

Budget Policy Statement (BPS) 2021
Finance and Expenditure Committee

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

Executive Summary

1. Our submission to the BPS 2021 is written in the context of our 14th annual State of the Nation report released in February 2021, *Disturbed Present. Better Future?* During this report release, one of our primary calls to action to government was courageous and bold policies. We acknowledge that the government *has* proposed many social policies that we are supportive of, particularly during the Covid period in 2020. However, our State of the Nation 2021 report indicated that in most of the social progress indicators we've monitored for over a decade, things got worse or didn't really change in the last year in our opinion. Therefore, we have followed up our report release with this submission to the BPS 2021 to continue to emphasise our key messages and call to action to our government.
2. The Salvation Army generally supports the direction and intentions of the BPS 2021. We are supportive of the overarching policy goalsⁱ, and of the Budget 2021 priorities and wellbeing objectivesⁱⁱ. The core of our submission will focus on commenting on the investment decisions in the wellbeing objectives, and the fiscal strategy in the BPS 2021.

Background

3. **The mission of The Salvation Army is to care for people, transform lives and reform society through God, in Christ and by the Holy Spirit's power.** 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 around the country.
 - a. The combined services of The Salvation Army provided support to around 120,000 people per year. These services included over 57,000 food parcels to more than 28,000 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 Mark Campbell, Territorial Commander of The Salvation Army's New Zealand Fiji Tonga, and Samoa Territory.

State of the Nation 2021 – *Disturbed Present. Better Future?*

5. Our submission is made considering our 14th annual State of the Nation report released in February 2021. This report monitors over 100 social progress indicators, across five specific areas of social wellbeing and measures outcomes that impact on the wellbeing of the

communities, whānau and individuals. The five key areas are our children, work and incomes, housing, crime and punishment, and social hazards (addictions and problem debt).

6. On page 2 of the BPS 2021 document, Treasury notes that the Wellbeing Outlook section of their paper *highlights how New Zealanders and the economy have come through the Covid-19 pandemic generally in good shape, particularly with regard to life satisfaction measures.*ⁱⁱⁱ In many ways, we agree with the statement and outlook. However, for many of the poorest and most vulnerable people and whanau that we serve, we believe they would not share this wellbeing outlook stated by Treasury. Hence, we titled this State of the Nation report *Disturbed Present. Better Future?* The first half of the title covers the disturbed and disrupted 2020 that our nation and world went through. The second half of the title, after analysing and commenting on the 100 plus measures we monitor, is based on a critical question; what does a better future look like for the poorest and most vulnerable New Zealanders?
7. Overall, our State of the Nation 2021 presented a fairly dark and gloomy picture of social progress and need in our nation. Of course, there was some fragile progress, especially in youth offending, teenage pregnancy, and abortion rates, and some of the indicators we track for the Māori Inequalities and Wellbeing section. But in most of the other measurements we track, things either deteriorated, or had no demonstrable change, in the last year. Many of this has been shaped by the impacts of Covid. But other indicators have been trending in certain damaging directions for over a decade.
8. Some of these key indicators are reproduced below to again illustrate that the wellbeing of many of the people in the communities we serve is not as rosy as Treasury indicates. Clearly, it is a complex snapshot of social progress. But, as shown in the figures below of working-age benefits, unemployment, Salvation Army food parcel distribution, the social housing register, the impact of methamphetamine and the steady increase in lending from non-bank institutions, hardship in our view is increasing for many New Zealanders, in particular the poorest and most vulnerable. But even that 'traditional' picture of hardship is changing. For example, during Levels 4 and 3 lockdowns in 2020, we saw over 10,000 new clients use our services for the first ever time (mostly food banks).

