CHiLD POVERTY ACTION GROUP

Budget Analysis - 19 May 2022

Children in poverty still lack a secure future

We want all children to thrive and to have opportunities. However, families locked in poverty by successive government policies do not have enough food, live in insecure housing and lack other necessities. Has this Budget 2022, “A secure future”, released those families from poverty?

Budget 2022 was the Government’s last chance to be truly brave in reducing child poverty before the next election. Disappointingly, Budget 2022 does not go far to lift children out of poverty. It is unlikely to transform any child’s life.

The Budget’s Child Poverty Report presents concerningly high rates of child poverty, across all three primary indicators. One in ten children live in material hardship. One in seven children are in income poverty. Large numbers of children are being left behind, no matter which measure of poverty is used. The Government is failing to meet its own poverty targets. More bravery is required, not less.

More concerningly, large inequities remain. The rates of child poverty for Māori, Pacific, and disabled children are much higher than other groups.

It’s encouraging to see large investments in healthcare, with attention to the health needs of Māori and Pacific children. However, child health is exquisitely sensitive to poverty. Investments in child health need to go hand in hand with investments to reduce child poverty, especially for disabled children and children with a disabled family member.

Child Poverty Action Group remains concerned for the large numbers of families in distress, who are turning to social services in unprecedented numbers.

While lifting household incomes through changes to Working for Families and increases to main benefits is very welcome, these investments have already been implemented, and were announced a year ago. The government’s action on child poverty has stalled.

While we welcome the section of Budget 2022 which references intergenerational poverty, but note that the historical context has not been explained. We would like to have seen substantive actions to define and alleviate this important issue.

Over the early course of the pandemic, the government made brave political decisions. Child Poverty Action Group would have liked to see more bravery in the Budget for children in poverty. Children cannot afford to wait any longer.

Does Budget 2022 deliver?

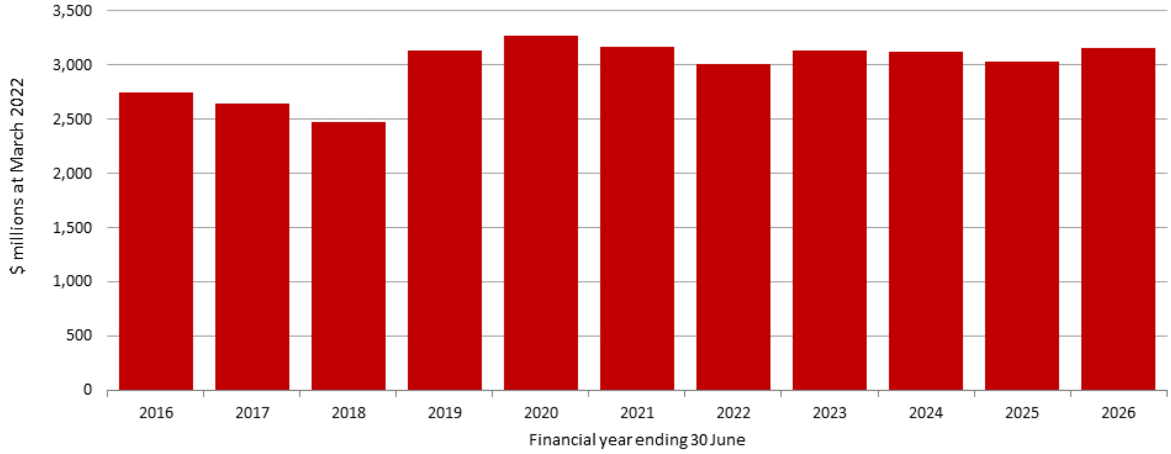
Income Support

We welcome the transparency in the Budget's Child Poverty Report which says that child poverty target (BHC50) 2023/24 will not be met (BHC50). This is reflected in the lack of substantive new measures in the Budget to lift incomes of families in poverty. The measures they have specified are in this table:

