Te Kauae Kaimahi

A Working People's Analysis of the 2022 Budget

Budget Report 2022

19 May 2022

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Contents

Towards the ‘New Normal’

Budget 2022 sets out the building blocks of the Government’s economic vision - back towards ‘a new normal’ in a post-pandemic Aotearoa. Minister for Finance Grant Robertson has said he envisages a high wage, low carbon economy that provides economic security in good times and bad. The CTU endorses that vision as it encapsulates the CTU’s ambition of an equitable and Just Transition that moves New Zealand towards a more productive, sustainable, and inclusive economy and society.

The last two budgets have been defined by a crisis response to a global pandemic and with that we saw heavy investments in the COVID-19 response and recovery.

Over the past two years, the Government’s fiscal response to the COVID-19 pandemic has amounted to 19% of GDP[1] which is around $74.1 billion of *allocated*[2] funding. Budget 2022 marks the close of the COVID-19 Response and Recovery Fund. From that, $1.2bn has been repurposed into a cost-of-living package designed to provide both immediate and long-run relief for New Zealanders to support them through cost pressures caused by inflation.

Budget 2022 marks a line in the sand. The Government has said it’s moving beyond the crisis response and towards a new normal. What that looks like, from either a health perspective or an economic one only time will tell. But the priorities of Budget 22 provide a big insight into how the Government’s policy will shape and steer that new normal.

A big part of that new normal are the new fiscal rules and the choices made today in how to allocate and prioritise its $5.9B operating spending. This is a significant increase from previous Budgets. In Budget 2021 this was $3.8bn. Interestingly, capital investment levels were not increased from previous announcements despite the recent announcement of a $104bn infrastructure gap.

Security

To deliver ‘a secure future’, several welcome cost-of-living investments were announced. The largest of these was a $350 cash relief payment for 2.1 million New Zealanders. This will provide more immediate support than the proposed tax bracket

> *“This package should be welcomed by Kiwi’s. It shows what a government that cares about workers and their needs can deliver despite a global economic slowdown and remaining COVID-19 issues. Many challenges remain, but this Budget provides more financial and economic security for New Zealanders.”*
>
> **— CTU Economist Craig Renney**

1 19% of GDP in line with Australia and the UK’s fiscal response to COVID-19.
2 Funding can be allocated, but unspent.

indexation by National – more than three times as much for a minimum wage worker. Together with welfare reforms this demonstrates that the Government has listened to the needs of middle- and low-income New Zealanders.

The Budget announced significant new investments in health, education and climate change. The Government confirmed the anticipated extension of the fuel excise duties and road user charges reductions, together with half price public transport fares for a further two months. There was a permanent extension of half price public transport for community service card holders. This extension will reduce some of the cost pressures incurred by low and middle workers.

Further funding was allocated to the New Zealand Income Insurance Scheme (NZIIS), an initiative that the CTU has been heavily involved in designing and that has come out of the Future of Work programme. NZIIS was designed to provide income security for displaced workers particularly in the context of providing for a Just Transition from climate, economic, or other shocks. There was additional support signalled for Fair Pay Agreements, which should secure the working conditions of some of our most vulnerable workers. These are very welcome announcements. We hope the Government will look to expand on how it intends to provide economic security for New Zealanders in future Budgets.

The cost-of-living package also included $11 million to tackle one of the long-term drivers of food prices. Legislation will be passed under urgency on Budget night to remove barriers to new retailers entering the market – a key recommendation from the Commerce Commission's review of the grocery sector. The funding is designed to help increase the ability of other competitors to enter the market as the current supermarket duopoly is a root cause of New Zealand's high grocery prices. The Minister of Finance on Budget day said, "we need a more competitive grocery market and we will have it".

Budget 2022 also includes a further package targeted directly at the goal of economic security in good times and bad. These included:

- The ongoing development of Industry Transformation Plans – Construction Sector Accord ($37 million), Advanced Manufacturing ($30 million), Agritech (additional $5 million), and Digital ($20 million).
- An Innovation Programme for Tourism is being created by reprioritising funding from the COVID-19 Response and Recovery Fund.
- Setting aside $100 million capital funding for a Business Growth Fund which is being developed alongside New Zealand's major banks and will improve SMEs' access to finance.
- Fully funding the $200 million Regional Strategic Partnership Fund to invest in local projects tailored to each region.
- Investing $60 million in broadband infrastructure.
- The CTU welcomes the spending in this Budget package that continues to deliver on the Welfare Expert Advisory recommendations. This will provide support for some of the lowest income New Zealanders. The decision to "pass-on" child support payments to sole-parent beneficiaries is particularly welcome.

Remaining Questions

The Government successfully tackled many issues at this Budget. But many challenges still remain. How do we move towards that low emissions economy to achieve both high wages and economic security? Who's going to pay for it? How will they pay for it? What are the industry, jobs and employment consequences of that change? The CTU looks forward to working with its affiliates, Government, and with our NGO partners to address these questions together.

Macroeconomic Indicators

The New Zealand economy is in a strong position in comparison to our international peers. Our GDP (5.6%) is out pacing other similar economies, and our unemployment rate is at record lows (3.2%). Overall, the main economic and fiscal indicators are set to return to their pre-COVID-19 levels.

While our economy looks strong and stable at present and has comfortably rebounded from the height of the COVID-19 pandemic, Budget 22 forecasts sit against an economic backdrop of uncertainty and volatility. For example, the UK has seen inflation spike to 9%. The risk of new COVID-19 variants emerging provides huge uncertainty. It is important that we manage the economy to mitigate any further possible economic shocks.

Treasury data provided at the Budget shows that economic contraction as a result of COVID-19 was much more severe but significantly shorter than that of the Global Financial Crisis. The recession that we faced was a 'v' shape – as opposed to the longer 'u' shaped recession of the GFC. The challenge confronting New Zealand is to maintain the 'v' and stop it becoming a 'W'.

GDP Growth

GDP when measured last by Stats NZ showed annual growth of 5.6%. This is marginally above the OECD average of 5.5%, and well ahead of Australia (4.7%), see Figure 3.

Figure 2: % change in real GDP in COVID-19 & GFC, compared to respective previous peaks

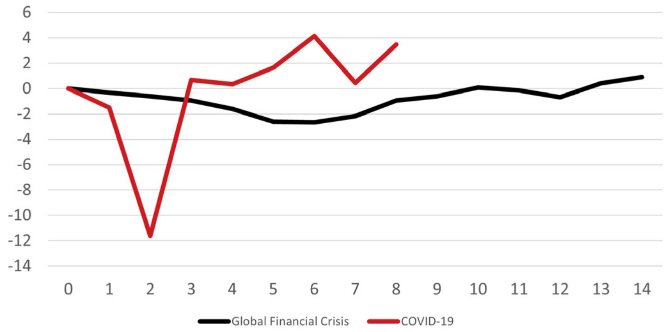


Figure 1: NZ's Position in the Global Economy

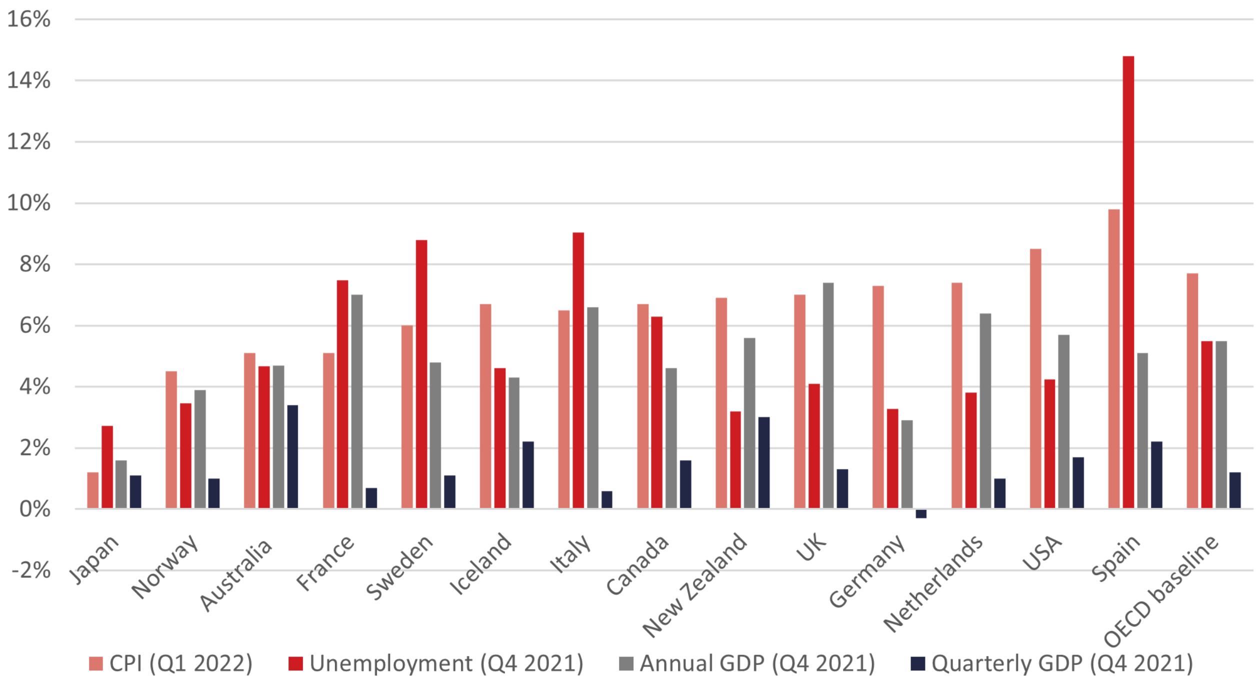
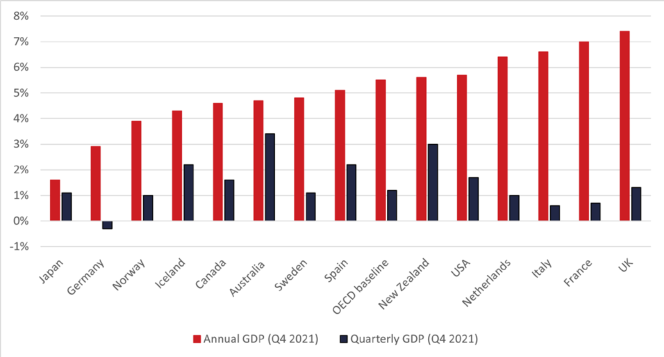
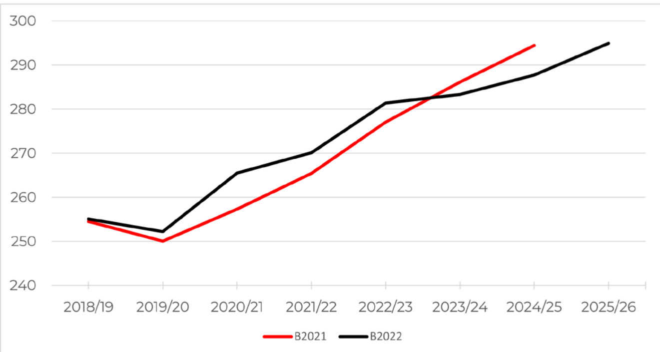


Figure 3: Annual GDP growth – OECD Data



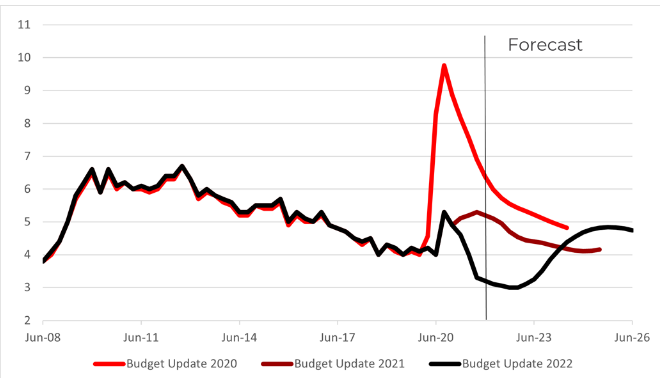
The Treasury has stated that the effects of the Omicron outbreak have contributed to weakened growth across the forecast period. Treasury estimates the red traffic light setting reduced economic activity by 2-3% in the March 2022 quarter. Its forecasts also predict that the orange traffic light setting in June 2022 will have reduced economic activity by up to 2%.

Figure 4: Real GDP (production measure $2009/10) $bn



Budget forecasts show GDP continuing to grow over the long run. These forecasts don't predict a recession – which is two consecutive quarters of GDP falling. They do however see GDP decline over just one quarter in 2024.

Figure 5: Unemployment rate (% of labour force)



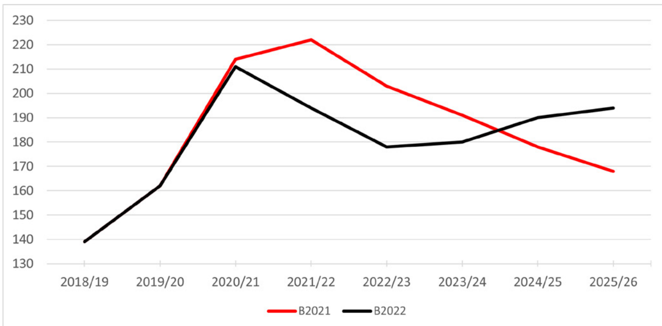
Real annual GDP in Budget 2021 was forecast by Treasury to be $277bn for the year ending June 2022/23. In the latest Budget 2022, real annual GDP is now forecast to be $281bn for the same period. This, once more, demonstrates the resilience of New Zealand's economy rebounding from COVID-19.