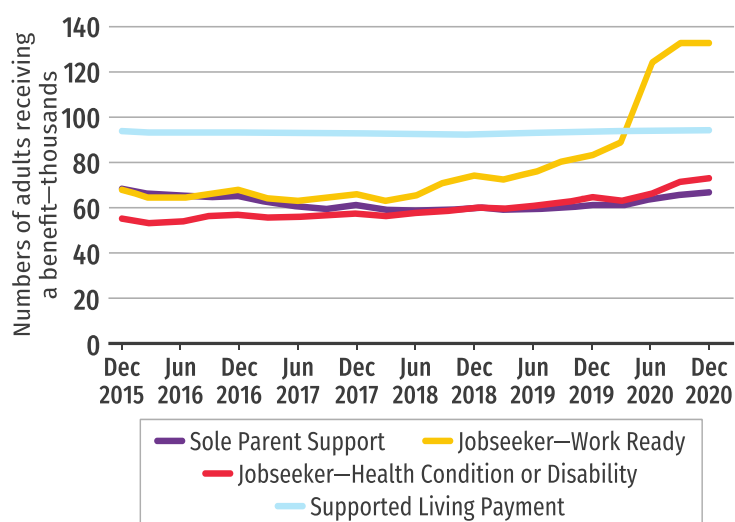
Specific Responses to BPS Wellbeing Objectives 2021

9. **Just Transition** – The Salvation Army acknowledges this important aspect of the BPS. However, we will not comment any specific matters here.

10. Future of Work

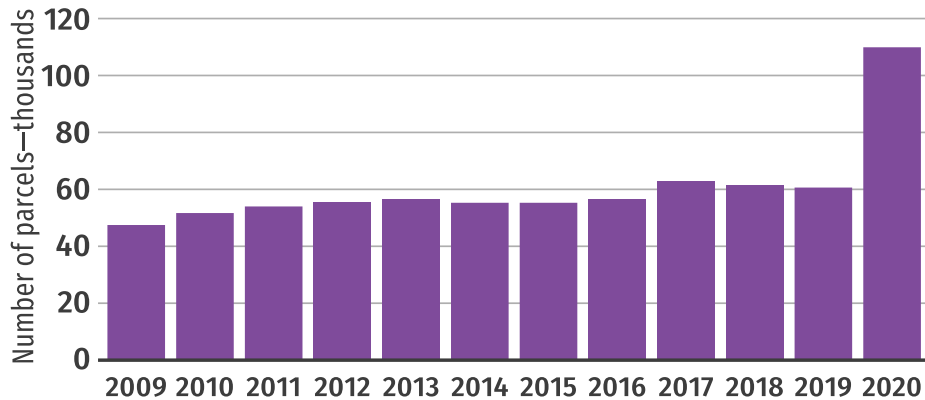
- a. **Enabling all New Zealanders to benefit from the changing nature of work** - Looking at the employment market from the perspective of those most disadvantaged or excluded from paid work means understanding the importance of Budget policies that support those who are struggling.
- b. The worth of people in our society should not be defined by the level of connection they have to paid work. We urge the government to continue to develop employment and welfare policy that has the aim of maximising employment and does not accept that there is some level of unemployment that is sustainable. Prior to the Covid19 crisis, the Reserve Bank considered the economy to be at or above maximum sustainable employment levels (RBMZ Monetary Policy Statement February 2020). At that point there were around 209,000 people jobless – either unemployed or willing to take work if it was available. We do not accept that is a socially sustainable goal and it does not fit BPS goals to re-build back better or for just transformation. We urge the government to be bolder than setting employment goal of returning to “pre-Covid19 levels” (BPS, p.28).
- c. Unemployment has not risen as high as initially feared but is still expected to be above pre-Covid19 levels for some time. Current welfare settings do not provide sufficient support to people who are not in paid employment, a fact highlighted by the temporary CIRP payment that was set at a level almost twice that of the Jobseeker benefit with much more generous eligibility criteria.
- d. There are over 75,000 more people receiving income support compared to the end of 2019 and this increase has been driven by increases in the number of people registered as Jobseekers. The BPS forecasts that these numbers will remain high for another 2-3 years. It will take more flexible and generous income support that ensures people can transition into paid employment more easily and stay in employment. Changes to abatement thresholds from 1 April partially address this but more attention to the impacts of abatement rates and thresholds for benefits and Working for Families entitlements is needed so that people are genuinely better off in paid employment. Women’s employment has been more impacted than men’s by the crisis and women’s earnings are more likely to be improved by positive changes in this area of employment and welfare policy.

