

**Submission to the Finance and  
Expenditure Committee  
on the  
Budget Policy Statement 2023  
29 January 2023**

## 1. Ko wai tātou | Who we are

The Methodist Alliance is a formal alliance of Methodist Missions, parishes and community based social services and trusts, including cooperating ventures. This grouping constitutes a major provider of a range of services for tamariki/children, rangatahi/young people, and their families/whānau.

The Methodist Alliance brings together a number of large and medium social service providers such as Lifewise in Auckland, Methodist City Action in Hamilton, Palmerston North Methodist Social Services, Wesley Community Action in Wellington, Christchurch Methodist Mission, Methodist Mission Southern in Dunedin, as well as local community services provided by individual parishes. It includes new social service organisations, such as Siaola Vahefonua Tongan Methodist Mission; Puna’Oa - the Samoan Methodist Mission that operates within the Samoan Synod of the Methodist Church; and Te Taha Māori.

Ka whakahōnore mātou i tō mātou whakahoatanga Tiriti – we honour our Tiriti partnership. Te Tiriti o Waitangi is the covenant establishing our nation on the basis of a power-sharing relationship. It is the foundation for social, economic and political equality in Aotearoa New Zealand.

The Methodist Alliance is grounded in our commitment to Te Tiriti o Waitangi and the bi-cultural journey of the Methodist Church of New Zealand - Te Hāhi Weteriana o Aotearoa, where Te Taha Māori and Tauīwi work in partnership. We claim the right bestowed by Article Four of Te Tiriti o Waitangi:

“E mea ana te Kawana ko ngā whakapono katoa o Ingarangi, o ngā Weteriana, o Roma, me te ritenga Māori hoki e tiakina ngatahitia e ia.”

“The Governor says the several faiths of England, of the Wesleyans, of Rome, and also the Māori custom shall alike be protected by him.”

The Methodist Alliance and our member organisations work collaboratively to achieve our vision of a just and inclusive society in which all people flourish, through our commitment to our faith and Te Tiriti o Waitangi.

## 2. Tirohanga Whānau | Overview

This submission is informed by the Methodist Alliance’s vision for a just society in which all people flourish and our strategic goals, in particular:

- Kāinga haumarū – Safe, secure, affordable and healthy housing
- Ngā tamariki, me ngā whānau hoki, kī pai i te māia, i te manawaroa - Strong resilient children and families

- Kia hanga hāpori kaha ake - Building stronger communities

We are concerned with the widening gap between rich and poor and the effects this disparity has on our communities. The unequal distribution of resources, as well as the barriers to accessing resources further impacts on the most vulnerable whānau and perpetuates intergenerational inequity.

OECD research found that income inequality hurts economic growth and reducing income inequality would boost economic growth.<sup>1</sup>

“Drawing on harmonised data covering the OECD countries over the past 30 years, the econometric analysis suggests that income inequality has a negative and statistically significant impact on subsequent growth. In particular, what matters most is the gap between low income households and the rest of the population.”<sup>2</sup>

Research undertaken by the OECD shows that 74% of New Zealanders believe that the income disparity in Aotearoa New Zealand is too large.<sup>3</sup>



Source: <https://www.oecd.org/social/does-inequality-matter-3023ed40-en.htm>

<sup>1</sup> <https://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm>

<sup>2</sup> Cingano, F. (2014), "Trends in Income Inequality and its Impact on Economic Growth", *OECD Social, Employment and Migration Working Papers*, No. 163, OECD Publishing, Paris, <https://doi.org/10.1787/5jxrjncwvx6j-en>.

<sup>3</sup> <https://www.oecd.org/social/does-inequality-matter-3023ed40-en.htm>

This research showed that people care about inequality of both outcomes and opportunities and will support inequality-reducing policies where there is good understanding of the effectiveness of the proposed policy to redistribute wealth.<sup>4</sup> **We need policies that redistribute wealth, increase benefit levels and abatement thresholds, and also improve access to high-quality education.** New Zealanders will support policies that are effective in reducing inequality as this increases the wellbeing and social cohesion of communities and society as a whole.

