

Reclaim Our Well-being



**SOCIAL
CREDIT**

Our Plan to fix

Poverty

\$12 billion for

A society free from poverty, where everyone has enough money to meet their basic needs and be active in their community



A plan that's

Great for People

Poor Housing

\$3.4 billion for

A country free from homelessness, where every person lives in a warm, dry home



Great for Business

\$15.4 billion every year - at no cost to taxpayers



Chris Leitch
Party Leader



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CREDIT**

www.socialcredit.nz

Authorised by Anne Leitch, Secretary, 42 Reyburn House Lane, Whangarei



Gloria Bruni
Party President

RECLAIM OUR WELLBEING¹:

Working paper May 2020

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By Lowell Manning

Unrestrained “free market” neoliberal capitalism has led to inequality, poverty and immeasurable damage to New Zealand’s social fabric. It has also caused a profound shift away from public ownership of our collective commons and encouraged self-interest, competition and consumerism.

Our connections to our environment, community, society and culture have been steadily eroded. None of that has happened by chance. Unemployment, low wages, punitive social “welfare” and the “free” use by business and others of our resources and environment are structural parts of the existing economic and financial system.

Profits have been privatised and losses socialised as we have moved further and further away from the rights enshrined in Articles 23 and 25 of the United Nations Universal Declaration of Human Rights².

Reclaim Our Wellbeing is our vision for a world without poverty and unemployment where everyone has warm, dry home.

SUPPORT US NOW to Reclaim our Wellbeing.

¹ Reclaim Our Wellbeing supplements our proposal to “Reclaim Our Future” www.socialcredit.co.nz/rof and also aligns well with the United Nations’ Universal Declaration of Human Rights.

² Article 23 1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. 2. Everyone, without any discrimination, has the right to equal pay for equal work. 3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. 4. Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24 Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25 1. Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. 2. Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

THE FIRST STEP:

Reclaiming our Wellbeing and abolishing poverty and unemployment in all its forms needs new thinking. It means stepping outside the current punitive and conditional income support structure. It means thinking toward a world where income and wealth is more fairly shared and where we can all participate usefully in our communities. One where our basic needs are met without the threat of hunger, violence, homelessness, despair and isolation. And it means re-thinking our attitudes to paid work.

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Poverty has always been present in society but today's poverty and unemployment are unnecessary. It is the result of the "free market" economic system we use. And at the root of the competitive "free market" system is the privatisation of money for profit.

For years we've accepted private bank ownership and control of our money.

To fund Reclaim Our Wellbeing, the Reserve Bank of New Zealand will issue new public money for the Government to spend into circulation. The new public money will **replace** an equal amount of new money the private banks issue each year now.

To be clear, the public money will be issued **instead** of private bank money not in addition to it.

This one simple change in the way new money is issued and used will make a world of difference: a different world.

It will help achieve our visions to secure the future of our children and future generations in a world without poverty and where everyone has a warm dry home.

This first step is detailed in our separate proposal "Reclaim Our Future" www.socialcredit.nz/rof.

So, the first step is for the Reserve Bank to issue some of our new money and ensure the government has first use of it. ^{3,4}

³ The crown (government/parliament) has controlled the issue of new money for most of recorded history. Private bank issue of new money began in 1694 when the Bank of England was set up, expanded during the industrial revolution and exploded after August 15 1971 when the gold peg (linking the US\$ to gold at US\$35/oz) was abandoned.

⁴ The regulatory framework for the private banks will ensure that any new money they issue does not exceed what the economy needs after taking into account the new public money issued by the Reserve Bank.

THE SECOND STEP:

The second step is to set out a pathway to achieve our vision of a country without poverty and where everyone has a warm dry home. It is divided into two parts. The first part is Poverty-Free New Zealand and the second part is Housing For All.

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POVERTY-FREE NEW ZEALAND: changes the income structure so that each household has an after-tax, after housing-cost income above the poverty line defined as 50% of the equivalised median income⁵.

The Poverty-Free New Zealand programmes are:

1. Substantially raise existing main income support payments.
2. Convert individual income support to unconditional household income support to enable poverty measurement.
3. Remove the income support “poverty trap” that makes working unattractive.
4. Introduce a universal dividend for children up to age 18⁶.
5. Abolish income tax on low incomes.
6. Implement free medical and dental care (co-payment up to \$20/visit)
7. Make urban train and bus services free.
8. Conduct an electorate level trial to compare the benefits of universal income support with upgrading the existing system to provide similar unconditional (but not universal) support.
9. Maintain the existing Winter Heating, Best Start, Accommodation Supplement, and temporary Hardship and Disability allowances.
10. Unemployment is abolished. Paid work will always be financially more worthwhile, but stay-at-home parenting and unpaid work in the community will also be financially more possible.

HOUSING FOR ALL: helps achieve our vision of a country in which every household that wants their own warm, dry home has one and where rises in house prices and rents are limited to inflation (if any).

The Housing for All programmes are:

- a. Provide “rent to own” housing to optimise the housing mix and rental options.⁷
- b. Help match housing demand with housing supply by
 - assisting households to voluntarily relocate from high cost areas to lower cost areas where permanent work is available.
 - reducing immigration

⁵ Equivalised income is described in Perry, Bryan “Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2017” Ministry of Social Development Wellington, October 2018 Appendix 3 pp 237-243.

⁶ A universal dividend for adults might also be introduced when funding permits

⁷ Existing owners of rental accommodation will not be required to sell to their tenants.

THE THIRD STEP:

The third step is to show how Reclaim Our Wellbeing will be implemented

Overview and Some Main Benefits

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POVERTY-FREE NEW ZEALAND

1. This proposal ensures that all households in New Zealand will be above the poverty line measured as 50% median equivalised household income after housing costs.
2. The annual funding needed to do this is about:
 - \$2.6 billion to increase income support as shown in Table 1
 - \$1.8 billion for a universal dividend of \$30/week for children
 - \$4.0 billion to abolish income tax on incomes under \$20,000
 - \$2.3 billion for free GP and dental care (apart from a co-payment of \$20)
 - \$1.3 billion for free urban transport.

