NZCTU
Te Kauae Kaimahi

Budget Report 2023

A Working People's Analysis of the 2023 Budget

NEW ZEALAND COUNCIL OF TRADE UNIONS
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19 May 2023

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This is a Budget written in the shadow of an election that will likely define New Zealand for decades to come. It is also a Budget written in the backdrop of inflation, the climate crisis, and other profound challenges for our country. Much of this Budget set to ease inflation, with 79% of total costs used just to keep the lights on – against 69% last year and around 50% historically. Cyclone Gabrielle is now forecast to cost between $9 billion and $14.5 billion to repair. The Government had to walk a delicate line in managing these coalescing pressures.

Brighter economic forecasts demonstrate this Government's economic management skills. Through decisive and compassionate leadership, New Zealand has weathered a global pandemic and subsequent inflation, and Cyclone Gabrielle. The economy is no longer heading into recession, with growth now expected in each year of the forecast period. Yet there is an expectation that growth will be lower in each year of the forecast period. Our key challenge is to ensure this growth benefits every community within New Zealand.

Inflation is expected to trend downwards across the forecast period, falling back to the Government's target rate of 1–3% by September 2024. The fall in inflation is forecast to be very steep, so those struggling with the cost of living should expect some relief soon. It also suggests the Reserve Bank should pause before making any further increases to the Official Cash Rate. We believe further increases are unnecessary.

Many workers will be wondering what this means for them. For those in work, wages are forecast to increase faster than inflation every year. Levels of employment rise in four years out of five in the forecast period. Unemployment is forecast to rise to 5.3% in 2024, but then start to fall again. Tougher labour markets are clearly ahead, but not yet at levels like the recessions of the past.

When political tensions rise, governments often fall into tired, fiscally conservative routines. This time, the Government has not fallen into that trap. In a country with challenges such as a $200 billion infrastructure gap this is not only welcome, but wise. Core Crown spending remains at around 32% of GDP until the end of 2027. Core Crown revenue is 32.2% of GDP in 2023, and 32.9% in 2027 – basically the same. Net debt is 18% in 2023, and 18% in 2027. The picture is one of stability.

Yet inside those high-level numbers the Government is making some highly targeted investments. The Government has clearly been listening to the CTU, following our advice in the Building a Better Future report and in the Inflation and Incomes Act – with investment in areas that we have been calling for across the Budget:

- Childcare – investments to extend 20 hours ECE funding to 2-year-olds.
- Transport – providing free public transport for under 13s, and permanent half-price fares for those under 25.
- Insulation – expanding the Warmer Kiwi Homes Programme to another 100,000 new heating and insulation installations.

- Co-payments for drugs – ending the $5 co-payment for prescriptions, helping around 3 million New Zealanders per year.
- Healthy School Lunches Programme – continuing the programme to feed children in schools until the end of 2024.
- Apprenticeship Boost – providing more funding for the scheme, which will enable 30,000 apprentices to keep working toward a qualification.
- Science – 3 new research hubs to tackle issues such as climate change and pandemic readiness, and support for an additional 260 PhD students.
- House building – delivering 3,000 more public homes by June 2025.

This is the kind of investment that makes sense. It improves the quality of life for some of the poorest and most marginalised New Zealanders. It makes the cost of living cheaper by reducing essential costs. It improves the outcomes that the Government cares about. These smart investments pay dividends not just now, but year after year after year.

An example here is the National Resilience Plan. This is $6 billion in new funding to tackle vulnerabilities in infrastructure around New Zealand. These are vulnerabilities we discovered during Cyclone Gabrielle and the Auckland floods. The Government has also set aside funding to create a new infrastructure agency – Rau Paenga – to ensure delivery. Done well, this approach will mean we spend less to repair our infrastructure when we have natural disasters in the future.

Another example is the investment that is being made in science and innovation. For many years, the New Zealand economy has relied upon selling low-value-add commodities like milk powder and timber. We need to move from selling volume (e.g., selling lots of timber) to selling value (e.g., processed timber products). We have lagged other countries in our investment in science and research, and now is the time to catch up.

A picture is emerging – there's the start of a plan here that could make a difference. But we are still hiding behind fiscal indicators instead of delivering the kinds of transformational change that would create the country we want. New Zealand should be moving the structural levels of taxation and spending to those we see in the countries that we compare ourselves to. The full plan to deliver the more productive, sustainable, and inclusive economy we want is still just out of reach.

We hope the election campaign will begin to set this out. But this is a good start. The battle lines are becoming clearer. We can choose to make more investments as seen here to protect the most vulnerable and to catch-up on decades of underinvestment. Or we can return to a country where people were left to fend for themselves, and where a person's ability to pay dictated their access to public services. Our economic growth has made New Zealand the best place in the world to be in business. Now, we want to be the best country in the world to be a worker, and to be a child.

"This Budget provides a $825m financial boost for Māori communities. More money for Māori housing, for Whanau Ora, and for Māori health services. This funding will support whānau wellbeing and help with the cost of living." Grant Williams, Maritime Union of New Zealand

Craig Renney
Policy Director & Economist
craigr@nzctu.org.nz

Budget on a Page

- The government books look far better than they did at Christmas and would still be the envy of many developed countries around the world.
- Higher unemployment and higher interest rates are causes for concern in an otherwise stable economic picture.
- The rising cost of transport has been a significant issue for working families in the past year, while working conditions in occupations like bus and truck drivers remain substandard. In recent years, Government has taken measures to improve wages, reduce fares, and promote decarbonisation, but there is still more work to be done to deliver a sustainable, affordable transport network.
- Chronic underinvestment in the public health system has resulted in severe workforce shortages across health sector occupations and a substantial gap in addressing unmet health needs.
- Funding increases to value, support and train the workforce are vital both for those working in the health system and those using it.
- Measures to ease the cost of living featured heavily in Budget 23. These measures support real wage growth for workers across a raft of sectors, while ensuring that the public institutions that protect workers' rights do not fall behind due to increasing costs.
- The Government has invested in climate friendly initiatives that also support better, equitable living conditions for all New Zealanders. Further groundwork is also being undertaken by the Government in the form of more investment in green initiatives and science to support emissions reductions and climate friendly policy.
- While house prices are falling, interest rates remain high and home ownership remains out of reach for many working people. New public housing stock is being invested in, but not at a rate that matches need.
- The Government should play a greater regulatory role in ensuring the availability of affordable housing stock. Investment in insulation and apprenticeships are positive steps maintained in this Budget.
- ECE makes important and necessary gains, with an extension of 20 hours free ECE to 2 year olds.
- Challenges remain in compulsory and tertiary education, particularly to meet the cost of living.
- Budget 23 makes a start to bringing the Justice sector up to date after decades of under-investment. However more work is still needed.
- Funding for supporting victims of family and sexual violence is the highlight of Budget 23.
- Budget 2023 makes important investments in labour market programmes that support people to find and retain work. This is welcome in the context of a forecast rise in unemployment and will help build resilience in the face of future economic shocks.
- Budget 2023 also makes significant investments in research and development and industry transformation to improve productivity and the development of high-wage jobs.

Contents

Economic and Fiscal Context

This is Grant Robertsons sixth Budget, and his fifth Wellbeing Budget. The government subtitled this Budget as "Support for Today, Building for Tomorrow" – setting out that investment in the economy and society was not just a short-term issue. The Minister of Finance also stated that his key aim was to help address the current cost of living issues that many are facing. The Opposition wanted to paint this Budget as simply another in a long list of high spending Budgets.

All Budgets are difficult, and they involve huge trade-offs. This Budget is no different. $4 billion of savings were found before the Budget to help manage cost pressures. The difficulty in delivering on this Budget comes from the highly unstable background in which the Government finds itself. From natural disasters to geopolitical challenges, this Government has managed its way through crisis after crisis. There is probably much that it would like to have done, only for fate to have intervened.

Before we go any further, it is important to note two things. The economic and fiscal numbers produced in the Budget aren't created by Ministers. They are independently generated by the Treasury, which zealously (and rightly) guards their independence in producing these forecasts. They aren't 'political' in that the Minister of Finance can't choose which numbers to present to the public.

Secondly, as statistician George Box said "all models are wrong, but some are useful.". The data presented by the Treasury won't be exactly right in the future, and we shouldn't expect it to be. This is especially the case when the future is so uncertain. But we can take the information provided by the Treasury as a guide to what might happen – and probably the best guide produced by anyone in New Zealand.

Fiscal Analysis

Fiscal analysis means an examination of what the Government is planning to spend, and how it generates that money. The word fiscal comes from the word fiscus, meaning basket. In ancient Rome, fiscus was the term for money controlled by the emperor, which was often stored in baskets.

Spending

Government spending is programmed to remain much more stable than at the last Budget. Spending was expected to accelerate to 35.4% of GDP in 2022 before falling. This is now expected to come in 32.4% - and remain consistently at around the 32/33% mark. This is still much lower than our international peers, and much lower than is probably required in New Zealand.

Revenue

In order to spend money, you must first collect it. Government revenue has been the subject of much debate recently, with suggestions that the Government is collecting too much. The chart below shows that the Government is collecting more income, as the economy is running better than anticipated, and higher wage and profit growth are translating into higher taxation revenue.

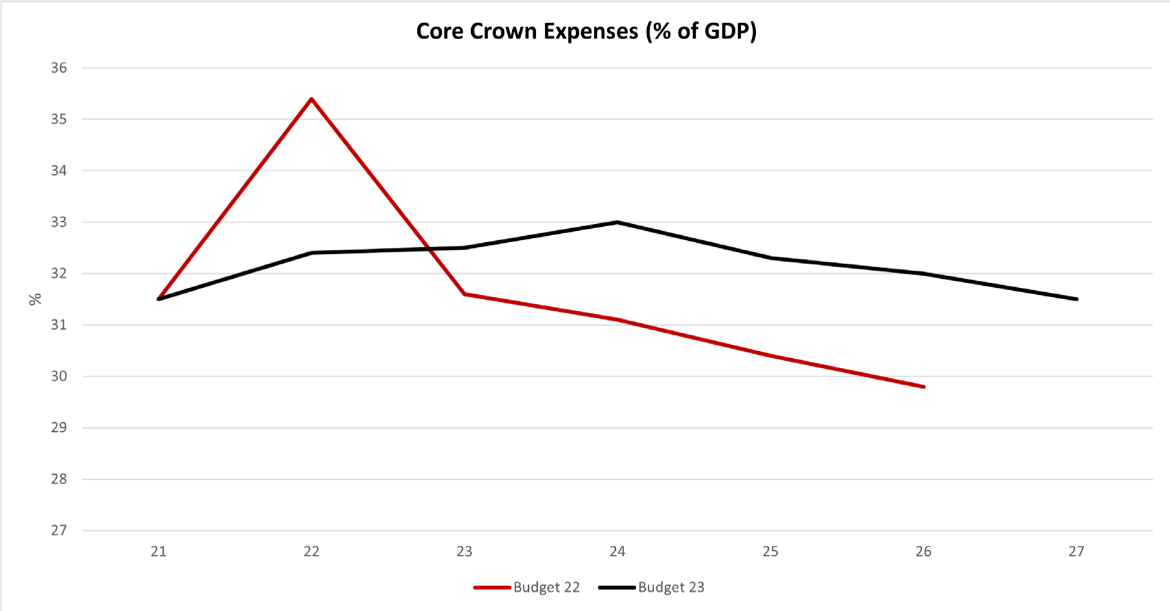

Figure 1: Net Core Crown Spending as a Percentage of GDP - NZ Treasury

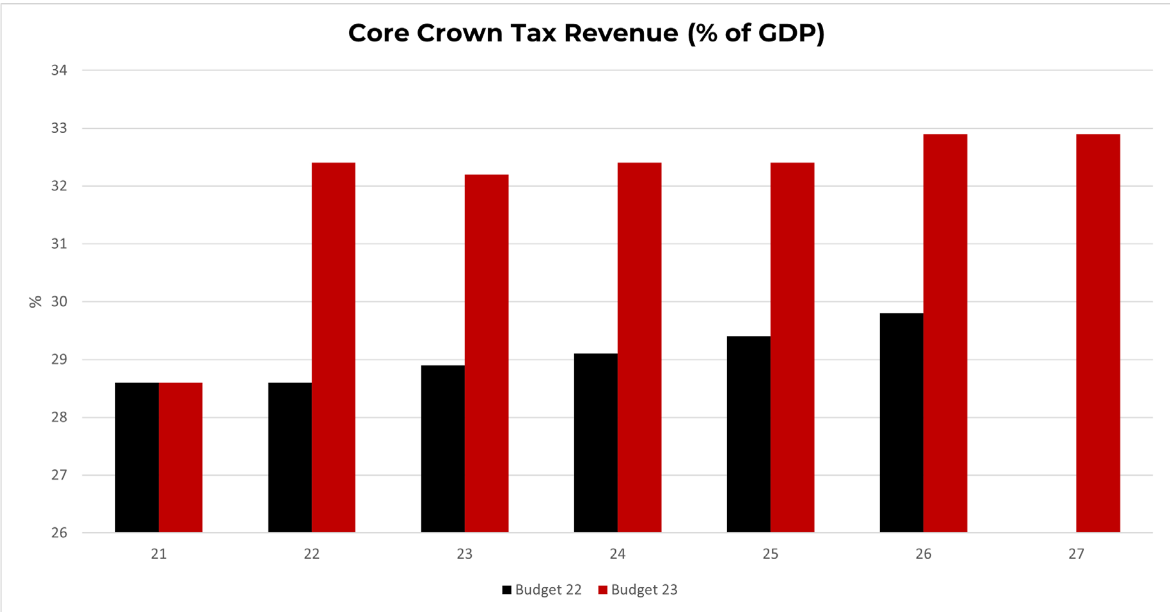

Figure 2: Taxation Revenue as a percentage of GDP - NZ Treasury

OBEGAL

One of the indicators that many commentators look at is OBEGAL (operating balance except exceptional gains and losses). Simply put, this is the difference between the amount of money collected by government, and the amount of money spent (after you take away big one-off items). It's supposed to show if a government is paying its own way or if it's borrowing too much. In reality, it's not that useful an indicator – it's possible to have a small OBEGAL deficit and debt will continue to fall. OBEGAL is expected to now be in surplus in 2026 instead of 2024. But it is also better placed in the short run, with the deficit halved for 2022.

