



Budget 2018: A first step - but not a transformation for children

CPAG 2018 Budget Analysis - 17 May 2018

Hon Grant Robertson, 17 May 2017 *"In a country as wealthy as ours, there is no reason why any child living here should suffer in poverty. It is time we started putting children first. If we improve the wellbeing of our children, we will be a rich society indeed."*

This Budget contains many good measures, but none of them will transform the lives of the large number of children in very severe poverty today. While there is promise of more to come in the future following expert advisory groups' feeding back, these children cannot wait. While the government has made a commitment to children being the first priority, the money needs to be delivered - the money is available.

While the budget delivers much to applaud: better access for low income families to primary healthcare; housing; social services, and critical infrastructure. However, it does not reflect the enormity of the income and wealth gaps.

The family poverty inherited from the last decade of entrenched poor policies, sheer neglect or deliberate attacks on living standards won't be fixed overnight. We get that. We know the PM has solving CP at her core and her values and integrity are the best thing that has happened to children for a very, very long time.

Economic Outlook

Predictions of a \$3.8 billion surplus show that resources exist to provide children living in the worst of poverty the real, substantial lift they need over the next six months, but it is not being used in the urgent way that is needed.

Fiscal outlook

- Increased spend on infrastructure is welcome but the continued fixation on paying down government debt (which will move soon to be the lowest of any OECD country) is a surprise, and means less money is available for badly needed social provision.
- If current Government debt levels were retained, considerable funds would be freed up to help deliver world class health and education systems, address the housing crisis and reduce child poverty substantially.

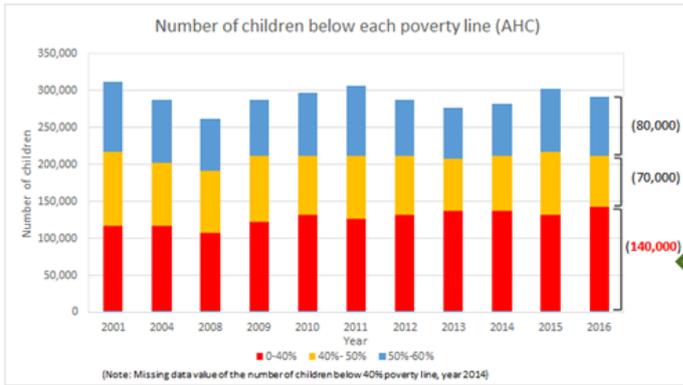
Data

The current information for the Household Incomes Survey is generally conducted on 3000-3500 private households, including only around 1000 with children. Expanding the sample size of the Survey to about 20,000 households will provide a more accurate picture of child wellbeing and low income. A bigger sample size is critical for providing an accurate representation of the population, including regional data. The sample size for Maori and Pacific households as well as sole parent beneficiaries was too small to allow for accurate reporting.

Income Support

Too many low income families just don't have enough money for basics like food after-housing-costs are met. The families' package announced in December 2017 does not come into event until July 2018, and this budget does not appear to have a plan to deal with the serious systemic income deficits built into our system of family assistance.

Distress of worsening low incomes [\(St John & So, CPAG 2018\)](#)



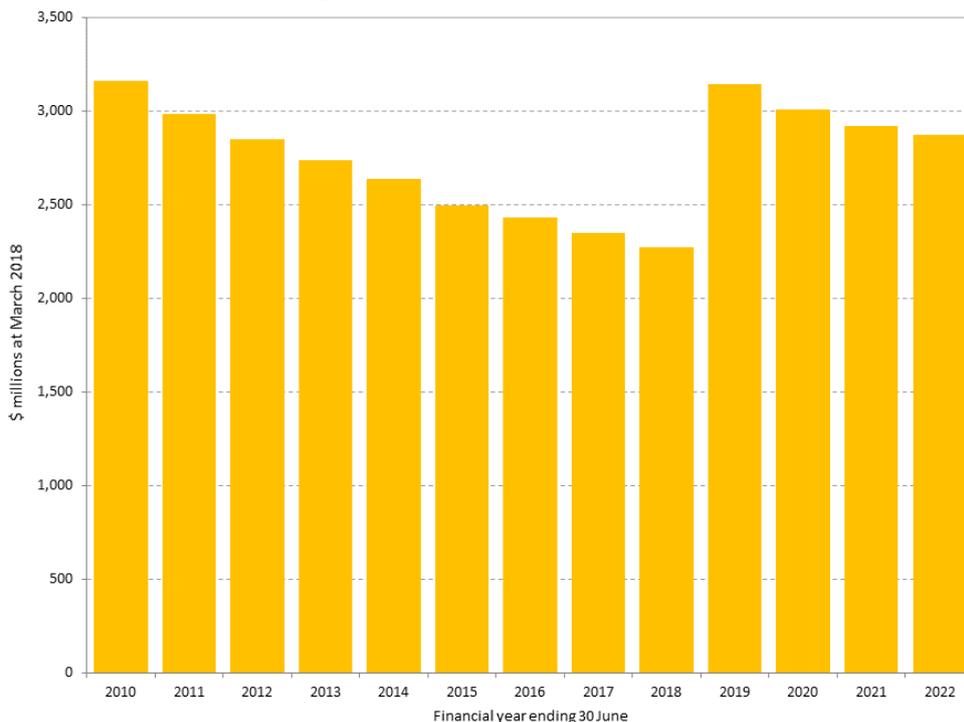
Families on benefits have meagre income, 20-30% of median, needing \$250-330/wk just to reach 50% line

