

National-led government: impact on the most vulnerable

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Introduction

With the election of a National-led government (2023), a number of respected advocacy organisations, representing the poor, children and disabled people, articulate their fears. These fears are based on government policies that could make vulnerable groups of society worse off, while benefitting more affluent people. Expressions of concern are made by:

- Save the Children (STC)
- Child Poverty Action (CPA)
- Public Services Association (PSA)
- Barnardos

These organisations base their concerns on data from Statistics New Zealand that showed a significant increase in child poverty rates arising from proposed benefit changes. CPA and STC expressed concern that the indexing of benefits to the CPI (inflation) rather than the existing system, to the average wage, would badly affect beneficiaries. In the mini-budget (December. 2023), government estimates this would result in savings of \$669.52 million, which represents an equivalent loss of benefit income. Based on this, journalist Thomas Coughlan (NZ Herald. 14.2.2024) stated that there will be an extra 13,000 children living in poverty as a result of benefit changes.

If that particular policy change is not sufficient to damage the lives of the poor, then the addition of the following should:

- An end to discounts for bus travel for children.
- Ending of the First Home Buyers scheme.
- Major reduction in the quality of school lunches.
- Increased prescription charges.
- Ending of free flu vaccines for under-12 year olds.
- Ending free 20 hours early childhood education for 2 year olds.
- Lack of commitment to build more state houses.

- Ending or reducing free public transport for certain young age groups.
- Ending first year free tertiary education.

The Finance Minister in her first budget (30 May 2024) announced tax reductions for many taxpayers. These cuts are between \$4 and \$40 per fortnight. The budget does this by simply changing tax thresholds and adjusting Working for Families payments. However the media has analysed National Party promises for tax cuts against what is delivered. The promised tax cut by the leader of the National Party was \$250 per fortnight but, according to Jack Tame, only 3,000 taxpayers receive this. Tame went on to show that 9,000 would be worse off due to tax changes (Wynn. K).

Another criticism of the tax changes is the substantial tax deductions now given to owners of residential rental property (landlords) for any interest payments.

In addition, the ACT party leader, David Seymour suggests a new tax system. He wants a flatter tax system. The Finance Minister has agreed to consider such a scheme. This would involve:

- Three tax brackets.
- Reducing the top tax bracket from 39% of income to 30%.
- Introducing tax credits to low and medium income earners.

Grant Robertson, Labour's previous finance spokesperson, scoffed at the idea. Also, the chief economist of NZ Council of Trade Unions (CTU), Craig Rennie (RNZ, talking to Corin Dann (29.1.2024) rejected the proposal because it was a regressive policy that helped the rich at the expense of the poor. Rennie was skeptical about introducing tax credits without any details being provided. He also argued that such a system would reduce government's tax income, leaving insufficient funds for basic public services like schools, hospitals and water networks.

However, both Labour and National are criticised by journalist, Simon Wilson. He says, '... the pair of them, guilty as charged. They differ in many ways, but on one thing they are united: both are addicted to promising us we can have low taxes and a high level of public services" (NZ Herald).

Looking more closely at four changes

a) Child poverty

There is deep concern at the level of child poverty:

17.5% (1 in 6) children are living in households with less than 50% of median household income, and

12.5% (1 in 8) of children are living in households experiencing material hardship.

The number of children living in poverty has risen this year from 134,300 to 146,000. This comes with a warning from journalist Thomas Coughlan that the budget could result in a further increase of up to 13,000 children living in poverty (NZ Herald.14.2.2024).

According to Save the Children (NZ) increases will result from a change in indexing benefit levels. This will increase hardship among families. In particular it will impact women, Maori, Pasifika and disabled people and their households (Save the Children. 15.2.2024)

b) Food support

Deep concern over government budget cuts has been expressed by Auckland's City Missioner, Helen Robinson (28.6.2024). She outlines the issues:

- One in five New Zealanders have insufficient food.
- 485,000 New Zealanders need food support every month.
- The City Mission provide 50,000 boxes of food.
- The City Mission supplies 2.5 million meals each year.