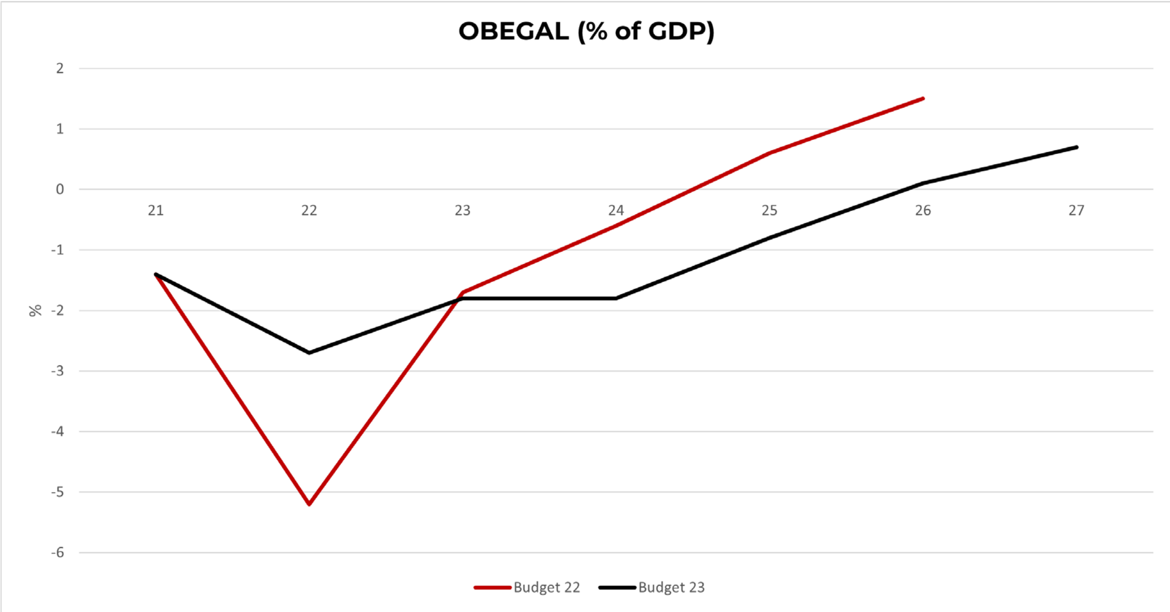

Figure 3: OBGEL- NZ Treasury

Net Debt

One of the most misunderstood elements of government spending is government debt. Very high government debt is dangerous and should be avoided. But very low levels of debt should also be challenged – especially if they are built from not making necessary investments. New Zealand is lucky in having low levels of public debt, arguably too low. The Government has a 'debt ceiling' of 30% of GDP – and at no point in time are we anywhere near this level.

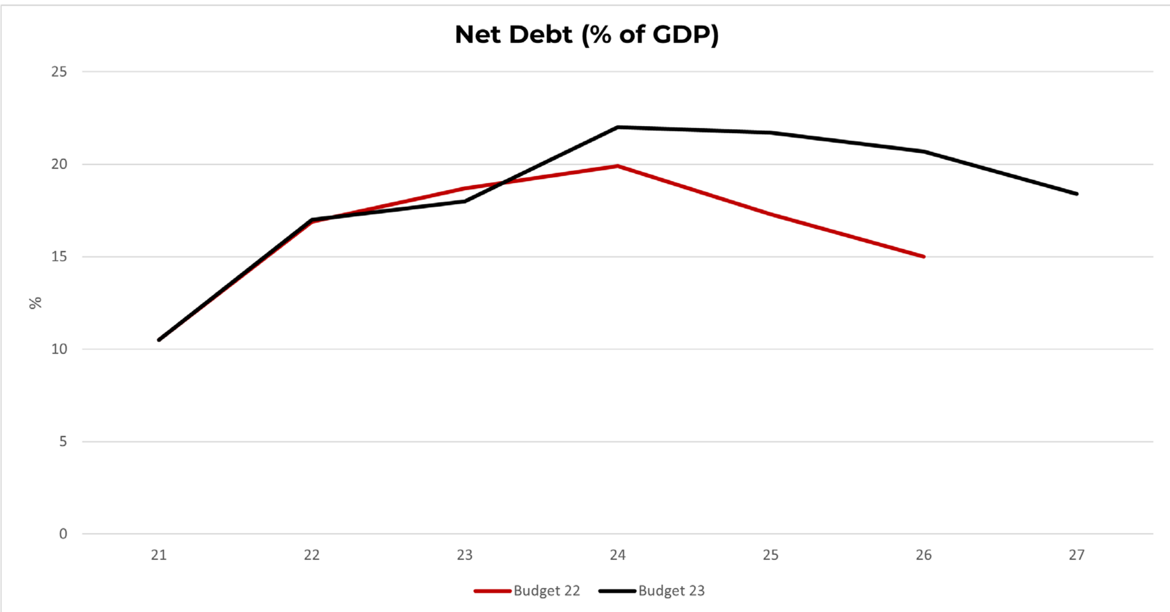

Figure 4: Net Debt- NZ Treasury

Economic Analysis

GDP

In December this year, Treasury was forecasting that GDP would turn negative in 2023, and we would face a short recession. This is no longer the case, with growth now being found in all years of the forecast period. Growth this year is expected to be lower than at Budget 22, but then is expected to be higher in each of the forecast years. This is undoubtedly good news.

However, it will be important to see how that growth is distributed when it arrives. We have seen widening inequality in New Zealand, and we should be using the opportunity provided by these better than expected forecasts to make sure that we help to reduce that problem.

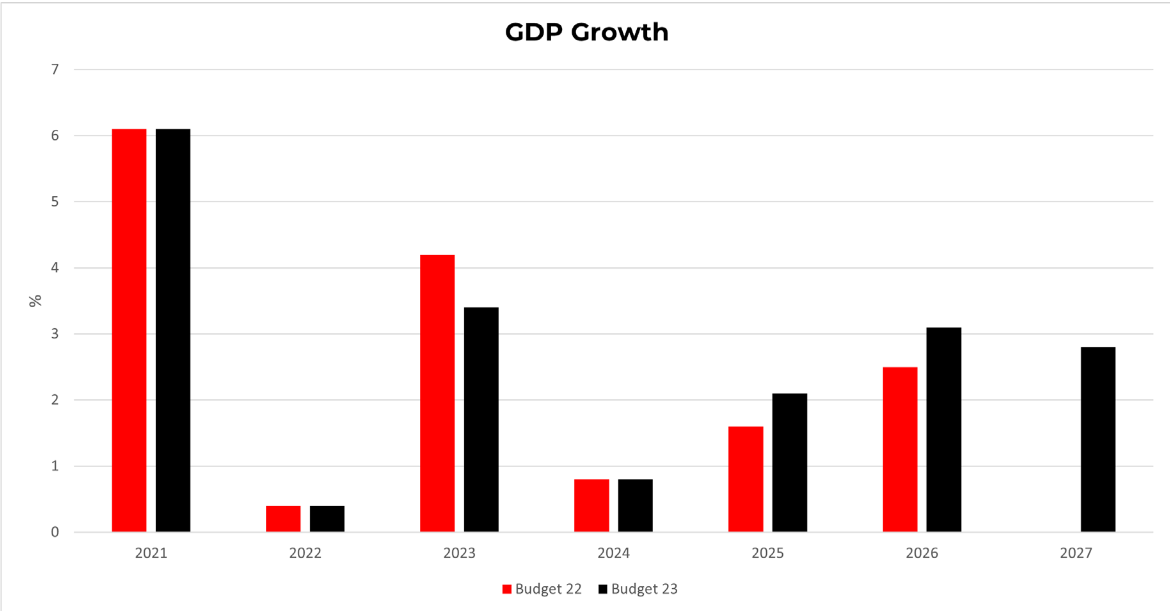

Figure 5: GDP Forecasts- NZ Treasury

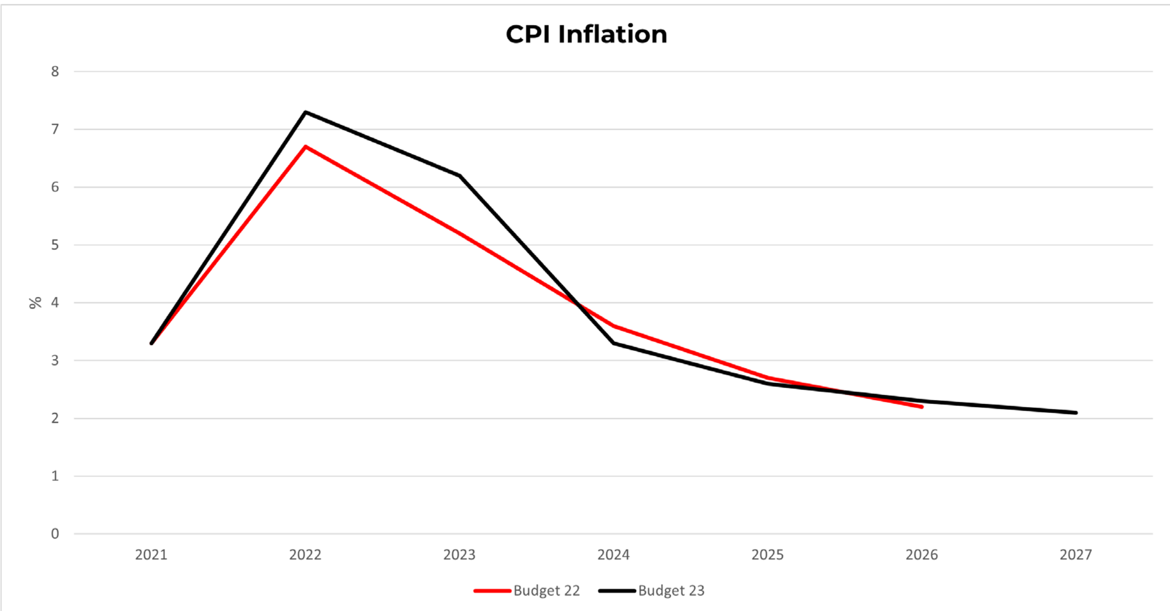

Figure 6: CPI Inflation- NZ Treasury

Inflation

One of the central themes of this Budget was in helping to manage inflation. Treasury is forecasting that Inflation will trend downwards across the forecast period, falling back the Government's target rate of 1-3% by September 2024. The scale of the fall in inflation is very steep, so those struggling with the cost of living should expect some relief soon. However, it is not clear what is driving this fall. Government spending is expected to remain stable, and demand is expected to return in the private sector.

Unemployment

One of the ways in which inflation has been managed is through the Reserve Bank continuing to increase the Official Cash Rate – or the cost of borrowing. This unfortunately tends to increase unemployment as economic activity slows. The data for unemployment shows the impact of this – with unemployment rising to 5.3% in 2024 before starting to fall again.

This is a higher rate of unemployment than expected a year ago – by around consistently half a percentage point. That equates to around 15,000 more people being unemployed. While that's not great, it is again a much better forecast than we were anticipating.

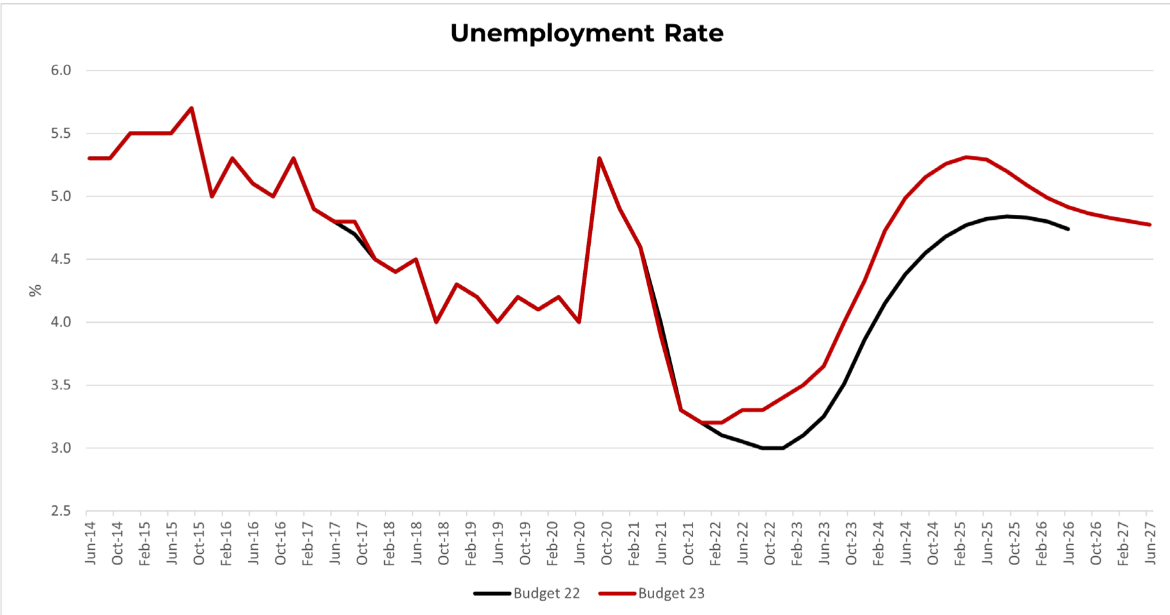

Figure 7: Unemployment rate – NZ Treasury

Wages

There is good news if you are in work across the forecast period – wages will rise faster than inflation each year. That means real terms wage growth every year. The not so-great news is that wage growth is expected to be lower in each year than previously forecast. That's in part because of higher unemployment, which in turn is partly because of higher interest rates.