The Government's failure to remove sanctions on single parents despite previously agreeing to do so, is disappointing, given this was only estimated to cost \$25 million.

The graph below shows the impact of recent changes to the Working for Families Package. However, despite the recent increase of \$800 million, these only take us back to 2010 levels of total spend in inflation adjusted terms. Budgets beyond 2019 show further declines in this area of spending due to failure to index the budget against inflation.

It is difficult to see how child poverty levels will be reduced below 2010 levels if family support budgets remain at 2010 levels.

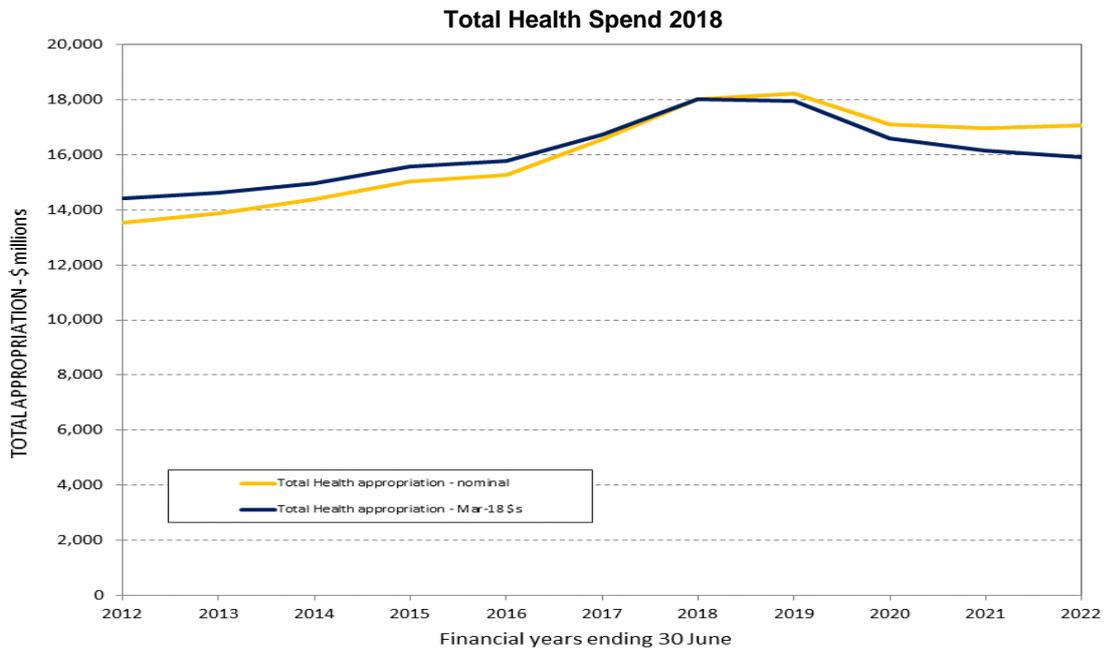
Real spending on Working for Families – in March 2018 \$



