

23 January 2020

**Submission
To the
Finance & Expenditure Select Committee
On the
Budget Policy Statement 2020**

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“The common good is the sum of those conditions of social life which allow social groups and their individual members thoroughly and ready access to their own fulfilment.” – Pope Francis, Laudato Si 156.

Summary of main points

- There is much in the Budget Policy Statement (BPS) 2020 with which we agree. The focus on improving outcomes for Māori and Pacific peoples, on improved education and training, and on creating a low emissions economy are all warmly welcomed.
- We also agree that now is a good time for New Zealand to upgrade its national infrastructure. Strengthening public health and education will help provide a strong platform for all New Zealanders to be able to flourish in the future.
- However, we are concerned that insufficient attention is being given to the monitoring and evaluation of these large-scale investment programmes. We hope to see clear, measurable and timebound goals set out in the budget documents in mid-2020 to ensure that the \$21 billion of public investment delivers the expected outcomes.
- Increased funding for buses and trains should also be considered against the backdrop of the need to meet challenging emissions reduction targets. Improved infrastructure and expanded services will be required if we are to substantially reduce traffic volumes.
- We also want to see a more holistic approach to overcoming poverty through improved co-ordination of housing, education, training, employment and health initiatives.

Introduction

1. Caritas Aotearoa New Zealand is the New Zealand Catholic Bishops' agency for justice, peace and development. We work on behalf of the New Zealand Catholic Bishops Conference for a world free of poverty and injustice through community development, advocacy, education, and emergency relief.

2. Our work is shaped by Catholic Social Teaching (CST), which reinforces the dignity of each and every person, along with their responsibilities, regardless of culture, ethnicity, gender or religion. In considering the Budget Policy Statement for 2020 we believe each of the following CST principles are relevant:
 - Human dignity – Te tapu o te tangata;
 - Solidarity – Kotahitanga;
 - Subsidiarity - Mana whakahaere;
 - Preferential option for the poor and vulnerable - He whakaaro nui mō te hunga rawakore;
 - Participation - Nāu te rourou, nāku te rourou;
 - Stewardship – Kaitiakitanga; and
 - The Common Good - Hei painga mā te katoa.

3. We support the government’s Budget 2020 priorities:
 - Physical and Mental Wellbeing - Supporting improved health outcomes for all New Zealanders.
 - Child Wellbeing - Reducing child poverty and improving child wellbeing
 - Māori and Pacific - Lifting Māori and Pacific incomes, skills and opportunities
 - Just Transition - Supporting New Zealanders in the transition to a climate-resilient, sustainable and low-emissions economy
 - Future of Work - Enabling all New Zealanders to benefit from new technologies and lift productivity through innovation and meaningful employment.

4. We support much of the Treasury’s Living Standards Framework which these priorities reflect. But we also remind the Minister of Finance and the Select Committee that a holistic policy approach will be required to achieve lasting change in the above priority areas. For example, children do not flourish in a vacuum. They are, like the rest of us, social beings. Good wellbeing and healthy outcomes for children will also require healthy wellbeing in whanau and family structures. Flexible working arrangements for parents can help to support good child development by enabling parents to spend time with their children while also participating in employment. The latter should not be looked at in isolation from the former. The positive role that grandparents and extended whanau and family can make also needs to be recognised.

5. We welcome the commitment to give long-term attention to these core priorities. Short term attention, which fades over several electoral cycles, usually delivers fewer lasting outcomes for families or children. Long term and preferably bi-partisan commitment will be key to seeing successful outcomes that stick. This is the case with developing a carbon neutral economy by 2050 and it will be the case with overcoming deep-seated infrastructure challenges and social problems.

Investing in New Zealand

6. We also agree that the time is ripe for increased investment into the infrastructure of the country. Hospitals and schools need to be adequately maintained. This includes buildings, operating theatres and classrooms. Increased capital investment in schools, hospitals, social housing and public transport improvements will help all New Zealanders – especially those on

low incomes - to participate in society and to flourish. In keeping with a “joined up” approach to government we suggest also that funds for an expansion of rail and bus transport infrastructure and services be factored into the budget as we strive towards a carbon neutral economy over the next three decades.