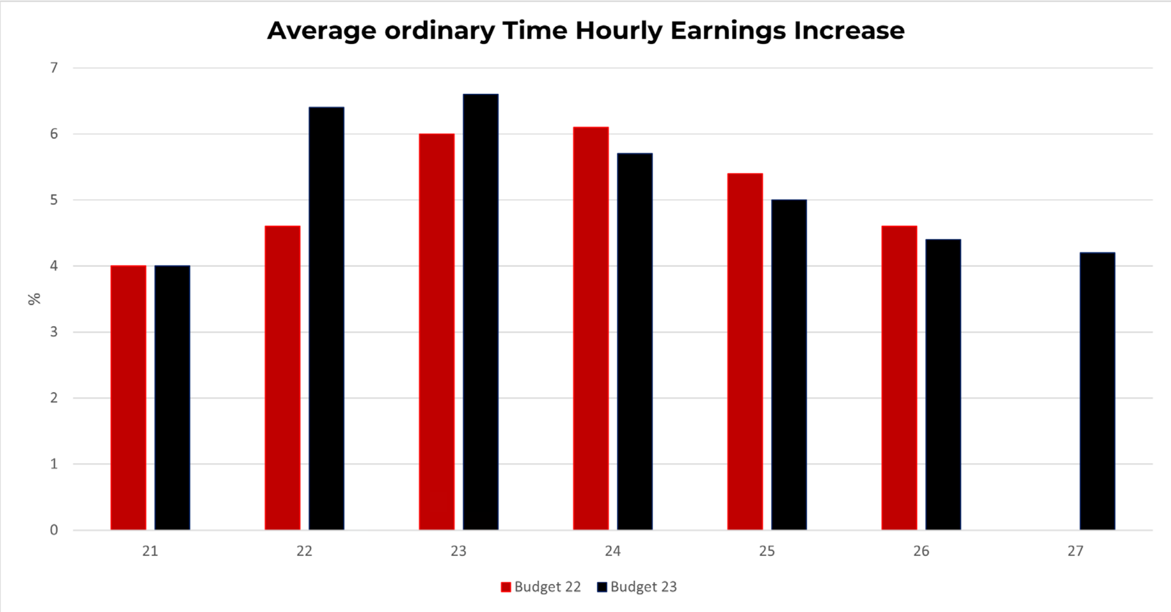

Figure 8: Ordinary Time Wage Growth - NZ Treasury

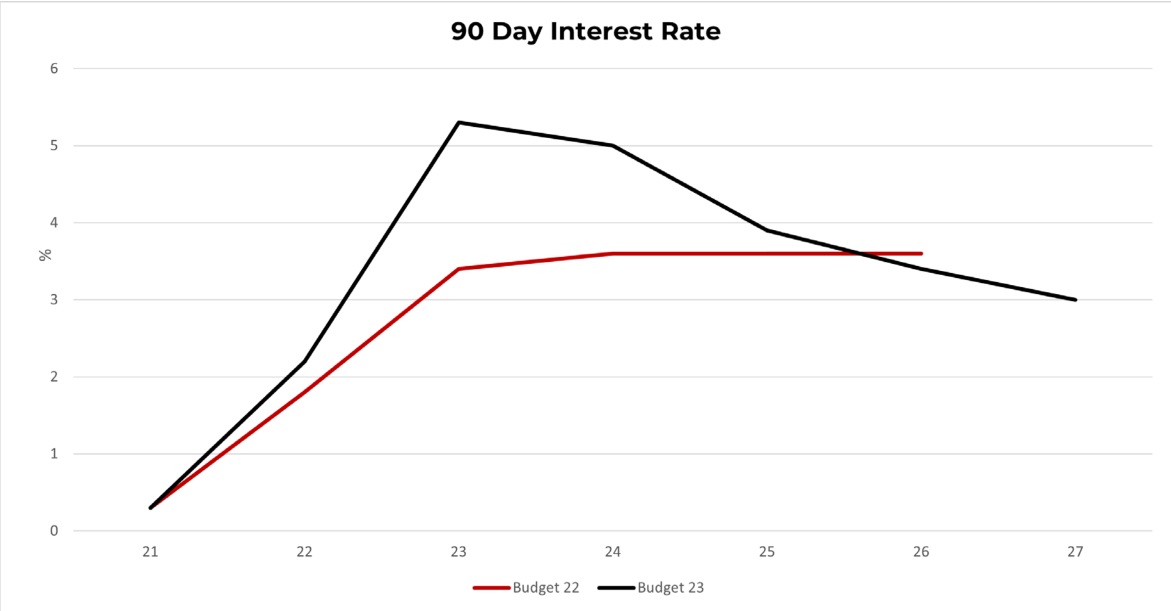

Figure 9: 90-Day Interest Rates - NZ Treasury

Interest Rates

Speaking of interest rates, the Treasury is forecasting that they stick around for a little longer and peak higher than expected a year ago. They return roughly back to where we expected them to be in 2025. But they don't return to the historic lows that we saw in 2021 at all. It looks like the era of ultra-cheap mortgages is probably behind us.

House Prices

Normally, when interest rates are higher, house prices fall. New Zealand is experiencing this right now with some rapid house price falls, albeit on the back of some significant increases over the past few years. Last year the Treasury was anticipating a fall of 2.5% in house prices this year. It's now pencilled in a fall of 13.4%. A further fall is expected in 2024.

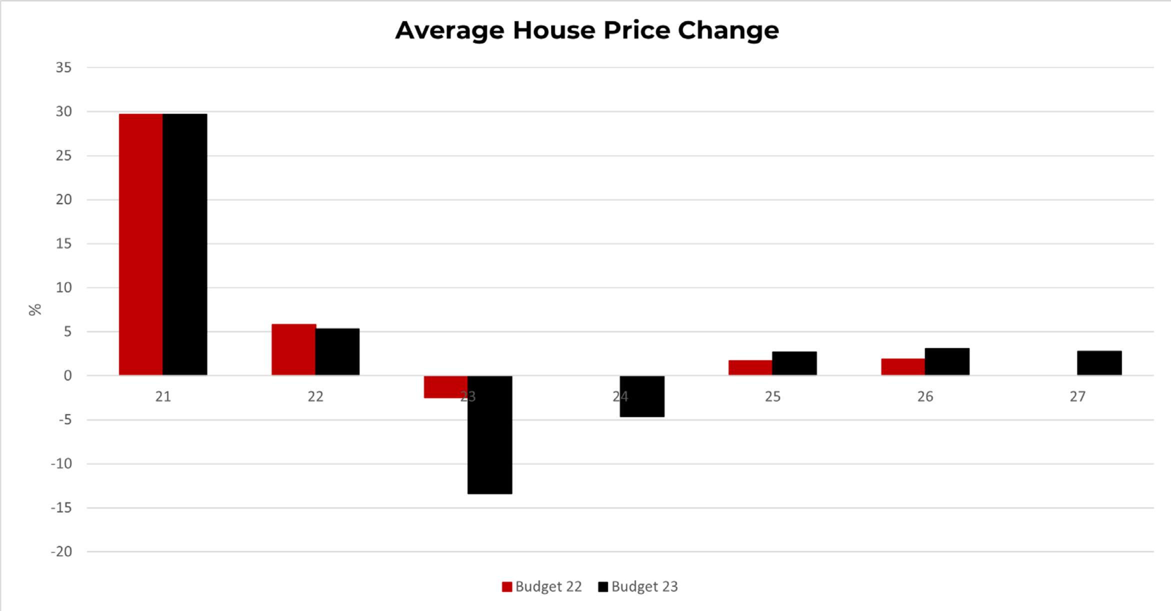

Figure 10: House Price Change

Immigration

One of the reasons we should be very cautious about the house price chart is that immigration has returned very quickly. So quickly, we are currently breaking records for the numbers of people entering New Zealand. This is a welcome sign that New Zealand is a destination that people want to live in, but it also places increased demands on our sometimes-stretched public services.

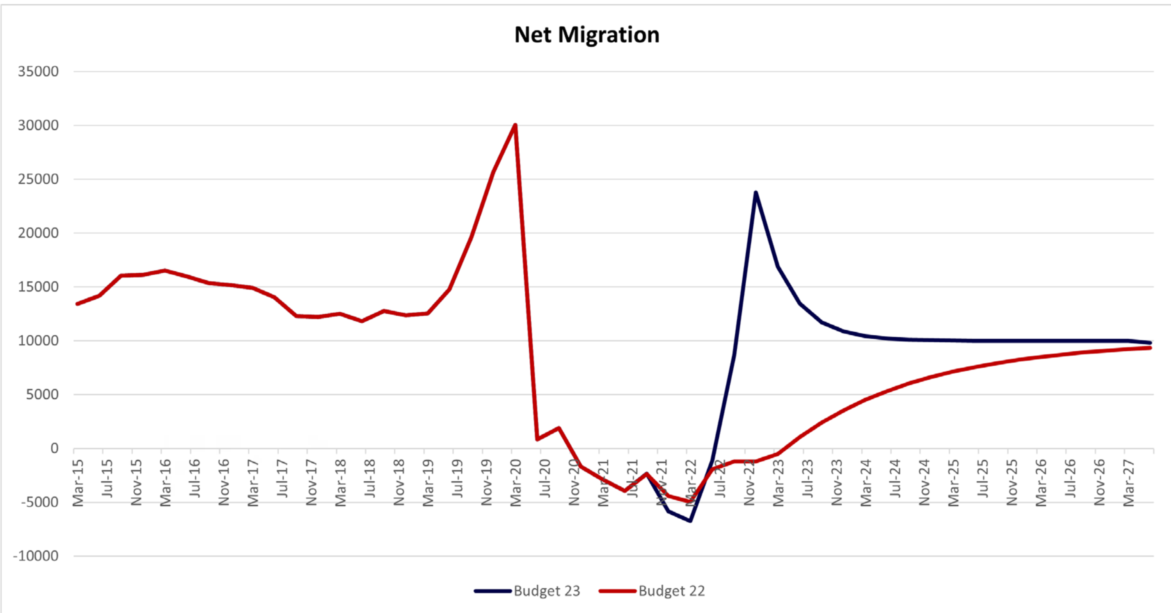

Figure 11: Net Migration - NZ Treasury

Transport

"This Government has supported significant progress on bus driver wages in the past two years; however, implementation has been inconsistent, and many are still struggling. This Budget needs to ensure funding has been put aside to support the negotiation of Aotearoa's first Fair Pay Agreement" – Hayley Courtney, FIRST Union bus organiser

STATE OF THE SECTOR

In the 1980s and 1990s, much of the transport sector was privatised and managed with a market-driven approach. As a result, transportation spending has focused on cars and related infrastructure in recent years.

Transport is one of the most expensive parts of the Budget, accounting for $10.1 billion of total spending in 2023, a $885 million (9.6%) increase from 2022. Funding to the sector since the 2017 Budget has doubled, an average increase of 17% per year. Since 2017, the Labour Government has tried to balance this by increasing funds for rail, public transport, and emissions reductions.

The pandemic catalysed many of the hardships facing public transport, particularly for buses. Low wages, punitive rostering, and split shifts, and poor health and safety have resulted in a retention issue for drivers. Many drivers have left the industry altogether, resulting in a nationwide shortage. Industrial action continues to be a consistent feature of the industry.

We have consistently lobbied Government to abolish the Public Transport Operating Model (PTOM), which rewarded low-paying operators. The Government is currently moving legislation through Parliament to replace PTOM with the Sustainable Public Transport Framework, which emphasises employment as a key focus. At the same time, $61 million in funding allocated in last year's Climate Emergency Response Fund was used as the basis for a significant increase in driver wages (with co-funding from local government and bus operators) – as much as 20% in some regions.

Unions have also been pushing Government to continue increasing funding to improve bus driver wages and have called on Government to extend half-price and free public transport fares.

BUDGET ACTIONS

In 2023, road funding is still projected to make up the largest part of the Transport Budget, at 67%. While a marked decline from the 83% of 2018, this part of the Budget has seen a 70% increase over this period from $4 billion to $6.8 billion.

Some funding is linked to cyclone recovery spending, with the Government committing $275 million for Waka Kotahi and local councils to fund road repairs. This complements the $250 million in funding announced in the immediate aftermath of the cyclone. $200 million has also been committed to repair damaged rail infrastructure.

The 2023 increase to rail expenditure is modest – up $83 million to $2.2 billion. However, rail funding has trebled from 2018 to 2023, while its overall share of Vote Transport has increased from 14% to 22%.

The new area of emissions reduction funding has doubled, up from $307 million in 2022 to $630 million in 2023. Emissions reduction funding now makes up 6% of Vote Transport and equates to 9% of total road funding.

Public transport is primarily funded through the National Land Transport Programme, where allocated funding has increased by $151 million (24%) to $778 million. Two further initiatives bring the total public transport spend to $955 million.

The Government has set aside $32.1 million for the next year to improve 'the retention and recruitment of bus drivers through more attractive terms and conditions'. A further $65 million was allocated for subsequent years. We expect this funding will support the implementation of a Fair Pay Agreement in the bus sector.

As part of its cost-of-living response, the Government has committed to free public transport for under-13s and half-price public transport for under-25s. The total cost of this is estimated to be $109 million for 2023/24. This is in addition to the existing allocation for SuperGold Card holders.

CTU ANALYSIS

We are pleased to see initiatives in the emission reduction stream that will improve bus driver wages and make public transport more affordable. These initiatives will also help to support working people with the cost of living and contribute to lower emissions over time.

However, Budget 2023 is also replicating a familiar template, with road spending continuing to crowd out the long-term investment needed in rail and public transport.

While big increases to rail funding in previous years have been maintained, rail funding as a proportion of the Budget has fallen. Meanwhile, total public transport funding remains just shy of 10% of Vote Transport, and 14% of total road funding.

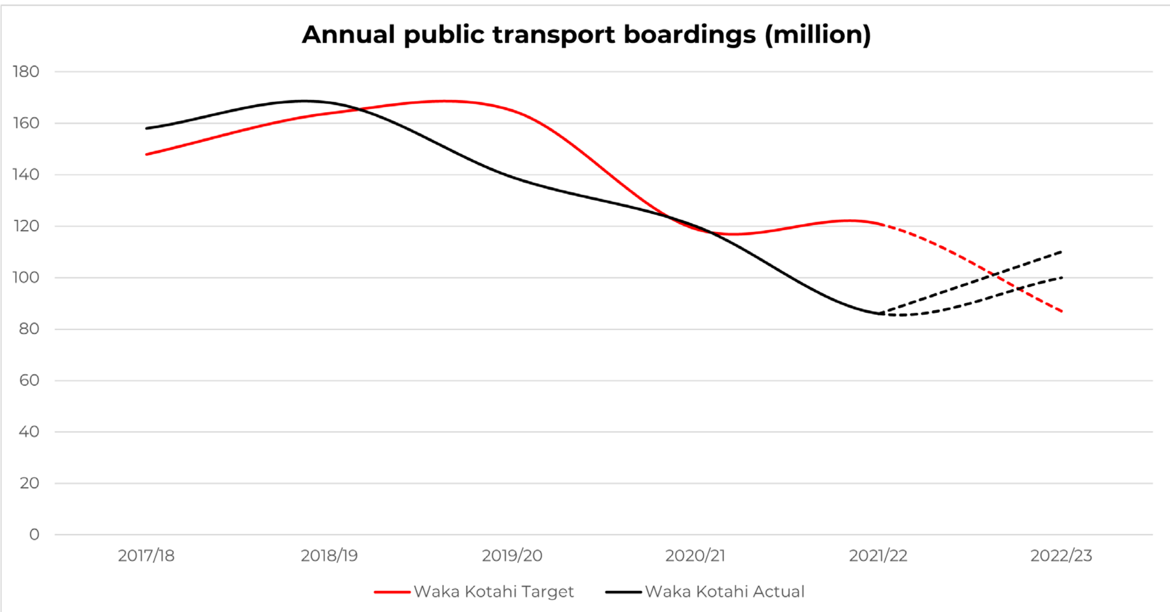

Figure 12: Annual public transport boardings (millions)
Ridership targets were not met in 2019/20 and 2021/22, with pandemic restrictions constraining the use of public transport targets. In the 2022/23 year we are expecting to see a significant increase in ridership, exceeding current targets. Further investment in fare reductions and expanding the public transport network would accelerate this process.