Due to less funding her organization has to turn away hungry people. If government fails to funds of \$1.5 million, the City Mission will cut the number of boxes by 30,000.

However, this is not just an Auckland problem. NZ Food Network (NZFN. Scoop. 29.4.2024) has highlighted a wider problem of rapidly rising demand for food support:

- 630,000 people were food supported last year
- 42% increase in demand for food support

As an example of the problem (reported by Craig in NZ Herald), a food bank in South Auckland reports that it supports 200 families (1,000 people). There is now uncertainty regarding government financial support. The wider problem is exacerbated by government's plans to cut funds for school lunches. Savings of \$107 million are planned by the Minister responsible. The worry is that this might mean a fall in quantity and quality of food provided to school children.

c) Energy hardship

Energy hardship is defined by the Ministry of Business, Innovation and Enterprise (MBIE) as when individuals, households and whanau are not able to obtain adequate energy services to support their wellbeing in their home or kainga (report from Energy Hardship Expert Panel. p.27).

Examples of this are seen when a household:

- Could not pay a power bill.
- Could not keep a dwelling warm.
- Put up with feeling cold.

The expert panel report points out that there are dangers to family health living in a cold house. (p.11). This situation has resulted in over 6,000 hospital admissions at a cost of \$36 million.

The report says, "Recent data shows 110,000 households (nearly 300,000 people and 5.8% of all homes) could not afford to keep their homes adequately warm" (p.10). This situation is most common amongst Maori, Pacifica households, people renting and low-income families.

Of particular concern and considered unreasonable are extra fees charged customers for pre-paid accounts, disconnection and reconnection fees. During 2023, 40,000 households had their power disconnected due to failure to pay outstanding bills. The report also suggests that the winter energy allowance should be paid to all low income families, not just those on benefit. (In July 2024, Contact Energy decided to remove connection and reconnection fees).

Presbyterian Support Northern highlights this problem: *Families reduce heating, food to pay bills.* It (8 July 2024) states there is 'A growing number of people [who] can no longer afford to heat their homes or buy food.'

d) Housing and homelessness

The census showed that there are over 100,000 people who are severely housing deprived. NZ Statistics defines homelessness as a living condition:

- Without any shelter e.g. sleeping rough or in a car.
- Living in emergency accommodation
- Living in uninhabitable facilities e.g. garage

Homelessness is often associated with mental health problems, addictions and/or family violence.

In Auckland (Auckland Council. 2018) there are:

- 498 people without shelter
- 2,337 people living in temporary accommodation
- 15,582 sharing with others temporarily
- an unknown number living in uninhabitable dwellings

The new National government outlined its new targets to be achieved by 2030. This included reducing the number living in emergency accommodation (3,100) by 75% (NZ Herald. 9 April 2024). When considering the context of homelessness, the target is meaningless. It begs the question as to where the 2,000+ people will go. The same government is cutting back on the construction of any new state housing that could potentially accommodate people from emergency housing.

Labour MP, Arena Williams, argues that the long term impact of failing to build new houses is to create a housing shortage with the economic winners being institutional property investors (NZ Herald. 10 July 2024).

Conclusions

The new National-led government has brought in a number of regressive policies that negatively impact on the poor. For example, beneficiary families will not be able to avail themselves of any tax cuts because they do not earn any taxable income. At the same time the retail costs of food and power rise. There is a chronic housing shortage in the country that results in financial gains for most property owners and losses for others. The number of homeless

remains an intractable problem with over 100,000 who are severely housing deprived.

In completing this analysis, government struck the poor again. It has introduced a 'traffic-light' system for some beneficiaries, primarily single parents and the unemployed (NZ Herald.14.8.2024. p.A7). The new system involves sanctions against those that do not comply with strict obligations. The Green Party spokesperson says this will hurt those who already have insufficient income. The Labour Party leader says that the policy is akin to kicking a person when they are down. It is an example of punishing the poor for living a life of poverty. The new 'traffic-light' policy achieves little except pain on the poor as well as reinforcing the privileges of those who created it, people who have no experience of personal poverty.

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