



PSA submission on the  
**Budget Policy Statement 2022**

January 2022

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28 January 2022

## About the PSA

The New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand with over 80,000 members. We are a democratic and bicultural organisation representing people working in the Public Service including ministries, departments, Crown agents and other crown entities, and state-owned enterprises; local authorities; tertiary education institutions; and non-governmental organisations working in the health, social services and community sectors.

People join the PSA to negotiate their terms of employment collectively, to have a voice within their workplace and to have an independent public voice on the quality of public and community services and how they're delivered.

We are committed to advancing the Tiriti o Waitangi principles of partnership, protection and participation through our work. Te Rūnanga o Ngā Toa Āwhina is the Māori arm of the PSA membership. The PSA is affiliated to Te Kauae Kaimahi the New Zealand Council of Trade Unions, Public Services International and UniGlobal.

## This submission

This submission is informed by the PSA's strategic goals, in particular our goal of strong and sustained political and public support for public and not-for-profit community services as the heart of creating a better Aotearoa.

As part of achieving this goal we advocate for:

- public and community services that support a just transition for communities affected by climate, technology and other change
- universal access to inclusive public and community not-for-profit services based on need
- community services are fully funded to provide high quality services to the public and equitable pay and working conditions for workers.

## Summary of recommendations

The key recommendations in our submission are that:

- Objective three (Future of Work) should specifically reference decent work
- Objective four (Māori and Pacific peoples) is split into separate goals to ensure more specific consideration can be given to the needs of each group

- Goal three specifically mentions inequality as one of the key issues the Government is seeking to address as part of laying the foundations for the future
- A third policy goal for Budget 2022 of economic inequality reduction is added to the BPS. This goal should have specific reduction targets relevant to specific groups over a nominated timeframe
- The Government invests significantly more than the \$4.5 billion CERF allocation towards addressing the climate emergency
- All sectors, including agriculture, contributes to the ETS to form the basis of the CERF
- The Government takes a bolder fiscal approach, with greater investment in public services and infrastructure that are needed now to avoid greater costs in the future. This should be funded through increased borrowing or progressive tax reforms, or a combination of the two.

## Budget frameworks

The PSA supports the continued use of a wellbeing approach in achieving its goals, including taking an intergenerational view to tackling long-term challenges and looking beyond traditional measures of success towards broader indicators of wellbeing.

We support the use of the Living Standards Framework, and efforts undertaken to refine the framework to continue to improve on it. We note that the 2021 Living Standards Framework, to be used in future budgets, is intended to be used alongside He Ara Waiora and Fonofale rather than incorporating these frameworks at a detailed level. If this is the case then it will be important to ensure that future Budgets are also assessed against these frameworks.

We support the consideration given to distributional impacts of policies on different groups and the environment.

## Wellbeing objectives

The PSA supports in broad terms the wellbeing objectives and policy goals set out in the Budget Policy Statement (BPS) 2022 but has concerns about whether the actual level of Budget 2022 spending will be sufficient to achieve these goals in any meaningful sense.

We are concerned with the continued, systemic levels of inequality in Aotearoa. This includes the unequal distribution of resources, and the barriers to accessing resources, and intergenerational inequity that disadvantage those already most vulnerable in society.

We are also concerned about the lack of adequate revenue to work effectively towards identified social and environmental goals.

### Future of Work

The PSA also believes objective three (Future of Work) should specifically reference decent work. As it stands now, the goal and its explanatory text appear to focus on the benefits of enabling people to work, and for their work to be productive.

But a Budget based on a wellbeing approach should acknowledge that a person's wellbeing depends on their work that "delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men"<sup>1</sup>.

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<sup>1</sup> International Labour Organisation. <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

Dissatisfied workers are more likely to rate their physical health, mental wellbeing, and overall life satisfaction low, and job satisfaction is influenced by a range of factors linked to decent work including autonomy, workplace relationships, stress, appropriate skills, workplace culture, stress and physical risk factors.<sup>2</sup>

### **Māori and Pacific peoples**

We recommend splitting this objective into one for Māori and one for Pacific peoples. This is to recognise that these two groups have different needs, and to ensure that those different needs are considered in Budget decisions. What constitutes wellbeing, and how it can be achieved, is not necessarily the same for Māori as it is for Pacific peoples. The splitting of the objective is also to recognise the unique role of Māori as tāngata whenua.

We are pleased to see recognition that a just transition to a climate focused future offers an opportunity to enhance both Māori and Pacific peoples' wellbeing. This recognition needs to be backed up with meaningful support in Budget 2022 spending, including:

- Funding for initiatives that enable a just transition for Māori communities affected by social, economic and environmental change in their rohe
- Funding for initiatives, such as income protection through social employment insurance, that enable a just transition for groups with low incomes
- Ensuring a just transition that does not exacerbate disparities between countries, and enables New Zealand is able to play its part to support Pacific peoples displaced by the effects of climate change in other countries
- Involving Māori and Pacific workers in leadership and peer support roles through just transition initiatives in their communities.