Restricting fare reductions to younger New Zealanders seems a missed opportunity. Post-pandemic ridership has now reached 80% of pre-pandemic levels in Auckland, buoyed along by half-price fares. Waka Kotahi research found, from June to October 2022, a third of public transport users reported journeys that were in some way a result of half-price fares. This suggests investment has encouraged a transport mode shift and more sustainable mobility.

Low-income communities have historically been under-served by public transport. To amend this, the reach and regularity of our public transport network must be expanded. Budget 2023 provides little in the way of initiatives, and Auckland Council is currently implementing a wave of bus service cuts. We need to see sustained investment in building and maintaining a sustainable, inclusive public transport system.

Health

"If we are serious about rebuilding the health system that works for us all, we need to frontload resourcing and power it up. Budget 2023 suggests the Government lacks a real commitment to meet this goal". — Sarah Dalton, Executive Director, ASMS

STATE OF THE SECTOR

Aotearoa New Zealand's public health system has failed to meet health needs over many years due to chronic under-investment. This effect has been felt particularly for marginalised groups, including Māori, Pasifika, and tāngata whaikaha. Significant funding increases are needed to value, support, and train the workforce and deliver essential reforms. Poor health outcomes have increased with user-charges in primary care, creating barriers to those most in need of health services.

Our total (public and private) health expenditure, measured as a proportion of GDP, has remained well below other comparable countries for decades.

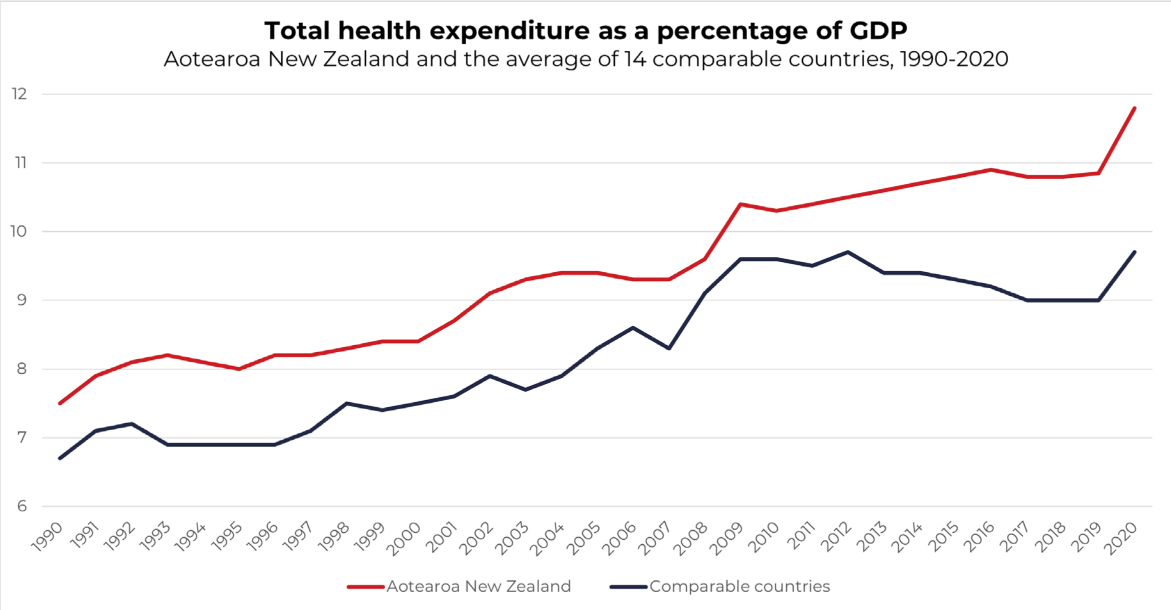

Figure 13: Total health expenditure as a percentage of GDP – Aotearoa New Zealand and the average of 14 comparable countries, 1990-2020. Source: OECD Health Data 2022

Globally, government responses to the Covid-19 pandemic drove spending upwards in 2020. In terms of expenditure as a percentage of GDP, Aotearoa New Zealand needed to have invested an additional $6.7 billion in 2020 to equal the average of the 14 comparable countries.

The health workforce accounts for about two-thirds of health investment. The funding shortfall led to a long-standing workforce shortage across health sector occupations. Our health and social workforce needs 60,000 new workers to match the average workforce capacity of comparable countries (Figure 2).

We are not training or retaining enough staff, and barriers include poor working conditions, inadequate pay, gender discrimination and heavy workloads.

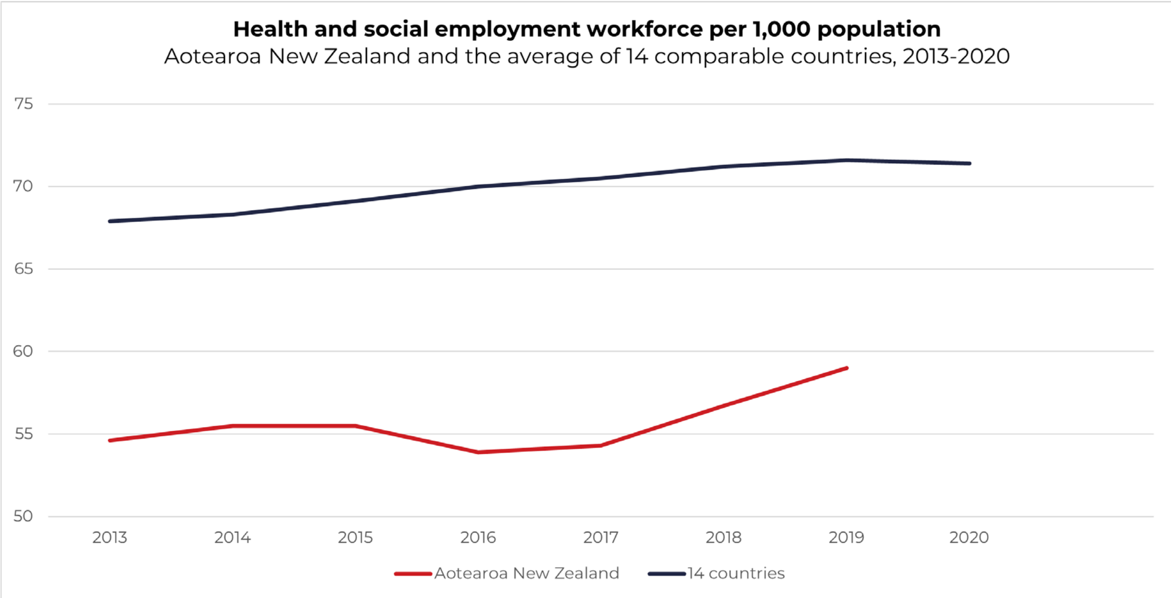

Figure 14: Health and social employment per 1,000 population – Aotearoa New Zealand and the average of 14 comparable countries, 2013-2020
Source OECD Health Data 2022 (comprises all health, residential care and social work employment)

Last year's health infrastructure budget of $1.3 billion over two years focused on the most urgent and critical needs. Decades of capital under-investment has resulted in a long list of deteriorating buildings and equipment waiting to be fixed with estimated costs of between $14 billion and $22 billion.

Budget Analysis

Budget 2023 marks the second year of the move to multi-year health funding and the establishment of heath entities Te Whatu Ora and Te Aka Whai Ora.

The 2023 Budget headlines for health include:

- Removing the $5 prescription co-payment for all New Zealanders at a cost of $618.6 million over four years
- A nearly $400 million investment in the delivery of Hauora Māori services
- $20 million to establish outreach services to lift immunisation and screening and implement initiatives that increase life expectancy of Māori and Pacific peoples
- $125 million increase to PHARMAC's budget for pharmaceuticals purchasing, which will likely maintain the current availability of pharmaceuticals
- $63 million to deliver safe staffing initiatives and 500 new nurses
- $2.2 billion to resolve historical non-compliance with the Holidays Act 2003
- $3.1 billion for capital investment, largely for infrastructure projects is welcome in a sector needing up to an estimated $22 billion

If we exclude the funding made available as a consequence of COVID-19, the purchasing of health services overall has increased significantly since 2017, from $13.6 billion to a forecast $24.1 billion in 2024. There was an opportunity in Budget 2023 to commit additional funding beyond the $1.3 billion uplift already announced in Budget 2022. In the context of limited spending in Budget 2023, some important initiatives address cost-of-living issues that can restrict patient and whānau access to primary and community care.

Any increases to workforce numbers and pay are welcome, but more work must be done to make sure that we have the health workforce and resources we need. Budget 2023 maintains the recent trend in increases in expenditure. Aotearoa New Zealand requires sustained investment in health to meet its challenges.

Hospital and specialist services have increased by a preliminary estimate of four per cent. This increase is a cut in real terms when adjusted from forecast inflation and demographic pressures. Funding for primary, community, public and population health services, receives a 2.4 per cent increase, another cut in real terms.

We applaud the removal of prescription co-payments. However, GP or Nurse Practitioner appointment is still required to receive a prescription. Three per cent of New Zealanders report prescription costs as a barrier to care; yet in 2021, 27.9 per cent of adults experienced one or more barriers to primary health care. In 2022, 10.7 per cent of adults were unable to access a GP due to cost.

Workforce shortages are the biggest issue for the health sector. While 500 nurses are a welcome start, this is an estimated ten per cent of the current nursing workforce shortage.

The initiatives described in the Budget will not be enough to relieve all the pressures on the health system. It will be interesting to examine how the $118 million to reduce waiting lists by freeing up hospital beds works. Is it more private provision? In which case it may stretch the workforce further across the private and public sectors.

The goal must be good health for all: improving the health of the whole population while also improving health equity. This requires coordinated, cross-government action to address determinants of ill health and increase the capacity of community and hospital services. Substantial further investment is needed to address the health and disability workforce crisis. This includes improvements in education, training, recruitment and retention, along with developing workforce equity and diversity. These improvements must be guided by a comprehensive workforce plan supported by the necessary investment.

Although scrapping $5 prescription co-payments is a positive step towards enabling access to medicines, many struggle financially to access primary care services in the first place due to user-charges. A fully-free public healthcare system must be the vision for our reformed healthcare sector.

Workplace Relations

"A Fair Pay Agreement for hospitality workers is essential. The hospitality industry needs effective and enforceable minimum standards to ensure that its workers receive the kind of basic protections that all workers should already be entitled to- things like regular rest breaks, clear finish times and getting paid for every hour worked." — John Crocker - UNITE

STATE OF THE SECTOR

The rising cost of living is having a negative effect on New Zealand households. For most households, paid employment is the main source of income. It is important that wages rise at a rate higher than the rising cost of living to stop real terms pay cuts to Kiwi workers.

This year the Living Wage increased from $23.65 to $26.00, reflecting the price increases that workers face. The Government has a longstanding commitment to pay the Living Wage to directly employed public service workers. We have also seen an increase of $1.50 of the minimum wage to $22.70. While this is the highest increase yet, it was still fractionally below the inflation rate (0.1%) showing how much wages need to rise to keep pace.

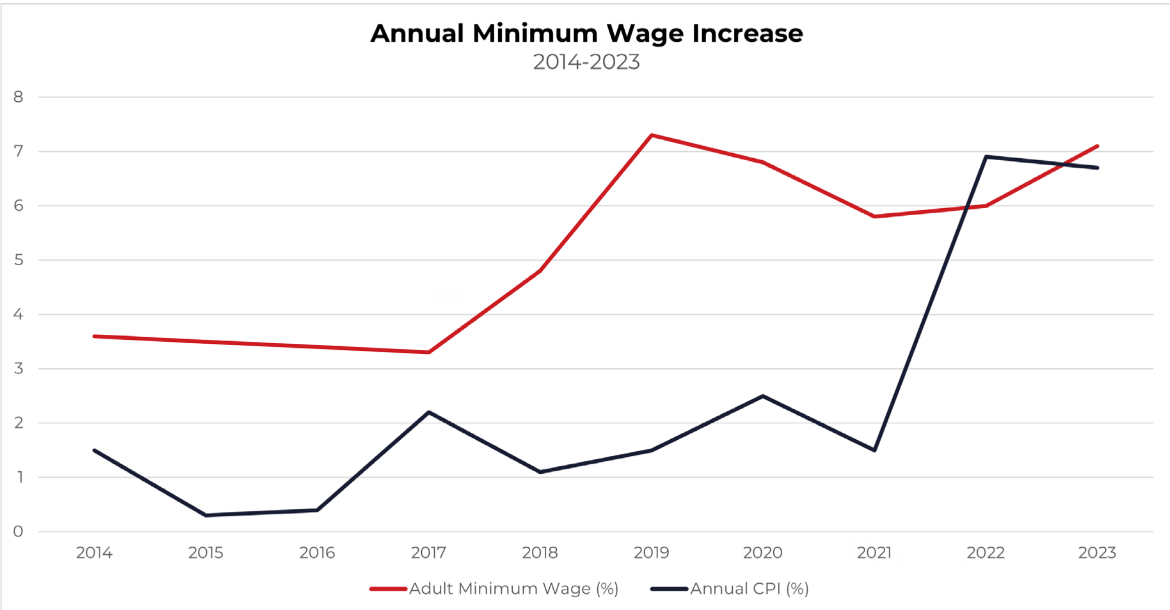

Figure 15: Annual minimum wage increase 2014 –2023
Minimum wage increases have been greater since the Labour Government took over; however sharp increases to the CPI (Consumer Price Index) rate shows the need to ensure the minimum wage continues to increase.

Although some individuals choose to work as contractors intentionally, for many others, being a contractor means experiencing insecurity and a lack of support. Unfortunately, the Government's efforts to reform the status of contractors has been suspended, leaving numerous vulnerable workers without necessary protections.".