The recommendations from both the Welfare Expert Advisory Group (WEAG) report and Tax Working Group have provided the government with a range of possibilities to reduce income inequity and wealth distribution in Aotearoa New Zealand. **We strongly encourage the Government to consider implementing more of the recommendations from these reports.** It is time for the Government to be agile and bold, to address income disparity and wealth distribution.

### 3. Tautoko me ngā taunakitanga | Support and recommendations

The Methodist Alliance supports the Government's commitment in the Budget Policy Statement (BPS) to the wellbeing approach, Treasury's Living Standards Framework and He Ara Waiora. In particular we support the wider view that includes the value of human capability, social cohesion, and the natural environment contributing to the wealth of Aotearoa New Zealand.

We note that the BPS 2022 referenced the Pacific wellbeing framework Fonofale, but this BPS 2023 does not include any references to this framework, which would be valuable considering the unemployment rates for Pacific people and other areas of disadvantage as outlined in the BPS 2023. We **recommend** the inclusion of the Fonofale framework to better view wellbeing from a Pasifika perspective, especially as one of the wellbeing objectives in the BPS 2023 is specific to Māori and Pacific Peoples.

We wholeheartedly agree that **"there is more work to do to ensure all families have safe, healthy, and affordable homes with secure tenure."**<sup>5</sup> We continue to be committed to working with government to increase the social housing stock. Our member agencies work hard to build social and affordable housing, support people into home ownership and provide wrap around support services to assist whānau.<sup>6</sup>

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<sup>4</sup> "Does Inequality Matter? How people perceive economic disparities and social mobility", OECD, 2021, p3 <https://www.oecd.org/wise/Does-Inequality-Matter-Overview-and-key-findings.pdf>

<sup>5</sup> Budget Policy Statement 2023, p12

<sup>6</sup> For the year ending 30 June 2022, Methodist Alliance member organisations:

- had 1,338 people living in our social, affordable and transitional housing ,
- owned or managed 79 transitional housing units,
- owned or managed 691 social and affordable housing units,
- supported 92 families into home ownership,

We **recommend** that Government consider public housing models that have been successful overseas as the need for public housing extends far beyond the public housing register. The Swedish government built over one million homes between 1965 and 1974 in their Million Homes Programme. Today the Swedish public housing sector represents almost 20% of the total housing stock in Sweden and half of the rental sector.<sup>7</sup> As such, it ensures safe, affordable, healthy and stable housing for those who need it.

We note that public housing is more than just the physical house, it also includes the community where the housing sits. Public housing needs to be linked with public transport, other public amenities and infrastructure, as well as provide spaces for tamariki/children to play.

We acknowledge and appreciate the \$400 million Te Tūāpapa Kura Kāinga - Progressive Home Ownership (“PHO”) Fund to help individuals and whānau buy their own homes, the various models of PHO that this fund can support, and the dedicated funding for iwi and Māori organisations under Te Au Taketake to expand their PHO programmes. We encourage the expansion and perpetration of such initiatives.

We support the focus on ensuring our rangatahi have access to high-quality education, to lift regular school attendance and literacy and numeracy skills. We agree that increased educational achievement can support intergenerational prosperity.

We note the compounding effects implicit in Bryan Perry’s report on child poverty which highlighted the much higher severe hardship rates for sole parent households than two parent households.<sup>8</sup> Thus, poverty’s effects are felt more keenly in single parent households.

We support the transformation of the disability system in line with Enabling Good Lives and the formation of Whaikaha - Ministry of Disabled People, especially as it has been set up in partnership with the community and Māori. We support the person-centred, mana enhancing principles of Enabling Good Lives, and support this approach where it enhances existing services for people with disabilities, but not at the expense of existing services that achieve good outcomes for participants and their whānau.