Unemployment

If we compare Budget 2021 unemployment forecasts to Budget 2022 forecasts, around 59,000 more people are in work than was expected just a year ago. The evidence demonstrates that the best economic response to COVID-19 is a strong health response. In 2020, 62% of all jobs were supported by the Government's wage subsidy scheme.

Jobseeker support figures show the forecast vs actual recipients of Jobseeker support and Emergency Benefits. The forecast figure for year ending June 2022 in Budget 21 was 222,000. In this Budget, the actual figure had declined by 28,000 people to 194,000. Back in 2020, we were anticipating unemployment being 246,000 people.

Figure 6: Jobseeker Support & Emergency Benefit Recipients (000's)

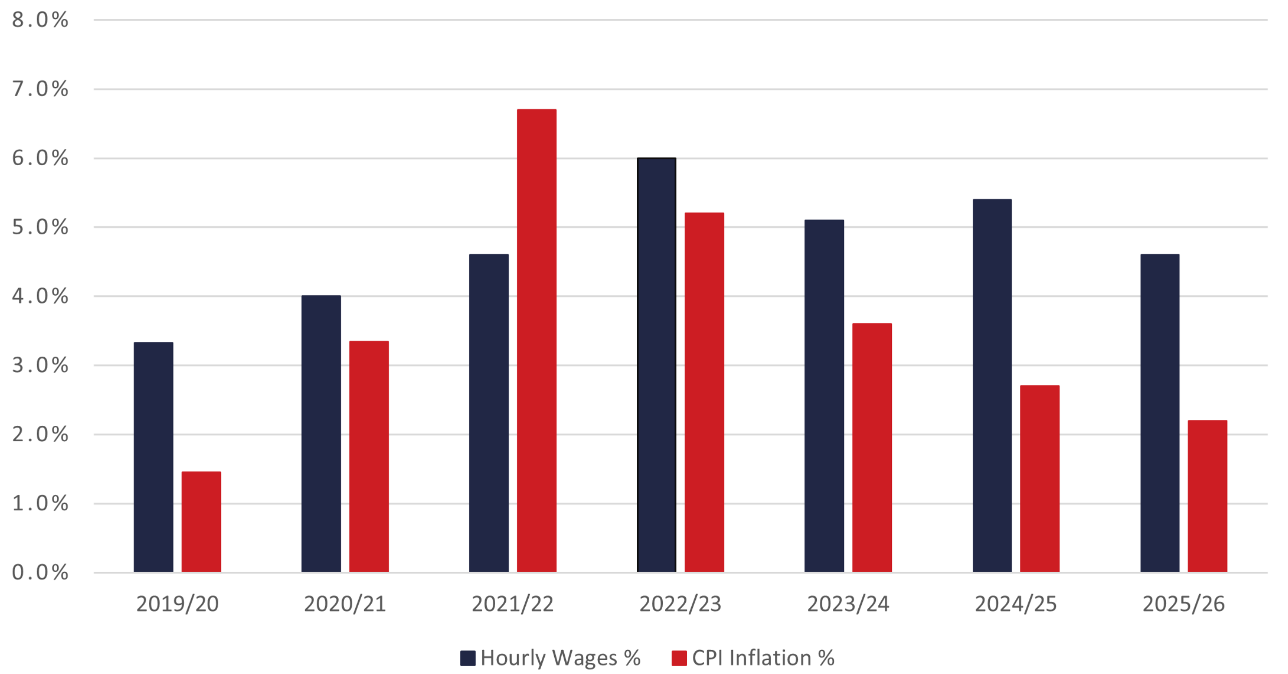


Consumer Price Index

Currently unemployment sits at 3.2%. Treasury Budget 22 forecasts have unemployment further dropping to 3%, and with such a tight labour market they are also predicting strong annual wage growth (6% in 22/23 and 6.1% in 23/24) as a result.

Due to low unemployment and a tight labour market, Budget 22 forecasts that wages will

Figure 7: CPI (Inflation) and Ordinary Time Wage Growth Forecasts



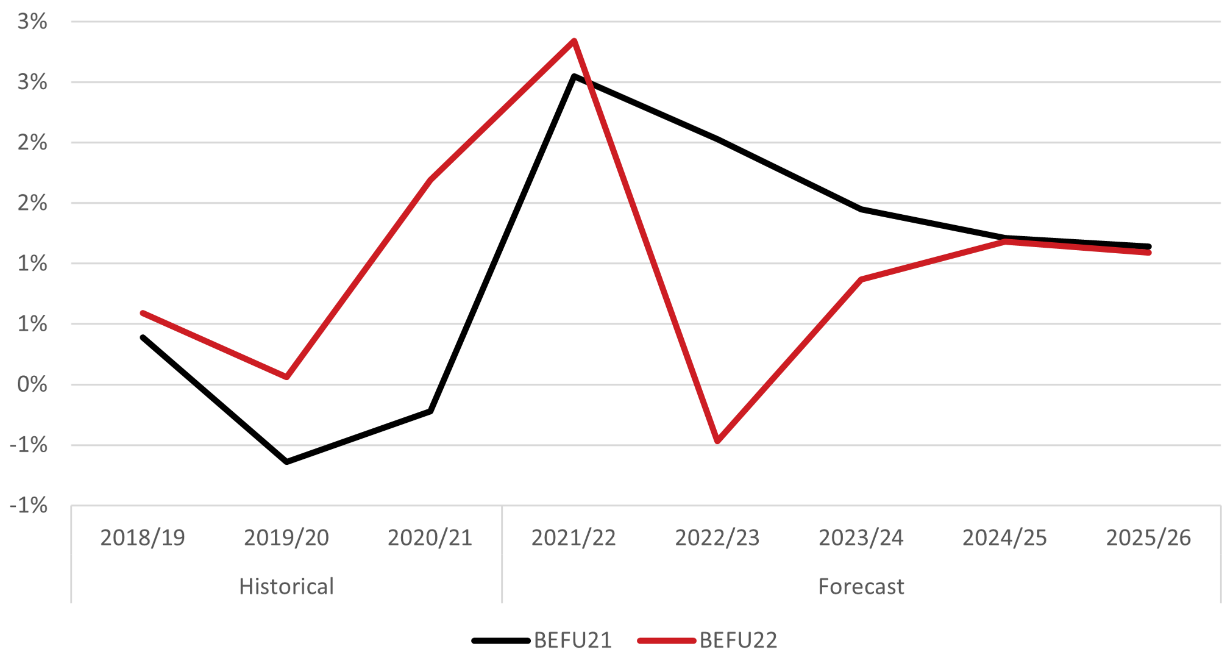
continue to increase above inflation until the end of the forecast period (2026).

Productivity

Budget 2022 forecasts predict a steep decline in labour productivity; more severe than forecast in the last Budget. Page 20 of the Budget Economic and Fiscal Update, appears to attribute this drop to flow on impacts of supply issues associated with COVID, and the Russian invasion of Ukraine due to a potential for trade partners to desire more trade and economic independence.

Globalisation has increased productivity over the years, and therefore the expectation is that as countries begin to look more inward, productivity will decline as a result.

Figure 8: Labour productivity annual growth (hours worked)



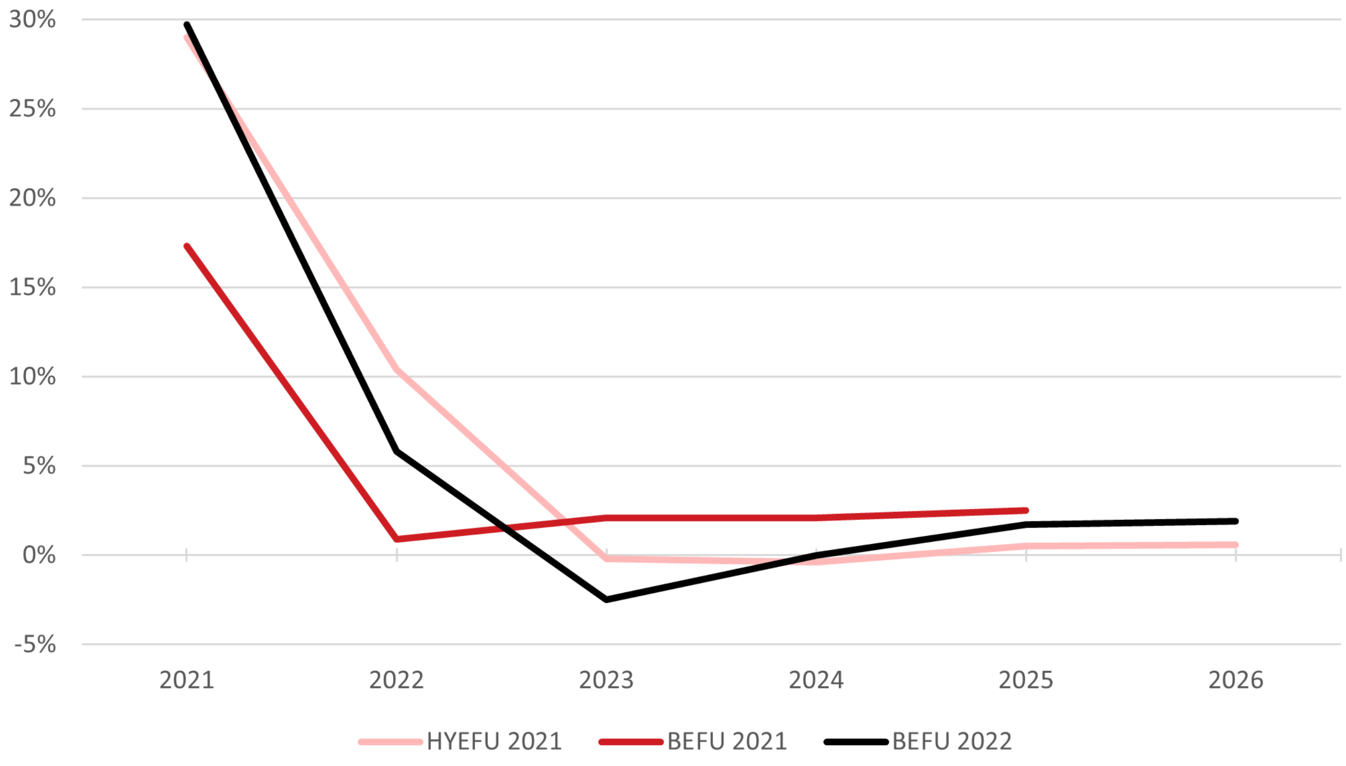
House Prices

Budget 2022 is predicting house prices to decline 2.5% for the year ended 2023, then stabilise in 2024, and then further increase 1.7% in 2025. In the context of a 30% increase in house prices for the year ended June 2021, followed by a further 6% in 2022, a drop of 2.5% followed by 3 years of stable house prices could be a welcome relief for some while making barely a dent in capital gains.

Depending on whether you're a homeowner or looking to purchase your first home a decline in house prices can be seen as either good or bad news. If you're already a homeowner, your sense of wealth tucked away in housing assets will have declined, but if you're a renter your future goal of one day becoming a homeowner may be starting to feel a little more achievable.

The drop in house prices is likely a result of the RBNZ's April increase to the Official Cash Rate of 50 bases points to 1.5%, the largest increase since 2000. Alongside the expectation that the RBNZ will likely continue to increase the OCR this year by 2% and up to 3% over the next three years. Making debt more expensive and therefore directly impacting the amount of money buyers can, and feel comfortable, borrowing to purchase.

Figure 9: House prices forecast (annual % change)



Fiscal Indicators

Finance Minister Grant Robertson once more emphasised the Government's continued commitment to a "balanced" approach to spending. As a percent of GDP Government spending is set to fall every year in the forecast period.

The Minister for Finance also indicated that it will call on Budget allowances for Budgets 2023 and 2024 today as part of funding the health service. He also left $5.1bn remaining in the multi-year capital allowance for future investments.

Net Debt

Finance Minister Grant Robertson announced a new set of fiscal rules ahead of the Budget, including the creation of a public debt ceiling of 30 percent of GDP. This ceiling is designed to ensure a buffer for economic shocks while providing room for infrastructure investment.

This new debt ceiling is calculated in a different way than it has been in previous budgets. The Government has chosen to use a more internationally comparable measure, based upon an approach endorsed by the IMF. This brings the NZ Superfund into the account (reducing debt) and adds in the debt held by Kainga Ora and Waka Kotahi (increasing debt).