Total \$12 billion annually when fully implemented

plus \$0.2 billion one-off expense to trial unconditional universal income support

less \$0.5 billion annually saved from incorporating In Work Tax Credits into the unconditional income support.

3. The money will be new public money issued by the Reserve Bank of New Zealand to **replace** the **same** amount of new money presently issued by private banks.
4. New Zealand will be the world's first poverty-free country.
5. Income tax on earned incomes below \$70000/year is reduced. Taxes on earned incomes above \$70000/year remain the same as they are now.
6. Disposable incomes are substantially increased
7. There are direct savings in core government expenditure (Revenue, Social Development)
8. There will be substantial medium and long term reduction in health costs.
9. The proposal will lead to less stress, crime, suicide and self-harm.
10. There will be increased production and productivity.
11. Measurable increases in work-force participation are likely. This will show up in the proposed unconditional income trial. Each \$2.5 extra earned is \$1 in income support saved (at 40% abatement rate)
12. The proposal is **brilliant for business** as long-term real GDP growth will increase substantially.

HOUSING FOR ALL

There will, over time, be a warm dry home for all households that want one

- (a) Housing design will be matched to what households need
- (b) Appropriate affordable housing will be offered to match household needs
- (c) There will be about \$2.8 billion/year invested in “rent to own” homes for every 5000 homes. Construction will be subject to resource limits not money.
- (d) Rental costs will be reduced by providing assistance for home deposit grants to promote voluntary relocation from high cost housing areas. The grants pay for themselves over 3-4 years through reduced income support payments and reduced accommodation supplements. Everyone wins: households that relocate get a home and a job and above all, a future; government gains after 3-4 years by the amount of the reduction in income support payments and accommodation supplements; employers get permanent full time workers to fill job vacancies; renters in high cost areas get reduced rents; local Governments in high cost areas may be able to defer some infrastructure investments.
- (e) Immigration reviewed to match housing demand and supply.

IMPLEMENTATION OF POVERTY-FREE NEW ZEALAND:

1. Substantially raise existing main income support payments

The main income support levels needed to bring all households out of poverty (after items 4-7 below are included) are shown in Table 1. The figures show how large the shortfalls in income support have become, particularly for households without children.

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Table 1

Category	weekly 2019 figures + \$25 Covid-19 response	increase
single adult "jobseeker" support from	\$243.94 to \$400 weekly	\$156
single adult supported living from	\$298.70 to \$400 weekly	\$101
sole parent support from	\$410.60 to \$470 weekly	\$ 59
two adult "jobseeker" support from	\$389.94 to \$540 weekly	\$150
two adult supported living from	\$481.14 to \$540 weekly	\$ 59
two adult + children "jobseeker" from	\$416.00 to \$580 weekly	\$164
two adult + children supported living from	\$507.20 to \$580 weekly	\$ 73

The NZ Budget 2019 payments for existing main benefits are \$4.74 billion (footnote 8). Based on the numbers presently receiving main benefits and family tax credits the annual total payments will increase by about \$2.6 billion to about \$7.4 billion/year. Table 1 is applied together with other existing income support (such as Working for Families and In Work Tax Credits) to generate the unconditional consolidated household income support shown in the centre column of Table A of Appendix 1.

2. Make the income support system **unconditional**

Since poverty is typically measured at a household level, the existing income support payments are consolidated at a household level as shown in Appendix 1. For the sake of clarity, apart from the listed exceptions (footnote 9 below), this proposal consolidates the existing income support system into just 6 **unconditional** payments⁸.

⁸ Table 2 includes all income support payments except:

- Accommodation Assistance (\$1.81 billion budget 2019),
- Temporary and individual special assistance (childcare, hardship, disability (\$0.91 billion),
- Best Start for new-borns and for qualifying one and two year olds (\$0.3 billion),
- Winter energy payments (\$0.46 billion) + \$0.46 billion government 2020 Covid-19 response.

THE SIX UNCONDITIONAL PAYMENTS THAT REPLACE EXISTING INCOME SUPPORT

- i. **(H) \$165/week** A household payment that is automatically distributed among all adults resident in the household. It is a universal balancing payment for income support matching and is unrelated to housing costs.
- ii. **(A) \$225/week** An adult payment (excluding superannuitants and sole parents)
- iii. **(SP) \$390/week** A sole parent payment
- iv. **(S) \$285/week** A superannuitant payment
- v. **(C) \$85/week** A child payment
- vi. **(SL) \$80/week** An add-on payment for those with permanent special needs

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These six payments combined as shown in Table A of Appendix 1 very closely match existing income support (based on the new main support payments in Table 1).

Practical implementation of the unconditional income support requires households to be registered and changes to their composition to be notified. One process for this is set out in Appendix 2. For illustration, the payments are assumed to be paid automatically into a special individual unconditional income account each week⁹.

In future, the unconditional income support could be made universal as well as unconditional so that **everyone** would get their individual (and household based) payments paid automatically into their accounts as a **basic income**. Until then, there could be provision for households to opt out of this proposal but they would then have to opt back in if their circumstances change. For the proposal to be universal, those who are self-employed or who run businesses would need to declare their earned income as if they are wage and salary earners¹⁰.

Remove income support work constraints.

The current system is characterised by punitive abatement rules that are a powerful disincentive for those receiving income support (excluding superannuitants) to look for work.

⁹ This proposal assumes the payments will be split to individual accounts. In that case, where there is more than one earned income earner in the household, the abatement of the unconditional support also has to be distributed across those accounts.

¹⁰ This may require amending the Companies Act. Otherwise self-employed (around 6% of income earners -over 200000 people) and some business owners (there are about 150000 businesses with 1-19 employees) could "hide" income in their businesses. The business tax rate might be matched to the earned income tax rate and there might be tighter regulatory management over fringe benefits. The 150000 small businesses include most of the 200000 self-employed.