The support provided needs to be considered through the lens of the Government's obligation to partner with tāngata whenua, and protecting both Māori and Pacific peoples as demographic groups that are already more likely to be vulnerable to climate change and disadvantaged in the transition.

### **Modernising the public finance system**

The PSA agrees that the public finance system needs reform if it is to enable and support a more effective, collaborative and interoperable public service system. The trailing of clusters seems a sensible step to take. While overall we support the current evolutionary rather than revolutionary approach to this change, there is a need for greater transparency of what is intended to be achieved with this reform over time and also more open opportunities for public input and engagement.

### **Overarching goals**

We support the overarching goals contained in the BPS, however we recommend that inequality is specifically mentioned as one of the key issues included in goal three that the Government intends to address.

### **Focus areas**

#### **Policy areas of focus**

We support embedding health reforms and addressing climate change as policy areas of focus.

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<sup>2</sup> <https://www.stats.govt.nz/reports/job-satisfaction-and-wellbeing>

We also support Tax Justice Aotearoa’s proposal for a third policy goal for Budget 2022 of economic inequality reduction in Aotearoa New Zealand. This goal should have specific reduction targets relevant to specific groups over a nominated timeframe. Real reduction in economic inequality is an important objective for several reasons, including the negative impact economic inequality has on social cohesion, which the BPS refers to as critical to responding to the coronavirus pandemic. Improving inequalities would be a basis for creating a revitalised welfare state necessary to increase standards in health, housing and education. Increasing incomes for the families of children suffering poverty, through further reform of the income support system, is a priority in reducing inequality and should be funded in this year’s Budget.

An inequalities reduction goal would align well with the new Living Standards Framework as well as other frameworks in particular He Ara Waiora and Fonofale.

### **Climate Emergency Response Fund**

We support the allocation of \$4.5 billion to the Climate Emergency Response Fund as a positive start towards taking action on climate change. However we don’t believe that this will be anywhere near sufficient. It is less than 25% of what the Government has spent on wage subsidies alone over the last two years, and less than 10% of what was allocated to the Covid Response and Recovery Fund. The climate emergency is just that – an emergency – and the Government needs to treat it with the same urgency and seriousness that it has for the pandemic. A greater level of investment in climate action is needed urgently.

We also note that the main source of funding for the CERF is the Emissions Trading Scheme, which currently excludes the largest contributing sector to Aotearoa’s carbon footprint. Every sector needs to contribute its fair share.

### **Fiscal strategy**

The PSA believes the Government’s fiscal strategy is too conservative.

The BPS describes the Government’s fiscal strategy as “a balanced approach to supporting current and future generations by managing debt prudently and reducing the deficit caused by COVID-19, while growing the economy sustainably and investing in important public services like health and education.”<sup>3</sup> We believe that a balanced approach would involve investing now in public services that will support current and future generations, instead of reducing debt.

We note “the net core Crown debt including FLP assets is now forecast to peak lower than in Budget 2021, at 35.3 per cent of GDP in 2023/24. Even at this peak, New Zealand’s net debt as a percent of GDP remains lower than that of most other advanced economies based on comparable measures.”<sup>4</sup>

In Budget 2021 the Government was willing to accept a net core Crown debt that would peak at around 48% of GDP; now that it is facing a peak of around 35% there is room to allow significantly more borrowing while keeping debt lower than forecast a year ago.

New Zealand’s comparatively low Crown debt, combined with the current low cost of government borrowing, means that now is the right time for investing heavily in public services and public infrastructure.

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<sup>3</sup> Budget Policy Statement 2022, page 32

<sup>4</sup> Budget Policy Statement 2022, page 32

Investment now into services and infrastructure that can prevent greater costs being incurred later (e.g., health, education and training, public transport, and a just transition to a low-emissions economy) would support current generations while being fair to future generations.

In addition to borrowing, a more equitable and progressive tax system would provide a basis to invest in urgently needed services and infrastructure. We support the submission made by Tax Justice Aotearoa proposing tax reforms to increase the overall revenue available to the state while also contributing to addressing inequality.

## Conclusion

In summary, the PSA generally supports the objectives, focus areas, and frameworks used in the BPS. However we are not convinced that the Government intends to invest sufficiently to meet these goals, and we encourage the Government to take a bolder approach in its fiscal strategy to invest in the public services and public infrastructure Aotearoa needs for the future.

The PSA appreciates the opportunity to submit on the BPS.

### **For further information about this submission, please contact:**

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