



2016 Budget Analysis - 27 May 2016

Summary: “Not the New Zealand we want”

The PM said recently: “This is not the New Zealand we want and it is not acceptable.” John Key was referring to the high and increasing numbers of homeless families with children. It is a surprise then to see this do-little budget from this Government who promised to prioritise alleviating child poverty.

The annual Budget is an opportunity to focus policies on the wellbeing of children and their families and the general health of communities. Little has been done to reduce child poverty over the last several budgets. Much more needs to be done to reduce child poverty in New Zealand.

Economic Outlook

- Instead of delivering on their promises of prioritising child poverty, it appears the Government is keeping a lock on spending in order to set the money aside for tax bribes in election year 2017. Realities of child poverty and homelessness are ignored

Fiscal outlook

- It appears Treasury’s growth forecasts are overly optimistic
- The fixation on debt management/reduction and surpluses has continued.
- The planned new nominal expenditure is not keeping up with inflation.
- There are diminishing levels of real spending on health, and education
- Working for Families eroding over time due to threshold reduction, inadequate indexation (every five years), and tightened eligibility criteria

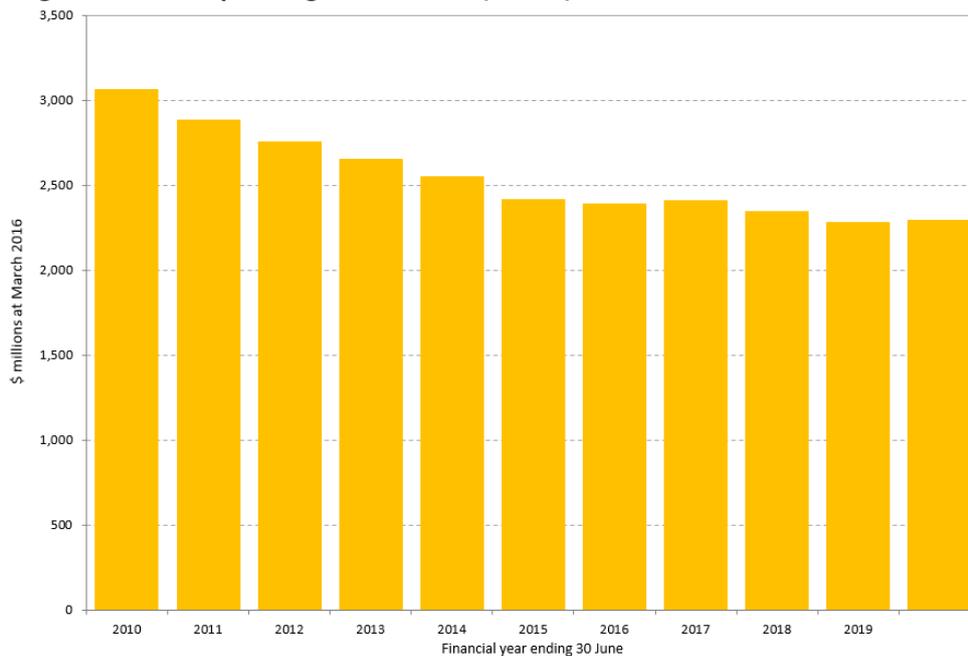
Income Support

- Accommodation Supplement assistance fails to respond to increased housing costs. Budget 2016 amounts to an increase of less than a dollar a week for those eligible. None of the regional caps are reviewed for average rent increases
- A growing proportion of welfare spending is on NZ Superannuation. Projected increases in NZ Super will reach slightly exceed 58% of all welfare benefit spending by 2020. The growth in NZS is partly that there are more people aged over 65, and partly that the rates per superannuitant are automatically increased every year for wage growth. There is no such treatment for Working for Families (WFF) payments which have seen no inflation adjustment for four years, let alone adjustment for wage growth. Automatic reductions to WFF which began in 2012 are still to

fully work their way through. Over time, unless there is a change in policy, the share going to the young will fall further and the share to the old will rise further. CPAG do not want to attack the living standards of older people who depend on NZ Super, nor the wage link for super which is crucial. We must however better protect the living standards of the young.