Reclaim Our Wellbeing will ensure that all households are above the 50% poverty line based on equivalised median household income whatever their income is. The guiding principle is that as earned income increases, total after tax and housing cost household incomes should also rise as a proportion of median household equivalised income. The results are sensitive to housing costs and location.

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Implementation requires that the unconditional income support is abated as income is earned.

The final abatement rate will be a matter for widespread public debate prior to implementation. It is set at 40% in this proposal. The abatable income support shown in Appendix 1 is reduced by 40 cents for every dollar earned. When the non-taxable child dividend (item 6) and the removal of income tax on low earned incomes (item 7) are included, an abatement rate of 40% generates a rapid increase of net household equivalised incomes above the poverty line¹¹. Some illustrative worked examples are shown in Appendix 3 and summarised in Table 2.

Unconditional income support will stop automatically when the household earned income has reached the level where the unconditional income (in Table A of Appendix 1) has been fully abated.

The unconditional income can also be applied universally (so that everyone gets the unconditional income support). The benefit of universal application is that ***all*** households are automatically protected whatever change there is to their financial circumstances. There would be an electorate level trial for implementation of a ***universal*** unconditional income before nation-wide implementation (perhaps in an electorate like East Coast that is evenly split between urban and rural). Reclaim Our Wellbeing allows \$0.2 billion for a trial. Appendix 2 give an idea of the process that might be followed.

¹¹ The percentage median equivalised income is sensitive to both the abatement rate and housing costs. Increasing the abatement rate reduces the % equivalised income shown in Table 2 The RJS equivalence scale has been used in the calculation. (see Bryan Perry Appendix 3 Table 3.3A)
Reclaim our Well-being working paper May 2020

Table 2

ILLUSTRATIVE PERCENTAGE OF EQUIVALISED MEDIAN INCOMES AFTER HOUSING COSTS FOR SELECTED HOUSEHOLDS AND INCOMES IN OTARA SOUTH AUCKLAND¹²

EARNED INCOME \$/year	0	20000	40000	70000	100000	120000	140000
Single adult	0.53	0.83	0.93	1.31	1.98		
Two adults	0.48	0.73	0.86	0.87	1.18		
Single adult+ 1 child	0.58	0.70	0.90	0.88	1.17	1.52	
Two adults + 1 child	0.52	0.70	0.82	0.80	1.03	1.22	
Single adult+ 2 child	0.57	0.80	0.86	0.85	0.94	1.24	
Two adults+ 2 child	0.51	0.69	0.77	0.77	0.82	1.05	
Single adult+ 3 child	0.52	0.67	0.80	0.82	0.84	1.02	
Two adults+ 3 child	0.48	0.64	0.73	0.74	0.76	0.87	1.05

The effect of removing the barriers to work that exist in the present income support system is that, in practical terms, everyone is above the 50% equivalised poverty line (0.5) in Table 2. Table 2 also shows what many households already know: it is hard to “get ahead”. There isn’t much of a “middle income” anymore. After-housing - cost income does not vary all that much whether earned incomes are \$20000/year or \$120000/year (as in Table 2 for two adults and three children, for example). Table 2 shows that New Zealand has become a relatively low wage economy over the past forty years. Most economic growth has accrued to business and investors.

3. Introduce a universal dividend for children up to age 18.

This is a universal payment to all children of \$30/week. It extends, and is in addition to the existing Best Start payments. It restores the universal family benefit that was in place from 1946 to 1991¹³. A different, possibly higher, amount could be used. The child dividend is untaxed. \$1.8 billion/year of funding is needed to do this. It *is* included in the worked examples in Appendix 3.

4. Abolish income tax on low incomes.

Income tax is abolished on incomes below \$20,000. The revised tax rate on incomes \$20,001 to \$40,000 is 20% and the revised tax rate on incomes \$40,001 and above is 33%. The details are set out in Appendix 4. \$4 billion of funding is needed to do this.

¹² Table 2 does not include the benefits of free GP and dental care or the benefits of free urban transport. In Work Tax Credits are incorporated into the unconditional income structure.

¹³ Canada, by way of comparison, pays the Canada Child Benefit at C\$ 500/month

The proposal simplifies the existing tax brackets. It yields progressive tax reductions totalling \$4 billion on incomes under \$70,000 while keeping tax on higher incomes constant. Appendix 4 shows the resulting tax distribution.¹⁴ Table 2 of Appendix 4 shows what the tax reduction is for each tax bracket and average individual tax cuts for those within each tax bracket. Other options could be considered. This proposal is very simple and ensures there is a powerful incentive to earn income. \$4 billion/year funding is needed to do this. It is included in the worked examples in Appendix 3.

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Nobody pays more tax than they do now.

Income splitting of individual earned incomes will be allowed only where they are jointly earned in a jointly owned business.

Where there is more than one independent income in the household the combined incomes will need to be tracked to ensure the maximum abatement, that is, the household unconditional income shown in Appendix 1, is not exceeded¹⁵.

Make medical and dental care free other than a co-payment of up to \$20 to avoid waste of resources¹⁶.

Dental care is already mostly free for children up to age 18 but free dental care will still make a big difference to people on low incomes and the elderly. The funding needed for this is about \$1.7 billion/year.

Doctors' visits are like-wise already free for children up to age 14. GP care is also subsidised for most people older than 14. The government pays "capitation" fees, a fixed annual amount for each person registered with most of the 3700 or so general practitioners¹⁷. In most cases, there are substantial co-payments charged over and above the public subsidy. This proposal allows \$0.6 billion for free GP visits. That should be enough to cover most existing doctors' costs when a small co-payment of up to \$20/visit is made to avoid waste of resources.

The total funding needed to make medical and dental care free (subject to a small co-payment) is about \$2.3 billion/year. The benefits of this proposal are ***not***

¹⁴ The exact tax cut for individual taxpayers depends on where their income falls within the tax bands shown in Appendix 1.

¹⁵ The minimum household income will be apportioned pro rata according to the earned incomes for abatement purposes.