Exploitation also remains a critical issue for some migrant workers. While the Government has taken steps to improve protections for migrant workers in recent years, there is still more work to be done. It is important to ensure that migrant workers are fully protected and that wages are raised by investing in the development of the domestic workforce.

New Zealand's health and safety record is still dangerously poor. When compared to other countries, our rates are twice as bad as Australia and four times as bad as the UK. Health and safety regulator WorkSafe desperately needs more funding to ensure its inspectorate is well resourced.

However, this alone will not be sufficient to keep Kiwi workers safe. The Government needs to commit to further improving our health and safety legislation and regulations. This would include introducing corporate manslaughter legislation.

Fair Pay Agreements promise to raise the pay and improve the conditions for thousands of working people. To do this, the capacity of the Employment Relations Authority and the Labour Inspectorate must be increased. The Labour Inspectorate was promised to double in Labour's 2017 manifesto, but this is yet to happen.

BUDGET ACTIONS

Minimum wage for disabled workers

The Government has funded the end of the Minimum Wage Exemption Permits through a total amount of $37.3 million. From this funding, approximately 800 disabled workers will see an increase in their wages when the new scheme is implemented. This funding will see the exemption permit replaced with a wage subsidy. This subsidy will ensure these workers are paid at least the minimum wage, like every other wage and salary worker in New Zealand.

Health workers remediated for Holiday pay

$2.2 billion has been appropriated to pay historic Holidays Act non-compliance owed to staff in health. Payments are set to start next quarter and remediation is expected to be completed by 30 June 2024.

Apprenticeship boost boosted

The Government has provided funding of $17.1 million to extend Apprenticeship Boost until the end of the 2024/2025 financial year. This will encourage employers to take on apprentices, and enable 30,000 apprentices to start or continue receiving support.

Public transport wage relativity

$26.4 million in funding is provided over 4 years to restore wage relativity between school bus drivers and public transport drivers.

Government Institutions

- Seven new Employment Relations Authority members and nine new MBIE-provided administration staff and frontline regular officers are going to be funded by $15.2 million over 4 years to meet high demand.
- Cost pressures on the Immigration Portfolio are being helped by $29.4 million over 3 years to manage the demand on visa processing services.
- WorkSafe NZ has been provided $23.9 million over 4 years to set up an independent WorkSafe ICT system, and on Employment Services to meet its obligations as the employment regulator.

Tourism industry transformation plan

$6.5 million has been allocated to implement the Tourism Industry Transformation Plan. This will increase opportunities for upskilling workers, and raise employment standards to help attract and retain workers.

CTU ANALYSIS

The 2023 Budget is presented as a balanced budget, yet it has still delivered for many New Zealanders. The budget reflects the impact of rising living costs, as evidenced by the allocation of funds to address cost pressures in various areas. This funding aims to alleviate the operational expenses of the system and highlights the necessity of increasing wages for workers. This increase is necessary if the Government will continue to meet its commitment to pay its public sector the new Living Wage.

Addressing cost-of-living

Many of the big-ticket items in Budget 2023 will help reduce the pressure on the wages of workers, particularly the improved access to childcare, continuation of cheaper transport costs for our young workers, and the removal of prescription charges.

Employment relations infrastructure

Worksafe NZ has received increased funding to meet with some of the pressures. The Employment Services received extra funding to help with their employment regulator role. However, without significant funding to help grow WorkSafe as a world-class regulator, New Zealand's poor health and safety record is at risk of remaining stagnant - an untenable situation for the union movement.

Seven new Employment Relations Authority members will ensure workers get timely access to the system. More still needs to be done in this area, including increased funding within the Labour Inspectorate. Further resourcing of the Employment Relations Authority and the Labour Inspectorate would also assist in ensuring the long-term viability of the Fair Pay Agreement system and ensure that Fair Pay Agreement terms are enforceable. The Fair Pay Agreement Act 2022 offers the possibility for effective minimum standards to be set for the occupations and industries where they are most needed. However, no specific funding is set aside in the budget to support this system.

End to Minimum Wage Exemptions

The elimination of Minimum Wage Exemption permits is a step towards abolishing the systemised discrimination against disabled workers. This progress follows the sustained advocacy of disabled workers, unions, and other organisations.

Targeted spending for small businesses misses workers

Small Business Services are also allocated $5.754 million over the next four years to provide programs and guidance for small and medium sized businesses. Equivalent funding is not provided for resourcing initiates that specifically benefit workers.

Upskilling the workforce

The apprenticeship boost will aid in our reduction of overreliance on migrant workers as 30,000 apprentices will either start or continue their training under this scheme until the end of 2024. Migrant workers are still a part of the Labour Market and more funding for employment protections, and assisting pressure on visa demand will support our migrant workforce.

Climate

STATE OF THE SECTOR

Tackling Emissions

New Zealand has committed to reaching net-zero carbon emissions by 2050 and to reducing emissions to 50% below 2005 levels by 2030. However, the Government's policies in the short term have been described as insufficient to meet these commitments.

New Zealand relies heavily on forestry planting and buying offshore carbon credits to do our emissions reduction work for us, compared to reducing gross emissions domestically. The Climate Change Commission has outlined that New Zealand needs to put a stronger emphasis on reduction efforts rather than relying on forestry investment alone.

The Government's proposed system to put a price a price on emissions from agricultural activities (which contributes to half of the country's total greenhouse emissions) has been under consultation. Unfortunately, the alternative to the Emissions Trading Scheme (ETS) will not require agriculture to be included until 2025.

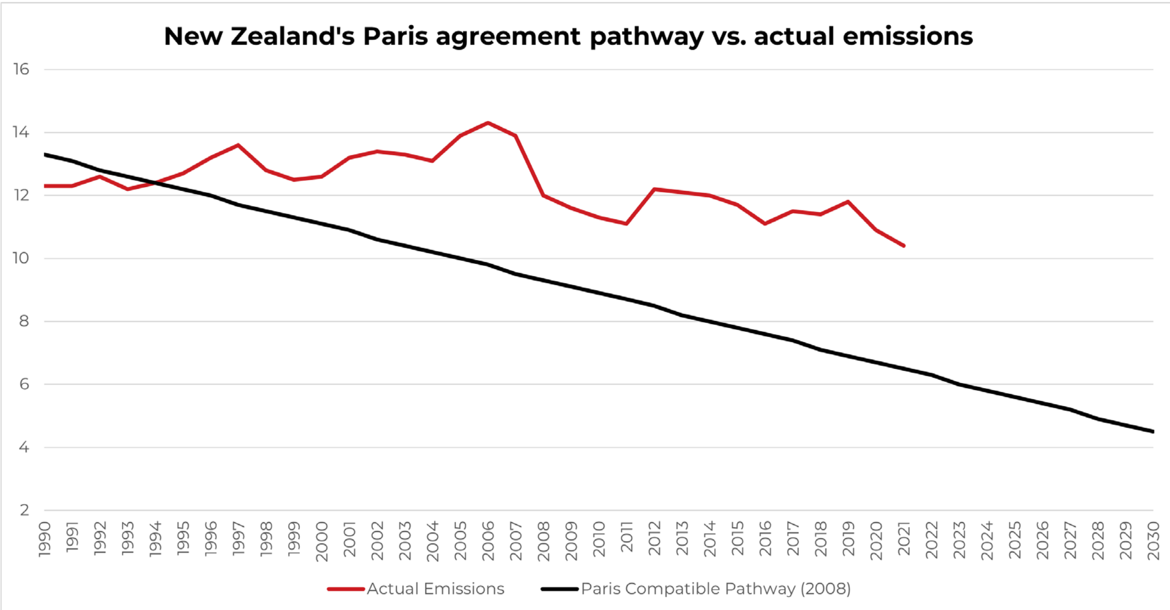

Figure 16: New Zealand's Paris compatible pathway compared with its current development
Although New Zealand is beginning to make a dent in its total emissions, much more is needed to put us on track with the Paris compatible pathway.

The Climate Change Commission has advised that developing targeted, complementary policies to support the most disadvantaged will better enable us to address issues of social and economic equity and tackle climate change in parallel, compared to just relying on ETS pricing.

Expanding Climate Friendly Initiatives

In Budget 2022 the Government introduced the Climate Emergency Response Fund (CERF), a fund using ETS revenue to fund emissions reduction initiatives. Treasury's most recent reporting on the CERF showed the fund had around $3.6 billion in it, and that spending in the 2022/23 year was around $157 million less than budgeted. The Government's recent policy prioritisation also scrapped or deferred around $1 billion in funding that was earmarked for emissions reduction initiatives.

Cyclone rebuild

The Government has been extremely busy leading the recovery following Cyclone Gabrielle, including recently setting up a taskforce to ensure a local-led recovery supported by Government.

As weather-related events are expected to become more frequent in the future, the Government's focus will be on cost sharing to prevent future administrations from shouldering increasingly substantial financial burdens. The Government aims to minimise its future liabilities by enhancing internal resilience and capabilities to effectively respond to weather-related events.

The Treasury has produced an analysis of the expected costs of extreme weather events in the North Island. It now estimates that the cost of the of rebuilding to be between $9bn and $14.5bn, with $5bn of this being the responsibility of central and local government. The government before Budget had spent $1bn in the immediate aftermath of the events. There is anticipated to be around $2bn of housing repair works required, and $7bn of business damage.

Green investments boosted

In another announcement before Budget Day, Climate Change Minister James Shaw set out funding support in the way of a $300 million boost to New Zealand Green Investment Finance Ltd, taking its total funding up to $700 million.

The "Green Investment Bank" established by the Government seeks to accelerate investments that reduce emissions. Minister Shaw believes that this increased funding will create "greater opportunity to develop low carbon projects, drive down emissions, and create green jobs".

Climate Emergency Response Fund (CERF)

Two of the most significant climate-related initiatives covered by the CERF are the extension of free and half price public transport fares, and the programme to fund home heating, insulation and lighting.
Other significant CERF funded initiatives include:

- Renewable energy initiatives of $50 million in remote, low-income, and energy-insecure communities.
- A grant scheme of $30 million for clean heavy vehicles to increase the adoption of zero-emissions trucks, non-public transport buses and heavy vans
- Climate data infrastructure, 3D coastal mapping, and community access to data funded for $39.2 million; and
- A significant investment of $120 million for electric vehicle charging infrastructure.

Climate science

A significant investment was made into the creation of three science and innovation hubs. One hub will focus on climate change and disaster resilience as part of a national centre for research on oceans, climate, and hazards. $400 million in capital expenditure across the three hubs will be supported by $51 million operating investment over a 4-year period starting in 2023/24.

Agriculture emissions – a start

$3 million a year (for the financial years 2023/24 to 2026/27) is being provided to the Climate Change Commission to provide advice to Ministers to inform decisions on agricultural emissions levy rates.

Scrapping Clean Cars scheme returns big surplus

Savings of $567 million total has come from the Government's decision to not implement the Clean Car Upgrade Scheme

Significant spending to recover from Cyclone Gabrielle

The Government announced significant funding to help rebuild cyclone- and flood-affected areas The package, totalling $1,136 billion ($941 million operating, and $195 capital) included:

- $475 million to rebuild road and rail links.
- $116 million to rebuild all the schools impacted.
- Around $100 million to raise stop banks and shore up lifelines for flood protection.
- $35 million for rural safety and wellbeing support.
- $10 million for community-led support for mental health.
- $6 million boost for employment and social support for workers and businesses.

This adds to the around $890 million support already provided by the Government to rebuild from the cyclone.

The National Resilience Plan outlined in Budget 23 will contribute to address the country's infrastructure deficit with a $6 billion investment, focused initially with the Cyclone rebuild. This spending is programmed to take place over 10 years

CTU ANALYSIS

Climate change will continue to be a growing concern for the planet and its people. Significant climate initiatives in Budget 23 include the extension of free and half-price public transport fares, and the programme to fund home heating, insulation, and lighting. These are both examples of climate action that also improves equity by reducing costs for the most vulnerable people, which is a positive.

We applaud the funding allocated for emissions reductions through New Zealand Green Investment Finance, as well as for renewable energy projects in remote, low-income, and energy-insecure communities. More ambitious action is required to effectively address the imminent threat of climate change. We must take steps that fulfil our international commitments and emissions reduction goals.

As expected, a significant portion of the Budget is dedicated to rebuilding from extreme weather events.

Funding in rebuilding critical infrastructure in a way that also prepares for the future of more extreme weather is positive to see. More heartening is the support provided for people in the rebuild. Investment in mental health services, wellbeing, and resilience ensure that people are the focus of the rebuild.

These investments highlight the Government's commitment to enhancing our future capability and resilience, providing a solid foundation for ongoing progress. The initiatives outlined in Budget 23 reaffirm the Government's dedication to ensuring that New Zealanders receive the necessary support to address the impacts of climate change.

Housing

"Falling house prices provide little relief for first-time homebuyers due to high mortgage rates and the increasing cost of living. Renters struggle with unaffordable rent increases, inadequate housing, and housing insecurity, highlighting the urgent need for a proactive government to uphold the right to decent housing in Aotearoa." – Machrus Siregar, FIRST Union legal officer

STATE OF THE SECTOR

A 5% increase in the Official Cash Rate over the last 18 months has resulted in a 14.7% decline in the median national house price to $780,000 , with larger declines in the Auckland and Wellington regions. The Trademe Rental Price Index reached a record high of $600 a week in February, 4.3% higher than February 2022, with Wellington median rents at $695 and Auckland at $620.

Falling house prices are more than offset by higher interest rates, which both raise interest costs and make saving for a deposit harder. In December 2022, the semi-regular interest.co.nz home loan affordability – which tracks lower quartile selling prices, average two-year fixed rates and the combined median after-tax pay for couples aged 25-29 – suggested housing today was at its most unaffordable since the series began in 2004.