Number of people receiving selected working-age benefits—2015–2020



- e. Young people have borne a disproportionate share of the employment impacts and we note that highest number of NEET for nearly a decade and the higher rates of unemployment for younger people. Budget policy will need to further resource efforts to bring excluded young people into training and employment
- f. Māori and Pasifika unemployment rates remain twice those of the total population and labour market policy needs to actively support. The currently funded initiatives focused on increasing access to training and employment for Māori and Pasifika workers will need to increase if this disparity is to be reduced.
- g. There are multiple signs of increasing hardship some of which were highlighted in the State of Our Nation 2021 report. Food security is a continuing issue – households on low incomes seek to economise and food is one area where they have some control. The result is people going without food and the enormous increase in food parcels distributed in 2020 is a signal of how many families are hovering on the edge of just getting by. Increased funding for lunches in schools and national level work to improve food security is a hopeful start towards transforming communities' capacity to ensure people can be food secure. The initial \$30 million from government in Budget 2020 for this work will need to be backed up by future funding to underpin transformed food networks.

Food parcels distributed by The Salvation Army—2009–2020



- h. Household debt is another hardship indicator - the increase in consumer debt as low-income families borrow at outrageous interest rates, while the wealthiest households access the lowest interest rates in decades. Alternative sources of lending are still too few and far between and lack the scale of resourcing needed to offer an alternative to current finance market products.

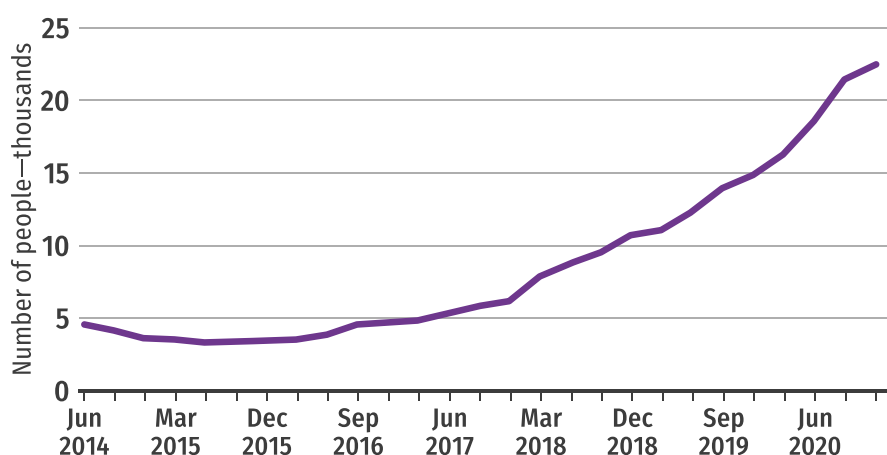
11. Māori and Pasifika

- a. It is encouraging that the BPS 2021 continues to prioritise Māori and Pacific incomes, skills and opportunities and we believe this is crucial given the huge disparities created and perpetuated by the pandemic. The Salvation Army serves the most vulnerable and marginalised in our communities and almost 50% of those that walked through our doors in 2020 were either Māori or Pacific. We acknowledge that many of the challenges that Māori and Pacific face are multi-faceted and intergenerational and that policies that address these issues will be no small feat.
- b. The State of the Nation 2021 report showed that the impacts of Covid-19 had disproportionately fallen on those already struggling with hardship before the pandemic. Māori and Pacific are overrepresented in the social housing register, have higher unemployment rates than the general population, overrepresented in the justice system both for victims and offenders and have higher under utilisation rates with more Māori and Pacific on ready to work welfare benefits. Māori and Pacific represent the highest proportion of those in lower-skilled occupations and have the lowest average median household income by ethnic group in New Zealand. The drivers for Māori and Pacific's poorer outcomes in the labour market can be attributed to factors such as educational achievement and social deprivation.
- c. **Education:** The BPS 2021 identifies significant investments made in response to Covid-19 which included supporting Māori and Pacific to remain engaged in education. Education achievement is an indicator for an individuals' access and ability to gain meaningful employment and skills which further dictates their income levels in the future. In 2020, the attendance rates from early childhood education to secondary level education declined for Māori and Pacific, children in households with limited access to devices and internet also had their ability to learn impacted and the achievement gap between lower and higher deciles continues to increase. There needs to be significant investment in the education of Māori and Pacific

children to lift participation and achievement levels and particularly to address the impacts of Covid-19.

