Budget 2018

Does this budget turn the tide?

Whangarei budget event 23rd May 2018
First the economics

Not a transformational budget

- Rebuilding critical public services
- Promoting economic development and supporting the regions
- Taking action on child poverty, housing and homelessness
- Enhancing and protecting our natural resources
- Enriching New Zealand’s culture and identity
Economy grows strongly and government is spending more

New investment in Budget 2018

<table>
<thead>
<tr>
<th>Total net new operating spending in Budget 2018</th>
<th>Total net new capital investment in Budget 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.8b a year on average</td>
<td>$3.8b in total</td>
</tr>
<tr>
<td>$11.4b over the forecast period</td>
<td></td>
</tr>
</tbody>
</table>

Seems like a lot of new money BUT...
A lot of catch up needed and don’t forget we have more people: Treasury’s historical forecasts of annual net migration.
Tragedy of the housing bubble

### The Economist House-price Index

<table>
<thead>
<tr>
<th>House-price index</th>
<th>Prices in real terms</th>
<th>Prices against average income</th>
<th>Prices against rents</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2002 = 100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Graph Details:
- **Q3 2002** to **Q4 2016**
- **Sources:** The Economist; OECD; ONS; Reserve Bank of New Zealand; national statistics

- **Australia**
- **Belgium**
- **Brazil**
- **Britain**
- **Canada**
- **China**
- **France**
- **Germany**
- **Greece**
- **Hong Kong**
- **India**
- **Ireland**
- **Israel**
- **Italy**
- **Japan**
- **Mexico**
- **Netherlands**
- **New Zealand**
- **Russia**
- **Singapore**
- **South Africa**
- **South Korea**
- **Spain**
- **Sweden**
- **Switzerland**
- **Turkey**
- **United States**
Will the property-driven wealth divide be tackled?

- Stopping state house sell-offs, ✓
- 1600 new state house at $1b a ✓ (8000 on urgent wait likely to grow)
- Kiwi build. Build 100,000 over 10 years. ✓
- More accommodation assistance ✓
- Bright line tests
- No capital gains tax
- Tax Working Group

BUT no overarching plan to reverse the serious wealth gap.

- See CPAG submission to the Tax Working Group
Fiscal conservatism triumphs

As a percentage of GDP, core Crown expenses are forecast to gradually fall to 28.0 per cent in 2022, below the historical average of around 30.0 per cent of GDP.

Source: The Treasury
Net Public Debt is NOT the problem

See St John, S (2018) The fiscal stranglehold Daily Blog, 19th April, 2018
Some things to applaud,

Child poverty, housing and homelessness

Every New Zealander deserves a healthy and safe home. Budget 2018 makes a significant investment to increase public housing by more than 6,000 homes over the next four years to address the severe shortage of public housing. We are targeting chronic homelessness by strengthening the Housing First initiative and expanding it beyond the main centres by 550 places, with the same tailored wrap-around support. Funding is also provided to implement the Healthy Homes Guarantee Act and insulation grants for eligible owner occupiers.

We are extending free GP visits to under-14s, extending the provision of clothing support to children on the Orphan’s Benefit and Unsupported Child’s Benefit, setting up a new Child Poverty Unit and continuing funding to the KidsCan and KickStart programmes.
But what about the enormity of the social deficit?

