

**Budget Policy Statement 2020
New Zealand Government**

Te Ope Whakaora – The Salvation Army New Zealand Fiji Tonga and Samoa Territory Submission

Executive Summary:

1. The Salvation Army again generally welcomes the wellbeing focus of this Government in the 2019 Wellbeing Budget. The Budget Policy Statement 2020 (BPS 2020) is essentially a continuation of this wellbeing approach and the five key priorities identified in the 2019 Budget. We also understand the clear intention from the Government for major capital investment of \$12 billion into capital, especially in our national infrastructure and economy.
2. However, our contention is that greater investment is urgently needed in our welfare system, particularly following recommendations from the *Whakamana Tāngata – Restoring Dignity to Social Security in New Zealand* report from the Welfare Expert Advisory Group (WEAG).ⁱ With the BPS 2020 document clearly indicating and repeating that our nation is in a good financial position, we contend that this is the best time for significant investment into our welfare system. This would be a strong step towards greater wellbeing for many in our country. This view forms the majority of our submission.

Background:

3. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for over one hundred and thirty years. It provides a wide range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten and marginalised by mainstream society.
 - a. The combined services of Te Ope Whakaora The Salvation Army provided support to around 120,000 people in 2018. Our social service includes Community Ministries (CM), Salvation Army Social Housing (SASH), and Addictions, Supportive Accommodation and Reintegration Services (ASARS).
 - b. These services included over 62,000 food parcels to more than 30,000 families and individuals, providing some 2,400 people with short- or long-term housing, nearly 7,000 families and individuals supported with social work or counselling, just over 17,000 addictions counselling sessions, more than 5,500 families and individuals helped with budgeting, other practical assistance to over 6,000 families and individuals, 6,500 hours of chaplaincy support, and some 9,000 victims, defendants and families supported at court.

4. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Andy Westrupp, Territorial Commander of The Salvation Army's Aotearoa New Zealand Fiji Tonga and Samoa Territory.

Greater investment needed in our welfare system:

5. In late 2019, The Salvation Army released a discussion paper titled *Progress Towards Equality*.ⁱⁱ This paper broadly called for a re-examining of our decision making processes so that policies that lead to economic fairness and inclusion are developed and implemented by our Government.
 - a. The paper's author, Paul Barber, issued a challenge that *our country is making some progress towards greater fairness and equality, in a context of general prosperity and economic growth. Yet we find significant and enduring unfairness remains and its effects are concentrated in particular groups—in the poor housing outcomes of Pacific people, the disproportionate imprisonment rates of Māori, and the impoverishment of households without paid work. Our country will not achieve wellbeing targets such as child poverty reduction or meet international commitments to sustainable development unless more change is made. As a nation we are well positioned to take the vital next steps to turn promising initial improvements into the wholesale structural change needed to remove the largest barriers to greater equality and freedom of opportunity for all.*ⁱⁱⁱ
 - b. Our nation is indeed in a strong fiscal position. This is affirmed within the BPS 2020 itself several times. The Minister of Finance states clearly that the Government will invest an additional \$12 billion in capital, *directed to areas like transport, health, education and greenhouse gas reductions.*^{iv} This will take capital spending to its highest level in 20 years. Additionally, in the *Economic Forecasts* section of the BPS 2020^v, emphasis is placed on the New Zealand economy growing faster than other advanced economies (growing by 2.4% in the year to June 2019), and the economy being in *good shape* to counter global economic factors or risks. In the same section, the Treasury forecasts several positive factors including; growth of 2.5% in the forecast period, growth supported by low interest rates, wages forecast to grow faster than inflation in the forecast years by about 3.5% per year.^{vi} In its *Fiscal Forecasts*, the Government acknowledged they have in the last two years had surpluses of \$5.5 billion and \$7.3 billion, culminating in the assertion that *the final fiscal position for 2018/19 was stronger than the Treasury expected at Budget 2019.*
 - c. In light of this prudent fiscal management and the strong financial position we are in as a nation, we implore the Government to invest in reforming and improving our welfare system, as well as investing capital in other key areas. The timing is ideal for

this kind of investment. Our welfare system is in trouble and needs urgent fixing. The WEAG has confirmed this, calling for fundamental change because the welfare system is no longer fit for purpose for our nation. WEAG adds that *the fiscal cost of improving the adequacy and design of income support is estimated to be around \$5.2 billion a year.*^{vii}

d. Our *Progress Towards Equality* discussion paper reaffirmed these views from the WEAG. Again, The Salvation Army's strong recommendation is that the Government should use this strong fiscal position we have to begin to seriously and effectively fix our welfare system. In summary, some of the key recommendations from this paper that are relevant to this submission include:

- i. **Increase welfare transfers to reduce inequality and poverty by implementing the recommendations of the WEAG—(Recommendations 19–26)** - Priority recommendations are to lift core benefit rates by between 12 percent–47 percent; increase the abatement thresholds for those benefits to \$150 per week (and \$250 for the Level 2 Supported Living Payment) and index those thresholds to average wages; reform Working For Families by increasing the Family Tax Credit, raising thresholds for abatement and reducing the abatement rate, and increase from six weeks to six months the time of living together before a couple is deemed to be in a relationship for purposes of benefit eligibility.
- ii. **Improve the subsidies for housing costs for people on low incomes through changes to the way the Accommodation Supplement and other housing support is calculated, as also recommended by the WEAG report (Recommendation 33)** - This includes indexing payments against housing costs, reviewing regularly the regional rates, aligning payments for renters and home owners, and increasing the cash asset limit to \$42,700 (currently \$8,100 for a single person) to align with the social housing cash asset limit.