The Government says	However…
It is lifting incomes through changes to the Working for Families scheme and associated support. This means 346,000 families and whanau will be better off by an average of $20 per week.	This was implemented on 1 April 2022 and does not reflect increased economic pressures on whānau since Budget 2021.
It is providing further support through the second main benefit increase announced in 2021, to bring these rates in line with a key recommendation of WEAG.	This was also implemented on 1 April 2022. At the time this was announced, CPAG pointed out that the main benefit increases fell short of WEAG's recommendations, since these were made in 2018.
It is introducing a temporary 'cost of living' payment of $350 over three-monthly instalments in 2022 to reduce cost pressures to low and middle-income families and whanau are facing.	Whānau receiving the Winter Energy Payment are not eligible to receive the cost of living payment, which means that people on a benefit are essentially excluded from this support. While this short-term payment will be marginally helpful for low-income earners, it is unlikely to be helpful for many children in poverty.
It is allowing child support payments to be received by sole parents on a benefit.	This is a welcome change. However, this will be of most assistance to those receiving meaningful amounts of child support. But where the non-custodial parent has limited income sole parents will receive little or no extra income directly from this policy change.

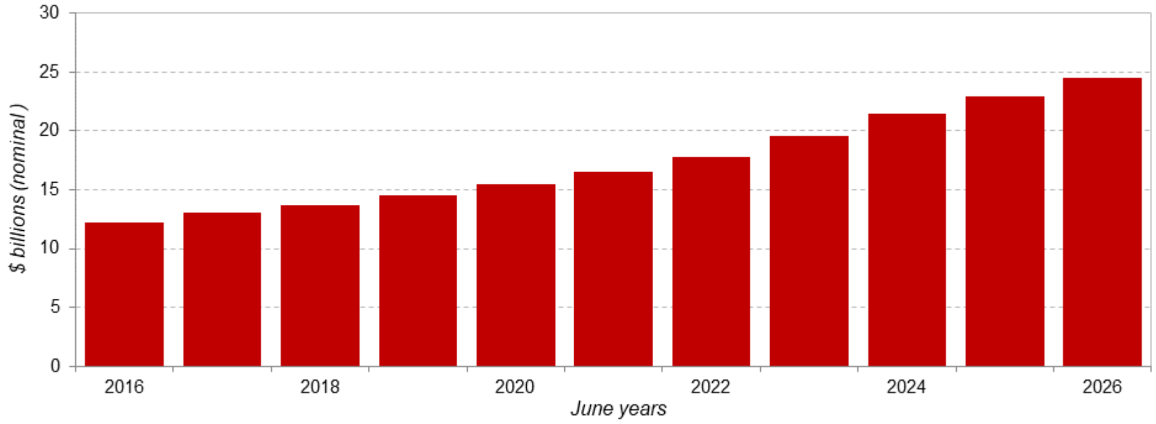
Transport costs are an important cost for families. We welcome the halving of public transport fares permanently for community health services card holders. However, this is less useful for rural communities who do not have equitable access to public transport services.

Inflation adjusted spending on Working for Families – 2015 to 2026



There is no increase in spending on Working for Families when adjusted for inflation.

Spending on New Zealand Superannuation – 2016 to 2026



Budget commentary by successive Governments have never made mention of the fiscal impacts of the increasing costs of New Zealand Superannuation. In 2024 more than 900,000 New Zealanders will receive Superannuation and this figure will top one million by early 2027. The cost of Superannuation will double between 2016 and 2026 to $24.5 billion. Between 2022 and 2026 Core Crown Expenses are budgeted to increase by $10 billion to $138 billion. New Zealand Superannuation will soak up 68% or $6.8 billion of this increase.

Health and Disability

The Covid-19 pandemic has exposed how thin New Zealand's public healthcare system is, and worsened existing health inequities. The Covid-19 pandemic has led to disruption and delays for routine health services, particularly immunisation coverage for Māori and Pacific children.

Budget 2022 makes a large investment in front-line healthcare services. There are significant funds to cover District Health Board deficits. We applaud the large investment made to enable the Māori Health Authority to commission primary and community health services responsive to Māori, with a population health approach, as well as Iwi-Māori Partnership Boards. This is an important step towards improving Māori child health and the wider determinants of Māori health.

However, child health is sensitive to the wider determinants of health – especially poverty and substandard housing. Investments in front-line healthcare services should be coupled with investments to reduce child poverty, which is a major driver of worse child health and developmental outcomes. Without more substantive action to address child poverty and wider factors influencing health, front-line healthcare services will continue to be stretched, and act as an ambulance at the bottom of the cliff.