¹⁶ Expenditure for private health care used to be readily available from statistics such as those at <https://www.health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/health-expenditure-data-and-stats> but they have become less publicly accessible since 2010.

¹⁷ <https://www.health.govt.nz/our-work/primary-health-care/primary-health-care-subsidies-and-services/capitation-rates>

included in the income analysis in Appendix 3 because they are not evenly spread through the population.

5. Make urban train and bus services free

This proposal will have a major impact on urban congestion, pollution and carbon emissions and on disposable incomes. A large part of urban transport costs is already paid for through Regional and Local government subsidies. This proposal is neither radical nor new. It operates throughout Luxembourg, in Tallinn in Estonia and Hasselt in Belgium among other cities around the world. Germany is considering introducing it nationwide. It will especially benefit those on low incomes who cannot afford cars or parking fees.

The funding needed for this in New Zealand is of the order of \$1.3 billion excluding much of the capital cost of new transport equipment and systems¹⁸.

The benefits of this proposal are **not** included in the income analysis in Appendix 3 because they are not evenly spread through the population.

6. Maintain the existing Best Start, Winter Heating, Accommodation Supplement, Temporary Hardship and Disability allowances¹⁹.

Existing payments remain at the levels applying when the proposal is implemented. Other provisions (2 and 4-8) are designed to help abolish poverty and provide major work incentives²⁰. Working for Families is incorporated in the unconditional incomes.

¹⁸ A case can be perhaps be made to include all the capital funding of urban transport equipment and systems under this proposal. If urban transport is free, the equipment is more like a consumption item than an investment item as there is no direct economic return. But there is a large indirect return that Reclaim Our Wellbeing does not attempt to quantify.

¹⁹ National Superannuation is incorporated into Reclaim Our Wellbeing at current rates.

²⁰ Currently: Best Start \$0.23 billion, Child support \$0.32 billion, Family Tax Credit \$2.20 billion, In Work tax Credit \$0.52 billion, Winter energy \$0.46 billion + \$0.46 from the 2020 Covid 19 package, Veterans \$0.15 billion, NZ Super \$15.49 billion, Orphans \$0.25 billion, Accommodation Supplement \$1.81 billion, Childcare \$0.17 billion, Disability \$0.39 billion, Hardship \$0.35 billion, Jobseeker \$1.98 billion, Sole parent \$1.17 billion Supported living \$1.59 billion, Student Allowance \$ 0.59 billion.
Reclaim our Well-being working paper May 2020

SUMMARY OF FUNDING NEEDED FOR POVERTY FREE NEW ZEALAND

1. Increase main income support	\$2.6 billion
4. Unconditional income for children	\$1.8 billion
5. First \$20000 income tax free	\$4.0 billion
6. Free medical and dental care (subject to small co-pay)	\$2.3 billion
7. Free urban transport	\$1.3 billion
TOTAL	\$12 billion

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SAVINGS FROM IMPLEMENTING POVERTY FREE NEW ZEALAND

There are substantial direct savings and many indirect savings. This proposal does not attempt to quantify them. Some of the direct savings result from more households choosing to earn an income. By way of illustration, each of those households choosing to work might reduce its unconditional support by perhaps \$320 weekly (that is 40% abatement on \$800 income as shown in Appendix 3), reducing the Accommodation Supplement (by perhaps \$120 weekly by shifting from Accommodation Supplement Area 1 to Accommodation Supplement Area 3) and by paying tax on earned income (\$80 weekly on \$400 income, the first \$400 or so of income being tax-free). The total saving each week would be about \$320+ \$120+\$80 or up to \$520 per week for each household that chooses to work at around the minimum wage.

If just 40,000 households work because it is worthwhile for them to do so, the total annual saving would be about \$1 billion. (\$40000 x 500 x52 weeks) Indirect savings from abolishing poverty are also substantial, from reduced obesity and heart conditions to reduced stress, violence, crime and much more.

HOUSING FOR ALL:

a. Provide “rent to own” housing to help optimise the housing mix and rental options

i) The proposal

New rent to own housing will be built using new public money from the Reserve Bank to **replace** the **same** amount of new money that would otherwise presently be issued by private banks for residential housing investment. The new money will be issued as debt to purchasers and is subject to repayment in full. The money will be loaned to those wishing to buy a home on terms that will be finalised in the enabling legislation.

The loans will be issued to borrowers at a service charge only (interest-free) on a “rent to own” basis²¹. The repayments will be set at around 25% of household income after tax up to a maximum payment to be set for each dwelling type²². Repayments will be automatically deducted from the unconditional income support payments set out in this proposal. The loan period will be determined by the repayments made over time. Faster loan repayments may be permitted. The unconditional income support payments set out in this proposal are sufficient for this purpose.

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For the sake of clarity, “rent to own” home purchasers will also be responsible for all expenses (rates, insurance, maintenance and the like) that all other home owners pay.

The “rent to own” properties will be sold at market prices irrespective of their construction cost or condition.

ii) **Qualifying periods, savings and payments**

There will be a qualifying savings period for access to “rent to buy” homes. During initial implementation, that period may be reduced toward zero and access to “rent to buy” determined by housing need or by ballot.

The qualification will be a savings deposit built up during the qualifying period. The weekly amount will be a proportion of the household income after tax set so that it is affordable for all households. Anyone over 18 years old in a household can apply for a “rent to buy” savings account but nobody in the household can hold more than one account and there can be only one activated account in any household at any time.

If a contributor dies or ceases to live in the property that he or she has bought, the remaining payments may be assigned to another family member who still resides continuously in the house and who does not already own a home.

Cooperative and sweat equity schemes may qualify for assistance under the proposal provided the appropriate qualifying contributions have been made.

²¹ Whether or not the loans are provided directly from the government through the Reserve Bank or issued by the private banks as agents for the Reserve Bank is outside the scope of his proposal. See Reclaim Our Future Appendix 3 (op cit). In the latter case there would be a modest charge to cover the banks’ fees.