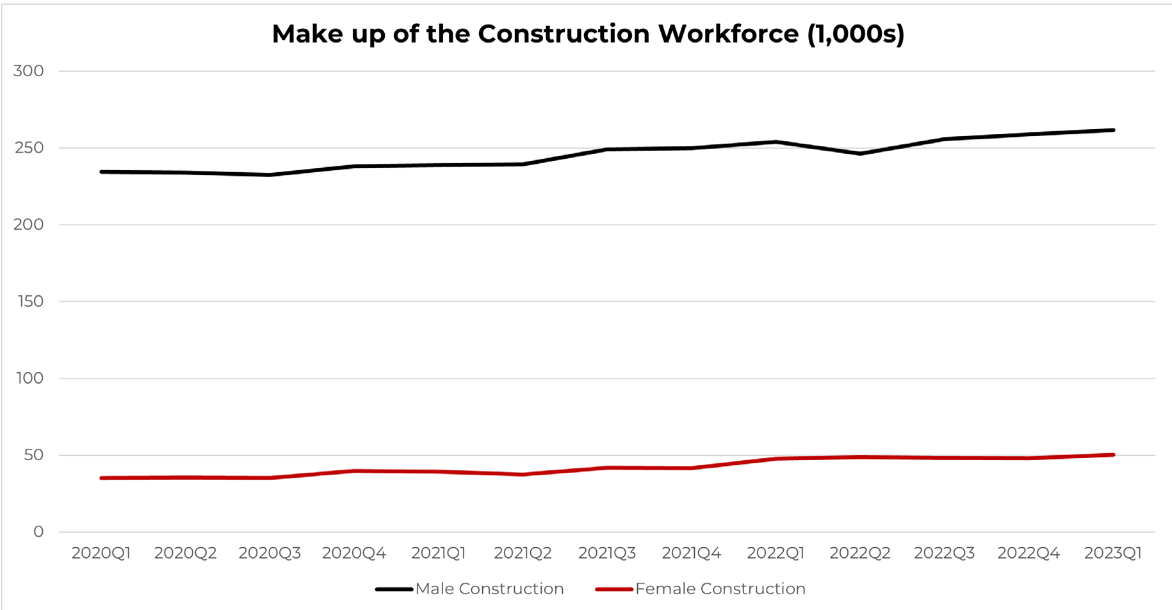

Figure 17: Construction sector workforce

The public housing register (those eligible to be placed in public housing) reached 29,535 in April 2023. This number has risen steadily since December 2022 but is lower than a year ago. At 3,396 the number of households in emergency housing has also risen in recent months, but remains lower than a year ago.

High house prices over the post-pandemic period raised the rate of new housing developments. However, the monthly residential building consent data has been trending steadily downwards for a year now, from 4,322 in March 2022 to 3,385 in March 2023. We are concerned that if interest rates remain elevated, this could impact the level of employment in the sector.

From Q3 2020, the construction workforce grew by 44,300 (17%), with female employment growing a massive 43% to 50,400. The Reserve Bank had forecasted that another 74,000 people will be unemployed by late 2025; we are concerned that construction workers may make up a significant proportion of that figure. The construction industry has a high degree of self-employment (18% compared to 11% percent across the wider economy), making it easy to terminate construction workers.

The workforce expansion was supported by a $320 million targeted investment for free trades training in Budget 2020. The expansion included the building and construction industry, with a further $412 million to support apprentices. This funding is now drying up, alongside the possible loss of jobs.

BUDGET ACTIONS

Increase Public Housing

The Government has announced an extra 3,000 public homes to be built by June 2025, on top of the 14,050 funded to June 2024. On top of this, further support will be provided to fund 322 more home Māori and 400 relocatable cabins to assist those affected by extreme weather. This is expected to cost $3.1 billion in 2024, on top of the existing $4.7 billion proposed to support the Government's ongoing state housing construction program in 2023.

Reduction in Emergency Housing grants

Projected funding for Emergency Housing Special Needs Grants is down by $50 million (15%), in line with a perceived decline in need. However, $3 million has been allocated to redesign the scheme.

Boost in heating and insulation

A $402 million boost to the Warmer Kiwi Homes Programme is expected to see another 100,000 homes retrofitted with new heating and insulation over four years.

Apprenticeship Boost Continuation

The Budget includes further funding of $56.5 million to extend the Apprenticeship Boost initiative until 31 December 2024. This means that jobs in the building and construction industry are likely to be maintained.

CTU ANALYSIS

Affordable housing unavailable for middle and low-income New Zealand

Housing is the centerpiece of our economy, intensifying inequality both through quality of housing and the primacy of wealth creation through housing. Despite the release of the IRD report on the wealth and income of the wealthiest New Zealanders, the Government indicated in advance of the Budget that there would be no changes to the tax system (i.e., no capital gains tax), meaning that this instability will remain in the near term. Budget 2023 has reflected this;

however, it is possible a policy will be outlined before the election.

The Budget Economic and Fiscal Update forecasts that interest rates will remain higher for longer, resulting in a further 4.6% decline in house prices for a total peak-to-trough decline of 21.3%. Prices are projected rise again from June 2024 (although slower than previously suggested). This goes against other recent forecasts from the banking sector.

State housing provision doesn't meet need

Funding in the Budget to support housing remains too little, particularly in the area of state housing. While the announcement of 3,000 additional state homes will make a dent in the housing shortage, this will not be until the next fiscal year (presumably to avoid stoking further inflationary pressures). This approach is a departure from previous years, where the Government outlined multi-year-build programs. With 65,654 state houses currently under rental, a 5% increase in the state housing stock doesn't match the scale of long-term need.

Moves to stabilise cost of building materials

One key structural problem remains the high cost of building in New Zealand. The cost of building a house has accounted for around a fifth of total inflation in both 2021 and 2022. To help bring prices down, the Government could play a more active role in investing in the building materials supply chain. Pre-Budget, we saw the beginnings of positive steps in this direction, with the announcement of the $57 million Wood Processing Growth Fund, with funding available to support business cases for new wood processing and co-investment in new wood processing capacity.

Long term Government intervention required

The Government should engage in countercyclical purchasing of building materials, purchasing when demand is low and then releasing stock when demand is high, to stabilise both the supply and prices of building materials. This buffer stock would be particularly valuable in the forestry industry, where low prices mean crews out of work and workers laid off.

The establishment of a Ministry of Green Works to deliver large-scale housing and infrastructure projects could also work to increase housing supply. The proposed Ministry could act as automatic stabliser in the housing market by responding to the private residential construction pipeline and increasing its workload in times of reduced demand. It would remove the multiple layers of profit margins in the heavily subcontracted construction industry, as well as standardise employment and climate-friendly building practices.

Entrenchment of good housing standards

Investment in the 'Warmer Kiwi Homes Programme' is a positive step towards lifting the standard of existing housing stock. Availability for funding for insulation will benefit the most vulnerable sections of society and will help move towards the overall goal of achieving safe and affordable housing for all New Zealanders.

Wellbeing, Child Poverty and Social Development

"We welcome the removal of the minimum wage exemption for disabled workers, which has been a long-standing discrimination. We have fought hard to remove this as disabled workers deserve to be paid the same as anyone else doing the same work." – Kerry Davies, PSA National Secretary

STATE OF THE SECTOR

In the Budget Policy Statement released in December, Finance Minister Grant Robertson set out that the Government's "primary focus at the Budget will be on supporting families and households experiencing cost of living pressures". These cost-of-living pressures have been driven both by high consumers price inflation and rising mortgage rates.

One means of alleviating cost of living pressures is to increase working peoples' incomes. While for much of the economy, the levers available to the Government to raise incomes are indirect, in the past year the Government has assisted struggling kiwi households by:

- Continuing to increase the minimum wage and welfare benefits;
- Extending the petrol levy discount to the end of June 2023;
- Providing the three 'cost-of-living' payments in 2022; and
- Increasing superannuation payments.

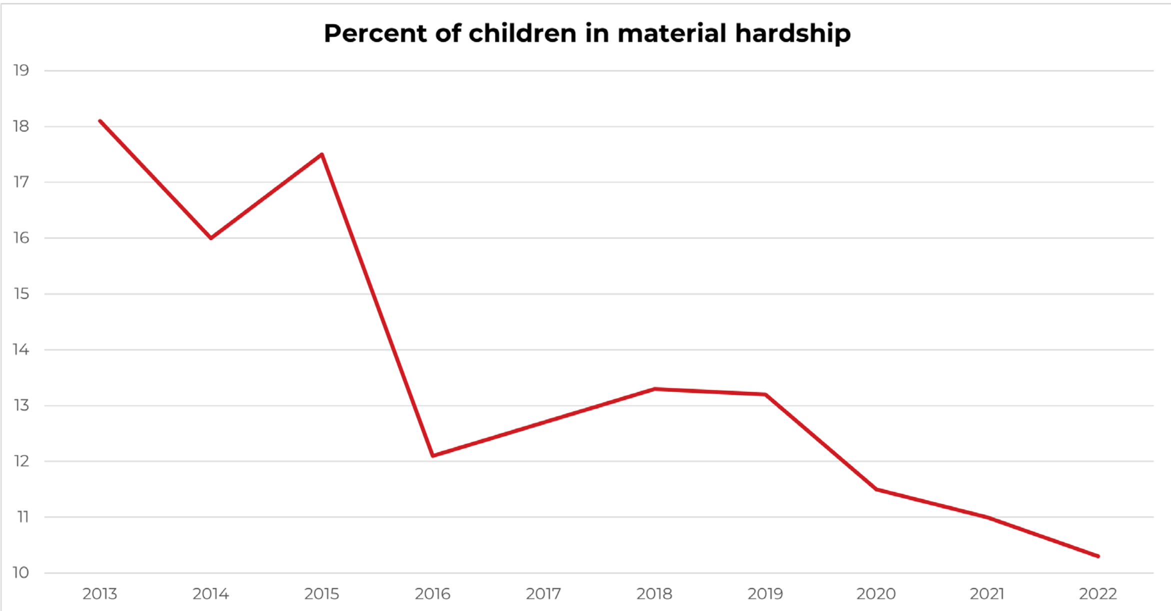

Figure 18: Percent of children in material hardship

The Government also has the power to directly improve wages for the 395,000+ people working in public services and publicly funded sectors. Public and community workers have worked under constrained pay since the pandemic started. This has compounded skills and labour shortages, creating significant and unsustainable workloads for many public-sector workers and in some cases negatively impacting the provision of public services.

Child poverty has been a major focus of the Labour Government since coming to power. Some progress has been made here, with the percentage of children living in material hardship falling from 13.3% in 2018 to 10.3% in 2022. (Material hardship is defined as being in a household that lacks 6 or more of 17 consumption items that most people regard as essential.) In real terms, there are still approximately 119,000 children living in material hardship. A disproportionate number of these children come from Māori and Pasifika families. Work to reduce child poverty rates must therefore remain a priority – it is difficult to imagine a more “bread and butter” issue.

BUDGET ACTIONS

Budget 23 makes a number of targeted but significant investments to support wellbeing and social development. These investments are primarily focused on supporting families with the cost of living. The largest investments are:

- The $5 prescription co-payment has been removed for all New Zealanders. This will benefit low-income households the most and cost a total of $618.6 million over four years.
- The 20-hours ECE subsidy is being extended to two-year-olds (from the current three- to five-year-olds). Based on average costs in 2023, families who were not previously receiving childcare subsidies would save an estimated $133.20 a week in childcare costs if a two-year-old child attended ECE for at least 20 hours per week. This is expected to cost a total of $1.2 billion over the forecast period.
- $402.6 million will support the extension and expansion of the Warmer Kiwi Homes Programme beyond June 2024. This will help to make a further 100,000 homes warmer through insulation retrofitting, cost-efficient lighting, and new hot-water appliances.
- $323.4 million total operating funding is being provided to continue delivering free lunches in schools. This has been estimated to save a family with two students, on average, $60 per week.
- Lifting main benefits by 7.22% to be in line with inflation. This investment of $311.3 million will support approximately 354,000 people with the cost of living.
- Expanding the Community Connect public transport concession, with ongoing half-price public transport fares for under 25-year-olds and free public transport for children under 13 (this is discussed in more detail in the Transport section of the CTU Budget Response).

There are also some notable smaller investments in Budget 2023. Providers of the Building Financial Capability have been allocated $29.2 million to deliver financial advice and debt services across the country. This includes meeting demand for one-to-one services, peer-led support, and wraparound support for people with complex needs. There is also $28.5 million provided for Food Secure Communities initiatives, such as funding for the New Zealand Food Network to distribute bulk, surplus food to communities who need it most. $6 million of this investment is for food support in regions affected by the recent weather events.

The Training Incentive Allowance is being permanently reinstated to support sole parents, disabled people, and their carers to study by assisting with associated costs. $80.1 million in operating and $47.5 million in capital has been allocated for this initiative. Disabled New Zealanders will also be supported into work through six trial health and employment services in the Oranga Mahi programme, at a cost of $36.3 million over the forecast period.

CTU ANALYSIS

It is unquestionable that these measures will have positive impacts for some of the vulnerable groups in New Zealand. For those on the lowest-incomes, continuing to lift benefits at the rate of inflation will have the biggest financial impact. Permanently reinstating the Training Incentive Allowance will allow people to build their skills and increase their lifetime earnings.

Those with younger families will benefit from free public transport for children and the expansion of ECE funding to two-year-olds. For disabled New Zealanders, the removal of the minimum wage exemption and the funding for health and employment services have been hard won and offer pathways to more decent lives.

By maintaining funding for the agencies such as MSD, and community organisations that support our most vulnerable, this Budget ensures that people can continue to access the services they rely on. Funding the equal pay settlements in this sector, including for social workers, and removing the pay disparity between those working for agencies and for community organisations will also help address worker shortages and ensure people get the help they need.

In the coming years, we want to see Government taking further steps to lift wages and reduce the costs of essential goods and services. It is encouraging that Budget 2023 has allocated $28.8 million to fund the Commerce Commission to monitor the grocery industry and undertake reporting and enforcement roles focused on improving competition and fair trading. Over the longer-term, this may help to bring down food prices – which have been one of the major drivers of the rising cost of living.

Education

The big winners of this Budget are working parents with young children. Budget 2023 delivers significant funding for Early Childhood Education (ECE), including extending the 20 hours free ECE policy to 2-year-olds. This policy will leave families $133.20 better off per week, and increase flexibility for parents. Budget 2023 includes an additional $322 million to support early learning services to move toward pay parity for their teachers.

> *“We welcome this budget as a step in the right direction in that it prioritises apprentices, trainee teachers and continues to find pathways for upholding the targeted training and apprenticeship fund and fees free. We acknowledge the receptiveness that the government has shown to student campaigns in areas such as free public transportation, climate, the winter energy payment and research but the effectiveness of the investment remains to be seen.”* — NZUSA National President Ellen Dixon

In the compulsory sector a sub-CPI increase of 3.5% in school operation grants will put pressure on schools to pay support staff and non-teaching staff. It is the second year in a row that school funding has not kept pace with CPI, and there are no additional investments in teacher pay, additional teacher staffing or specialist staff.

Budget 2023 also saw a significant tertiary education funding boost announced.