It is concerning that while there are investments to health *services* for children, there is little new investment to lift the income of families/whānau in poverty to help them meet their children's needs *directly*.

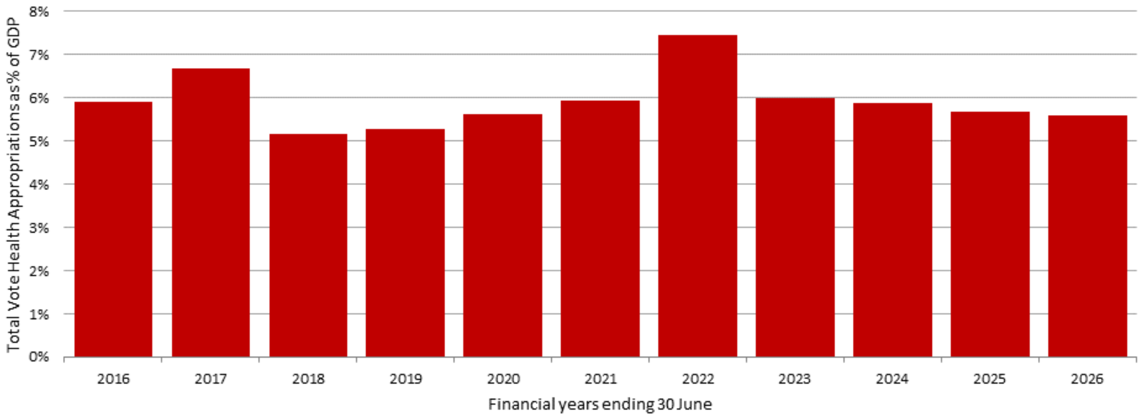
Disabled children unfortunately will not see an increase to the Child Disability Allowance which is desperately needed. Similarly, there is no increase to the Disability Allowance. Once again, we welcome the investment to maintain disability support *services*, however there is little new investment to increase the income of disabled persons *directly*. This is concerning given the negative impacts of the pandemic for disabled people.

We welcome the increased investment in mental health services for young people. These services are very much needed to alleviate the indirect impacts of the Covid-19 pandemic upon young people.

We also welcome the investment in Covid-related public health funds, with $1.2 billion set aside for immediate public health needs that cannot wait until the next Budget cycle.

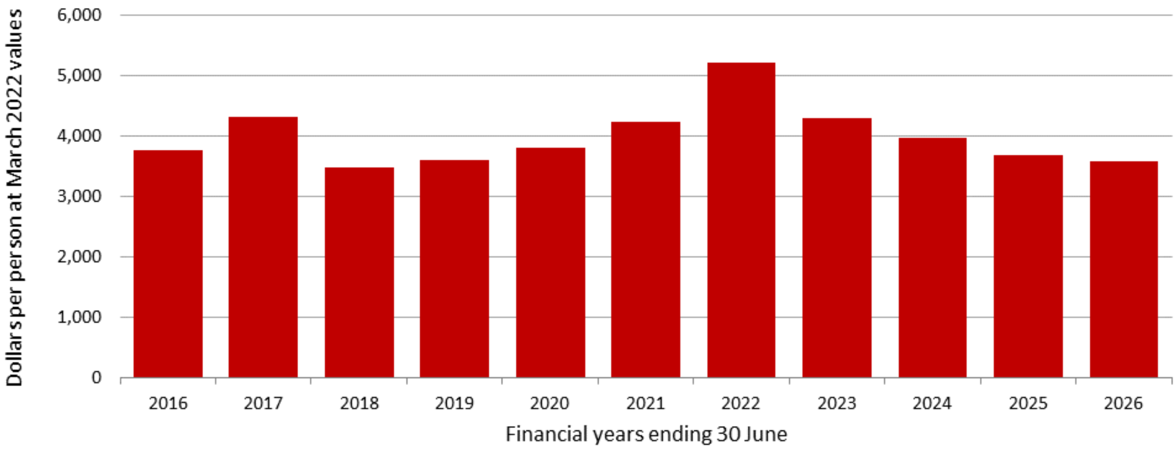
The increase in the Dental Special Needs Grant for adults on benefits from $300 to $1000 is welcome, however this investment does not directly improve the health of children.

