



Lasting Impacts: The Economic Cost of Child Poverty in NSW

November 2024

Poverty during childhood has lifelong impacts. It undermines a child's future educational attainment, economic productivity, physical and mental health, and safety. Each of these impacts are associated with significant costs in terms of government expenditure and revenue, and economic growth. These costs increase exponentially if poverty is not addressed early in a child's life.

This landmark report, prepared for NCOSS by Impact Economics and Policy, is the first time the economic costs of child poverty have been systematically quantified in Australia.

The government has an immense opportunity to provide a better start for our children and avoid the long-term consequences of child poverty, and the resulting expenditure in healthcare, criminal justice, and social services.

In NSW today:



15.5%

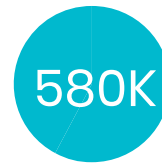
children living in poverty, over half of whom live in poverty frequently



40%

of children living in poverty live across 5 regions in NSW:

- South-Western Sydney
- Inner South-Western Sydney
- Mid North Coast
- New England
- North West



580,000

adults grew up frequently poor





Poverty is not having enough resources to meet your basic needs or participate in society

What it looks like:



struggling to pay the rent or mortgage



homelessness



unable to afford basic healthcare and medication



skipping meals



limited or no access to quality childcare and education



missing payments for utility bills



relying on pay day loans



deprived of the opportunities and relationships needed to thrive.

Poverty in childhood makes the rest of your life harder

Prolonged spells of poverty as a child can affect people for the rest of their lives, including ongoing poor health and struggling to retain paid employment. Children who grow up in poor families 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.

The economic cost of child poverty in New South Wales is extraordinary



\$60 billion

Total annual economic cost of child poverty is approximately \$60B or 7.8% of Gross State Product

THIS INCLUDES:



\$25 billion

of direct costs to governments and the economy



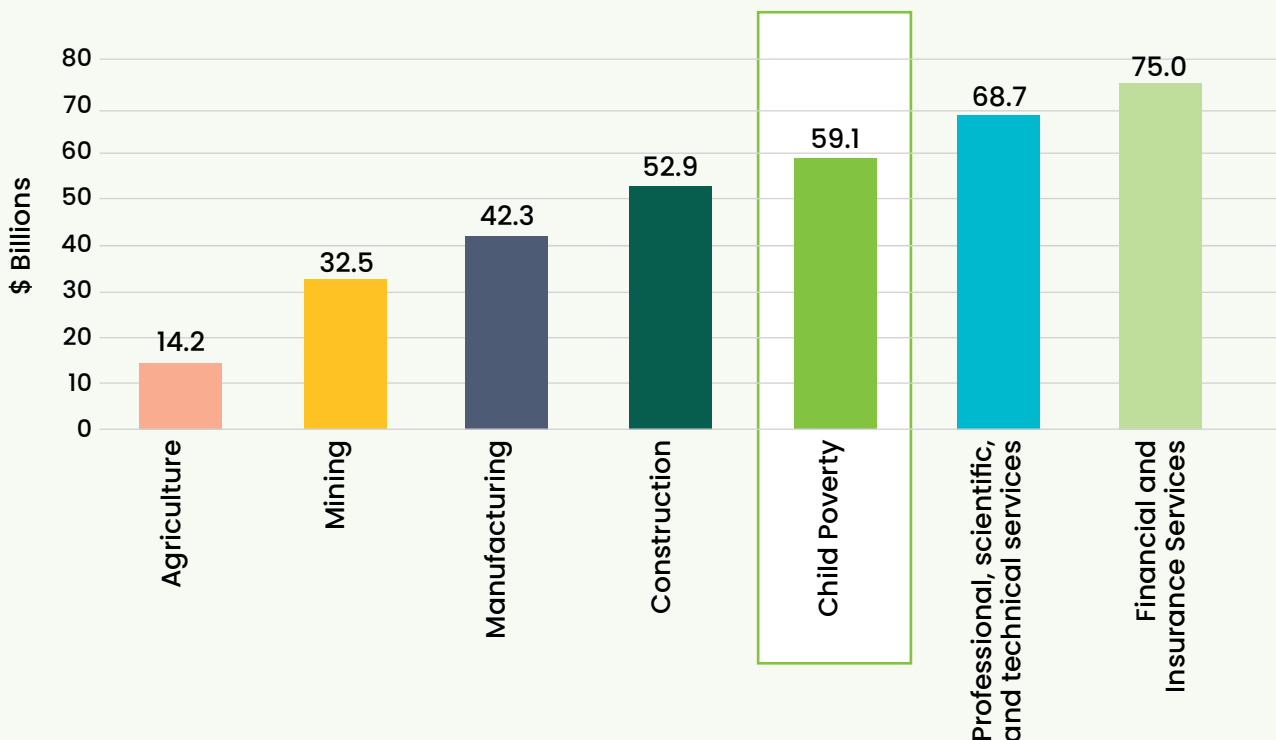
\$34 billion

of costs related to diminished health and life expectancy due to child poverty.

Note: This is a conservative estimate and great care has been taken to ensure no duplication of costs..

