



**National Council of
Women of New Zealand**

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Wahine O Aotearoa

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**Submission to the Finance & Expenditure Select Committee
on the 2005 Budget Policy Statement**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 42 nationally organised societies. It has 33 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's function is to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

General Overview

During the past year this organisation has made submissions on a variety of topics, including health, taxation, energy, environment, education, agriculture amongst others. Their common theme is the health, welfare and opportunities which affect women and children. This same approach has been used regarding the Budget Policy Statement 2005 (BPS).

The Statement meets with approval in several respects, namely:

- (a) The intention to lower debt as a percentage of GDP, one of the aims being to help cushion our economy from future shocks. Although not specifically mentioned, it is assumed there is now official concern as to New Zealand's dependency on imported petroleum. (see page 1, last paragraph)
- (b) The reference to the social dividend, with the aim of improving living standards, (see page 2, paragraph 2) as signalled in the 2004 BPS
- (c) Recognition of the need for better infrastructures – necessary pre-requisites for a sound economy. (see pages 2, para 1)
- (d) Requiring the private banking sector to contribute more fairly to tax revenue. (see page 3 para 4)
- (e) The focus on improving access to public health and education. (see page 4 para 5, & 5, para 2)
- (f) The intention to think beyond Budget 2005. (see pages 5 & 6)

Further Comment

In the history of humankind, it is only in the last two centuries that women have tended to outlive men – especially in the more developed economies. While it is accepted that people overall are living longer, questions have been raised, particularly by inter alia, economists Len Bayliss and Paul Moeseke, as to whether the social costs of 'an ageing population' should cause particular concern as implied in the last paragraph on page 1. A recent report from Statistics New Zealand noted that more babies were being born in New Zealand than at any time in the last decade.





NCWNZ supports the idea of the New Zealand Superannuation Fund although some question the philosophy behind some of the investment decisions. Without increases in the productivity of capital and labour, the argument for such an investment fund would be difficult to contest. But several reports confirm that there has been a distinct increase in the productivity of capital during 2004 (ref Interview with Dr Ganesh Nana of BERL on 'Morning Report', 29 November 2004.) Dr Nana estimated an increase of 1.5%.

NCWNZ would like to see the returns to capital contributing to the social dividend at least as much as the returns to labour.

There is a question as to whether tax redistribution is an adequate instrument for sharing the nation's wealth but NCWNZ is heartened to read in a parallel publication to the Budget Policy Statement (i.e. The Reserve Bank of New Zealand Statement of Intent 2004-2007) that the RBNZ "...sees the core strategy for monetary policy as being the development of a monetary policy framework that makes the best possible contribution to New Zealand's welfare." (p 11)

NCWNZ anticipates therefore, the Government will employ a mixture of fiscal and monetary instruments which will contribute to a fairer society where older people especially, can experience an increase in the real value of their pensions. Ready access to public health care, for instance, would be a social dividend from the investment they have made through their taxes to our public infrastructures.

Meantime the ***Working for Families*** package is to be commended as an example of wealth sharing policy. (see page 2)

Also on page 2 of the Budget Policy Statement, the assurance that the reduction of gross sovereign-issued debt remains as an '*ultimate anchor in setting fiscal policy,*' is to be applauded. The fact that the Government sees sovereign debt as a drain on our economy encourages the belief that it will listen to solutions proffered by members of the public as well as by official advisors. The major conference to be organised by the RBNZ (page 12 of their Statement of Intent) will provide an occasion for in depth discussion of innovative ideas for monetary and fiscal reforms.

It may well be that from that conference the concept that the '*level of spending that is consistent with meeting our long-term debt objective will depend on the level of taxes,*' (page 3 BPS) may be replaced by more lateral ideas.

Much also depends on the loss to our economy represented by invisibles, such as debt servicing, both in the public and private sector. It is something of a mockery to talk of New Zealand's unique environment and heritage (page 4 BPS) if the means for maintaining and enhancing these are continually eroded by the costs of borrowing.

From the above it will be seen that, while NCWNZ hastens to support the importance of further capital investment (BPS p 5), questions have been raised regarding the source of such finance, the relative benefits of domestic versus overseas financing.

It is acknowledged that prudent policies have continued to reap an operating surplus and that all sectors feel each can lay claim to justifiable extra spending. It is noted on page 3, bullet point three that '*the entire surplus is not available as new spending. It is needed to finance the build up of assets (including ...student loans)...*' The concept of having loans as an asset on the Government books is understood in accounting terms but some members struggle with the social implications.



The policy regarding student loans is an on-going concern for NCWNZ particularly as they impact on women whose earning power still lags behind that of their male counterparts. The NCWNZ Book of Resolutions records two relevant decisions.

‘That NCW asks the Minister of Finance to legislate to ensure that employment-related childcare costs be deducted before income is assessed for repayment of any proposed graduate tax or equivalent student loans.’ (1989)

‘That NCWNZ urge that student loans be interest free until or unless the borrower is earning above the income threshold for repayment.’ (1999)

This submission has referred to the conflict which arises when choices have to be made between debt servicing and social expenditure. The BPS admits on page 6 that this is a dilemma. But the statement that it is ‘*core spending*’ on health and education which ‘...*would crowd out funding for other key priorities...*’ is challenged. Rather it is suggested that it is the Government’s debt objective itself which causes the ‘*crowding out*’ phenomenon. Increased spending on health and education should be encouraged and not bemoaned because of ‘*implications for the debt objectives.*’ As the foreword to the Ministry of Social Development’s publication “**Opportunity for All New Zealanders**” states: ‘*Social development means ... investing in our people ... spending the money today that will ensure better health, education and employment outcomes tomorrow,*’ - words which reflect the policies of NCWNZ.

Conclusion

The Budget Policy Statement 2005 has to be just that – a policy statement. Detail as to the policy instruments envisaged to implement policy are not expected. Because the Budget this year has very important implications for the welfare of women and children, NCWNZ will be examining its publication very thoroughly and looking forward to participating in the ensuing public discussions.

Once again NCWNZ appreciates the opportunity to comment on the issues raised in this Ministerial document.

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Heather M Smith
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