Figure 10: Net Core Crown Debt (% of GDP)

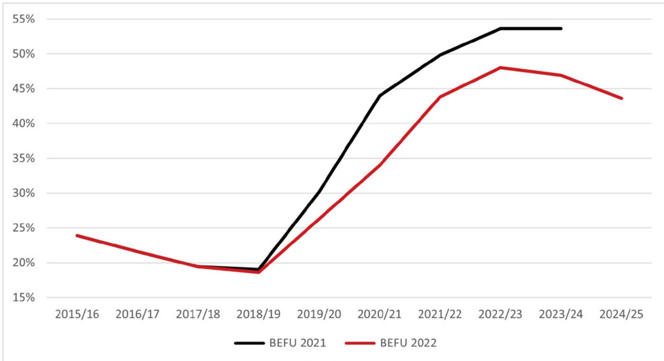
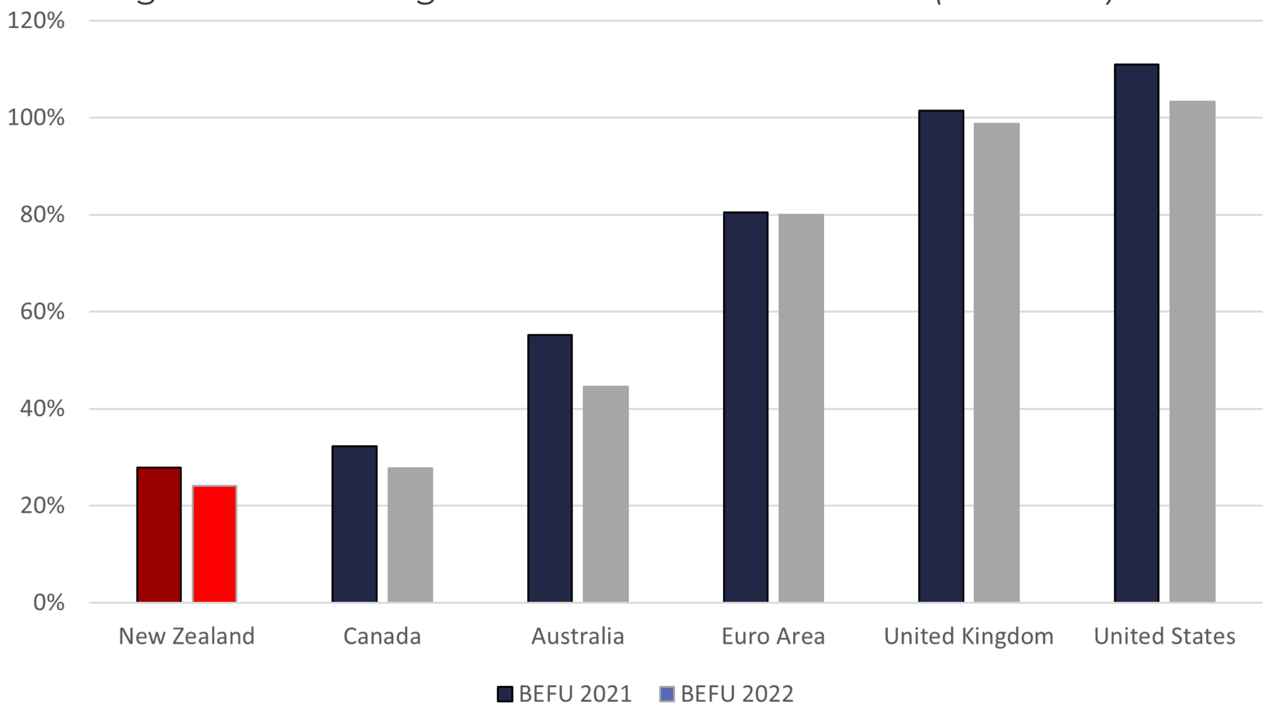


Figure 11: General government net debt in 2023 (% of GDP) - IMF

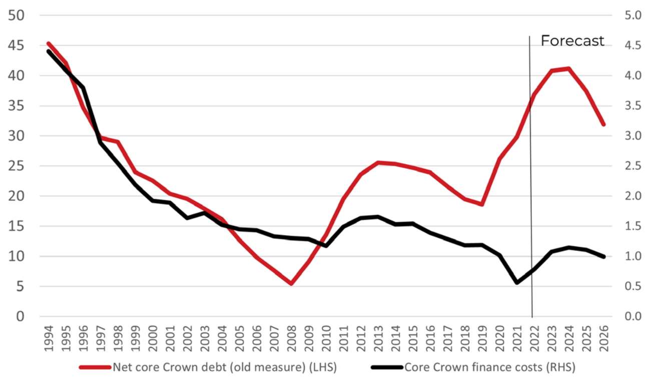


OBEGAL (Operating Balance before Gains and Losses) is due to be in surplus by 2024/25. Budget 2021 had forecast that this would occur in 2026/27. The new fiscal rules requires the Government to aim to maintain an average surplus of 0% to 2% of GDP thereafter. Net Debt will remain below other comparable open economics such as Australia, Canada, UK and the USA. Net debt will peak at 19.9% (41.2% at old measure). New Zealand's public debt is set to remain low in comparison to other similar economies. There is no public debt crisis in New Zealand.

Finance Costs

Treasury expects core Crown finance costs to increase from $1.9 billion (0.56% of GDP) in 2020/21 to $4.6 billion (0.99% of GDP) by the end of the forecast period, an increase of $2.7 billion. This is still incredibly low by historical standards, and even at its peak is less than it was in 2019. The increase is largely a result of the higher interest rates which are now expected over the forecast period. For example, the yield rate on 10-year Government bonds was 1.2% in 2020/21 and is expected to rise to 4.1% in 2025/26.

Figure 12: Net Core Crown debt and finance costs (% of GDP)



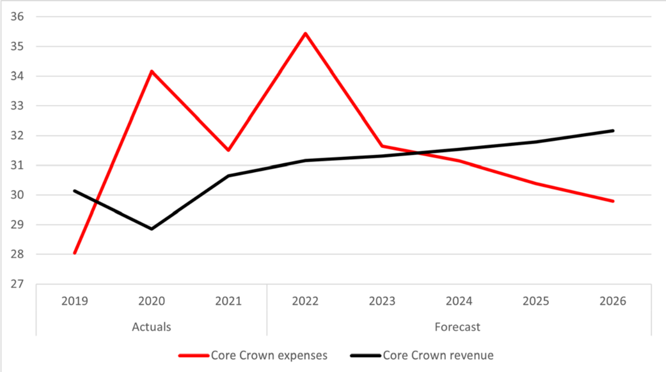
Core Crown Expenses & Revenue

Forecasts for tax revenue have increased from the previous Budget 2021, driven largely by higher tax revenue as a result of higher employment rates (mainly PAYE on wages and salaries) and inflation (GST revenue).

Total Core Crown tax revenue for 2021/22 for this Budget is $103.8bn, which is $10.6bn higher than forecast in the 2021 Budget.

Forecasts on tax revenue on source deduction are forecast to be $45bn for the year June 2023, which is $3.25bn higher than Budget 2021 predictions. Forecasts on total goods and services tax are forecast to be $26.29 billion for the year June 2022, which is $1.24bn higher than Budget 2021 predictions.

Figure 13: Core Crown expenses and Core Crown revenue as % of GDP

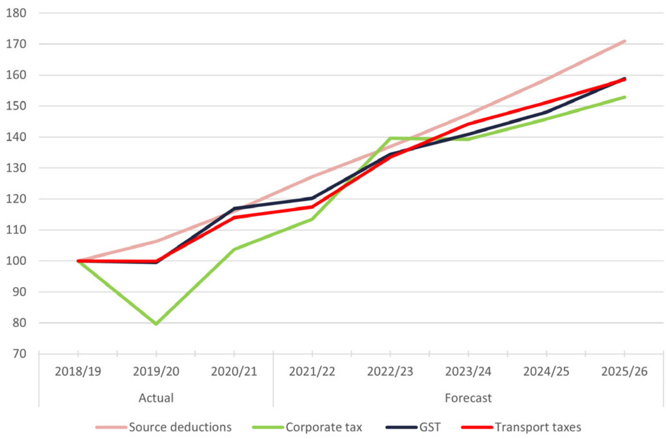


However, revenue from hypothecated transport taxes (petrol duties, road user charges & vehicle registration fees) are set to decline by $0.57 billion, partially driven by the Government's fuel duty reduction policy that reduced tax on petrol by 25 cents a litre. The initial policy was set to last three months and cost $350 million. Budget 2022, announced its extension by a further 2 months at a cost of $235 million. However, the lost revenue will be topped up from the COVID-19 response fund including leftover funding from the end of MIQ and will therefore not impact the Government's investment in roads and infrastructure.

Core Crown Expenditure & Investment

Core Crown expenses for the year ended June 2022 are forecast to be $128bn, this is an increase from the June 2021 year, which was $108.9bn. Expenses rise gently each year after 2023.

Figure 14: Core Crown revenue growth by type ($bn)



Operating allowances for Budget 2022 were $5.9bn, and for 2023 are expected to be $4.5bn. This increase has been spread across a number of initiatives particularly in the areas of climate change spending, COVID-19 spending, cost of living support and the core Budget 2022 operating package. Of the $5.9bn budget operating allowance, 70% went to just meeting cost pressure; for comparison in Budget 2021 this was only was 59%.

Welfare and benefits spending is forecast to increase across the forecast period ($bn), particularly in comparison to Budget 2021 forecasts.

Figure 15: Core Crown expenses ($billions)

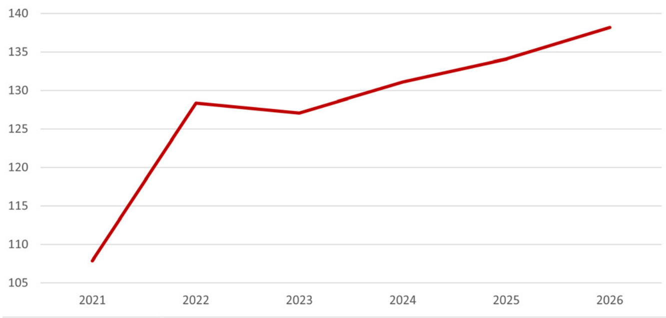


Figure 16: Welfare and benefits spending across the forecast period ($bn)

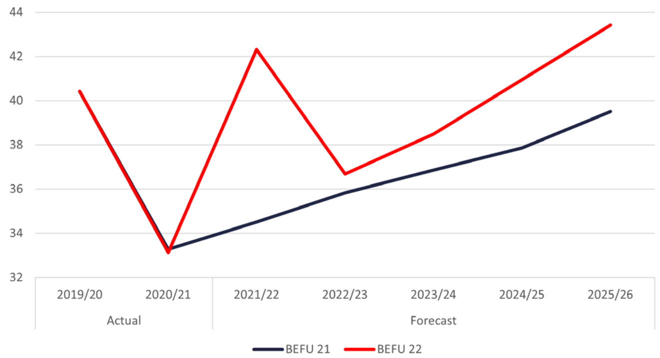
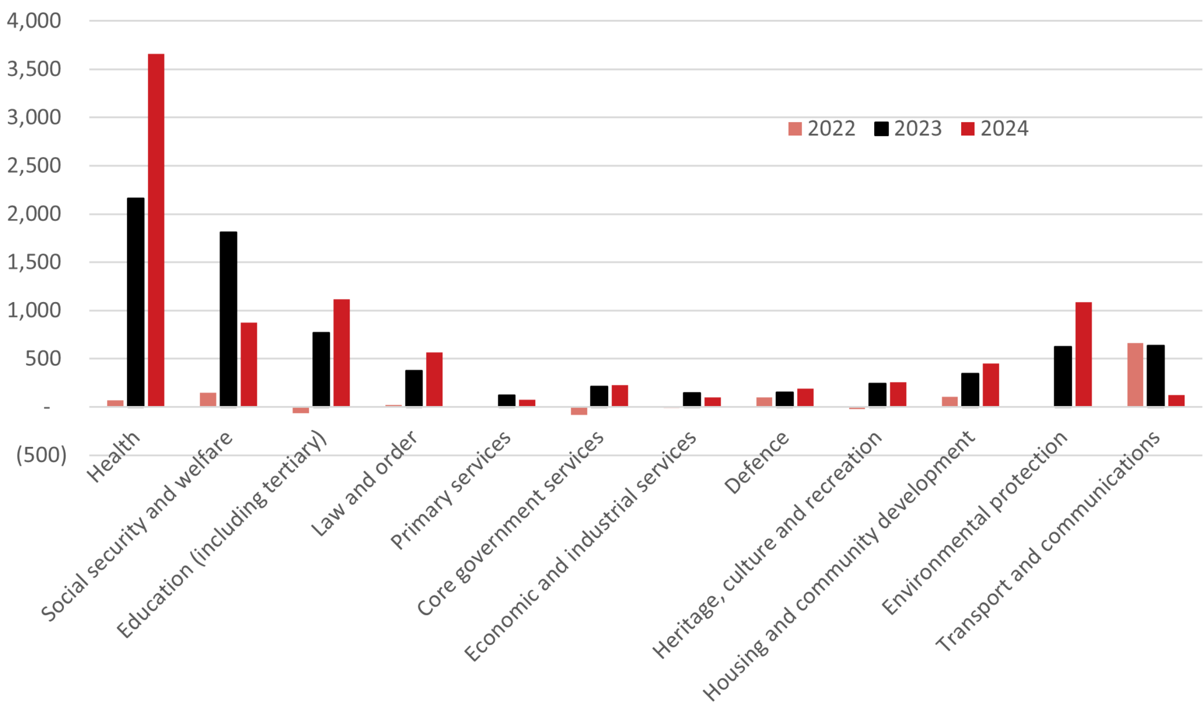


Figure 17: Composition of the increase in core Crown expenditure



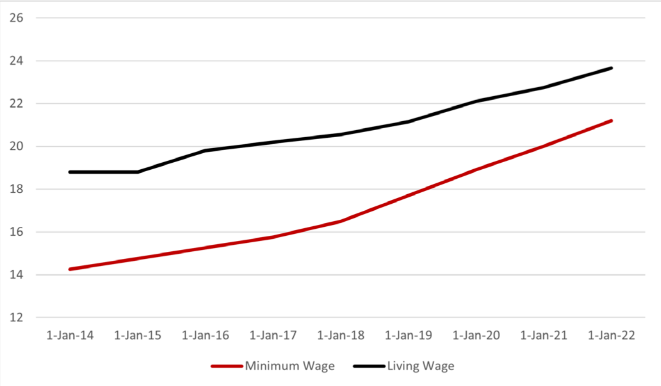
Workplace Relations

Labour during the last election campaign set out a commitment to making sure working New Zealanders are safe, healthy and that their contribution to the economy is valued.