²² Among social agencies, 25% is a widely preferred level of housing expenses as a proportion of after-tax income.

iii) Outstanding Principal²³

Perhaps for the first time, home construction will be based on what people need instead of on what the private sector chooses to build. It will help take into account the ongoing reduction in household size and the need to reduce the environmental footprint of the built environment.

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The maximum assistance offered will be the cost of a new outer suburban home and section in the area in which the home is to be built or purchased. The assistance may include the cost of renovation and professional and legal fees where existing homes are purchased²⁴. The plan is based (for illustration only) on 3m x 3.6m housing modules plus outdoor space and off-street parking²⁵:

- Tiny house: 1 (special) kitchen/bathroom module + 1 living room module [total 21.6m²] - optional for 1 or 2 people
- One bedroom: 1 bathroom module + 1 kitchen module + 1 living room module + 1 bedroom module [total 43.2m²] – 1 or 2 adults
- Two bedroom: 1 bathroom module + 1 kitchen module + 2 living room modules + 2 bedroom modules [total: 64.8m²] – 2-3 people
- Three bedroom: 1 bathroom module + 1 kitchen module + 3 living room modules + 3 bedroom modules [total 86.4m²] -3 to 5 people
- Four bedroom: 1 bathroom module + 1 kitchen module + 4 living modules + 4 bedroom modules [total 108m²] - 5 to 6+ people

The houses might typically be single storey on fee simple or strata sites, built to a high standard with good quality fittings and with several options for roofing, cladding and interior finishing. They might be based on open source architecture technology²⁶ where minimal specialised building knowledge is needed to design and build the home thereby avoiding some construction industry capacity restraints while still guaranteeing quality and compliance. The homes may be detached or assembled as multiple units. For illustration only, Table 3 shows the global capital investment for 1000 homes in each of the five home sizes.

²³ The outstanding principal will be corrected annually for inflation (if any) and may also be corrected for interest if the loan is provided using private banks as agents (see footnote 20). The repayments are a fixed proportion of household income after tax.

²⁴ The conditions for purchase of existing homes will be set out in the enabling legislation.

²⁵ The object is to offer attractive, warm and comfortable homes for those who need them. People wanting larger homes can buy existing homes up to the value of the new homes described.

²⁶ One example is WikiHouse

iv) Effect on private property market

Homes are unaffordable to many wanting them because the ones being built are often the wrong size and type and in the wrong place. Housing For All will match housing supply and demand and stabilise property prices and rents.

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Table 3

ILLUSTRATIVE TOTAL CAPITAL INVESTMENT FOR 1000 HOMES FOR EACH DWELLING TYPE²⁷

	Tiny	1 bedroom	2 bedroom	3 bedroom	4 bedroom
HOUSEHOLD	1A	2A	1A + 2C	1A+ 3C	2A + 4C
Land m2	200	200	250	300	350
House m2	22	44	65	87	108
House cost/m2 NZ\$ ²⁸	6000	5000	4500	4000	3500
Land cost \$1000/m2x1000 ²⁹	200	200	250	300	350
House cost x \$1000	132	220	293	348	378
Total cost x \$1000	332	420	543	648	728
Minimum income Appendix 1 \$	390	615	725	810	955
Weekly payment 25%	97.5	154	181	203	239
Years to repay (maximum) ³⁰	65	52	58	61	58
Total 5000 houses = \$2.8 b/year					

A = Adult C= Child Zero deposit and zero inflation assumed for simplicity.

v) Changing homes

People who already own a home will not be eligible for assistance unless they have a new qualifying period and savings contribution AND have sold or are in the process of selling their existing home.

A Housing For All Trust will be established to oversee the sale of homes that are being sold by those with qualifying contributions who wish to receive further Housing For All assistance while their existing home is being sold. To ensure the existing home is in fact sold and any Housing For All assistance

²⁷ The figures may be on the high side for mass produced homes but the homes have to be presented ready to walk into.

²⁸ Based on traditional timber framed construction. Homes built from computer pre-cut components may be considerably cheaper.

²⁹ Less if on strata title

³⁰ Most households will pay off the debt much more quickly. People can change homes. Many will choose to buy existing homes and do them up.

provided prior to its sale is bona fide, the home being sold will be placed under Housing Trust management.

b. Match housing demand with housing supply

Past housing policy has tried to manage housing needs and house prices almost exclusively by increasing the housing supply. Much can be done to modify demand for housing too, both as it relates to the distribution of housing demand and the number of households seeking homes.

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i) Altering the distribution of housing demand

Investment grants will be offered to households to voluntarily relocate from high cost areas to lower cost areas where permanent work is available. This will help quickly alleviate child poverty and resolve much of the housing crisis in Auckland and elsewhere in one simple step. It will also avoid the need for high Accommodation Supplements (AS), especially in (AS) Areas 1 and 2.

Under this proposal, eligible families ***who do not already own their own home*** will receive a lump sum grant, identical for all applicants and sufficient to pay for a deposit to purchase a home priced up to \$450,000 in accommodation supplement (AS) areas 3 and 4.³¹ The uniform assistance will encourage such families to buy homes that cost less than \$450,000 because it gives them more initial equity in their home.

Some of the homes may be available from existing housing stock while others will need to be built along the lines set out in Table 3 though they should be substantially cheaper. The difference between Housing For All and the investment assistance scheme is that families taking up the grants have an immediate 20% equity in their home and there is no qualifying period or savings deposit. By way of example, rehousing 5,000 families requiring a 20 per cent deposit for a home (say, \$90,000 for each family), would result in a notional one-off nominal expense to the government of just \$450 million. The investment grants are an investment for the government rather than an expense because the unconditional income support payments and Accommodation Supplement are reduced by more than \$500/week for a family of 4 (see page 12). The investment assistance “pays for itself” inside 4 years. From that point on the government is up to \$30,000/year better off for each relocated household compared with the

³¹ That means almost anywhere in the country except Kerikeri, Whangarei, Greater Auckland, Hamilton, Tauranga, Taupo, New Plymouth, Napier/Hastings, Wellington (including Kapiti), Nelson, Blenheim, Christchurch, Ashburton, Wanaka, Queenstown.

income support the household was getting prior to relocation. Investment assistance will be conditional on those relocating taking up available permanent fulltime employment. Assistance to retrain may be provided. If householders who have relocated sell their home within (say) five years, they will need to refund a proportion of their investment grant and a proportion of any capital gain.

