²⁶¹

TABLE 8 ESTIMATED NUMBER OF CHILD OFFENDERS FOR CRIME ATTRIBUTABLE TO CHILD POVERTY, 2022-23

	Number of offenders
Homicide and related offences	0
Common assault	1030
Sexual assault and related offences	50
Abduction/harassment	40
Robbery/extortion	50
Unlawful entry with intent	150
Theft	400
Fare evasion	1150
Fraud/deception	25
Illicit drug offences	80
Weapons/explosives offenses	0
Property damage	200
Public order offences	460
Offences against justice	50

The number of children who are held in detention as a result of child poverty is estimated by applying the same 20 per cent rate to the total number of children in detention (1,468 children during 2022-23²⁶²). This implies there were 290 children in detention as a result of child poverty in 2022-23. Of those, around 100 were aged 17.

COSTS TO THE LEGAL SYSTEM

The costs of the youth justice system attributable to child poverty are estimated by apportioning total system costs²⁶³ by the assumed 20 per cent of youth crime attributable to child poverty. The cost of the youth justice system comprises the costs associated with statutory agencies, non-government and community service providers, courts and police, but does not include the cost of general policing (which is calculated separately).

A similar approach is used to estimate costs associated with general police services,²⁶⁴ which are funded separately. As 19 per cent of all recorded offenses in New South Wales are by offenders aged under 18 years,²⁶⁵ 3.8 per cent of general police service costs are assumed to be attributable to child poverty (20 per cent of 19 per cent). The model only captures general police

services relating to crimes committed by children.

Costs to the legal system relating to adult re-offenders (who first offended as children, and attributable to child poverty) are modelled as the cost of incarcerating adults who were also incarcerated as children. The number of such adult prisoners was calculated using re-offending estimates from the literature,²⁶⁶ and the costs calculated using estimates of the average custodial stay in New South Wales (400 days)²⁶⁷ and per-day costs of incarceration (\$400 per prisoner day).²⁶⁸

COSTS TO VICTIMS

The economic costs borne by victims of crimes associated with child poverty (and committed by children) are estimated using data on the number of offenses by type and estimates of the costs to victims per offence.²⁶⁹ These costs include property loss and damage, costs of medical treatment, lost economic output, and the non-monetary costs of pain, suffering and lost quality of life.

The costs to victims vary by offence type. Instead of applying the earlier assumption that 20 per cent of all crimes committed by children are attributable to child poverty, the model calculates

a specific attribution rate for each offence type. This is derived using the modelled correlation between the number of offences and SEIFA scores of relative advantage/disadvantages,²⁷⁰ for each offence type, and calibrated such that the overall share of offenses attributable to child poverty is 20 per cent.

LABOUR MARKET OUTCOMES

The estimates of the labour market outcomes for children who commit crimes associated with child poverty reflect:

- Lost labour market participation by adult re-offenders who are incarcerated (and therefore unable to work); and
- The effects of reduced educational attainment for people who experienced youth detention as a child.

Both effects are modelled for the population of adults (at each age) who were in detention as children as a result of child poverty.

It is assumed that in any given year 50 per cent of people who were incarcerated as children will be incarcerated as adults, and that they are not

participating in the labour force. This is supported by the literature which finds that about 80 per cent of child offenders ultimately re-offend and 50 per cent of these are re-incarcerated, based on estimates that:

- 81 per cent of young people with a conviction in 2010 had a subsequent re-conviction within ten years.²⁷¹
- Nearly eight in ten youths released from detention will be subject to community or custodial supervision by corrective services agencies within seven years (as adults), with almost half being imprisoned.²⁷²
- 50 per cent of adults who were convicted in 2010 were re-convicted within ten years.²⁷³

The remaining 50 per cent of people who were incarcerated as children (but are not currently incarcerated) are assumed to have reduced rates of workforce participation and earnings due to lower educational attainment.

- Long-term rates of employment are assumed to be around 5 per cent lower for these people than for the general population. The literature suggests a larger effect in the short term (that is, during the years immediately following incarceration).²⁷⁴

- The impact of incarceration on adult earnings is modelled using estimates from a large-scale prisoner survey that found only around 15 per cent of prisoners had completed Year 12 or equivalent schooling, compared with just over 60 per cent in the adult population.²⁷⁵ This is combined with data on earnings by level of educational qualification, as per the modelling for the education domain.

Homelessness

PREVALENCE

The modelling uses estimates of the number of children who experience homelessness at any point during a year.

In 2022-23, 18,427 children and young people who used specialist homelessness services were recorded as being homeless in at least one month of the year (of which 5,044 experienced persistent homelessness).²⁷⁶ However, only about 64 per cent of homeless children used specialist homelessness services, based on point-in-time data.²⁷⁷ Applying this percentage gives an estimate of about 30,000 children experiencing homelessness in New South Wales during 2022-23. All of these children are assumed to be living in poverty.

USE OF HOMELESSNESS SERVICES

The cost providing homelessness services to children in poverty is estimated using data on the total cost of homelessness services by service type and client group for New South Wales.²⁷⁸

Children represent around one-third of clients of homelessness services (of which just under 40 per cent are unaccompanied and the remainder are members of client 'groups' such as families). This proportion is used to allocate total costs, after excluding costs associated with homelessness services that are unlikely to be relevant to children, such as gambling addiction services.

A similar method is used to model the cost of providing homelessness services to adults who are homeless due to experiencing childhood homelessness. An estimated 37 per cent of adults who are homeless (at a point in time) experienced their first episode of primary homelessness prior to the age of 18.²⁷⁹ It is therefore assumed that 37 per cent of the cost providing homelessness services to homeless adults is attributable to child poverty.