6. Child Poverty Action Group (CPAG) have also come out strongly calling for greater investment into our welfare system. CPAG stated in December 2019; *what is urgently needed is a significant increase across all benefits, higher abatement thresholds for earned income, and immediate policy changes to Working for Families and an additional \$0.5 billion spent yearly so that the worst-off children get the full package would improve the lives of those children overnight.*^{viii} The Salvation Army echoes these calls from CPAG and other organisations fighting for crucial change and reform to our welfare system.
7. Even in early January 2020, The Salvation Army has again publicly stated how vital it is to fix our welfare system. In a recent release, we have again argued for an increase to the core benefits for people and whānau , especially as we now budget surpluses that can truly help lift children and their whānau out of material poverty.^{ix} The Salvation Army is uniquely placed to see the first hand and real effects of this damaged welfare system for thousands of the people and whānau that we engage with daily, particularly through our Community

Ministries, food welfare, budgeting and housing social services. The time for radical reform of our welfare system is now and we entreat this Government to act bravely in Budget 2020 and truly enact the recommendations called for by the WEAG report, our own *Progress Towards Equality* paper, and the calls and challenges from numerous other individuals and organisations to act urgently.

Other comments on the BPS 2020

8. **New Zealand Super Fund (NZSF)** – The Government will contribute over \$11.5 billion in total over the next five years to this fund.^x The Salvation Army commends this approach as this will likely support long-term wellbeing for New Zealanders. But again, as outlined above, increasing investment in core benefit levels is equally important for increasing long-term wellbeing for some of the most marginalised New Zealanders.
9. **Progressive Taxation System** – The Salvation Army supports the statement in the BPS 2020 that this Government will ensure a fairer and more balanced progressive taxation system.^{xi} In our *Progress Towards Equality* paper, one of our strong recommendations was to make progress on changes to the taxation system to improve the distributional impact. This should include increasing the progressivity of the income tax system through a higher top tax rate on the highest income earners to help fund changes to rates and thresholds for lower income earners. The largest gap in the tax system is the lack of tax on wealth so a priority must be to begin work to identify an effective net wealth tax targeted at highest wealth holders (e.g. net of wealth above \$2million).
10. **Comments from our submissions to the BPS 2019** – At this point, we want to highlight again some submissions we made to the BPS 2019. Firstly, we submit that housing is again a glaring omission in the BPS as it was in the BPS 2019. Housing, particularly social housing, is not explicitly mentioned in the discussions of the Four Capitals or the 5 Priority Areas in both the 2019 and 2020 BPS. Secondly, The Salvation Army is Christian church and movement that aims to bring life to the people and whānau it walks alongside. In that context, we submit that there should be explicit reference made to spiritual wellbeing in both Treasury's Living Standards Framework, as well as the BPS 2020. Spiritual health and wellbeing are central to the lives of many New Zealanders. For example, in numerous Māori models of health like Te Whare Tapa Whā and Te Wheke, there are critical and explicit references to spiritual health and wellbeing.^{xiii} These models influence many health, social and community interactions between the State and Māori. And it is widely recognised in our society how important spiritual health or wairua is to our indigenous Māori people. This element of wellbeing should not be ignored in discussions of the BPS 2020, especially as spiritual wellbeing is arguably a critical factor in the development of all of the Budget 2020 priorities.

ⁱ <http://www.weag.govt.nz/weag-report/>

ⁱⁱ <https://www.salvationarmy.org.nz/research-policy/social-policy-parliamentary-unit/latest-report>

ⁱⁱⁱ Ibid, page 2

^{iv} BPS 2020 document, page 2.

^v Ibid, page 24.

^{vi} Ibid.

^{vii} WEAG report.

^{viii} <https://thedailyblog.co.nz/2019/12/13/evidence-of-poverty-relief-lacking-in-2020-budget-policy-statement/>

^{ix} <https://www.stuff.co.nz/business/118778437/benefits-now-worth-less-than-after-they-were-cut-by-mother-of-all-budgets-in-1991-salvation-army-says>

^x BPS 2020, page 29.

^{xi} Ibid, page 28.

^{xii} <https://www.health.govt.nz/our-work/populations/Māori-health/Māori-health-models/Māori-health-models-te-whare-tapa-wha>