- d. **Employment and Income:** Māori and Pacific are disproportionately impacted by the effects of Covid-19 on employment and income. The number of young people Not in Education, Employment or Training (NEET) increased for both Māori and Pacific in 2020 and the labour force participation rate for Māori and Pacific declined. Māori and Pacific are predominantly employed in wholesale & retail, manufacturing, health care & social assistance and utilities & construction. Māori and Pacific are often employed in lower-skilled and lowest-paid sectors. Incomes across the board are increasing but those on lower incomes have had minimal change compared to those on higher incomes. There needs to be more concerted effort in lifting the minimum wage to a living wage and providing avenues for Māori and Pacific to move into employment and providing skills to allow Māori and Pacific to move into higher levels of employment. There also needs to be a targeted approach to Māori and Pacific young people to engage them in education, employment or training given the demographic makeup of Māori and Pacific and the large number of young people.

Social Housing Register—2014–2020

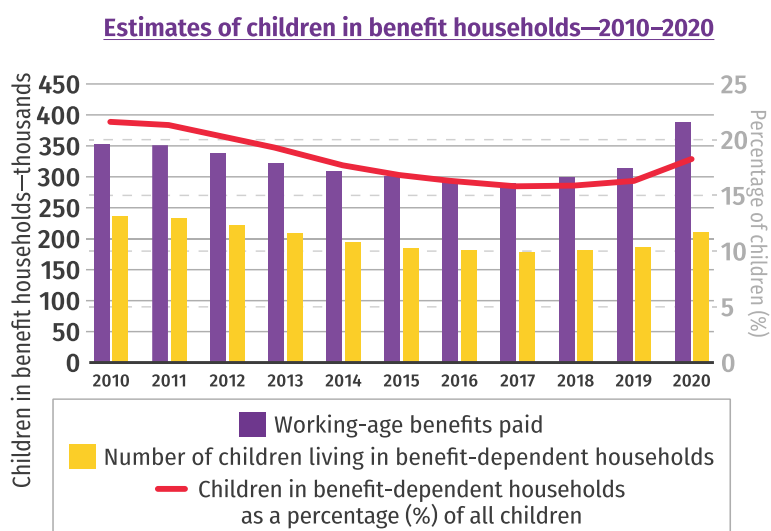


- e. **Housing:** The BPS 2021 also shows the role that safe and secure housing plays in the outcomes of health, education, employment, and income. We acknowledge the investments the government has made into He Whare Āhuru He Oranga Tāngata – The Māori Housing Strategy and Pacific Housing initiative. However, Māori and Pacific continue to be overrepresented in the social housing register and have a lower rates of home ownership. The Salvation Army works in the sharper end of the housing spectrum with homelessness, transitional and emergency housing. Māori and Pacific represent over 60% of our clients utilising our transitional housing in 2020 and many of these clients are moving into to social housing. The growth in the housing market is leading to unattainable home ownership for many Māori and Pacific. The State of the Nation report also showed that rent for low income households were rising faster than the average income – these were evident in areas such as Cannons Creek and Ranui which have high Māori and Pacific populations and high social deprivation. Overcrowding, unstable, and unsafe homes have negative implications on wellbeing outcomes and the state of housing for Māori and Pacific. There needs to be significant investment targeted approaches in housing for Māori

and Pacific in conjunction with the investment towards bettering the income, skills and opportunities for Māori and Pacific.

12. Child Wellbeing

- a. ***A good start in life for our children*** - It is encouraging to see the positive progress in reducing child poverty reported in the recently released official child poverty statistics. One of the three-year targets for reducing was indeed achieved one year earlier (50%AHC fixed line) and a second target was also close to being achieved (material hardship). This improvement is the result of government policy aimed at increasing transfers to lower income families (primarily through the Families Package policies) as well as reducing unemployment. However, these outcomes were achieved before the impact of Covid19 in March 2020, and since then the number of children most at risk of poverty, those in benefit dependent households, has increased by more than 23,000 to over 211,000 at December 2020 (most recent figures)