Healthcare

7. As with all investments the measure of success will be the quality of the investment decisions. Clearly housing and healthcare (including prevention) are areas of real need now and they are likely to remain so over at least the next decade as young people and migrants seek to purchase their first home and as the population ages.
8. One in five New Zealanders are diagnosed each year with a mental illness. We support the steps outlined to strengthen the capacity of the public health system¹. These include a big emphasis on improving mental health services, suicide prevention, reducing the cost of GP visits for children and for those on low incomes and strengthening the health workforce. We support the \$1.9billion investment for mental health services in the 2019 Budget.
9. In addition, we are also aware of the other major challenges which confront the New Zealand public health service as it seeks to keep up with Australia and the UK, such as rapidly growing figures for obesity, increased cancer rates, and an aging population. These too require increased investment for treatments and research. New Zealand has previously languished at the bottom of the OECD table for investment in research. It is therefore encouraging to see that the total NZ public and private research investment, as a proportion of GDP, rose to 1.37 percent in 2018, up from 1.23 percent in 2016. New Zealand now ranks 21st in the OECD for its gross R&D spending as a percentage of GDP according to the latest available data for the 34 OECD countries (OECD²). From 2016 to 2018 New Zealand’s position among OECD countries rose seven places (up from 28th in 2016). While there has been an improvement there is no room for complacency. Sustained focus on innovation and research – particularly in the areas of healthcare that are impacting Maori and Pacific families is important. Research is also linked to higher productivity and wage rates – areas where New Zealand still has much room for improvement.

Education and trade training

10. We also welcome the increased public investment into education. Training 2,000 more teachers, building 726 new classrooms and a \$400million programme to improve and maintain school properties should help support learning for all. In particular we support the steps outlined to increase access to tertiary education and vocational education for all New Zealanders³. We call on the government to ensure that taxpayers funds are used to properly maintain educational facilities– including integrated schools and kura kaupapa – not just state-owned schools.
11. We would be interested to know whether there is sufficient linkage, including information sharing, between vocational (and other tertiary) education providers and the likely average demand for such skills by over the next 10-20 years. Such demand analysis could include

¹ P.8, Budget Policy Statement 2020.

² <https://www.stats.govt.nz/reports/research-and-development-in-new-zealand-2018>

³ P.10, BPS, 2020.

employer input and also on benchmarking, on a per capita basis, against countries that have a similar profile to New Zealand such as Australia, Ireland, Denmark or the UK.

Overcoming poverty

12. We agree with the BPS assessment of the impact of poverty on children:

“There is strong evidence that growing up in poverty can harm children in multiple ways. These effects are particularly evident when poverty is severe and persistent and when it occurs during early childhood. They can continue into adulthood, impacting individuals’ future wellbeing and potential.”⁴

As a signatory to the United Nations Conventions on the Rights of the Child (UNCROC) New Zealand has affirmed that children should be given the opportunity to achieve their full potential and participate as equal members of New Zealand society. In 2017, research by the Child Poverty Monitor found that 290,000 NZ children - around 27% of kids - were living in income poverty. As UNICEF recently stated:

“Living in income poverty can mean homelessness, not having access to healthy food like fruits and vegetables, going to school hungry, or coming home to a cold damp house to sleep in a shared bed. It can mean missing out on activities like learning a musical instrument or playing sport, or even having a birthday party. If a child's living below the poverty line, it means they are living in households where income is less than 60% of the median household income, after housing costs are taken into consideration.”⁵

Overcoming poverty demands a holistic approach which provides higher incomes that cover New Zealand’s high cost of living; affordable housing; and a “joined-up” approach to education, training and employment which fosters movement towards lifelong education, participation and meaningful work.