What is the Government promising?

The Government has committed to making a significant improvement in workplace relations for New Zealanders. These include ongoing increases to the Minimum Wage, implementation of Fair Pay Agreements (FPAs), addressing pay equity, Holiday Act reform, working towards developing a better statutory regime to protect dependent contractors, and the introduction of the NZ Income Insurance Scheme.

Figure 18: Changes in the minimum & living wage



Did the Government deliver on our main asks?

The CTU has been working closely with the Government and Business New Zealand on the New Zealand Incomes Insurance Scheme. Up to $50 million has been set aside to continue to operationalise the income insurance scheme. The Government will still need to make further decisions on operationalising income insurance in due course.

The CTU has also been working together with affiliated unions and government on the reform of the Holidays Act. Just over $5 million has been allocated over 4 years to support implementation of Holidays Act reforms, including development of guidance, tools, and resources, evidence of a commitment from Government to see this work through.

The CTU had asked that the Government adequately resource Fair Pay Agreements to ensure they can be effectively operationalised and enforced. Budget provides further FPA funding (additional to that in Budget 21) of $21.543 million in operating expenditure and $0.695 million in capital expenditure. This funding enables MBIE and the Employment Relations Authority to be able to carry out backstop determinations, coverage determinations, and potential enforcement of regional variations under the FPA regime. This funding also secures the implementation of two additional FPAs (in addition to the four that were funded in Budget 21).

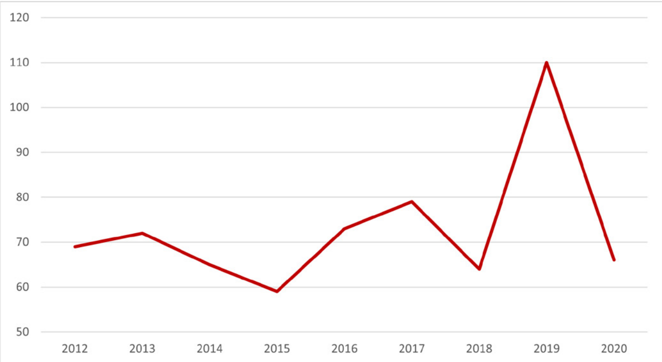
With regards to pay equity (in the health and social development sectors), $201.005 million has been provided for funding worker wage increases from 1 July 2021, as a result of the compound annual growth rate of the Labour Cost Index (LCI) between 1 July 2017 and 30 June 2021.

A further $6 million operating expenditure has been allocated to fund a pay equity centre of excellence to provide operational support for claims, support certainty, clarity, and timing of settlements.

What have been the long-term challenges?

Too many New Zealanders get hurt on the job, workplace injury statistics have failed to make any meaningful improvements on an annual basis. On average around 70 New Zealanders die due to work-related fatalities annually. An additional 750-900 are estimated to die from work related health deaths.

Figure 19: Annual workplace fatalities



The CTU continues to make the call that health and safety needs to be funded as a priority, and that our health and safety regulator(s) are provided with adequate resourcing to effectively do their job.

This Budget provides $7.716 million in additional funding for WorkSafe to deliver a suite of COVID-19 regulatory interventions. A further $9.3 million has been allocated over 22-24 to enable effective criminal process for the WorkSafe prosecution into the Whakaari eruption. We suggest that more could be given to make an impact on the worrying trends in the data.

> *"I'm pleased to see some funding made available to WorkSafe in the Budget. But there is a need for even more resource to enable the Regulator to fulfill its enforcement functions."*
> — Cory Bourne, CTU

Government has allocated some funds to make attempts to improve outcomes for these groups:

- $1 million in the budget has been allocated for a contingency fund to resource action across the Māori employment action plan under the 'all of government employment' strategy
- $2.8 million in operating expenditure has been given to Government social partners to continue to engage in and progress the work of the "Future of Work" tripartite forum
- $8 million in operating expenditure has been provided to ensure the ongoing delivery of employment and training service through Tupu Aotearoa. This enables the continued delivery of personalised Pacific employment and training services.
- Maritime NZ have been allocated $18.95 million over 4 years (from the Working Safer Levy not the Budget 22 allowances); and
- $7.150 million in operating expenditure has been provided to ensure funding for the Ministry to continue to lead the Government response to the Waitangi Tribunal's Mana Wāhine Kaupapa inquiry.

Are there any short-term issues (including those caused by COVID)?

COVID-19 has put a spotlight on the inadequacies of the minimum rights and entitlements that too many working New Zealanders have.

Pressure on essential and frontline workers to keep working despite the heightened risk of COVID-19 as well as the requirements of self-isolation and testing have placed tremendous strain on sick leave balances and has highlighted the inadequacy of minimum entitlements relating to sick leave.

While sick leave entitlements have been

increased during this term from a statutory minimum of 5 days to 10 days, essential workers with public facing roles are particularly exposed to infectious diseases. Rates of infection coupled with stricter requirements to self-isolate if symptomatic have exposed many low wage essential workers to the risk of being left without the ability to work and any sick leave entitlement.

Looking to the 22 Budget there have been some votes provided with funding to reduce the impact of COVID-19:

- Creation of a tourism recovery fund ($55.226 million in 22/23 reprioritised from existing funding for tourism initiatives)
- As noted above, WorkSafe have been given $7.716 million for the 22/23 year to deliver a suite of COVID-19 regulatory interventions.
- $23.3 million for the 22/23 year has been secured for Maritime NZ to be able to support its core functions following the impact of COVID-19
- $109.293 million has been provided to the Civil Aviation Authority and the Aviation security service to meet their core functions in 22/23 after COVID-19 impacted aviation passenger numbers.

What has the Government said previously on this topic and what solutions have they offered?

Labour stated in its manifesto that, "It's time to leave behind New Zealand's low wage culture … A race to the bottom on wages comes at the cost of our most vulnerable workers and undermines our productivity. Investing in our people needs to be a key part of our economic recovery from COVID-19. We want a productive and highly skilled workforce where everyone shares in the benefits of economic growth."

Overall, the budget allocation for workplace relations reflects a commitment to initiatives that the Government announced they would do – more money for FPA implementation, legislation reform and income insurance means that its commitments are being met. We look forward to the beneficial impacts these initiatives will on working New Zealanders.

Wellbeing, Child Poverty & Social Development

As reported in the December 2021 Budget Policy Statement, COVID-19 has continued to place pressure on New Zealanders' wellbeing. The purpose of the wellbeing approach in this Budget is to ensure that investment decisions are driven by New Zealanders' overall wellbeing and what can be done to enhance that.

What is the Government promising?

This Budget included a $1bn cost of living package to support New Zealanders with the rising cost of living, particularly those on low and middle incomes. This cost of living payment is $350 in three monthly installments starting 1 August, to provide short-term support to low and middle income earners. This is aimed at individuals who earned less than $70,000 per annum in the past tax year, and who are not eligible to receive the Winter Energy Payment – approximately 2.1 million New Zealanders.

The main initiatives were:

- $125.8 million to increase the amount of non-recoverable support available to beneficiaries and low-income families for dental treatment from $300 to $1,000, allow multiple grants in a 52-week period (up to a total of $1,000), and removal of the requirement for the need to have arisen from an emergency
- $475 million to provide funding to enable child support payments to be passed on to sole parent beneficiaries rather than being retained by the Crown
- $189.5 million to extend the end-date of the Apprenticeship Boost Initiative (ABI) from 4 August 2022 to 31 December 2023
- $704 million to address cost pressures in disability support
- $100 million to extend Enabling Good Lives (EGL) programme to more of the disabled population and their whānau
- $42 million to create a single, new and improved programme for housing-related hardship assistance, based on three existing programmes
- $10.9 million to top up baseline funding for Mana in Mahi to support an additional 150 placements (from 650 to 800)
- $66 million in additional grant funding and resourcing for the Māori Trades and Training Fund
- $107.9 million to fund the establishment of the new Ministry for Disabled People
- $37.6 million towards actioning Te Aorerekura to reduce family and sexual violence
- $35.6 million for Ministry of Social Development (MSD) staff and contractors to design and lay the foundations for the transformation of MSD's operating and service models
- Adjustments to benefit and Working For Families payments from the April 2022 rate changes

Along with this cost of living payment, the Government is also promising to support half-price public transport until August, as well as implement a permanent 50% concession for Community Services cardholders.

Other promises to address the rising cost of living include:

- Extending the Warmer Kiwi Homes programme until the end of June 2024 to ensure that low-income homeowners can access grants to cut energy bills and reduce emissions
- Providing funding to support renewable and affordable energy projects, with a focus on low-income communities and those with insecure access to energy; and
- Responding to the findings of the Commerce Commission's market study into the supermarket sector.

The Government is promising direct and indirect investments to further reduce child poverty and improve wellbeing.

To directly reduce child poverty via Budget 2022, the Government is promising to:

- Change how child support payments work so that payments will be 'passed on' to sole-parent beneficiaries as income instead of being retained by the Government
- Lift incomes via changes to Working for Families and associated supports
- It is expected that almost half a million households with children will receive the $350 cost of living payment.

Indirect measures to reduce child poverty and improve wellbeing include:

- An increase in funding for Mana in Mahi, adding an extra 150 places to the 2022 programme, to support people into long-term employment
- Extending the end date of the Apprenticeship Boost Initiative from August 2022 to December 2023, to support parents into employment
- Funding over four years for driver licence support for 64,000 people, increasing access to jobs and services
- Extending the Warmer Kiwi Homes programme, delivering insulation and heating retrofits for low-income homeowners
- Establishing the Affordable Housing Fund to support the development of affordable homes for low-to-middle income families and whānau.

Disability

The allocation of nearly $1bn to the disability sector will help to deal with the increasing costs and pressures the sector is under. The $100 million for the roll out of Enabling Good Lives programme and $100 million for the Ministry of Disabled People is welcome and beneficial. The remainder addresses cost pressures in the Disability Support Services Budget.

Other positive announcements for those in the disability sectors include the funding of the new health system, increased funding for PHARMAC, the increase in dental grants, increased access to mental health services and general health services in schools; and half priced public transport for community service card holders.

While these certainly are positive, disappointment has been raised in the disability community that there was no increase in disability benefits in this Budget.

Māori wellbeing

In Budget 2022, the Government is promising a package of initiatives totalling $580 million across the Health, Justice and Social sectors to contribute to Māori health and wellbeing. This includes $167 million for Whānau Ora Commissioning Agencies to support kaupapa Māori approaches to wellbeing.

Did the Government deliver on our main asks?

Unions have been asking the Government to make changes to support wellbeing and reduce child poverty. These are set out in the table below:

ASK	BUDGET OUTCOME
Continue to increase benefits and remove unhelpful benefit rules	There are several increases to funding to provide for benefit increases that came into effect in April. The most significant change was the Child Support pass-on. This initiative provides funding to enable child support payments to be passed on to sole parent beneficiaries rather than being retained by the Crown. It is estimated to reduce child poverty by around 6,000 children on the Government's after housing costs measure, and around 10,000 children on the before housing costs measure in the 2023/24 financial year.
Enable a more effective approach to emergency housing	There were measures on emergency housing and transitional housing, including funding for: The continued contracting of motels as emergency housing with wraparound support services in Rotorua, and the continued operation of Te Pokapu – the Rotorua Housing Hub The expansion of rangatahi/youth-focused Homelessness Action Plan $1bn in funding to support delivery of public and transitional housing
Fund Oranga Tamariki to transform its youth residences to be places that support young people, not just incarcerate them.	This doesn't appear to have been addressed in the Budget.
For Oranga Tamariki, fund the real cost of care and support work, both that delivered directly by Oranga Tamariki and by contracted providers. This must include funding at a level that enables decent work and working conditions.	The Budget is providing $4.99 million to increase capability to prevent and respond early to family violence and sexual violence. The initiative will improve Family Start workers' competencies to identify and respond to early signs of FVSV The Budget includes $23 million for the Enabling Partners and Communities which invests in partners OT works with on community-led responses.
Support a more speedy and effective process to settle the administration / contact centres equal pay claim and the funding the implement this.	No funding for this specific claim, although there is some equal pay related funding (eg, Centre of Excellence)

Enable pay increases that compensate for increases in the cost of living	There are several current cost pressure initiatives but there don't appear to be new ones.
Fund MSD to fully deliver on Te Pae Tawhiti, its much-needed systems transformation.	$35 million of new funding has been allocated for the design and implementation of a modern system for administering welfare and related support interventions under Te Pae Tawhiti.
Put in place a workforce strategy for the future of work in MSD including investment in training	Not clear if there's additional investment in training.

What have been the long-term challenges?

MSD & Oranga Tamariki staff retention

MSD is struggling to retain and train case managers at a rate that maintains service standards. Low pay rates mean that workers who join MSD and then are trained then use this as a stepping-stone to higher-paid jobs elsewhere. It means people working for the agency that administers things like Accommodation Supplements and emergency housing pays rates that mean that those workers are also on their books as clients. OT has extreme recruitment issues and is currently carrying over 400 social worker vacancies.

Te Pae Tawhiti

Benefits are run off an IT system put in place in the 1980s that's been layered with four decades of fixes. Te Pae Tawhiti is 7-8 year plan to transform MSD's IT systems and the practices needed to support this. This is beyond time and necessary.

The project also means massive changes for staff and for the workforce needed for the new system. MSD workers need a just transition, including opportunities for reskilling into the changed work design that these system changes will require. This needs a workforce strategy to create the workforce needed for the future.

Benefit levels

To work for everyone, our social safety net needs to provide income support that is not just livable but that enables individuals and communities to thrive.