Spending on public health services as a proportion of GDP – 2015 to 2026



We are not seeing any sustained increase in public health services spending. This is not heading in the right direction. Due to the ageing population, child health will be disproportionately squeezed.

Real per capita spend on public health services in March 2022 $ values – 2015 to 2026



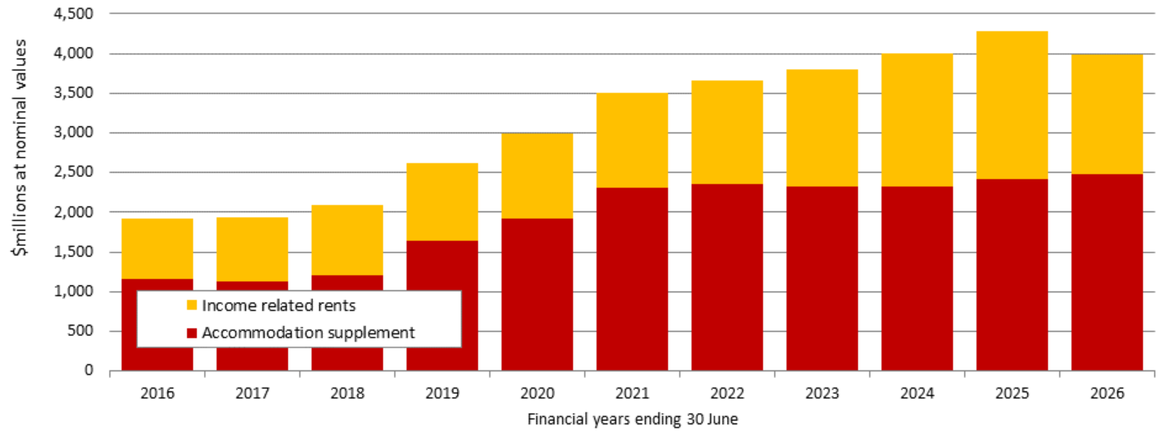
Recent spending on public health is not sustained over the forecast budget period.

Housing

Housing related budgets have changed little from last year and it appears that the Government has accepted that it cannot do more to address current affordable housing shortages. Rather, the emphasis has continued to be on band aids such as transitional housing with operating subsidies growing modestly from $29 million in 2021/22 to $32 million in 2022/23. I

On the capital spending side Government is maintaining the capital commitments made in Budget 2021 with the intention that programmes such as the $3.7 billion Housing Accelerator Fund continue to roll out through to 2026. There may be significant capacity constraints within the construction sectors which limit much in the way of acceleration of this programme and this limitation has not been addressed in Budget 2022. The need for a longer-term vision for housing is now greater than ever but a business-as-usual approach has prevailed.

Nominal spending on housing subsidies – 2015 to 2026



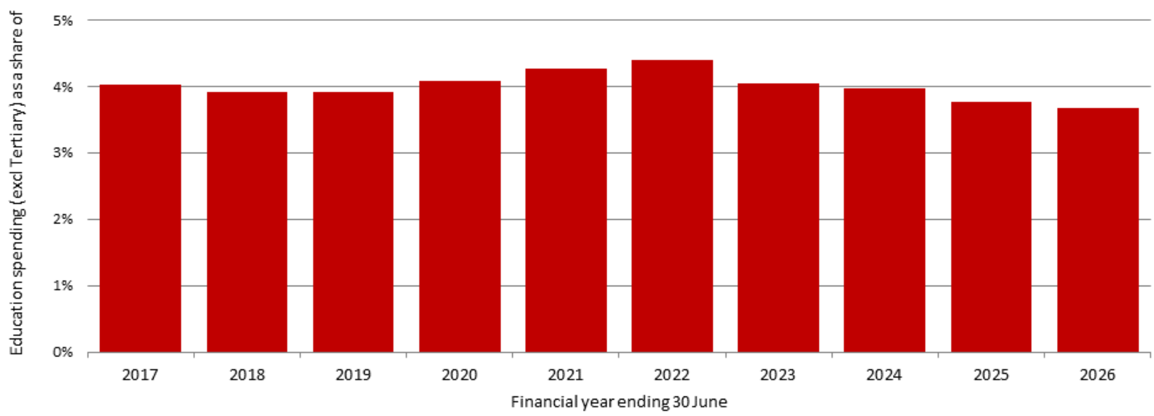
Spending on housing subsidies is planned to increase from $3.7 billion during the current financial year to $4.3 billion in 2025/25 before falling inexplicably to $4.0 billion the following year. These increases are entirely due to increased spending on income related rents which rise 42% between 2022 and 2025. Most of this increase arises from additional social housing units being added into the programme which can be seen as useful progress.