- Working for Families continues to erode in real terms. In contrast to Australia where rates and thresholds are indexed, there has been no inflation adjustment, let alone any adjustment for growth in wages since 2012. There is virtually no change in spending out to 2020. This suggests that the 5% cumulative inflation adjustment due next year is offset by reduction to the threshold and the increase in the abatement rate

Working for Families spending 2010 – 2019 (\$2016)

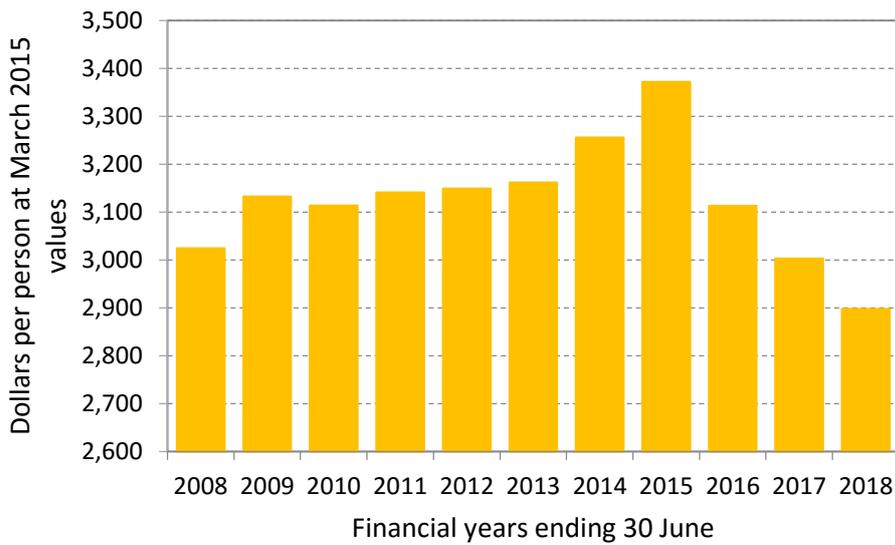


- There is still no extra help for newborns in families on benefits.
- The Budget assumes that benefit numbers will decrease by 20,000 over the next 5 years

Health

- \$73 million over 4 years to continue free doctors' visits and prescriptions at all hours extended to children under 13 years to meet growing need. This provision should be extended to all young people under 18 years
- \$2.2 billion of new funding BUT: the first year's \$670 million is only a 4% increase and that increase gets almost entirely eaten by inflation and population growth. In fact, using the Treasury's own forecasts for health spending, population, and inflation, by 2020 real health spending per person will be about \$300 lower (in 2016 dollars) than today. It's a 10% health cut for every person in New Zealand, over the next four year. Clearly this is foolish given future demographically driven demand from an aging population

Dollars per person spend 2008 – 2018 (\$2015)