Emergency housing

The Government continues to make a huge investment in motels and hotels. This is a short term solution and risks creating future housing challenges.

> *"While the announcement of the establishment of the Ministry was long overdue, without adequate resourcing at the outset, it would be setting it up to fail, so it is good to see investment in this area."*
> —Louise Ryan, Co-Convenor, CTU Kaimahi Whaikaha

Are there any short-term issues (including those caused by COVID)?

COVID-19 has caused massive demand for supplementary assistance and emergency housing. Also increased demand for care and protection services. The Government needs in particular to refund Oranga Tamariki for this from its COVID-19 contingency.

Throughout the pandemic, the Government has relied on MSD to pivot to provide significant additional and changed services. It takes a lot of work across the whole organisation to do this – from workers in IT through to the frontline. This continues to impact the workloads of many at MSD.

What has the Government said previously on this topic and what solutions have they offered?

Last year's Budget included funding for increases to all core benefits and for more (but not enough) case managers.

The Government continues to impose pay restraints. Not only are rates of pay comparatively low but, as required by Government policy, the rate of pay increase in the Public Service is also lower than that of other parts of the public sector and of the private sector.

Health

The Government has been promising nothing short of a sea-change in how we fund health services. In the past few years health has seen significant increases in funding to cope with the expected COVID-19 wave of cases, and to support the public health response. Since taking office, annual Core Crown funding for Health will have increased by $10.4bn or 64% by 2023.

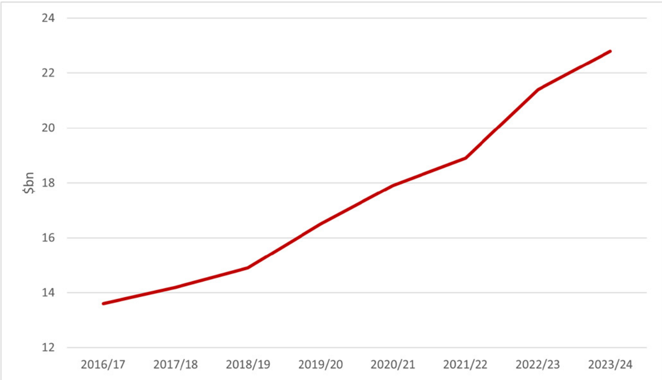
But these increases were not the limit of the ambition for health. The Government had promised to financially stabilise the health service prior to moving it to its new institutional form. The Government had also made commitments around mental health in the lead up to the Budget, together with commitments to increased funding for Māori health services, and a new Māori Health Authority.

In addition to this the Labour Party had included dental health reform in its Manifesto, and had a backlog of pay equity claims to finance. Under normal circumstances this would be quite a list of programmes and policies to deliver. But given the challenges of the health service having faced COVID-19, and the desire to reform health structures, this would require serious investment.

The Budget press release from Minister Little entitled "Investing in better health services" somewhat underplayed the nature of the investment that this Budget made. Over the next two years, the government spending on Vote Health would increase by $11.1bn over the next two years. Funding would also be made available not just one year, but for two, so that the sector had certainty over what funding was available. The Government is promising that this funding increase will put "the healthcare system on a strong financial footing".

But the challenges that the sector faces are not just to be found in the financial resources available. There are currently over 4,000 nursing vacancies. Difficulties have been well advertised with finding mental health staff to fill roles. Widening gaps in pay have been seen between the private health sector and the public sector. There is an increasing risk of essential health staff leaving New Zealand for overseas. $76m has been set aside to deliver on programmes to tackle the current shortages.

Figure 20: Purchasing of Health Services



In addition, we know that there is a significant backlog in terms of health capital need and infrastructure. In 2021 the Infrastructure Commission estimated that the backlog in capital was at least $14bn and probably larger (the last estimate was made in 2018). Historical underinvestment had meant that essential hospital and other health infrastructure was not in place to deal with challenges such as COVID-19. The Government provided an additional $1.3bn for capital at this Budget, taking the total forecast health capital expenditure to $6.4bn by 2025/26. As a comparator in 2017/18 the Government spent just $350 million in new capital investment.

Finally, one of the key government areas of expenditure has been in the provision of additional pharmaceutical funding. The rising cost of drugs, new drug availability, and the quantity required has placed consistent pressure on the budget. This Budget made an additional $191m available for medicines over the next two years. This means that between 2017/18, and 2023/24, the overall medicines budget will have increased by 50%.

Did the Government deliver on our main asks?

The health sector has been clear on the need for a more secure and sustainable footing over the long-term. Funding has traditionally been delivered on an annual basis, with little security that it will meet either inflation or actual need. Funding increases have moved around significantly depending upon the political environment and on other cost pressures in the Budget.

Moving to a two-year (and then three-year) funding cycle may tackle these issues. However, this will rely upon the Government getting the funding right at each stage. There will be a strong political temptation to change the funding each year regardless of the initial funding decision. But this new system should also reduce the likelihood of services running at a deficit, as funding levels are known in advance.

The increases in health funding are very welcome and necessary. $1.8bn annually has been provided in 2022/23 for cost pressures, with $520m of this going to clear the historical debt backlog. An additional $1.3bn per year is provided for support in 2023/24. There is additional funding for both road ($166m) and air ($90m) ambulances.

Funding has also been provided to support the development of the new Māori Health Authority, with an additional $168 million being made available over the next four years. All together with additional Māori health funding allocations, this means that $254 million was provided. While this funding may well make a difference to many Māori, the funding averages out at $63.5 million a year. In the context of a $20bn+ system this might appear to be a small amount of funding – around 0.3% of overall health service purchasing. For Pasifka health $70m in new funding is provided over the next 4 years, at $17.5m a year.

"While it's good to see some increased investment in health, with wage growth predicted to remain high, it's time for Health NZ to step up and address lagging salaries for our public health workforce. If we are serious about improving access to care we need no cost, low cost, and subsidised primary care – including dental – for all adults.

If we want to get ahead of our burgeoning health need, this year's numbers need to be followed up over several future budgets."

Sarah Dalton, Executive Director, ASMS

What are the long-term challenges?

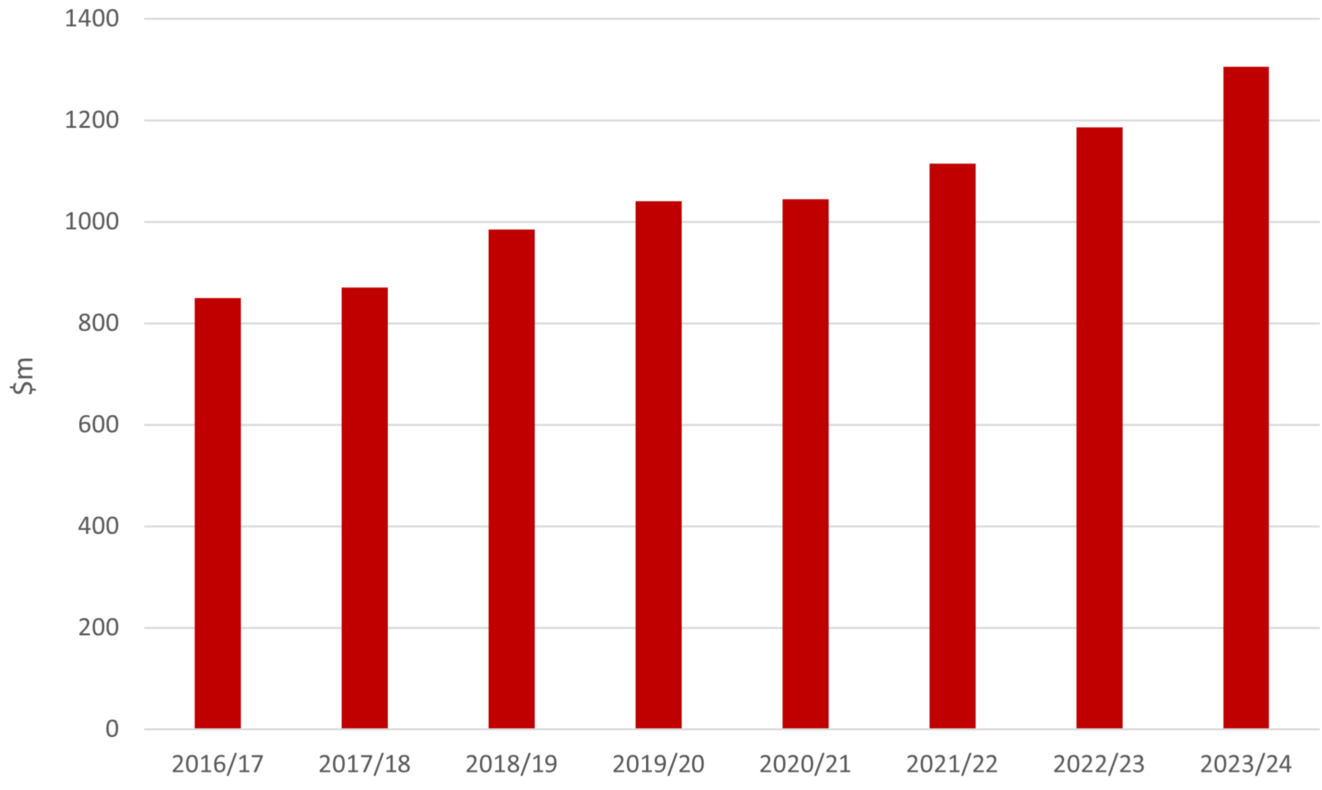
Given the size of the staffing issues in the health sector, any additional funding that supports workforce development is welcome. However, we have concerns that the money that has been provided within this Budget will not prove sufficient to properly target need. $76m of funding will provide a part of the solution but not the whole amount. It is unclear how this money will be provided as the wording of the appropriation allows for both training and development. This might mean no new staff at all.

The biggest financial concern reflects the fact that no additional funding was made available for health service reorganisation at this budget. $486m was made available at Budget 2021, but there are concerns that this will not provide sufficient funding to deliver the change to a national integrated health service from the 20 DHBs currently. It is unclear if any additional reorganisation costs will come from the funding provided to the health system at this Budget, or if additional funding will be made available.

The experience of overseas health service reforms are that they are expensive and time-consuming. They do of course come with opportunities to make efficiencies and to end the postcode lottery of the existing system. But the lack of even contingency funding being made available for reorganisation means that we have questions about how the costs of service redesign above the $486m already provided for will be managed.

Figure 21: Pharmac Budget (Excluding COVID)

Source: Pharmac Annual Reports and Budget 22 Documents



Justice Sector

Budget 22 announced the creation of a 'Justice Cluster' pilot"[3] with the intent of enabling "more efficient and effective interagency investment" to deliver improved and enduring wellbeing outcomes for New Zealanders. Agencies are receiving $2.7bn in total operating and $25 million in capital funding which the Government hopes will "deliver and generate system changes that will endure beyond the short term."

There remain additional initiatives in the justice vote that sit outside of the justice cluster:

- Courts receiving $4.568 million over 4 years for preventing family violence and sexual violence – foundational training for Ministry of Justice workforce.
- $141.106 million over 4 years for electoral commission to maintain service levels.
- $10 million over 4 years for the Human Rights Commission to address critical cost pressures
- $3.98 million over 4 years for the independent police conduct authority to build capacity to meet current and future demand.
- $7.383 million over 4 years for building justice workforce capacity capability around preventing family violence and sexual violence.
- $9.772 million over the 4 years for maintaining services for victims and perpetrators of family violence
- $4 million over 4 years for engaging communities in collective monitoring, sharing, and learning re preventing family violence and sexual violence.
- $38.07 million across 4 years (for police, justice, corrections, and social development) to support and expand integrated community-led responses.

This equates to a total of $218.879 million worth of Justice initiatives outside of the justice cluster spending.

Did the Government deliver on our main asks?

Prior to the budget in our pre-Budget Economic Bulletin we noted that:

- There had been ongoing underinvestment in the Justice workforce.
- There was a strong need for significant infrastructure investment to make long needed system upgrades
- COVID-19 had caused a significant backlog of cases, and that the system lack resourced to address this.

The Government clearly agreed with our analysis and have outlined investments to address upgrading the sector and to support the COVID-19 induced case backlog:

$3.8 million has been made available in 22/23 to the Courts for time-limited funding for additional judges and staff to alleviate the increased case load from COVID-19 restrictions, and, to bring caseloads back down to pre-COVID-19 levels. In 23-24 the amount for Courts increases to $14.127 million and in 24/25 it will be $11.93 million. Other Justice cluster agencies (with the addition of Oranga Tamariki) will receive roughly $5 million in 23/24 under this

3 The Justice Cluster includes the Ministry of Justice, NZ Police, the Department of Corrections, the Serious Fraud Office, and the Crown Law Office.

initiative reflecting the justice cluster's multi-year multi-agency approach.

$10.329 million in funding has been allocated to Courts and Justice to help secure a stable and resilient workforce.

The CTU also noted that lack of legal aid accessibility remained a significant barrier. Therefore, we are happy to see that this budget provides roughly $190 million in new operating expenditure across the forecast period to cover increased demand for legal aid services, improve access to services, and, to reduce requirements for low-income and vulnerable New Zealanders.

The Government has signalled that they have recognised the need to increase funding in necessary court and IT infrastructure to ensure delivery of Justice services, better security, increased funding for legal aid and continued funding of the Criminal Process Improvement programme to address the increasing backlog of criminal cases and the programme of work to address family and sexual violence.