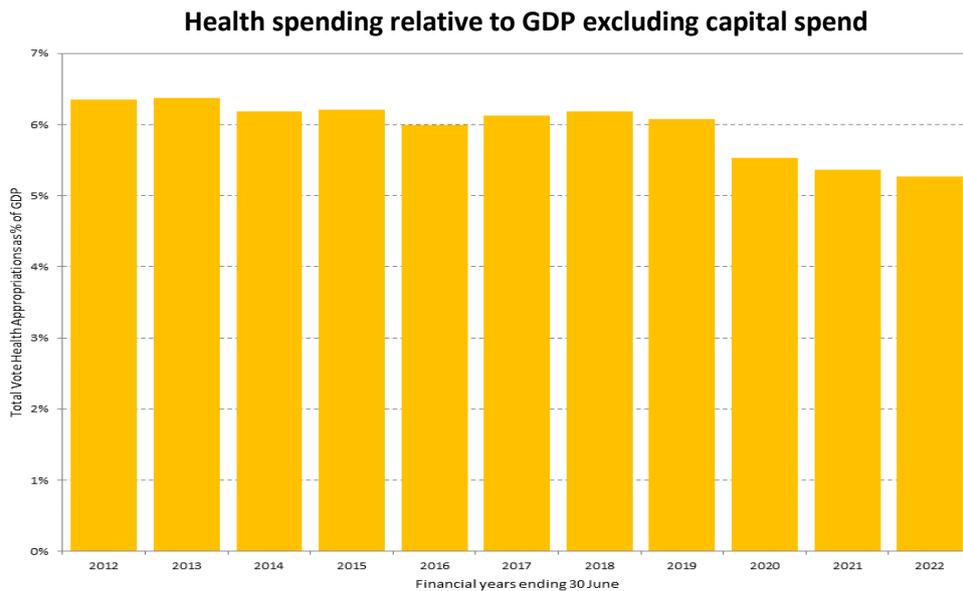
Health

Although 14 to 17 year olds are yet to get free GP visits and prescriptions, there are some positive steps in Health spending. These include:

- Extending free doctors' visits and prescriptions to under-14-year-olds – 56,000 newly eligible children.
- Extending eligibility for the Community Services Card to all those receiving the accommodation supplement or income-related rent subsidy.
- Extending access to very low-cost GP visits to all Community Services Card holders – an estimated 540,000 people, making doctors' visits cheaper for them.
- Expanding the nurses in schools health services to cover decile 4 secondary schools.



Vote Health appropriation in 2019 reaches \$18 billion. In inflation-adjusted terms, this is forecast to fall to \$16 billion by 2022.



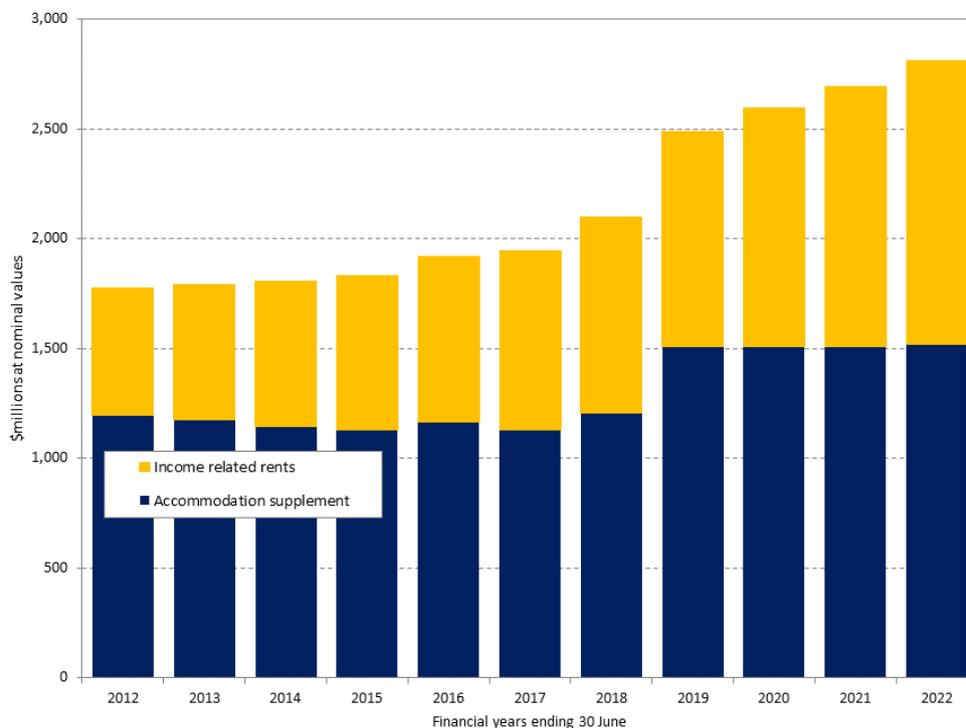
As a proportion of GDP, spending on public health services (excluding capital spend) declines from 6% 2018 to 5.3% in 2022.