• Growing property wealth divide
• Growing household debt
• Growing homelessness
• Growing poverty
• Negative indicators
  – Suicide rates
  – Hospitalisations
  – Family violence
  – Incarceration
  – FOOD HUNGER
<table>
<thead>
<tr>
<th>Category</th>
<th>Hardship assistance by reason granted in the quarter- last 5 years (all ages)</th>
<th>% growth</th>
<th>Hardship assistance amount by reason granted in the quarter- last 5 years (all ages)</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mar-16</td>
<td>Mar-18</td>
<td>% growth</td>
<td>Mar-16</td>
</tr>
<tr>
<td>Food</td>
<td>93,178</td>
<td>143,986</td>
<td>55</td>
<td>$9,925,627</td>
</tr>
<tr>
<td>Accommodation Related</td>
<td>23,023</td>
<td>26,385</td>
<td>15</td>
<td>$13,281,786</td>
</tr>
<tr>
<td>Medical and Associated Costs</td>
<td>16,157</td>
<td>18,469</td>
<td>14</td>
<td>$5,983,683</td>
</tr>
<tr>
<td>People Affected by Benefit Stand Downs</td>
<td>5,240</td>
<td>9,896</td>
<td>89</td>
<td>$558,458</td>
</tr>
<tr>
<td>Electricity and Gas</td>
<td>4,798</td>
<td>7,164</td>
<td>49</td>
<td>$2,221,746</td>
</tr>
<tr>
<td>School Education Costs</td>
<td>19,953</td>
<td>24,278</td>
<td>22</td>
<td>$4,062,222</td>
</tr>
<tr>
<td>Re-establishment Grants</td>
<td>2,468</td>
<td>2,881</td>
<td>17</td>
<td>$850,116</td>
</tr>
<tr>
<td>Driver Licence</td>
<td>2,316</td>
<td>2,738</td>
<td>18</td>
<td>$236,139</td>
</tr>
<tr>
<td>Health Related</td>
<td>1,360</td>
<td>2,158</td>
<td>59</td>
<td>$118,597</td>
</tr>
<tr>
<td>Long-Acting Reversible Contraception</td>
<td>52</td>
<td>51</td>
<td>-2</td>
<td>$10,567</td>
</tr>
<tr>
<td>Emergency Housing Grant</td>
<td></td>
<td>6,138</td>
<td></td>
<td>$6,574,733</td>
</tr>
<tr>
<td>Other</td>
<td>45,964</td>
<td>75,613</td>
<td>65</td>
<td>$15,788,877</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>214,509</td>
<td>319,757</td>
<td>49</td>
<td>$53,037,818</td>
</tr>
</tbody>
</table>
Dramatic increase over last two years

Figure 2: Amount of quarterly hardship assistance payments, March 2013 to March 2018

Food has remained the main reason for needing hardship assistance over the last five years.
The economy booms but poverty intensifies

Food parcels distributed by the Salvation Army – 12% increase Dec 2016-Dec 2017
Charities overwhelmed in demands on them to provide the basics. Reporting things have got steadily worse.
Waiting list for Social Housing has more than doubled 2016-2018

Priority A:
“at risk…housing need that must be addressed immediately”
Mar 2018: 77% applicants Priority A, increased by 1556 from Dec 2017

Children hospitalised with bronchiolitis increased by 50% 2000-2015

Impact of Respiratory Disease 2016, Asthma Foundation

Thanks to Professor Innes Asher for health slides
Children hospitalised with bronchiolitis (2015) by deprivation index (age adjusted)

Impact of Respiratory Disease 2016, Asthma and Respiratory Foundation
NZ Youth suicides
15-19 yrs – highest in OECD

UNICEF innocent report card 14, 2017
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

See paper here
Need $700m just to resort cuts since 2010. Graph shows National knew they had gone too far and was going to do some more spending— but it would have soon been eroded.
Budget 2018 has welcome long overdue increases to WFF

Labour’s Families Package much better but still no indexation
And, accommodation assistance has increased

• But tragically so have rents

• What have families got to live on after Housing costs?
Red is extreme danger - Poverty in NZ

distress of worsening low incomes

Number of children below each poverty line (AHC)

Year


Number of children

0-40% 40%-50% 50%-60%

(140,000)

(80,000)

(70,000)

(Note: Missing data value of the number of children below 40% poverty line, year 2014)

St John S & So Y. CPAG 2018
Poverty in NZ

distress of worsening low incomes

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

St John S & So Y. CPAG 2018
What does Budget 2018 give the worst-off 140,000 children?
“Families Package”
estimated to lift 54,000 children above the poverty line*
the government is using
*household income 50% of median before housing costs

The Families Package:
• Far too late- why July?
• Increase in threshold for WFF - welcome boost to low income working families
• Increases to Family Tax Credit- only $20-27 per child
• A winter fuel payment- small increase in core benefit but not well targeted
• Best Start but just for new borns

The 140,000 children below 40% AHC will be helped only marginally
## What can and should be done immediately

<table>
<thead>
<tr>
<th>What to do</th>
<th>Budget 2018</th>
</tr>
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<tbody>
<tr>
<td>Remove all sanctions on beneficiaries with children</td>
<td>✗</td>
</tr>
<tr>
<td>Progressive universalisation of WFF - join the In Work Tax Credit of $72.50/wk to the first child payment</td>
<td>✗</td>
</tr>
<tr>
<td>Increase benefits 20% - remove couple penalty</td>
<td>✗</td>
</tr>
<tr>
<td>Reduce abatement rate for WFF from 25 to 20%</td>
<td>✗</td>
</tr>
<tr>
<td>Increase earning cap for beneficiaries ($165/person)</td>
<td>✗</td>
</tr>
<tr>
<td>Index all benefits and all parts of Working for Families (WFF) annually - as for NZ super</td>
<td>✗</td>
</tr>
</tbody>
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