Holistic approach to housing, health, employment and education

13. According to the Welfare Expert Advisory Group:

“The inaccessibility of home ownership for low and low–middle income households is a major contributor to the growth of wealth inequality in New Zealand, denying them their only chance of acquiring an asset base. Home ownership rates have fallen to their lowest rate since 1953, and Māori and Pacific families are disproportionately affected.”⁶

14. We particularly support:

- expanding Housing First to tackle homelessness, delivering additional public and transitional housing
- reducing the cost of GP visits and reducing the wait times for doctors’ appointments at GP medical centres.

⁴ P.10 *ibid.*

⁵ https://www.unicef.org/nz/in-new-zealand/fair-childhood?gclid=EA1aIQobChMI3czewdyV5wIVQpGPCh3mTQZyEAAAYAAAEgK7GPD_BwE#

⁶ P.11 <http://www.weag.govt.nz/assets/documents/WEAG-report/3a22acc869/WEAG-Executive-Summary-with-QR-code-160419.pdf>

- expanding and enhancing school-based health services
- increasing the minimum wage
- cracking down on predatory lending which exploits vulnerable people and corrodes dignity and wellbeing of people and their whanau.

15. In addition to these measures we want to see urgent action to see a substantial increase in the number of houses being constructed. This will require not only increased funding, faster and less arduous consenting processes and increased availability of qualified builders, carpenters, electricians and plumbers. Trade training and long term planned investment to deliver a much larger number of qualified and experienced builders will be essential if the government is to have any hope of fulfilling its promises on housing.

16. We will await the outcomes and evaluation of the prototype programme to deliver free, healthy lunches to Years 1-8 students in 30 schools with high levels of disadvantage in 2020. We note the expectation that up to 21,000 students in about 120 schools will benefit from this programme from the beginning of 2021.

17. The interconnectedness of social issues is plain to see for anyone who has even a passing understanding of the health and educational challenges facing low income New Zealanders. Poor housing is related to income. Income in turn is related to education and employment. Educational and employment success is related to housing conditions. All these factors influence outcomes for the children of the household. Stability and a warm dry place to call home are essential for all families to be able to flourish. As the NZ Catholic Bishops have said:

“Shelter is one of our most fundamental needs. The dignity of each person requires that they live in an environment which provides stability and a sense of belonging. Lack of secure, adequate housing undermines family and personal stability and causes physical and mental illness.” – NZ Catholic Bishops, June 1983⁷.

Māori and Pacific peoples

18. We also support having one of the five main priorities to support Māori aspirations. We note and support the following new spending items in recent years:

- \$208million to support Te Reo Māori and promote a stronger sense of national identity.
- New spending of \$81million to expand the Whanau Ora integrated service model to improve outcomes for whanau.
- We also note an additional \$113million for the government’s “supporting our Pacific communities” package
- An increase in spending on Pacific peoples’ (specifically) of 115% over the period 2017-2020.

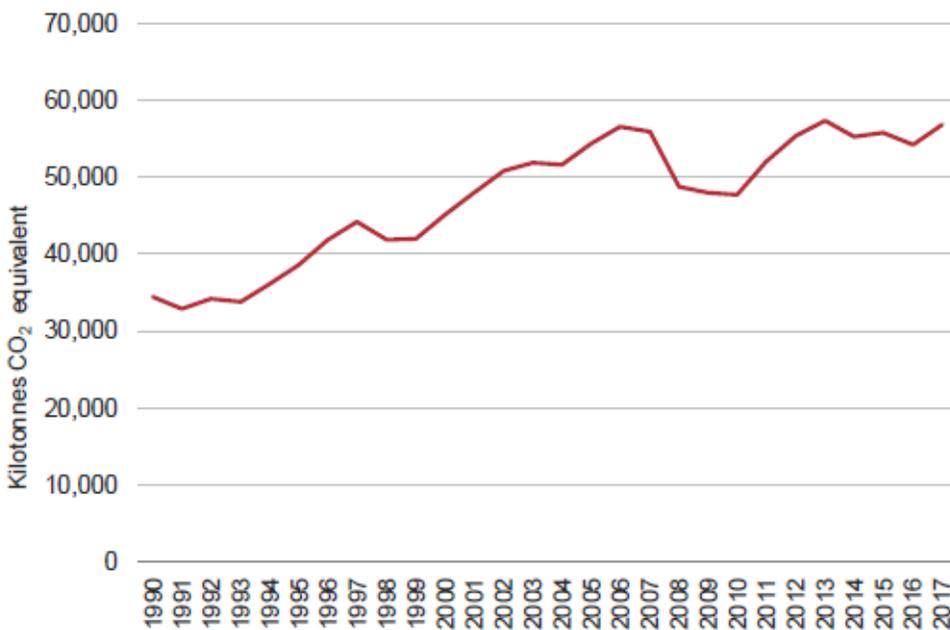
19. \$76.2million has been earmarked for Pacific peoples’ education, training, employment (particularly in the areas of nursing and midwifery). The effectiveness of such spending on improving skills leading to the flourishing and wellbeing of Māori and Pacific peoples will be the real test of the success of such public investment.

