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## BUDGET 2020 REPORT

ESRA researchers and community activists team up for our annual Budget report.

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In the closing remarks of his budget speech, Minister of Finance Grant Robertson contrasted two government responses to historical economic crises, urging that lessons can be drawn from both. The first was the ‘great traditions’ of the First Labour Government (1935–1949) established in response to the devastation of the Great Depression. This was a time, Robertson reflected, ‘when they understood a genuine partnership between government and the people’.<sup>1</sup> According to Robertson, this year’s budget takes ‘those principles into the modern era’.<sup>2</sup>

The second historical example Robertson offered was the ‘economic carnage of the 1980s and 1990s’ that ‘wreaked havoc in our communities’.<sup>3</sup> Introduced by the Fourth Labour Government in 1984, and doubled down on by the Fourth National Government’s 1990 ‘Mother of All Budgets’, according to Robertson, this response ‘was based on a tired set of ideas that the market would save us, that if government sat on the side-lines all would be well’. Robertson acknowledged that this didn’t work, that ‘livelihoods were lost’, and promised that it ‘will not happen again, not on the watch of this government’.<sup>4</sup>

Drawing a sharp contrast between Keynesian responses of the 1930s and 1940s and the neoliberal turn of the 1980s and 1990s, Robertson appeared to be making every effort to have this budget come off as a sort of ‘new New Deal’. Indeed, taken in isolation, these comments might suggest that this year’s budget is the death knell of neoliberalism in this country, sweeping away decades of austerity politics with the return of big government, demand-side stimulus and a considerate welfare system. However, as with any budget or government proposal, the devil is in the detail, and upon closer analysis, this is a very familiar devil indeed. In fact, the standout feature of Budget 2020 is how incredibly underwhelming it is, especially considering the massive amount of spending it entails, and the opportunity represented by the exemption of the Budget Responsibility Rules.<sup>5</sup>

There are certainly some positive developments in this budget, such as a boost in funding to early childhood education, the green jobs initiative and the doubling of the current cap on New Zealand’s family reunification scheme for refugees. The government has also put aside \$20 billion for future Covid-19-related emergency

spending. What happens with these unallocated funds will ultimately reveal the government's true intent with this budget. From what we can see now, however, this budget represents the government's unwillingness to introduce impactful and meaningful change. In this report, we therefore draw attention to this budget's blind spots and missed opportunities.

## WELFARE

Perhaps the biggest surprise of this budget was that there were no major announcements concerning welfare. Over 40,000 people have applied for benefits since the lock-down, with the Ministry of Social Development preparing for nearly 300,000 new people over the coming months due to job losses, according to Treasury's predictions. Many of those people will be applying for benefits for the first time and will be justifiably worried about the prospect. Those who are already part of the system will surely be worried about issues of access, given that waiting in large queues had become normal long before Covid-19 hit.<sup>6</sup>

Lack of action in this area will disproportionately affect Māori and Pacific communities. Spending in these communities includes \$485 million that has been set aside for the Māori Covid-19 Recovery Package, including a \$137 million boost to Whānau Ora, funding for a Māori and Iwi Housing and Innovation Fund (Te Maihi O Te Whare Māori) and \$20 million toward a cadetship programme to support re-skilling and career development. Likewise, a welcome \$195 million Pacific recovery package might be helpful in the mid-term but will do little to help those in immediate need. The budget lacks a vision for genuine partnership or the necessary funding to support Māori self-determination. A redistribution of wealth and power to hapū and

iwi, alongside an increase in welfare spending would have helped whānau affected by the crisis.<sup>7</sup> The additional \$920 million in Māori spending represents just 2.1% of new spending announced in the 2020 Budget.<sup>8</sup>

There is no denying that welfare has played, and will play, a central role in how we deal with this crisis and the recovery. Moreover, public attitudes towards beneficiaries are changing, making reform more politically palatable than ever.<sup>9</sup> The government's response to benefits during the initial stages of the Covid-19 crisis made clear that many of the existing policies only served to make getting assistance unnecessarily difficult, such as the stand-down period between being out of work and beginning to receive benefit payments and tethering a beneficiary's income level to their partner's earnings. One would think, then, that this presents an opportunity to overhaul our tired and unnecessarily punitive welfare system, and to offer some peace of mind to hundreds of thousands of workers now facing immediate hardship and uncertainty. While it is likely that a good part of the \$20 billion of uncommitted emergency spending will go in this direction, the fact that the government chose not to mention this, or to pay serious attention to matters of welfare at all, is a clear signal that their priorities lie elsewhere.