This proposal slows down or avoids future local government public infrastructure investments as well as social costs in the major centres. Resettling 5,000 families would lessen the demand for rental accommodation in Auckland and elsewhere and help manage increases in rents. It will also have a profound, positive effect on the lives of the families who relocate and reduce the need for immigration by helping fill gaps in the primary sector workforce.

ii) reducing demand by reducing immigration

New Zealand's recent immigration history has been problematic³² though net immigration has reduced from 70000 in and 2017 to about 52000 in 2018 and 2019. 50000 is 1% of New Zealand's population. Even at 50000, New Zealand's annual net per capita immigration is three times that of the US and more than twice that of the European Union. Since the average household size is 2.7 people³³ immigration of 50000 requires about 18000 new homes. That is about half of all new homes presently being built. The situation was worse in 2016 and 2017 when immigration accounted for nearly three quarters of all homes built.

The issue is current immigration policy, not immigrants.

Reclaim Our Wellbeing intends to reduce immigration demand to about 25000. If the proposal is not enough to promptly match housing demand and supply and stabilise house prices and rents, the regulatory framework for immigration will be further tightened.

³² 2010, 1051: 2011, -1955: 2012, -1165: 2013, 22468: 2014, 50922: 2015, 64930; 2016, 70588: 2017, 70016: 2018, 51818: 2019 (about 51000): December years
<http://archive.stats.govt.nz/infoshare/ViewTable.aspx?pxID=f06748b0-288d-4f75-a906-095814eca415>

³³ About 3.7 in parts of South Auckland
Reclaim our Well-being working paper May 2020

APPENDIX 1

Table A

UNCONDITIONAL HOUSEHOLD SUPPORT INCOMES³⁴ EXCLUDING DIVIDEND COMPONENTS

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HOUSEHOLD COMPOSITION	ABATEABLE UNCONDITIONAL CONSOLIDATED HOUSEHOLD INCOME SUPPORT	CALCULATION
Tertiary Student/adult > 18 (A) at home	225	A225
1A (1 adult)	390	A225+H165
1A+1C (1 adult + 1 child)	640	SP390+H165+1C85
1A+2C (1 adult + 2 children)	725	SP390+H165+2C85
1A+3C (1 adult + 3 children)	810	SP390+H165+3C85
1A+4C (1 adult + 4 children)	895	SP390+H165+4C85
1A+5C (1 adult + 5 children)	985	SP390+H165+5C85
1A+6C (1 adult + 6 children)	1065	SP390+H165+6C85
2A (2 adults)	615	2A225+H165
2A+1C (2 adults + 1 child)	700	2A225+H165+1C85
2A+2C (2 adults + 2 children)	785	2A225+H165+2C85
2A+3C (2 adults + 3 children)	870	2A225+H165+3C85
2A+4C (2 adults+ 4 children)	955	2A225+H165+4C85
2A+5C (2 adults + 5 children)	1040	2A225+H165+5C85
2A+6C (2 adults + 6 children)	1125	2A225+H165+6C85
[1S]+1A (1 superannuitant + 1 adult)	675	[1S]+1A225+H165
Not Abatable		
1S (1 superannuitant)	450	S285+H165
2S (2 superannuitants)	735	2S285+H165
SL Permanent special needs	80	Added to A,SP,C

Numbers refer to NZ\$ weekly taking into account the May 2019 budget. The shared provision H165 is used as a means to help match the spread of household income support across different households. In New Zealand, income support includes Superannuation, family tax credits, and the main benefits including jobseeker, sole parent, young parent/youth [treated as adults if living independently], supported living payment, orphans/unsupported child, veterans and student allowances. For adult children living at home replace C85 with A225.

³⁴ There will be minor additional funding needed for (mostly small) groups that do not fall readily into the household framework shown in Table 2. For example, youths 16/17 years old living independently might be classed as adults. The orphan's/unsupported child benefit is quite a bit higher than the child provision (C) so they might, for example, be included as single adults which would also need minor additional funding. Multiple families living in a single dwelling might be treated as separate households, except that all the adults might share a single housing provision. For example, two two-parent families each with two children living in the same house would be $(4A185+H165+4C85)/2 = \$1245/2$ or $\$623/\text{week}$ for each family.

CALCULATION SHEET TO COMPARE RECLAIM OUR WELLBEING WITH THE CURRENT INCOME SUPPORT SYSTEM

(If you have a mortgage you need to subtract the interest on it from your existing income when making the comparison)

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Compare your new after-tax household income with what your after-tax income is now

YOU	row	\$
Enter the unconditional income for your household from Table A	1	
Enter your weekly earned income before tax	2	
Enter the weekly income of all others in your household before tax	3	
Enter (row 2+row 3)	4	
Calculate row 1 x (row 2/row4)	5	
Enter row 2+ row 5)	6	
Calculate row 2 x 0.4 (up to maximum of row 5)	7	
Calculate number of children x \$30 x (row2/row 4)	8	
Calculate tax (row 2 – 384.6) x 0.2	9	
Calculate tax (row 2 – 769.2) x 0.13	10	
Enter the accommodation Supplement you get	11	
Calculate row 11 x (row 2/row 4)	12	
Calculate row (6-7+8-9-10+12)	13	
Calculate your rent (or mortgage interest) x row2/row 4	14	
Your new net income is row 13- row 14	15	

YOUR PARTNER	row	\$
Enter the unconditional income for your household from Table A	16	
Enter your weekly earned income before tax	17	
Enter the weekly income of all others in your household before tax	18	
Enter (row 17 + row 18)	19	
Calculate row 16 x (row 17/row 19)	20	
Enter (row 17+ row 20)	21	
Calculate row 17 x 0.4 (up to maximum of row 20)	22	
Calculate number of children x \$30 x (row 17/row 19)	23	
Calculate tax (row 17 – 384.6) x 0.2	24	
Calculate tax (row 17 – 769.2) x 0.13	25	
Enter the accommodation Supplement you get	26	
Calculate row 26 x (row 17/row 19)	27	
Calculate row (21-22+23-24-25+27)	28	
Calculate your rent (or mortgage interest) x row 17/ row 19	29	
Your new net income is row 28- row 29	30	

Add another table if there is another person earning income in your household.