USE OF HEALTH SERVICES BY PEOPLE EXPERIENCING HOMELESSNESS

The health service-related costs of child homelessness relate to the provision of health services to children who are homeless, and the provision of health services to adults who were homeless as children (and may or may not be homeless as adults). The use of health services by these groups is compared to the general population to estimate the portion of costs attributable to child poverty.

On average, children who are homeless have poorer health than children in the general population (and children who live in poverty but are not homeless). Homeless children also have far higher rates of health service utilisation, especially emergency and mental health services.

The additional cost of providing health services for this population is modelled using estimates of the use of health services by homeless teens and young adults compared with teens and young adults in the general population.²⁸⁰ Data on health service use by homeless children aged under 13 is limited, so it is assumed that rates of service use by these children are the same as those for all children in the frequent-poverty cohort (as per the modelling for the health domain).

Costs associated with greater use of health services by adults who experienced child homelessness are modelled using a number of steps:

- The number of adults who experienced child homelessness is estimated based on evidence that 80 per cent of children who experience homelessness also experience homelessness into adulthood, and that 37 per cent of homeless adults experienced their first episode of homelessness as children.²⁸¹
- For homeless adults, rates of health service use are estimated as a multiple of health service use for the general adult population, using the ratio of service use by homeless teens and young adults (as per above) compared with the total population of teens and young adults. The model also accounts for the significantly lower life expectancy of people who experience homelessness (see below).
- For adults who are not homeless, but experienced homelessness as children, rates of health service use are assumed to be the same as for the broader cohort of adults who were frequently poor as children (per the modelling for the health domain).

LABOUR MARKET OUTCOMES

The model estimates the impact on adult labour market outcomes of experiencing child homelessness. This uses a similar method to the health domain.

- Rates of adult labour market participation for this group are estimated based on survey evidence from the literature, which show that 10 per cent of adults who first experienced homelessness before age 15 are employed (comprising 20 per cent of the relevant population) and 24 per cent of adults who first experienced homelessness between ages 15 and 18 are employed (comprising the remaining 80 per cent of the relevant population).²⁸² These rates are far below participation rates for the general population.
- Earnings are estimated based on levels of educational attainment (using the same method as for the education domain), with an estimated 93 per cent of adults who first experienced homelessness before age 15 not completing high school, and 71 per cent of adults who first experienced homelessness between ages 15 and 18 not completing high school.²⁸³

PAIN, SUFFERING AND REDUCED LIFE EXPECTANCY

Due to data limitations, it is only possible to estimate the costs of reduced life expectancy for homeless children who experience homelessness into adulthood. As noted above, an estimated 80 per cent of children who experience homelessness also experience homelessness into adulthood. It is not possible to estimate costs associated with pain and suffering (for people living in poor health) or costs for adults who experienced child homelessness who are not homeless as adults.

The model assumes that homeless children who experience homelessness into adulthood have 33 fewer years of life expectancy compared to housed adults, based on estimates from the literature that people who are homeless die about 22 to 33 years younger than those who are housed.²⁸⁴ On this basis alone, the health loss associated with homelessness (from childhood into adulthood) is an estimated 50,000 healthy lives lost each year. The economic costs associated with this are calculated using the same method as for the health domain.

COSTS OF CRIME ASSOCIATED WITH CHILD HOMELESSNESS

The costs of crime attributable to homeless children is modelled using a similar approach to the crime domain. About 9 per cent of the overall estimates for the crime domain relate to homeless children, based on estimates from the literature of the incidence and costs of various types of interaction with the legal system by homeless children.²⁸⁵

Appendix 2: Child poverty estimates by SA4 region

Region (SA4)	Per cent of children in poverty	Number of children in poverty (2023)	Total economic costs (\$m)	Economic cost per capita (\$)
Sydney - South West	28.4	34 471	7 322	14 936
Sydney - Inner South West	23.8	31 464	6 684	10 708
Sydney - Parramatta	23.0	25 947	5 512	10 787
Mid North Coast	22.0	9 955	2 115	8 834
New England and North West	21.8	9 585	2 036	10 513
Far West and Orana	21.5	5 975	1 269	10 431
Coffs Harbour - Grafton	20.2	6 230	1 323	8 628
Riverina	18.3	7 225	1 535	8 980
Central West	17.4	8 914	1 893	8 539
Murray	16.9	4 650	988	7 779
Sydney - Outer South West	16.8	13 429	2 853	9 299
Richmond - Tweed	16.2	8 646	1 837	6 850
Sydney - Blacktown	16.1	17 564	3 731	8 991
Southern Highlands and Shoalhaven	15.8	5 205	1 106	6 598

Region (SA4)	Per cent of children in poverty	Number of children in poverty (2023)	Total economic costs (\$m)	Economic cost per capita (\$)
Hunter Valley excluding Newcastle	15.6	10 879	2 311	7 669
Central Coast	13.9	10 690	2 271	6 347
Capital Region	13.8	7 182	1 526	6 000
Illawarra	13.5	9 343	1 985	6 144
Sydney - Outer West and Blue Mountains	13.0	10 615	2 255	6 570
Newcastle and Lake Macquarie	12.3	10 171	2 161	5 398
Sydney - City and Inner South	10.2	3 967	843	2 419
Sydney - Ryde	8.8	3 625	770	3 696
Sydney - Inner West	8.5	4 695	997	3 178
Sydney - Baulkham Hills and Hawkesbury	6.2	4 162	884	3 237
Sydney - North Sydney and Hornsby	6.1	5 672	1 205	2 763
Sydney - Eastern Suburbs	5.7	2 736	581	2 181
Sydney - Sutherland	5.5	2 847	605	2 567
Sydney - Northern Beaches	4.2	2 518	535	1 981
Total	15.5	278 363	59 131	7 088

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**IMPACT
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