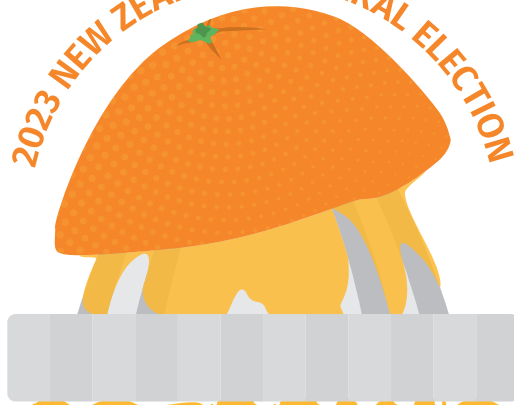


2023 NEW ZEALAND GENERAL ELECTION



PRESSING ISSUES



Te Ope Whakaora

Social Policy & Parliamentary Unit

Working for the eradication of poverty in New Zealand

# JOBS, LIVING COSTS & TAX

## JOBS—ON THE MARGINS OF THE JOB MARKET

Right now, this country is very fortunate to be experiencing a sustained period of low unemployment. Keeping people employed is a very good way to lift incomes and reduce poverty, so long as earnings are enough to live with dignity.

Incomes for wage earners have been rising and on average keeping up with rising living costs. But not everyone has benefitted—about a third of workers received **no pay increase in the year to December 2022**.

Our people—the people and communities The Salvation Army works with—are on the margins of paid employment, with many who work in lower paid jobs, often in casual work or variable hours, have little job security and often limited access to opportunities for training and upskilling.

Around one in six of the people who The Salvation Army Community Ministries has helped in the past year had earnings from employment. Getting a job helps people to get out of poverty, but it is not an answer if the work does not provide a liveable income.

But unemployment is expected to rise in the coming year. The predictions are for an increase in the numbers of unemployed people of **50,000 or more** (from around 100,000 now to 150,000 or more).

Our people experience the unequal impact of unemployment and are more likely to be affected by rising unemployment. **Māori and Pasifika workers'** unemployment rates are more than twice those of Asian and European workers. People with a disability have the **highest unemployment rate** (7.9%), and **young people under 25 years** in Northland and Bay of Plenty are almost three times more likely not to be in employment, education or training than young people in Wellington.

For our people, government policy that aims **to increase unemployment in order to reduce inflation** is an example of where the 'cure is worse than the disease'. Life is hard enough without further reducing the opportunity to find paid work.

## Keeping People Employed

Political parties need to explain how they plan to keep unemployment low, and ensure that people can stay in employment and are earning enough to meet living costs. Things that the government can do to help this include:

- **implementing a plan for every young person leaving school**—a pathway to training, employment or further education
- **implementing active employment support**, such as job navigators for all those registered as jobseekers
- **supporting employers who are willing to be flexible** and invest in their people with fair wages (e.g., the [Living Wage](#)), good working conditions and access to training and skill development
- **implementing government support and subsidies for employment** in areas that build resilience in communities, promote innovation, reduce carbon emissions or boost environmental sustainability.

## RISING LIVING COSTS— NO LONGER JUST GETTING BY

Our people need the dignity of adequate incomes. They are struggling to get by with rising living costs, which are cutting into the gains being made through rising wages and increases in welfare support.

Welfare benefits have increased significantly over the past five years. But for many households relying on welfare support, this has not been enough to close the gap between actual income received and what is needed to meet the basic living costs.

Poverty rates and income inequality have been reducing, because wages and welfare support for lower income earners have increased more than increases in middle incomes.

Fewer households reported that they do not have enough income for their daily needs in the June 2022 year.

Child poverty rates were much lower in June 2022 than they were five years ago.

This tells us that focused efforts to lift lower wages and welfare benefits are effective in reducing poverty.

But the realities of the impacts of higher inflation over the past year in particular mean those who were just getting by now face being pushed into hardship. Since November 2022, food distribution by Salvation Army Community Ministries has increased by 40 percent compared to the same period a year ago.