The cost of child poverty exceeds the output from most other sectors in NSW

Industry Gross Value Added of Selected Sectors in NSW



Source: ABS, Australian National Accounts: State Accounts, 2022-23

The economic costs of child poverty in NSW are concentrated geographically in areas of socioeconomic disadvantage

This research quantifies the cost of child poverty over an entire lifetime, calculating the direct costs to governments and the cost to the Australian economy. These costs include:

- 1** higher use of services such as health care, child protection and homelessness services;
- 2** lost economic production and earnings as a result of lower labour market participation and wages; and
- 3** the non-monetary value of pain, suffering and loss of life

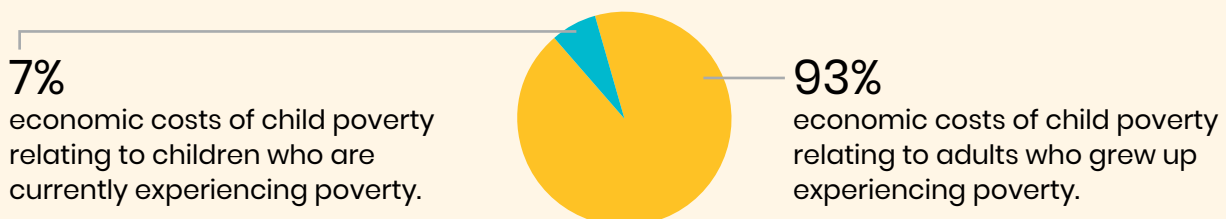
Child poverty rates and economic costs for the five SA4 regions with the highest poverty rates

Region	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	15.5	59,131	7,088

We can eliminate child poverty

Lifting children and families out of poverty offers significant life-long benefits for everyone's health. It helps individual and community wellbeing plus workforce participation. It also offers large dividends to governments with improved economic productivity, higher tax revenues, and lower demand on income support payments and government services.






A greater focus on alleviating poverty and its impacts represents a sound investment that will return significant dividends.



By prioritising investments in preventing poverty and providing early supports to children, young people and families who are experiencing poverty, we can significantly improve the lives of children while also delivering significant economic returns over the long term.

The costs are felt across all life domains

The annual costs of child poverty in NSW have been modelled across five domains. These costs relate to children currently experiencing poverty, as well as the longer-term costs for adults who experienced poverty when growing up.

THE COST PER YEAR ¹	THE EVIDENCE	THE ECONOMIC IMPACT
 <p>Education \$19 billion</p>	<ul style="list-style-type: none"> Poverty reduces a child's ability to learn and thrive. By age 7, children living in poverty have lost on average the equivalent of over a year of schooling. This gap grows and leads to lower Year 12 completion rates. 	<p>Up to 60,000 adults are not in the labour force as a result of this reduced educational attainment, and those who do work, typically work and earn less.</p>
 <p>Health \$5.4 billion</p>	<ul style="list-style-type: none"> A child experiencing poverty is more likely to have poorer physical and mental health. Children who experienced persistent poverty in the first years of their life are less likely to have a healthy diet and regular physical activity. 	<ul style="list-style-type: none"> Up to 10,000 adults are not in the labour force because they suffer health impacts caused by growing up in poverty. Poor mental health in childhood has been associated with a range of mental health conditions in adulthood.
 <p>Child maltreatment \$3 billion</p>	<ul style="list-style-type: none"> Children growing up in poverty are 2 to 3 times more likely to experience maltreatment. Economic disadvantage can explain over a quarter of all child maltreatment in Australia. 	<ul style="list-style-type: none"> Approximately 20% of the cost of child protection services is attributable to child poverty. Children who experience maltreatment face significantly higher risks of poor health, lower educational attainment, being involved in crime and homelessness, and being perpetrators of family violence themselves.
 <p>Crime \$855 million</p>	<ul style="list-style-type: none"> About 20% of criminal offences committed by children are attributable to poverty. Children experiencing poverty involved in the legal system are also much more likely to experience child maltreatment, homelessness, alcohol and drug problems, and lower education attainment. 	<p>People who offend as children have a high probability of re-offending as adults, and ending up in incarceration.</p>
 <p>Homelessness \$1.1 billion</p>	<ul style="list-style-type: none"> Almost 30,000 children in NSW experience homelessness each year. Experiencing homelessness is associated with poorer health, lower education attainment, and a greater risk of being involved in the child protection and legal systems. 	<p>About 80% of children that are homeless experience homelessness as adults.</p>

¹ As there is overlap between outcomes across the domains, the estimated total costs of child poverty have been adjusted to ensure the same costs are not being double counted.

Poverty is preventable with the right policies and supports



Commitment to eliminate child poverty

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



Adequate income support

Most children living in poverty have parents who receive income support, which is currently below the poverty line. Income support payments, particularly parenting payments, need to be substantially increased and indexed to community living standards so that recipients do not live in poverty.



Adequate and affordable housing

Ensure that a minimum of 10% 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.



Empower First Nations communities

Show genuine commitment to Closing the Gap by engaging 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.



Universal access to childcare

Guarantee 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.



Support children and families early and invest in high quality services:

- 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.
- 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.