STATE OF THE SECTOR

Early Childhood & Statutory Education

Budget 2023 arrives at a time of widespread industrial action across the education sector. The issues are longstanding, and the result of successive governments failing to address core concerns of teachers and education professionals.

The underinvestment has caused an education workforce shortage. For example, the pool of day relief teachers at primary and secondary schools has decreased 31% over the past decade. A decline in Initial Teacher Education (ITE) enrolments has reduced domestic teacher supply and is only now beginning to improve, while the student population in the compulsory sector has grown by around 50,000 students.

Tertiary Education and Training

Over the past 20 years, government funding of the sector has not kept pace with inflation. This has resulted in uncertainty and persistent cuts to staffing. Meanwhile, Institutes of Technology and Polytechnics have undergone one of the largest state sector reforms in the last three decades.

The tertiary education sector needs government funding to be indexed to inflation. It also needs a cash injection for short term stabilisation, pay equity in the university sector and pay parity for Te Pūkenga and to address the pay gap between university and wānanga staff.

Further staff cuts are anticipated, which will reduce training and learning opportunities, particularly in regions with high unemployment.

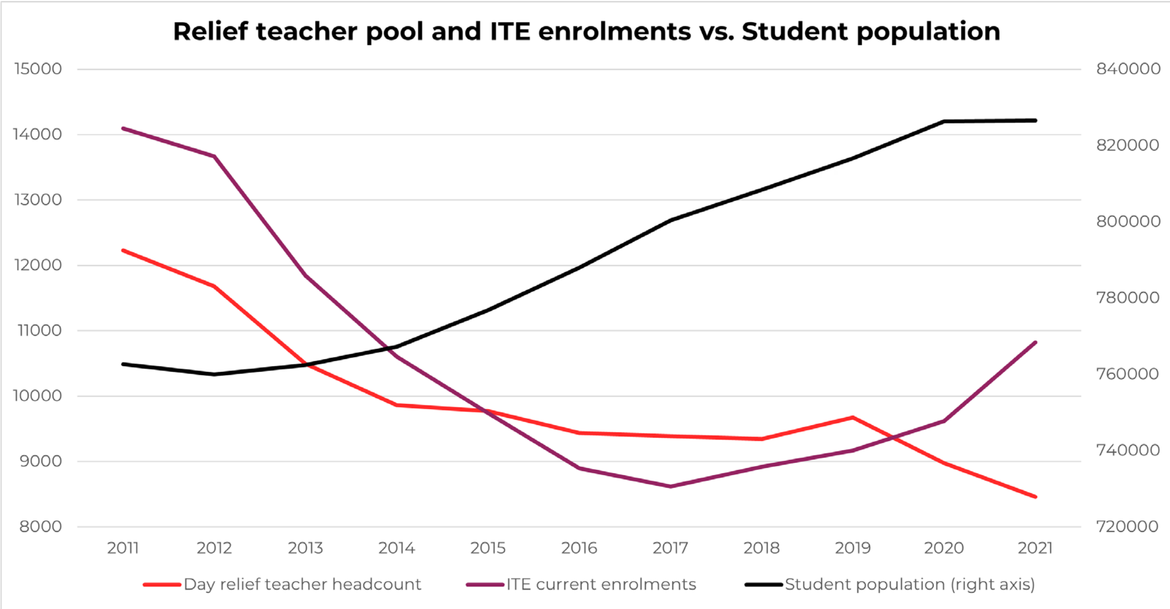

Figure 19: Relief teacher pool and ITE enrollments vs. Student population 2011-2021. Source: Education Counts

Budget Analysis

The Government is investing $3.6 billion total operating and $1.3 billion total capital in education initiatives.

Early Childhood Education

Budget 2023 delivers an extension of the 20 hours free ECE subsidy to 2-year-olds. This comes at a cost of $1.2 billion over four years and will be available from 1 March 2024. This year's budget also delivers an additional $322 million to support services to move toward pay parity for teachers in Education and Care services.

In addition, a small funding boost for Pacific Early Childhood Education was provided with $5.3 million over three years.

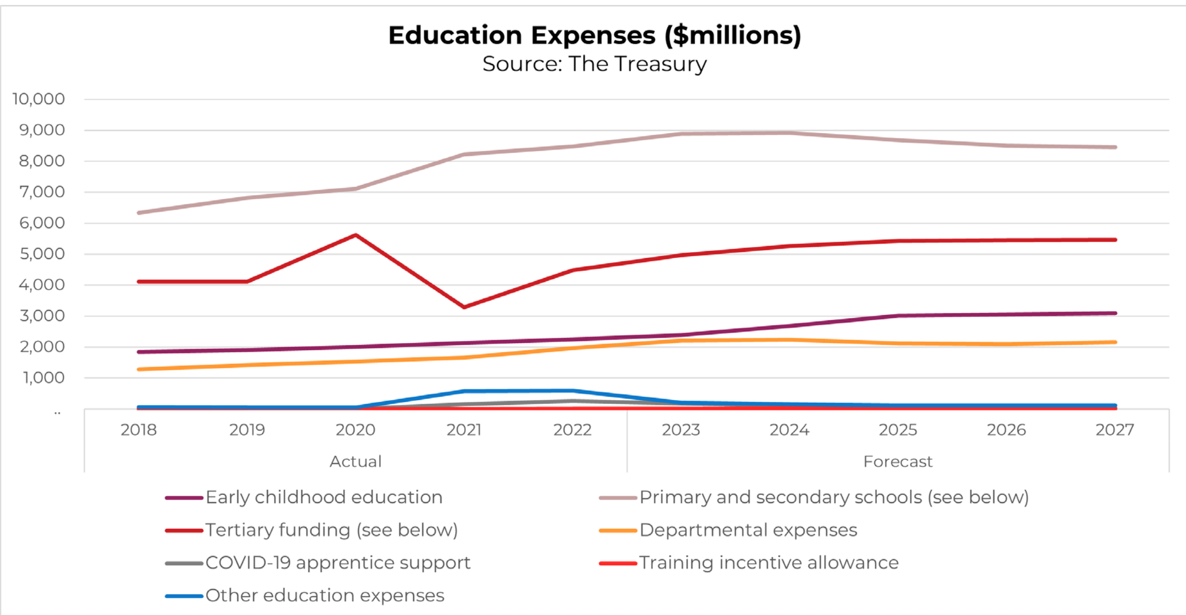

Figure 20: Education Expenses – ECE, Primary, Secondary, & Tertiary

Compulsory Schooling

In the compulsory sector, there was a sub-CPI cost adjustment in operational grants of only 3.5%. Schools use these grants to pay for day-to-day running costs and for support and admin staff. This real decrease in funding will put further pressure on schools to meet these costs. Budget 2022 delivered only a 2.75% increase in funding while CPI sat at 6.9%.

There were welcome initiatives in Māori education. This includes $112.5m capital and $21.9m operational spending. In addition, Budget 2023 includes nearly $40m of funding over four years toward Māori led initiatives.

A small boost to professional development for schools is welcomed, however at $26m over three years, it will have to be spread thinly over more than 72,000 teachers currently in the sector. In April, Education Minister Jan Tinetti committed to minor improvements in curriculum staffing entitlements for Year 4-8 classes in primary and intermediate schools. These years currently have the worst teacher-to-student ratios in compulsory schooling.

This Budget promises $400 million total capital funding to ensure the education system can accommodate the estimated additional 100,000 children who will be going through the education system by 2030. This includes $300m for an extra 300 classrooms, made up of $200m to ease existing pressures, and $100m to accounting for future population growth. The remaining $100 million will allocated to the construction of up to four new schools and school expansions, the first two in central Auckland and Papamoa.

The Government has allocated education infrastructure funding in response to Cyclone Gabrielle and recent severe weather events. $31m is promised to immediately repair the more than 500 flood-damaged schools and $85m for ongoing work to their pre cyclone-state. A further $700,000 over two years has been earmarked for Special Reasons Staffing funding, with $315,000 of that available immediately. It can be used to employ extra staff, give them release time, and support student wellbeing. $782,000 has also been provided for the replacement of school library collections and resources lost in the flooding.

Tertiary Education and Training

The Budget extended the Apprenticeship Boost programme through to 31 December 2024. The Government invested an additional $17.1 million of new funding in this Budget to enable around 30,000 apprentices to receive support. Apprenticeship Boost provides subsidies to employers of eligible first- and second-year apprentices to support those working toward a qualification.

Overall there was a 5.3 per cent increase in tertiary tuition and training subsidies to maintain quality and accessibility. This comprises a 5 per cent increase to all subsidy rates to support providers, as well as an additional phased increase in subsidy rates for te reo Māori and other Mātauranga Māori provision.

Significant reprioritisation of existing funding has taken place. This includes $280 million total funding from fees-free education, due to the uptake being below forecast.

NZCTU ANALYSIS

Early Childhood Education and Compulsory Schooling

The government has made early learning a priority in Budget 2023, and the extension of the 20 hours free ECE subsidy is a significant investment. Further to this, additional funding for pay parity for Education and Care kaiako makes good on the Government's 2020 commitment by extending funding to cover the full 11 steps of the Kindergarten Teachers Collective Agreement (KTCA).

While these investments in ECE are strongly welcomed, Budget 2023 doesn't deliver as well for the compulsory schooling sector. The pre-Budget announcement of improvements of ratios for year 4-8 students signalled a move in the right direction. However tumuaki, kaiako and other education kaimahi who have been fighting for this for a long time are going to have to wait longer to see how much the Government is willing to invest.

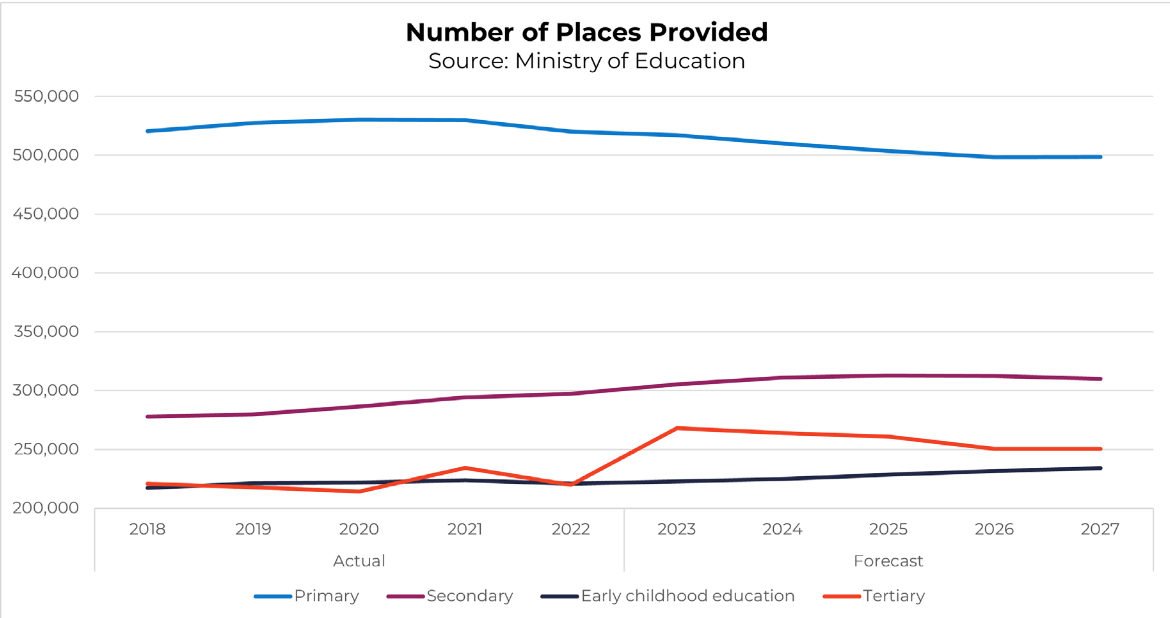

Figure 21: Number of Places Provided – ECE, Primary, Secondary, & Tertiary For ECE Full-time equivalent based on 1,000 funded child hours per calendar year. for primary year levels (years 1 to 8) these are snapshots as at 1 July and for secondary year levels (years 9 to 13), 1 March. They are the number of full-time equivalent students enrolled in New Zealand schools, including State, State-integrated, Private-Fully Registered, Private-Provisionally Registered and other. These numbers exclude home schooling.

Tertiary Education and Training

"We see this as the first sign of genuine recognition of the significant underfunding that the tertiary education sector has been grappling with for decades. The 5% funding boost announced today should go some way to ensuring students have access to quality education, provided the institutions invest in people. Looking long term – we are ready to talk, as staff and students, to address the historic underfunding that has destabilised provision." — Te Pou Ahurei | National Secretary Sandra Grey

In last year's budget, the Student Achievement Component (SAC) funding, which comprises around 75% of income for universities and other providers, was budgeted to increase by 1.2% from January 2022 and 2.75% from January 2023 at a time when inflation was running at 6.9%. The announcement of a 5% increase from 1 January 2024 comes at a time when inflation remains high at 6.7% after hitting a thirty year high of 7.3% last June

Justice Sector

STATE OF THE SECTOR

While the 2022 Budget's "Justice Cluster pilot" has gone some way in addressing the issues in this sector, much work is still needed. Especially in ensuring that access to justice is achieved.

Access to justice

Delays in court and tribunal hearings due to a lack of resources continues to be a major barrier to accessing justice. Queues for hearings have continued to increase since the last Budget, particularly in Auckland. A lack of funding for modernisation of infrastructure continues to be an ongoing problem. Currently the courts do not have a fully virtual filing system, creating difficulties in scheduling and timetabling.

Workforce retention

The Ministry of Justice and tribunals are having difficulty recruiting and retaining a workforce with core specialist capabilities in the tight labour market. Additional funding released in late 2022 enabled the implementation of negotiated pay increases for Ministry of Justice staff. These increases have been transformative in this historically lowest-paid part of the public service.

Workforce is also a key issue in Corrections, both for Prison Services and Community Corrections (probation and community sentences). In both services, worker shortages and vacancies are compounding a vicious cycle that inhibits the agency delivering on outcomes. Inability to recruit and high vacancies mean high workloads where staff can't be released for training, and those subject to sentences can't access the services they need.

Prior to the pandemic, the Justice Sector had some of the the lowest paid workers in the core public service. The combined impact of the subsequent Covid-19 pay restraint and the rise in the cost of living over the past 18 months has resulted in real wages for these workers slipping.

