

HYEFU 2018: weighing up wellbeing

Minister of Finance Grant Robertson delivered his Budget Policy Statement today, accompanied by The Treasury's latest forecasts.

With the economy continuing its momentum over the next few years, the Government has made a strong commitment to invest in improving the wellbeing of New Zealanders. Employment and wage growth is expected to continue and outpace inflation, giving the Government a positive fiscal outlook to help fund its wellbeing ambitions. But while the domestic economy is expected to remain strong, there is some global uncertainty already lapping at our shores. Risks are increasing due to rising trade tensions, as well as widespread uncertainty around BREXIT and the impact US tightening will have on emerging markets.

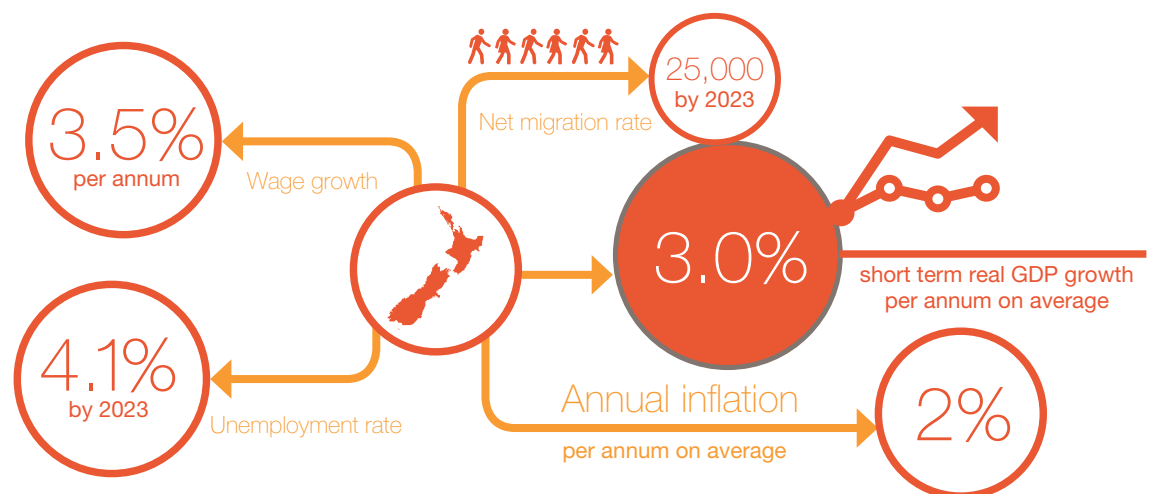


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The strong projected fiscal position gives the Government some wiggle room to align investments to wellbeing needs, but the road ahead will not be simple. The Government is expecting to hold the operating allowances at \$2.4 billion over the next five years, but there are capacity constraints in the labour market, as well as pay equity settlements, and wider collective agreements still being negotiated (and more likely to come) that will drive up wage costs for the Crown. It will be interesting to see how they balance the impact of wage growth on Core Crown expenditure with the costs of its wellbeing ambitions.

What wellbeing means, how it will be measured and what will make a material difference to people with the lowest level of wellbeing all remain to be seen. The Government has acknowledged that it is still in the early stages of this journey, and a lot of work still needs to happen to ensure that it can effectively manage decision-making through a wellbeing lens.

State of the economy



Wellbeing – what does this mean for Budget 2019 and beyond?

The Government released their five spending priorities for Budget 2019, alongside the country's first Wellbeing Outlook.

The Outlook takes stock of the wellbeing of New Zealanders across four capitals: human, social, natural and financial/physical capital. While the format is new, the content is not. The Outlook recaps New Zealand's well-known strengths, and restates New Zealand's pronounced ethnic disparities, housing concerns and low productivity.

The Budget 2019 priorities are informed by those challenges to wellbeing, but beyond a focus on improving mental health and reducing family violence, the Government has not yet provided much detail on how they will use wellbeing to improve investment in a low-emissions economy or the digital age. There are still questions around what the Government will do in a practical sense to reduce the social and economic disparities faced by Māori and Pasifika peoples.



Wellbeing – long-term game?

The Government went some way to acknowledging the challenge they face by pointing to the evolving nature of the indicators and the Treasury's Living Standards Framework. At the same time, the Government has also committed itself to wellbeing over the longer-term with regular reporting on the impact of its wellbeing spending, and future budget priorities being informed by the most persistent challenges to wellbeing.

The Government is also clear that it expects more from agencies for this focus on wellbeing to be effective. Departments will need to keep pace with the Government's call for a more joined-up, effective all-of-government approach to lifting wellbeing, and be challenged to realign their existing spending to prioritise wellbeing.