Spending on health per person progressively falls from this July to 2022: fewer actual dollars per person each year mean an even greater real cut per person per year.

Housing

The Government is promising to build 6,400 public rental houses over the next 4 years at a cost of just over \$4 billion. This will be financed in part through additional borrowing by Housing NZ.

Housing Subsidies 2012 - 2022



The 2018 Budget provides for a \$400 million increase in the main housing subsidy budgets – the Accommodation Supplement and Income-Related Rent Subsidies. This increase was already signalled in the 2017 Budget.

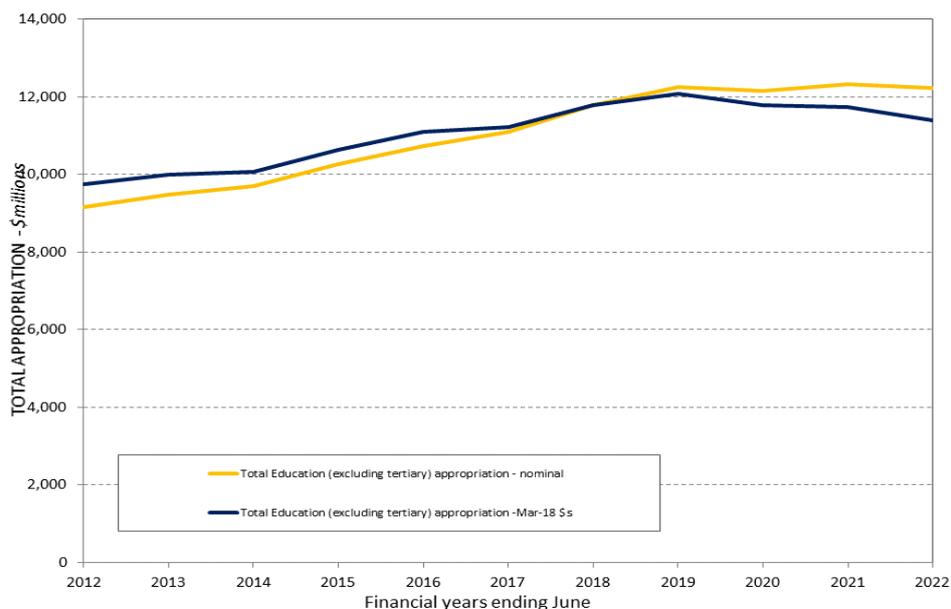
The main increase is one of \$300 million in the Accommodation Supplement payments due to increases in maximum payments introduced 1 April 2018.

Beyond 2019, the Income-Related Rent Subsidies increase by \$300 million to reach \$1.3 billion in 2022.