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- financed and built 53 houses in the last two years, and
  - housed 717 people via Housing First programmes in the last two years

<sup>7</sup> <https://www.sverigesallmannytta.se/in-english/public-housing-in-sweden/#:~:text=More%20than%203%20of%2010%20million%20Swedes%20live%20in%20rental%20housing.>

<sup>8</sup> Bryan Perry, *Child Poverty in New Zealand*, (Ministry of Social Development, Wellington, October 2022), p8, 9, 16, 32, 40, 73, 90, 99, 108, 110, and 113.

## Wellbeing Objectives

### Just Transition – supporting New Zealanders to transition to a climate-resilient, sustainable, and low-emissions economy

We support the move away from fossil fuels to a low-carbon, circular economy that supports the changes required to how we live and work. We note that marginalised groups and people in receipt of benefits are disproportionately affected by the increasing effects of climate change compared to those on higher incomes. We urge Government to accelerate the rate of change associated with existing and proposed initiatives.

### Physical and Mental Wellbeing – supporting improved health outcomes for all New Zealanders, particularly the mental wellbeing of our young people

We agree that timely access to care and support when needed is fundamental to the long-term wellbeing of all New Zealanders. Our member organisations report unacceptably long and increasing wait times for people to access mental health and addiction services. There is a strong link between people’s mental health and wellbeing and homelessness.

We also agree that **“Poor physical and mental health undermines both our human capital and social cohesion.”**<sup>9</sup> Investing upfront in physical and mental wellbeing with prevention and early intervention will reap a wide range of benefits including reducing future health costs, improving productivity, and reducing social costs in the future. There is a strong connection between mental and physical health with physical health problems significantly increasing the risk of poor mental health and vice versa. It is therefore crucial that the mental and physical health services are integrated.

### Future of Work – equipping New Zealanders and enabling New Zealand businesses to benefit from new technologies, and lift productivity and wages through innovation

We support the focus on improving foundation literacy and numeracy skills and access to high-quality training and work opportunities. We believe that these are essential to breaking the cycle of intergenerational poverty. None-the-less, we note that there will always be work that does not require high levels of education and some people who do not have the capacity for higher level tasks. It is essential that those jobs and those people are afforded a living wage.

### Māori and Pacific Peoples - lifting Māori and Pacific people’s incomes, skills and opportunities, including through access to affordable, safe, and stable housing.

We support this focus on investment and we **recommend** splitting these into separate goals to ensure more focussed consideration is given to the specific and different needs

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<sup>9</sup> Budget Policy Statement 2023, p16

of each group and using a culturally appropriate framework for each group. This would also enable the inclusion of the Fonofale framework to better measure wellbeing from a Pasifika perspective.

### **Child Wellbeing – reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing**

We support the focus on reducing child poverty and improving child wellbeing for which affordable, safe and stable housing is pivotal. We **recommend** increased investment in early intervention wrap around social services to build up resilience in whānau.

We also **recommend** simplifying Working for Families as the current system is too complex and not designed for different types of families or those with variable incomes. We further **recommend** that Working for Families should be paid to all families, regardless of work and benefit status, to reduce child poverty and improve income sufficiency.

## **FOUR POLICY AREAS OF FOCUS FOR BUDGET 2023**

### **1. Supporting Kiwi families & households with cost of living pressures**

The BPS clearly identifies that low and middle income households will continue to be the most affected by the rising cost of living. However, there is no mention of increasing benefit levels or adjusting the abatement thresholds. People whose income comes from benefits are trapped in poverty and disproportionately affected by the increase in the cost of living.

**Core benefit levels need to provide liveable incomes to address this entrenched poverty.** Research undertaken by Fairer Future has shown that significant deficits still exist between income entitlements and basic expenditure, even after the April 2022 benefit increases.<sup>10</sup> While the increases to benefit levels, abatement thresholds and other supports, have provided some relief, these increases have not returned social assistance payments to the same levels that applied in the 1980s. **Benefit levels remain too low to support people to live with dignity, even for short periods.**

Addressing poverty requires a whole system approach that considers the impact of changes to the housing market and the casualisation of the workforce on people's ability to transition to sustainable employment and self-sufficiency.