With the Jobseeker benefit set at around \$250 per week and sole parent benefit around \$375 per week, current benefit rates place people and whānau in poverty. The \$25 per week increase and extra winter energy payment as part of the initial Covid-19 relief package, and indexing benefits to wages from last year's budget, does very little to lift people out of poverty. The situation was dire going into the

crisis and will only get worse. Benefit levels must be increased to liveable levels to ensure people can have security whether they are in paid work or not. Last year's budget, named the 'Wellbeing Budget', emphasised mental health and psychological stress as key priorities for intervention and support. Although the government has admitted the current crisis has forced them to put aside the Wellbeing Outlook for this budget,<sup>10</sup> welfare spending and income support offer a critical opportunity for the government to continue this kaupapa in letting those out of work, or soon to be out of work, know that they will be looked after. This would also be a recognition of all the unpaid and undervalued essential care and community work people already do and would go some way to ensure that people are not coerced into undervalued and exploitative employment.

When placed alongside the government's strong focus on job creation, the near silence on matters of welfare suggests a dangerous narrative unfolding: that of the 'deserving' versus the 'undeserving' poor. This narrative is deeply contradictory. It recognises that poverty and unemployment are structural issues, which is to say that poverty and unemployment are largely the result of forces that exceed individual choice, such as a global pandemic. At the same time, however, it carves off a section of the population, the 'undeserving', and excludes them from this structural analysis. The undeserving are supposed to be the creators of their own conditions, while the deserving are victims of malevolent forces. What this narrative misses, of course, is that unemployment is a necessary structural condition of capitalist economies. While the government has said nothing explicitly along these lines, their silence on matters of welfare suggests that it might very well be how they are thinking.

It is worth mentioning that the first act of the 1935 Labour government was to give a one off 'Christmas bonus' payment to every unemployed person in the country. A Budget that took the social democratic principles of that government 'into the modern era' would surely be putting those worst served by the current system at the core of their focus. With this budget, however, this is not the case. With many more people moving into unemployment, and the shifting future of work, the government needs to be bold and transform the welfare system. Even the conservative Productivity Commission recommends as much in its recent report on 'Technological Change and the Future of Work', in which it suggests a change of thinking from 'job' to 'income' security as a way to respond to rapidly changing global labour markets.<sup>11</sup> What is apparent from this year's budget is that the Labour-led government has continued the neoliberal agenda of placing a wedge between the deserving and undeserving poor.

## MIGRANT WORKERS

Another group that have been largely left out in the cold by this budget are migrant workers, who are not entitled to the same welfare provisions as residents. As FIRST Union has pointed out, the government is turning its back on more than 300,000 migrant workers in Aotearoa New Zealand by refusing to activate Section 64 of the Social Security Act.<sup>12</sup> Section 64 allows migrant workers to access benefits in a situation of emergency such as the one we are in. While not all these workers will require assistance, we have already seen the chaos that can be caused when migrants are treated as disposable, such as that currently unfolding in Queenstown. The rolling Civil Defence support for migrants is both piecemeal and tied to the state of emergency, which is only extended week on week and that has now become an even

more opaque ‘transition period’. Migrants, who currently lack many legal protections, deserve to know more about their security and status than this band-aid measure offers. We have already seen Prime Minister Jacinda Ardern appeal to the Australian government to extend welfare access to migrant workers, in that case New Zealanders. She outlined the important financial and cultural contributions of this workforce, and the Australian government’s duty to support them in these exceptional and turbulent times. The same logic and compassion appear not to have been adopted in this project of ‘Rebuilding Together’, where migrant workers remain unsupported.

This being said, there are a range of refugee-related announcements that will take effect when borders open again. Perhaps the most significant of these is \$21 million to increase the cap on the current family reunification scheme from 300–600 places. This policy was introduced in 2002 to allow refugees who have settled in New Zealand to sponsor family members, with priority given to people who are currently alone. For the first time, the sponsors will not cover the entirety of the costs associated with applications—we can expect that there will be assistance with airfares, visa costs and a pared back version of the resettlement orientation programme. Ultimately, this democratises the reunification programme, making it less dependent on people being able to afford, or being able to secure loans, to bring their family members to Aotearoa New Zealand.