Education

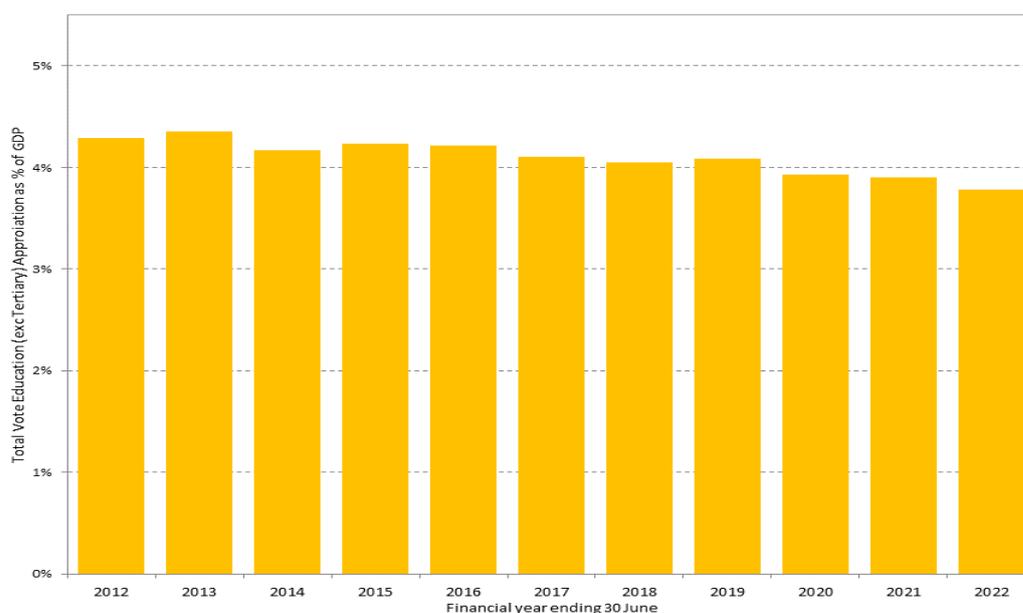
- Spending on education is expected to rise by \$1.898 billion between 2017 and 2022 to a total of \$15.179 billion, a 14% increase. Of this, \$370 million will be used to fund 1,500 new teacher places by 2021 to meet increasing population demand.
- Access to additional learning support is improved, as well as the amount of support each child gets, with an additional \$284 million investment over four years.
- New capital investment of \$394.9 million will fund new schools and over two hundred new classrooms between 2018/19 and 2020/21.
- In addition, the Budget 2018 allocates \$62 million for the Christchurch Schools Rebuild programme.
- The ongoing resourcing scheme (ORS) provides vital support (such as speech language therapists, psychologists, occupational therapy and physiotherapy, additional teacher time and teacher-aide support) for school students with the highest and most complex learning needs. ORS receives an extra \$133.5 million for about 1,000 additional students from next year.
- Sensory schools and New Zealand Sign Language receive an extra \$30.2 million to support about 2,900 deaf and hard-of-hearing students and approximately 1,500 low-vision students.
- Teacher-aide funding receives an extra \$59.3 million.
- Early Intervention Services receives a \$21.5 million operating boost, plus \$272,000 capital, to recruit additional early intervention staff. As a result, about an additional 1,900 early childhood education children with high needs will receive support each year.

Total Education Spend 2012 to 2022



Total spending on public education (excluding tertiary) is forecast to rise from \$11.8 billion in 2018 to \$12.3 billion in 2019 and remain at this level through to 2022.

Education spending as share of GDP 2012 – 2022 (projections 2017 – 2021)



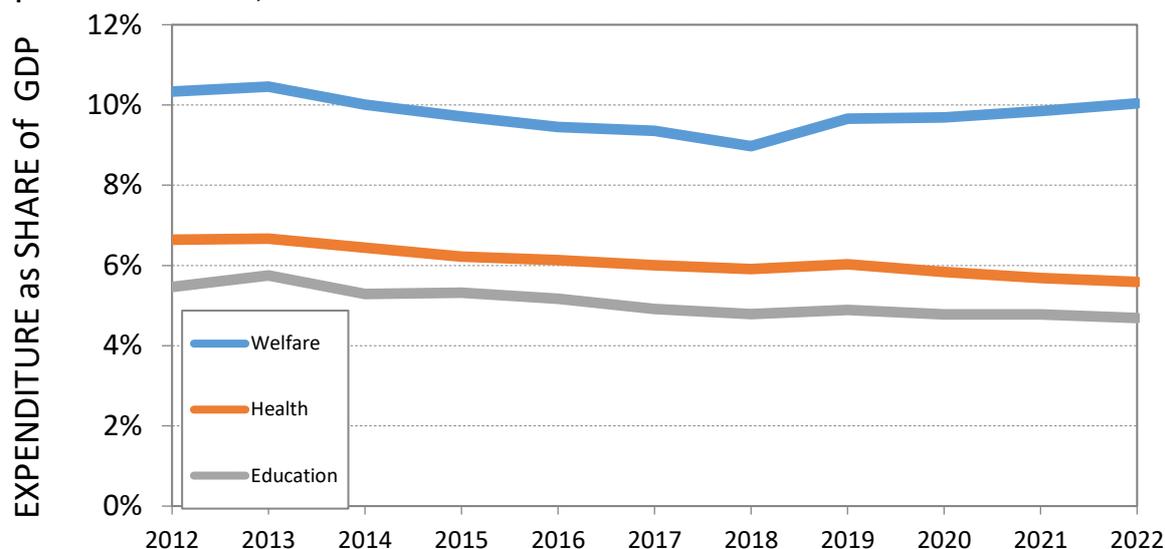
As a share of GDP, spending on public education is forecast to fall from 4% in 2018 to 3.8% by 2022. In 2013, this share was 4.4%.

Social Services

- Transforming the Ministry for Vulnerable Children/Oranga Tamariki with the establishment of the expert Child Poverty and Child Wellbeing Units.
- Funding for Oranga Tamariki will increase by a total of \$141.6 million over 4 years.
- There is no increase in funding for the community social service agencies: their funding has been frozen for 10 years.