Wage theft

MP Ibrahim Omer's wage theft Private Member's Bill has been pulled from the biscuit tin, hoping to combat the unlawful withholding of wages, salaries, and other monetary entitlements owed to workers. This pernicious issue remains unaddressed in New Zealand law.

Justice graph: Proceedings against young people (rate per 10,000 population)

BUDGET ACTIONS

As signalled in a pre-Budget announcement, Ministers Radhakrishnan and Davidson announced nearly $75 million in earmarked funding for schemes to tackle family and sexual violence.

This includes:

- Extension of the Family Violence Help Portal.
- Advocacy and dispute resolution services funding for tamariki and rangatahi.
- Increasing capacity and expansion of the Waitematā Safeguarding response; and
- Kaupapa Māori specialist sexual violence services.

There are some key movement in funding aimed at assisting Corrections and the Ministry of Justice. This funding that was offset by a number of old initiatives that were decreased or moved around within the portfolio. These included:

- $2 million to assist in clean-up and, to assist in the re-establishment of Corrections functions in response to the North Island weather events.
- An increase of $1.6 million to develop workforce capability and capacity through the Frontline Safety and Improvement Programme
- An increase of $1.5 million which was transferred out of this appropriation in 2022/2023 to fund an increase in Ministerial Services work.
- An increase of $844,000 to maintain critical infrastructure and digital technology to ensure the delivery of Corrections services, and
- An increase of $510,000 in pre-trial services that provides early support to lower the number of people entering (or remaining) in custody.
- An additional $18.72 Million over the next 4 years is allocated to address 'critical compliance risks and asset failures' in relation to Corrections' water infrastructure.
- The Ministry of Justice will also receive more than $21 million over the next 4 years under an initiative to improve access to 'Family Violence Programmes in Court and the Community'.

CTU ANALYSIS

Initiatives like Hokai Rangi provide starting point for improving our justice system . However, an increasing proportion of the prison population has complex needs, and specific funding is needed to address this.

We must recognise the increasing need for mental health professionals to be part of Corrections staff, and securing effective training for mental health professionals. The Budget recognises Corrections Staff provide Health and Disability support, but the scope of this is not fully reflected with Corrections receiving the smallest portion of the funding set aside for 'Health and Disability Sector Support Worker Rates Adjustment.'

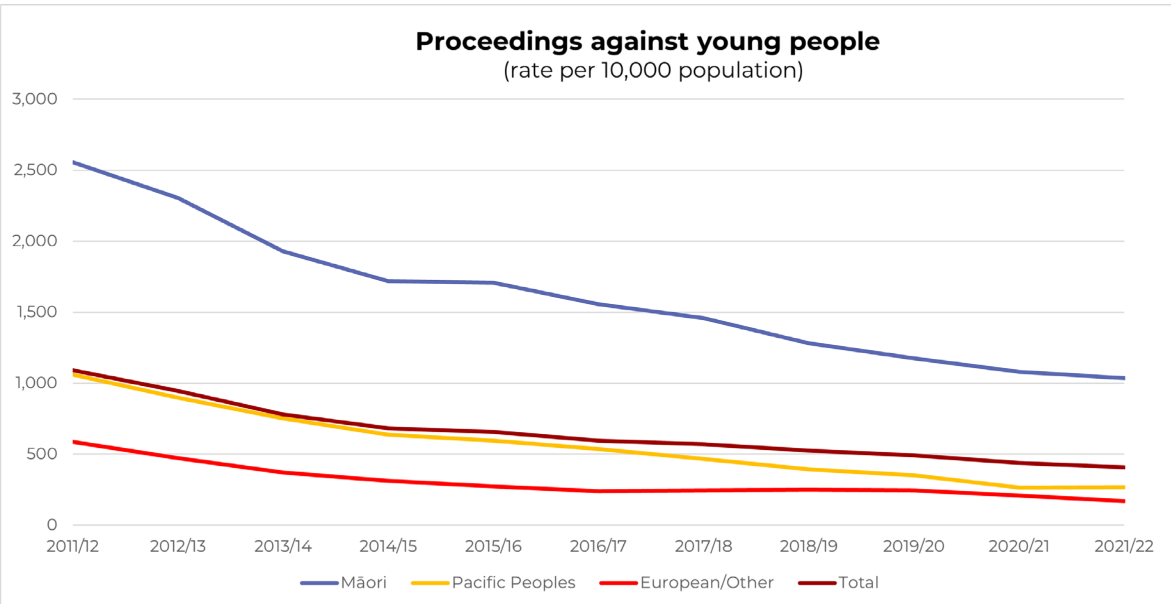

Figure 22: Proceedings against young people

On the whole, funding Corrections and the Ministry of Justice, for core services has remained largely stable. For both of these agencies, the Budget has delivered funding to apply the Public Service Pay Adjustment to workers. More will need to be done to address workload, safety and turnover issues.

Modernisation of the court system and, a targeted approach to ensuring access to justice is still needed. Addressing staff retention issues in Corrections should be an urgent priority. However, the Court system and Corrections have benefitted from increases in funding outside the allocations in the 2022 'Justice Cluster' pilot. This significant increase in spending will hopefully lay the groundwork for radical improvements in the sector.

"*In Corrections, there is now a 25% shortage in staff. A lack of psychologists means that fewer and fewer people in corrections facilities are receiving vital rehabilitation.*" — Josephine O'Connor-PSA Organiser for Corrections

The Future of Work and Just Transitions

"Just Transition in Southland really matters, because when you've got change of industry, you could have change of job for any individual person – and it needs to be a job that's the same or better in terms of pay and conditions, compared to what they've already got. We've got to maintain skillsets and upskill people, so that we retain the population here in Southland."

"If we decline in population, that's a whole different cycle and would mean people in our community not spending money. Therefore, businesses will decline, services decrease, your range of shops decreases, and basically speaking, some communities do not revive themselves. They just never come back from it." – Karena Kelland, Industry Council Convenor (Public and Commercial) and E tū National Executive member

STATE OF THE SECTOR

Economic shocks and structural change, whether driven by climate change, pandemics, technology change, or demographic change, require just transitions. Just transitions mitigate the negative effects of change on workers and communities, and capitalise on the opportunities that change presents.

In the past, economic change in Aotearoa NZ has had vastly unequal impacts. Māori and low-income households have typically been among the worst affected – as happened, for example, during the market reforms in the 1980s and 1990s. Within the just transitions space, three priorities relate directly to the future of work and the CTU's objective of building a high-wage, low-emissions economy in which good work is available to all.

First, we need to promote the development of good jobs through active industrial policy. The Labour Government has made progress on this through the development of the eight Industry Transformation Plans (ITPs) which identify actions to grow high-productivity sectors of the economy. These plans require significant investment in industrial development over the long-term.

Second, we need to build our capacity to facilitate just transition processes. The Government has set up social partnerships in Southland and Taranaki to deliver just transitions for these communities in response to the potential closure of large employers. The Future of Work Tripartite Forum – a partnership between the Government, the CTU, and Business NZ – also has a mandate to identify just transition priorities. These partnerships require ongoing funding to be successful. There may also be a need for partnerships to be set up in other regions of the country in the future.

Third, we need to expand the provision of high-quality active labour market programmes (ALMPs). Job loss can have long-term impacts on one's wages and health, and ALMPs that assist people (back) into employment are therefore an important part of the social safety net. Effective ALMPs are particularly important in the context of the forecast rise in unemployment over the next couple of years. They are also important in the long-term transition to new industries and jobs, ensuring efficient transferable skills allocations, supporting productivity growth, and guarding against wage scarring.

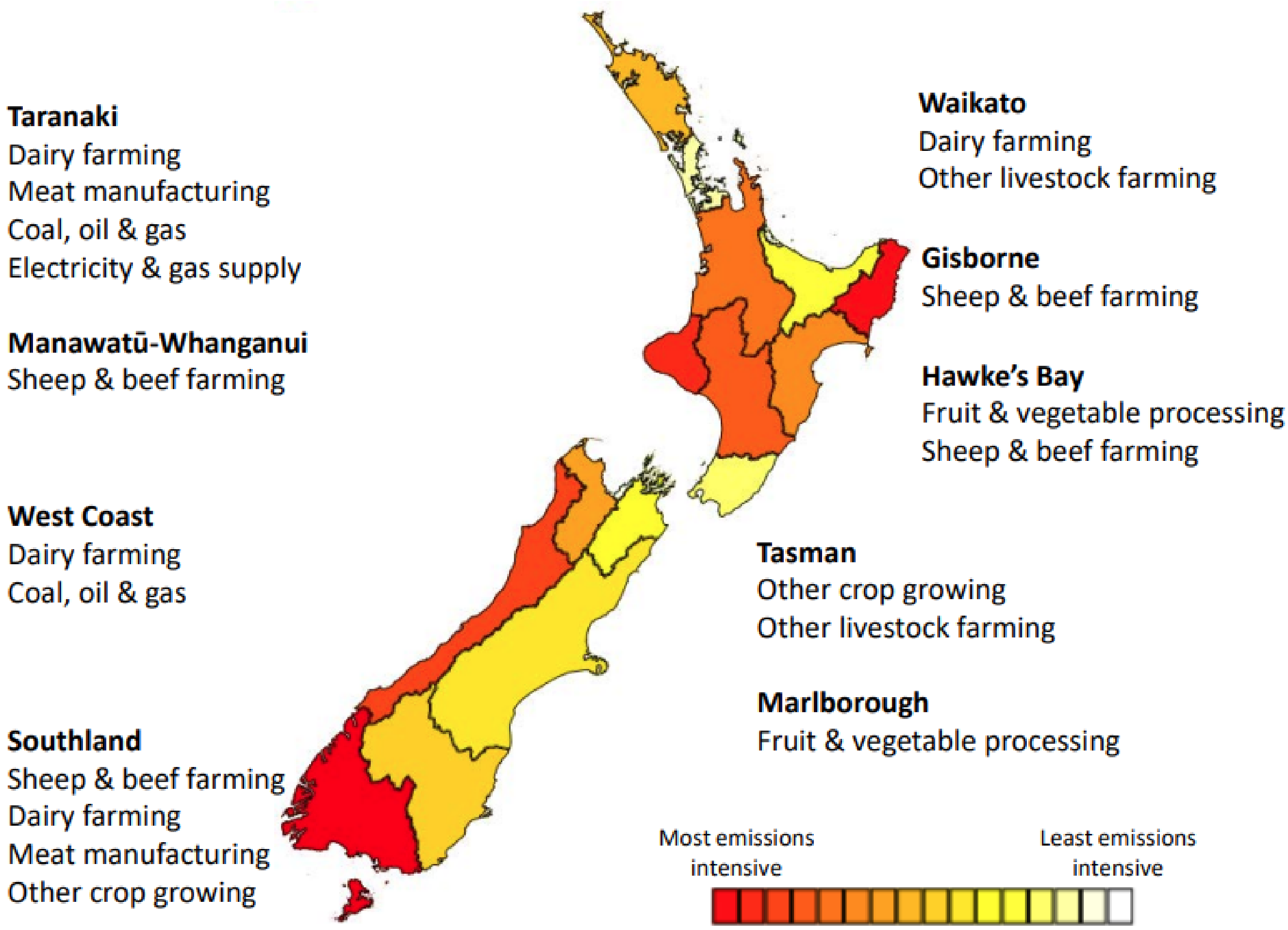

Figure 23 – Title: High-emissions intensity industries by region]
This figure shows the emissions-intensity of employment in each region of New Zealand. This is calculated as the share of the total workforce in each region that is employed in emissions-intensive industries. This gives an indication of where in the country just transitions process may be most needed.

BUDGET ACTIONS

Budget 2023 provides $75 million to progress actions identified in three Industry Transformation Plans (Agritech, Digital Technologies, and Tourism). $451 million has been allocated to construct three multi-institution research, science, and innovation hubs in the Wellington region. These hubs will be focused on research for health and wellbeing; oceans, climate, and hazards; advanced manufacturing; and biotech and energy. This is supported by a $53 million allocation to fund research fellowships and an applied doctoral training scheme.

The Budget also continues to support the Future of Work. $27 million has been allocated to the Pacific Community Resilience and Wellbeing fund, which aims to strengthen the Pacific Workforce, and toward the implementation of the Pacific Employment Action Plan, which aims to improve labour market outcomes for Pacific Peoples. $80.1 million total operating and $47.5 million total capital has been allocated to permanently reinstate the Training Incentive Allowance to assist sole parents, disabled people, and their carers to study at NZQA levels 1–7. And $600,000 has been allocated to support Māori leadership in the Future of Work Forum.

A total of $110 million has been allocated to expanding ALMPs in response to a review of the programmes. This includes investment in careers guidance services; job application and preparation support; community-based employment solutions for young people (through the Mayors Taskforce for Jobs and Ngā Puna Pūkenga); an 'Early Response' allocation of $7.6 million for people who may experience risk of economic displacement; and employment programmes that support disabled New Zealanders to find and retain work. Meanwhile, $251 million has been allocated to fund the Ministry of Social Development's front-line services for income support and employment services, which will help support the delivery of ALMPs.

CTU ANALYSIS

It is reassuring to see funding provided to action the recommendations of several ITPs; this will help turn these plans into outcomes. The CTU would like to see the development of a more assertive industrial policy over the next couple of years. This will require significant and ongoing investment across the industries with active ITPs to grow productive capacity and increase the provision of high-wage jobs.

Other than the important allocation to support Māori leadership in the Future of Work Forum, further investment in facilitating just transition processes was not apparent in Budget 2023. However, the CTU would expect that the $71 billion allocated to infrastructure investment over the next five years will be delivered with a just transitions process, including through the allocations to support the recovery and resilience of communities affected by Cyclone Gabrielle.

We are also encouraged to see investments being made in ALMPs and MSD's frontline services. Unemployment is expected to rise above 5% over the next two years, and it is important that those affected are well-supported to reduce wage scarring. However, one area that will require further investment are ALMPs that respond to large-scale regional job loss. For example, in Southland nearly 1,000 workers are employed by the region's largest employer, the New Zealand Aluminium Smelter, which is at risk of closure in 2024.

While the ALMP supports announced in Budget 2023 are a step in the right direction, compared to many other wealthy countries, the proportion of funding allocated to ALMPs in New Zealand remains low. In the long term, it is important to continue efforts in building a strong ALMP (Active Labor Market Policy) system. This system should support the resilience of our people and economy during times of change, facilitate skills development and matching, and minimise the negative effects of job loss on the income and well-being of workers and their whānau.

Many Thanks

For the support of the following organisations who helped make this analysis possible...

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