Consideration must also be given to the long-term needs of those who cannot work because of enduring health and disability issues. Many people with serious long-term health conditions and mental or physical disabilities may be able to work only in flexible part-time and supported settings while others may never be able to work. **The current benefit regime, with its focus on short-term assistance, does not recognise this. Nor**

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<sup>10</sup> <https://fairerfuture.org.nz/seven-steps-for-a-fairer-future>

**does it provide adequate long-term support for people to engage with their communities or to live with dignity.** Most people with enduring conditions have additional living costs associated with housing, transport, and access to health care and support services that are not met by the benefit system.

Everyone should have the basic necessities of food, shelter, clothing and access to what is needed to thrive. Allocation of income, wealth, and power in society should ensure that everyone's basic material needs are met.

Most people transitioning to employment from a benefit start with part-time work, often on casual employment contracts. If their employer offers them occasional increases in hours, the low abatement threshold results in their benefit being cut. Not only does this act as a disincentive to increasing their hours and earning capacity but it takes approximately three weeks for their benefit to be reinstated when their hours return to normal. This means they are unable to pay their rent or feed themselves in the meantime. The abatement scheme therefore acts as a disincentive to increase working hours and becomes a poverty trap.

We **recommend** that all remaining recommendations from the WEAG report are adjusted for inflation and implemented in the 2023 Budget to provide liveable incomes so whānau can begin to thrive.

We **recommend** that abatement thresholds are indexed to the minimum wage. In 1986, it was established to support transition to employment, 15 hours of the minimum wage was deemed the optimum level for abatement.

## **2. Careful and balanced fiscal policy, including returning to surplus in the 2024/25 year**

We support the proposed fiscal policy that sets out to dampen inflation pressures with the provision of social policies that prevent the poorest and most vulnerable people from bearing the brunt of such fiscal measures.

## **3. Getting the basics right**

We support the BPS 2023 aim to target investment in health, education and housing. The most common problems faced by the people we serve are:

- Income insufficiency
- Food insecurity
- Limited access to mental health services
- The lack of safe secure housing.

We **recommend** investment in social services as this strengthens communities and social cohesion. The Oranga Tamariki funding cuts in 2022 highlighted the need for



respect, transparency and open communication between partners in a funding relationship.

#### **4. Delivering on our economic plan, including through investment in infrastructure that drives growth, productivity, and reduces emissions**

We support the focus of a high-wage, low emissions economy. We acknowledge the work done to ensure pay parity in the social work sector and look forward to seeing this reflected in the levels of funding to providers in the social sector.

#### **5. Taunakitanga | Recommendations**

The key recommendations in our submission are:

1. Splitting the wellbeing objectives for lifting Māori and Pacific people's incomes, skills and opportunities, including through access to affordable, safe, and stable housing into two separate objectives with one focussed on Māori and the other Pacific people.
2. Including the Fonofale framework to better view wellbeing from a Pasifika perspective, especially as one of the wellbeing objectives in the BPS 2023 is specific to Māori and Pacific Peoples.
3. Government consider public housing models that have been successful overseas.
4. Consideration of the return of whenua/land to Māori for them to build housing appropriate for their whānau in any public housing plan.
5. Increased investment in early intervention wrap around social services to build up resilience in whānau.
6. Simplify Working for Families so it is easy to navigate and accommodate all types families, regardless of work or benefit status, and those with variable incomes.
7. All remaining recommendations from the WEAG report are adjusted for inflation and implemented in the 2023 Budget to ensure to provide liveable incomes so whānau are not trapped in poverty.
8. Abatement thresholds adjusted and indexed to the minimum wage.
9. Investment in social services as this strengthens communities and social cohesion.

#### **6. Whakarāpopototanga | Summary**

The Methodist Alliance generally supports the objectives, and focus areas in the BPS 2023. We are however, concerned about whether the actual decisions that will be made in the Budget 2023 will be sufficient to achieve the stated wellbeing goals.



The Methodist Alliance does not wish to appear in support of this submission. However, we are willing to meet with the Committee or officials advising it if the Committee considers that would be of assistance.

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