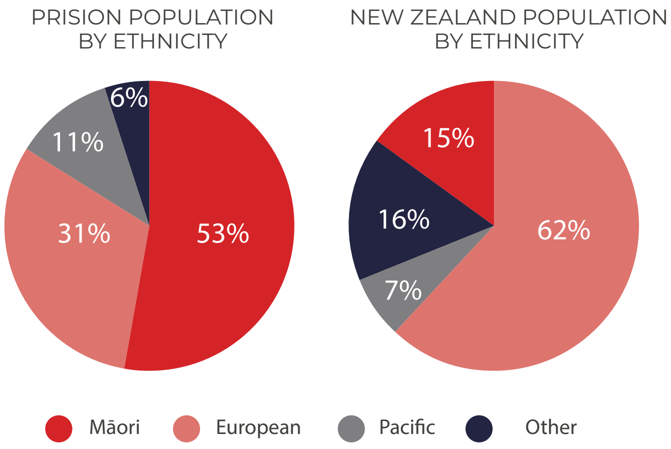
What have been the long-term challenges?

The overarching long term issue of the Justice sector remains. That there are poor outcomes for those that move through the Justice systems. Māori and Pasifika communities continue to suffer from disproportionality high incarceration rates. Initiatives in Budget 22 offer to make improvements, some of these are listed below.

- Ongoing support for Mana Ōrite partnership with Ināia Tonu Nei – which includes $6 million operating total over 4 years to ensure Māori engagement on criminal justice reform.
- The Criminal Process Improvement Programme – with Courts and Corrections receiving an operating total of $11.1 million jointly over 4 years to help ensure that participants at the District Court are prepared to meaningfully progress or resolve their case at a scheduled hearing.
- $4.292 million operating over 4 years for expanding the Te Kura Kaiwhakawā (institute of Judicial Studies) which provides funding to support the Te Ao Mārama model of justice. This equips Judges to support full participation of those who come before the Courts, and;
- $7.5 million operating over 3 years, starting in 23/24 to increase the capability of the Ministry of Justice to ensure it can consistently meet its commitments and obligations under Te Tiriti o Waitangi.

"As an Organiser in Corrections I am relieved to see significant funding allocated for officers' frontline training. This will be a real boon for addressing the needs of frontline staff and to address the low wages in the sector."
Willie Cochrane – PSA Organiser for Corrections

Figure 22: Comparison between prison and general population



Source Corrections (March 2021) and Stats NZ Census 2018

We are also pleased to see a policy initiative for funding for the Ministry of Justice Policy Group to improve capacity and capability to carry out its policy and stewardship functions. This includes $22.909 million over 4 years to ensure inclusive policy development in the Justice sector.

Are there any short-term issues (including those caused by COVID)?

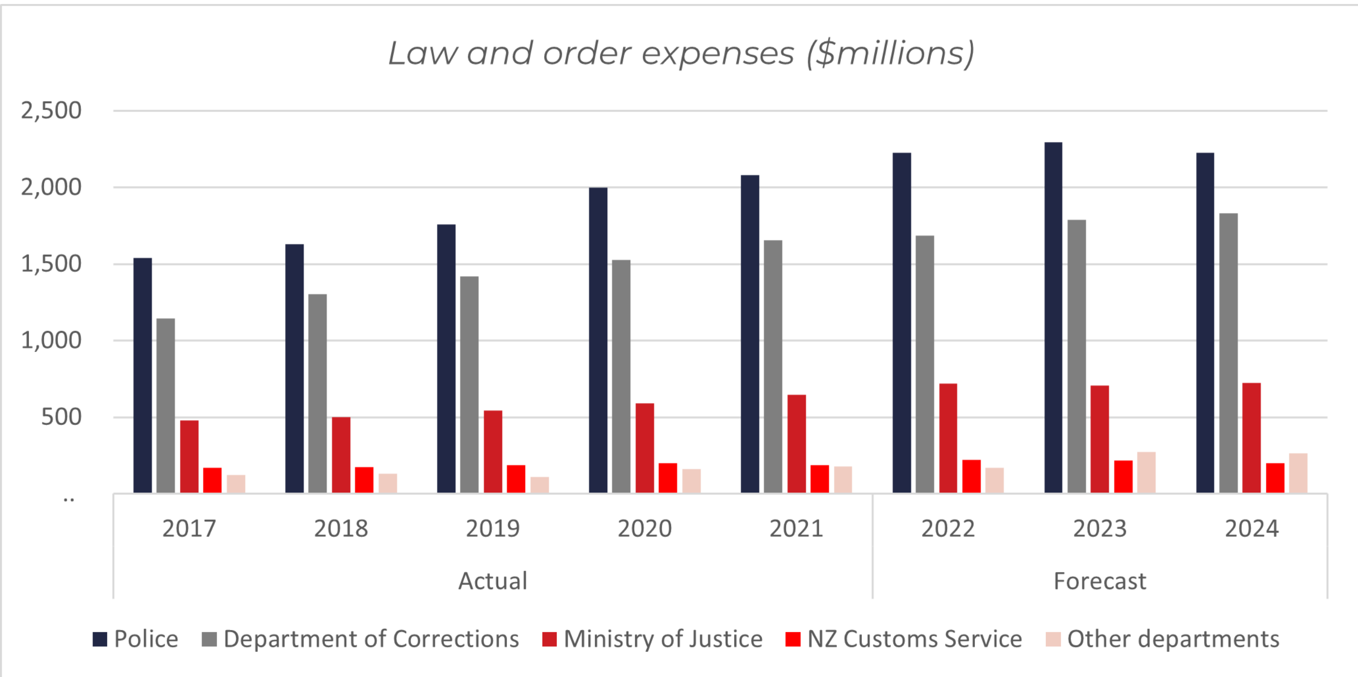
Workers in the sector are undervalued and underpaid, wages have remained stagnant. It is good to see some money in the Budget to pay for outcomes of collective bargaining, although it is not enough to address cost of living increases.

COVID-19 has ballooned judicial caseloads, so it is pleasing to see this being addressed in the Budget. In addition to the previously mention funding for case-load management, coronial services are receiving $28.455 million in operating costs over four years to manage caseloads and introduce "four new coroners and support staff and establish a new Coronial Registrar and Clinical Advisor positions". We hope this improves outcomes for the bereaved whānau in the system.

What has the Government said previously on this topic and what solutions have they offered?

Labour's justice policy stated that their law-and-order reform is focused on wellbeing, and that their focus is on the reduction of offending and to improve rehabilitation. Solutions put forward in Budget 22 suggest they are heading towards this goal, for example:

- $198.3 million in funding for Corrections frontline safety and improvement to respond to operation complexity such as addressing



violence and aggression, and, meeting the needs of women in prison.

- Funding to continue the alcohol and other drug treatment Courts in Auckland, Waitakere, and Waikato permanently
- Funding for foundational training for Ministry of Justice Workforce on family violence and sexual violence so that Court participants can have a "more therapeutic response consistent with Kaupapa Māori."
- Funding to enable communities to participate in hui and grow their capability and capacity to engage collectively with government with the aim of building enduring relationships to ensure that government policies, decisions and services are accessible, relevant, and effective.

Overall, the Justice sector did well in Budget 22, the opposite of its performance in Budget 21. Although there is a significant way to go, the Government has signalled in the Budget that there is a need for a co-ordinated approach to address the current pressures. A raft of initiatives designed to make the system more supportive and progressive on top of this hopefully signals a significant turn for addressing historically poor outcomes for those who find themselves within the justice system.

ECE & Statutory Education

Budget 2022 includes significant progress towards pay parity for all teachers, with $266 million in operational funding for ECE teachers. This includes the introduction of a minimum rate for early childhood centre managers that will help to retain experienced teachers and attract new people to the sector.

What is the Government promising?

Early Childhood Education

Early childhood teachers now have a transparent pay scale based on union collective agreements like their counterparts in primary and kindergarten education. While this is a significant step, it does not reach parity with the pay scale in the kindergarten collective agreement (KTCA) as previously promised.

Equity Index

The Government is committing nearly $300 million over four years of equity funding for schools, at around $75 million per year. This represents an increase in equity spending of around 50%. This is a significant development and puts extra resourcing to support schools to mitigate socioeconomic barriers to learning, although Aotearoa will still be behind the OECD average of 6% equity funding as a percentage of total education spending, at around 3.8%

The appropriation has also included funding for internal system and infrastructure costs to begin the implementation of the new early learning Equity Index.

Operational grants

School bulk operational funding is intended to cover the costs of the day-to-day running of a school. Over time it has also become normal to use this funding to pay administrative and learning support staff.

Budget 2022 includes an operational grant increase of just 2.75%, well below current CPI of 6.9%. This puts additional pressure on schools as this funding is used to cover both operational and support staff costs. Because many operational costs are non-optional, a squeezed operational grant impacts a school's ability to employ crucial support staff such as teacher aides.

Increased equity funding will mitigate the squeeze for some schools, especially those facing the biggest equity challenges, however when combined, new Equity Index funding and

"This is a huge step in the right direction, but we are still waiting for the Government to fulfil its promise to deliver full pay parity with our counterparts in kindergartens."
Megan White, an ECE Head Teacher & NZEI Te Riu Roa member

operational grant increase only amounts to an overall increase of about 4%.

Extension of Mana Ake programme

The Government made good on its promise to rollout the Mana Ake Mental Health and Wellbeing programme for primary and intermediate students to five more regions after running successfully in Canterbury and Kaikōura since 2018, in response to earthquake induced trauma in learners. Mental health and wellbeing support for young people is vital in the context of several years of COVID-19 disrupting learning. The Government has committed to the full rollout of the programme.

Growing Māori medium education

Significant investment in growing the Māori Medium workforce is a welcome announcement and will go some way to meeting the ambitious target announced by Associate Minister of Education Kelvin Davis in February 2022 of growing Māori learner participation in Māori Medium education to 30% by 2040.

The $24 million increase for Māori language education and $105 million for Māori medium education will significantly help many more Māori akonga develop a grounding in the Māori language, giving them greater self-esteem, confidence, and wellbeing.

Supports for Pacific education workforce

There is already a shortage of Te Reo Māori teachers, particularly in the secondary school sector, so there needs to be a sharp focus on attracting them to, and keeping them in, secondary teaching. Buget 2022 announced more than $18 million of welcome funding to increase the number of Pasifika bilingual teachers, retain the current workforce and provide additional funding for the professional development of teachers of Pasifika students.

Did the Government deliver on our main asks?

Union members have been struggling for pay parity for ECE staff for decades. Budget 2022 offers significant progress towards pay parity for all teachers, including the introduction of a minimum rate for centre managers. This will help to retain experienced teachers and attract new people to the sector. Early childhood teachers now have a transparent consistent pay scale based on union collective agreements like their counterparts in primary and kindergarten education.

The ‘parity extension’ initiative sees the introduction of an 11-step scale. This is an important win for the ECE sector and will go a long way to improving transparency across the sector and will see increases of $14,000-$28,000 p/a for some teachers working in the sector. While the extended scale announced today gives parity with the KTCA scale to teachers on Steps 1 to 6, this new 11-step scale falls short of the promise of pay parity.

The ‘partial steps’ 7 to 11 will see experienced teachers working in Education and Care services receive between $2,000 and $10,500 less than their colleagues teaching in kindergarten.

In addition to pay parity, for decades staffing levels in primary schooling have been identified as being in desperate need of improvement. Budget 2022 delivers nothing toward improving staffing levels in primary and intermediate schools. As the Pūaotanga review of staffing in primary schools has shown, large class sizes put Kaiako under immense pressure in their day-to-day work. Recommendations to improve staffing ratios in primary have been on-and-off the table for more than two decades.

Increased support for Te Reo Māori and Pacific immersion were recommendations of the Pūaotanga staffing review. It is good to see the Government progressing some of these recommendations. Secondary teachers want a Budget that recognises and invests in the importance of secondary teachers and the rangatahi they teach.

What have been the long-term challenges?

The secondary teaching sector are particularly struggling with supply issues. There are challenges recruiting teachers into the profession and then retaining them. This is more of an issue in some secondary subject specialist areas than others.

Budget 2022 makes no long-term commitment to fixing the issues of under staffing and increased work demands in primary and intermediate education that affect the quality of education our tamariki receive. These issues have been identified by several reviews over the past decades, dating back to the early 2000s.

It is disappointing to see that the Government has made no commitment to tackling student-teacher ratios in primary and intermediate schools, to offer greater support for school leadership or to address the funding for support staff and for teachers working with students with specialised needs.

Are there any short-term issues (including those caused by COVID)?

COVID-19 has amplified some of the issues that already existed. Workload and burnout are a long-term issue for teachers, and this has increased over the two years of COVID-19. Lastly, the digital divide, which has always been present, has been highlighted by the challenges of teaching during a pandemic.

The extension of the Mana Ake programme is welcome news for Kaiako who are experiencing increased numbers of students presenting with complex mental health needs due to the pandemic.

The sub-CPI operational grant increase will put immediate pressure on schools' ability to employ support staff. Support staff are a vital component of our school staffing system, however funding them through bulk operational grants means schools are forced to treat them as expendable. This highlights the inadequacy and instability of using this funding model for staffing. The squeezed operations grant will see many schools struggling to pay support staff, potentially leading to reductions in hours and support for tamariki. As above, this highlights the need to move to a centralised staffing model for all support staff.

What has the Government said previously on this topic and what solutions have they offered?

Pay parity was a manifesto commitment for Labour and although the announcement does not reach pay parity it represents a significant step towards it. Implementing the equity index was also a manifesto commitment and it is great to see that this is being implemented with additional resourcing.