⁷ NZ Catholic Bishops, “Church in the World” Statements on social issues 1979-97. Compiled by Chris Orsman and Peter Zwart. (1997)

Climate Change

20. We support a low-emissions future and a more sustainable economy. We note the Budget 2019 Productive and Sustainable land Use package which spent \$229million to support farmers, export businesses and councils to make “positive land use changes”.⁸ It would be good to know how projects funded from these funds are progressing and when the regular report backs to Parliament will occur.
21. New Zealand also needs new cleaner forms of technology which use less carbon, “*favouring forms of industrial production with maximum energy efficiency and diminished use of raw materials, removing from the market products which are less energy efficient or more polluting and improving transport systems*”.⁹ The \$100 million set aside for the new Green Investment Fund is a good step towards this. However, these projects need to be closely monitored and progress reports made to Parliament. We propose that these initiatives also need to be supplemented by community education, support for local initiatives, and good examples of reduced carbon use by politicians and government institutions to bring about the ecological conversion that we need to make to protect our planet and people.

New Zealand’s net greenhouse gas emissions, 1990-2017¹⁰



22. We note that New Zealand’s energy-related emissions are continuing to grow, driven primarily by population growth and consequent increasing demand for transport.¹¹ New Zealand already has an extremely high rate of immigration compared to the UK or Australia¹². Perhaps the time

⁸ BPS, p.14

⁹ Pope Francis, Laudato Si’ #180.

¹⁰ BPS, p.21

¹¹ Ibid. p. 18

¹² <https://www.stuff.co.nz/national/politics/93710597/migrants-coming-into-new-zealand-at-a-faster-rate-of-knots-compared-to-other-countries-figures>

has come for a review of what a sustainable rate of immigration is for a country of New Zealand's population, geographic spread and with the existing state of its infrastructure and carbon emissions profile?¹³ This review should not infringe on New Zealand's international commitments or its ability to "welcome the stranger" and to assist refugee resettlement. We also need to ensure that we have the specialist health, educational, skills training and employment capacity in New Zealand for "welcoming, protecting, promoting and integrating refugees".¹⁴

23. The BPS indicates that the government plans to spend \$229 million on subsidies to farmers and councils to reduce climate and water impacts and improve productivity. Tracking progress against this goal will be vital to ensure that the spending results in action to reduce environmental degradation.

Social Capital, connectedness

24. We are pleased to see each of the various capitals included in the BPS: human, natural, social, and physical. However, the section on Social Capital overlooks significant gaps. While trust in the public sector is good¹⁵ it is by no means the main measure of a nation's social capital. One of the most important elements of social capital is the degree of community connectedness that people feel¹⁶. Do they have a sense of belonging and purpose? Without that sense of belonging, mental health and other measures of wellbeing suffer. New Zealand has one of the highest youth suicide rates in the world. But by far the most vulnerable group are New Zealand males (300% higher than for females). Māori are disproportionately over-represented in the suicide statistics (compared to Asian and Pacific peoples).
25. The most at risk group, by employment status, were those in employment – rather than students, the unemployed or retired people. By age the suicide rate remains high for all ages between 15-60 years.¹⁷ Strategies to address this national tragedy need to be included alongside campaigns to address the high rate of domestic violence – particularly such violence committed by Māori men.¹⁸