Education

We are pleased to see the transition from decile-based equity funding to the new Equity Index based funding underway. While the Equity index is underfunded, there is more money in this than there was in the decile-based equity funding.

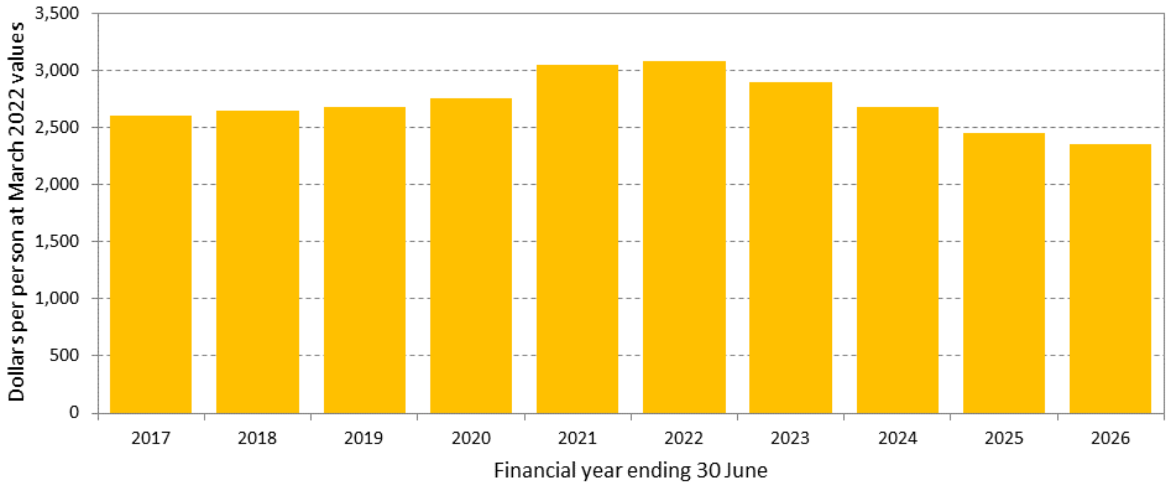
An additional $75 million per annum equity funding over four years for schools with the highest concentrations of students living in income poverty and material hardship households is welcome, of course. On the government's own analysis, to match equity funding levels of other comparable countries, our equity funding needs to increase to a minimum of 6% of total operational funding, or $340 million each year. In 2021 it was $150 million or 2.9% of operational funding. So, there is still a long way to go yet to make sure children living in poverty and hardship get a fair go at school. We now need to see significant baseline increases in equity funding in future years, not just in schools but also in early learning services where the government has also committed to action.

Spending on education (excl tertiary) as a proportion of GDP – 2015 to 2026



Education spending is reducing as a proportion of GDP, and may reflect the declining population in this age group.

Real per capita spend on education in March 2022 $ values – 2015 to 2026



There is reducing per capita spending on education, and this is concerning given how stretched the education system is currently.

In Summary

Budget 2022 represents a missed opportunity to reduce child poverty. It lacks bravery. While there are some important changes overall, the budget contains few significant initiatives to address child poverty, despite the obvious pressures being faced by the poorest families.

Child Poverty Action Group would have liked to have seen the following:

1. Actions to make a significant and sustained reduction in child poverty
2. Improving Working for Families
3. Increasing core benefits
4. Increasing Child Disability Allowance and Disability Allowance
5. Developing a longer-term financial plan to address unmet housing need.