What we are yet to see from the Government is a comprehensive and holistic approach to workforce planning and resourcing. Ultimately this is a budget of two halves, with some welcome advances for primary, intermediate, and early childhood education such as the move toward pay parity for ECE teachers, the implementation of the Equity Index, the extension of Mana Ake, and supports for Māori and Pacific education workforce. On the other hand, a lack of commitment to major issues such as staffing in primary schools, as well as the sub-CPI operations grant increase is disappointing and puts further staffing pressure on schools. This will be felt widely and deeply by the sector.

Tertiary Education & Training

Budget 2022 provides a welcome extension of funding for the Apprenticeship Boost through to December 2023. This will support an additional 38,000 apprentices at a cost of $190 million, continuing the upward trend in apprenticeships over recent years.

What is the Government promising?

In addition to the funding provided to apprenticeships, $40 million of capital was made available to remediate buildings owned by Polytechnics as they merge into the newly established national structure of Te Pūkenga.

The sector received additional resources at Budget 22 to increase tuition and training subsidies, manage increases in delivery costs, and to maintain the quality of education. Government set aside $266m over four years for this allocation, a 2.75% increase. This is well below current inflation.

A further $73m was provided to meet the cost of increased training provision in prioritised areas in 2023.

Did the Government deliver on our main asks?

Budget 2022 provided little in the way of relief for staff in tertiary education facing increasing strain from stress and high workloads. Budget 2022 increases tuition funding per student (by 5.1% in nominal terms for 2022-23 compared to the previous year), but with CPI currently sitting at 6.9%, this represents a cut in real terms.

What have been the long-term challenges?

The Tertiary Education Union has said that these funding increases are not enough to overcome previous decades of underfunding in the tertiary sector.

Another long-term issue has been the prioritisation of spending by tertiary institutions.

"We would love to see more for our tertiary sector. Poverty shouldn't be a rite of passage for students. We'd like to see student allowance increased and available to a wider range of students – including postgraduates."

Dr Zoe Port, StandUp Convenor and TEU member

Research recently commissioned by the Tertiary Education Union showed spending on staff as a proportion of operating expenditure declining at a majority of New Zealand Universities.

Are there any short-term issues (including those caused by COVID)?

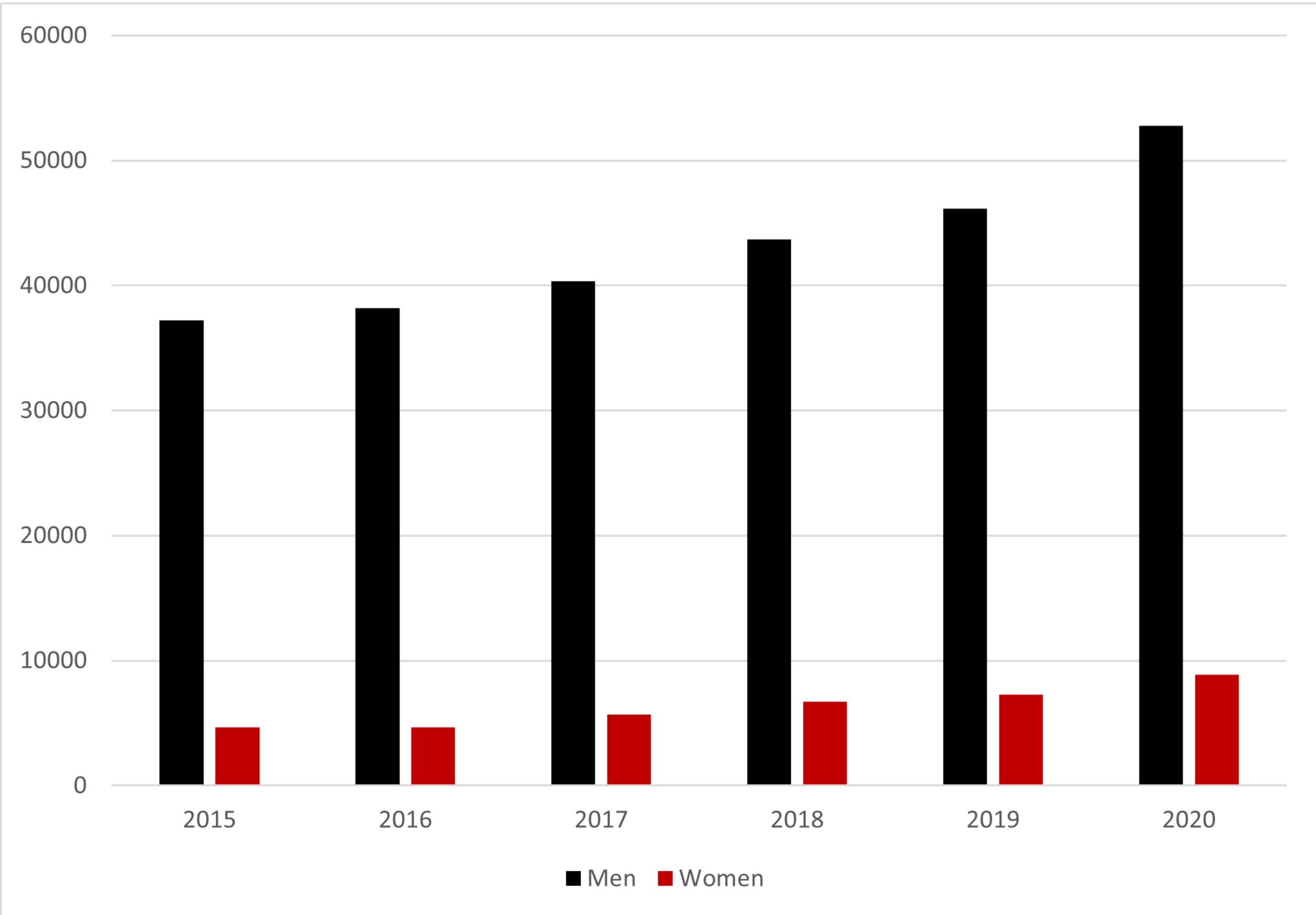
A recent survey of staff by the Tertiary Education Union found significant short-term increases in stress and workload during COVID, adding to longer-term pressures.

What has the Government said previously on this topic and what solutions have they offered?

Over the five years since the change of government in 2017, tuition funding per student has increased by 11% in real terms. But this has come after decades of underfunding of public tertiary education, leading to increased pressure on institutional budgets and staff workloads.

Staff in polytechs, institutes and technology and vocational education remain cautiously hopeful that the establishment of Te Pūkenga as a unified institution will help to shift the focus in the sector from competition to collaboration for education and public good outcomes.

Figure 24: Apprenticeships



Climate & Just Transition

The essence of a "Just Transition" is simple: the costs of the necessary changes that will deliver all of us a more stable climate, must be spread evenly and not fall disproportionately on working people and those on low incomes.

This is much more than supporting workers in directly affected jobs like oil, gas, and coal to secure good new work. It is about ensuring all workers, especially those on low incomes, aren't unfairly affected by market-based mechanisms to help the country decarbonise.

What is the Government promising?

Budget 2022 says "the Government is committed to ensuring an equitable climate transition. This will include addressing the distribution of impacts caused by both the changing climate and the steps we are taking to address it, and making sure that we address existing inequalities that are created within the current system".

Did the Government deliver on our main asks?

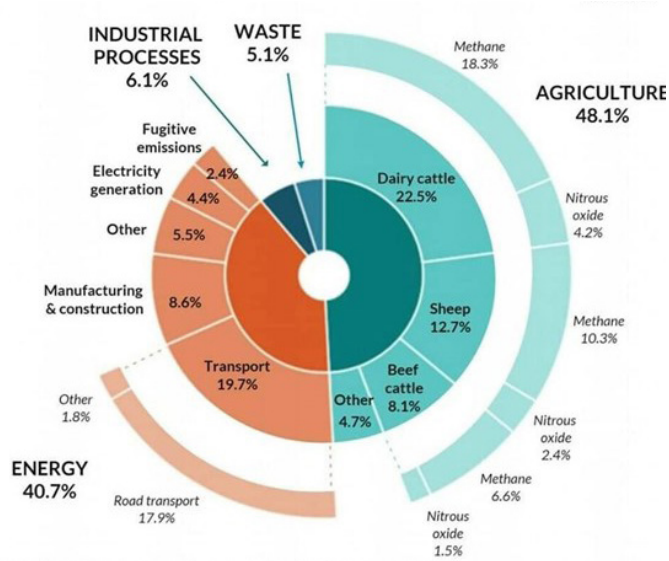
Budget 2022 builds on Budget 2021 investments which include an additional capital injection into Green Investment Finance to help create replacement industries, funding to help regions plan new initiatives, significant resource into vocational education to help current and future workers get the skills they need and a small amount ($2.5 million) to support community participation in Just Transition planning.

New initiatives in Budget 2022 that will help achieve a just transition include:

- **$653 million to help industries decarbonise.** Just as it is important to support new industries to emerge (such as wind energy) it is important to support existing industries to decarbonise their business processes and energy inputs. This is because these industries employ hundreds of thousands of workers. Supporting them to remain competitive keeps people in jobs and supports the economic health of our regions. CTU would like to see this extended by adding conditions to these grants – in particular, to ensure guaranteed worker involvement: workers released on pay to be part of planning the Just Transition.
- **$569 million for the scheme to help low income families scrap older cars and**

Figure 25: New Zealand's greenhouse gas emissions

Source: New Zealand's greenhouse gas inventory 1990-2017, published April 2019



Note: Percentages in the graph may not add up to 100 due to rounding.

Fugitive emissions are from the leakage, burning and controlled release of gases in oil and gas operations as well as escaping gases from coal mining and geothermal operations. Agricultural methane is mainly from livestock digestive systems and nitrous oxide is mainly from manure on soil.

replace them with electric vehicles. This will benefit both those families, but as importantly it helps to grow a domestic second-hand market for EVs which will make them more affordable over time, and this initiative recognises we need to start somewhere. CTU would want to extend this by creating government schemes to support workforces reliant on cars – such as home support workers – to access EVs through a subsidised group scheme.

- **Supporting permanent half price public transport for community services card holders.** This is a positive step towards supporting public transport use, helping to meet our climate change goals, and assisting low and middle-income New Zealanders.
- **$4 million to set up the New Zealand Income Insurance Scheme** (and tagged contingency of 56 million more set aside if needed). It's not enough just to create new jobs in lower carbon industries, we need to support workers to access these jobs, and smooth the transition for them. Social insurance is a key part of this which the CTU strongly supports.
- **Small amounts to help plan the transition**. Including $16 million for the development of an equitable transition strategy (for the country as a whole) and a continuation of $2.5 million for the Just Transitions Unit in MBIE to fund communities to help design regional transitions.

Without additional support to create a Just Transition, economists at Motu[4] have recently predicted that many thousands of jobs will be lost.

What have been the long-term challenges?

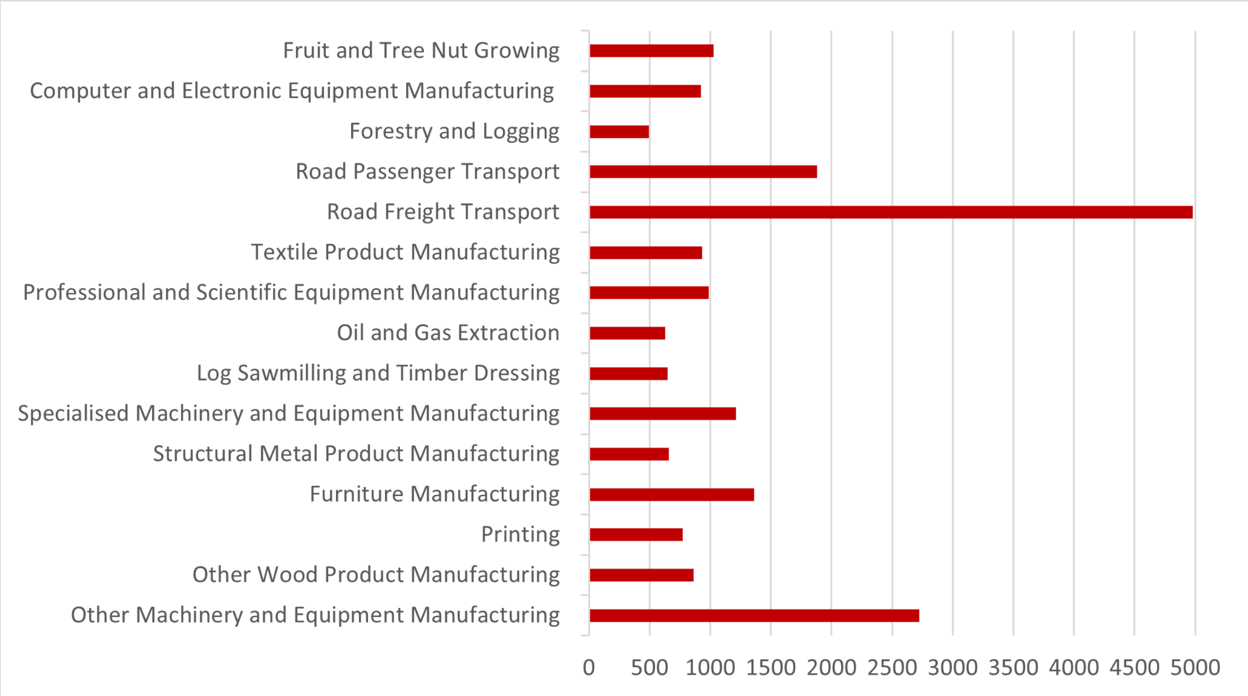
A Just Transition for workers includes having a supported pathway into secure work with good wages, access to education and training, a social safety net to back up the transition, and a voice at work and in industry. Taken together, the above initiatives help, as they build on last year's initiatives, like the $300 million to generate new green industries. However, the current approach to Just Transition needs to move to a more active role for the Government in supporting new industries and pathways for workers into these new jobs.