Social security and welfare spending is predicted to rise by \$7.198 billion between 2017 and 2022. Spending on National Superannuation will account for \$4.31 billion of this increase or nearly 60%.

Expenditure on Welfare, Health and Education as a share of GDP



Other catch-ups

- Providing \$105 million over four years for a clothing allowance for children supported by an Orphans or Unsupported Child's benefit, which was previously limited only to children in care.

Reference: Will children get the help they need? An analysis of effectiveness of policies for children in the worst poverty in 2018. A background paper prepared for Child Poverty Action Group (CPAG) by Associate Professor Susan St John and CPAG researcher Yun So. May 2018.
<http://www.cpag.org.nz/assets/Backgrounders/180509%20CPAG%20Analysis%20Child%20poverty%20policies%20FINAL2.pdf>.

Media Release

2018 Budget: A first step, but not a transformation for children

CPAG says that the Government 2018 Budget makes a start at addressing children's needs - but there's still a long way to go to ensure that they have all the income they need to thrive.

Budget predictions of a \$3.8 billion surplus show that resources exist to provide children living in the worst of poverty the real, substantial lift they need over the next six months.

Associate Professor Mike O'Brien, social services spokesperson, says "There is a very high cost of not spending on low-income families. The Government has followed through with its Families Package promise but the income boost is really only a catch-up for nine years of cutback to Working for Families budgets. Many very low-income families have incurred high levels of debt over that time, and these increases will not be enough to alleviate their day-to-day poverty. Unless indexed properly, Working for Families budgets will fall back again, as is indicated in 2018 Budget figures."

Associate Professor Susan St John, CPAG economics spokesperson, says that a family on the benefit with two children needs far more than the \$47 they will get from the 1 July changes to make ends meet. St John says "To get to get up to the 50% poverty line measure (after housing costs, based on equivalised national median

income) this family needs more like [\\$100 and that's only if they currently sit at the 40% level](#). Many families on welfare benefits living with expensive rents are actually below even the 30% line.”

CPAG is also concerned that the Government has not yet lifted the benefit sanctions that harm children - in particular the sanction that applies when the father of a child is not named.

St John says “The Government has claimed it will end this sanction, and that the cost of doing so will be around \$25 million. With an expected surplus of nearly \$4 billion this makes cancelling the sanction an easily affordable action. Around 17,000 children would be \$28 better off every week, and this would go some of the way to meeting their needs. Other actions include a real lift to benefits and giving the full WFF package to the families who currently miss out on \$72.50 a week.”

Extending free primary healthcare and prescriptions for children up to their 14th birthday is a great step and CPAG hopes that these incremental steps to a fully-funded healthcare system for all children will continue to evolve.

Professor Innes Asher, CPAG health spokesperson says “Unmet need for children aged between 13 and 14, due to the barrier of cost was 8.8 per cent in 2016-17 compared to 2.7 per cent for 6-12 year olds, so this is a terrific advance for low-income families.”

Additional funding for the early childhood care and education sector is also welcomed as these services have been squeezed for far too long, due to operational funding freezes.

Associate Professor Jenny Ritchie, ECCE spokesperson, says “It is pleasing to see the increase in operating funding for early childhood education services, along with the recognition that this vitally important, foundational sector has been grossly underfunded by the previous government’s failure to adjust for costs since 2008.”

The operating boost to Early Intervention Services will see support reaching more preschool children with additional needs.

\$59 million for teacher aides is an important advance and many struggling schools will benefit.

Alan Johnson, CPAG’s housing spokesperson, says “We have 7,890 households on the waiting list for social housing, and the need will only increase with an aging and growing population. We need at least 2,000 houses being built each year to cope with the demand, and possibly more. The Government’s decision to aim for 6,400 state and social houses over the next 4 years will not address this demand or current levels of homelessness.”

Dr Rhys Jones, a Senior Lecturer in Māori Health says “It is critical that as a nation we are working towards building equitable outcomes, paying particular attention to the way that Māori children are disproportionately in hardship.”

Dr Jones will be speaking at [CPAG’s Post Budget Brunch in Auckland](#) tomorrow.

CPAG says there are many commendable measures within this budget for children in poverty but life-changing transformation is what our worst-off children really need. Experts claim that there is more to come – we are yet hopeful to see the real transformative change that children need to really thrive.

Our summary of the 2018 Budget and its implication for children and families is available [here](#).