Otherwise: Your new net household income is row 15 + row 30

APPENDIX 2

TESTING THE UNCONDITIONAL PAYMENT SYSTEM

Estimating the research and establishment expenses for a trial is beyond the scope of this proposal. They can be broadly divided into the operational elements discussed above but appear to be in the tens of millions of dollars.

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- I) Electoral roll: Provide to enrol those not enrolled and check accuracy of current enrolment. Create online and written forms for change of address and make them readily available.
- II) Create household register: This can be done together with i) but it is a bigger job. The starting data is electoral roll + previous census. A check for the number of children is available from the population age distributions and school rolls. The Ministry for Social Development and Inland Revenue already have a range of data for those currently receiving income support but that information may need to be upgraded and collated. Create online and written forms for changes to household structure, distribute them to households and develop procedures for processing the changes.
- III) Births and deaths: Create cross-linkage between existing registry and household register.
- IV) Opt-out (if provided for): Create online and written "opt-out" form and internal process for applying it.
- V) Bank accounts: Co-ordinate with NZ owned banks. Create bank accounts and distribute cards and develop the process for paying the childrens' basic income into bank accounts established for that purpose (accessed by the main care giver). This basically involves adapting what is already in place. Provide advice and assistance to those who do not presently use debit cards. Ensure ATM machines are available and accessible throughout the trial area.
- VI) Migration to and from the trial area: This would be done as part of ii).
- VII) There are existing processes for travel abroad and other temporary absences that can be adapted to the trial.
- VIII) Fraud: A separate audit unit might be established to check for abuse of the household structure when claiming the basic income. Otherwise the existing provisions for investigation and compliance could be adapted to fit.
- IX) Legislative expenses: The trial will probably need enabling legislation to authorise the systemic changes and taxation provisions.
- X) Establish procedures to incorporate self-employed and business owners. This might possibly involve applying default incomes for unconditional income support abatement purposes. The default incomes would be offset against actual incomes at the time annual tax returns are filed.
- XI) Research and evaluation: There will be some additional research and evaluation expenses because the trial will be running in parallel with the existing (upgraded) nationwide income support system.

APPENDIX 3

SOME WORKED EXAMPLES

Accommodation supplements have been obtained from the calculator on the Ministry of Social Development website assuming no assets. Rents have been obtained from published averages for the areas concerned. 2% has been added to the 2018 equivalised median income to allow for inflation. There are wide variations in the applicability of this data for any particular household.

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The results are extremely sensitive to housing costs and the income abatement rate. (Calculations for all the figures in Table 2 are available.)

Example 1 – Single Adult with no earned income living in South Auckland

Unconditional income support (Table 2) for 1A	\$ 390
Basic income	\$ 0
Accommodation Assistance (calculator)	\$ 225
Total	\$ 615
Less rent say	(\$ 300)
Income after housing cost	\$ 315
Equivalised median income + 2%	\$ 588
Income % of equivalised median income + 2% $315/588$	0.53

Example 2 – Couple with no earned income living in South Auckland

Unconditional income support (Table 2) for 2A	\$ 615
Basic income Adult 0 child 0	\$ 0
Accommodation Assistance (calculator)	\$ 217
Total	\$ 832
Less rent say	(\$ 400)
Income after housing cost	\$ 432
Equivalised median income + 2%	\$ 906
Income % of equivalised median income + 2% $432/906$	0.50

Example 3 –Sole parent with 2 children, no earned income, living in South Auckland:

Unconditional income support (Table 2) for 1A + 2C	\$ 725
Less abatement	<u>(\$ 0)</u>
	\$ 725
Add basic income 1 adults x \$0 + 2 Children x \$30	\$ 60
Plus earned income	\$ 0
Less tax on earned income 20% between \$382 and \$764	(\$ 0)
Add Accommodation Assistance (calculator)	\$ 305
Total	\$1090
Less rent say	(\$ 500)
Income after housing cost	\$ 590
Equivalised median income + 2%	\$1029
Income % of equivalised median income + 2% $590/1029$	0.57

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Example 4 –Couple with 2 children, no earned income, living in South Auckland:

Unconditional income support (Table 2) for 2A + 2C	\$ 785
Less abatement	<u>(\$ 0)</u>
	\$ 785
Add basic income 2 adults x \$0 + 2 Children x \$30	\$ 60
Plus earned income	\$ 0
Less tax on earned income (zero – no tax on first \$20000)	(\$ 0)
Add Accommodation Assistance (calculator)	\$ 305
Total	\$1150
Less rent say	(\$ 500)
Income after housing cost	\$ 650
Equivalised median income + 2%	\$1276
Income % of equivalised median income + 2% $650/1276$	0.51

Example 5 – Sole parent with 2 children, earned income \$20000, living in South Auckland: (\$20000/year = \$382/week)

Unconditional income support (Table 2) for 1A + 2C	\$ 725
Less \$382x 40% abatement	<u>(\$ 153)</u>
	\$ 572
Add basic income 1 adults x \$0 + 2 Children x \$30	\$ 60
Plus earned income	\$ 382
Less tax on earned income 20% (no tax on first \$20000 income	(\$ 0)
Add Accommodation Assistance (calculator)	\$ 305
Total	\$1319
Less rent say	(\$ 500)
Income after housing cost	\$ 819
Equivalised median income + 2%	\$1029
Income % of equivalised median income + 2% $819/1029$	0.80