## HOUSING

We had a housing crisis prior to the current crisis with many people unable to afford their housing costs. Now, with Covid-19, there are more people who cannot afford their private rentals or mortgages. While the government was

proactive in extending a six-month mortgage holiday to homeowners in the early stages of the crisis, they showed a lack of sympathy toward renters, suggesting, rather, that any sympathy be distributed by benevolent landlords. This kind of liberal paternalism is more reminiscent of David Cameron’s ‘Big Society’ than it is of the social democratic principles of the Depression era that this budget apparently aspires to. Landlords are the winners in this crisis, representing one of the only sectors whose income and assets have been largely protected from an economic downturn. If this budget was the curtain call of neoliberalism, then we would expect to see decisive action in this area. There are now many more households experiencing severe housing stress that would benefit from access to state housing if there was an adequate supply.<sup>13</sup>

In Budget 2020, the government has pledged 6,000 new state homes and 2,000 transitional houses. This is on top of the 6,400 houses promised in Budget 2018. Of these homes, 30 percent will be built and owned by community sector providers. While every state house built is a step in the right direction, transitional housing is not permanent, and secure housing and funding for this should be re-prioritised to build state homes. The number of new state and community homes (12,400) over the next five years will not even cover the current waitlist, which as of March 2020 was at 16,309 households and likely to grow.<sup>14</sup> The Welfare Expert Advisory Group<sup>15</sup> and economic commentator Infometrics<sup>16</sup> have called on the government to engage in a mass build of state housing as an effective way to address the waitlist and boost the economy.<sup>17</sup>

The government is not directly funding the building of state housing and is instead

enabling Kāinga Ora (the umbrella organisation for Housing New Zealand, Housing Land Community and Kiwibuild) to borrow \$5 billion. Previously, the Treasury has warned the government against the model of allowing Housing New Zealand to accrue debt, suggesting the government should directly fund it due to their capacity to take on debt with less risk. The government should have prioritised a mass appropriation of state rental housing far beyond what has been committed. Building or acquiring quantities of state rental housing could provide secure renting outside of the private market to protect many people against this crisis and future crises.

## FUTURE OF WORK

In its budget policy statement, the government outlined ‘the future of work’ as one of its five priorities.<sup>18</sup> For some time, the future of work has been a theme of this government’s more aspirational policy thinking. The Future of Work Tripartite Forum, together with the aforementioned Productivity Commission inquiry and the Labour Party’s Future of Work Commission represent this government’s attempt to harness progressive and innovative thinking about the social impacts of economic and technological change.<sup>19</sup> It is likely that, as with the Wellbeing Outlook, the urgency of the response to Covid-19 has forced the government to lessen its focus on this priority area, yet the crisis itself has exposed the necessity of addressing this question now and not tomorrow.

Robertson was emphatic in his speech that this budget ‘is about jobs’, and a number of incentives were announced toward this end. Establishing 11,000 ‘green jobs’ is one way in which the government is acknowledging a changing future where other values take

priority over the pursuit of profit. Totalling about \$1.1 billion investment in new jobs, this is a step in the right direction but falls short in both sufficiently addressing the climate crisis, which continues unabated, and the coming crisis of unemployment and poverty. Several commentators from environmental organisations have commented on the lack of ambition in addressing climate change and the government’s failure to implement policies that will realise their goal of being carbon neutral by 2050. Previous leader of the New Zealand Green Party Dr Russell Norman described the green jobs fund as ‘loose change’ spending on the deepening climate crisis.<sup>20</sup>

An initial \$3 billion for additional infrastructure investment will also help to soak up labour resources disrupted by the crisis. This will be bolstered by \$1.6 billion towards a Trades and Apprentices Package aimed at providing opportunities for New Zealanders ‘of all ages’ to receive trades training, including \$50 million for Māori apprentices and trades training. In this sector, when things get tough, apprentices are usually the first to go, so this added security will be welcome news to apprentices and business owners alike.