Financial and physical capital

26. New Zealand's labour productivity is low and remains below the OECD average. Between 2013-17 New Zealand's labour productivity actually declined. This means that New Zealand workers continued to work harder and longer just to maintain existing living standards.
27. We agree with the general direction set out in the Economic Plan in the BPS.¹⁹ Enhancing productivity and employment opportunities is key to long term income growth – particularly for those households on the margins. We also support the restart of contributions into the NZ Superannuation Fund because it helps make NZ Superannuation sustainable at 65 years of

¹³ <https://www.stuff.co.nz/business/91921252/net-migration-gain-near-72000-as-arrivals-continue-to-climb?rm=m>

¹⁴ http://www.vatican.va/content/francesco/en/messages/migration/documents/papa-francesco_20170815_world-migrants-day-2018.html

¹⁵ Budget Policy Statement 2020, p.19

¹⁶ <https://www.jstor.org/stable/4410323?seq=1>

¹⁷ <https://coronialservices.justice.govt.nz/assets/Documents/Publications/Provisional-Figures-August-2019.pdf>

¹⁸ Budget Policy Statement 2020, p. 19.

¹⁹ Ibid. pp 22-23

age²⁰, it also deepens New Zealand's domestic capital base and provides enhanced opportunities to fund new capital investment locally without reliance on overseas finance.

A long-term approach to infrastructure investment required

28. We welcome the government's commitment to establishing the New Zealand Infrastructure Commission, Te Waihanga, to identify the infrastructure New Zealand needs to keep pace with population growth, to continue to grow our economy and to improve living standards. The New Zealand national infrastructure pipeline contains more than 500 projects and is valued at \$21.1 billion over 30 years. Such long-term planning for the nation's infrastructure is long overdue. This is a welcome step forward.

Good Monitoring and Evaluation required

29. However, \$21 billion of additional public funding is substantial. We need to ensure that with each spending item there are agreed goals about what success looks like and the timeframe in which milestone outcomes are expected. The setting of such goals should include input from the targeted communities themselves as well as the general public. These goals should be timebound and have measurable key performance indicators which are regularly reviewed and reported on in a similar way to the new Climate Commission's budgets for carbon reduction.

30. Without such accountability and transparency there is an increased risk that significant public funds could be spent without real and apparent impact on overcoming poverty or the development of a low emissions economy. Furthermore any non-delivery of these important outcomes risks undermining public trust and confidence.

Conclusion

31. In conclusion there is much in the BPS 2020 with which we agree. In particular the focus on sustained improvements in education, training and employment, on higher productivity, on improving outcomes for Māori and Pacific peoples, and on working towards a low emissions economy are warmly welcomed. We certainly support greater emphasis on the wellbeing of people and the planet. We also support longer term and holistic approaches to some of the deeply ingrained social issues mentioned in both the BPS and this submission.

32. We also agree with the Minister of Finance that now is a good time for New Zealand to upgrade its national infrastructure. Strengthening public health and education will help provide a strong platform for all New Zealanders to be able to flourish in the future. It's important to have transparency and accountability for outcomes. We hope to see clear, measurable, timebound and outcome-related goals set out in the budget documents in mid-2020. We also want to see increased infrastructural investment linked to the transition to a net zero carbon economy in 2050 especially in improved public transport. There also needs to be a holistic approach to overcoming poverty which incorporates health, education, training and employment initiatives.

33. Thank you for the opportunity to comment on the 2020 Budget Policy Statement. We would like to make an oral submission.

²⁰ Raising the age of entitlement for superannuation disproportionately impacts Māori and males who have shorter life expectancies than Pakeha, Asians or females.