- i. We also note that the child poverty figures starkly demonstrate the huge disparities in child wellbeing. Pasifika and Māori children must endure rates of poverty two – three times higher than for all children overall. Such figures cry out for policies better designed to meet the needs of children in Pasifika and Māori families and whānau. An example of better designed policy would be the accommodation supplement and other accommodation assistance being more responsive to the needs of larger families.
- ii. The Welfare Expert Advisory Group report from two years ago (February 2019) set out a very clear plan to transform the welfare system. We share the concern of many other organisations working people who rely on government income support, that the current levels of income support are too low, and the spirit and ethos of the welfare system drives people into deeper hardship and does not treat them fairly and with dignity.
- iii. Changes made to income support over the past three years have increased incomes for families relying on welfare support significantly, but these increases have not been enough to address the deficits in weekly incomes.

The Child Poverty Action Group has calculated that for a range of typical households with children, increases of more than \$100 per week in income are needed to lift them above the 50%AHC poverty line.

- iv. Currently there is no plan publicly available about how the government intends to reduce child poverty by half in seven years' time. We ask what the budget allowance has been allocated to this policy goal to reduce child poverty? We urge the government to recognise the urgency of the situation that has been made worse by the Covid19 crisis and take bold action. The Budget 2021 needs to allocate resources for an accelerated transformation programme to implement the recommendations of the WEAG report and funding to achieve the goal of halving child poverty much sooner than in seven years' time.

b. **Improving housing condition** - The deepening housing crisis in this country is well documented. The Salvation Army focus is how this crisis can be responded to in a way that works best for those most disadvantaged, those at the 'sharper' end who are homeless or at risk of homelessness, living in poor quality and unaffordable rental housing and those who with good support can increase their wellbeing through assisted home ownership programmes. We continue to call for further multi-billion-dollar investment in work to address these areas as a priority.

- i. Homelessness and emergency housing: now is the time to continue spend to support people in emergency accommodation while working on other solutions. Ending support programmes at a time were other options are not available is simply unjust.
- ii. Social housing: the rapid increase public housing over the past three years is a great achievement. But all options have not been fully explored to further increase new supply to meet the growing need. We urge the government to allocate funding for capital and operating allowances for investment by community housing organisations to further increase supply of social housing.
- iii. Rental housing: Most people in hardship are renting and the budget must aim to ensure housing support through the Accommodation Supplement is sufficient to meet housing costs for low income households. This includes reviewing thresholds and the AS areas to ensure they adequately reflect the realities of housing costs in those localities (e.g. Queenstown example).
- iv. The budget needs to include better resourcing enforcement of new tenancy law changes and support for advocacy for tenants. Without these resources, the significant reform of the rental housing sector could prove much less effective.

c. **Good material standards of living** - Other risks to children's wellbeing that the 2021 Wellbeing Budget must address we believe are violence towards children, education outcome disparities, and mental health.

- i. Violence towards children is showing mixed trends but with a tendency towards more serious forms of violent offending. This trend needs to be

seen in the context of family violence and we urge the Government to ensure significant resourcing in the 2021 Budget for work to both prevent and respond to family/whanau violence.

- ii. Our State of the Nation reported some of the concerning trends in both early childhood education and student achievement in the whole school system. At the heart of these issues are long-standing and significant equity issues. We note the disproportionate effects of the Covid19 impacts on the attendance and achievement for children and young people living in more disadvantaged areas.