The trades training scheme is the centrepiece of the government’s higher education recovery package, and although Robertson stressed the role of education and training in economic recovery, there are some disappointing omissions. The decision not to reinstate postgraduate student allowances after these were cut by the National-led government in 2013 is particularly disappointing, not in the least because this was a key pillar of the Labour Party’s wider education policy going into the 2017 election.<sup>21</sup> The \$20 million student

hardship scheme is opaque and will offer little comfort to postgraduate students in immediate need, many of whom face imminent job losses as the tertiary education sector begins to ruthlessly axe its casual labour force. These students are not eligible for regular welfare support and have been left to fall through a wide crack in the system, a crack that the government is well aware of.

Although by and large a welcome development, the strong emphasis on trades training seems somewhat out of touch with the present and changing nature of work in this country. Both the Covid-19 crisis and its attendant economic fallout have exposed who is essential to keep the country moving. Over two thirds of these essential workers are women, and while many women will take up trades training, putting a traditionally masculine form of work at the centre of the recovery package sends a strange message about what kind of work is valued by the current government. These essential workers will remain essential regardless of whatever future shocks, biological or otherwise, this country may face. We have an opportunity here to reconfigure our thinking about what is essential to our economy and to acknowledge the huge contribution these workers make to society, and not only during a crisis.

## CONCLUSION

ESRA recently outlined a plan for ‘future proofing’ Aotearoa New Zealand in the wake of Covid-19.<sup>22</sup> In that report, ESRA highlights recent calls by Auckland Action Against Poverty for the development of a Universal Basic Services (UBS) programme that would, alongside a progressive Universal Basic Income (UBI), ensure that families and communities are able to access essential services regardless

of whether they are in paid employment or not. This would effectively plug many of the existing gaps in the welfare system and provide a base level of resilience that would allow us to better weather future crises. Importantly, UBS and UBI represent some of the most advanced thinking about the future of work because they detach access to a basic standard of living from access to a wage. This means that the rights of people to live dignified and secure lives are not determined by the changing needs of the market. Economic and climate crises and the technological disruption of work all point to higher levels of job loss and turnover becoming the norm in the near future. By allowing people to access essentials regardless of their employment status, we would recognise the contributions made to our communities by those outside traditional employment, such as unpaid domestic labour and care work, and we would future proof our communities against future crises by making us less dependent on the whims of capital for our survival.

While it remains unclear what exactly the government is seeking to rebuild and to whose benefit, they have kept for themselves a significant amount of discretionary spending that raises the possibility of some genuinely transformational policy initiatives. There is \$20 billion at stake where the government could be bold and, in following their own directives, be kind. Further, with the election fast approaching, the government has an opportunity to introduce a progressive taxation scheme that ensures wealth is redistributed in a way that recognises the essential role every New Zealander plays in the ‘team of five million’. A key lesson from the Global Financial Crisis is that throwing money at keeping things the same will only delay the onset of a deeper crisis. The upshot of learnings from

the pandemic and the government's willingness and ability to spend large in responding to it is that things can be different. We have the means. We have the opportunity. What we need is a collective vision and the will to fight for it.

# NOTES

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- 3 Ibid.
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- 7 Moreover, as ESRA researchers argue in a recent report, 'In building a more resilient, fair and sustainable society in the post-virus world, political autonomy coupled with a Covid-19-sized fiscal package for Māori are essential'. Beyond much needed targeted spending, 'financial redistribution must be accompanied by political devolution' when it comes to responding to the needs of Māori in the wake of Covid-19. See: Simon Barber, Vanessa Cole, Jack Foster and Anna-Maria Murtola, 'Future Proofing Aotearoa New Zealand After Covid-19', *Economic and Social Research Aotearoa* 19 (May 2020). Last accessed 21 May 2020, <https://esra.nz/future-proofing-aotearoa-new-zealand-life-covid-19/>
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- 13 Allison Tindale, 'Just How Big is the Housing Problem,' *New Zealand Planning Institute*, 30 June 2019. Last accessed 21 May 2020. [https://www.planning.org.nz/Category?Action=View&Category\\_id=2033](https://www.planning.org.nz/Category?Action=View&Category_id=2033)
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- 16 Gareth Kiernan, 'Supporting construction while rectifying state housing,' *Infometrics*, 7 May 2020. Last accessed 21 May 2020. <https://www.infometrics.co.nz/supporting-construction-while-rectifying-state-housing/>
- 17 See also, Barber et al, 'Future Proofing Aotearoa New Zealand for Life After Covid'.



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