At present, it is taking a facilitative role with regions to plan new initiatives, but there will be times when significant investment is needed, and at $200 million over three years, the Regional Strategic Partnership Fund is only a fraction of what had been going into regions

"Just transition isn't just about the development of new industries to replace legacy ones. It's also about making sure there is a plan to help workers access these new jobs, and a strong voice for workers in designing the transformation of industries. We have more to do to make this real."
— Mark Anderson, Convenor, E tū Engineering, Infrastructure and Extractions Industry Council

4 Motu. 2021. Predicted Distributional Impacts of Climate Change Policy on Employment. motu-www.motu.org.nz/wpapers/21_07.pdf

Figure 26: Forecast job losses by 2050 (without Just Transition intervention) - Motu



through the $3 billion Provincial Growth Fund.

Are there any short-term issues (including those caused by COVID)?

The lack of capacity in the economy is reinforcing the need to invest in building a skilled workforce.

What has the Government said previously on this topic and what solutions have they offered?

Climate Change Minister James Shaw told delegates to the Council of Trade Unions in 2017 that "we need to invest in new, like-for-like industries that use peoples' existing skills and talents and offer them even better pay and conditions than they have at present".[5] The Employment Strategy[6] affirms that "anyone who wants to participate in the labour market should be able to access decent work", and the Government's approach to Industry Policy[7] calls for "ensuring our activity is supporting better jobs, involving decent and sustainable work, and good wages and conditions."

The political commitment to good jobs is there, and the investment into developing new industries is gearing up, but the missing link is enforceable mechanisms to ensure that the new jobs are good jobs. Now this is largely being left to chance. One simple solution is that Government Procurement Rule 19 on employment is amended to facilitate a more ambitious approach to lifting wages that the current requirement, which is only to "comply with employment standards and health and safety requirements."

There is also a lack of direct resourcing of capacity building for workers to help co-design the transition. There are small amounts in the just transition fund which fund important work in areas like Southland. But just transition is an all workers, all sectors issue – and CTU would have been looking for much more investment

5 www.scoop.co.nz/stories/PA1710/S00069/shaw-climate-change-the-future-of-work-and-pay-equity.htm
6 Employment Strategy, August 2019. www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-strategy
7 A refreshed industry strategy in response to COVID-19, at para 68. www.mbie.govt.nz/dmsdocument/11570-a-refreshed-industry-strategy-in-response-to-COVID-19-proactiverelease-pdf

in both building workers capacity to be part of transition planning, and increased amounts for generating new jobs.

Transport

Budget 2022 provides funding of $349 million over four years for more rolling stock and rail network investment. A further $199 million over four years will fund detailed policy work on the next stages of the Auckland City Rail Link project.

What is the Government promising?

Transport Minister Michael Wood said that Budget 2022 continues to 'support the restoration of the national rail network', building on recent announcements for the Climate Emergency Response Fund to support passenger and freight networks.

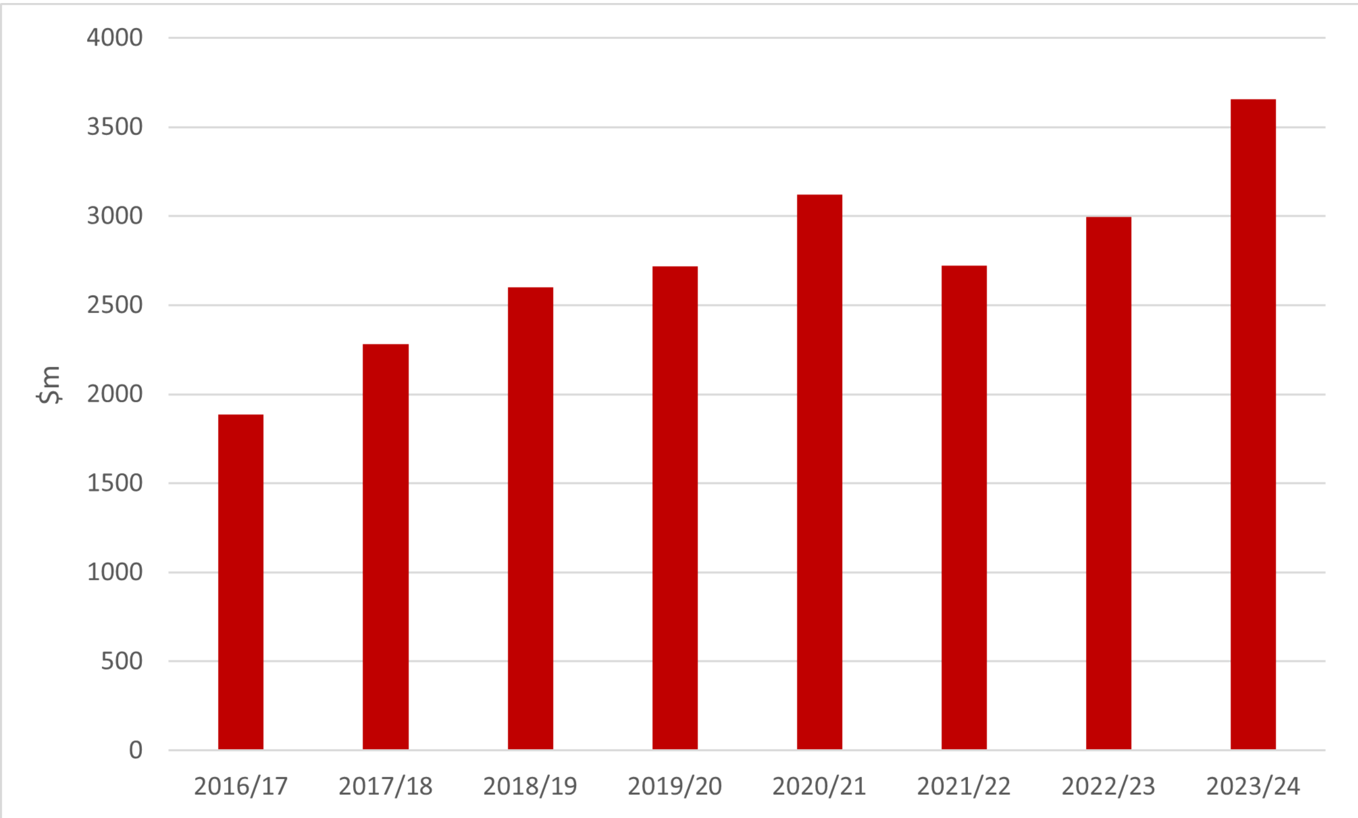
Support for coastal shipping is expanded with support to replace the main freight vessel servicing the Chatham Islands.

Funding for Waka Kotahi falls in 2021/22 and 2022/23 relative to 2020/21. This is due to the additional funding that was provided for COVID-19 in that year. In comparison to the start of this Government, funding for the Transport Agency has increased by 60%.

Did the Government deliver on our main asks?

Unions had hoped to see half price fares on public transport made permanent, with a longer-term commitment to move to fares-free transport. Budget 2022 delivered funding for half price fares for Community Services Card holders,

Figure 27: Waka Kotahi Funding



plus an extension of half price fares for all passengers until August. Unions welcomed these measures and will continue to advocate for a move to universal fares free public transport.

Union members in the bus industry also welcomed the commitments in Budget 2022 to improve working conditions and address workforce shortages, with funding of $61 million over four years to improve pay and conditions.

What have been the long-term challenges?

Major new investments are needed in the rail network, along with the infrastructure needed to expand and electrify the bus network and support coastal shipping. Additional capital investment is needed to make progress on electrification of passenger rail.

Are there any short-term issues (including those caused by COVID)?

The Government acknowledges that COVID-19 has caused serious disruptions to domestic and international supply chains. Budget 2022 includes funding to explore options to improve supply chain resilience, including a feasibility study for a port in Manukau Harbour.

What has the Government said previously on this topic and what solutions have they offered?

Significant commitments have been made in previous budgets, and more recently through the Climate Emergency Response Fund, to upgrading transport infrastructure.

Government has recognised the need to reform the Public Transport Operating Model and has made progress on this, with funding provided in Budget 2022 to complete the policy work on a model that is fit for the purpose of a sustainable and equitable public transport system.

Housing

What is the Government promising?

Budget 2022 allocates $50 million in the next year for partnerships with not-for-profit providers to build affordable rental housing. Government has announced this will be part of a $350 million Affordable Housing Fund, of which $221m is being provided at Budget 22.

The Budget also expands access to First Home Grants and Loans by removing the price cap for loans and adjusting price caps for grants in some parts of the country. These changes to criteria are backed with funding for 7000 extra First Home Grants and 2500 extra First Home Loans per year. Kāinga Whenua loans will also be increased from $200,000 to a maximum of $500,000.

$350m across the next two years has been set aside for a programme to reset and redesign the emergency housing system. No further details are available in the Budget documentation as to what this will entail.

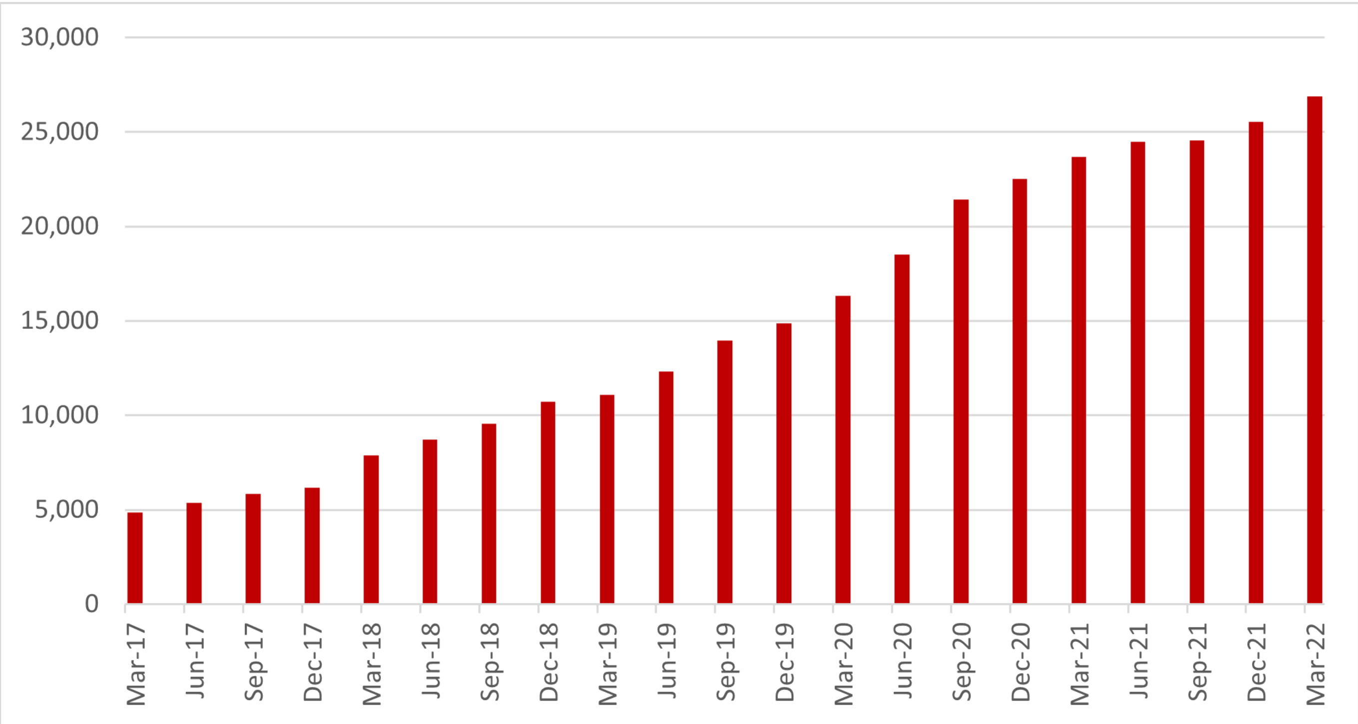
Did the Government deliver on our main asks?

CTU said that Budget 2022 needed to provide funding to build at least 25,000 units of state housing over the next four years, just to meet existing demand. Budget 2022 does commit to significant new spending on state housing, amounting to $1 billion over four years, but this is spent on rent subsidies and operational costs rather than building new housing.

What have been the long-term challenges?

New Zealand continues to face a crisis of unaffordable and substandard housing. Home-ownership is now out of reach for a growing number of working people and rising rents are putting severe pressure on living costs. A recent CTU Economic Bulletin discussed how median rents were now reaching up to 97% of a minimum wage worker's take-home pay.

Figure 28: State Housing Wait List



Are there any short-term issues (including those caused by COVID)?

Escalating housing costs have contributed significantly to the rising cost of living for working people.

What has the Government said previously on this topic and what solutions have they offered?

Government has recognised that New Zealand faces a housing crisis that been created by multiple systemic issues including barriers to increasing housing supply. Budget 2021 committed significant funding to infrastructure to support new housing development. Kainga Ora continues to deliver new units of state housing as part of a long term plan to rejuvenate their housing stock.

"The cost of housing is a crisis for working people. The CTU would have liked to see more money in this budget going to constructing new state houses so that more New Zealanders can have a secure, warm, dry place to live - not just a motel room."
— CTU Analyst Nick Henry

Many Thanks

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Contact

For further information about this report, please contact:

Craig Renney
Economist and Policy Director | NZCTU
craigr@nzctu.org.nz | 022 065 3036
PO Box 6645 Wellington