Example 6 – Couple with 2 children, earned income \$20000, living in South Auckland: (\$20000/year = \$382/week)

Unconditional income support (Table 2) for 2A + 2C	\$ 785
Less \$382x 40% abatement	<u>(\$ 153)</u>
	\$ 632
Add basic income 2 adults x \$0 + 2 Children x \$30	\$ 60
Plus earned income	\$ 382
Less tax on earned income 20% (no tax on first \$20000 income	(\$ 0)
Add Accommodation Assistance (calculator)	\$ 305
Total	\$1379
Less rent say	(\$ 500)
Income after housing cost	\$ 879
Equivalised median income + 2%	\$1276
Income % of equivalised median income + 2% $879/1276$	0.69

Example 7 – Sole parent with 2 children, earned income \$40000, living in South Auckland: (\$40000/year = \$764/week)

Unconditional income support (Table 2) for 1A + 2C	\$ 725
Less \$764 x 40% abatement	<u>(\$ 305)</u>
	\$ 420
Add basic income 1 adults x \$0 + 2Children x \$30	\$ 60
Plus earned income	\$ 764
Less tax on earned income 20% between \$382 and \$764	(\$ 77)
Add Accommodation Assistance (calculator)	\$ 220
Total	\$1387
Less rent say	(\$ 500)
Income after housing cost	\$ 887
Equivalised median income + 2%	\$1029
Income % of equivalised median income + 2% $887/1029$	0.86

Example 8 – Couple with 2 children, earned income \$40000, living in South Auckland: (\$40000/year = \$764/week)

Unconditional income support (Table A) for 2A + 2C	\$ 785
Less \$764 x 40% abatement	<u>(\$ 306)</u>
	\$ 479
Add basic income 2 adults x \$0 + 2 Children x \$30	\$ 60
Plus earned income	\$ 764
Less tax on earned income 20% between \$382 and \$764	(\$ 77)
Add Accommodation Assistance (calculator)	\$ 260
Total	\$1486
Less rent say	(\$ 500)
Income after housing cost	\$ 986
Equivalised median income + 2%	\$1276
Income % of equivalised median income + 2% $986/1276$	0.77

Example 9 – Single with 3 children, earned income \$70000, living in South

Auckland: (\$70000/year = \$1346/week)

Unconditional income support (Table 2) for 1A + 3C	\$ 810
Less \$1346 x 40% abatement	<u>(\$ 538)</u>
	\$ 271
Add basic income 1 adults x \$0 + 3 Children x \$30	\$ 90
Plus earned income	\$1346
Less tax on earned income 20% between \$382 and \$764 and 33% between \$764 and \$1346	(\$ 269)
Add Accommodation Assistance (calculator)	\$ 129
Total	\$1567
Less rent say	(\$ 575)
Income after housing cost	\$ 992
Equivalised median income + 2%	\$1211
Income % of equivalised median income + 2% $992/1211$	0.82

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Example 10 – Couple with 3 children, earned income \$70000, living in South

Auckland: (\$70000/year = \$1346/week)

Unconditional income support (Table 2) for 2A + 3C	\$ 870
Less \$1346 x 40% abatement	<u>(\$ 538)</u>
	\$ 332
Add basic income 2 adults x \$0 + 3 Children x \$30	\$ 90
Plus earned income	\$1346
Less tax on earned income 20% between \$382 and \$764 and 33% between \$764 and \$1346	(\$ 269)
Add Accommodation Assistance (calculator)	\$ 129
Total	\$1628
Less rent say	(\$ 575)
Income after housing cost	\$1053
Equivalised median income + 2%	\$1428
Income % of equivalised median income + 2% $1053/1428$	0.74

APPENDIX 4

Who pays income tax... and how much?

Budget at a Glance - tax year 2019/20

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The table below is projected for the tax year 2019/20 (1 April 2019 to 31 March 2020) from the Treasury's microsimulation model TAWA. It includes tax on New Zealand Superannuation and major social welfare benefits, but excludes ACC levies, Working for Families and Independent Earner tax credits. Only individuals of working age are included, that is, 16 years and above.

	(000)	%	(\$m)	Tax %
	People		Tax	
Zero	218	6	0	0
1 – 10,000	374	10	160	0
10,001 – 20,000	644	17	1,170	3
20,001 – 30,000	588	15	1,930	5
30,001 – 40,000	342	9	1,760	5
40,001 – 50,000	337	9	2,340	6
50,001 – 60,000	311	8	2,950	8
60,001 – 70,000	246	6	3,050	8
70,001 – 80,000	190	5	2,970	8
80,001 – 90,000	154	4	2,900	8
90,001 – 100,000	105	3	2,330	6
100,001 – 125,000	145	4	3,980	11
125,001 – 150,000	74	2	2,640	7
150,001+	122	3	8,670	24
All	3,850	100	36,850	100

The table below shows the new tax following the \$4 billion tax cuts and how the tax cuts are distributed.

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Income	People (000)	Tax now \$m	Tax new \$m	Tax cut \$m	Average Tax cut/ taxpayer
Zero	218	0	0	0	0
1 – 10,000	374	160	0	160	428
10,001 – 20,000	644	1,170	0	1170	1817
20,001 – 30,000	588	1,930	588	1342	2282
30,001 – 40,000	342	1,760	1,026	734	2160
40,001 – 50,000	337	2,340	1,904	436	1294
50,001 – 60,000	311	2,950	2,783	167	537
60,001 – 70,000	246	3,050	3,013	37	150
70,001 – 80,000	190	2,970	2,955	15	0
80,001 – 90,000	154	2,900	2,903	--3	0
90,001 – 100,000	105	2,330	2,326	-4	0
100,001 – 125,000	145	3,980	4,049	-69	0
125,001 – 150,000	74	2,640	2,677	-37	0
-37-37150,001+	122	8,670	8,670	-0	0
All	3,850	36,850	32,894		

Note: the negative figures in the upper income brackets are rounding errors due to the assumption of equal income distribution within the tax brackets