There are hundreds of thousands of people relying on the welfare system because they are caring for children, older relatives or family members with a disability; or they are themselves living with a disability or are unwell. Some people may need this help for many years. Any one of us could at any time find ourselves unable to work through illness or sudden change in family circumstances. We need a welfare system that ensures no-one need end up in poverty and hardship.

Political parties need to explain how they will make sure that the more than **three hundred and fifty thousand people** supported by the welfare system (whose households also include over 210,000 children) can meet rising living costs and live with dignity:

- **liveable income**—set welfare benefit rates guided by a calculated minimum liveable income estimate that measures how much different types of households need to get by and is updated annually (see [Incomes and Costs for Example Families in 2022](#) and [Fairer Futures](#))
- **change Working For Families** so all families with children receive the same payments, i.e., make the In-Work Tax Credit available to all children in lower income families, not just working families
- **change to the Accommodation Supplement** so it is based on real housing costs and updated to recognise changing housing costs, especially rents
- **complete the 'Welfare Overhaul'**, including changing the goal of the welfare system to ensure dignity and participation in society for everyone.

# RESOURCING A HOPE-FILLED FUTURE— BETTER TAXES FOR A BETTER FUTURE

Tax that works for our people means that government has sufficient revenue to ensure everyone, including those who have little or no resources of their own, can access affordable healthcare, education and housing. Looking after each other is the mark of a civilised society, and tax is one way to pay for that.

Our people need that support, and they need those who have more wealth and income to contribute their fair share so everyone can live with dignity and have a better future.

Each year, the government collects **more than \$100 billion in taxes** to help pay for vital services. Yet it is clear—with the challenges of increasingly frequent natural disasters, the need to spend billions to improve vital water, energy and transport infrastructure, and the need to ensure our health, education and welfare systems and our housing meet current and future needs—that more revenue is needed.

Everyone pays some tax in this country—including our people who have the least—through GST on almost everything we buy, PAYE on wages and salaries, or taxes on business profits.

Aotearoa New Zealand is a very wealthy country. According to the **Credit Suisse Global Wealth Report**, the average wealth per adult was the **fifth highest in the world** in 2021.

Wealth is very unequally shared—the wealthiest tenth of the population **control half of all wealth**, while the poorest half of the population own less than 10 percent of all wealth.

A group of over 300 of the wealthiest New Zealanders who earn on average \$8 million per year **paid less than 10 percent** of their annual income in tax. That is less than the rate paid by the lowest income earners (10.5%).

The reason the wealthiest pay the lowest tax rate is because much of their income comes from gains in the value of their assets like shares and property, which are not taxed in this country.

Most other wealthy countries like New Zealand have taxes on wealth or gains in wealth. New Zealand has in the past chosen not to do this, getting rid of the last gift duties in 2011 and estate duties in 1993.

**Sharing Our Wealth** is an open letter from some of our country's wealthiest people, asking all New Zealanders to 'back a tax system that asks more from those who can most afford it'.

The Salvation Army is joining with other NGOs and faith groups to call for **Better Taxes for a Better Future**. Our call is for a tax system that:

- **raises more revenue** to enable us to address the social, economic and environmental challenges we face
- **ensures people who have more to contribute make that contribution:** that we gather more revenue from wealth, gains from wealth, all forms of income, and corporates
- **makes greater use of fair taxes** to promote good health and environmental health
- **addresses the tax impact on the least well-off in our society**—for example, by introducing a tax-free band at the bottom of our income tax scales or looking again at the design of GST
- **is fully transparent**, for example, by requiring the disclosure of information on ownership and beneficiaries of entities such as trusts.

We welcome your comments on this *Pressing Issues* election series.

Please contact the authors at [social.policy@salvationarmy.org.nz](mailto:social.policy@salvationarmy.org.nz)

Keep up to date with at [salvationarmy.org.nz/PressingIssues](http://salvationarmy.org.nz/PressingIssues)



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