CHiLD POVERTY ACTION GROUP

CPAG 2014 Budget Analysis - 16 May 2014

Summary

Budget 2014 is presented in an environment of economic recovery and growing optimism. Nevertheless the social settings remain very disturbing and there is little to suggest that much will be changed by this budget. Currently more than 1 in 4 children (285,000) are in poverty as measured by the 60% after housing costs poverty line. In fact 205,000 children are below the very low 50% after housing costs poverty line. A sustained better economy is to be welcomed. It is an opportunity to introduce policies that will repair the damage to the social fabric by deliberately changing the picture of child poverty and inequality. The annual budget is an opportunity to focus policies on the wellbeing of children and the general health of communities. In a time of recovery the children must be the first priority.

Economic Outlook

- The government is being somewhat optimistic with projecting growth rates at 3.4% and 3.9% over two years.
- There is a risk of adverse impacts from the Australian economic situation.

Fiscal outlook

- Planning to cut core Crown expenditure from 30% to 28% GDP – this is an ideological preference for smaller government.
- The fixation on debt management/reduction has continued.
- The planned new nominal expenditure is not keeping up with inflation.
- There are diminishing levels of spending on health, education, working for families and housing.
- The impact of the budget on economic activity is likely to be contractionary, with increased private sector spending relied on for economic growth.

Income Support

- Nothing in the budget increases benefit levels or assists our poorest children in benefit dependent households
- A growing proportion of welfare spending is in NZ Superannuation : 50% in 2014, 55% in 2018
- The real value of Working for Families continues to decline because of failure to properly index payments, rising abatement rates and a reducing threshold.

- There is declining spending on the Accommodation Supplement at a time of increasing rents. This will place additional pressure on household budgets and housing conditions.
- The paid parental increase is not well-targeted and will not reduce child poverty.
- The extra $13 million per annum for the parental tax credit is a tiny drop in the ocean, and leaves out the most needy new-borns.

Health

- The new 24 hour free access to GPs and free prescriptions for under 13s is a highlight.
- There are some boosts in other important areas, particularly Disability Support Services, youth one stop shops, whanau ora navigator support and anti-obesity programmes.
- Overall spending is not keeping up with price increases and demographic demands.
- There is overall a decline in health-care as a share of GDP.

Housing

- There is reduced spending on the Accommodation Supplement. This will not address rising rents – housing prices are forecast to rise significantly, 20% over 3 years.
- Extending Income Related Rents to NGO social housing providers is welcomed.
- The new capital funding is totally inadequate for unmet housing needs.

Education

- The declining GDP share per child is disappointing.
- There is a declining real spend per student in primary and secondary schools, but spend is maintained in ECCE.
- There is a 2.6% real cut in special needs education. This is a huge disappointment. These children are among the most vulnerable in our community.
- There is $156 million extra in ECCE over four years. This is a 2.5% rise for non-salary costs but as salaries are the bulk of cost it is only around a 1% rise overall, inadequate for the sector needs.

Overall

The families package ($500 million extra over 4 years) is an overstatement but includes the one exciting initiative of free primary care and prescriptions for children under 13 years.

Summary of CPAG's analysis of Budget 2014, prepared for the CPAG post budget breakfast series, May 15th 2014.

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