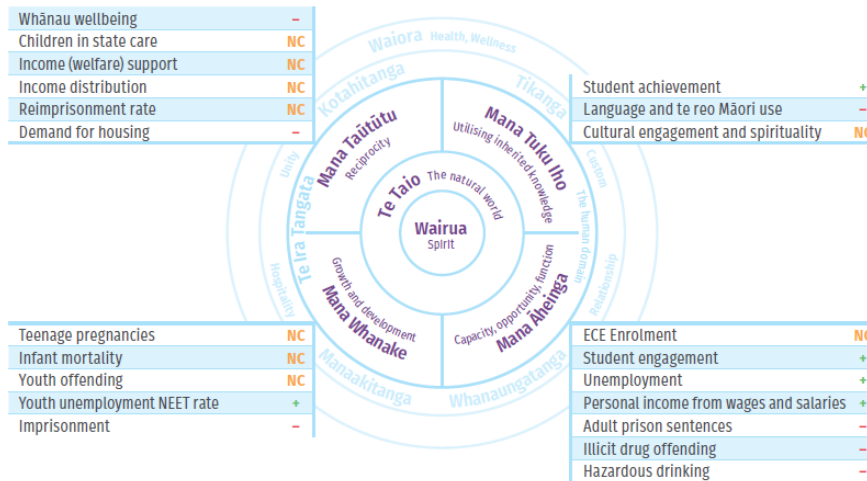
d. **Mental health of young people** – it is pleasing to see the additional funding being made available for programmes designed to meet the specific mental health needs of young people. We note the clear message from the director of the Suicide Prevention Office that essential to progress in reducing mental health pressures and youth suicide is a focus on the “protecting factors” for reducing suicide such as long-term secure housing, stable employment, and good family/whanau relationships. This underlines the message that increased funding for mental support programmes must be accompanied by significant investment in these other areas that are sources of better mental wellbeing.

- i. The message from the Suicide Prevention Office applies across all these other areas of concern for child wellbeing. Increased wellbeing flows from better housing, households with fewer financial pressures, and living in communities with easy and fair access to good healthcare and education.

13. Physical and Mental Wellbeing

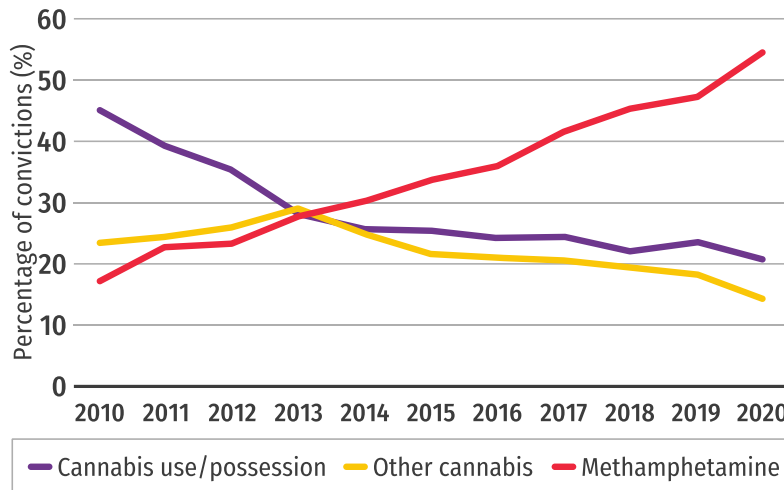
- a. We welcome this focus on good physical and mental health in the BPS. However, there are specific aspects missing in this part of the BPS that we submit require further courageous policy action.
- b. Firstly, we remain disappointed that there remains a lack of recognition of spiritual health and wellbeing and this aspect of health contributes directly to physical and spiritual health. As a Christian church and social service agency, the transformative power of God’s Word, love, justice, and forgiveness are major contributors to our approach to holistic wellbeing. We have reiterated this in previous submissions to Statistics New Zealand and other government departments about the importance of spiritual health. Spiritual health and wellbeing are equally important to holistic wellbeing and should not be excluded from these social policy discussions.
- c. Additionally, in our State of the Nation report, we include an analysis and commentary on wellbeing measures for Māori that tries to embrace a Māori worldview or approach to wellbeing.^{iv} This model is included below. The core focus of this analysis is to measure and communicate Māori wellbeing using various social progress indicators. But central to this model is *Wairua*, defined by many Māori leaders and academics as spiritual wellbeing. *Wairua*, or spiritual health, is a critical aspect of physical and mental wellbeing. And so, efforts or actions to support and enhance spiritual wellbeing should be considered in any BPS objectives.

Wellbeing measures placed in He Ara Waiora framework



- d. The other aspect that we submit needs greater focus in the BPS 2021 is increased funding into addiction services. Courageous action is needed in this sphere. The Salvation Army is a provider of alcohol, other drug, and gambling harm addiction treatment services. In many ways, addiction treatment is the ‘poor cousin’ of the mental health and wellbeing korero. In Budget 2020, we supported the increased investment into hospitals, district health boards, whanau ora services and some mental health services. But the momentum from the *He Ara Oranga: Government Inquiry into Mental Health and Addiction* could stall and be lost if additional investment is not made into addiction services.

