

## NZ Budget 2017

Betsan Martin, Public Issues, Methodist Church. June 2017

The Government budget is an election manifesto. There is qualified support from many quarters for small improvements in income support and social investment. The proposals are to be implemented in April 2018 – thus making this an election platform, rather than policy.

### At a Glance:

At the NZCCSS Budget Breakfast Hon Steven Joyce was pleased to show that New Zealand has one of the best records for the Labour Market and employment rate.

The increases announced in the Budget for the Accommodation Supplement and Working for Families are acknowledged as positive by Social Services and education groups. These, along with funds for Mental Health and operations grants to schools are the main provisions. Child Poverty Action says that small increases are appreciated but they are nowhere near the 'tide-change' needed to solve poverty.

An observation by Bill Rosenberg, Council of Trade Unions is that the additional funds in Accommodation Supplement and Working for Families will simply be absorbed by the anticipated rising costs of living. Furthermore, none of the provisions have built in adjustments to the rising costs of living which is built into National Super.

**Overall:** provisions for low income and vulnerable people are highly targeted. This means strict criteria for eligibility which overlooks the opportunity for support prior to a threshold of need being reached. Targeting is becoming a 'taken-for-granted' approach losing sight of the advantages of universal provisions which is lower cost to administer and has a stronger public good philosophy.

Some of the provisions will be positive for reducing inequality: the pay increase for 55,000 low paid care workers, families with young children eligible for Family Start. The tax cuts mean that low income people receive pay increases and that high income people will benefit from the changes in the under \$70,000 bracket.

At the NZCCSS Budget Breakfast **Hon. Steven Joyce** announced an intention to take 50,000 children out of poverty – out of a total of 210,000 (after housing costs). While it is hard to argue against this, we note that this is an example of targeting that does not have an elimination of poverty framing.

Stories from **community groups** providing services consistently tell of increasing needs for food and housing – and especially that people in low paid work are having to ask for food parcels and assistance to meet housing costs. While new Zealand as a country is pleased to have a budget surplus and lowered debt, households are struggling with debt – due no doubt to the cost of housing.

The cut in funding for **refugee and new migrant** services is described by Berl economist Ganesh Nana as an 'abdication of responsibility'. Migration contributes \$3billion per year to the economy, with a net increase in migration of 71,400 in 2016, and 1000 refugees per year. This positive contribution needs services to assist with integration through language and networking support, and cuts to these services will have a profile of increasing inequality. It is assumed that new migrants, who are mostly students and those with

working visas, will benefit from the tax changes, while overlooking the services that enable effective integration. Refugee and migrant services will be forced into contestable funds from local government and charities, with no certainty for essential services.

There is reserve about the effectiveness of these policies to achieve **wellbeing**. The overall philosophy of economic growth is on the basis of business as usual without a strategic plan for equitable transitions to a low carbon economy. This is not to imply a 'no-growth' argument, but to signal the need for a long term trajectory of a more diversified agricultural economy, to appreciate that tourism requires policies for ecological integrity, and to ensure an inclusive economy in which all people have incomes that are adequate for participation, good housing, health and optimal opportunities for education.

***Examples of increases are as follows:***

**a. Tax changes** – the 17.5% rate will be expanded from a threshold of \$48,000 to \$52,000. The 33% rate is expanded to \$70,000. Above that there is no graduated tax. This brings advantages to earners under \$52,000, and to earners under \$70,000, with an advantage of \$20 per week to those above \$70,000.

**b. Working for Families:** Provision of \$320 million is for family tax credit increases to the same rate for all children as for 16-18 year olds. \$101 per week is paid for eldest child (an small increase) and for subsequent children \$91.25 per week.

The abatement rate goes up from 22.5% to 25%, and the abatement threshold slightly up from \$35,000 to \$36,000. Because of the tax changes this means such families could pay higher tax. Child Poverty Action wants the abatement rate to be 20% and the threshold raised.

Overall, the increases only go part way to address the losses to Working For Families since 2010. To restore Working for Families to 2010 levels requires \$700 million.

**d. Housing and Accommodation Supplement** – an average increase in the Accommodation Supplement of \$36 per week for 2 people, and \$60 per week for larger households. The Supplement was last increased in 2007. Since then there have been a 24% increase in rents, and 47% increase in home ownership.

Commentators have noted that in previous years the government did not increase Accommodation Supplement on the basis that Landlords would raise rents and the benefit would go to them. This year they have dismissed this argument saying such an effect is unlikely.

Housing – an [increase in social housing](#) from 66,000 units to 72,000 units by 2020. This is part of a \$2.2billion fund to build 34,000 new homes on existing Housing NZ properties in Auckland by 2027.

**Maori Development** – a total of \$24 million is for Māori tourism, housing, Whānau Ora and social initiatives.

***No new Provision***

- a. Housing** – no new money for housing. According to CTU analysis, the housing announcements are misleading because \$20 million for social housing is a contingency fund, and the \$100m for Crown Land is not new money. The average price of homes in Auckland is \$650,000, is 7 times the median income for Auckland working people.

- b. Immigration** – cut in the budget for refugee and new migrant advisory services for immigration from \$6.5m. to \$5m.  
[http://www.radionz.co.nz/audio/player?audio\\_id=201845558](http://www.radionz.co.nz/audio/player?audio_id=201845558)
- c. Pacific Peoples** – no initiatives provided – despite, for example the number of young people ‘Not in Education, Training or Employment’. Currently of 90,000 young people in this category, 15,300 (17%) are Pacific. At the same time, [employment of Pacific people grew](#) last year, with 35% Pacific People in skilled occupations, and 20% in low skilled work.
- d. Climate Change** – no mention

### Summary by Categories

**Social Investment** – is directed towards highly targeted policies for the most vulnerable. Implementation is through the new Social Investment Agency with \$8.8m for establishment and operating costs of \$6.5m per year.

There are 14 social investment initiatives and 5 new Better Public Services<sup>1</sup>. Again targeting emphasizes measurable outcomes.

Targeting is based on meeting strict criteria. It means when a child has crossed a threshold of need they become eligible for assistance. A preventative approach would bring in assistance when the warning signs of vulnerability are identified, before the threshold is crossed.

Social Investment for children means expansion of Family Start (also targeted with eligibility criteria) and funds for children with autism.

Social investment includes reducing youth offending, burglary, housing pathways and industry training.

**Health.** Health allocations are estimated to be less than a third of what is needed, which the CTU estimates to be \$1.1billion

Mental Health receives \$225 m over 4 years. This is to be spent on a new ‘cross-government’ project; on an Ministry for Social Development integrated employment and mental health service, on prisoners at risk, on suicide prevention and on continuing existing services through District Health Boards.

**Pay Equity.** The pay equity achievement through the historic Terranova case will be implemented through budget provisions of about \$285 million, including for mediation services.

**Early Childhood:** the small allocation is to meet the demand for an extra 31,000 children attending Early Childhood Education.

### Acknowledgements:

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<sup>1</sup> The new targets include:

- 90 per cent of pregnant women registered with a Lead Maternity Carer in their first trimester
- Reducing the number of hospitalisations for children 12 and under with preventable conditions
- Improving the literacy and numeracy of children –higher achievement of students in year 8
- Reducing the number of serious crime victims by 10,000
- Achieving a 20 per cent reduction in the time to house priority social housing clients

CTU analysis of the budget

NZCCSS *Policy Watch* Special

'Gordon Campbell on yesterday's budget'

Auckland Catholic Diocese Commission for Justice and Peace 'Budget goes part-way towards relieving poverty'.

Child Policy Action Group – Post Budget Breakfast Series