



Do Justice!!

"Do Justice, Love Kindness and Walk Humbly With Your God" Micah 6:8

A Newsletter on Social Justice Issues

Welcome to the September 2018 edition of Do Justice. This newsletter, prepared by the Auckland Diocesan Social Justice Group, looks at various Social Justice Issues.

How important are the Budget Responsibility Rules?

Grant Robertson in his introduction to the Labour Party Fiscal Policy for the 2017 General Election makes the point *"The last nine years have seen a systematic underfunding of core public and social services by the National government. We need a fresh approach to put people first."*¹ As the new coalition government has come to grips with the issues it is facing, it has become more and more apparent that the previous government was systematically underfunding government services to the point where it has become more and more difficult to find the qualified staff necessary to provide the services vital for the wellbeing of New Zealanders.

The fact that the nurses felt compelled to strike in support of their pay and conditions claim is indicative of the seriousness of the situation. Now, we have the Primary School Teachers - the NZ Herald on Saturday 11th August had a very interesting article on the situation and some sobering facts. Twenty years ago, the starting salary of a primary school teacher was 15% more than the NZ Median Wage, in 2018 it is 1% below the Median Wage and is just over \$1.50 per hour more than the Living Wage. Not surprisingly the primary Teachers are seeking a 16% pay increase which will just get them back to where they were in 1998.

These are only two examples of the funding needs that the government is facing as they try to rebuild government services. For both education and health there are not only staff pay demands that must be addressed but also the need to update the buildings and equipment. The 2018 budget has made a start to

address the situation but much more will need to be done and that means more funds.

It is increasingly apparent that the whole spectrum of government services and activities have been severely underfunded for, at least, nine years and it is going to take an enormous amount of work and funds just to get back to something acceptable, let alone improving the level of services to New Zealanders.

The main constraint on the government appears to be the Budget Responsibility Rules agreed by Labour and the Greens well before the election and accepted by New Zealand First as part of the Coalition Agreement. The rules were designed to counter the criticism from the "right" that a Labour led government would be fiscally irresponsible. What we appear to be seeing now is that it was fiscally irresponsible to severely limit the funding of important government services to the point where it is increasingly difficult to find qualified staff to provide the services. If a private company acted in this way it would go bankrupt very quickly.

Having identified the problems, and knowing the solution, what is holding back the Coalition Government from addressing the issues? It looks like the Budget Responsibility Rules are one of the major restraints – more funding than had previously been expected will be required to get government services back to something acceptable to those New Zealanders not in the top 10% of wealth and income. This will need either more borrowing or higher taxes than the Budget Responsibility Rules will allow, or both - more borrowing and higher taxes.

The Government could initially reverse the tax cuts of 2009 including reducing GST back to 12.5%. At least two more tax bands could be introduced into the income tax rates. The current marginal rate of 33% applies to all income above \$70,000; it seems strange

¹ <https://www.labour.org.nz/fiscalplan-granrobertson>

that someone earning over \$1 million per year pays the same marginal rate of tax as the average primary school teacher. A 40% rate at \$150,000 and a 50% rate at \$300,000 would appear reasonable and would not result in hardship for those earning high salaries.

The Budget Responsibility Rules talk about our National Debt reducing from around 23% in 2017/8 to 20% in 2021/2. This appears very conservative compared to most of the countries we traditionally compare ourselves with. For example, the UK debt to GDP is 88.5%²; Canada 77%³; France 97%⁴; Germany 66%⁵; Finland 63.1%⁶ and the USA 77%.⁷ Australia is the only country we usually compare ourselves with that had a National Debt to GDP ratio less than 20%, but that does not include State borrowing.⁸

The main argument for reducing our debt/GDP ratio to such a comparatively low figure, is the possibility of a major earthquake or some other expensive unforeseen emergency. But other countries also have unforeseen emergencies but have significantly more debt than New Zealand, so why do we need to be so conservative? Increasing our debt ratio to say 30% would allow spending on vital infrastructure, and increasing our income tax rates would fund fair and reasonable salaries for nurses, teachers etc.

Most of the promoters of low debt and low taxes, with the resultant undermining of government services, will be able to afford health insurance and private schools. Why should they dictate what is reasonable for the rest of us?

Enforcing the Rules.

Every society has rules of some kind. We have the Criminal Law, the Civil Law and various regulations covering specific issues. Our rules range from “thou shall not murder” to “all employees must be paid at least the minimum wage”. And ignoring the rules has consequences that reflect the seriousness of the breach of the rules. And all rules should be enforced equally, but are they?

Part of the neoliberal revolution of the 1980s was the desire to reduce the number of rules as the “market” would take care of the situation. Where there was a need for rules the institutions covered by the rules would police the rules hence there was no need for government to be involved. A good example of this was the building and construction industries where

the strict building code, and building inspectors to enforce the code, was significantly weakened and the number of building inspectors drastically reduced; the result – leaky buildings. Mine safety is another example with the Pike River disaster resulting.

But not all rules are equal, the same groups that advocated for a reduction of the rules in such areas as building, mining and employment also demanded greater penalties for those who broke the criminal laws – “tough on crime” became the mantra of many politicians. Similarly, sanctions on beneficiaries who do not provide certain information to government authorities, has been strictly enforced.

But when it comes to monitoring the minimum wage paid to workers then there are insufficient “labour inspectors”. So many employers, particularly small employers such as small shop owners, have for years got away with paying well below the minimum wage. Foreign students, with visas that allow them to work, are similarly exploited. There are insufficient inspectors to make sure employers are obeying the law.

One of the reasons why there are insufficient inspectors reflects another part of the neoliberal free market ideology. That is that we need for as small a government as possible. It requires both people and money to adequately monitor and prosecute people who break the rules which means a “larger” government. The neoliberal response is the “market” will look after the rule breakers, that’s not a job for government. But even this feature of neoliberalism has exceptions.

The number of people held in our prisons has more than doubled from around 3,600 in 1980 to over 10,000 in 2018.⁹ At approximately \$100,000 per prisoner per year this represents an increase of some \$700 million per year extra in keeping people behind bars. In addition, we have more police and more people working in the Justice system as a result of some 30 years of being “tough on crime”.

Maybe, if more attention had been given to policing employers who failed to pay their employees correctly, and more policing of companies that are in mining, forestry and other dangerous industries then we would have less people killed and injured and possibly a more equal society.

²<https://www.google.co.nz/search?q=uk+national+debt&ie=&oe=>

³https://en.wikipedia.org/wiki/Canadian_public_debt

⁴<https://www.google.co.nz/search?q=france+national+debt+2017&ie=&oe=>

⁵<https://www.google.co.nz/search?q=germany+national+debt&ie=&oe=>

⁶<https://www.google.co.nz/search?q=finland+National+debt&ie=&oe=>

⁷https://en.wikipedia.org/wiki/National_debt_of_the_United_States

⁸https://en.wikipedia.org/wiki/Australian_government_debt

⁹https://www.corrections.govt.nz/resources/newsletters_and_brochures/journal/volume_4_issue_2_december_2016/the_sentenced_prisoner_population.html