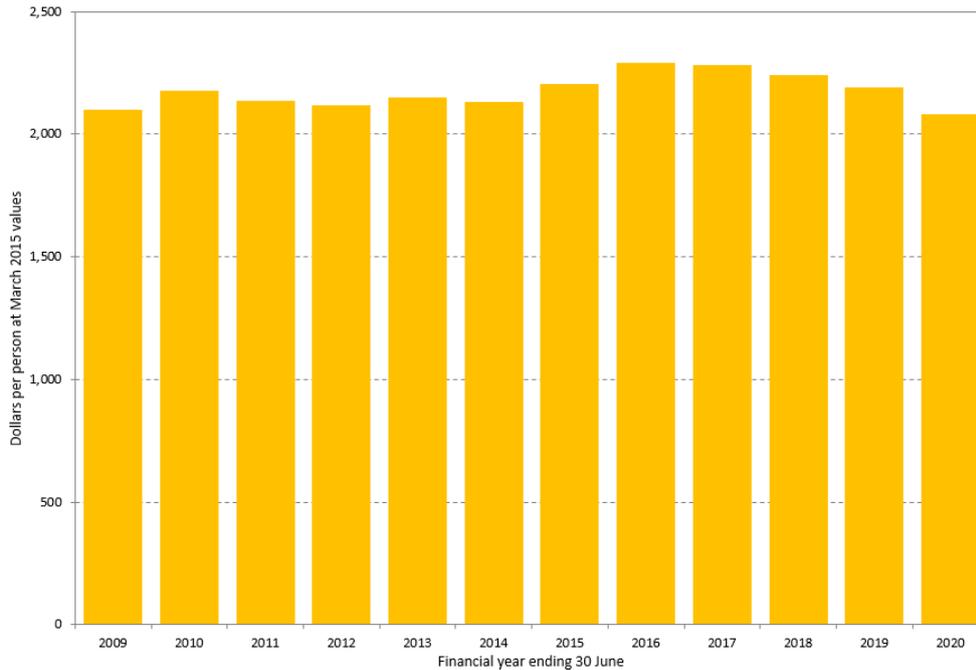
Housing

- \$258 million to provide 750 social housing places in Auckland
- The Government will provide \$41.1 million over the next four years in Budget 2016 for emergency housing, and will contract NGOs to provide about 3000 emergency housing places across the country per year, as well as a new emergency housing Special Needs Grant to support individuals and families with the cost of emergency housing for up to seven days if they are unable to access a contracted place.

Education

- \$1.44 billion more in education, including \$883 million to deliver 480 new classrooms, nine new schools, two expansions, three rebuilds and a kura
- An extra 1250 students will benefit from extra teacher aides through a \$15.3 million funding increase for in-class support
- \$42 million over 4 years for Special Education and Teacher Aides
- \$43 million over 4 years to 150,000 students at risk of failing education – with the funding going to schools. This represents approximately \$2 per child per week
- A freeze on many schools' operational funding

Dollars spending per child 2009 – 2016 (\$2015)



Social Services

- While accurate calculations are difficult to make, it appears that social spending on vulnerable children will decline over the next 5 years. This does not match the Government's stated priorities.

Maori

- An additional \$9.6 million over four years to provide more Māori and Pasifika Trades Training
- An additional \$12.6 million to the Māori Housing Network over the next four years, helping more whānau to realise their housing aspirations

Pasifika

- Budget \$4.6 million, allocated over four years to the Pacific Employment Support Services (PESS), to help young Pacific people in Auckland find work. One in every four babies born in Auckland now is of Pacific descent, but 17% of Pacific youth in Auckland (6,900 young people in Auckland aged between 15 and 24) are classified as NEET (Not involved in Employment, Education or Training).

Media Release - 2016 Budget: "Not the New Zealand we want"

Child Poverty Action Group endorses the Government's stated commitment to improve the lives of all vulnerable children. It has failed dismally with the 2016 Budget announcement today.

CPAG asked for meaningful policies for incomes in this budget but there is nothing in this budget for families with children. When so many New Zealand families are in crisis and children are bearing the brunt this budget does nothing. "All families need sufficient resources for their children to thrive" says Professor Innes Asher, CPAG health and housing spokesperson.

Children are mentioned in the context of there being 40,000 fewer living in benefit-dependent households. Social security spokesperson Mike O'Brien says, "This is meaningless when it appears so many more families are clearly needing foodbank and other social services. Moreover the Government is not monitoring the children in families that are increasingly being sanctioned."

The Prime Minister has claimed that this Government has maintained Working for Families. However the reality is that **Working for Families** continues to be undermined with progressive reductions

that began in 2012. "Moreover there has been no adjustment for inflation for 4 years," says income spokesperson Susan St John.

"A few families got an extra \$12.50 a week and there was a few crumbs for those on benefits with children in last year's budget. A large number of the worst-off families facing uncertain labour market and variable hours got absolutely nothing – not even an inflation adjustment. Changes set in motion in 2012 actually reduce payments for **working** families."

We could compare this with policies in Australia:

A sole parent in New Zealand with one child under five gets support from WFF to the tune of \$92 a week, which is less than one half of that given in Australia (\$186 a week). In Australia the threshold to which payments are made in full is adjusted annually and is now \$51,000. Contrast this with New Zealand's WFF threshold being adjusted down to \$35,000 over time.

"There is no fundamental change to housing policy. The provision of 750 beds – or 'places' – represents an underwhelming response to the several thousand families languishing on the Priority A list – those with a persistent and severe housing need requiring an immediate response," says CPAG housing spokesperson Frank Hogan.