Composition of illicit drug prosecutions by type of offence—2010–2020



- e. We monitored addictions issues in our 6 Covid-19 Social Impact Dashboards released between March and November 2020 and stressed the realities for addiction services during and after the lockdowns.^v
- f. In August 2020, The Salvation Army also made a submission to the *COVID-19 Kia Kaha, Kia Maia, Kia Ora Aotearoa: Psychosocial and Mental Wellbeing Recovery Plan*.^{vi} Our submission was primarily focussed on the addiction part of psychosocial and mental wellbeing as our nation came out of the most restrictive lockdown

levels. In this submission, we again called for stronger action around addiction treatment services. We recommended the following policy actions:

- i. Tele-health, digital e-mental health, and addiction service development as a funded part of specialist NGO service delivery.
 - ii. Restricted access to alcohol, drugs and gambling venues during lockdown showed beneficial impact. Therefore, we propose stronger regulations around gambling and alcohol.
 - Decrease the density of pokie machines in poorer communities
 - Decrease the density of liquor shops in poorer communities
 - Reduce the hours of alcohol purchases in supermarkets and trading hours of liquor stores
 - Strong limitations on alcohol and gambling advertising, particularly online gambling
 - iii. Consider legislation preventing overseas internet gambling as social isolation can contribute to an increase of gambling online and harmful impacts.
 - iv. Alternative, sustainable funding model and opportunities for community groups dependent on grants from Class 4 gambling.
- g. Again, we are supportive of the growing focus and funding going into mental health services. But we call on government to make more courageous policy decisions regarding addiction services. And as outlined above, courageous policy is not just about bigger and better, but also includes key incremental changes for whanau and local communities that have significant, ongoing impacts.

Responses to fiscal strategy

14. The Salvation Army acknowledges the strong economic and fiscal position that our nation is currently at. In terms of the fiscal strategy and key objectives in the BPS 2021, we have the following comments:

- a. **Long-term Debt** – we support careful management of government spending and government debt. But the BPS 2021 shows clearly that net debt as a percentage of GDP is at a much lower level than other countries. In our view, balancing this prudent fiscal management with investing into some bold social policy actions such as lifting the main benefit levels is tricky, but also very necessary to enable long-term positive outcomes for the poorest in New Zealand. The government has done an excellent job in managing the books. But this can't be saved for other proverbial rainy days, especially when Covid has revealed and exacerbated major social issues.
- b. **Long-term Operating Balance** – we strongly support this objective, especially it's updated form that calls for the government to invest more to *cushion the blow of COVID-19 and support the economic recovery*. Previous government investment around Covid has been commendable, but also temporary and very targeted. We submit that the state of the poorest New Zealanders has not always been impacted by other Covid-related investment from government. Long-term investment is needed, particularly in benefit rates, addiction treatment services and engaging better with community housing providers to ensure that the ongoing blows of Covid are further cushioned.

- c. **Short-term Operating Balance** – we support the updated objective that focuses on economic recovery and employment. In our Social Impact Dashboard series, we had a consistent focus on advocating for innovative employment solutions, especially in regional areas. In our State of the Nation 2021 report, we highlighted the major increase in registered jobseekers with WINZ. But we also highlighted that the impacts of unemployment changes from Covid have fallen unequally on Māori, Pasifika, and young people. For example, the number of NEET young people is at it's highest level since 2012. Again, the temporary investments were positive and have contributed to unemployment not being as bad as originally forecast by many economists. But investment in innovative employment pathways is urgently needed in the short-term which will impact long-term wellbeing.

ⁱ Retrieved from <https://www.treasury.govt.nz/sites/default/files/2021-02/bps21.pdf>, page 1.

ⁱⁱ Ibid, page 2.

ⁱⁱⁱ Ibid.

^{iv} Ibid, page 82.

^v Available at <https://www.salvationarmy.org.nz/article/sppu-covid-19-social-impact-dashboard-report-6>

^{vi} Submission available from: <https://www.salvationarmy.org.nz/article/submission-covid-19-psychosocial-and-mental-wellbeing-recovery-plan>